

18 July 2013

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.

Susan Taylor
Company Secretary

For further information contact:

Investor Relations

John Nicolopoulos
Investor Relations
+61 3 9695 6301 or +61 409 672 912

Media Relations

Jonathon Geddes
Media Advisor
+61 3 9695 6401 or + 61 410 573 278

SP AusNet

SP Australia Networks (Distribution) Ltd
ABN 37 108 788 245

SP Australia Networks (Transmission) Ltd
ABN 48 116 124 362

SP Australia Networks (Finance) Trust
ARSN 116 783 914

SP Australia Networks (RE) Ltd
ABN 46 109 977 371
AFS Licence No. 294117 as responsible entity
for SP Australia Networks (Finance) Trust

Level 31
2 Southbank Boulevard
Southbank Victoria 3006
Australia

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia

Tel: +61 3 9695 6000
Fax: +61 3 9695 6666

www.sp-ausnet.com.au

2013 CHAIRMAN'S ADDRESS

Mr Ng Kee Choe, Chairman, SP AusNet

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.

Recently, we announced to the market that Singapore Power Limited entered into an agreement with State Grid International Development Limited, which is a subsidiary of State Grid Corporation of China, under which SGID will acquire from SPI a 19.9% stake in SP AusNet.

State Grid Corporation of China is the world's largest utility company, with revenues of approximately US\$300 billion in 2012 and it ranks No.7 on the Fortune Global 500 list. Outside China, SGID has invested in Australia, Brazil, Portugal and the Philippines.

In addition, Singapore Power has been clear in its message to SP AusNet and its securityholders that in its view, Australia has a resilient economy with a transparent regulatory and legal framework and that Australia remains a focus for SP's future plans, including through its remaining 31.1% security interest in SP AusNet.

Singapore Power recently stated that:

"SP remains committed to all of its stakeholders in Australia, including consumers, governments, regulators and business partners... The transactions demonstrate the confidence SP and [State Grid] have in the future prospects of SP AusNet ..., as well as the energy infrastructure environment in Australia. SP and [State Grid] share a long-term view of these investments in providing high levels of service and reliability to Australian consumers."

This transaction remains subject to a number of conditions, including regulatory approvals from the Foreign Investment Review Board and the ACCC.

The Board is presently considering a number of implications which arise from this transaction. Amongst these is a possible restructure of the composition of the Board, the efficacy of retaining arrangements under which management of SP AusNet is provided by Singapore Power, and branding consequences.

This will take time. However, the Board intends to carefully and thoroughly consider all implications and options.

Any consequential decisions will be made only after all the conditions to which the SGID transaction is subject are satisfied.

Once the SGID transaction is completed, material Board decisions will be communicated to the market promptly.

The Board wishes to assure investors that we will make decisions that are in the best interests of securityholders.

In the meantime, we do not foresee that the transaction will have any material impact on the day-to-day operations of SP AusNet. The Board and management will work towards ensuring that the transition to the new ownership structure occurs smoothly and that the market is kept appropriately informed.

And with that, I'd like to reflect now on some of SP AusNet's key achievements of the past financial year.

In May, we announced our full year results for the year ended 31 March 2013. SP AusNet continued to deliver strong results:

- total revenue increased by 6.8 per cent to \$1,639.5 billion;
- regulated / contracted asset base of \$7.6 billion; and
- underlying net profit after tax was up 9.5 per cent to \$279.1 million.

We continue to see a reduced demand on our electricity distribution network. However, our gas distribution revenues and transmission network revenues have increased by 7 percent and 5.7 percent, respectively, through a combination of increased demand on our gas network and regulated price increases.

SP AusNet paid securityholders a final distribution of 4.1 cents, delivering on full year distribution guidance of 8.2 cents per security.

On news of the State Grid transaction, we were disappointed by the sudden reaction of Standard & Poors, which downgraded SP AusNet's credit rating to BBB+ from A-. I can assure you that we are in discussions with key rating agencies to satisfy them of the credentials of SP AusNet's new major investor, State Grid, and of our own strong financial position.

Despite the slight downgrade, we do not anticipate any material effects on our debt portfolio or repayment obligations.

SP AusNet has a well-diversified debt portfolio. In a year when debt markets remained volatile, SPN raised approximately \$1.4 billion of debt capital at competitive prices. By maintaining a prudent mix of debt and equity, a low cost of capital is available to SP AusNet, and this has contributed to the strong net profit after tax result achieved for the period.

We also raised \$38.4m via our Distribution Reinvestment Plan, with a 7 per cent per cent uptake in June

2012 and a 22 per cent uptake in December 2012.

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 Murrindindi, respectively.

The Kilmore East class action hearing in the Supreme Court is well underway. One of the key findings of experts on both sides of the litigation is that lightning is the most likely cause of the damage to the electricity conductor, which broke as a result of this damage. We will demonstrate to the court that this damage could not have been detected, and we continue to strongly believe that this undermines any allegation of negligence. However, the court process is scheduled to continue for some time – some 6 months or more – and therefore, I propose not to go into further details at this time, except to say that SP AusNet continues to deny that it was negligent.

During the past year, it also came to light that police had abandoned their theory that an arsonist was responsible for the second major fire on Black Saturday, which occurred in Murrindindi. It is now alleged that electricity assets owned by SP AusNet caused that fire. This has given rise to an additional class action against SP AusNet. Like the Kilmore class action, other parties are also joined as co-defendants, and like the Kilmore class action, we will vigorously defend this claim.

Taxation Office Disputes

I would also like to update you on our disputes with the Australian Tax Office (or “ATO”).

SP AusNet is currently in dispute with the ATO on the following matters:

- Section 163AA impost – deductions claimed in respect of fees imposed under Section 163AA of the Electricity Industry Act 1993; and
- Intellectual property – deductions claimed in respect of intellectual property (specifically, copyright) for the 2001 to 2010 income years.

In relation to the Section 163AA impost matter, trial proceedings concluded yesterday in the Federal Court, before Justice Gordon. A decision is expected to be handed down before the end of the 2013 calendar year.

As at 31 March 2013, the total amount in dispute for Section 163AA imposts was \$97.8 million. SP AusNet

was required to pay \$30.6 million of this disputed tax amount to the ATO, in October 2011, in advance of challenging the matter before the Courts.

The Intellectual Property matter is also currently before the Federal Court, although only at directions hearing stage, at this point in time, with trial dates yet to be determined.

As at 31 March 2013, the total amount in dispute for intellectual property deductions is \$49.2 million. SP AusNet was required to make a payment of \$17.1 million to the ATO, in October 2011, in advance of the court proceedings.

Further details regarding these matters are contained in Note 23 of the SP AusNet Distribution financial statements for the year ended 31 March 2013.

Rest assured that SP AusNet is vigorously defending these disputes, as we believe the deductions are properly available for Australian tax purposes.

Dr George Lefroy

As you will have noted, Dr George Lefroy steps down as a Director of SP AusNet at the conclusion of today's meeting.

I would like to note the contribution that has been made by George in his 8 years as a Director.

During his time at SP AusNet, Dr Lefroy has made valuable contributions to the Companies as a member of the Board, Chairman of the Remuneration Committee, member of the Bushfire Litigation Committee and member of the former AMI Due Diligence Committee.

The Board notes with appreciation Dr Lefroy's service and contribution to the Companies.

Conclusion

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

We continue to strive for organic growth, as well as carefully planned investment in a range of regulated and unregulated opportunities that are aligned with our core business.

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.

Remuneration Speech

Dr George Lefroy, Chairman – Remuneration Committee

Good morning ladies and gentlemen.

The Remuneration 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 market comparison for jobs of comparable complexity, impact and scale. On 1 April 2012, the Company introduced a new Performance Planning and Development framework for all employees, with the aim of more directly aligning AP AusNet's Corporate Business Planning cycle, which commences 1 April each year, with employee performance planning and reward processes. In line with this change, the annual fixed pay review process, which previously occurred on 1 November each year, has recently been moved to occur on 1 April each year.

In transitioning to the new cycle, in November 2012 the Board applied a mini fixed pay review covering the period 1 November 2012 to 31 March 2013, with senior executives receiving an average 1.75 percent increase in their Fixed Pay.

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 FY13 year delivered a payout at 144.6 percent of target, which was above the FY12 outcome of 100.8 percent. This outcome, which is the highest achieved under the company's short-term incentive scheme, was reflective of a very positive year of achievement against financial and non-financial KPI's.

To provide further context, the short term incentive payment outcomes occurred in an environment where SP AusNet recorded growth in profits, undertook a successful \$434 million entitlement offer, realised growth in its security price and increased distributions to security holders, while delivering significant improvements in workplace safety, and favourable results in areas such as network reliability, cost efficiencies and retention of talent.

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 assess performance and 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 fifth year when our LTI scheme has "vested" and paid out to executives.

For the period 1 April 2010 to 31 March 2013, our shareholder return achieved a percentile ranking of 87.2, where 100 percent is the very best return of a listed company.

Our Earnings per Security, covering the same three year period, grew at a compound annual growth rate of 1.82 percent, underperforming against our long term target and resulting in zero vesting for the Earnings per Security component. This outcome was partly impacted by SP AusNet's May 2012 Entitlement Offer, which increased the number of securities on issue. Consistent with past practice, no adjustment was 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, 50 percent of the target LTI program vested for the 2010-2013 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.

The Board used this discretion during FY13 in relation to Short-term incentive payments. The balanced scorecard KPI's, upon which Short-term incentive outcomes are based, achieved an audited outcome of 153.1 percent. However, the Remuneration Committee and the Board exercised discretion to mark this down to 144.6 percent following a recommendation from Management to scale back the audited assessment of one network-related KPI from an 'above target' to an 'at target' outcome.

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 2013 was \$2,124,138. This represents a 31.1 percent increase on the reported figure for 2012 of \$1,619,726, due in part to higher payouts for the FY13 Short term Incentive and LTI Plans compared to FY12.

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 Long Term Incentive 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.

At the July 2012 Annual General Meeting, Securityholders approved an increase in the Aggregate Fee Pool available for Non-Executive Director payments to \$2 million per annum. Base Director Fees were reviewed in November 2012 and in keeping with past practice to adjust Director fees

every two to three years, increases to fees were approved during FY13, with effect from 1 April 2013. These adjustments will be reflected in the 2014 Annual Remuneration Report.

In conclusion, you will be aware that after eight years as a member of the SP AusNet Board, I will be retiring from the Board effective from today's Annual General Meeting. I wish to extend my thanks to Securityholders, my fellow Board members, the senior executive team and employees of SP AusNet, for their support and dedication to ensuring that SP AusNet remains a successful company, defined by strong corporate values and robust and effective standards of Corporate Governance.

I commend the report to you.

Thank you.