

ASX & SGX-ST Release



29 May 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Level 31, 2 Southbank Boulevard
Southbank Victoria 3006
Australia
Tel: +61 3 9695 6000
www.ausnetservices.com.au

Chairman's Address and Independent Director Address

Enclosed is an announcement made by AusNet Services which is provided for the information of AusNet Services Holdings Pty Ltd noteholders.

Susan Taylor
Company Secretary

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John Nicolopoulos
Manager, Investor Relations
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Media Relations
Jonathon Geddes
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AusNet Services
AusNet Services (Distribution) Ltd
ABN 37 108 788 245
AusNet Services (Transmission) Ltd
ABN 48 116 124 362
AusNet Services Finance Trust
ARSN 116 783 914

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

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Chairman's Address and Independent Director Address

The Chairman's Address and the Independent Director Address, to be given at today's Scheme Meetings and General Meetings, are attached.

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SCHEME MEETINGS AND GENERAL MEETINGS

CHAIRMAN'S ADDRESS

Mr Ng Kee Choe, Chairman, AusNet Services

Good morning ladies and gentlemen.

My name is Ng Kee Choe and it is my pleasure to welcome you to this morning's meetings.

Thank you for taking the time to attend the Meetings today. At the Meetings Securityholders will be asked to consider Resolutions in relation to a Proposal that, if approved, will result in a new company called AusNet Services Ltd becoming the new single head entity of AusNet Services.

This new company, AusNet Services Ltd, will be referred to as NewCo today and is likewise referred to as NewCo in the Securityholder Booklet.

Today we will be holding the Scheme Meetings followed by the General Meetings. The Scheme Meetings have been convened in accordance with Orders of the Supreme Court of Victoria dated 21 April 2015.

Pursuant to those Orders, I will be chairing the Scheme Meetings.

I would like to introduce to you the members of the Board who are here today.

It's my pleasure today to introduce – on my left:

Tony Iannello is an independent Non-Executive Director of AusNet Services.

Nino Ficca is AusNet Services' Managing Director.

Sally Farrier is an independent Non-Executive Director of AusNet Services

And on my right:

Sun Jianxing is a Non-Executive Director of AusNet Services.

Tina McMeckan is an independent Non-Executive Director of AusNet Services.

Also here today is **Susan Taylor**, the General Counsel and Company Secretary.

Unfortunately, two of our Directors, **Ian Renard** and **Ralph Craven** are unable to be with us today due to prior commitments, which they were unable to change, and another Director, **Ho Tian Yee**, for medical reasons. They all send their apologies.

Ian Renard, Tony Iannello, Ralph Craven and Nino Ficca are members of the Due Diligence Committee which has overseen the process leading to these Meetings.

I'll now ask Tony Iannello to outline the purpose and order of each of the Meetings.



As I mentioned, Tony is a member of the Board Committee which has overseen the process and is familiar with the background and details of the Proposal.

INDEPENDENT DIRECTOR ADDRESS

Mr Tony Iannello, Director, AusNet Services

Thank you, Kee Choe.

As Kee Choe noted, we are holding five separate meetings today. I will briefly outline the purpose and order of each of these Meetings.

The first two meetings are the Scheme Meetings.

At the first Scheme Meeting, we are asking Securityholders to approve a Scheme of Arrangement under which each Eligible Securityholder will receive one share in NewCo in exchange for each share they hold in AusNet Services Transmission as part of the AusNet Services Stapled Securities.

At the second Scheme Meeting, we are asking Securityholders to approve a Scheme of Arrangement under which each Eligible Securityholder will receive one share in NewCo in exchange for each share they hold in AusNet Services Distribution as part of the AusNet Services Stapled Securities.

The terms of the AusNet Services Transmission Scheme and the AusNet Services Distribution Scheme are set out in Annexures C and D respectively of the Securityholder Booklet dispatched to Securityholders.

Copies of the Securityholder Booklet are available outside in the registration area.

The Court has directed that the Scheme Meetings be convened for the purpose of approving the Company Schemes.

There is only one resolution to be considered at each of the Scheme Meetings, namely a resolution to approve the respective Schemes of Arrangement described above.

The Scheme Meetings will be followed by concurrent General Meetings of AusNet Services Transmission, AusNet Services Distribution and AusNet Services Trust, at which we will be considering three resolutions.

The first of these resolutions is a **special** resolution of AusNet Services Trust to approve amendments to the AusNet Services Trust Constitution. These amendments make provision, among other things, for each Eligible Securityholder to receive one share in NewCo in exchange for each unit they presently hold in AusNet Services Trust as part of the AusNet Services Stapled Securities.

The terms of the AusNet Services Trust Constitution Amendments give effect to the implementation of the Proposal and are set out in Annexure E of the Securityholder Booklet dispatched to Securityholders.

The second resolution is a **special** resolution of AusNet Services Transmission, AusNet Services Distribution and AusNet Services Trust to destaple the AusNet Services Transmission Shares,



AusNet Services Distribution Shares and AusNet Services Trust Units which are currently stapled together as AusNet Services Stapled Securities.

This is a technical requirement to implement the Proposal.

The third resolution is an **ordinary** resolution of AusNet Services Trust to approve the acquisition by NewCo of the AusNet Services Trust Units under the Trust Scheme for the purposes of item 7 of section 611 of the Corporations Act.

Again, this is a technical requirement to implement the Proposal.

For the Proposal to proceed, Securityholders will need to approve these General Meetings Resolutions and the Schemes of Arrangement.

I will speak to you this morning about why the AusNet Services Board unanimously recommends that you approve the first Scheme of Arrangement.

At the time of its IPO in 2005, AusNet Services (then known as SP AusNet) was established as a triple-stapled structure. Since then, there have been a number of significant considerations which have caused AusNet Services to review its structure, and to consider alternatives. These considerations include:

- investor feedback has indicated a preference for a simpler, and more readily understood, structure;
- there is an obligation to repay the majority of the AusNet Services Trust Loans in the short term;
- the evolution of AusNet Services' financial profile as a more mature business that has higher profits and franking credits generally available for distribution; and
- the settlement of the Division 974 dispute with the ATO including the agreement to no longer claim a deduction for interest paid under the AusNet Services Trust Loans.

The AusNet Services Board therefore considers that the risks and complexity attaching to AusNet Services' current corporate structure are no longer appropriate and that the new structure is preferred.

The AusNet Services Directors believe that the Proposal achieves a number of key benefits:

- Simplification and potential broader investor appeal;
- Reduced administration;
- Greater certainty of tax position in relation to capital structure;
- Facilitation of efficient repayment of AusNet Services Trust Loans; and
- Improvement in ability to distribute available franking credits.

These benefits are further explained in section 1.3 of the Securityholder Booklet.

There are also a number of risks and disadvantages associated with the Proposal including:

- Profile of future distributions may not suit all investors and no ability to make tax deferred distributions;
- Transaction costs; and
- Potential stamp duty liability triggered by any further restructure of AusNet Services subsequent to this Proposal (noting that no such restructure is currently expected).

These risks and disadvantages are further explained in section 1.4 of the Securityholder Booklet.

The AusNet Services Directors considered a number of alternatives to the Proposal, including to maintain the current structure and to replace the AusNet Services Stapled Securities with different stapled securities including debt and equity securities.

Because the Proposal achieves the benefits mentioned previously, and the AusNet Services Directors consider that the benefits outweigh any risks and disadvantages, the AusNet Services Directors believe that the Proposal is in the best interests of AusNet Services.

Lonergan Edwards, the Independent Expert who has considered the Proposal, has independently concluded that the Proposal is in the best interests of AusNet Services Securityholders because the advantages of the Proposal outweigh the disadvantages.

I would like to note several other matters in connection with the implementation of the Proposal.

If the Proposal is implemented, Eligible Securityholders will receive one share in a new entity called AusNet Services Ltd (or NewCo) for each AusNet Services Stapled Security they hold.

Ineligible Foreign Securityholders will have their AusNet Services Stapled Securities transferred to the Sale Nominee and will receive an amount of cash.

Eligible Securityholders will receive one share in AusNet Services Ltd for each AusNet Services Stapled Security they hold on the Record Date.

The underlying business and assets of AusNet Services will not change under the Proposal and therefore the economic interest of AusNet Services Securityholders will not change.

It is also important to note that Securityholders will not have to make any cash payment in connection with the Proposal. The Proposal does not involve the payment of a distribution. No stamp duty or brokerage will be payable on the exchange of AusNet Services Stapled Securities for NewCo Shares.

In addition, the Board of Directors of NewCo will be the same as the current AusNet Services Board. Whilst NewCo is a new entity, the AusNet Services Directors will continue to retire by rotation on the same schedule that would have applied without the Proposal.

Finally, AusNet Services will retain its current ASX code “AST”.

As I said earlier, the AusNet Services Directors believe that, if the Proposal is implemented, Securityholders will be better off than if the Proposal does not occur.

The AusNet Services Directors recommend that Securityholders vote in favour of each Resolution proposed for consideration at the Meetings today. Each AusNet Services Director



intends to vote any AusNet Services Stapled Securities held or controlled by them in favour of each of the Resolutions.