

15 July 2014

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**TO:** ASX Limited  
Singapore Exchange Securities Trading Limited

## Settlement of Kilmore East Bushfire Class Action (Subject to Court Approval)

SP AusNet and the other parties to the Kilmore East Bushfire Class Action today agreed to settle the action. The settlement is without admission of liability by SP AusNet or any other party.

SP AusNet extends its deepest sympathy to those who suffered losses in the Black Saturday bushfires. In the trial of the Kilmore East Bushfire Class Action, SP AusNet sought to conduct its defence in a manner to avoid adding to the group members' pain, while necessarily seeking to demonstrate that SP AusNet managed its network competently and efficiently, and in the interests of those who rely on electricity, and the community more generally. SP AusNet's position has been, and continues to be, that:

- the conductor which broke and which initiated the fire was damaged by lightning, compromising its fail-safety design in a manner which was undetectable at that time. This point was accepted by experts called by all parties who provided evidence in relation to the conductor break. It is a tragedy that the conductor eventually failed on one of the worst days imaginable.
- SP AusNet's management of its network did not involve any negligence.

Although SP AusNet believes that it was more likely to succeed than fail in the litigation, that point was contested and the subject of a trial which sat for more than 200 days. SP AusNet accepts that almost all litigation involves some uncertainty, particularly litigation of the scale and complexity of the Kilmore East Bushfire Class Action. Accordingly, after due deliberations, SP AusNet and other parties involved in the litigation have agreed to a settlement sum of approximately \$494.7m, with contributions to be made in the following proportions:

SP AusNet – \$378.6m

Victorian State Parties – \$103.6m

Utility Services Corporation Ltd - \$12.5m

SP AusNet's liability insurers will pay all of SP AusNet's contribution.

The total losses suffered, and costs incurred, by those affected by the Kilmore East Bushfire have not yet been finalised. It is estimated that the contribution agreed to be made by SP AusNet through its insurers is between 22% and 35% of such total losses and costs.

Subject to Court approval, the settlement avoids the need for ongoing litigation. The date for hearing the application for Court approval of the proposed settlement terms has not yet been fixed.

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SP AusNet remains a party to the Murrindindi class action proceeding and will vigorously defend that claim. SP AusNet strongly holds the belief that it has consistently complied with its regulatory obligations, including in the year ended 31 March 2009.

Notwithstanding the settlement of the Kilmore East Bushfire Class Action, SP AusNet considers that its insurance and, if required, a claim to the regulator for pass-through of residual costs ultimately incurred in relation to the Murrindindi proceeding, should be sufficient to cover SP AusNet's liability, if any, associated with the Murrindindi bushfire. However, the ultimate resolution of this matter cannot be known with certainty.

SP AusNet has liability insurance which specifically provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice.

SP AusNet respectfully wishes to acknowledge the outstanding management of the case, including the provision of facilities and support, by the Supreme Court of Victoria.

**Susan Taylor**

General Counsel & Company Secretary

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