

8 July 2009

TO: ASX Limited
Singapore Exchange Securities Trading Limited

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

Please find attached 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.

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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 about our business and I will then hand over to the Managing Director, Nino Ficca, to provide you with a more detailed account of SP AusNet's operations. Following Nino's presentation, we will commence the formal business of the meeting.

It is with pleasure that I announced in May this year that our full year results have demonstrated strong underlying operational and financial performance for SP AusNet in the 12 months to 31 March 2009.

SP AusNet achieved an underlying net profit after tax (NPAT) of \$177.2 million, after adjusting for the non-cash impairment of meters to be replaced under the Advanced Metering Infrastructure roll-out program of \$43.3m pre-tax and \$30.3m post-tax.

This strong net profit after tax result enabled the Directors to declare a final distribution of 5.927 Australian cents, bringing the full year distribution to 11.854 cents per security, representing growth of 2.5 per cent on the previous year.

SP AusNet's revenue of \$1,169.4 million represents an increase of 10.8%, and can be attributed to the commencement of new regulatory periods for our transmission and gas networks, as well as increased demand growth in Victoria and the continuing investment in our regulated asset base.

During the year we invested \$471.5 million in capital expenditure, which enabled us to maintain or improve service for our customers, and secure future regulated revenues for the business.

SP AusNet also completed long term agreements with SPI (Australia) Assets Pty Ltd to deliver competitive niche services, including metering services, vegetation management and technical laboratory services, to the Jemena group of companies. These operational agreements provide SP AusNet with a footprint into NSW and the contribution from these arrangements is expected to increase over time as SP AusNet leverages its skills and experience in these areas.

Despite the volatility in debt markets, SP AusNet successfully refinanced A\$537.5 million of debt at competitive rates in June 2008 and A\$325 million in May 2009. This demonstrates the strength of our underlying business fundamentals and our prudent debt strategy.

SP AusNet also recently successfully completed a rights issue, raising approximately \$408m from both institutional and retail investors. We were very pleased with the strong interest in the capital raising which provides the business with a sound and prudent capital structure, and flexibility to generate sustainable growth in securityholder value.

Our financial position remains strong with a Standard and Poor's credit rating of 'A-' and an 'A1' rating from Moody's.

On 1 May this year, the Australian Energy Regulator released its final decision on the review of the weighted average cost of capital for all electricity businesses in Australia. This decision provides regulatory certainty for the next five years.

The certainty of our regulatory revenues, coupled with our successful debt refinancing at competitive rates and rights issue, underpins the financial stability of SP AusNet, and enables us to further enhance our platform for future growth.

A number of security holders have asked about the Victorian bushfires and their impact on SP AusNet. On behalf of the Board and the group I would first like to thank all our staff for their hard work during the period following the fires as we worked to assess damage and restore power. We would also like to thank all affected communities for their support during this time. We have, and are, co-operating fully with the Royal Commission of Inquiry into the Victorian bushfires and all relevant authorities.

As announced to the market on 17 April 2009, on 16 April 2009 SP AusNet was served with the writ previously filed in the Supreme Court of Victoria on 16 February 2009. Although the case is presently adjourned, it remains an unresolved court proceeding, so it is not appropriate to comment on the proceeding at this time.

SP AusNet is committed to achieving high standards of corporate governance. SP AusNet has a management services agreement with SPI Management Services (SPIMS) to provide management and administration services and to manage the electricity transmission and electricity and gas distribution networks on SP AusNet's behalf. Pursuant to those agreements, SP AusNet has agreed to pay SPI Management Services a management fee comprising two components, the services charge and the performance fees.

SPI Management Services has in place a conflicts of interest and related party protocol. This protocol sets out the proposed practice for dealing with conflicts between the duties of officers of SP AusNet to SP AusNet and their employment duties to SPI Management Services, SP AusNet's interests in operating the business and the interests of SPI Management Services, as a wholly owned subsidiary of Singapore Power Limited and issues arising from any actual or proposed provision of a financial benefits, by SP AusNet to a related party. In addition, prior to entering into any related party transaction, a thorough review of the relevant transaction is undertaken by a committee comprised of independent directors of the Board. These arrangements are regularly reviewed to ensure that SP AusNet can achieve and maintain high standards of corporate governance.

Finally, and in light of the Australian Government's many recent announcements related to remuneration, we recognise that executive remuneration is also a topic of interest for securityholders. Therefore, when we reach Resolution Three on the agenda – Remuneration Report - Dr George Lefroy, Chairman of the Remuneration Committee, will make some comments regarding SP AusNet's remuneration policy.

Looking to the future, we will continue our focus on organic growth and innovation into Victoria's growth corridors, and beyond, as well as focusing on expanding and commercialising our niche asset services.

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.

Ladies and gentlemen – good morning.

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

As you have heard from our Chairman, our business performed well in 2008/09.

This is not to be underestimated, given the challenges of the last 12 months, marked by turbulence in the financial markets and with extreme weather conditions in Victoria including storms, heatwaves and bushfires – the latter leading to a Royal Commission of Inquiry, currently underway, to which SP AusNet is extending full support and assistance and I will address later.

Given this environment, I am pleased to announce that our report card for this year includes a number of positive achievements, including:

- delivering on our 2008/09 underlying net profit after tax guidance and distribution guidance of 11.85 cents per security for the full year
- connecting 26,400 new customers to our gas and electricity network
- refurbishing and upgrading some key transmission stations
- achieving our target of 84 per cent customer satisfaction
- receiving industry recognition through a number of awards for customer service, human resourcing, procurement and sustainability, and
- recruiting 25 apprentices, trainees and graduates, joining our existing 112 in the business.

Our focus this year was on strong network investment, delivering steady growth, skilling and developing our employees, and continuing to provide a solid long term investment for all our securityholders.

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

Over the past year, we upgraded our **Electricity Transmission Network** to meet community energy needs and cater for Victoria's future electricity demands.

Over the past financial year, this significant infrastructure:

- Contributed \$492.2 million in revenue to SP AusNet
- Had \$140.1 million invested in capital expenditure to improve network performance, and

We successfully completed major works on the South Morang Terminal Station to meet growth in what is predicted to become the third fastest growing municipality in Australia in the next two years.

In February, we entered a significant connections agreement with the Waubra Wind Farm. This key initiative will help meet the Victorian Government's target of 10 per cent of renewable energy by 2016.

We also undertook substantial upgrades across our transmission network, including refurbishment of the Malvern Terminal Station and commenced planning for the rebuilding of terminal stations in Thomastown, Ringwood, Richmond, Geelong and Hazelwood.

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 60 electricity zone substations. The network is 47,000 kilometres long, spans an area of approximately 80,000 square kilometres and services more than 600,000 customers.

Over the past financial year, the distribution network contributed \$509.2 million in revenues to SP AusNet - an increase of almost 10% per cent on last year driven by volume and customer growth with over 9,400 new customers connected.

Network performance and customer service continues to be a focus for the business and we invested \$262.4 million in capital expenditure to strengthen the network by reducing the number of faults and reducing the impact should these faults occur.

For the 2008 calendar year we saw big improvements to the electricity distribution network, experiencing 129 minutes of unplanned supply interruptions well below our internal target of 172 minutes.

Our aim is to monitor and continuously improve our network performance and customer service.

SP AusNet's **Gas Distribution Network** has continued to grow in the past year with over 17,000 additional customers connecting to our network, representing growth of 3.2%.

Covering outer western metropolitan Melbourne and Victoria's west, the gas distribution network carries natural gas from the principal transmission pipeline system to more than 554,000 customers across 60,000 square kilometres.

The gas business contributed \$179.2 million in total revenues for the year and we invested \$69 million of capital to expand the network to meet growing demand.

Our natural gas extension program completed last year, increased the reliability and efficiency of gas services in Victoria's west. During 2008 an average of 0.82 minutes of unplanned interruptions was experienced, well below our internal target of 1 minute.

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. Last financial year we successfully streamlined our asset management function by bringing some field services in-house and we undertook a functional review to align our organisational structure to grow our unregulated niche services business.

Our restructuring and positioning of these businesses has resulted in greater effectiveness and we now have more of our services knowledge and technology residing in-house.

Continuing our focus on efficiency, effectiveness and shareholder value, we have brought together our existing services of Data Measurement Solutions, Technical Services and Utility Services, such as vegetation management and asset inspection, into the one division known as **Select Solutions**.

As mentioned by the Chairman, we reached long-term agreements with SPI (Australia) Assets Pty Ltd to deliver competitive niche services to the Jemena group of companies. These services include activities like vegetation management, asset inspection, metering and technical services. Through these agreements we have extended our footprint into New South Wales.

This, coupled with the existing services, enabled SP AusNet to realise greater than 60 per cent growth in customer revenues in these niche areas in 2008/09.

One of the most important and constant factors that contributes to our success is our **people**. We employ over 1500 people and contractors throughout regional Victoria and also currently have 112 apprentices, trainees and graduates working in all areas of our business.

And among our employees, safety is our top priority.

I am proud to say that we have one of the strongest safety records in the industry. In an effort to improve, we continue our company-wide safety initiatives, targeting areas for further improvement, as we strive towards best practice.

In October 2008 we were the recipient of the Australian Human Resource Institute's "People Management of the Year" national award for our dedication and ongoing commitment to our apprenticeship program to attract school leavers to the power industry.

We also received an award for "Labour Relations / Human Capital Management" acknowledging our focus on diversity as part of the Ethical Investor Australian Sustainability Awards. This award acknowledged our commitment to the contribution that women make in the engineering industry.

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.

We also provided employees with an average of approximately 28.5 hours employment and career-related development.

We are committed to building and maintaining effective working relationships with the communities in which we operate our networks. We have a range of formal and informal community links, including a robust community sponsorship program. We also continue to participate at an industry level through various industry groups including the Energy Networks Association and the Energy Supply Association of Australia.

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

The recent commencement of new regulatory periods for the electricity transmission and gas distribution networks means that we now have almost 100% of regulated revenue locked in until 2011. These regulatory decisions not only provide real price reductions for customers; but also allow the business to maintain a high reliability of supply and sustainable network operations for customers.

In May 2009, we completed a capital management review. This was in light of continuing uncertainty in financial markets, the Australian Energy Regulator's final WACC decision and strong continuing energy demand in Victoria.

In response, we announced the following capital management initiatives to deliver future sustainable returns:

- A one in four non-renounceable pro-rata entitlement offer which successfully raised approximately \$408 million at an offer price of A\$0.78 per stapled security; and
- Following a review of our distribution policy we are forecasting a distribution for the coming year of 8.0 cents per security, representing a yield of 10.3 per cent based on the offer price.

As the Chairman mentioned, we were very pleased with the strong interest in the capital raising from both institutional and retail securityholders. The raising provides the business with prudent capital structure flexibility to ensure sustainable growth in securityholder value.

This year, we were certainly put to the test with unpredictable and extreme weather conditions including bushfires, heat and storms.

The Victorian bushfires in February this year had a tragic impact on the Victorian community. And while its impossible for us to appreciate the impact that these fires had on the lives of so many, the most important role we played was to respond with urgency and commitment; mobilising over 500 people to restore electricity supply safely to fire affected areas in less than two weeks.

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 2008, prior to the declaration of the bushfire season.

As a 24 – 7 business, we plan for all sorts of events and this preparedness enabled us to respond quickly and effectively to restore power as safely as possible.

As many of you know, the Victorian Government announced a Royal Commission of Inquiry into the fires. I can assure you that SP AusNet is providing its full support to this inquiry.

Earlier this year, a writ was filed in the Supreme Court claiming that our powerlines caused loss and damage – and a class action commenced against our business.

And, as such, there's not a lot I can say on this topic. But what I can say is that we believe these claims to be premature and inappropriate considering the establishment of the Royal Commission.

SP AusNet will vigorously defend any claim. We have insurance cover that is commensurate with the size of our business, as well as the risks associated with operations, industry standards and practice.

I would like to publicly recognise the contributions of our staff for their outstanding and tireless efforts during and since these tragic events. Many of our staff live and work in these areas and were also affected by these fires.

This gratitude to our employees was also noted by the government making specific reference to the commendable job that all electricity workers did and praised the swiftness of their efforts in responding to this crisis.

In closing, SP AusNet has made solid and sustainable progress in a year affected by the global financial crisis as we were able to maintain our A range credit rating and deliver strong results during this tough time.

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.

We will maintain our focus on 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 will now hand back to the Chairman to commence the formal business of the meeting.

SP AusNet Remuneration Committee Chairman's Address

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. Naturally it seeks external, independent advice and information regarding market practice, remuneration structure and competitive analysis of the executive market. It also prepares the detailed Remuneration Report that you can find in your Annual Report and online.

At the outset I would like to acknowledge security holder and community concern and interest in executive remuneration – particularly in these challenging times.

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.

Simply put, 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. In May 2008, a market review was conducted that indicated the need for a one-off correction to Directors' fees and the salaries of the Managing Director and some key executives, in order to remain competitive with the market. The Board will continue to monitor the softening market conditions when considering any future salary adjustments.

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 110% of target.

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 first year when our LTI scheme has “vested”, and paid out to executives.

In the period 2006 to 2009, our shareholder return ranked at the 78th 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 growth rate of 8%, again outperforming our target.

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 2009 was about \$2.4 million, compared to about \$1.5 million for 2008. The key reason for this increase is due to the long term incentive plan.

However, 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.

The MD’s remuneration package for the year-ended 2009 includes fixed remuneration of \$802,000 – an on-target short-term incentive of \$401,000 in cash, and a maximum long-term incentive payment of around \$750,000 which he must convert on-market into securities.

Other senior executives receive lesser percentages of short and long term incentives, as you can read in the Report.

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.

All Board and Committee fees, including superannuation, paid to non-executive directors in the year-ended 2009 remain well within the approved fee pool.

In closing I would like to reiterate the Board is committed to ensuring that security holder interests, such as generating returns and attracting and retaining top-class talent, are served by our performance-driven remuneration structure. We believe our remuneration structure achieves this by linking executive rewards to the financial and operational achievements of the business.

I commend the report to you.

Thank you.