

14 July 2010

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Chairman's Address, Managing Director's Address and Remuneration Committee Chairman's Address

The Chairman's Address, the Managing Director'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

Natasha Whalley
Communications & Media Advisor
+61 3 9695 6415 or + 61 400 470 800

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



**Annual General Meeting
14 July 2010**

CHAIRMAN'S ADDRESS

Ladies and Gentlemen,

Our full year results released in May this year have demonstrated strong underlying operational and financial performance for SP AusNet during the year ended 31 March 2010.

Against a more stable global financial marketplace and a growing domestic economy, SP AusNet's revenue reached \$1,333.6 million, with an underlying net profit after tax of \$209.0 million.

Given the strong net profit after tax result and in line with guidance given, the Directors were able to declare a final distribution of 4.0 Australian cents, bringing the full year distribution to 8 cents per security.

SP AusNet's revenue of \$1,333.6 million represents an increase of 14 per cent, driven by the increased activity associated with our non-regulated business, namely Select Solutions, regulated price adjustments, and an increase in customer connections and customer contributions.

The total capital investment in our networks was slightly over \$580 million for the year. Besides expanding our asset base, these investments will go towards maintaining as well as improving service for our customers.

Last year SP AusNet raised approximately \$408 million under an accelerated non-renounceable entitlement offer as part of our capital management initiatives. The entitlement offer was successfully completed, strengthening our financial position as a result and enhancing our capacity and flexibility to fund future growth and deliver sustainable returns.

In October last year, Standard and Poor's revised its outlook on SP AusNet's credit rating from 'negative outlook' to 'stable'. Our financial position remains strong, at A- from Standard and Poor's and A1 from Moody's credit rating.

Reflecting our strong financial position, we successfully accessed the Australian and international bond markets in the first quarter of 2010, raising approximately \$920 million at competitive rates.

SP AusNet's Distribution Reinvestment Plan applies to the 2009/10 final distribution. Participation in the DRP to date has been very positive. The stapled security participation rate for the 2009/10 interim distribution was approximately 33 per cent, and 33 per cent for the final distribution.

There are some emerging developments that are likely to have a positive effect on financial outcomes this year. On June 4 2010, new tax legislation came into effect. This new tax law confirms the availability of additional tax deductions or carry forward losses available to SP AusNet, which enables us to book a benefit of around \$10m this financial year. In addition, SP AusNet has been able to utilise the Federal Government's investment allowance incentive, and we anticipate that this will also yield a tax benefit this financial year. Lastly, we are now starting to see the benefits of our enhanced reliability program, with incentive payments being received by SP AusNet under the AER's S-Factor incentive scheme. These payments are received two years after the network's reliability performance is assessed.

While we are pleased with these positive financial effects, we appreciate that our securityholders are aware of events that presently cause uncertainties to our business.

Throughout the year we continued to extend our full support and assistance to the 2009 Victorian Bushfires Royal Commission. Many SP AusNet employees were involved in providing evidence to the Commission. The Commission is due to release its final recommendations at the end of this month.

As previously announced, SP AusNet is involved in court proceedings in respect of two of the fires that occurred on 7 February 2009 – that in Beechworth and Kilmore East. As these matters are currently before the courts, it is not appropriate to comment on those proceedings.

The Australian Tax Office has audited the deductions claimed by us in respect of fees imposed under Section 163AA of the Electricity Industry Act 1993 in the 1999 to 2001 tax years, intellectual property deductions referable to the 1998 tax year and each subsequent year and the entry allocable cost

amount when the SPI Australia Group Pty Ltd consolidated group joined the SP AusNet Distribution consolidated group on 2 August 2004. In March 2010, the ATO advised SP AusNet that it intended to disallow deductions claimed in respect of Section 163AA imposts, although it has not yet issued an amended assessment to confirm this position. With the benefit of professional advice, SP AusNet has not changed its position in regard to the availability of deductions. The timeframe or outcomes of the ATO audits are unknown at this point in time.

On 4 June this year, the Australian Energy Regulator released its draft determination on the Electricity Distribution Price Review for the 2011 to 2015 period. While it is only a draft determination, SP AusNet was disappointed with it because it would have the effect of reducing our proposed capital and operational expenditure quite significantly. The proposed capital expenditure are essential to enable us to meet increased demand including increased peak demand, and to replace and upgrade our infrastructure to enable us to deliver electricity safely and reliably. SP AusNet will respond to the draft. A final decision from the AER is due in October this year.

SP AusNet is focused on delivering four key outcomes during the next five years:

- strengthening existing networks;
- implementing smart network solutions;
- supporting non-regulated growth; and
- implementing cultural and business transformation.

Looking to the future, SP AusNet remains a stable and secure investment for securityholders. We will continue our focus on strong growth of our regulated asset base, continue to meet increasing customer demand and connections, as well as focusing on expanding and commercialising our asset services business through Select Solutions, and providing superior network and energy solutions.

As mentioned earlier, Mr Martyn Myer is not seeking re-election as a Director. Unfortunately, Martyn is not able to join us today, but on behalf of the Board and management, I would like to express our gratitude for his service and contributions to SP AusNet. Martyn has provided valuable input and counsel as a member of the Board and various Board Committees. We wish Martyn all the best.

The Board has initiated action to fill the vacancy. In this regard your Directors recognise the advantages of achieving greater diversity on the Board. As soon as the necessary arrangements have been finalised, this will be announced to you.

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

MANAGING DIRECTOR'S ADDRESS

Thank you Chairman.

Ladies and gentlemen – good morning.

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

As you have heard from our Chairman, our business performed well in 2009/10, with strong underlying net profit after tax and revenue results.

While global financial markets have been more stable in the last 12 months, it has not been a year without challenges. In particular, extreme weather continued to impact our networks, which we are continuing to address with innovative and customer focused service solutions. As you would be aware, during the year we have been continuing to extend our full support to the Victorian Bushfires Royal Commission of Inquiry.

I am pleased to announce a number of positive achievements for the year, including:

- achieving a 12 per cent reduction in the Recordable Injury Frequency Rate for employees and contractors and a 29 per cent reduction for field-based employees
- a final distribution of 4.0 Australian cents, results in total distributions for the year of 8.0 Australian cents
- connecting 28,000 new customers to our gas and electricity networks
- total capital investment in our networks of \$580.7 million
- Net profit after tax of A\$209.0 million
- recruiting 31 apprentices and trainees to the business, as part of our 'Skilling for the Future' program

- receiving an Equal Opportunity for Women in the Workplace Agency award for the advancement of women in a non-traditional area or role

Our focus in 2009/10 continued to be on strong network investment, growing our non-regulated revenue streams, using improved and innovative techniques to inspect and maintain our assets, skilling and developing our employees, and continuing to maintain a solid long-term investment for our securityholders.

Before I spend a bit of time on each of the key aspects that helped shape the prior year for SP AusNet, I'd like to say a few things about safety.

SAFETY

Safety is our number one priority at SP AusNet. Nothing compromises safety.

Since 2008, we have been implementing a program to instill a culture of behavioural safety across our company, guided by the DuPont Behavioural Safety systems.

Our focus for improvement is on Safety Leadership, engaged and aligned employees and robust operating systems.

Our Reportable Injury Frequency Rate as at 31 March 2010 was 11.1, which was a 12 per cent improvement on FY09.

We are targeting a further 20 per cent improvement during FY11 and have set ourselves a goal of zero injuries.

STRONG NETWORK INVESTMENT

Over the past year, we continued to upgrade and augment the Electricity Transmission Network to meet ongoing demand.

Over the past financial year, this significant infrastructure contributed \$531.3 million in revenue to SP AusNet and had \$162.5 million invested in capital expenditure for growth and to improve network performance.

We successfully completed a significant \$9 million upgrade project at the Cranbourne Terminal Station, which is located in Melbourne's outer south east and is in an area where the population is rapidly growing.

In November 2009, the Bogong Hydro Power Station was connected to SP AusNet's electricity transmission network. The Bogong Hydro Power Station will create an additional 94,000 MWh of renewable electricity each year.

We also undertook substantial upgrades at the Hazelwood Terminal Station, which is on the transmission backbone between the Latrobe Valley and Melbourne.

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 encompasses power poles and powerlines as well as 40 electricity zone substations. The network is 47,000 kilometres long, spans an area of approximately 80,000 square kilometres and services approximately 620,000 customers.

Over the past financial year, the distribution network contributed \$626.2 million in revenues to SP AusNet, driven by continued strong housing development, with more than 11,400 new customers connected.

Safety, network performance and customer service continue to be a focus for the business and we invested \$350.6 million in capital expenditure to this end.

For the 2009 calendar year, the distribution network's reliability performance was significantly affected by the February 2009 bushfires, which contributed more than 90 minutes off supply to a total 358 minutes. A number of other extreme weather events accounted for another 91 minutes of that total. As a result, our regulatory targets were not met.

In response, we're continuing to invest significantly in reliability improvements to make the network more resilient to extreme weather events. During 2009/10, we implemented network 'self-healing' schemes to detect faults, automatically isolate them and restore power to unaffected customers within 60 seconds. During 2009, these schemes prevented 108,000 customers from experiencing a sustained power outage.

Our 2011 to 2015 Electricity Distribution Price Review submission to the Australian Energy Regulator seeks to further increase our capital expenditure investment to continue to secure, maintain and grow our network to meet anticipated consumer demand over the next five years.

In late 2009, we commenced the rollout of smart meters to all residential and small business consumers in our network, as mandated by the Victorian Government. We're on track to have more than 680,000 smart meters installed by the end of 2013, with more than 35,000 already installed in Melbourne's northern suburbs.

SP AusNet's Gas Distribution Network has continued to grow in the past year with more than 17,000 additional customers connecting to our network, representing growth of 3.1 per cent.

Our natural gas network transports natural gas to more than 572,000 businesses and households in outer western metropolitan Melbourne and Victoria's west, across 60,000 square kilometres.

The gas business contributed \$190.8 million in total revenues for the year, with capital investment of \$67.6 million to expand the network to meet growing demand.

During the 2009 calendar year, an average of 0.84 minutes of unplanned interruptions was experienced by SP AusNet's gas distribution customers. This represents a high level of reliability for end-consumers and is an excellent result in comparison to SP AusNet's self-imposed target of 1 minute.

As part of our commitment to the replacement of aged low pressure gas assets, we continued our gas mains renewal program during the year. We invest more than \$10 million each year in this program to make the natural gas network safer and more reliable.

SELECT SOLUTIONS

Growing our non-regulated revenue stream is a key focus for SP AusNet. Following the recent establishment of Select Solutions, it has continued to deliver non-regulated end-to-end services to utilities, government, energy and water retailers, commercial and industrial customers.

Select Solutions contributed \$109.2 million in revenue to SP AusNet, an increase of \$75 million over the previous year for the equivalent services now provided by Select Solutions.

Select Data and Measurement Solutions manages more than four million meters across electricity, gas and water utilities and is the leading multi-utility metering services company in Australia.

Select Telecommunications provides wholesale services to telecommunications retailers and commercial and industrial customers.

Select Technical Solutions expanded this year through the acquisition of a Victorian-based thermal testing services business and by being named as the sole provider of electrical calibration services to Transgrid.

Select Utility Solutions greatly increased its vegetation management program in 2009/10 on behalf of its network operators, with expenditure of \$28 million, up 25 per cent on the previous year.

OUR PEOPLE

With approximately 1,800 employees and contractors across Victoria and New South Wales, SP AusNet is a major employer, particularly in the local communities in which we operate.

We recognise the importance our employees play in the delivery of safe and reliable energy to businesses and homes.

Having recently been recognised at a national level for our work in advancing women in a non-traditional role, we are committed to addressing gender imbalance in the industry. We are also continuing to focus on all areas of diversity, through a management and employee Diversity Initiatives Group.

In 2009/10, 31 apprentices and trainees began work with us, which takes the total employed by SP AusNet to almost 200. In addition, seven engineering graduates also joined our business this year. This is part of our Skilling for the Future program, which is our commitment to help the energy industry develop the skills it needs now and into the future.

SP AusNet's Accelerated Development Program, which was launched in mid-2008, is continuing to ensure the business develops and retains its talent pool, while at the same time, building a 'leadership pipeline'.

We are committed to building and maintaining effective working relationships with the communities in which we operate our networks. This year we continued engagement with the community through regular Stakeholder Consultative Committee sessions and Regional Forums across our network areas. We also continued to partner with community groups, via our sponsorship program and regional Community Development Fund.

Today we have launched our third Sustainability Report, copies of which are available in the foyer. This year we have produced a concise printed version, which highlights the key areas of sustainability for our business, as well as a longer on-line version to provide a more comprehensive overview. For the first

time this year, limited independent assurance was sought for three key areas of the report to provide stakeholders with a greater level of confidence in our sustainability reporting.

DELIVERING LONG-TERM VALUE FOR SECURITYHOLDERS

In November 2009 we submitted our Electricity Distribution Price Review for the 2011 to 2015 period to the Australian Energy Regulator. The AER released its draft determination in June this year, which we have expressed disappointment with because of proposed cuts to our capital and operating expenditure.

Our original submission to the AER reflects the changing needs of the electricity distribution sector over the next five years, driven by increasing peak demand, the need for investment in infrastructure replacement and ensuring reliable and safe power supply to consumers.

Later this month we are due to provide a response to the draft determination, with the AER to deliver its final decision in October this year. We will continue to work with the AER to ensure the final determination provides for the level of expenditure required for efficient, reliable and safe supply of electricity to consumers.

As the Chairman mentioned, we successfully raised approximately \$408 million under a one for four non-renounceable entitlement offer. This was completed as part of a range of capital management initiatives undertaken by SP AusNet to provide capital structure flexibility to ensure sustainable growth in securityholder value.

In May and June 2009, we raised \$325 million of debt via three year bank debt facilities. The raising of these facilities demonstrates our ability to successfully secure funding in a difficult financial market.

The \$920 million of bond issues we successfully completed in February and March 2010 demonstrate our ability to access competitively priced debt from a variety of sources and have resulted in the funding of the vast majority of our 2010/11 requirements.

ROYAL COMMISSION AND BUSHFIRES

As you know, the Victorian bushfires in February 2009 had a tragic impact on the Victorian community.

SP AusNet has been providing its full support to the Royal Commission of Inquiry, which is due to release its final report at the end of this month.

In February 2009, a writ was filed in the Supreme Court claiming that our powerlines caused loss and damage – and a class action commenced against our business. As such, there's not a lot I can say on this topic, however I can say that we will vigorously defend these claims.

Safety is always the top priority – for our employees and the communities we serve.

We have worked hard to ensure that our safety records, asset management and maintenance programs meet or exceed industry standards.

All of our bushfire mitigation programs, including vegetation management, were completed in December 2009, prior to the declaration of the bushfire season – as they have been every year.

During the next five years we are focused on delivering four key outcomes to continue to provide increased securityholder value. These are: strengthening existing networks, implementing smart network solutions, supporting non-regulated growth and implementing cultural and business transformation. We believe this five-year strategy places us in the best position to provide our customers with superior network and energy solutions.

We will maintain our focus and commitment to safety, customer service, network performance and growth in the coming year as we continue to build an energy network and business based on sustainable investment for the long term.

I extend my thanks to my colleagues for their support and dedication to their work and join our Chairman in thanking securityholders for their continued support. I would also like to thank Martyn for his diligence, commitment and contributions as an SP AusNet Board member.

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

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 regarding market practice, remuneration structure and competitive analysis of the executive market. Following a review of candidate advisors, it appointed PwC early this year. The Committee also prepares the detailed Remuneration Report that you can find in your Annual Report and online.

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.

Base salaries are set following rigorous comparison with other industrial enterprises for jobs of comparable complexity, impact and scale. Last November these base salaries were increased by an average of 4.2%.

Short-term incentives (STI), including individual performance requirements, are based on stretch targets that ensure executives' remuneration is linked directly to the business strategy. At the corporate level, performance was ahead of target in most, but not all, of the metrics, leading to a performance payout at 104.2% of target. This payout was slightly below the 2009 outcome of 110%.

Long-term incentives (LTI) will only reward executives if performance measures for relative Total Security holder Return (TSR) and/or earnings per security (EPS) 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 payment in SPN securities, and hold them for a further year. This is the second year when our LTI scheme has "vested", and paid out to executives.

In the period 2007 to 2010, our shareholder return ranked at the 61.7th 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 1.3%, underperforming against our long term target. As a result of the shareholder return and Earnings Per Security outcomes, the LTI scheme for the 2007-2010 tranche resulted in a 36.7% vesting, against a target of 100%.

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 2010 was \$1,443,651. This represents a 38% decrease on the reported figure for 2009 of \$2,332,726, in large part due to the lower payout of LTI benefits associated with the 2007-2010 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 and this reinforces the governance arrangements the Board has in taking independent and objective decisions about the future direction of the companies.

During the past year, the Board decided to freeze remuneration for non executive directors, for the second year running. All Board and Committee fees, including superannuation, paid to non-executive directors in the year-ended 2010 remain well within the approved fee pool.

Finally The Committee continues to monitor the recommendations of the Productivity Commission review of executive remuneration. We note that the Government has indicated its acceptance of the majority of the recommendations, which are expected to be introduced by regulation or legislations. We do not see the need for significant changes in our policy or practices as a result of the review.

I commend the report to you.

Thank you.