

17 July 2008

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Chairman's Address and Managing Director's Address

Please find attached the Chairman's Address and Managing Director's Address to be given at today's Annual General Meetings and Meeting of Unitholders.

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Company Secretary

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SP AusNet

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SP AusNet Chairman's Address

Ladies and gentlemen, before we commence the formal part of our business, allow me to say a few words to you about our business. After that I will hand over to our Managing Director, Nino Ficca, to provide you with a more detailed account of SP AusNet's operations.

This past year SP AusNet has continued to deliver value to securityholders. The continued growth of our network assets underpins our delivery of high quality, sustainable earnings.

Our full year results which were released in May, once again demonstrated a strong underlying business with key financial metrics exceeding guidance. Your Directors had declared a final distribution of 5.788 cents bringing the full year distribution to 11.564 cents per security. This represented a growth in distributions of 2.6%.

In respect of the performance of our business and networks, revenue reached \$1,055.1 million in the last financial year, growth of 3.5%. This increase was driven by price, volume as well as customer growth. Last year, we connected some 23,500 new customers to our networks.

We continued to make significant investment in our networks, growing our Regulated Asset Base to almost \$5 billion. Such investments will go towards ensuring that the business will continue to deliver sustainable earnings going forward

I am also pleased to report SP AusNet's financial position remains strong with a Standard and Poor's credit rating of 'A-' and a Moody's corporate family rating of A1.

Our strong fundamentals enabled us to refinance under difficult market conditions, \$1.55 billion of debt during the year at competitive rates, and to raise A\$530 million under a 10-year Sterling bond issue last month. We continue to maintain a diversified debt profile by both maturity and funding source.

You will recall that on 10 December 2007, the Board announced its decision not to proceed with the proposed acquisition of the assets of the former Alinta group, due primarily to the deterioration in debt capital markets, at that time. The decision not to proceed was a difficult one, given that the acquisition offered excellent opportunities for the business. However, it was undoubtedly the right one as the transaction metrics were adversely affected by the conditions in the debt and capital markets.

Therefore, our majority securityholder, Singapore Power International (SPI), continues to own the former Alinta east coast assets through its wholly owned subsidiary, SPI (Australia) Assets Pty Ltd (also, known as SPIAA). Both SP AusNet and SPIAA are commercial entities with separate strong management teams and Boards. As such we continue to look for opportunities for synergy benefits, building off each other's strengths to deliver value and savings for both parties.

Looking to the future, SP AusNet continues to be a strong business underpinned by stable and reliable regulated revenues. The release of the Final Decisions on our electricity transmission and gas distribution networks in January and March 2008 provided us with the certainty for almost 100% of SP AusNet's regulated revenues until 2011. This revenue certainty enables us to continue to deliver long-term value to our investors.

We remain well positioned for organic growth as well as growth through expansion of niche asset services such as metering and technical services. We continue to invest in and develop our human resource. And our financial strength will be paramount as we seek out to evaluate suitable growth opportunities, with the creation of securityholder value remaining our priority.

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

SP AusNet Managing Director's Address

Thank you Chairman. On behalf of SP AusNet and our 1,300 employees I'd like to welcome you to our third Annual General Meeting.

The past year has been a very eventful and rewarding one for our business as we've continued to deliver results and build long-term value for securityholders, including:

- the finalisation of two significant regulatory resets;
- the successful refinancing of approximately \$2.1 billion of debt at competitive rates;
- the early completion of the Natural Gas extension program delivering natural gas to 12 regional towns in Victoria;
- connecting approximately 23,500 new customers to our network;
- the refurbishment and upgrade of nine electricity transmission stations; and
- the recruitment of 40 apprentices, trainees and graduates into the business.

SP AusNet has once again demonstrated it can deliver strong profits and predictable cash flows supported by a high degree of revenue certainty.

I am happy to say we exceeded guidance on a normalised basis on all of our financial metrics. We delivered revenue growth of \$35.7m or 3.5% for the year, and normalised Net Profit After Tax of \$168.2 million both of which were above guidance provided during the year.

I'll now spend a bit of time on some of the key aspects that helped shape the prior year for SP AusNet.

There are three key drivers of investment in our energy networks: Increasing use of our networks by existing customers; continuing growth in new customer connections; and our commitment to strengthening the networks for the long term.

The **Electricity Transmission Network** is a key piece of energy infrastructure that, over the past year, has experienced significant upgrades to meet the energy needs of our communities.

Over the past financial year, the transmission network contributed \$434.4 million in total revenues to SP AusNet, an increase of 3.2% compared to last year.

Capital investment in the transmission network remained a priority as we invested \$141.9 million last year to refurbish and upgrade nine key terminal station sites across Victoria from Malvern to Redcliffs and also committed another \$40 million to upgrade the South Morang Terminal Station site to meet increasing energy demand in one of Australia's fastest growing areas.

Our focus is the delivery of safe and efficient energy supply and these substantial upgrades right across the transmission network are key to ensuring we maintain a reliable supply and meet Victoria's growing energy demands.

Over the past year we have also seen the expansion of our **Electricity Distribution Network**.

Covering the eastern half of Victoria, including Melbourne's eastern metropolitan area, SP AusNet's electricity distribution network services almost 600,000 customer connections and spans over 46,000 kms in length.

Over the past financial year, the distribution network contributed \$463.6 million in revenues to SP AusNet - an increase of 6.9% on last year driven by volume and customer growth from continued strong housing development. We invested \$185.3 million in the network and connected approximately 9,500 new customers during the year.

Network performance and customer service continue to be key focuses for the business and a number of programs were undertaken to strengthen the network by reducing the number of faults and reducing the impact if they occur.

These include increased levels of preventive maintenance, automated feeder switching and enhanced outage response. Innovative company wide initiatives such as using non operational employees to assist in crisis management, have allowed the business to improve operational response and reduce the impact of network outages.

This was successfully trialled during the Gippsland floods of June 2007 and most recently the wild storm we experienced on the 2nd of April this year.

SP AusNet's **Gas Distribution Network** has continued to grow in the past year seeing approximately 14,000 additional customer connections representing 2.7% growth in customers on the previous year.

Covering outer western metropolitan Melbourne and Victoria's west, the gas distribution network comprises of around 9,400 kms of gas mains reticulation and 183 kms of gas transmission pipelines.

The gas business contributed \$167.7 million in total revenues for the year and we invested \$75.1 million of capital predominantly to expand the network to meet growing demand.

We successfully completed the Natural Gas Extension Program ahead of schedule - comprising the installation of 350kms of natural gas pipeline connecting 12 regional towns to natural gas, providing these residents with the benefits of this economical, safe and environmentally friendly form of energy.

We also continued our extensive gas mains renewal program, improving supply capacity, and making the gas distribution network safer and more reliable.

Growing the business is a key focus for SP AusNet and over the past year, we have made significant progress in this area.

As a key element of our strategy, we have continued to achieve strong organic growth. Our regulated asset base now stands at almost \$5 billion. Capital investments in our network over the past 12 months amount to \$402.3 million including customer initiated capex of \$189.5 million, securing future regulated revenues for the business. We will continue this investment with an estimated \$2.7 billion capital expenditure over the next 5 years to enable our business to replace, upgrade capacity, meet growing customer demand and to continue to provide a safe operating environment. This expenditure covers our Transmission, Distribution and Gas networks, as well as the Advanced Metering Infrastructure Program.

We are continuing our focus on pursuing unregulated revenue opportunities and leveraging off our existing assets, particularly in the area of certain niche asset services such as metering, communications and technical services. We see value in offering high-IP services to the market in which we have in-house skills and capabilities.

Our multi-utility metering business, Data and Measurement Solutions, or DMS is one of the top three metering and data managers in Australia.

DMS has now integrated its services contract with City West Water here in Victoria and is on the lookout for further opportunities to expand its market share and capabilities in metering related services. DMS will also have a lead role in delivering the Advanced Metering Infrastructure program for SP AusNet.

Our technical services division provides laboratory and diagnostic services to ourselves and third parties. They strive for innovative process development which will allow us to offer competitive services to external clients.

The telecommunications space continues to deliver opportunities for unregulated revenues including antenna site leasing on our transmission towers and fibre leasing along our transmission and distribution networks.

Further expansion and commercialisation of these niche services will be a key focus for the business in the coming years.

As mentioned by the Chairman, last year we pursued the acquisition of the east coast Alinta assets acquired by our majority securityholder, SPI. We believed at the time that the proposed acquisition offered excellent opportunities for the business. However, we acknowledge that investor views on the proposed acquisition were mixed.

Given the related party nature of the proposed transaction, an Independent Directors' Committee was established to review the acquisition on behalf of SP AusNet. The Independent Directors' unanimously recommended the acquisition and all of the Directors of SP AusNet believed the acquisition was in the best interests of SP AusNet and its securityholders.

Following the release of the Explanatory Memorandum in November last year, capital markets, in particular debt capital markets deteriorated and have continued to deteriorate. This had a material impact on the overall transaction metrics, as well as SP AusNet's ability to achieve the forecasts provided in the Explanatory Memorandum. As such, the transaction was no longer in the best interests of SP AusNet and the Board made the decision to cancel the transaction on the 10th of December last year.

We are now looking at opportunities for obtaining synergy benefits from SPI's majority ownership of SP AusNet and of SPIAA. Both SP AusNet and SPIAA are separate commercial entities with separate strong management teams and Boards. No agreements have been reached between the two parties, however, we continue to look for ways to work collaboratively together to build off each other's strengths, and deliver value to both parties.

One of the most important and constant factors that contributes to our success is our **people**. And among our employees, safety is our top priority.

Despite one of the strongest safety records in the industry we have embarked on a company wide safety initiative targeting areas for further improvement as we continue to strive for world's best practice.

In November 2007, we were named as a finalist by the Equal **Opportunity for Women in the Workforce Agency** for a business achievement award in the category of 'Outstanding EEO practice for the Advancement of Women in a Non traditional Area or role'. We also set up a **Diversity Initiatives Group** which looks to further enhance and celebrate diversity in the workplace.

As part of the Diversity group we awarded two scholarships to female employees to undertake their Bachelor's Degree in electrical engineering at RMIT.

Our commitment to **skilling for the future** continues to be an important focus for the business and we have placed strong emphasis on recruiting, retaining and developing young people into our business for a sustainable future. In the past year alone we have recruited 35 apprentices and 5 graduates, meaning we now have 114 apprentices in the 4 year program, and 10 graduates in their 3 year program.

One of the key benefits of owning and operating a regulated business is the certainty and predictability of its cashflows.

After two significant regulatory decisions on our gas distributions and electricity transmission networks, we now have almost 100% of regulated revenue locked in for the next three years until 2011. This revenue certainty will enable us to continue to deliver long-term value to our investors.

Our distribution of 11.564 cents per security this year represents growth of 2.6% on the previous year and we are pleased to have maintained the tax effective nature of the distribution for both Australian and Singapore investors. We are forecasting distribution growth of around 2.5% for the coming year with distributions fully supported by cashflows from operations.

I would like to thank all of our investors for your continued support. We will continue our focus on network performance and growth in the coming year as we continue to build a sustainable energy network, a sustainable business and a sustainable investment for the long term.

I will now hand back to the Chairman to commence the formal business of the Meeting.