

19 July 2012

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Chairman's Address and Remuneration Committee Chairman's Address

The Chairman's Address and the Remuneration Committee Chairman's Address to be given at today's Annual General Meetings and Meeting of Unitholders are attached.

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Company Secretary

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SP AusNet Annual General Meeting 2012

Chairman's Address

I would like to thank you for taking the time to attend this year's Annual General Meeting.

I would also like to thank all securityholders for their continued support of the Company throughout the year.

In May, we announced our full year results for the year ended 31 March 2012.

Headline results showed that SP AusNet continued to deliver sound results:

- total revenue increased by 4.6 per cent to \$1,535.4 billion.
- regulated asset base grew by \$390 million to \$6.64 billion
- underlying net profit after tax was up 0.8 per cent to \$255 million

This was despite the fact that we experienced a reduction in demand on our gas and electricity distribution networks. Energy consumption decreased by more than 3 per cent on each network due, in part, to mild weather, tough economic conditions and the penetration of residential solar generation.

Offsetting this trend, new wind farm and gas-fired generation connections on the transmission network continue to promote growth in SP AusNet's asset base.

Against this background, and rising to the challenge to deliver a sustainable result, our management team implemented sensible and sustainable cost reduction programs across all divisions to offset our reduced revenue, which resulted in a net profit of \$255 million, slightly up on 2011.

SP AusNet paid securityholders a final distribution of 4 cents, bringing the full year distribution to 8 cents per security (franked at 33.3 per cent), in line with guidance.

We also maintained our 'A' range credit rating, further diversified our sources of finance and lengthened the maturity of our debt.

SP AusNet continued to invest in major capital programs associated with the ongoing development of Victoria's electricity transmission network and electricity and gas distribution networks. This is part of our commitment to a safe and reliable supply of energy to consumers.

To help fund this significant investment in Victoria, SP AusNet successfully undertook an accelerated non-renounceable pro-rata entitlement offer with existing institutional and retail securityholders. We raised approximately \$434 million.

We also raised \$91.3m via our Distribution Reinvestment Plan, with a 46 per cent per cent uptake in June 2011 and a 38 per cent uptake in December 2011.

SP AusNet has a well-diversified debt portfolio. In a year when debt markets remained volatile, SPN raised approximately \$1 billion from both the bank debt and capital markets. This is an ongoing process, which we believe is well managed against challenging economic conditions. For example, competitively priced Australian Dollar and Japanese Yen bond issues were recently completed.

As a result of our efforts to drive the business results you expect, SP AusNet was recently included in rating agency Standard and Poor's S&P100 index. This index provides guidance for certain investors and will enhance our profile amongst the investment community.

Key Issues

I will now provide a brief update on some key issues facing the business.

Black Saturday Litigation

The first is the litigation surrounding the Black Saturday bushfires in Kilmore East and Beechworth, respectively.

The parties to the Beechworth class action agreed to settle the matter before proceeding to court. Under the settlement, 40% of the plaintiffs' assessed losses plus interest of 5% up to a cap of \$32.8 million will be payable by the defendants. SP AusNet's share of the settlement sum is 27% of the assessed losses, and its contribution is capped at \$19.7 million. This amount will be paid by SP AusNet's insurers.

The settlement has been reached without admission of liability by SP AusNet or any other party.

SP AusNet remains a defendant to a class action that has been initiated in respect of the Kilmore East fire. The Kilmore East hearing is presently scheduled to commence in January 2013. As this matter remains before the court, I propose not to go into further details at this time, except to say that SP AusNet will vigorously defend the claim.

Taxation Office Disputes

I would also like to update you on our disputes with the Tax Office. During the year, the ATO completed large business audits of the SP AusNet Group. The focus of the audits was:

- deductions claimed in respect of franchise fees paid by the Company in the 1999 to 2001 tax years; and
- deductions claimed in respect of intellectual property from 1998 onwards.

SP AusNet has lodged notices of objection with the ATO in relation to the amended assessments issued. The ATO has agreed to a part-payment arrangement, on the basis that the amounts due are disputed.

SP AusNet has initiated an appeal against the ATO in respect of the intellectual property dispute, and intends to do the same for the franchise fee dispute at an appropriate time in the process.

Smart Meters

The final matter I wish to mention is the roll-out of smart electricity meters. This project has been mandated by the Victorian Government and will allow customers to better understand and manage their energy needs. In addition, the meters will provide more technical information about system performance across our electricity networks, enabling SP AusNet to improve existing network asset efficiency, network reliability and performance. Under the program, SP AusNet is able to recover prudent costs of implementing the program.

SP AusNet is progressing with the installation of these new electricity meters and expects to meet the Government's mandated completion target.

Conclusion

I am pleased to confirm that SP AusNet remains a stable and secure investment for securityholders.

Organic growth in the regulated asset base continues despite the difficult economic environment of recent times and the apparent downward trend in demand.

For the 2013 financial year, SP AusNet expects distributions to be 8.2 cents per security, representing a 2.5 per cent increase on 2012.

We will continue our focus on strong growth of our regulated asset base, the expansion and commercialisation of our asset services business through Select Solutions, and continue to operate to deliver energy safely and reliably for our customers.

I will now hand you over to Nino Ficca to provide an insight into SP AusNet's operations.

Thank you.



SP AusNet Annual General Meeting 2012

Remuneration Committee Chairman's Address

Good morning ladies and gentlemen,

My name is George Lefroy and I am the Chairman of the Board's Remuneration Committee.

This Committee is responsible for reviewing and recommending to the Board the remuneration policy, strategy, and structure for SP AusNet's Board, the Managing Director, and senior executives. In so doing, it seeks external, independent advice and information from its appointed advisor regarding market practice, remuneration structure and competitive analysis of the executive market.

Our remuneration philosophy and strategy continues to be designed to:

- attract and retain top-class Board and executive talent;
- create a high-performance culture by driving and rewarding executives for the achievement of the company's strategy and business objectives; and
- link incentives to the creation of security holder value.

In summary, SP AusNet's remuneration strategy is intended to directly align with security holders' interests.

Fixed Pay is set following rigorous comparison with other industrial enterprises for jobs of comparable complexity, impact and scale. In November 2011 base salaries for SP AusNet's senior executive staff were increased by an average of 4.5 percent.

Short-term incentives, including individual performance requirements, are based on stretch targets that ensure executives' remuneration is linked directly to the business strategy. Payments are linked to a balanced scorecard, which incorporates financial and non-financial performance measures.

At the corporate level, performance against the balanced scorecard KPI's for the FY12 year delivered a payout at 100.8 percent of target, representing an overall target outcome in financial and non-financial KPI's in a challenging operational year. This payout was above the 2011 outcome of 88 percent.

Long-term incentives will only reward executives if performance measures for relative Total Security holder Return and/or earnings per security growth are met. The vesting schedule is designed to deliver the rewards at the end of the three-year performance period. The LTI plan does not allow for retesting of performance measures in subsequent years. Therefore, executives must consistently meet or exceed expectations to fully benefit from the plan. Finally, they must invest the after-tax long-term incentive payments in SPN securities, and hold them for a further year. This is the fourth year when our LTI scheme has "vested" and paid out to executives.

In the period 1 April 2009 to 31 March 2012, our shareholder return ranked at the 52.7th percentile, where 100 percent is the very best return of a listed company.

Our Earnings per Security covering the same 3 year period grew at a compound annual growth rate of 2.0 percent, underperforming against our long term target and resulting in zero vesting for the Earnings per



security component. This outcome was heavily impacted by SP AusNet's May 2009 Entitlement Offer, with no adjustment made to the LTI earnings per security target or outcome as a result of this initiative.

As a result of the Total Security holder Return and Earnings Per Security outcomes, 27.7 percent of the target LTI program vested for the 2009-2012 tranche.

It is noted that the Board retains absolute discretion to vary or withhold payments made to executives under the Company's Short Term Incentive and Long Term incentive program including for reasons of financial misstatement or fraudulent practice. There was no requirement for the Board to exercise this discretion during the past financial year.

I will now turn to the Managing Director's remuneration. Mr Ficca is rewarded for operational excellence and for the role he plays in developing the business strategy, and in guiding and driving specified business outcomes.

As you will see from the Remuneration Report, his total reportable remuneration for the year ended 31 March 2012 was \$1,619,726. This represents a 19.3 percent decrease on the reported figure for 2011 of \$2,006,400 in large part due to the lower payout of LTI benefits associated with the 2009-2012 tranche of the Company's LTI scheme.

It is important to note that "reportable" remuneration is not the same as "take home pay" or value to the executive. Reportable Remuneration takes into consideration accounting valuations for current and historical equity grants that may or may not materialise for the Managing Director.

SP AusNet's Non-Executive Directors continue to be remunerated with set fees. The Directors are not remunerated with securities in SP AusNet.

Non-Executive Director fees were reviewed by the Board in November 2011, however in keeping with the Board's practice of adjusting Director fees every two to three years, no adjustments were made at that time.

Finally, Securityholders will note that a resolution has been proposed to seek approval at this Annual General Meeting for an increase in Aggregate Fee pool to \$2,000,000. The current fee pool of \$1,500,000 was last adjusted at the Company's 2007 Annual General Meeting and in 2011-12, Director fees accounted for 81.5 % of this pool.

The proposed increase would enable the Company to continue to achieve the following outcomes:

- Competitively position the director fee pool maximum to provide fair and reasonable compensation for directors;
- Enable SP AusNet to continue to be able to attract and retain high calibre directors to the Board;
- Compensate directors for increasing workloads and corporate governance responsibilities; and;
- Provide sufficient funds to invite additional directors to the Board, if desired.

I commend the report to you.

Thank you.