

## INFORMATION MEMORANDUM



### **Information Memorandum A\$2,000,000,000 Debt Issuance Programme**

#### Issuer

**AusNet Services Holdings Pty Ltd**  
(ABN 97 086 006 859)

#### Guarantors

**AusNet Gas Services Pty Ltd**  
**AusNet Electricity Services Pty Ltd**  
**AusNet Asset Services Pty Ltd**  
**AusNet Transmission Group Pty Ltd**

#### Arrangers and Dealers

**Australia and New Zealand Banking Group Limited**  
**Commonwealth Bank of Australia**  
**National Australia Bank Limited**  
**Westpac Banking Corporation**  
each incorporated with limited liability in Australia

**30 January 2018**

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## IMPORTANT NOTICE

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### Introduction

This Information Memorandum relates to a Debt Issuance Programme established by AusNet Services Holdings Pty Ltd (ABN 97 086 006 859) (the “**Issuer**”) (the “**Programme**”) which is guaranteed by AusNet Gas Services Pty Ltd, AusNet Electricity Services Pty Ltd, AusNet Asset Services Pty Ltd and AusNet Transmission Group Pty Ltd (each a “**Guarantor**” and together, the “**Guarantors**”).

Under the terms of the Guarantee certain subsidiaries within the AusNet Services Group may be released from the Guarantee and new subsidiaries may accede to the Guarantee. “**AusNet Services Group**” means AusNet Services Limited (“**AusNet Services**”) and its subsidiaries. The Issuer and the Guarantors are subsidiaries of AusNet Services. Refer to “Structure of the AusNet Services Group” on pages 47-48 of this Information Memorandum.

Under the Programme, the Issuer may issue medium term notes (“**Notes**”) up to a maximum aggregate amount of A\$2,000,000,000 (which amount may be increased from time to time by the Issuer subject to the consent of the Dealers (defined below)). The Notes are constituted by the Note Deed Poll (“**Deed Poll**”) dated 20 January 2017 (as amended from time to time) and referred to as “MTNs” in the Dealer Agreement (defined in the section entitled “Selling Restrictions” below).

Unless otherwise defined, capitalised expressions have the meanings given to them in the terms and conditions of the Notes (“**Conditions**”) (which are set out in the section entitled “Conditions of Notes” below).

### Issuer’s responsibility

This Information Memorandum has been prepared by, and issued with the authority of, the Issuer for the purpose of providing certain information about the Issuer and Guarantors and information about the Notes to investors considering subscribing for Notes. It is not a disclosure document or a prospectus. It does not constitute an invitation to apply for, or an offer for subscription or purchase of, any Notes.

The Issuer accepts responsibility for the information contained in this Information Memorandum other than information provided by the Arrangers, Dealers and the Agents (each as defined in the section entitled “Summary of the Programme” below) in relation to their respective descriptions in the sections entitled “Summary of the Programme” and “Directory” below.

### Place of issuance

Subject to applicable laws and directives, the Issuer may issue Notes under the Programme in any country including Australia and countries in Europe and Asia but not in the United States of America unless such Notes are registered under the Securities Act of 1933 of the United States of America (as amended) (“**U.S. Securities Act**”) or an exemption from the registration requirements under the U.S. Securities Act is available.

### Terms and conditions of issue

Notes will be issued in series (each a “**Series**”) comprising one or more tranches (each a “**Tranche**”) of Notes. See further under “Issuance in Series” in “Summary of the Programme” below.

Each Tranche will be issued pursuant to such documentation as the Issuer may determine. A pricing supplement and/or another supplement to this Information Memorandum (each a “**Pricing Supplement**”) will be issued for each Tranche. The Conditions applicable to a Note are included in this Information Memorandum and will be supplemented, amended, modified or replaced by the Pricing Supplement applicable to such Note. The Issuer may also publish a supplement to this Information Memorandum (or additional Information Memoranda) which describes an issue of (or particular classes of) Notes not otherwise described in this Information Memorandum. A Pricing Supplement will contain details of the initial aggregate principal amount, Issue Price, Issue Date, Maturity Date and details of interest (if any) payable together with any other terms and conditions not set out in this Information Memorandum applicable to that Tranche. A Pricing Supplement or a supplement to this Information Memorandum may also supplement, amend, modify or replace any statement or information set out in a Pricing Supplement or incorporated by reference in this Information Memorandum or a supplement to this Information Memorandum.

## Documents incorporated by reference

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated into it by reference as set out below. This Information Memorandum shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum. References to “**Information Memorandum**” are to this Information Memorandum and to any other document incorporated by reference and to any of them individually.

The following documents (including any that are published or issued from time to time after the date of this Information Memorandum) are incorporated in, and taken to form part of, this Information Memorandum:

- the most recently published audited annual financial statements of AusNet Services available on the AusNet Services website ([www.ausnetservices.com.au](http://www.ausnetservices.com.au));
- the most recently published reviewed half-year financial statements of AusNet Services available on the AusNet Services website ([www.ausnetservices.com.au](http://www.ausnetservices.com.au));
- announcements made by AusNet Services on the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691) (“**ASX**”);
- all amendments and supplements to this Information Memorandum prepared by the Issuer from time to time and expressly stated to be incorporated in this Information Memorandum by reference and all documents stated herein or therein to be incorporated into this Information Memorandum;
- each Pricing Supplement and all documents stated therein to be incorporated by reference into this Information Memorandum; and
- all other documents issued by the Issuer and stated to be incorporated by reference into this Information Memorandum.

Any statement contained in this Information Memorandum, or any documents incorporated by reference in, and forming part of, this Information Memorandum, shall be deemed to be modified or superseded to the extent that a statement contained in any document subsequently incorporated by reference into this Information Memorandum modifies or supersedes such statement (including whether expressly or by implication).

Except as provided above, no other information, including any information on the internet sites of the Issuer or in any document incorporated by reference in any of the documents described above, is incorporated by reference into this Information Memorandum unless expressly stated.

Copies of documents which are incorporated by reference into this Information Memorandum may be obtained from the office of the Issuer or from such other person specified in a Pricing Supplement.

Investors should review, amongst other things, the documents which are deemed to be incorporated by reference into this Information Memorandum when deciding whether or not to subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

## No independent verification

The only role of the Arrangers, the Dealers and the Agents in the preparation of this Information Memorandum has been to confirm to the Issuer that their respective details and Australian Business Numbers (“**ABNs**”) in the sections entitled “Summary of the Programme” and “Directory” below or in a Pricing Supplement or other supplement to this Information Memorandum (as the case may be) are accurate as at the Preparation Date (as defined below).

Apart from the foregoing, none of the Arrangers, the Dealers or the Agents (each as defined under “Summary of Programme” below) has independently verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any such person as to the accuracy or completeness of this Information Memorandum or any further information supplied by the Issuer in connection with the Programme. Each of them expressly disclaims any duty to potential investors in respect of such matters.

## **No authorisation**

No person has been authorised to give any information or make any representations not contained in or consistent with this Information Memorandum in connection with the Issuer, the Programme or the issue or sale of the Notes and, if given or made, such information or representation must not be relied on as having been authorised by the Issuer, the Arrangers, the Dealers or the Agents.

## **Intending purchasers to make independent investment decision and obtain tax advice**

This Information Memorandum contains only summary information concerning the Notes. Neither the information contained in this Information Memorandum nor any other information supplied in connection with the Programme or the issue of any Notes is intended to provide the basis of any credit or other evaluation and should not be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by any of the Issuer, the Arrangers, the Dealers or the Agents that any recipient of this Information Memorandum or any other information supplied in connection with the Programme or the issue of any Notes should subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

Each investor contemplating subscribing for, purchasing or otherwise dealing in any Notes or any rights in respect of any Notes should:

- make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and the Guarantors;
- determine for itself the relevance of the information contained in this Information Memorandum and any other information supplied in connection with the Programme or the issue of any Notes, and must base its investment decision solely upon its independent assessment and such investigations as it considers necessary; and
- consult its own tax advisers concerning the application of any tax laws applicable to its particular situation.

No advice is given in respect of the legal or taxation treatment of investors or purchasers in connection with an investment in any Notes or rights in respect of them and each investor is advised to consult its own professional advisers.

## **Risks**

Prospective investors should consult their own financial, legal, tax and/or other professional advisers about risks associated with an investment in any Notes and the suitability of investing in the Notes in light of their particular circumstances. Certain business risks are described below under the section entitled “The Issuer and the Guarantors – Investment Considerations”.

## **No offer**

This Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, the Guarantors, the Arrangers, the Dealers or the Agents to any person to apply for or to subscribe for, purchase or otherwise deal in any Notes.

## **Selling restrictions and no disclosure**

Neither this Information Memorandum nor any other disclosure document in relation to the Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“ASIC”). No action has been taken which would permit an offering of the Notes in circumstances that would require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act 2001 (Cth) (“Corporations Act”).

The Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act.

For a description of certain restrictions on offers, sales and deliveries of the Notes, and on distribution of this Information Memorandum, any Pricing Supplement or other offering material relating to the Notes, see the section entitled “Selling Restrictions” below.

A person may not (directly or indirectly) offer for subscription or purchase or issue an invitation to subscribe for or buy Notes, nor distribute or publish this Information Memorandum or any other offering material or advertisement relating to the Notes except if the offer or invitation, or distribution or publication, complies with all applicable laws and directives.

### **No registration in the United States**

The Notes have not been, and will not be, registered under the U.S. Securities Act. The Notes may not be offered, sold, delivered or transferred, at any time, within the United States of America, its territories or possessions or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**")) except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

### **Agency and distribution arrangements**

The Issuer has agreed to pay fees to the Arrangers, Dealers and Agents for undertaking their respective roles and reimburse them for certain of their expenses incurred in connection with the Programme and the offer and sale of Notes.

The Issuer may also pay a Dealer a fee in respect of the Notes subscribed by it, may agree to reimburse the Dealers for certain expenses incurred in connection with this Programme and/or may indemnify the Dealers against certain liabilities in connection with the offer and sale of Notes.

The Issuer, the Arrangers, the Dealers and the Agents, and their respective related entities, affiliates, directors, officers and employees may have pecuniary or other interests in the Notes, may have interests pursuant to other arrangements, may receive fees, brokerage and commissions and may act as a principal in dealing in any Notes.

The distribution and use of this Information Memorandum, including any Pricing Supplement, advertisement or other offering material, and the offer or sale of Notes, may be restricted by law in certain jurisdictions and intending purchasers and other investors should inform themselves about them and observe any such restrictions. In particular, no action has been or will be taken by any of the Issuer, the Arrangers, the Dealers and/or any Agents which would permit a public offering of any Notes or distribution of this Information Memorandum or any such document in any jurisdiction where action for that purpose is required.

### **References to credit ratings**

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant assigning organisation. Each credit rating should be evaluated independently of any other credit rating.

***Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it, as per applicable law.***

### **Currencies**

In this Information Memorandum, references to "**A\$**" or "**Australian dollars**" are to the lawful currency of the Commonwealth of Australia and references to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the lawful currency of the United States.

### **U.S. Foreign Account Tax Compliance Act and OECD Common Reporting Standard**

#### **FATCA**

The Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") establish a new due diligence, reporting and withholding regime. FATCA aims to detect

U.S. taxpayers who use accounts with “foreign financial institutions” (“**FFIs**”) to conceal income and assets from the U.S. Internal Revenue Service (“**IRS**”).

### ***FATCA withholding***

Under FATCA, a 30% withholding may be imposed (i) in respect of certain payments of U.S. source income, (ii) from 1 January 2019 in respect of gross proceeds from the sale or disposition of property that produce interest or dividends which are U.S. source income and (iii) from 1 January 2019, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements (“**FATCA withholding**”).

A FATCA withholding may be required if (i) an investor does not provide information sufficient for the Issuer or any other financial institution through which payments on the Notes are made to determine whether the investor is subject to FATCA withholding or (ii) an FFI to or through which payments on the Notes are made is a “**non-participating FFI**”.

If the Notes are treated as debt for U.S. federal income tax purposes and the payment is made under a grandfathered obligation, FATCA withholding is not expected to apply. Generally, a grandfathered obligation is any obligation issued on or before the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register.

### ***Australian IGA***

Australia and the United States signed an intergovernmental agreement (“**Australian IGA**”) in respect of FATCA on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the Australian IGA.

Australian financial institutions which are Reporting Australian Financial Institutions under the Australian IGA must comply with specific due diligence procedures to identify their account holders (for example, the Holders) and provide the Australian Taxation Office (“**ATO**”) with information on financial accounts (for example, the Notes) held by U.S. persons and recalcitrant account holders and on payments made to non-participating FFIs. The ATO is required to provide such information to the IRS. Consequently, Holders may be requested to provide certain information and certifications to the Issuer and to any other financial institutions through which payments on the Notes are made in order for the Issuer and such other financial institutions to comply with their FATCA obligations.

A Reporting Australian Financial Institution that complies with its obligations under the Australian IGA will not generally be subject to FATCA withholding on amounts it receives, and will not generally be required to deduct FATCA withholding from payments it makes with respect to the Notes, other than in certain prescribed circumstances.

### ***No additional amounts paid as a result of FATCA withholding***

In the event that any amount is required to be withheld or deducted from a payment on the Notes as a result of FATCA, pursuant to the terms and conditions of the Notes, no additional amounts will be paid by the Issuer or any other party as a result of the deduction or withholding.

FATCA is particularly complex legislation.

*Investors should consult their own tax advisers to determine how FATCA and the Australian IGA may apply to them under the Notes.*

### ***Common Reporting Standard***

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**CRS**”) will require certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Holders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed the CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS applies to Australian financial institutions with effect from 1 July 2017.

## Currency of information

The information contained in this Information Memorandum is prepared as of its Preparation Date. Neither the delivery of this Information Memorandum nor any offer, issue or sale made in connection with this Information Memorandum at any time implies that the information contained in it is correct, that any other information supplied in connection with the Programme or the issue of Notes is correct or that there has not been any change (adverse or otherwise) in the financial condition or affairs of the Issuer at any time subsequent to the Preparation Date. In particular, the Issuer is not under any obligation to any person to update this Information Memorandum at any time after an issue of Notes.

In this Information Memorandum, “**Preparation Date**” means:

- in relation to this Information Memorandum, the date indicated on its face or, if this Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to annual reports and any financial statements incorporated in this Information Memorandum, the date up to, or as at, the date on which such annual reports and financial statements relate; and
- in relation to any other item of information which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of release or effectiveness.

## SUMMARY OF THE PROGRAMME

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*The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum and, in relation to any Notes, the applicable Conditions, the Guarantee and Pricing Supplement. A term used below but not otherwise defined has the meaning given to it in the Conditions. A reference to a "Pricing Supplement" does not limit the provisions or features of this Programme which may be supplemented, amended, modified or replaced by a Pricing Supplement in relation to a particular Series of Notes.*

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer:                   | <p>AusNet Services Holdings Pty Ltd (ABN 69 087 651 876).</p> <p>Further information regarding the Issuer is set out in the documents which are deemed to be incorporated in this Information Memorandum.</p>                                                                                                                                                                                                                                                                                                                                                                          |
| Guarantors:               | <p>AusNet Gas Services Pty Ltd (ABN 43 086 015 036)</p> <p>AusNet Electricity Services Pty Ltd (ABN 91 064 651 118)</p> <p>AusNet Asset Services Pty Ltd (ABN 78 079 798 173)</p> <p>AusNet Transmission Group Pty Ltd (ABN 27 075 826 881)</p> <p>Under the terms of the Guarantee certain subsidiaries within the AusNet Services Group may be released from the Guarantee and new subsidiaries may accede to the Guarantee.</p>                                                                                                                                                     |
| Programme description:    | <p>A non-underwritten debt issuance programme under which, subject to applicable laws and directives, the Issuer may elect to issue Notes and other debt securities in registered uncertificated form.</p> <p>Subject to all applicable laws and directives, the Issuer may issue Notes in any country including Australia and countries in Europe and Asia but not in the United States of America unless such Notes are registered under the U.S. Securities Act or an exemption from the registration requirements is available.</p>                                                |
| Programme limit:          | <p>A\$2,000,000,000 (which may be increased in accordance with the provisions of the Dealer Agreement in relation to the Programme).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Arrangers and Dealers:    | <p>Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)</p> <p>Commonwealth Bank of Australia (ABN 48 123 123 124)</p> <p>National Australia Bank Limited (ABN 12 004 044 937)</p> <p>Westpac Banking Corporation (ABN 33 007 457 141)</p> <p>Additional Dealers may be appointed from time to time by the Issuer for any Tranche of Notes or to the Programme generally.</p>                                                                                                                                                                                          |
| Registrar:                | <p>Austraclear Services Limited (ABN 28 003 284 419) or any other person appointed by the Issuer with respect to any Series of Notes. Details of any such appointment will be specified in the relevant Pricing Supplement.</p>                                                                                                                                                                                                                                                                                                                                                        |
| Issuing and Paying Agent: | <p>Austraclear Services Limited (ABN 28 003 284 419) or any other person appointed by the Issuer with respect to any Series of Notes. Details of any such appointment will be specified in the relevant Pricing Supplement.</p>                                                                                                                                                                                                                                                                                                                                                        |
| Calculation Agent:        | <p>If, in the opinion of the Issuer, a Calculation Agent is required for the purpose of calculating any amount or making any determination under a Note, such appointment shall be made by the Issuer and specified in the applicable Pricing Supplement. The Issuer may terminate the appointment of the Calculation Agent, appoint additional or other Calculation Agents or elect to have no Calculation Agent. Where no Calculation Agent is appointed, the calculation of interest, principal and other payments in respect of the relevant Notes will be made by the Issuer.</p> |

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|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Agents:             | Each Registrar, Issuing and Paying Agent, Calculation Agent and any other person appointed by the Issuer to perform other agency functions with respect to any Series of Notes (details of such appointment may be set out in the relevant Pricing Supplement).                                                                                                                                                                                                                                                                                    |
| Form of Notes:      | <p>Notes will be issued in registered uncertificated form and will be debt obligations of the Issuer which are constituted by, and owing under, the Deed Poll dated 20 January 2017, as amended or supplemented from time to time, or such other deed poll executed by the Issuer as may be specified in the applicable Pricing Supplement.</p> <p>Notes take the form of entries in a register ("<b>Register</b>") maintained by the Registrar.</p>                                                                                               |
| Guarantee:          | The Guarantors will guarantee payment of all amounts due under the Notes under a guarantee deed poll dated 20 January 2017 granted by the Guarantors in favour of the Holders (" <b>Guarantee</b> "). The form of the Guarantee is available for inspection by appointment during normal office hours at the offices of the Registrar. Under the terms of the Guarantee certain subsidiaries within the AusNet Services Group may be released from the Guarantee and new subsidiaries may accede to the Guarantee. See clause 15 of the Guarantee. |
| Issuance in Series: | Notes will be issued in Series. Each Series may comprise one or more Tranches having one or more issue dates and on conditions that are otherwise identical (other than, to the extent relevant, in respect of the issue price and the first payment of interest). The Notes of each Tranche of a Series are intended to be fungible with the other Tranches of Notes of that Series.                                                                                                                                                              |
| Status:             | <p>Upon issue, Notes will be direct, unsubordinated and unsecured obligations of the Issuer which rank at least equally with all other unsecured and unsubordinated obligations of the Issuer except liabilities mandatorily preferred by law.</p> <p>The Guarantee is a direct, unsubordinated and unsecured obligation of the Guarantors which ranks at least equally with all other unsecured and unsubordinated obligations of the Guarantors, except liabilities mandatorily preferred by law.</p>                                            |
| Negative pledge:    | The Notes will have the benefit of a negative pledge as more fully set out in Condition 4.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Events of Default:  | Details of, and remedies for, events of default in relation to the Notes are set out in Condition 15.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Maturities:         | Subject to all applicable laws and directives, Notes may have any maturity as may be specified in the applicable Pricing Supplement or as may be agreed between the Issuer and the relevant purchasing Dealer.                                                                                                                                                                                                                                                                                                                                     |
| Currencies:         | Notes will be denominated in Australian dollars.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Issue Price:        | Notes will be issued at any price on a fully or partly paid basis, as specified in the relevant Pricing Supplement.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Interest:           | Notes will bear interest as specified in the relevant Pricing Supplement. Notes may be fixed rate, floating rate, index linked, zero coupon or otherwise bear interest which is calculated by a formula or an index.                                                                                                                                                                                                                                                                                                                               |
| Fixed Rate Notes:   | Fixed Rate Notes will bear a fixed rate of interest payable in arrear on the interest payment date or dates in each year as specified in the relevant Pricing Supplement.                                                                                                                                                                                                                                                                                                                                                                          |

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| Floating Rate Notes:     | <p>Floating Rate Notes will bear interest set separately for each Series by reference to a rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be specified in the relevant Pricing Supplement, as adjusted by any applicable margin. Interest periods and interest payment dates will be specified in the relevant Pricing Supplement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Structured Notes:        | <p>Notes may also be issued with other features, details of which are contained in the relevant Pricing Supplement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Redemption and purchase: | <p>Notes will be redeemed at their scheduled maturity and may be redeemed prior to their scheduled maturity as more fully set out in the Conditions and the applicable Pricing Supplement.</p> <p>The Issuer and any of its Related Entities may purchase Notes in the open market or otherwise and at any price.</p> <p>Notes entered in a Clearing System (as defined below) will be redeemed or purchased through that Clearing System in a manner that is consistent with the rules and regulations of that Clearing System.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Denominations:           | <p>Subject to all applicable laws and directives, for a particular Series, Notes will be issued in the single denomination as specified in the applicable Pricing Supplement.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Clearing Systems:        | <p>Notes may be transacted either within or outside any Clearing System (as defined below).</p> <p>The Issuer may apply to Austraclear Limited (ABN 94 002 060 773) ("<b>Austraclear</b>") for approval for Notes to be traded on the clearing and settlement system operated by it ("<b>Austraclear System</b>"). Upon approval by Austraclear, the Notes will be traded through the Austraclear System in accordance with the rules and regulations of the Austraclear System. Such approval by Austraclear is not a recommendation or endorsement by Austraclear of such Notes.</p> <p>Transactions relating to interests in the Notes may also be carried out through the settlement system operated by Euroclear Bank S.A./N.V. ("<b>Euroclear</b>"), the settlement system operated by Clearstream Banking S.A. ("<b>Clearstream</b>") or any other clearing system outside Australia specified in the relevant Pricing Supplement (the Austraclear System, Euroclear, Clearstream and any other clearing system specified in the relevant Pricing Supplement, each a "<b>Clearing System</b>").</p> <p>Interests in the Notes traded in the Austraclear System may be held for the benefit of Euroclear or Clearstream. In these circumstances, entitlements in respect of holdings of interests in Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently HSBC Custody Nominees (Australia) Limited) while entitlements in respect of holdings of interests in Notes in Clearstream would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank, N.A. as custodian for Clearstream (presently J.P. Morgan Nominees Australia Limited).</p> <p>The rights of a holder of interests in a Note held through Euroclear or Clearstream are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, the terms and conditions of agreements between Euroclear and Clearstream and their respective nominee and the rules and regulations of the Austraclear System. In addition, any transfer of interests in a Note which is held through Euroclear or Clearstream will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act and the requirements for minimum consideration as set out in the Conditions.</p> <p>The Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and their investors.</p> |

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| Title:                                            | <p>Entry of the name of the person in the Register in respect of a Note in registered form constitutes the obtaining or passing of title and is conclusive evidence that the person so entered is the registered holder of that Note subject to correction for fraud or manifest or proven error.</p> <p>Title to Notes which are held in a Clearing System will be determined in accordance with the rules and regulations of the relevant Clearing System.</p> <p>Notes which are held in the Austraclear System will be registered in the name of Austraclear.</p> <p>No certificates in respect of any Notes will be issued unless the Issuer determines that certificates should be available or it is required to do so pursuant to any applicable law, regulation or directive.</p> <p>Title to other Notes which are not lodged in a Clearing System will depend on the form of those Notes as specified in the relevant Pricing Supplement.</p> |
| Use of proceeds:                                  | <p>The net proceeds realised from the issue of Notes will be used for the general corporate purposes of the AusNet Services Group.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Transfers:                                        | <p>Notes may only be transferred in whole and in the denomination specified in the relevant Pricing Supplement.</p> <p>Notes may only be transferred if the aggregate consideration payable by the transferee at the time of the transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates to the transferee) or the offer or invitation giving rise to the transfer does not constitute an offer or invitation for which disclosure is required to be made to investors under Parts 6D.2 or 7.9 of the Corporations Act and the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place.</p> <p>Transfers of Notes held in a Clearing System will be made in accordance with the rules and regulations of the relevant Clearing System.</p>                                                                                                                                   |
| Payments and Record Date:                         | <p>Payments to persons who hold Notes through a Clearing System will be made in accordance with the rules and regulations of the relevant Clearing System.</p> <p>If Notes are not lodged in a Clearing System, then payments of interest in respect of those Notes will be made to the account of the registered holder noted in the Register at the close of business in the place where the Register is maintained on the relevant Record Date. Payments of principal will be made to the persons whose names are entered in the Register at 10.00am on the payment date.</p> <p>The Record Date is the close of business in the place where the Register is maintained on the eighth calendar day before a payment date or such other date as specified in the applicable Pricing Supplement.</p>                                                                                                                                                    |
| Stamp duty:                                       | <p>Any stamp duty incurred at the time of issue of the Notes will be for the account of the Issuer. Any stamp duty incurred on a transfer of Notes will be for the account of the relevant investors.</p> <p>As at the date of this Information Memorandum, no <i>ad valorem</i> stamp duty is payable in any Australian State or Territory on the issue, disposal, redemption or transfer of the Notes. However, investors are advised to seek independent advice regarding any stamp duty or other taxes imposed upon the transfer of Notes, or interests in Notes.</p>                                                                                                                                                                                                                                                                                                                                                                                |
| Tax File Numbers and Australian Business Numbers: | <p>The Issuer will deduct amounts from payments of interest to be made under the Notes at the prescribed rate if an Australian resident investor, or a non-resident investor that holds a Note in carrying on a business at or through a permanent establishment in Australia, has not supplied an appropriate Tax File Number, (if applicable) Australian Business Number or such exemption details as may be necessary to enable the payment to be made without withholding or deduction.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

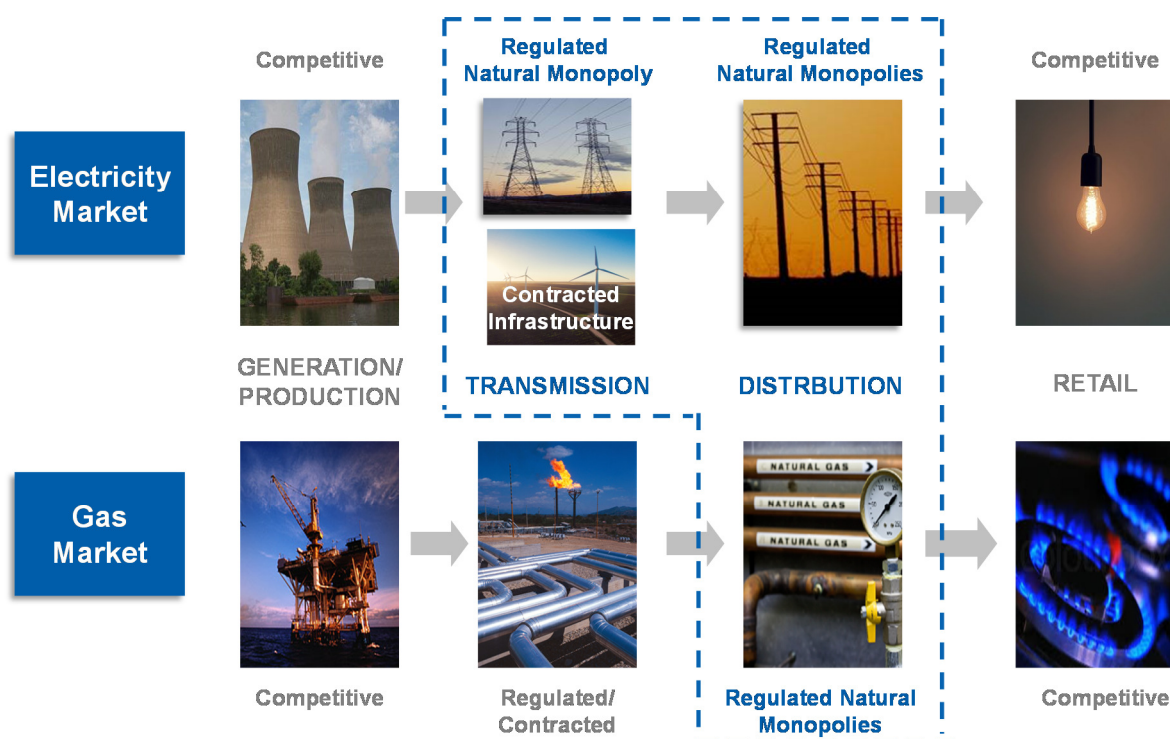
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| Taxes, withholdings and deductions:                                                | <p>All payments in respect of the Notes will be made without withholding or deduction for or on account of any Taxes, unless the Issuer is required to make such withholding or deduction under law. In the event that the Issuer is required to make such a withholding or deduction in respect of Taxes imposed by the Commonwealth of Australia or a political sub-division of it, the Issuer will, save in the circumstances provided in Condition 13.3 of the Notes, be required to pay an additional amount so that the Holder receives the amount it would have received if no withholding or deduction were made.</p> <p>A brief overview of the Australian withholding taxation treatment of payments of interest on Notes is set out in the section entitled “Australian Taxation” below.</p> <p>Investors should obtain their own taxation and other applicable advice regarding the taxation and other fiscal status of investing in any Notes.</p>                                                                                                                                                                                                                                            |
| Listing:                                                                           | <p>Although the Issuer reserves the right to do so, the Issuer does not currently intend to list the Notes on any stock or securities exchange.</p> <p>An application may be made for Notes of a particular Series to be quoted on the ASX or to be listed, quoted and/or admitted to trading on any other stock or securities exchange (in accordance with applicable laws and directives).</p> <p>Any Notes which are quoted on the ASX will not be transferred through, or registered on, the Clearing House Electronic Sub-Register System operated by ASX Settlement Pty Limited (ABN 49 008 504 532) and will not be “Approved Financial Products” for the purposes of that system. Interests in the Notes may instead be held in, and transferable through, the Austraclear System.</p> <p>The applicable Pricing Supplement will specify whether or not a Series of Notes will be listed, quoted and/or admitted to trading on any stock or securities exchange.</p>                                                                                                                                                                                                                               |
| Credit rating:                                                                     | <p>The Issuer, the Programme and/or Notes to be issued under the Programme may be rated by one or more rating agencies. Any such credit rating will be specified in the relevant Pricing Supplement for a Series of Notes (or another supplement to this Information Memorandum).</p> <p>A credit rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.</p> <p>Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it, as per applicable law.</p> |
| Investors to obtain independent advice with respect to investment and other risks: | <p>Prospective investors should consult their own professional, financial, legal and tax advisers about risks associated with an investment in any Notes and the suitability of investing in the Notes in light of their particular circumstances. Certain risks are described below under the section entitled “The Issuer and the Guarantors – Investment Considerations”.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Governing law:                                                                     | <p>The Notes, and all related documents, will be governed by the laws of Victoria, Australia.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

### Overview of AusNet Services

AusNet Services and its subsidiaries (the “**AusNet Services Group**”) is a diversified energy infrastructure business that owns and operates the primary regulated Victorian electricity transmission network, as well as an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria. The AusNet Services Group also has a portfolio of contracted infrastructure assets and provides specialised utility related solutions, focusing on asset intelligence, metering, telecommunication services, energy use, energy storage, energy efficiency and other niche services under its Commercial Energy Services (“**CES**”) division.

The following diagram shows the industry segments in which AusNet Services’ regulated businesses operate.

## Australian Energy Market Structure



**AusNet Services operates in the regulated transmission and distribution sectors**

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AusNet Services is a public company which is listed on the ASX and has a secondary listing on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The ASX code is “AST” and the SGX-ST code is “AUSNET SERVICES (AZI.SI)”.

## INVESTMENT CONSIDERATIONS

*The Issuer and each Guarantor believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.*

*The Issuer and each Guarantor believe that the factors described below represent the principal business risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or any Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor any of the Guarantors represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out in the Information Memorandum (including any documents deemed to be incorporated by reference therein) and reach their own views prior to making any investment decision.*

*Capitalised expressions and acronyms herein have the meanings given in the Glossary or the Conditions of the Notes, as applicable.*

### **Risks Related to AusNet Services Group's Business**

#### ***Regulatory risks***

#### **The energy industry in Australia is highly regulated, which limits the AusNet Services Group's flexibility and may adversely affect its financial performance**

The energy industry in Australia is highly regulated. The regulated component of the AusNet Services Group's revenues (approximately 86% of the AusNet Services Group's revenues for the year ended 31 March 2017 were regulated) will be subject to periodic pricing resets by the Australian Energy Regulator ("AER"), where revenue or prices will be determined for each of the networks for the specified regulatory period. The AusNet Services Group has no ability or flexibility to charge more for regulated services than is provided for under the relevant AER determination (for electricity transmission and distribution), or the approved access arrangement (in respect of gas distribution), without regulatory approval. Regulatory control periods are generally five years. The upcoming regulatory reset dates (where the next regulatory period commences) for the AusNet Services Group's electricity distribution network, electricity transmission network and gas distribution network are 1 January 2021, 1 April 2022 and 1 January 2023<sup>1</sup> respectively.

Regulated charges do not necessarily reflect actual or projected operating costs, capital expenditure or the costs of capital. If the regulated charges set by the AER are lower than the AusNet Services Group's costs, this may adversely affect the financial performance and position of the AusNet Services Group.

The AusNet Services Group maintains a dedicated regulatory team to manage its regulatory environment and price review processes.

#### **The AusNet Services Group is exposed to cost changes within a regulatory control period**

The AusNet Services Group is exposed to cost changes within a regulatory control period and bears the risk of any shortfall in allowances for costs provided by regulatory determinations. Costs can change materially within a regulatory control period due to, among other things, changes in the costs of labour, equipment or capital inputs (including the cost of finance). In some circumstances, where costs are outside the AusNet Services Group's control, the regulatory regime offers cost pass-through protection. However, this is generally limited to costs incurred as a result of a change of exogenous circumstances (for example, a change in law, natural disaster or changes in occupational health and safety or environmental obligations) and the change in costs is required to satisfy a materiality threshold. It is also possible to re-open a regulatory determination, but this can only occur where the determination is affected by a material error or deficiency. As such, the AusNet Services Group faces exposure to changes in its costs which could adversely affect its financial performance and position.

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<sup>1</sup> The last regulatory reset date for the gas distribution network was 1 January 2018.

## Changes to National Electricity Rules and National Gas Rules

The AEMC completed a rules change process in respect of the National Electricity Rules (“**NER**”) and National Gas Rules (“**NGR**”) provisions on weighted average cost of capital (“**WACC**”) and other aspects of the economic regulatory framework for the electricity sector in 2012. The rule changes, as made, among other things establish a new rate of return framework that is common to electricity distribution, electricity transmission and gas, which requires the regulator to make the best possible estimate of the rate of return at the time a regulatory determination is made and to take into account market circumstances, estimation methods, financial models and other relevant information. This framework provides the AER with greater discretion on the approach for setting WACC.

In addition, these rule changes provide for new tools, such as capital expenditure sharing schemes and *ex post* efficiency reviews, so the regulator can incentivise network service providers to invest capital efficiently. The regulator can also apply the tools, in particular benchmarking, as it considers appropriate to each network business in making regulatory decisions. Operating expenditure is particularly subject to benchmarking comparisons to set efficient levels going forward.

In exercising any *ex post* efficiency review, the regulator will have regard to an overall objective that only capital expenditure that is efficient should form part of the regulated asset base. The AER established the necessary guidelines under the revised NER and NGR in 2013. The AER’s rate of return guideline decision released on 17 December 2013 (“**Rate of Return Guideline**”) continued the pattern of WACC reductions by regulators since the energy businesses were privatised in Victoria in 1994. In particular, the non-diversifiable risk (beta) assumed for the network businesses underpinning the cost of equity has been reduced and the tax allowance has been reduced. However, other methodological changes are likely to promote stability in the cost of capital in the long-term.

The Rate of Return Guideline applies to the AusNet Services Group under the Victorian electricity distribution determination applicable from 1 January 2016, the electricity transmission determination applicable from 1 April 2017 and the gas distribution determination applicable from 1 January 2018. The ACT heard a number of appeals from network businesses in relation to the implementation of the Rate of Return Guideline, including by the NSW electricity distribution businesses. On 26 February 2016, the ACT handed down its decision for the NSW distribution businesses (“**Networks NSW ACT Decision**”) and remitted the determination to the AER to reconsider and remake with respect to the value of imputation credits (gamma), debt transition approach and operating expenditure. The AER lodged a judicial review appeal in relation to the Networks NSW ACT Decision to the Federal Court of Australia in March 2016. On 24 May 2017 the Federal Court found no error in the AER’s decision in relation to gamma, but upheld the ACT’s decision requiring the AER to remake its decision in relation to debt transition and operating expenditure. This remittal process is currently underway.

AusNet Services lodged an appeal for merits review with the ACT on the final EDPR 2016-20 determination in June 2016. Hearings for the merits review appeal commenced in November 2016 addressing gamma, self-insurance and cost of debt measurement. AusNet Services also lodged an application for judicial review with the Federal Court in relation to the gamma grounds. In July 2017, AusNet Services withdrew its grounds for review in relation to gamma from the ACT and the judicial review processes. In October 2017, the ACT upheld the AER’s determination for AusNet Services in relation to self-insurance and cost of debt measurement.

The current rules require the AER to review the Rate of Return Guideline every three years. The next review has commenced and is due to be finalised in December 2018. The Council of Australian Governments (“**COAG**”) Energy Council has agreed to implement a binding guideline for the rate of return and the value of imputation credits (gamma), to be reviewed every four years.

It is possible that the new, binding guideline will result in a further reduction in regulated returns, particularly in the cost of equity, which may negatively affect the AusNet Services Group’s financial performance and position.

Following the large number of appeals of AER decisions brought by networks in 2015 and 2016, the limited merits review regime (established in 2013 by the COAG Energy Council) was formally abolished on 16 October 2017. This was due to concerns that the regime was not operating in the long term interests of customers. Network businesses no longer have the right to appeal AER decisions, which could adversely affect the financial performance of the AusNet Services Group.

The ability to seek judicial review of regulatory determinations by the Federal Court of Australia remains.

## **A number of other regulatory reform processes could have a negative effect on revenue, net profit after tax and cash flow**

A number of other regulatory reviews are in progress, including but not limited to:

- review of the Rate of Return Guideline – the AER is currently reviewing the Rate of Return Guideline for electricity network regulatory determinations. The National Electricity Rules require a review to be completed by December 2018. The Rate of Return Guideline is currently a non-binding guideline. However, in parallel, COAG Energy Council has agreed to amend legislation to make a guideline which is intended to be binding on all regulatory determinations made following the passage of amending legislation. Final Bills are expected to be considered by COAG Energy Council in early 2018; and
- retail pricing review – at the direction of the Treasurer of the Australian Government, the ACCC is conducting an inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. Whilst the original focus of the review was on the market elements of the supply chain, the review has also examined the contribution of network costs in customer bills. Drawing on conclusions from the “Independent Review into the Future Review of the National Electricity Market” (“**the Finkel Review**”), the interim report foreshadows further examination of ways to reduce the existing network costs embedded in the system, including whether consideration should be given to writing down asset values where over investment can be determined or assets become stranded. The ACCC will provide its final report in June 2018 for consideration by the Australian Government.

The reforms are briefly outlined in “Industry/Regulatory Overview – Industry Overview – Regulatory Overview”. These reviews and others could give rise to changes in the regulatory and statutory framework that could, in time, affect the AusNet Services Group’s revenues and could have a negative impact on net profit after tax and cashflows.

## **The AusNet Services Group needs to be licensed and accredited in order to operate, and its licences and accreditations could be revoked**

The AusNet Services Group requires licences and accreditations in order to operate its distribution and transmission businesses. The ESC can revoke the AusNet Services Group’s licences if the relevant licensee does not comply with an enforcement order served by the ESC or an undertaking given to the ESC and the ESC considers that revocation is necessary or desirable in order to achieve the relevant gas or electricity policy objectives.

The regulatory regime applying to the electricity and gas industries in southern and eastern Australia is currently being amended by the introduction of the NECF. As a part of the NECF, certain regulatory functions currently performed by the ESC will transfer to the AER. So far, only the customer connections framework of NECF has been adopted for Victoria. This reform is not expected to amend the AusNet Services Group’s operating authority or arrangements in any way. However, any revocation of a licence or accreditation by the ESC or, in the future, by the AER could adversely affect the AusNet Services Group’s operating authority, which could in turn adversely affect the financial performance and position of the AusNet Services Group.

## **Changes in law, government policy and regulatory action could adversely affect the AusNet Services Group**

Changes in the structure and regulation of the energy industry in Australia could have a materially adverse effect on the AusNet Services Group and its business. The AusNet Services Group is also directly or indirectly subject to a range of regulatory issues arising from environmental laws and regulations, occupational health and safety requirements, and technical and safety standards. The AusNet Services Group’s business is also subject to general legal regulation including in relation to tax, land use and land access, native title and cultural heritage. Electricity and gas businesses are also subject to a range of changing technical regulation at both Federal and State levels. Changes to those government policies, laws or regulations, the introduction of new legal or regulatory regimes (for example, in relation to climate change) or changes to the way in which those laws, regulations or policies are interpreted and applied by relevant regulators, including the ATO may have a material adverse effect on AusNet Services Group’s financial position, operational costs, earnings, cash flows and its business. Such changes may have retrospective effect and they may include changes that are under consideration at the time of this Information Memorandum but which have not been implemented.

Regulators (including tax authorities) may take action against AusNet Services. This may have an adverse effect on AusNet Services' financial position, including as a result of fines, increased tax assessments and the cost of addressing and/or defending regulatory action.

**The AusNet Services Group is required to comply with technical, safety and environmental standards applicable to its transmission and distribution networks and its compliance costs may increase**

Legislation and associated regulations prescribe certain standards for the operation and maintenance of the AusNet Services Group's networks. The AusNet Services Group has approved Electricity Safety Management Schemes ("ESMSs") for its electricity transmission and distribution networks, and a safety case for the gas distribution network, which govern, where applicable, its compliance with these standards. The ESMSs and gas safety case do not prevent claims against the AusNet Services Group. Failure to comply with operation and maintenance standards could lead to safety issues, service disruptions and adverse publicity and could otherwise result in a materially adverse effect on the AusNet Services Group's business.

Amendments to the Electricity Safety (Bushfire Mitigation) Regulations 2013 (Vic) were introduced on 1 May 2016. The objective of the regulations is to reduce the risk of bushfires initiated by electricity distribution networks.

The amendments to the regulations mandate the following network programs:

- installation of Automatic Circuit Reclosers ("ACRs") on all Single Wire Earth Return ("SWER") networks;
- progressive replacement of bare powerlines in highest risk areas with insulated cables; and
- installation of Rapid Earth Fault Current Limiter ("REFCL") technology.

The AusNet Services Group completed the installation of SWER ACRs on all SWER networks in December 2015. AusNet Services Group will be required to seek approval through the AER for funding the replacement of bare powerlines in high risk areas with insulated cables.

On 31 March 2017, AusNet Services lodged a contingent project application with the AER for tranche 1 (of 3) of the REFCL program. The AER's final determination on the revenue allowed for the delivery of this program was made on 21 August 2017. AusNet Services Group will seek approval through the AER for funding the remaining two tranches.

With respect to the REFCL program, the proposed regulations prescribe a timeframe, as well as performance specifications, for implementation of a new technology.

In May 2017, the Electricity Safety Act 1998 (Vic) was amended to include financial penalties for failure to comply with the regulatory requirements for implementation of the three programs listed above.

Various materials and substances that are hazardous or environmentally sensitive, such as oil, sulphur hexafluoride gas (SF<sub>6</sub>), polychlorinated biphenyls and asbestos, have been used or are contained in the facilities and sites involved in the AusNet Services Group's current and historical businesses. For example, the AusNet Services Group's networks include numerous transformers that may leak oil due to mechanical failures, automobile accidents and other factors. In the event such leaks and spills escape containment and contaminate ground or surface water, this may lead to expensive clean-up and remediation of affected sites, government sanctions may be imposed and the AusNet Services Group's reputation may be damaged. The AusNet Services Group is currently funding the clean-up of former gas works sites. Based on the AusNet Services Group's estimates as at 30 September 2017, a provision of A\$33.9 million has been made for these remediation works.

The AusNet Services Group must comply with environmental laws and regulations, and obtain and maintain numerous governmental permits. If it fails to comply with these environmental requirements, it could be subject to civil and/or criminal liability and fines, which could be substantial.

In addition, existing environmental regulations could be revised or reinterpreted, new laws and regulations could be adopted or become applicable to the AusNet Services Group, and future changes in environmental laws and regulations could occur. The occurrence of any of these events could materially adversely affect the AusNet Services Group's results of operations and financial condition.

**Changes in the structure and regulation of the energy industry in Australia, or the manner in which regulation is administered, could impact the AusNet Services Group's existing contracts**

Some of the AusNet Services Group's contracts, such as its use of system agreements, operate within previous or existing State and national regulatory frameworks. Some of these contracts have not kept pace with regulatory developments and, if a dispute arises, the AusNet Services Group may not be able to reach agreement with contract counterparties as to appropriate solutions. There is a further risk that, as that framework changes further over time, the contracts may not operate as intended and the AusNet Services Group may not be able to reach agreement with contract counterparties as to appropriate amendments, which could adversely affect the AusNet Services Group's financial performance and position. This could also potentially lead to disputes. If these disputes cannot be resolved favourably, it may adversely affect the financial performance and position of the AusNet Services Group.

***Operational and Legal Risks***

**Network failures, equipment breakdowns, planned or unplanned outages, bushfires and other natural disasters, sabotage or terrorist attacks may cause losses to or harm the AusNet Services Group's business and reputation**

The AusNet Services Group's energy transmission and distribution networks and information technology systems are vulnerable to human error in operation, equipment failure, natural disasters (such as bushfires, severe weather, floods and earthquakes), sabotage, physical and cyber terrorist attacks or other events which can cause service interruptions to customers, network failures, breakdowns or unplanned outages. Certain events may occur that may affect electricity transmission or distribution lines or gas mains in a manner that would disrupt the supply of electricity or gas. Failures in the AusNet Services Group's equipment may cause supply interruptions or physical damage.

Any service disruption may cause loss or damage to customers, who may seek to recover damages from the AusNet Services Group, and this could harm the business and reputation of the AusNet Services Group. The AusNet Services Group's emergency response, crisis management and business continuity management system, known as the "Strategic Plan for Integrated Response and Contingency System", is the approved methodology to guide response and recovery activities. The system may limit the damage and protect against further damage, both physical and reputational, to the AusNet Services Group's business and operations.

The AusNet Services Group is also exposed to the cost of replacing faulty equipment. On rare occasions, faults in plant items are discovered only after the item has been installed extensively within a network, requiring a large scale replacement programme. Only some such incidents are covered by plant warranties and in some instances these warranties may only be partial. Additionally, incidents in the AusNet Services Group's zone substations and terminal stations have property insurance cover to insure against failure, but incidents outside the boundaries of the AusNet Services Group's zone substations and terminal stations are self-insured. Any forced replacement programme, particularly if not insured or covered by warranties, could be costly and adversely affect the AusNet Services Group's financial performance and position.

**The AusNet Services Group's insurance may not cover all potential liabilities and losses**

Although the AusNet Services Group maintains insurance that it believes is appropriate to protect against major operating and other risks, not all risks are insured or insurable. In particular, the AusNet Services Group does not carry insurance for damage to its towers, poles, wires or pipelines. Due to changeable insurance market conditions, the AusNet Services Group cannot be certain that adequate insurance coverage for potential losses and liabilities will be available in the future on commercially reasonable terms, and may also elect to self-insure and/or carry increased deductibles. If the AusNet Services Group experiences a loss in the future, the proceeds of the applicable insurance policies, if any, may not be adequate to cover replacement costs, lost revenues, increased expenses or liabilities to third parties.

The AusNet Services Group has liability insurance which specifically provides cover for bushfire liability. The AusNet Services Group 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.

The AusNet Services Group's safety record, network asset management and network maintenance programmes are consistent with industry practice, and its bushfire mitigation and vegetation management programmes comply with the Electricity Safety (Bushfire Mitigation) Regulations 2013 (Vic) and Electricity

Safety (Electric Line Clearance) Regulations 2015 (Vic) respectively. The AusNet Services Group's bushfire mitigation and vegetation management programmes are audited annually by Energy Safe Victoria. The AusNet Services Group has consistently achieved a 'zero' bushfire mitigation index for the bushfire seasons since listing in 2005.

**The AusNet Services Group's gas network revenues are exposed to variations in demand for gas and other factors affecting customer usage**

The AusNet Services Group's gas distribution network revenues are derived from the transported volume of gas metered at the connections to the distribution networks. The volume of gas used is subject to seasonal fluctuations and to a range of variables, including economic conditions, population growth, government policy, weather, alternative energy sources, technology, energy saving behaviour and availability of adequate supplies of gas. Economic recession and customer relocations out of a distribution area would also have a direct adverse effect on the AusNet Services Group's revenues. Similarly, warmer than normal winters can negatively affect the volume of gas that moves through its network, which may reduce revenue. There could also be a potential negative reaction by consumers to higher prices resulting in reduced demand, which may negatively impact revenues.

**The AusNet Services Group is exposed to a variety of legal risks**

The AusNet Services Group is exposed to a variety of legal risks. These legal risks include, but are not limited to: claims by gas or electricity users or specialist utility, government, energy or water services customers; environmental claims; land and other property related claims including native title; industrial action; occupational health and safety claims; legal action from special interest groups; and claims arising from third party losses alleged to have resulted from electricity network or gas pipeline disruptions or assets or the provision of specialist utility, government, energy or water services.

These legal risks are uncertain and any legal or financial liability arising from these risks may be material.

**The AusNet Services Group is exposed to changes in law and regulatory action**

The AusNet Services Group is also exposed to changes in tax laws or regulations, and changes to the way in which those laws and regulations are interpreted and applied by regulators including the ATO. Any such changes may have retrospective effect and could have a materially adverse effect on the AusNet Services Group's financial position, earnings, cash flows and ability to pay, or frank, distributions. Changes to laws or regulations may include changes that are under consideration at the time of this Information Memorandum but have not been implemented.

Regulators (including tax authorities) may take action against the AusNet Services Group. This may have an adverse effect on the AusNet Services Group's financial position including as a result of fines, increased tax assessments and the cost of addressing and/or defending regulatory action.

**Variations in inflation could adversely impact the AusNet Services Group's financial position**

Under the AusNet Services Group's regulatory arrangements, the regulatory return it receives is dependent on movements in the quarterly CPI. An unexpectedly low CPI result is likely to result in lower than expected cash flows and lower than expected revenues.

**Some of the AusNet Services Group's operations are hazardous and could expose the AusNet Services Group's employees, customers, contractors and the community to health and safety risks**

Occupational health and safety is a key risk area in the operation and maintenance of energy transmission and distribution networks. There are risks caused by circumstances beyond the AusNet Services Group's control, as well as the inherently dangerous nature of maintenance and construction work involving electricity and gas transmission and distribution facilities.

The AusNet Services Group's businesses also give rise to the risk of claims by (individual, industrial or commercial) customers and/or the community as a result of the dangers associated with:

- downed power lines, broken gas mains, oil spills and other events in connection with the construction, operation, management and maintenance of electricity transmission and electricity and gas distribution networks and other assets; and

- infrastructure leasing and licensing and providing specialist utility, government, energy and water services such as vegetation management, asset inspection and condition monitoring, chemical testing, metering and water infrastructure services.

Although the AusNet Services Group has implemented various risk management systems designed to identify and eliminate or manage risks to employees, contractors, customers and the community through the AusNet Services Group's operations, the AusNet Services Group cannot assert beyond doubt that such systems are adequate. Incidents, including fatalities and severe injuries, have occurred in the course of the AusNet Services Group's business in the past and may occur in the future. These risks will expose the AusNet Services Group to potential material liabilities, such as claims, fines and increased expenses.

#### **Unforeseen capital expenditure may adversely affect the AusNet Services Group's financial position**

The AusNet Services Group's transmission and distribution businesses are subject to certain conditions requiring the AusNet Services Group to complete necessary capital works. Due to unforeseen developments, the AusNet Services Group may be required to spend a materially higher amount on capital expenditure than is currently envisioned. While the regulatory regime provides that the AusNet Services Group may be compensated for regulatory capital expenditures incurred, funding unforeseen or unbudgeted capital expenditure requirements may adversely impact the AusNet Services Group's financial performance and position. While cost pass-through protections exist, there is a risk the AusNet Services Group will be required to fund additional capital expenditure programmes that may result from the unplanned capital expenditure, resulting in delayed or incomplete cost recovery. In addition, under the ex post review provisions, the AER may not approve regulatory compensation for an overspend where:

- aggregate capital expenditure over a 5 year period exceeds the regulatory benchmark; and
- the overspend is deemed inefficient by the AER.

#### **Climate change and related regulations may result in increased capital and operating expenditure for the AusNet Services Group**

Climate change has the potential to require increases to capital and operating expenditure over time to accommodate changing operating conditions. For example, climate change may result in more extreme weather events, increasing bushfire risks and the operational costs of responding to storm damage. In addition, regulatory developments responding to the threats posed by climate change may require increased expenditure and the AusNet Services Group may be adversely affected if the AER does not recognise these increased costs.

The AusNet Services Group continues to report its emissions under the NGER framework. Corporations meeting or exceeding the thresholds are required to lodge their reports on emissions by 31 October each year. The AusNet Services Group meets the current thresholds under the NGER framework and lodged its current year's report with the Department of Climate Change and Energy Efficiency prior to the 31 October 2017 deadline.

Since 1 July 2016 a safeguard mechanism has applied to AusNet Gas Services. Under the safeguard mechanism, a baseline is established. If net emissions exceed the baseline, the emitter must surrender Australian Carbon Credit Units which either have to be generated (as a result of emission reduction initiatives) or purchased via the secondary market.

#### **Electric and Magnetic Fields (EMF) may have adverse effects on human health**

EMF produced by electricity have been the subject of employee and public health concerns. Numerous scientific studies have been undertaken on the potential adverse effects of EMF on human health. None of these studies have established adverse effects, but there still remains substantial public and scientific debate.

The AusNet Services Group's distribution, sub-transmission and transmission lines EMF are within the health guidelines on EMF set by the NHMRC in December 1989. ARPANSA has recently recommended international guidelines published by ICNIRP as international best practices to be considered in Australia. In light of this recommendation, AusNet Services Group has adopted these guidelines in new development and also initiated an assessment of existing assets to ensure compliance. It is anticipated that EMF are also within these ICNIRP guidelines. ARPANSA/ICNIRP guidelines could require the AusNet Services Group to re-design and re-construct some installations to ensure that EMF are within acceptable limits, which could adversely affect the

AusNet Services Group's financial performance and position. Adverse findings relating to EMF may also lead to litigation against the AusNet Services Group which could expose the AusNet Services Group to material damages claims. The AusNet Services Group participates in the national and international standard development processes and monitors the relevant scientific research including work on standard compliant assessment.

**The AusNet Services Group's business and future revenues may be negatively impacted by increased reliance on technology**

The continual drive to reduce carbon emissions, meet the need for increasing 'peak demand', achieve greater efficiency, and keep pace with emerging digital disruptors has resulted in a greater role for technology in the management and operations of utility networks.

Examples of this increased role include smart meters and "smart networks" such as mini-grids to improve electricity supply and reliability while meeting the community desire for a cost efficient and sustainable network which also incorporates renewable energy generation. Further, the convergence of information technologies ("IT") and operational technologies ("OT") is driving an ever greater role for technology in the day-to-day management of energy networks.

Failure to embrace emerging technologies or invest in the right technologies may negatively impact the AusNet Services Group's revenue or require unforeseen capital investment to replace obsolete systems. In addition, as with all new technology solutions, there are risks associated with solution design, implementation, budgeting, planning and integration of future maintenance, upgrades and support. The realisation of such risks could adversely impact the effectiveness and sustainability of such solutions and overall business continuity, effectiveness and efficiency.

To mitigate these risks, the AusNet Services Group has established a centralised architecture, delivery and governance capability to ensure the business needs are successfully met through a business-aligned approach. Appropriate governance is applied to all technology investments and risks are managed through the AusNet Services Group's risk management frameworks.

The AusNet Services Group's financial performance and position could also be adversely affected by the requirements for greater technology investment if the AER does not recognise these increased costs. AusNet Services Group engages with regulators to ensure that the need for and drivers of increased technology are understood and justified.

**Under-performance in provision of network services by the AusNet Services Group's electricity networks would result in reduction of the AusNet Services Group's revenue through incentive regimes implemented by the AER or AEMO**

Incentive mechanisms applicable to the AusNet Services Group's electricity and gas networks, which are regulated by the AER or AEMO, reward or penalise the AusNet Services Group for the reliability of its performance relative to its historic performance. Deterioration in network performance may arise from various causes, including unfavourable weather patterns, fire and the relative effectiveness of asset management strategies. If the AusNet Services Group is denied awards, or attracts penalties, under any applicable incentive mechanism, its revenue may be adversely affected.

***Management and Personnel Risks***

**Failure to retain and attract skilled professional and technical employees could have an adverse effect on the AusNet Services Group's operations**

The AusNet Services Group's success is dependent on its ability to attract, develop, retain and engage a diverse range of employees. Competition for skilled employees in Australia is relatively strong, especially in the energy industry, with a number of engineering, technology, commercial and trade/technical roles in demand. This demand for skilled workers could lead to increased labour costs. Even when new employees are hired, it may often take a considerable period of training before they possess the skills required to work effectively with the complex and sometimes dangerous facilities used in the AusNet Services Group's business. The inability to attract, develop, retain and engage employees could adversely affect the AusNet Services Group's financial performance and position.

## **The AusNet Services Group is subject to the risk of disruptive industrial relations actions**

As at 30 September 2017, 695 members of the AusNet Services Group's workforce are covered by Enterprise Agreements or the terms of Modern Awards. Historically, the operations of certain of the AusNet Services Group's subsidiaries have from time to time experienced work stoppages and other forms of industrial action when it is time to re-negotiate the terms of the Enterprise Agreements. The AusNet Services Group's operations may be affected by industrial action in the future. Any industrial action, work stoppages or other labour-related developments may adversely affect the AusNet Services Group's financial performance and position. At the time of preparing this Information Memorandum, AusNet Services was subject to limited protected industrial action by the Electrical Trades Union in the form of work bans, linked to continuing negotiations for a new Enterprise Agreement. The impacts of these bans, while causing some services impacts to customers, have been managed by the company to ensure no material negative effect on overall business performance. The current Agreement expired in September 2016. All other Enterprise Agreements were successfully renegotiated without recourse to industrial action in 2016 and 2017 respectively.

## **Financial Risks**

### **The AusNet Services Group has a large amount of debt and is dependent on access to the capital markets for liquidity**

As of 30 September 2017, the AusNet Services Group's long-term senior debt totalled A\$5.4 billion, long-term subordinated debt totalled A\$0.7 billion and debt maturing during the 12-month period ending 30 September 2018 was A\$0.5 billion consisting of certain maturing long term debt. The degree to which the AusNet Services Group may be leveraged in the future could affect the ability of the AusNet Services Group to service debt and other obligations, to pay dividends to shareholders, to make capital investments, to take advantage of certain business opportunities, to respond to competitive pressures or to obtain additional financing. The AusNet Services Group may incur substantial additional debt and other obligations such as leases, letters of credit and other instruments.

In addition, the AusNet Services Group relies on access to financial markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. The AusNet Services Group's access to financial markets could be adversely impacted by various factors, such as a material adverse change in the AusNet Services Group business or a reduction in its credit ratings. The inability to raise capital on favourable terms, particularly during times of uncertainty in the financial markets, could impact the AusNet Services Group's ability to sustain and grow its businesses, which are capital intensive, and would likely increase its capital costs.

### **A downgrade in the credit ratings of the AusNet Services Group could increase the AusNet Services Group's borrowing costs and reduce its sources of liquidity and the AusNet Services Group's ability to make payments in relation to subordinated debt may be limited in certain circumstances**

If a rating agency were to downgrade the long-term ratings of the AusNet Services Group, the AusNet Services Group's borrowing costs may increase and its potential sources of liquidity could likely decrease. A downgrade in the AusNet Services Group's credit ratings below certain thresholds could trigger a requirement for the AusNet Services Group to comply with additional financial covenants. Under certain circumstances, a change of control may trigger a review, or termination, event in respect of certain of the AusNet Services Group's borrowing or hedging arrangements. In addition, if the AusNet Services Group experiences an event of default or a potential event of default under certain of its borrowing arrangements, it is not permitted to make a payment in respect of subordinated debt while the event subsists.

### **Restrictions in relation to AusNet Services' ability to raise equity could impact on AusNet Services Group's credit ratings and, in turn, could increase its borrowing costs and reduce its sources of liquidity**

AusNet Services' constitution includes a restriction on the power to issue shares and other equity interests ("**Constitution Restriction**"). AusNet Services is not permitted to issue shares or other equity interests without the prior approval of shareholders of AusNet Services. Shareholder approval for this purpose can apply for a maximum period of 18 months.

At the annual general meeting of AusNet Services held on 20 July 2017, the shareholders of AusNet Services passed resolutions to, among other things, permit AusNet Services:

- to issue shares pursuant to a dividend reinvestment plan (“**DRP**”) or any underwriting thereof (“**DRP Approval**”);
- to make or grant an offer, agreement or option which would or might require shares to be issued to a maximum of 10% of issued share capital, where the offer to issue shares is made pursuant to a pro rata issue and any related underwriting and/or short fall arrangement (“**Pro-Rata Issue Approval**”);

at any time within 18 months of the date of the resolutions (subject to any earlier revocations or variations at a subsequent general meeting of AusNet Services).

Actual issues of shares or other equity interests remain subject to the discretion of the Directors of AusNet Services and applicable laws and listing rules of the ASX.

Despite the **DRP Approval** and the **Pro-Rata Issue Approval**, there is a risk that the credit ratings of AusNet Services Group could be adversely impacted if, in the future, AusNet Services was restricted or prevented from raising equity as a result of the Constitution Restriction or otherwise. An adverse impact on the credit ratings of AusNet Services Group could increase borrowing costs of the AusNet Services Group and reduce its sources of liquidity.

### **The AusNet Services Group is exposed to interest rate risk**

As at 30 September 2017, the AusNet Services Group hedged 97.3% of the interest rate exposure on its debt relating to each of its businesses (electricity distribution, gas distribution and electricity transmission) for the duration of the relevant regulatory reset periods. The AusNet Services Group is nonetheless exposed to adverse interest rate movements in the medium to long term, as its Treasury Risk Policy permits the percentage of debt hedged to range between 90% and 100% and, in the medium to long term, the percentage of hedged debt may vary within this limit. The AusNet Services Group remains exposed to credit margins on debt that is refinanced or new debt that is raised which does not coincide with the averaging period agreed with the regulator.

### **The AusNet Services Group is exposed to counterparty credit risk**

The AusNet Services Group is exposed to credit related losses in the event of non-performance by counterparties to contracts, including by counterparties to derivative instruments which the AusNet Services Group uses to manage financial risks (i.e. cross currency and interest rate swaps). Additionally, the AusNet Services Group’s business involves the provision of services to a small number of large energy retailers. Accordingly, the AusNet Services Group is exposed to the risk that one or more of these retailers may become insolvent or otherwise unable to meet their financial obligations to the AusNet Services Group. Non-performance by one of AusNet Services Group’s counterparties could have a material adverse impact on the AusNet Services Group’s earnings.

### **Valuation of derivatives may result in further deterioration of reserves**

The AusNet Services Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. It is the AusNet Services Group’s policy to ensure, wherever possible, that all hedging activities comply with the hedge accounting requirements of AASB 9. However, there may be instances where it makes commercial and economic sense to enter into derivative transactions that are not treated as effective hedges under accounting standards. In these instances, under AASB 9 such derivatives must be classified as “fair value through profit and loss”. However, this classification is not an indication of intent to trade in derivative financial instruments.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in equity in the hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. As at 30 September 2017, hedge reserves were negative A\$24.4 million due to the valuation of derivatives held under cash flow hedging arrangements. Movements in the fair value of derivatives held in a cash flow hedging relationship could result in a further deterioration of reserves.

### **The AusNet Services Group is obligated to contribute to employee pension funds**

The AusNet Services Group makes contributions to two Equisuper defined benefit superannuation plans that provide defined benefit amounts to certain employees or their dependants upon retirement, death, disablement

or withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary although, in some cases, defined benefit members are also eligible for pension benefits. The terms and conditions of the two plans are consistent. The defined benefit sections of the Equipsuper plans are closed to new members. An independent actuary performs actuarial valuations of the funds semi-annually on 31 March and 30 September each year and additionally on other ad hoc dates as deemed appropriate.

The plans had a net surplus recognised on the balance sheet, as calculated in accordance with accounting standard AASB 119 Employee Benefits, of A\$29.5 million as at 30 September 2017.

Defined benefit funds are long term in nature and the actuarial calculations are based on long term expectations. Any short term fluctuations from the long term average will result in movements in the net surplus/deficit position of the fund. The AusNet Services Group makes contributions to the defined benefit funds based on the target funding method. Under this method, the contribution rate is set at a level which is expected to result in the plans' assets equalling 105% of the plans' liabilities within five years. Adverse movements in the market values of the plans' assets or actual obligations to be paid may result in the AusNet Services Group being required to make additional contributions.

### **Corporate Restructure outcomes subject to future ATO review**

AusNet Services completed a corporate Restructure on 18 June 2015, with AusNet Services becoming the single head entity of the group, replacing the triple-stapled arrangements in place since listing.

Pursuant to the Restructure, AusNet Services formed a single tax consolidated group that replaces the previous two tax consolidated groups of AusNet Services (Distribution) Ltd and AusNet Services (Transmission) Ltd. As a result of this change:

- the tax bases of the assets of the AusNet Services (Distribution) Ltd group have been reset with an uplift of A\$976.3 million recognised. As a result, deferred tax liabilities have been reduced by A\$292.9 million (being the tax effect of the uplift);
- the change to a new tax consolidated group triggered the cancellation of certain historical tax losses under the Same Business Test and an increase in deferred tax liabilities of A\$153.0 million. The AusNet Services Group obtained a ruling from the ATO confirming the non-availability of the losses; and
- the change to a new tax consolidated group required the reversal of historical deferred tax on derivative financial instruments of A\$8.4 million.

As a large business taxpayer, AusNet Services is subject to annual compliance reviews conducted by the ATO and continues to support a cooperative compliance relationship with the ATO. AusNet Services is currently engaging with the ATO in respect of all aspects of tax consolidation outcomes, which may ultimately lead to a higher or lower tax base step-up being adopted by AusNet Services.

## CAPITALISATION AND INDEBTEDNESS

The following table shows the combined capitalisation and indebtedness of the AusNet Services Group as at 30 September 2017.

|                                                                                   | <b>As at 30<br/>September 2017</b> |
|-----------------------------------------------------------------------------------|------------------------------------|
|                                                                                   | <i>(A\$ million)</i>               |
| <b>Capitalisation</b>                                                             |                                    |
| <b>Short-Term Debt, Including Current Portion of Long-Term Debt<sup>(1)</sup></b> | <b>458.3</b>                       |
| <b>Cash and Short-Term Deposits</b>                                               | <b>14.8</b>                        |
| <b>Capitalisation</b>                                                             |                                    |
| <i>Long-term Debt, Less Amounts Due Currently</i>                                 |                                    |
| Bank debt                                                                         | 139.3                              |
| Domestic medium term notes                                                        | 1,613.4                            |
| Sterling bond                                                                     | -                                  |
| Swiss bond                                                                        | 367.9                              |
| Hong Kong bond                                                                    | 685.6                              |
| Norwegian Kroner bond                                                             | 316.5                              |
| Japanese Yen bond                                                                 | 58.6                               |
| Euro bond                                                                         | 2,195.6                            |
| US dollar bond                                                                    | 99.8                               |
| US hybrid securities                                                              | 465.4                              |
| Singapore hybrid securities                                                       | 190.4                              |
| <b>Total Long-Term Debt</b>                                                       | <b>6,132.5</b>                     |
| <i>Equity</i>                                                                     |                                    |
| Contributed equity                                                                | 5,155.1                            |
| Reserves                                                                          | (1,469.6)                          |
| Retained profits                                                                  | 1,112.4                            |
| Other Equity                                                                      | (1,095.1)                          |
| <b>Total Equity</b>                                                               | <b>3,702.8</b>                     |
| <b>Total Capitalisation and Indebtedness<sup>(2)</sup></b>                        | <b>10,308.4</b>                    |

Notes:

(1) Includes the senior unsecured debt of the Issuer.

Short-term debt, including the current portion of long-term debt comprises:

- A\$442.3 million of Sterling senior notes;
- A\$16.0 million for commercial paper and bank debt facilities, of which A\$5.0 million commercial paper matured in December 2017 and the remaining A\$11.0 million drawn down from a 1-year working capital facility as at 30 September 2017.

The AusNet Services Group had A\$310 million of committed undrawn non-current bank debt facilities and A\$164 million of committed undrawn current bank debt facilities as at 30 September 2017.

- (2) Since 30 September 2017, there has been no material change to the capitalisation, indebtedness or contingent liabilities of the AusNet Services Group.

Since the end of the financial period ended 30 September 2017, an interim dividend for the 2018 financial year of A\$167.2 million (4.63 cents per fully paid share) was paid on 21 December 2017. The DRP was in operation for the interim dividend in the current year.

## INDUSTRY / REGULATORY OVERVIEW

### Industry Overview

#### The Electricity Industry

##### *Electricity Generation*

In Australia, electricity is mainly produced from the burning of fossil fuels, such as coal and natural gas at power stations, to create pressurised steam. The steam is forced through a turbine at high pressure to drive the generator. Other forms of electricity generation include open-cycle gas-fired, combined cycle gas-fired and renewable sources such as the sun, wind, biomass or water. Increasingly, energy generation from renewable sources is becoming an important part of the energy mix.

The total installed capacity of rooftop solar systems in the NEM reached 5,286 MW in 2016, equivalent to 9% of total installed generation capacity. The output of solar PV installations was virtually zero until 2010, but by 2016 was meeting over 3% of the NEM's electricity requirements. The penetration rate for rooftop solar PV systems in Australia is now among the world's highest. AEMO forecast rooftop installations will increase by 350% over the next two decades and contribute around 11% of the NEM's energy requirements by 2035–36.<sup>2</sup> The demand for electricity varies depending on conditions. For instance, demand tends to peak in the summer when heat drives up air conditioning loads and in the winter when cold weather increases heating requirements.

According to the AER's State of Energy Market May 2017 report, over 300 registered generators participate in the NEM. Electricity generated by small rooftop solar systems is not traded through the NEM. The total installed capacity of generation facilities within the NEM is approximately 47,148 MW and the electricity produced by major generators in the NEM is sold through a central dispatch process managed by the AEMO.

The AusNet Services Group is not a registered or licensed generator. The AusNet Services Group operates in electricity transmission and electricity distribution businesses.

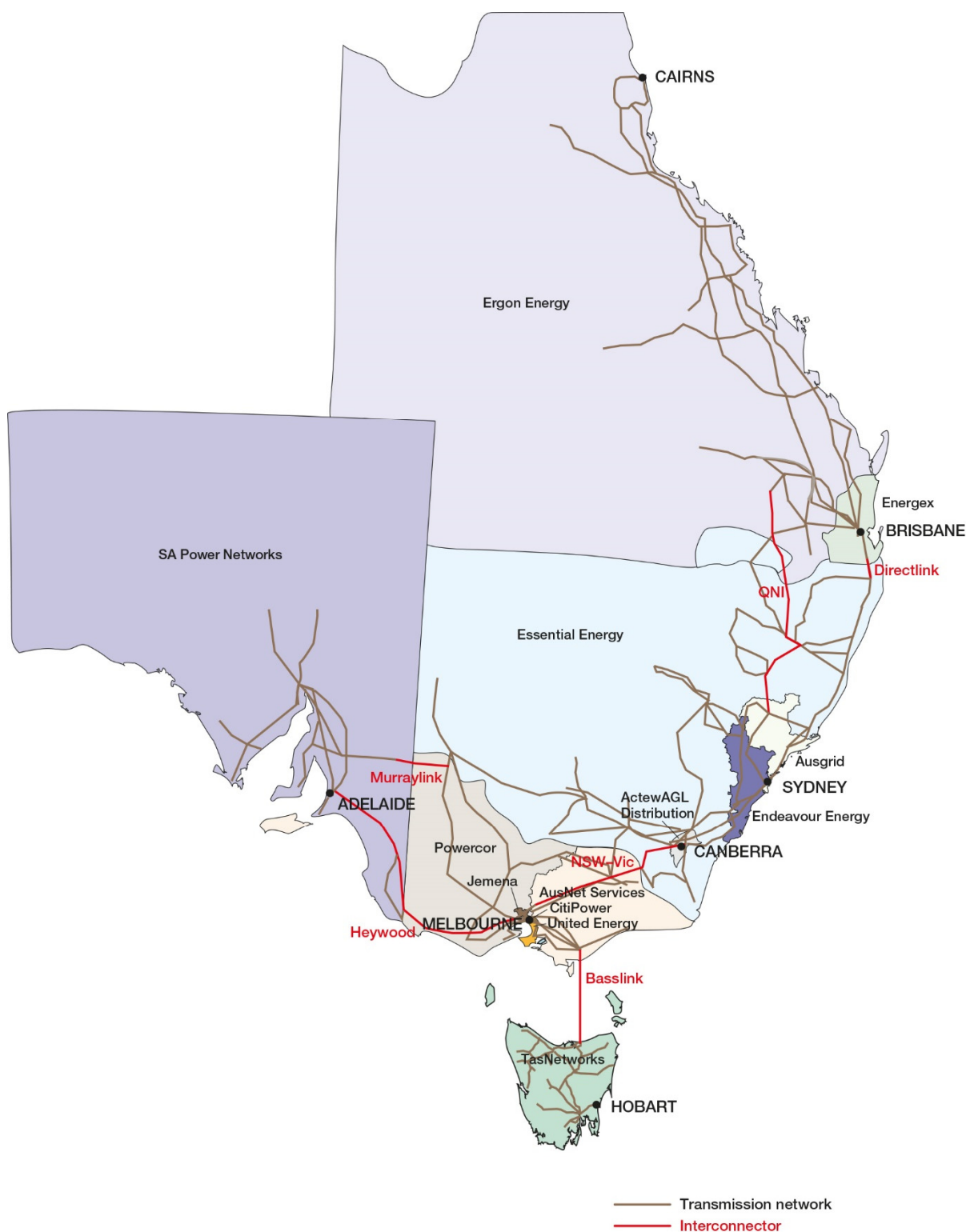
##### *Electricity Transmission*

Large scale electricity generation facilities are typically located close to fuel sources such as coal mines, natural gas sources and hydroelectric dams, which are often long distances from end customers. Transmission networks are comprised of high-voltage lines and, in general, transport electricity from generators to distribution networks, which in turn transport electricity to customers. In a few cases, large industrial customers are directly connected to the transmission network.

The transmission network which services the NEM is comprised of state-based transmission networks and cross-border interconnectors. The National Grid provides an interconnected transmission network in Queensland, NSW, the Australian Capital Territory, Victoria, South Australia and Tasmania (see map below). The transmission networks in Western Australia and the Northern Territory are not connected to the National Grid.

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<sup>2</sup> AER State Of The Energy Market 2017 page 35.



Source: AER State of the Energy Market 2017. Reprinted with the permission of the AER.

Note: Entities named in the graphic above in black are electricity distribution businesses in the NEM.

Victoria and South Australia privatised their electricity transmission assets in the 1990s; Victoria by means of sales, and South Australia by means of long-term leases. In November 2015, the NSW government announced the long-term lease of its transmission network to a private operator. In other Australian States, the primary electricity transmission networks remain State-owned. Victoria has a unique transmission network structure in which asset ownership is separated from planning and investment decision making. The AusNet Services Group owns Victoria's primary network of transmission assets, but the AEMO plans and directs most network augmentation, underpinning a framework for competitive provision of services provided by new infrastructure. The AEMO buys bulk network services from the AusNet Services Group for sale to customers.

## ***Electricity Distribution***

Distribution networks move electricity from the transmission network to residential and business electricity customers. Distribution networks consist of lower voltage wires and other apparatus. In Victoria and South Australia, the distribution networks are privatised. CK Infrastructure has recently gained a controlling interest in Victorian distributor United Energy, adding to its control of CitiPower and Powercor Networks. In October 2016, the NSW government announced the award of a long-term lease for 50.4% of AusGrid to private operators, with the award of a similar lease for Endeavour Energy announced in March 2017. In June 2016, the Queensland government announced the merger of the two Queensland government owned distributors namely, Energex and Ergon Energy, to become Energy Queensland. Generally in the NEM, electricity distributors provide the network infrastructure but do not sell electricity.

## ***Electricity Retailing***

Electricity energy retailers buy electricity in the NEM and package it with distribution and transmission (network) services for sale to customers. The energy retail sector is run predominantly by privately owned businesses. Significant vertical integration exists between energy retail markets and upstream energy production. The AusNet Services Group does not participate in electricity retailing.

## **The Gas Industry**

### ***Gas Reserves***

Natural gas is a versatile source of energy that has a range of industrial, commercial and domestic applications, including electricity generation, and acts as an input for numerous processes and products, including manufacturing pulp and paper, metals, chemicals and processed foods. Predominantly made up of methane and occurring in combination with other hydrocarbons, in liquid or gaseous form, natural gas burns cleaner than other fossil fuels, such as oil and coal, and generally produces fewer greenhouse gas emissions per unit of energy released. It is found in underground reservoirs trapped in rock, often in association with oil. CSG is also found in Australia in sufficiently large quantities to be a viable alternative to conventional gas supplies.

According to the AER's State of the Energy Market 2017, current estimates indicate there are approximately 43,965 PJ of 2P natural gas reserves in Eastern Australia, comprising of 90% in CSG, with the remainder in offshore basins. Eastern Australia produced 1,660 PJ of natural gas in CY16, of which 42% was for the domestic market. The balance was exported as LNG.

The most significant reserves of 2P gas supplies in Australia are found in Western Australia. The AER's State of the Energy Market 2017 reports that the Carnarvon Basin off the north west coast of Australia holds 46% of Australia's known natural gas reserves. Eastern Australia contains around 39% of Australia's natural gas reserves, of which the majority is CSG.

The principal sources of reserves in Eastern Australia are the Surat-Bowan Basin in Queensland (which supplies 70% of the Eastern Australian market) and the Gippsland Basin off coastal Victoria (which supplies 19% of the Eastern Australian market). The Surat-Bowen Basin gas production has risen exponentially since 2014. The Cooper Basin supplies 6% of the Eastern Australian market and the remainder is supplied from the Otway and Bass basins in Victoria and smaller New South Wales basins.

Recent government and regulatory responses related to Eastern Australia include a new power to limit exports to apply from 1 July 2017, new ACCC wholesale gas markets monitoring, reforms to the gas pipeline sector and new incentives in South Australia for gas exploration.

### ***Gas Transmission***

Natural gas transmission pipelines transport gas at high pressure from the natural gas reserves to the major domestic markets. The main users of gas transmission pipelines are energy retailers and owners of gas fired power stations. The gas pipeline coverage process has led in recent years to the lifting of economic regulation from several key transmission pipelines.

### ***Gas Distribution***

Natural gas distribution networks transport gas from gas transmission pipelines to residential homes, offices, hospitals and businesses. The main customers of gas distributors are energy retailers who sell gas to end

users. Distribution charges for metering and transport often represent the most significant component of delivered gas costs.

A gas distribution network typically consists of high, medium and low pressure pipelines servicing residential, industrial and commercial customers. Low pressure pipelines are older and are gradually being replaced with higher pressure pipelines that provide greater capacity and reliability.

### ***Gas Retailing***

Gas energy retailers buy gas in wholesale markets and package it with transmission and distribution (network) services for sale to customers. The energy retail sector is predominantly run by privately owned businesses. Significant vertical integration exists between energy retail markets and upstream energy production. The AusNet Services Group does not participate in gas retailing.

## **Regulatory Overview**

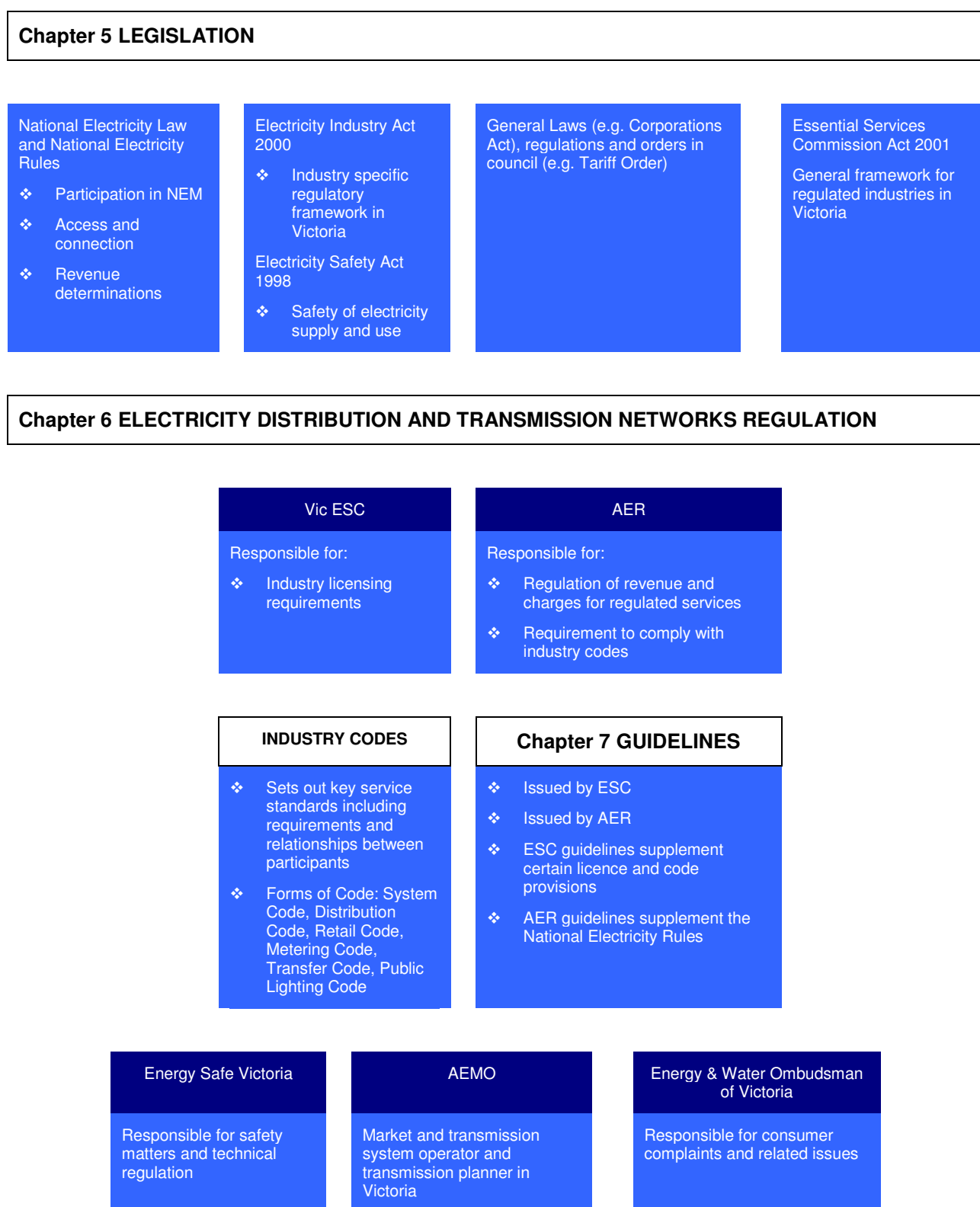
### ***Institutional Arrangements***

The COAG Energy Council, established under the COAG, provides a forum for collaboration on developing an integrated and coherent national energy policy and any implications from the Commonwealth's abolition of the carbon tax.

The Energy Security Board was established by the COAG Energy Council in August 2017 to provide whole-of-system oversight for energy security and reliability. It is comprised of an Independent Chair, Independent Deputy Chair and the most senior leaders of the AEMC, AER and AEMO.

The AEMC is responsible for rulemaking and market development. The AER is responsible for the economic regulation of energy networks and rule enforcement. The AEMO administers the operation of the NEM and gas markets in Australian States and Territories, other than the Northern Territory, and performs national transmission planning and transmission planning for Victoria. The establishment and functions of these bodies were provided for by the Commonwealth and the States and Territories of Australia in the AEMA.

The chart below illustrates key legislation, codes and guidelines that apply to electricity industry participants in Victoria.



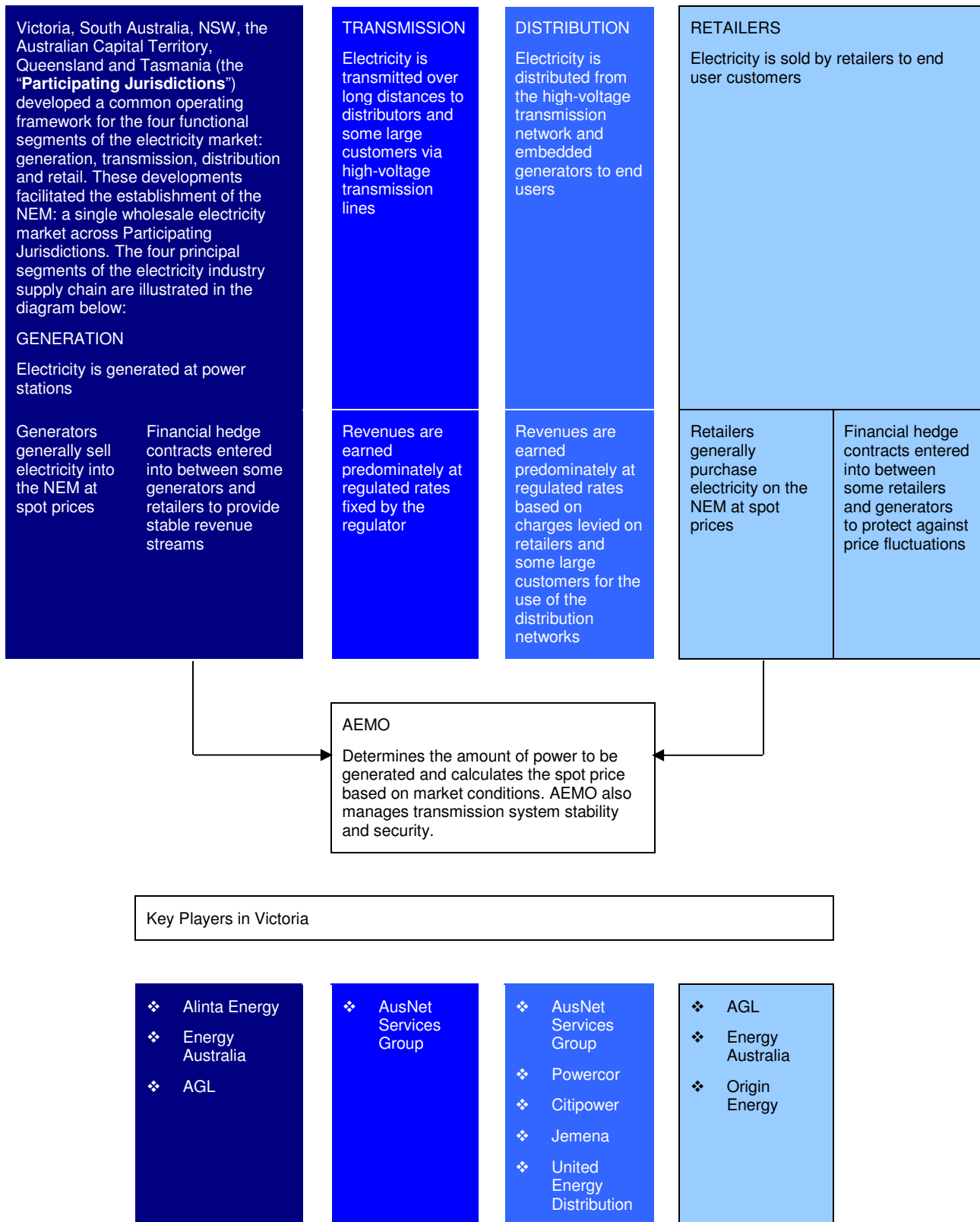
Source: AusNet Services Group.

While the Victorian ESC retains general regulatory authority over Victorian electricity regulatory instruments (including the power to modify them), the AER now administers and ensures compliance with various aspects of Victorian electricity regulatory instruments (for example, economic regulation of transmission and distribution networks). The ESC was established under the ESC Act with the primary objective of protecting the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services.

The ESC's (and the AER's, where exercising Victorian jurisdictional powers) general regulatory powers are set out in the ESC Act and are applied to the Victorian electricity industry by the EIA. The EIA sets out the ESC's powers with respect to licensing and service regulation. Entities are required to hold a licence (or a licence exemption) from the ESC before they can engage in the generation of electricity for sale or supply or the transmission, distribution, supply or sale of electricity in Victoria. As an electricity transmitter and distributor, the AusNet Services Group holds both transmission and distribution licences.

## Legislative Framework for Electricity

### National Electricity Market



Source: AusNet Services Group.

A co-operative Commonwealth, State and Territory legislative framework is in place to govern the operations of the NEM. The current governance framework of the NEM and oversight of the MCE (now the COAG Energy Council) were provided for in the AEMA.

The present framework works through “lead” legislation enacted in South Australia: the NE(SA) Act. The NEL is a schedule to the NE(SA) Act which is applied as the law in the other NEM participating jurisdictions through “application Acts”. The NEM legislative framework is made up of other key legislation. These include the National Electricity (South Australia) Regulations, the NER made under the NEL, Part IIIA of the CCA establishing the AER, and the Australian Energy Market Commission Establishment Act 2004 of South Australia. The NEL regulates the NEM and operates simultaneously with State-based regulation of the electricity industry.

The NEL requires that persons owning, controlling or operating a generation system connected to the National Grid, or a transmission or distribution system comprising part of the National Grid must be registered with the AEMO or exempted from registration in accordance with the NER. Purchasers of electricity through the wholesale spot market (i.e., retailers and large industrial customers) must also be registered or exempted from registration.

The transmission revenue setting and pricing rules are contained in Chapter 6A of the NER and those for electricity distribution are in Chapter 6. The NER provides a detailed process for revenue proposals, including with respect to the expected content of such proposals and the timeframe and substance of the AER response. In addition, the AER is required to publish the basis and its underlying rationale for regulatory decisions.

### ***Electricity Industry Act 2000 (Vic)***

In addition to the legislation governing the NEM, each jurisdiction has its own State legislation governing the electricity sector. For example, in Victoria the EIA provides, among other things, for the licensing of electricity businesses operating in that jurisdiction.

### ***Electricity Transmission Licence***

A member of the AusNet Services Group holds an electricity transmission licence in Victoria issued in October 1994 with no expiry date. The licence authorises the licensee to transmit and supply electricity using the AusNet Services Group’s electricity transmission system subject to certain conditions. The ESC may revoke the licence at any time upon providing 20 business days’ notice if the AusNet Services Group does not comply with an enforcement order or undertaking and the ESC determines that the revocation is necessary to achieve the policy objectives under the EIA or the ESC Act.

The licence contains provisions relating to network augmentation and the connection of generators, distributors and end users to the AusNet Services Group’s transmission system. Further, the licensee must comply with the NER and the Electricity System Code, which together regulate the provision of shared transmission network services and connection to the transmission network by generators, distributors and end users. The AusNet Services Group monitors its licence compliance obligations through its corporate compliance system.

### ***Transmission Network Augmentation***

The AEMO is responsible for planning and procuring new capacity for the shared electricity transmission network in Victoria. The shared electricity transmission network in Victoria is composed of assets operating at 220 kV or above that supply more than one connection point. For connection assets linking energy networks, planning accountability resides with the relevant generation and distribution companies and large consumers. The AEMO is required to seek contestable bids from transmission providers for any major new shared transmission asset. The NER determine whether a project is contestable. Smaller projects with a cost of less than A\$10 million, or projects that require heavy integration with the existing AusNet Services Group transmission assets, may be treated as non-contestable.

Contestable transmission augmentation is not subject to economic regulation under the NER. Revenue for contestable augmentation services is determined under a separate take-or-pay contract covering the life of the service (generally around 30 years).

Augmentation proposals for non-contestable projects are generally subject to terms that reflect the fact the services are subject to economic regulation under the NER as either prescribed or negotiated transmission services. For prescribed transmission services a separate service contract covers the period from the installation of the asset to the end of the applicable regulatory reset period. The new asset is added to the RAB from the commencement of the subsequent regulatory period. This is reflected in the revenue cap for regulated transmission services, determined by the AER for the new period.

### ***Electricity Distribution Licence***

A member of the AusNet Services Group holds an electricity distribution licence in Victoria issued in October 1994 with no expiry date. The licence authorises the licensee to distribute electricity in its distribution area subject to certain conditions. These include requirements that the licensee:

- provide specified distribution services to electricity users within the distribution area, including connection services, services to other distributors and public lighting services;
- offer to enter into a default use of system agreement (approved by the ESC) for the use of its distribution network on request by a retailer. Alternatively, the licensee and a retailer may negotiate their own terms for the use of the distribution network; and
- comply with a number of codes and guidelines issued by the ESC. The most important of these codes and guidelines is the Electricity Distribution Code, which regulates the provision of distribution services and connection to the AusNet Services Group's distribution network by electricity users.

The ESC may revoke the licence at any time upon providing 20 business days' notice if the licensee does not comply with an enforcement order or undertaking and the ESC decides that the revocation is necessary to achieve the policy objectives under the EIA or the ESC Act. The AusNet Services Group monitors its licence compliance obligations through its corporate compliance system.

### ***Cross-Ownership and Ring-Fencing in Electricity***

The cross-ownership rules in the EIA for the energy sector in Victoria were repealed in 2013, thereby removing restrictions on cross-ownership in the electricity sector in Victoria. The provisions of the CCA continue to apply to any proposals for vertical integration of production and network infrastructure.

The AER's transmission ring-fencing guidelines prevent a transmission business carrying on a related business, including a distribution business, unless a waiver is granted. Such a waiver was granted to the AusNet Services Group in March 2005 taking into account the role of AEMO and the Victorian distribution businesses in network planning and directing network augmentation. The waiver decision provides for a review of the waiver if there was material change in the assignment of these responsibilities. TasNetworks was also granted a waiver by the AER in 2014 on the basis that there is little public benefit in requiring TasNetworks to maintain legally separate transmission and distribution businesses.

The AER published ring-fencing guidelines for electricity distribution in November 2016. A transition period had effect to December 2017. Measures imposed by the guideline include legal separation of the distribution entity, separate accounting, and cost allocation obligations. The AER also proposes to review the existing ring-fencing guidelines for electricity transmission, and this is expected to occur during 2018.

## **Legislative Framework for Gas**

### ***National Gas Access Regime***

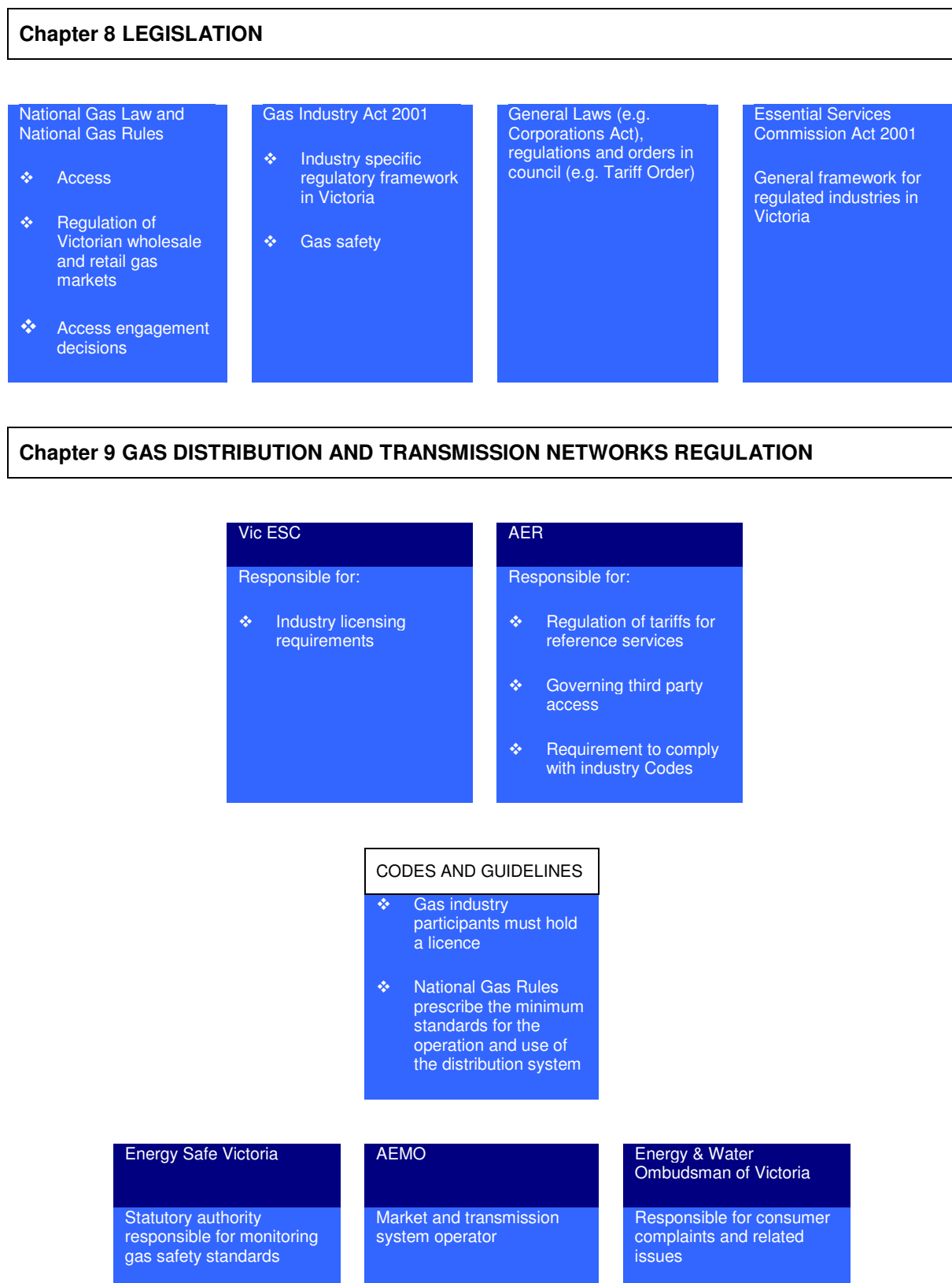
The current legislative regime for the gas sector is comprised of jurisdiction specific legislation (such as the GIA), and national legislation governing the regulation of gas networks and pipelines. The National Gas (South Australia) Act 2008, to which the NGL is a schedule, and the NGR made under the NGL replaced the regulatory regime under the National Gas Code and the market and system operation rules which formerly governed the Victorian wholesale gas market. Under the NGL and the NGR, the AER has responsibility for approving the access arrangement proposed by the AusNet Services Group for each regulatory period. Where the proposed arrangement is not approved by the AER, the AER may make an alternative access arrangement which will apply for the regulatory period. The approved reference tariffs form part of the approved access arrangement.

### ***Gas Industry Act 2001 (Vic)***

The GIA establishes the functions of the key Victorian regulatory bodies (including where exercised by the AER) in the industry and provides for the establishment of regulatory instruments, including the gas distribution and retail licences. The ESC is responsible for licensing participants in the Victorian gas industry.

## Gas Regulatory Framework

The chart below illustrates key legislation, codes and guidelines that apply to gas industry participants in Victoria.



Source: AusNet Services Group.

## ***Gas Distribution Licence***

A member of the AusNet Services Group holds a gas distribution licence in Victoria issued in December 1997 with no expiry date. The licence authorises the licensee to distribute gas in its distribution area subject to certain conditions.

In particular, the licensee must comply with a number of codes and guidelines issued by the ESC including the Victorian Gas Distribution System Code, which prescribes minimum standards for the operation and use of the distribution system.

The ESC may revoke the licence at any time upon providing 20 business days' notice if the licensee does not comply with an enforcement order or undertaking and the ESC decides that the revocation is necessary to achieve the policy objectives under the GIA and the ESC Act. The AusNet Services Group monitors its licence compliance obligations through its corporate compliance system.

## ***Cross-Ownership in Gas***

The cross-ownership restrictions in the GIA were repealed in 2013. The repeal removed restrictions on cross-ownership in the gas sector in Victoria. The general anti-competitive provisions of the CCA continue to apply to conduct in respect of any vertical integration of production and distribution infrastructure.

## ***Access — Electricity and Gas***

Since the early 1990s, the competitive elements of the energy market (i.e. retail and generation) have become increasingly separated from the monopoly networks (i.e. transmission and distribution). This disaggregation was driven in part by the National Competition Policy (a programme of microeconomic reform embarked upon by all Australian jurisdictions in 1995). While typically vertically integrated electricity utilities no longer exist, in recent years there has been significant reintegration of the market sectors through firms combining generation and retailing activities. In some Australian States there is still common government ownership of disaggregated electricity businesses. In Victoria and South Australia, and to a more limited extent in Queensland and NSW, previously State-owned electricity enterprises have been privatised. Similar disaggregation and privatisation also occurred in the gas industry in some jurisdictions.

Together with these reforms, arrangements were introduced for access to networks, including independent price regulation for networks with monopoly characteristics. The arrangements for the gas and electricity sectors evolved separately.

## **Economic Regulation**

### ***Summary of Regulatory Oversight of the AusNet Services Group's Businesses***

The principal legislation and the role of each regulatory body responsible for economic regulation of the existing AusNet Services Group businesses are set out below. The assets in the table below are all subject to regular regulatory determinations in relation to the revenue able to be charged for core services. The regulatory pricing periods are generally five years for all three networks.

| <b>Sector</b>                                              | <b>Primary Legislation</b>                     | <b>Economic Regulator</b> |
|------------------------------------------------------------|------------------------------------------------|---------------------------|
| Victorian electricity transmission (AusNet Services Group) | National Electricity Law                       | AER                       |
|                                                            | National Electricity Rules                     |                           |
|                                                            | National Electricity (Victoria) Act 1997 (Vic) |                           |
| Victorian electricity distribution (AusNet Services Group) | National Electricity Law                       | AER                       |
|                                                            | National Electricity Rules                     |                           |
|                                                            | National Electricity (Victoria) Act 1997 (Vic) |                           |
|                                                            | Electricity Industry Act 2000 (Vic)            | ESC                       |

| <b>Sector</b>                                         | <b>Primary Legislation</b>                                                       | <b>Economic Regulator</b> |
|-------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------|
| Victorian gas distribution<br>(AusNet Services Group) | National Gas Law<br>National Gas Rules<br>National Gas (Victoria) Act 2008 (Vic) | AER                       |

The approach to price regulation is similar for networks in the electricity and gas sectors (although for gas, this is a component of the approved access arrangement, rather than a stand-alone determination). This is commonly referred to as an “incentive-based” regulatory regime, where price caps or revenue caps are set for a period of typically five years and the network business is able to retain some of the benefits of efficiency gains arising from out-performance of the cost assumptions underlying the price/revenue cap.

The incentive for the AusNet Services Group’s regulated businesses is to reduce costs below the cost assumptions in the applicable revenue or price cap. In association with this incentive to reduce costs the regime includes monitoring of the business against target levels of service, and in some cases the inclusion of financial incentives to meet these target levels.

The revenue requirement for the regulated business is calculated according to a building block approach which provides for a target revenue stream that is designed to cover on-going operations and maintenance costs, depreciation, and a return on assets, calculated by reference to the business’s WACC. Network charges derived using the building block approach are averaged over the five-year regulatory period to minimise any price volatility for end customers. Electricity transmission and distribution revenue is recovered as a fixed amount and is not affected by usage volume. Currently, the revenue requirement for the gas distribution business is converted to a price cap, having regard to forecast volume.

## **Regulators**

Since 1997, the economic regulation of transmission networks has been undertaken by a national regulator (formerly the ACCC and now the AER). Amendments to the NEL enabled the transfer of the economic regulation of electricity distribution to the AER from 1 January 2008. Previously, this role was undertaken in Victoria by the ESC. Economic regulation of gas distribution transferred to the AER under the national regulatory arrangements for gas. The AER’s most recently completed revenue reset for an AusNet Services Group network was the gas distribution determination, which applies from 1 January 2018 until 31 December 2022.

## ***Regulated Investments***

Almost all shared use electricity network infrastructure is regulated and, although the arrangements in the electricity sector have provided for both merchant and regulated transmission investments since inception, almost all investments made are regulated or have been converted to regulated investments. In Victoria, separation of responsibility for transmission network planning and ownership provide for the contestable delivery of augmented transmission network services.

The arrangements for the gas sector similarly allow for non-regulated investment (regulated pipelines are referred to as “covered”). However, unlike the electricity sector, there has been a trend towards unregulated services for gas transmission. A number of major pipelines have been subject to decisions to impose or revoke coverage after review by the National Competition Council, which makes decisions as to whether such pipelines will be subject to economic regulation.

## ***Electricity Transmission Revenue Determination Process***

Transmission revenue for prescribed services is regulated under an incentive-based framework with the establishment of annual revenue caps over the regulatory control period. The building block approach is applied, providing for a target revenue stream that is designed to cover on-going operating and maintenance costs, depreciation and a return on assets, calculated by reference to the transmission business’s WACC.

The revenue determination process is set out in Chapter 6A of the NER. Chapter 6A was amended on 29 November 2012 as part of a wider change to the NER to improve economic regulation of network businesses. By virtue of transitional rules, the AusNet Services Group’s revenue determination for 2014/2015 to 2016/2017

was conducted under the preceding version of the NER (version 52). The following paragraphs describe the process as it presently applies to the AusNet Services Group's transmission business.

The review process commences with the transmission company submitting a detailed proposal that outlines the costs expected to be incurred in delivering an efficient transmission service and defines the services to be provided. The regulator reviews this submission in detail. In the course of reaching its final decision on the regulated revenue cap for electricity transmission, the AER adopts a consultative process with all relevant stakeholders in order to reach a well-informed and balanced judgment.

After considering all relevant information and completing the first consultative process, the AER releases a draft decision, to which the transmission business may provide a response together with a revised revenue proposal to address matters raised in the draft decision. The response, and submissions received from interested stakeholders on the draft decision, are considered by the AER before it makes its final decision.

Amendments to the NEL made in 2007 introduced a regime for limited merits review of regulatory decisions under the NEL, the National Electricity (South Australia) Regulations or the NER, however, in October 2017, the ability of networks to access these provisions was abolished.

The AER may revoke a revenue determination or amend a pricing methodology during a regulatory control period and make a new one where it appears to the AER that the total revenue cap was set, or the pricing methodology approved, on the basis of information that was false or misleading in a material particular, or if there was a material error in the revenue cap or methodology.

The AER delivered a final decision on AusNet Services Group's electricity transmission network's regulated revenues for 2017/18 – 2021/22 in May 2017.

### ***Electricity Distribution Price Determination Process***

The prices charged by electricity distribution businesses are regulated by the AER under a number of regulatory instruments.

Since 1 January 2016, electricity distribution revenue for prescribed services is regulated under a revenue cap regime, with revenues determined under an incentive-based framework. A building block approach is used by the AER, which provides for a target revenue stream that is designed to cover on-going operating and maintenance costs, depreciation, and a return on assets, calculated by reference to the distributor's WACC.

The regime offers electricity distribution companies the opportunity to realise and capture some efficiency gains.

Regulated revenues are calculated for a minimum of five years. Amendments to the NEL enacted in 2007 provide for limited merits review of regulatory decisions, however, in October 2017 the ability of networks to access these provisions was abolished.

The AER may revoke a distribution determination during a regulatory control period and make a new one where it appears to the AER that a determination is affected by a material error or deficiency that is a clerical mistake or accidental slip or omission, a miscalculation or misdescription, a defect in form, or a deficiency resulting from the provision of false or materially misleading information.

2016 distribution prices were set pursuant to the 2015 EDPR Preliminary Decision. Transitional arrangements governing the 2016-20 revenue reset process mean that the 2016 revenues were set by the AER's Preliminary Determination. The substituted determination was made in May 2016 (the final determination).

This final determination sets revenues for the whole of the 2016-2020 regulatory period.

In March 2017, AusNet Services submitted a contingent project application to the AER to fund the first tranche of the REFCL program. The AER published its determination on 21 August 2017, amending allowed revenues for 2018-2020.

On 18 December 2017, the AER flagged its intent to revoke and substitute its 2016-20 regulatory determination, to correct an error impacting the forecast of inflation applied to set revenues. If implemented this would reduce total revenue for 2019 and 2020 by \$3.48 million in nominal net present value terms.

### ***Advanced Metering Infrastructure programme***

In 2006, the Victorian State Government announced its decision to roll out advanced interval meters to all Victorian electricity customers.

The Victorian State Government established a range of requirements for the programme, including technology functionalities, performance and service levels, as well as a framework for the regulated recovery of costs associated with the programme. The requirements are documented in the AMI Cost Recovery Order in Council ("**AMI CROIC**"), the Minimum AMI Service Levels Specification Victoria (September 2008) and the Minimum AMI Functionality Specification Victoria (September 2013).

The AMI CROIC established a building block cost pass-through regime for the setting of the prices for the regulated metering services and provides for exit charges to be paid to the distribution business by retailers. This allowed the AusNet Services Group to recover all investments in the programme in full that are within budget, contingencies and scope, even if competitive activities were to occur and retailers supplied their own meters in the future.

The AMI CROIC required the AusNet Services Group to install in excess of 680,000 interval meters together with the appropriate communications and information technology systems by 31 December 2013.

From 1 January 2016, metering services are no longer governed under the AMI CROIC but rather the NEL and NER as Alternative Control Services with a revenue cap.

### ***Economic Regulation of Gas Distribution Networks***

Under national regulatory oversight arrangements which apply under the NGR, the AER is responsible for regulating gas distribution tariffs pursuant to the National Gas Law. This is undertaken as a component of approving the proposed access arrangement to apply in the access arrangement period. In approving gas distribution tariffs, the AER must also consider the general pricing principles in the National Gas Law. Similar to electricity distribution, the gas distribution networks are currently price-cap regulated with a building block approach used to derive tariffs.

Each Victorian gas distributor must submit a proposed access arrangement for its distribution network for approval by the AER, who may require changes if it is not satisfied that the arrangement meets the requirements of the National Gas Law and NGR. The approved access arrangement establishes the tariff variation mechanism that is applied to adjust tariffs until the next regulatory reset, as well as outlining any principles to be used to review distribution tariffs at subsequent resets. The AusNet Services Group's current access arrangement was approved by the AER with effect from 1 January 2018.

### ***Economic Regulation of Gas Transmission Networks***

The AER is currently responsible for overseeing third-party access to gas transmission networks, including the approval of access arrangements in accordance with the National Gas Law. As reported on the AER website, the functions of the AER include:

- consideration and approval of access arrangements submitted by service providers under the National Gas Law, monitoring and enforcing reference tariffs, ring-fencing, incentive regulation and other access arrangement provisions;
- arbitrating disputes relating to the terms and conditions of access;
- overseeing competitive tendering processes for new transmission pipelines; and
- contributing to the on-going refinement of the national framework for access to transmission and distribution infrastructure in the gas industry.

### **Technical Standards**

In addition, energy network businesses are subject to technical regulation, which is independent of the economic regulatory regime. Technical regulation is the domain of separate specialist regulatory bodies and focuses on the safe operation of the network. There are regulatory bodies responsible for technical regulation of electricity metering services and separate bodies responsible for handling consumer complaints and related

issues in the energy sector. For example, Energy Safe Victoria is responsible for the technical regulation of electricity and gas infrastructure in Victoria.

## Other Regulation

In addition to gas and electricity specific regulation, the AusNet Services Group is subject to a range of general regulatory and legal requirements including those relating to the environment, occupational health and safety, land use and access, native title and cultural heritage.

## Regulatory Reforms

The current arrangements relating to national economic regulation of the gas and electricity sectors are described above.

Service-related incentive arrangements have been assuming increased prominence in regulatory development, for both electricity transmission and distribution. The AER has determined a market impact incentive scheme for transmission businesses which the AusNet Services Group has applied since August 2011. Since 2012, an f-factor scheme aimed at providing incentives to reduce the risk of fire starts and to reduce the risk of loss or damage caused by fire starts has applied to AusNet Services' electricity distribution network. For the first four years of this scheme (2012 to 2015), DNSPs were either rewarded or penalised at the incentive rate of A\$25,000 per fire for performing better or worse than their respective fire start targets. An amended f-factor scheme which features tiered rewards/penalties to reflect bushfire risk levels in different locations was finalised in 2016 and is now in effect, with incentive rates per fire incident ranging from A\$300 to \$1.4 million.

The regulatory framework within which the AusNet Services Group operates continues to evolve. Generally speaking, regulators have been seeking to expand incentive and penalty regimes focused on network performance. Regulators are also seeking more information regarding operating and capital costs and are becoming more willing to make their own assessments about the requirements of regulated businesses in respect of matters such as asset augmentation, replacement, maintenance and operation.

Victoria has not sought, at this stage, to adopt the National Electricity Customer Framework (NECF) established in 2011. The National Energy Retail Law deals primarily with:

- the retailer-customer relationship and associated rights, obligations and consumer protection measures; and
- distributor interactions with customers and retailers and associated rights, obligations and consumer protection measures.

However, the Victorian government has recently adopted the retail customer connections component of the NECF, commencing July 2016. This governs the connection application, offer and charging arrangements for connection services.

A number of other relevant regulatory reviews are in progress or were recently completed, including but not limited to:

- ***The Limited Merits Review Regime*** – Following review by the COAG Energy Council, access to the Limited Merits Review Regime has been removed. In a related initiative COAG Energy Council will introduce legislative amendments early in 2018 to make the Rate of Return Guideline prepared through a consultative process by the AER binding on all regulatory determinations following the passage of the legislation.
- ***Expanding Competition in Metering and Related Services*** – This rule change determination, published in November 2015 and arising from the Power of Choice Review, provides for a national framework for contestable mass market metering to apply from December 2017. The rollout of smart metering in Victoria has proceeded separately, via a state government mandated rollout by the distribution networks. Via an Order gazetted in October 2017, the Victorian Government has determined to extend the current Victorian arrangements until at least 2021, subject to a review expected in 2019.

- ***The five minute settlements rule change*** – A determination recently made by the AEMC requires all new and replacement metering in the NEM installed after 1 December 2018 to transition from 30 minute to 5 minute data provision by 1 December 2022. All metering for very large and network boundary sites must transition by 1 July 2021. These requirements will drive the need for renewal of IT and billing systems prior to December 2022. For this to apply in Victoria, amendments to the Victorian framework would be necessary. The Victorian Government has not yet given any indication of its intentions.
- ***Ring-fencing guidelines for Electricity Distribution*** – The AER has developed national ring-fencing guidelines for electricity distribution. The guidelines impose obligations on DNSPs, targeting behaviours that could result in harm to competitive markets arising through cross-subsidisation and discrimination.
- National ring-fencing guidelines for electricity transmission are already in existence. We understand that the AER will commence a review of the guidelines in 2018.
- At the direction of COAG Energy Council, the AEMC is conducting a review into the scope of economic regulatory applied to covered gas pipelines. The review arose out of a review by the ACCC into the competitiveness of wholesale gas prices which identified a concern that pipelines subject to full regulation may be able to exercise market power to the detriment of consumers and economic efficiency.

## BUSINESS OF THE AUSNET SERVICES GROUP

### AusNet Services Group Overview

The AusNet Services Group is a diversified energy infrastructure business that owns and operates the AusNet Services Group's Electricity Transmission Network, as well as an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria. The AusNet Services Group has also established an unregulated business, CES, which provides unregulated infrastructure services and specialised utility related solutions, in particular metering and asset intelligence services.

The AusNet Services Group's total consolidated revenues were A\$1,068.7 million for the half year ended 30 September 2017, of which 87% was regulated. The AusNet Services Group's total consolidated revenues were A\$1,881.5 million for the financial year ended 31 March 2017. As the primary provider of electricity transmission services in Victoria, the AusNet Services Group receives regulated revenues based on the regulated price path as determined by the AER. For the half year ended 30 September 2017, total transmission revenues were A\$325.3 million (prior to inter-segment eliminations) and A\$586.0 million (prior to inter-segment eliminations) for the financial year ended 31 March 2017. As one of five providers of electricity distribution services and one of three providers of gas distribution services in Victoria, the AusNet Services Group receives regulated revenues as determined by the AER based on actual usage by end users of the distribution networks. From 1 January 2016, electricity distribution is subject to a revenue cap, meaning that any revenue outperformance or underperformance arising from volume differences is adjusted in subsequent tariff rates. Total distribution revenues were A\$641.1 million (prior to inter-segment eliminations) for the half year ended 30 September 2017 and A\$1,092.5 million (prior to inter-segment eliminations) for the financial year ended 31 March 2017. As a provider of unregulated infrastructure services and specialist utility related solutions, CES contributed revenue from third parties of A\$110.8 million (prior to inter-segment eliminations) for the half year ended 30 September 2017 and A\$221.4 million (prior to inter-segment eliminations) for the financial year ended 31 March 2017.

The AusNet Services Group's estimated total Regulated/Contracted Asset Base was A\$9.5 billion as at 30 September 2017, consisting of electricity transmission of A\$3.5 billion, electricity distribution of A\$3.8 billion, gas distribution of A\$1.5 billion, AML of A\$0.3 billion and contracted transmission assets, including the Victorian desalination contract, of A\$0.5 billion. The RAB, which is the majority of the Regulated/Contracted Asset Base, is an estimate that is subject to review by the relevant regulators.

AusNet Services is listed on the ASX and the SGX-ST (secondary listing).

### AusNet Services Group's Growth Strategy

Approximately 86% of the AusNet Services Group's revenue for the financial year ended 31 March 2017 came from regulated sources, and while the AusNet Services Group remains focused on the continued growth in the regulated networks, diversified growth is also targeted through:

- **Negotiated and contracted infrastructure** – The development of negotiated and contracted transmission and distribution connections and other infrastructure;
- **Mondo Energy & Select Solutions** – The continued expansion of metering and asset intelligence solutions to customers predominately within the utilities, transportation and telecommunications sector;
- **Emerging energy markets** – Seeking to commercially respond to changing customer behaviour through the provision of new services related to energy use, energy storage, energy efficiency and other niche services reflecting the changing nature of the industry.

The AusNet Services Group assesses acquisition opportunities and other corporate transactions as they arise, along with pursuing opportunities for further organic growth in existing and related businesses.

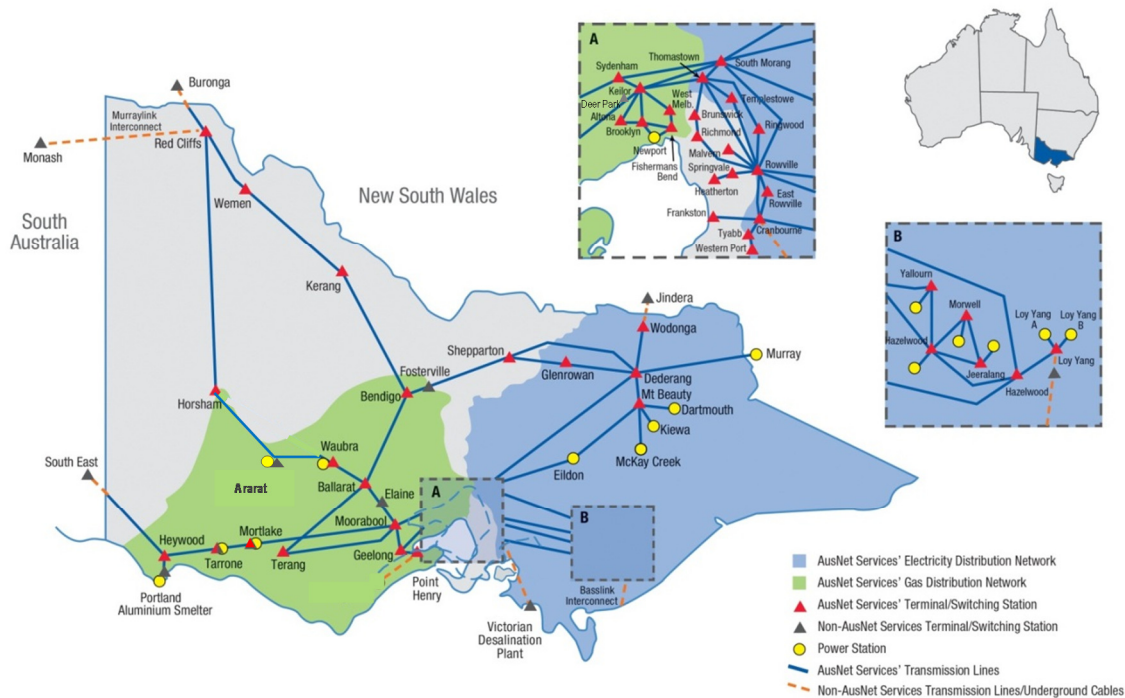
### Divisional Overview

Victoria, where the majority of the AusNet Services Group's business and assets are located, is Australia's second most populous State with an estimated resident population as at 30 June 2017 of 6.3 million (25.7% of Australia's population), covering 227,600 square kilometres (87,800 square miles). While Victoria accounts for only 3% of Australia's land mass, it is responsible for approximately 22% of Australia's economic activity.

The average annual compound growth rate in gross State product from 2005/06 to 2016/17 was 2.5%, compared with the national gross domestic product growth rate of 2.7%. Victoria has a AAA (Outlook Negative)/Aaa (Outlook Stable) rating from Standard & Poor's and Moody's.

## Electricity Transmission Network

The AusNet Services Group is the owner and manager of the AusNet Services Group's Electricity Transmission Network, which is the primary Victorian regulated electricity transmission network. The Victorian transmission network is centrally located amongst the five eastern States of Australia that form the NEM and provides key links between the electricity transmission networks of South Australia, NSW and Tasmania. The Victorian electricity transmission network is illustrated in the following diagram.



Source: AusNet Services Group

Note: Regulated transmission assets are the transmission assets in Victoria for which the AER is responsible for the economic regulation of revenues under chapter 6A of the NER. The diagram above also depicts non-regulated assets owned by AusNet Services.

The AusNet Services Group's Electricity Transmission Network consists of approximately 6,570 kilometres of transmission lines and carries electricity at extra-high voltages from generators to terminal stations around Victoria, where the voltage is lowered for the local distribution companies to deliver electricity to homes and businesses.

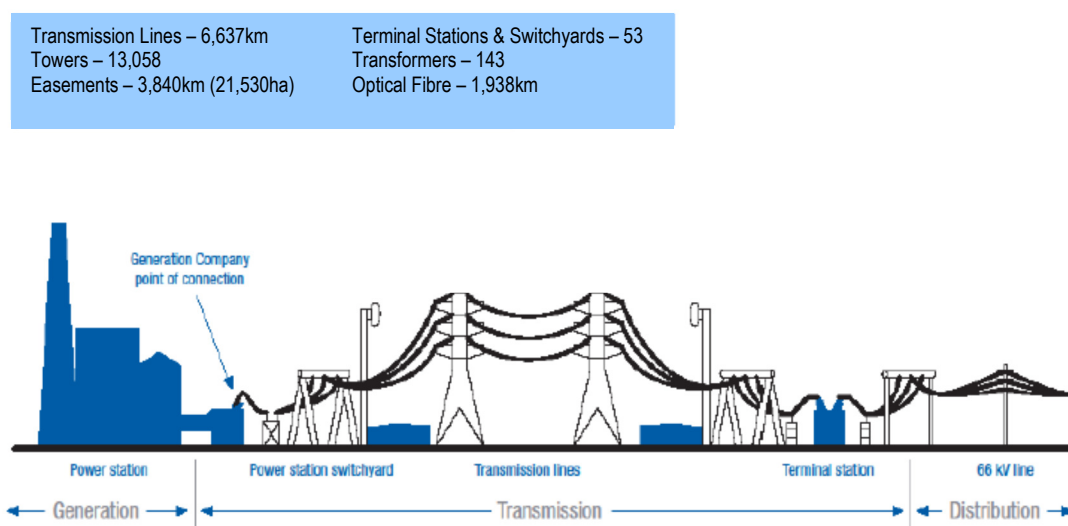
The AusNet Services Group is responsible for replacement of assets on its transmission network. The AEMO, generators and distribution businesses plan and direct network augmentation, with new transmission facilities and services open to contestability.

The AusNet Services Group typically owns its terminal stations and switchyard sites, but typically does not own the corridors of land on which the AusNet Services Group's lines are built. The AusNet Services Group has acquired on-going easements providing it the right to occupy those corridors of land with transmission lines. These easements provide access to the AusNet Services Group's field crews for network maintenance, and give the AusNet Services Group the authority to limit the activities that can take place on the land and to restrict what is grown or built on it.

The AusNet Services Group is undertaking asset replacement work and upgrades to several terminal stations, including two terminal stations near Melbourne's central business district to improve reliability in the central business district and inner city areas.

The AusNet Services Group's Electricity Transmission Network is regulated by the AER. The AusNet Services Group levies regulated transmission entry charges for connection to generator owners, exit charges for connection to distributors and customers taking supply at transmission voltages, and Common Service and Shared Transmission Service charges to the AEMO. The AusNet Services Group owns the transmission network and the right to provide transmission services throughout Victoria as provided for in its Electricity Transmission Licence. Charges for network augmentations to make new connections for generators are typically levied on these customers by the AusNet Services Group through negotiated agreements.

The following figure provides an overview of the AusNet Services Group's electricity transmission assets as at 30 September 2017 (network statistics are approximate). The AusNet Services Group owns the electricity transmission assets and is one of five electricity distributors in Victoria. It does not participate in electricity generation or in the retail electricity market.



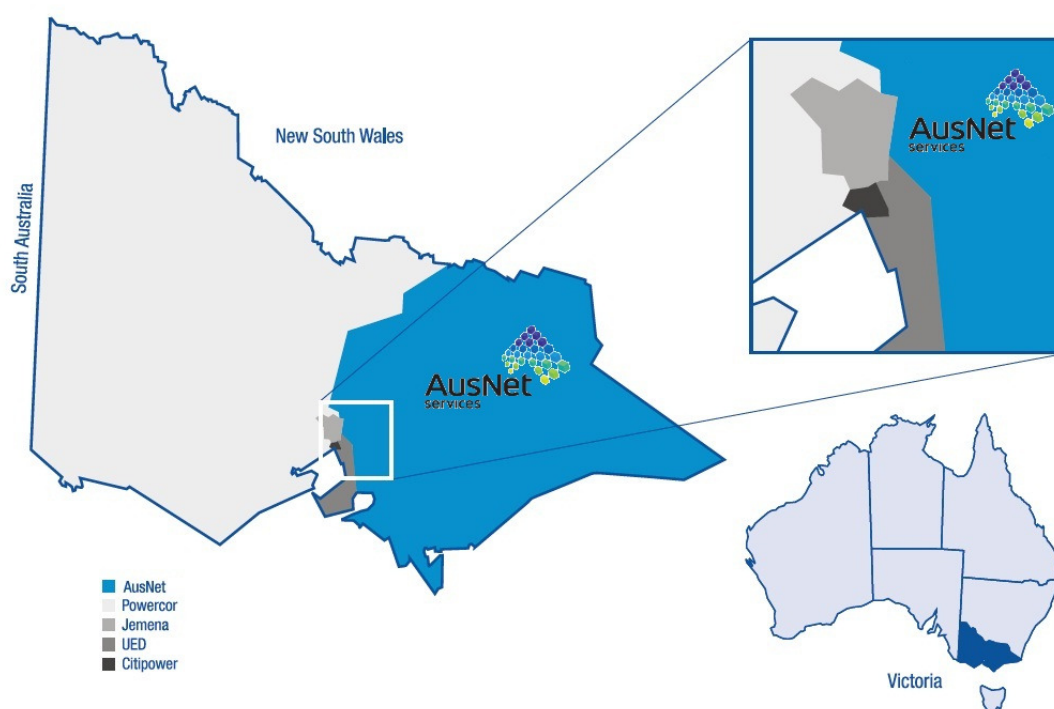
Source: AusNet Services Group.

## Electricity Distribution Network

As at 30 September 2017, the AusNet Services Group distributed electricity to approximately 712,000 customers. The AusNet Services Group's electricity distribution network spans over 80,000 square kilometres, covering eastern metropolitan Melbourne and eastern Victoria, and includes some of Melbourne's areas of expected population growth such as South Morang, Lilydale, Beaconsfield and Narre Warren on the outskirts of metropolitan Melbourne. This distribution network transports electricity from the AusNet Services Group's high-voltage transmission grid to end users' points of supply with approximately 39,300 kilometres of overhead lines, approximately 12,200 kilometres of underground cable, approximately 61,300 distribution transformers and 60 zone substations.

The AusNet Services Group's electricity distribution network is regulated by the AER. The AusNet Services Group levies regulated DUoS on retailers whose customers use the AusNet Services Group's network. The AusNet Services Group owns the electricity distribution network and has rights to distribute or supply electricity within its licensed distribution area, which includes most of eastern Victoria. The AusNet Services Group is the only electricity distribution business licensed to operate in this area. The AusNet Services Group charges the same approved tariffs for electricity network usage regardless of which retailer sells the electricity to a customer in the AusNet Services Group's electricity distribution area. The following illustration shows the geographic coverage of the electricity distribution network.

Geographic Coverage of Electricity Distribution Network



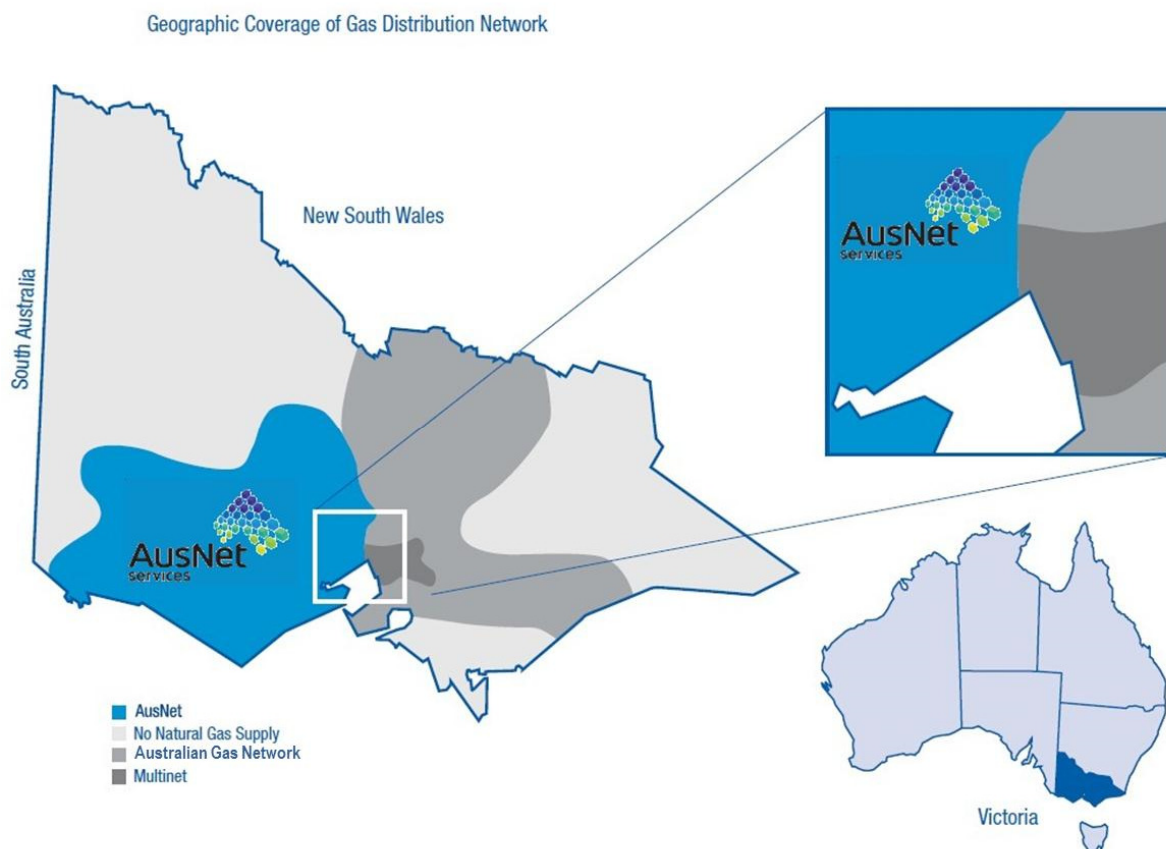
Source: AusNet Services Group.

## Gas Distribution Network

As at 30 September 2017, the AusNet Services Group distributed gas to approximately 684,700 consumers located in its distribution area located in central and western Victoria. The AusNet Services Group's gas distribution network consists of approximately 10,990 kilometres of distribution mains and 185 kilometres of transmission pipelines. The gas distribution network spans some of the significant areas of expected population growth in Melbourne and its surrounding areas.

The AusNet Services Group's gas distribution network's current access arrangement was approved by the AER and will remain in place until 31 December 2022. The AusNet Services Group levies regulated DuoS charges to retailers and some large distribution customers that use the AusNet Services Group's network. The AusNet Services Group owns the gas distribution assets and the right to distribute gas within its distribution area. The AusNet Services Group applies the same rates and charges for the same services, which is dependent on region and customer type, regardless of the retailer chosen by the consumer in its gas distribution area.

The following illustration shows the geographic coverage of the gas distribution network.



Source: AusNet Services Group.

## CES

The CES division is responsible for AusNet Services' unregulated growth. This business is focussed on:

- contracted infrastructure and developing utility scale assets such as wind farm connections.
- community and business energy solutions which incorporate distributed energy resources and metering/energy intelligence.
- Select Solutions which provides services to the AusNet Services Group and also provides specialist utility related solutions, in particular asset intelligence services, to external parties. Select Solutions has extended its footprint to introduce these specialist utility services into NSW, Western Australia, Tasmania, South Australia and Queensland.

## AusNet Services Group's Strengths

- **Essential Infrastructure** – As at 30 September 2017, the AusNet Services Group's transmission network comprised approximately 6,637 kilometres of transmission lines and approximately 13,058 towers, its electricity distribution network covered over 80,000 square kilometres and serviced approximately 712,000 consumers and its gas distribution network covered over 60,000 square kilometres and serviced approximately 684,700 consumers. Together these transmission and distribution assets represent essential infrastructure in Victoria, with the AusNet Services Group being the sole provider of electricity distribution and covered gas distribution services in eastern and western Victoria, respectively. In addition, the AusNet Services Group's networks are capital intensive and difficult to replicate and, as a result of these high barriers to entry, they operate as regulated natural monopolies.

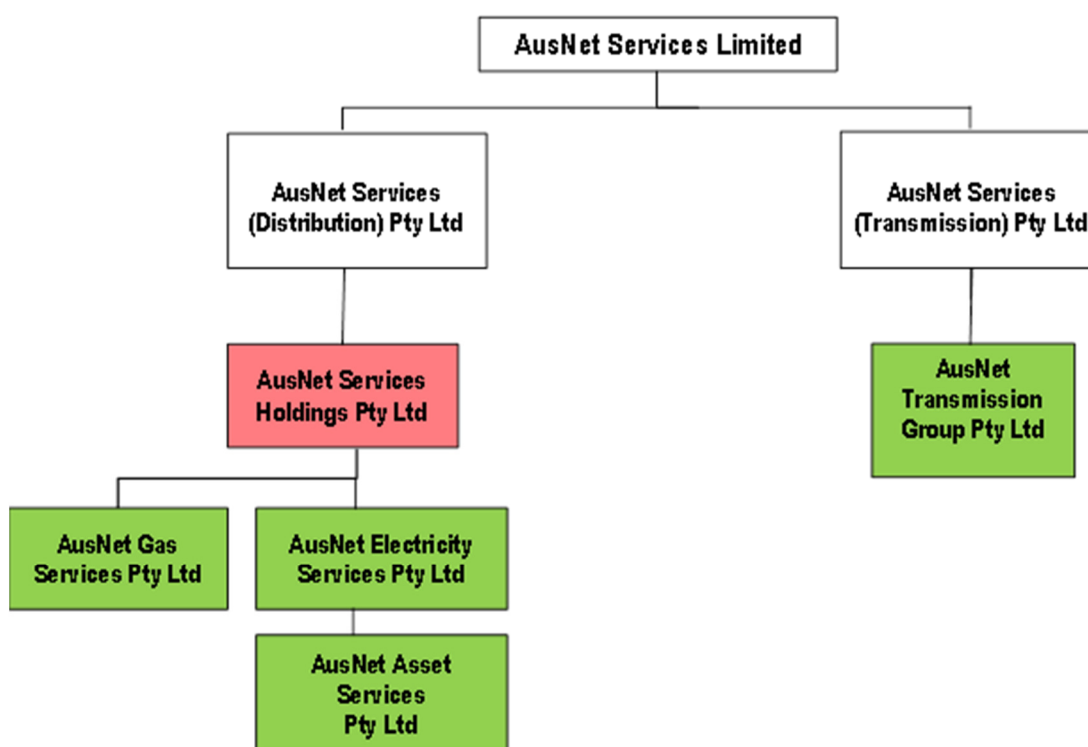
- **Regulated Cash Flows** – The electricity transmission, electricity distribution and gas distribution assets provide regulated, largely predictable cash flows. A total of 86% of the AusNet Services Group's consolidated revenues for the financial year ended 31 March 2017 were regulated, all of which were protected from the risk of increases in inflation. Of these amounts, revenues from the AusNet Services Group's electricity transmission business (which amounted to 31% of total consolidated revenue) were not exposed to volume risk. The electricity distribution network is now regulated by a revenue cap commencing from the 2016-2020 regulatory control period, further reducing volume risk. Further, these networks have staggered regulatory reset periods, which reduces earnings volatility, reflected in the AusNet Services Group's historical cash flows being relatively steady, and allows the AusNet Services Group to better manage its financial strategies.
- **Strong Credit Metrics and Diversified Funding Sources** – The AusNet Services Group has established a set of guidelines which target various credit metrics that it considers to be consistent with its policy of maintaining a standalone credit rating of "A-/A3" or above from Standard & Poor's and Moody's. In addition, the AusNet Services Group has a well diversified debt portfolio, both in terms of maturity and sources of debt. As part of its capital management tools, AusNet Services has also:
  - Issued a 200 million, 60.5-year Singapore dollar and a 375 million, 60-year U.S. dollar hybrid security in the form of non-convertible subordinated notes which raised A\$200 million and A\$506 million, respectively;
  - Raised equity through its DRP and through pro rata entitlement offerings in 2009 and 2012, which raised A\$408.4 million and A\$434.4 million, respectively; and
  - For the financial year ended 31 March 2010, it also cut distributions to security holders to eight cents per security, which represented a 32.5% reduction from the financial year ended 31 March 2009.
- **Organic Growth** – The AusNet Services Group's distribution assets are situated in areas of expected population growth in Melbourne and its surrounding areas, contributing to increased connection growth. Continued expenditure on bushfire mitigation and asset replacement on the electricity distribution network will also underpin growth in coming years. In addition, there are opportunities for the AusNet Services Group, through CES, to bid for the contestable parts of new transmission connections for new generation (including gas, wind and solar) and load (including resources and major industrial projects) connections to the transmission network. CES also continues to pursue growth in the provision of niche metering and asset intelligence services in the essential infrastructure sector to electricity, water and gas utility owners, rail operators and telecommunications companies. Changes in technology and customer behaviour also provide opportunities for the AusNet Services Group to provide products and services related to energy use, energy storage, energy efficiency and other niche services, otherwise known as emerging energy markets.
- **Management Expertise** – The AusNet Services Group's management team has significant experience in operating and managing the AusNet Services Group's business, including extensive experience with Australian regulatory reset processes.
- **Diversified RAB** – The AusNet Services Group's regulated asset portfolio is diversified across transmission and distribution assets as well as electricity and gas assets, which, along with the related diversification of regulatory outcomes, provides for more stable cash flows.

## Structure of the AusNet Services Group

Prior to the implementation of the Restructure on 18 June 2015, the head entities of the AusNet Services Group comprised the Stapled Entities. Prior to the Restructure the Stapled Entities had been listed on ASX and SGX (secondary listing) since December 2005 and investors held stapled securities in the Stapled Entities.

AusNet Services was publicly listed on the ASX, with a secondary listing on the SGX-ST, in June 2015 (ASX code: AST and SGX code: AUSNET SERVICES (AZI.SI)).

The structure of the AusNet Services Group which, since the Restructure on 18 June 2015, consists of AusNet Services and its Subsidiaries, is summarised in the following chart. The Issuer is shown in the colour red and the Guarantors are shown in the colour green. The chart does not show AusNet Services Finance Trust, several intermediate holding companies and some minor subsidiaries with no substantial assets.



Source: AusNet Services Group

Notes:

- (1) AusNet Services Finance Trust, several intermediate holding companies and some minor subsidiaries with no substantial assets are not shown in the chart.
- (2) AusNet Finance Pty Ltd ("**AusNet Finance**") was released as a Guarantor effective 11 January 2018, in preparation for deregistration of this company. The AusNet Services Group wishes to simplify its legal corporate structure by removing redundant corporate entities. AusNet Finance was originally established as the financing vehicle for the transmission business. Following the maturity of certain legacy transactions under AusNet Finance, and the establishment of the Issuer as the common funding vehicle, AusNet Finance is no longer utilised.

A subsidiary of AusNet Services Transmission operates the AusNet Services Group's electricity transmission business, and subsidiaries of AusNet Services Distribution operate the AusNet Services Group's electricity and gas distribution businesses.

### Relationship between the AusNet Services Group, Singapore Power Limited and State Grid Corporation of China

As at the date of this Information Memorandum, SPI holds 31.1% of the issued shares in AusNet Services and SGIAD holds 19.9% of the issued shares in AusNet Services. As at the date of this Information Memorandum, SPI is wholly owned by Singapore Power Limited and SGIAD is wholly owned by State Grid Corporation of China.

### Key Events in the Development of the AusNet Services Group

As part of the deregulation and privatisation of the Victorian electricity and gas industries, GPU Electric, Inc. purchased the electricity transmission business now owned and operated by the AusNet Services Group from the Victorian State Government, and TXU Corp purchased the electricity and gas distribution businesses now owned and operated by the AusNet Services Group. Singapore Power Limited acquired the transmission business from GPU Electric, Inc. in 2000, and acquired TXU Corp's electricity and gas businesses in Australia,

comprising the electricity and gas distribution businesses now owned and operated by the AusNet Services Group and the merchant energy business consisting of TXU Corp's electricity generation, electricity and gas retail businesses and interest in the SEAGas gas pipeline ("**MEB**").

Singapore Power Limited completed the sale of the MEB to CLP Power Australia Energy Holdings Pty Ltd between May 2005 and August 2005, retaining the electricity and gas distribution businesses now owned and operated by the AusNet Services Group.

The key events in the development of the AusNet Services Group are set out below.

- **December 1995:** U.S.-based TXU Corp purchased the electricity distribution and retail business, Eastern Energy, from the Victorian State Government
- **November 1997:** U.S.-based GPU Electric, Inc. acquired Victorian electricity transmission business, PowerNet Victoria, from the Victorian State Government
- **February 1999:** TXU Corp acquired the gas distribution and retail businesses, Westar and Kinetic Energy, respectively, from the Victorian State Government
- **June 2000:** SPI acquired the Victorian electricity transmission business, GPU PowerNet, from GPU Electric, Inc.
- **July 2004:** Singapore Power acquired the electricity and gas distribution businesses and MEB that were then owned by TXU Corp
- **May/August 2005:** Singapore Power divested MEB, retaining the Victorian gas and electricity distribution businesses that had previously been owned by TXU Corp
- **June 2005:** Launch of SP AusNet brand
- **December 2005:** Initial Public Offering of the Stapled Entities
- **October 2008:** Stapled Entities established the DRP. The DRP has operated at each interim and final distribution and/or dividend payment since its inception
- **May/June 2009:** The Stapled Entities raised approximately A\$408 million under an accelerated non-renounceable pro-rata entitlement offer and cut distributions by 32.5%
- **May/June 2012:** The Stapled Entities raised approximately A\$434 million under an accelerated non-renounceable pro-rata entitlement offer
- **December 2012:** The AusNet Services Group enters into agreements to operate and maintain the Victorian Desalination Project's electricity line
- **January 2014:** SGIAD (a subsidiary of State Grid Corporation of China) acquired a 19.9% stapled securityholding in the Stapled Entities from SPI
- **March 2014:** The AusNet Services Group terminated the Management Services Agreement with SPI Management Services, under which management services were provided by SPI Management Services (a wholly owned subsidiary of SPI) to the AusNet Services Group
- **August 2014:** SP AusNet Group renamed and rebranded to AusNet Services Group
- **June 2015:** AusNet Services completed a corporate restructure under which the Stapled Entities became wholly owned by a new listed entity, AusNet Services
- **March 2016:** AusNet Services issued a 200 million, 60-year Singapore dollar and a 375 million, U.S. dollar hybrid security in the form of non-convertible subordinated notes which raised A\$200 million and A\$506 million, respectively.

## Sources and Uses of Liquidity

The AusNet Services Group established a common funding vehicle in 2007 and all financing is undertaken through this entity.

The AusNet Services Group wishes to simplify its legal corporate structure by removing redundant corporate entities. AusNet Finance was originally established as the financing vehicle for the transmission business and was one of the Initial Guarantors under the Guarantee Deed Poll. Following the maturity of certain legacy transactions under AusNet Finance, and the establishment of the Issuer as the common funding vehicle for the group, AusNet Finance is no longer utilised. AusNet Finance was released as a Guarantor effective 11 January 2018, in preparation for deregistration of this company.

The Stapled Entities established a DRP in October 2008. It has operated at each interim and final distribution or dividend payment since its establishment.

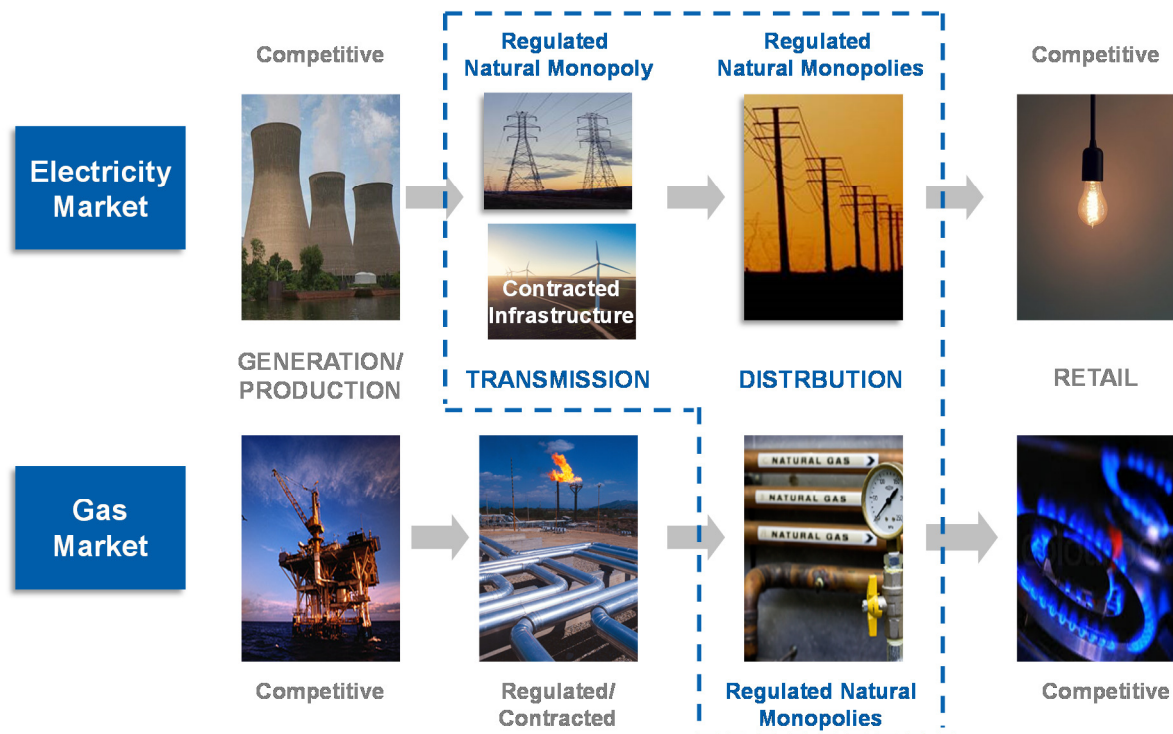
An interim dividend for 2017/2018 financial year of A\$167.2 million (4.63 cents per share) was paid on 21 December 2017 and the DRP of AusNet Services was in operation for that dividend. Participation in the DRP is voluntary and eligible shareholders may elect to participate in respect of all or part of their holding.

Refer to “Business of the AusNet Services Group – Structure of the AusNet Services Group” for a summary of the structure of AusNet Services and its Subsidiaries. The figure represents how the Issuer is utilised as the common funding vehicle for the AusNet Services Group and all of its subsidiaries.

## Business Discussion

The following diagram shows the industry segments in which the AusNet Services Group operates.

### Australian Energy Market Structure



**AusNet Services operates in the regulated transmission and distribution sectors**

Source: AusNet Services Group.

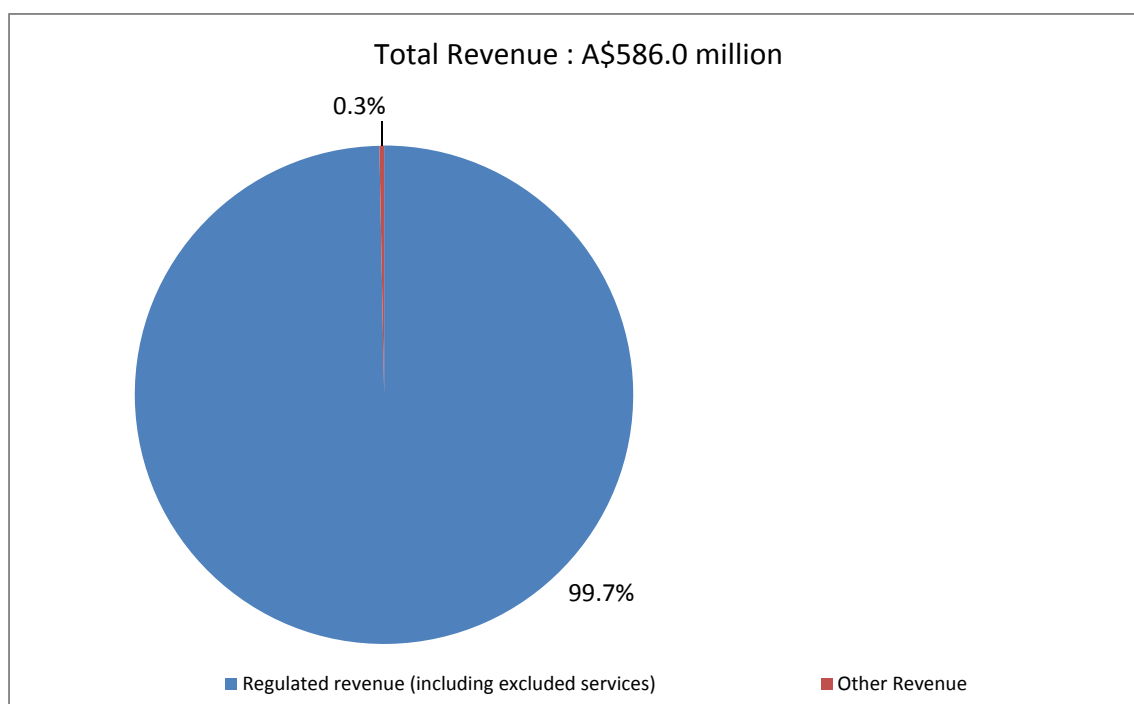
## Electricity Transmission Network

### Electricity Transmission Revenue Profile

The electricity transmission business earns network charges and connection charges equal to an annual, regulated, fixed amount (i.e. not dependent upon the actual volume of electricity transmitted), and also earns network availability, reliability and market impact incentive payments. The network charges and connection charges, which together represent 99.7% of the AusNet Services Group's electricity transmission revenue for the year ended 31 March 2017, are subject to a cap set by the AER based in part on the RAB of the electricity transmission business.

Note that prior to AusNet Services' operating model review in October 2016, the electricity transmission business had revenue relating to unregulated infrastructure services. This revenue is now part of CES.

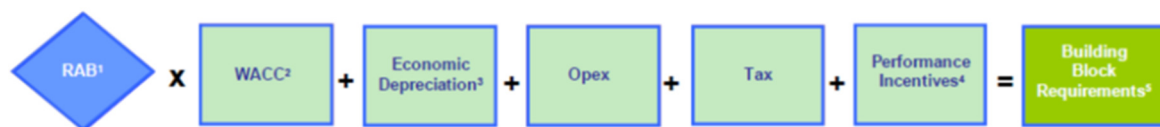
As shown below, the AusNet Services Group's electricity transmission revenues for the year ended 31 March 2017 comprise the following:



Source: AusNet Services Group.

### Electricity Transmission Revenue Building Blocks

The electricity transmission revenue regulatory framework uses a building block approach to provide the electricity transmission company with a revenue stream to cover forecast costs and depreciation over the regulatory period. This may include an efficiency allowance to reward expenditure savings achieved in the previous period if regulatory benchmarks are outperformed. This is illustrated below.



Source: AusNet Services Group.

#### Notes:

- (1) Regulated Asset Base, as determined by the AER, which is indexed annually to protect the business from inflation risk.

- (2) Weighted Average Cost of Capital, as determined by the AER.
- (3) Economic Depreciation is calculated by subtracting the RAB indexation from the straight line depreciation.
- (4) Performance incentives include glidepath payments which reward expenditure savings achieved in the previous period.
- (5) The forecast building block requirement for each year of the regulatory period is then smoothed using the (CPI-X) factor which also provides protection from inflation risk. The resulting forecast revenue path is referred to as the Maximum Allowable Revenue ("**MAR**"). Actual revenue will differ from the forecast MAR due to actual inflation and adjustments for service standards performance incentives and penalties.

Electricity transmission network charges derived using the building block approach are spread over the five-year regulatory period to minimise any price volatility for users. Electricity transmission revenue is recovered as a fixed amount and is not affected by usage volume.

The AER's final decision regarding the Transmission Revenue Reset ("**TRR**") for 2017/18 to 2021/22 was published on 28 April 2017.

In the final decision, the AER approved higher levels of capital and operating expenditure for the AusNet Services Group, compared to its draft decision issued in July 2016.

### **Overview of outcomes**

The final decision allows for the following revenues under the building block approach:

|                            | <b>Year ending 31 March</b>        |                |                |                |                |              |                |
|----------------------------|------------------------------------|----------------|----------------|----------------|----------------|--------------|----------------|
|                            | <b>2017/18</b>                     | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>Total</b> | <b>Average</b> |
|                            | <i>(A\$, in millions, nominal)</i> |                |                |                |                |              |                |
| Operating Costs            | 232.4                              | 238.5          | 244.8          | 251.2          | 257.8          | 1,224.7      | 244.9          |
| Return on Assets           | 183.9                              | 189.2          | 193.2          | 196.3          | 198.1          | 960.7        | 192.1          |
| Regulatory Depreciation    | 96.7                               | 99.0           | 106.7          | 110.2          | 93.3           | 505.9        | 101.2          |
| Cost of Tax                | 13.2                               | 10.6           | 12.4           | 14.0           | 9.2            | 59.5         | 11.9           |
| Efficiency Carryover       | -0.2                               | -0.2           | -0.3           | -1.8           | -5.4           | -7.9         | -1.6           |
| Total Revenue (unsmoothed) | 526.1                              | 537.1          | 556.8          | 569.9          | 553.1          | 2,742.8      | 548.6          |
| X factor                   | 1.11%                              | 1.12%          | 1.12%          | 1.12%          | 1.12%          | n/a          | n/a            |
| Total Revenue (smoothed)   | 534.8                              | 541.5          | 548.3          | 555.1          | 562.1          | 2,741.7      | 548.3          |

*Source: AER, Final Decision AusNet Services Group Transmission Determination 2017/18 to 2021/22, April 2017*

### **WACC parameters**

The final decision provides for a WACC of 5.80% (in nominal, after tax terms). Ten percent of the return on debt will be updated annually, to incorporate prevailing rates.

|                            | 2014/15 to<br>2016/17 | 2017/18 to<br>2021/22 |
|----------------------------|-----------------------|-----------------------|
|                            | Final Decision        |                       |
| <b>Parameter</b>           |                       |                       |
| Cost of Debt .....         | 6.79 %                | 4.94 %                |
| Beta.....                  | 0.8                   | 0.7                   |
| Gamma .....                | 0.65                  | 0.40                  |
| Market risk premium .....  | 6.50 %                | 6.50 %                |
| Nominal Vanilla WACC ..... | 7.87 %                | 5.80 %                |
| Return on Equity .....     | 9.51 %                | 7.10 %                |

### ***Electricity Transmission Regulated Revenue***

Regulated transmission revenue is made up of shared network charges, connection charges and incentive payments.

### ***Network charges and the Network Agreement***

The AusNet Services Group charges the AEMO for the use of the transmission network through the network charge. This is a fixed monthly charge determined in accordance with the NER from the revenue established by the AER in its last revenue cap determination. In turn, the AEMO charges distributors of electricity for use of the transmission network through TUoS charges, which vary depending on usage, although the AusNet Services Group also sells connection services directly to industry participants under separate connection agreements. The AEMO manages the variation between these revenues and the fixed charge applied by the AusNet Services Group through a subsequent reconciliation process with the distributors. These charges apply to the entire network that transfers power from generators to distributors and includes all transmission lines and major terminal stations. The Network Agreement establishes the services and the applicable commercial terms and conditions.

The AusNet Services Group is remunerated for provision of the network services on a basis consistent with the revenue determined by the AER, applying pricing principles established in Chapter 6A of the NER. The network performance incentive schemes reward the AusNet Services Group for good network availability and performance. As of 1 April 2016, the Network Agreement reflects the closure of AEMO's availability incentive scheme for regulated services, but it remains in place for unregulated services.

The AusNet Services Group's liability to the AEMO for negligence, breach of contract or otherwise is limited to A\$5 million under the Network Agreement, except where the loss arises due to a wilful breach or failure of facilities while being operated within certain capabilities and ratings or actions taken by the AEMO to keep certain aspects within their capabilities and ratings. The Network Agreement has no expiry date, but it may be terminated under certain conditions, such as extended force majeure or financial default.

### ***Connection Charges***

The AusNet Services Group charges electricity distributors and generators for the use of connection assets. Connection assets are those assets that are dedicated to the connection of the distributors and generators to the transmission network. The connection charges payable by generators and distributors, and the services provided by the AusNet Services Group, are governed by individual connection agreements with each party and the charging principles established by the NER.

### ***Excluded Prescribed Services***

Excluded services represent returns on capital expenditure for electricity transmission customer works including all augmentation works. At the commencement of subsequent regulatory control periods some of these services, notably connection services to electricity distributors and non-contestable shared network services provided to the AEMO, convert to regulated services by asset roll-in to the RAB.

### ***Electricity Transmission Other Revenue***

The AusNet Services Group's network of transmission towers can be used as telecommunications antenna sites. The AusNet Services Group licences access to its infrastructure for third parties' equipment.

The AusNet Services Group's transmission network also supports optical fibre, allowing the AusNet Services Group to license access to use of dark fibre and bandwidth access networks.

### ***Victorian Desalination Project's Electricity Line***

In December 2012, the AusNet Services Group entered into a 27 year licence agreement with the Victorian State Government for the right to operate and maintain the 87 kilometre high voltage alternating current underground transmission line supplying electricity to the Victorian Desalination Plant in Wonthaggi.

Under the agreement, the AusNet Services Group paid the 27 annual licence charges to the Victorian State Government upfront in a single licence payment of A\$235 million on 21 December 2012. The licence is a progression of the Commitment Deed Poll announced by the AusNet Services Group on 23 May 2011.

At the same time, the AusNet Services Group has also entered into a 27 year agreement with the desalination plant operator, AquaSure Pty Ltd, for the AusNet Services Group to operate and maintain the transmission line in return for an annual revenue payment.

### ***Electricity Transmission Network Condition and Life***

Management of the transmission network is in accordance with the AusNet Services Group's ESMS, a mandatory obligation under the Electricity Safety Act 1998 (Vic).

The ESMS is a risk based management system that includes the maintenance of the AusNet Services Group's asset management strategy ("**Asset Management Strategy**"), standards, plans, programs and performance monitoring systems to ensure the safe operation and security of the network over its full asset life cycle. In addition to internal compliance monitoring, the technical regulator, Energy Safe Victoria ("**ESV**"), undertakes regular audits to monitor compliance.

The Asset Management Strategy, incorporating individual plant and equipment strategies, provide asset condition and remaining life profiles that support revenue submissions to the AER for replacement and maintenance of the network. The AER undertakes benchmarking against other transmission businesses to validate asset life cycle, replacement and maintenance requirements.

The ESMS is an integral element of the AusNet Services Group Asset Management System ("**AMS**"). The AMS is certified to ISO 55001, the standard for Asset Management. The AMS focuses on low life cycle costs, enhancing network safety and performance and optimising capital and operating expenditures.

### ***Electricity Transmission Network Growth***

The AusNet Services Group does not plan transmission augmentation projects because, in the Victorian market model, this is the function of the AEMO, distributors and generators. However, while the AusNet Services Group is unable to augment the shared transmission network without a request from the AEMO, a generator or a distributor, new transmission projects and network interface works are sometimes awarded to the AusNet Services Group on a non-contestable basis, which assists in the further expansion of the AusNet Services Group's transmission network. Provision of services in connection with assets established under augmentation programmes are remunerated on the basis agreed with the AEMO or the augmenting connection party at the time of the augmentation, but which for the majority of augmentations will transfer to regulated services at the subsequent revenue reset. AEMO and the electricity distributors forecast peak load growth in the growth corridors and the need for increased capacity in these parts of the network will require the AusNet Services Group to continue to invest in the transmission network.

### ***Electricity Transmission Network Performance***

The Transmission System Minutes is a measure used by the AusNet Services Group to track the loss of supply to its transmission customers caused by the transmission system. "One System Minute" is the loss of the total Transmission System Maximum Demand for one minute. The Transmission System Maximum Demand is the

maximum amount of aggregated electricity demand recorded at entry points to the AusNet Services Group's transmission network and interconnection points at any time previously.

The service target performance incentive scheme ("**STPIS**") by the AER provides a financial incentive to transmission network services providers ("**TNSPs**") to maintain and improve service performance.

The service component provides a reward/penalty of +/- 1.25 per cent of MAR to improve network reliability, by focussing on unplanned outages. The service component is designed to encourage TNSPs to seek to reduce the number of unplanned network outages and to promptly restore the network in the event of unplanned outages that result in supply interruptions.

AusNet Services has been rewarded with additional revenue as a result of satisfactory service performance over the past several years since the AER STPIS has been in place.

|                                                         | Year Ending 31 December |       |       |        |        |        |
|---------------------------------------------------------|-------------------------|-------|-------|--------|--------|--------|
|                                                         | 2016                    | 2015  | 2014  | 2013   | 2012   | 2011   |
| Transmission System Minutes                             |                         |       |       |        |        |        |
| .....                                                   | 9.16                    | 6.588 | 0.585 | 1.183  | 2.734  | 0.025  |
| Transmission network AER STPIS service component reward |                         |       |       |        |        |        |
| .....                                                   | 32.4 %                  | 11 %  | 42 %  | 67.4 % | 80.9 % | 72.4 % |

Source: AusNet Services Group.

In 2012, 2.734 Transmission System Minutes incurred due to one significant system incident which affected supply to a single customer for 2.57 Transmission System Minutes. In April 2012, the 66 kV radial supply to Powercor Australia's single high voltage customer was interrupted when its dedicated 220/66 kV transformer tripped. During this time, the customer chose not to use an alternative supply option due to the accompanying load restrictions. After attending to the faulty equipment associated with the dedicated transformer, power supply to Powercor Australia's single high voltage customer was restored within approximately 7.5 hours through its own dedicated transformer.

In 2015, 6.588 Transmission System Minutes incurred due to one significant system incident which affected supply to a single customer for 6.5 Transmission System Minutes.

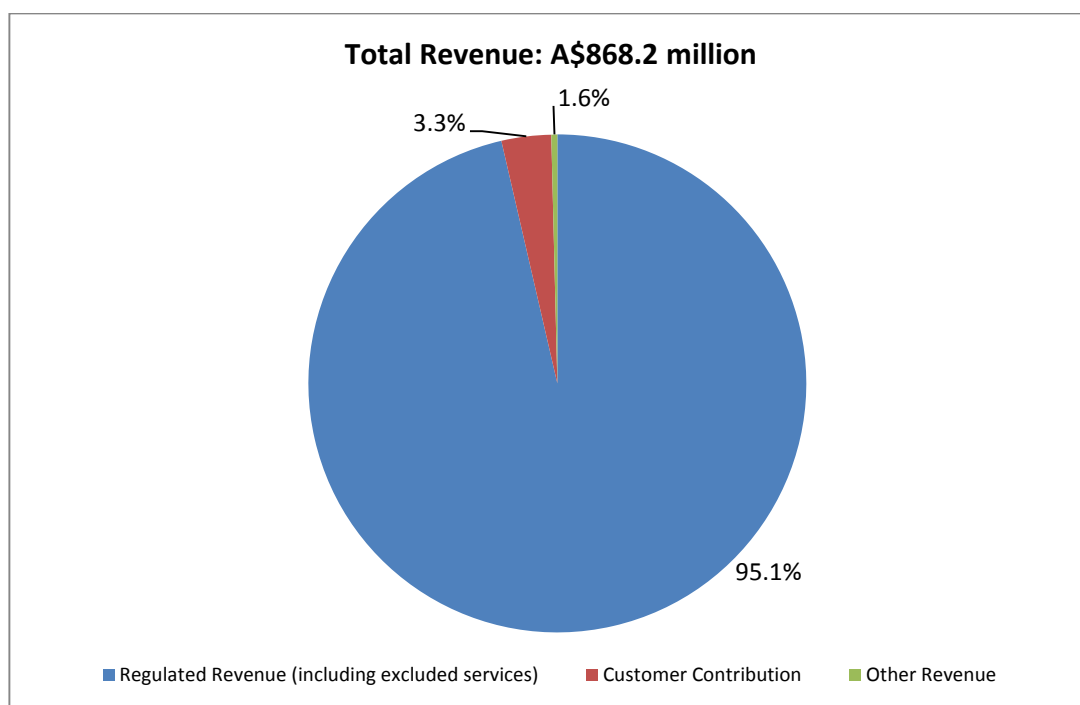
In 2016, 9.16 Transmission System Minutes incurred due to one significant system incident which affected supply to a single customer for 9.01 Transmission System Minutes.

## Electricity Distribution Network

### **Electricity Distribution Revenue Profile**

For the financial year ended 31 March 2017, 95.1% of the AusNet Services Group's electricity distribution revenues were derived from regulated approved network prices, including AMI. The remaining electricity distribution revenues came from customer contributions to capital works and other distribution-related revenue.

The chart below provides a summary of the AusNet Services Group's electricity distribution revenues for the financial year ended 31 March 2017. Each of these components of the AusNet Services Group's distribution revenues is discussed in greater detail below.



Source: AusNet Services Group.

### **Electricity Distribution Regulated Revenue**

The AusNet Services Group charges retailers and some large customers regulated rates for DUoS charges. These rates are adjusted each year in accordance with price controls established by the regulator every five years. Regulatory responsibility transferred from the ESC to the AER in January 2009.

The amount of electricity network revenue charged to each retailer is based on the actual amount of electricity used by the retailer's end-user customers. The distribution revenue regulation framework uses a building block approach to cover forecast costs and depreciation over the regulatory period. This is illustrated below.



Source: AusNet Services Group.

#### Notes:

- (1) RAB, as determined by the AER, it is indexed annually by inflation to protect the business from inflation risk.
- (2) WACC, as determined by the AER.
- (3) Economic Depreciation is calculated by subtracting the RAB indexation from the straight line depreciation.
- (4) Performance incentives include efficiency carry-over amounts to reward operational expenditure savings achieved in the previous period, and S factor amounts to reward or penalise service standard performance.
- (5) The annual revenue requirement for each year of the regulatory period is then smoothed using the (CPI-X) factor. The resulting forecast revenue path is referred to as expected revenue.
- (6) Actual revenue will differ from the expected revenue due to actual inflation and service standards performance incentives and penalties.

Previously for the electricity distribution network, the prices per volume of electricity distributed were regulated, with actual revenue subject to the volume of electricity distributed. By contrast, for the transmission network,

total revenues are set by the regulator and revenues are not subject to actual electricity consumption. The pricing regime left the business with some exposure to revenue fluctuations due to volatility in volume demand. The new determination applicable to the current 2016-2020 regulatory period applies a revenue cap to the distribution business, thus removing volume risk.

As per the Rate of Return Guideline, 10% of the cost of debt is updated annually to incorporate prevailing rates.

In 31 March 2017, AusNet Services lodged a contingent project application with the AER for tranche 1 (of 3) of the REFCL program. The AER's final determination on the revenue allowed for the delivery of this program was made on 21 August 2017.

Target electricity revenue, as published by the AER in August 2017 for 2016-20 is illustrated below. This incorporates the AER's decision in respect of the contingent projects and the updated cost of debt to include 2017 prevailing rates.

|                                                              | Year Ended 31 December |       |       |       |       |
|--------------------------------------------------------------|------------------------|-------|-------|-------|-------|
|                                                              | 2016                   | 2017  | 2018  | 2019  | 2020  |
|                                                              | (A\$, in millions)     |       |       |       |       |
| Return on capital <sup>(1)</sup> .....                       | 217.3                  | 230.8 | 251.0 | 269.3 | 285.5 |
| Depreciation .....                                           | 103.8                  | 88.5  | 93.9  | 94.8  | 101.7 |
| Operating costs allowance .....                              | 230.3                  | 240.0 | 251.5 | 262.2 | 273.9 |
| Efficiency carry over .....                                  | 5.3                    | -6.4  | -3.6  | 16.1  | 0.1   |
| Tax allowance .....                                          | 33.2                   | 27.1  | 27.8  | 28.6  | 27.8  |
| Total building block revenue .....                           | 590.0                  | 580.1 | 620.6 | 671.1 | 688.9 |
| Total building block revenue (smoothed) <sup>(2)</sup> ..... | 586.0                  | 597.9 | 623.0 | 653.4 | 688.7 |

Source: AER, AusNet Electricity Services Pty Ltd Distribution Determination Update – Return on Debt for 2018

Notes:

- (1) Return on capital is calculated by multiplying the RAB by the WACC (post tax nominal) as determined by the AER.
- (2) A revenue smoothing (CPI-X) factor is applied to the unadjusted revenue path by AER. Negative values for X indicate real price increases under the CPI-X formula.

AusNet Services lodged an appeal for merits review with the ACT on the final EDPR 2016-20 determination in June 2016. Hearings for the merits review appeal commenced in November 2016 addressing gamma, self-insurance and cost of debt measurement. AusNet Services also lodged an application for judicial review with the Federal Court on the same grounds, and this process is stayed until the merits review process is complete. In July 2017, AusNet Services withdrew its grounds for review of gamma, in both the ACT and judicial review cases. On 17 October 2017, the ACT handed down its decision, and upholding the AER's determination in respect of self-insurance and the cost of debt measurement.

### **Advanced Metering Infrastructure Revenues**

In 2006, the Victorian State Government mandated the rollout of AMI to all Victorian electricity consumers taking supply of less than 160 MWh per annum. To meet this obligation the AusNet Services Group must deploy and maintain the key infrastructure elements of the AMI programme.

The AMI CROIC legislates the cost recovery of regulated services supplied from 2009 to 2015 (including transitional arrangements for 2006 through 2008 AMI related expenditures) and contains two budget periods: 2009 to 2011 and 2012 to 2015 for expenditure approval purposes and two WACC periods: 2009 to 2013 and 2014 to 2015 for setting the WACC parameters. In general, the cost recovery regulatory framework has changed from incentive-based control to a cost "pass-through" building block approach with a series of

supporting “Regulatory Principles”, specified in the AMI CROIC. In order to ensure the cost “pass-through” principle the AMI CROIC defines an annual true up process to ensure that the present value of the actual annual building block revenue equates to the present value of the actual tariff revenue for the same period. The AER is the economic regulator of this activity.

On 30 June 2015, the Victorian State Government gazetted amendments to the AMI CROIC which require the charges applications for both calendar years 2014 and 2015 (the “**Transition Charges Application**”) to be submitted between 30 April and 31 May 2016 as a single application. The AER is required to make and publish a draft determination on the charges application and consult with the public before publishing a final determination by 16 December 2016.

From 1 January 2016, metering services are no longer regulated under the AMI CROIC but rather the NEL and NER as Alternative Control Services with a revenue cap. Metering charges from 1 January 2016 were based on the EDPR preliminary decision. The AusNet Services Group submitted a revised electricity distribution regulatory proposal on 6 January 2016 and the AER made its final decision on 26 May 2016 which sets out the following revenue profile:

|                                                  | Year Ending 31 December |       |       |      |       |
|--------------------------------------------------|-------------------------|-------|-------|------|-------|
|                                                  | 2020                    | 2019  | 2018  | 2017 | 2016  |
|                                                  | (A\$, in millions)      |       |       |      |       |
| Return on capital <sup>(1)</sup> .....           | 15.4                    | 17.2  | 19.7  | 22.0 | 23.9  |
| Regulatory depreciation .....                    | 25.3                    | 35.9  | 46.7  | 44.1 | 41.1  |
| Operating expenditure .....                      | 17.3                    | 18.1  | 21.2  | 21.7 | 22.4  |
| Annual revenue requirements <sup>(2)</sup> ..... | 57.9                    | 71.2  | 87.5  | 87.9 | 87.4  |
| Expected revenues <sup>(2)(3)</sup> .....        | 57.9                    | 67.8  | 79.4  | 92.9 | 92.8  |
| Forecast CPI (percent) .....                     | 2.32                    | 2.32  | 2.32  | 2.32 | 2.32  |
| X factors (percent) .....                        | 16.50                   | 16.50 | 16.50 | 2.14 | 43.36 |

Source: AER, AusNet Electricity Services Pty Ltd Electricity Distribution Final Decision 2016 to 2020.

Notes:

- (1) Return on capital is calculated by multiplying the RAB by the WACC (post tax nominal) as determined by the AER.
- (2) The final decision on the Transition Charges Application to be released on 16 December 2016 will reduce the annual revenue requirements and expected revenues from 2018.
- (3) A revenue smoothing (CPI-X) factor is applied to the unadjusted revenue path by AER. Negative values for X indicate real price increases under the CPI-X formula.

AusNet Services submitted the Transition Charges Application to the AER on 31 May 2016 which applied for the approval of A\$96.7 million of the A\$165.9 million excess expenditure incurred in calendar years 2014 and 2015. The AER released its Draft Decision on the Transition Charges Application on 20 September 2016, approving A\$46.2 million of the A\$96.7 million excess expenditure applied by AusNet Services. The Draft Decision resulted in a negative transition charge of A\$62.1 million to be applied to the 2018 annual revenue.

On 2 November 2016, AusNet Services made a submission to the AER on the Transition Charges Application Draft Decision. In the submission, AusNet Services applied for the approval of A\$86.9 million of the A\$165.9 million excess expenditure incurred in calendar years 2014 and 2015. AusNet Services also proposed to smooth the revenue adjustment from the 2018 to 2020 calendar years, instead of only in the 2018 calendar year based on the Draft Decision. The Final Decision on the Transition Charges Application was released by the AER on 16 December 2016 which approved A\$53.4 million of the A\$86.9 million excess expenditure applied by AusNet Services. The Final Decision resulted in a negative transition charge of A\$52.7 million to be smoothed from the 2018 to 2020 calendar years, impacting the annual revenue requirements and expected revenues shown in the above table. In November 2017, the AER approved a negative revenue adjustment of A\$27.0 million for the 2018 calendar year. For the 2019 and 2020 calendar years, AusNet Services forecasts the negative revenue adjustment to be A\$17.0 million and A\$9.5 million respectively, subject to the AER’s annual tariff approval process.

### **Electricity Distribution Customer Contributions**

Customers are required to contribute to the cost of their connection should the cost of connection exceed the expected incremental revenue the customer will contribute. The cost of assets built for customers is included in the RAB net of the contribution made by the customer. Customer contributions are included in as a separate section of revenue on the AusNet Services Group's income statement.

### **Alternative Control, Ancillary and Negotiated Services**

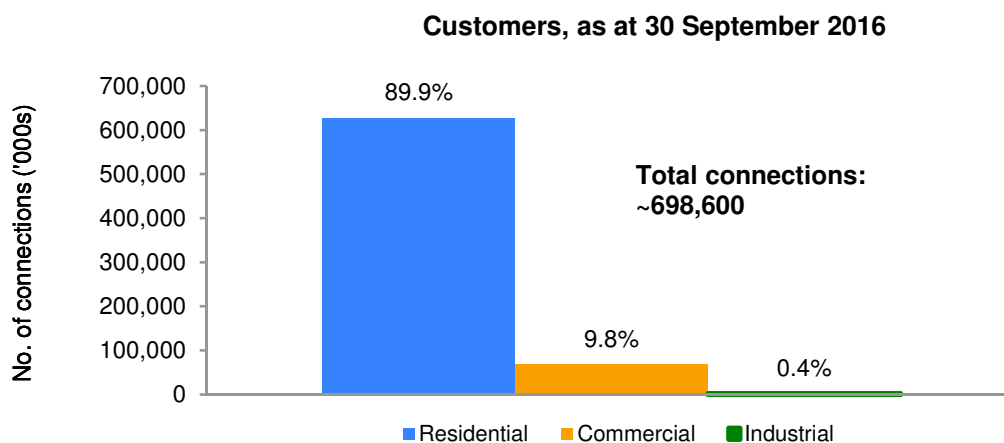
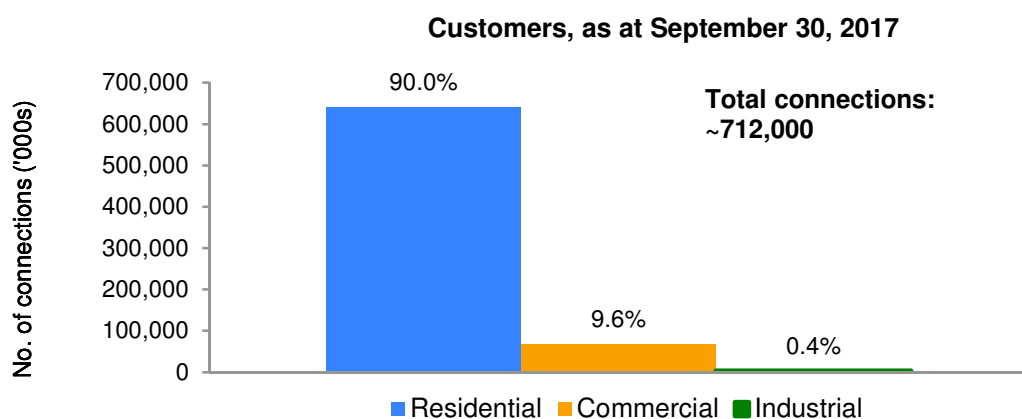
The AusNet Services Group charges fees for other distribution services, including standard connection services, field officer visits, service truck visits and public lighting. These services are defined as Alternative Control Services under the NER. Under the Final Decision on the EDPR 2016-20 a price path has been determined that allows these prices to be adjusted each year by an amount equal to the annual CPI-X.

### **Electricity Distribution Other Revenue**

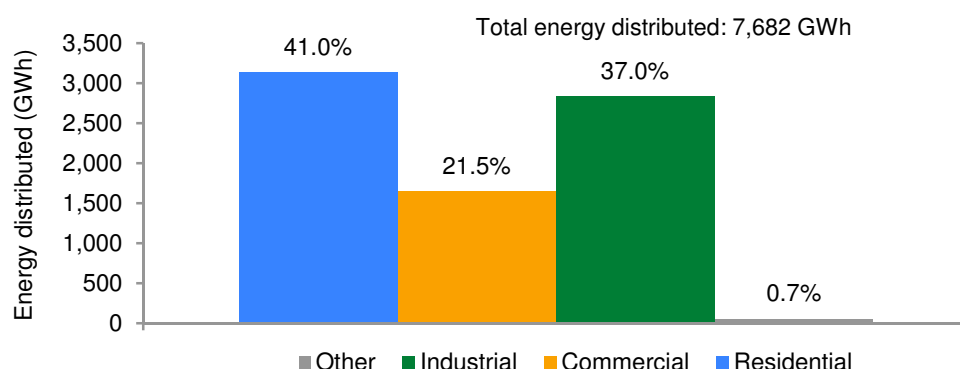
Other revenue generated by the electricity distribution business mainly relates to minor charges to other distribution businesses for shared use of assets, seconded employees and embedded generator connection fees.

### **Electricity Distribution Customers**

For the financial year ended 31 March 2017, the AusNet Services Group's five largest electricity retailer customers accounted for 70% of the AusNet Services Group's total electricity distribution network and excluded revenues. The charts below provide an overview of the AusNet Services Group's customer numbers as at 30 September 2017 and 30 September 2016 and energy usage for the year ended 31 March 2017, respectively.



## Energy distributed for the year ended 31 March 2017



Source: AusNet Services Group.

### **Electricity Distribution Network Condition and Life**

Management of the distribution network is in accordance with AusNet Services' ESMS, a mandatory obligation under the Electricity Safety Act 1998 (Vic).

The ESMS is a risk based management system that includes the maintenance of Asset Management Strategy, standards, plans, programs and performance monitoring systems to ensure the safe operation and security of the network over its full asset life cycle. In addition to internal compliance monitoring, the technical regulator, ESV, undertakes regular audits to monitor compliance.

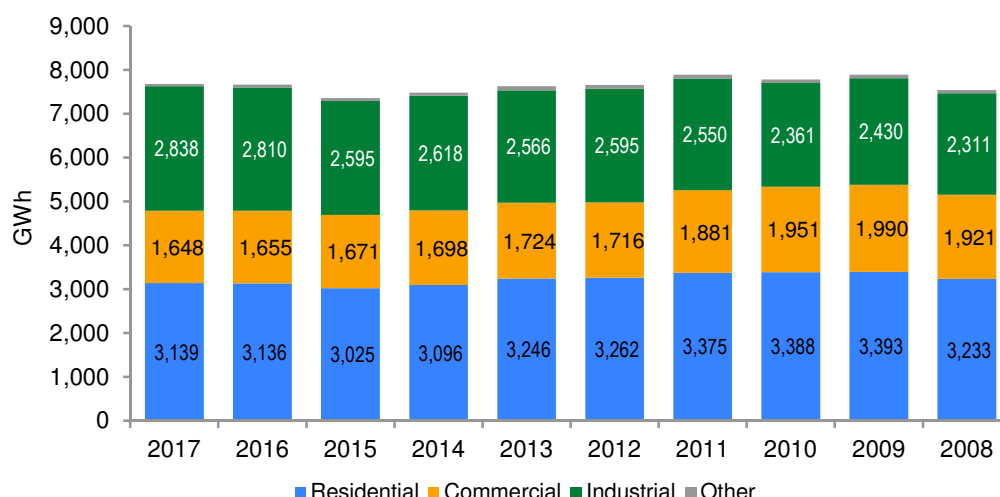
The Asset Management Strategy, incorporating individual plant and equipment strategies, provides asset condition and remaining life profiles that support revenue submissions to the AER for replacement and maintenance of the network. The AER undertakes benchmarking against other distribution businesses to validate asset life cycle, replacement and maintenance requirements.

The ESMS is an integral element of AMS. The AMS is certified to ISO 55001, the standard for asset management. The AMS focuses on low life cycle costs, enhancing network safety and performance and optimising capital and operating expenditures.

### **Electricity Distribution Network Growth**

The AusNet Services Group enhances its network capacity to meet on-going increases in demand from consumers. The AusNet Services Group believes that its proposed capital expenditure plan is sufficient to meet foreseeable future demand for electricity and growth in customer connections. In the year ended 31 March 2017, the AusNet Services Group experienced a 0.3% increase in energy delivered and approximately 13,800 net new customer connections, a 2.0% increase in new customer connections over the previous year. The figure below illustrates electricity consumption for the AusNet Services Group's electricity distribution network over the past ten fiscal years.

## Units of Electricity Distributed



Source: AusNet Services Group.

## Electricity Distribution Network Performance

Distribution of electricity across the AusNet Services Group's distribution network is subject to various factors that may disrupt delivery. The majority of electricity distribution network outages are unplanned and result from a variety of factors beyond the AusNet Services Group's control, including storms, interference by animals, vegetation and bushfire. The AusNet Services Group mitigates this risk with a number of programmes aimed at ensuring resilience of the network, such as removing unstable trees that endanger the network. Other outages result from planned shutdowns which are undertaken for maintenance or upgrades on the network.

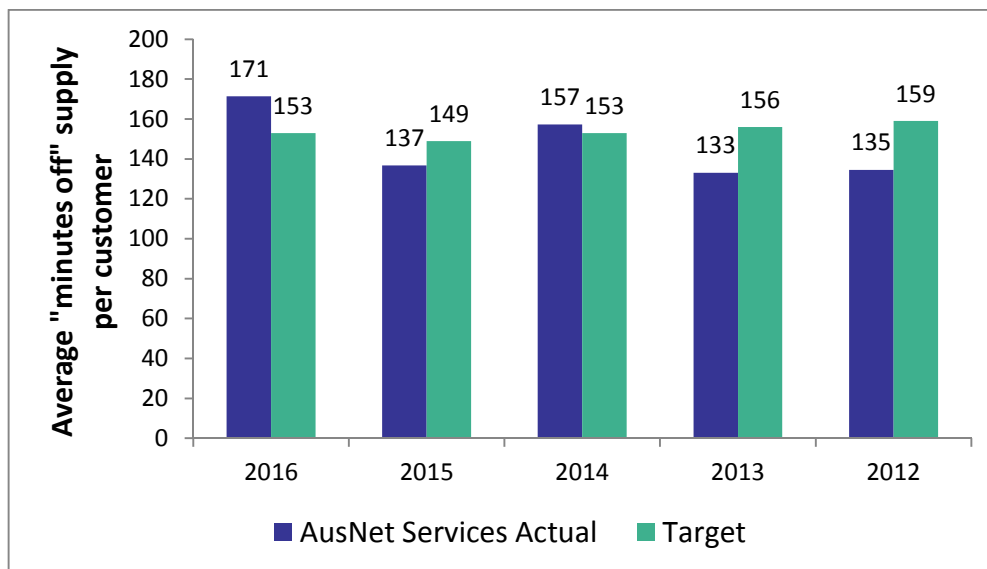
A financial incentive provided through the regulatory regime rewards or penalises the AusNet Services Group for changes in network reliability through the STPIS. The STPIS rewards or penalises regulated distributors for their performance relative to their own historic network reliability. Under the STPIS, a distributor's allowed revenue (through average prices for all customers) is increased (or decreased) based on variances from target to actual performance measured annually. The scheme has developed across regulatory control periods, with service measures being broadened from the original reliability measure. The following measures factor into the calculation, which is significantly weighted toward the network measures:

- USAIDI (Unplanned System Average Interruption Duration Index, or the average minutes a customer is off supply each year as a result of unplanned outages);
- USAIFI (Unplanned System Average Interruption Frequency Index, or the average number of times a customer is off supply each year as a result of unplanned outages);
- MAIFI (Momentary Average Interruption Frequency Index or the average number of times a customer is off supply for less than 1 minute each year); and
- Call centre performance (the percentage of fault calls progressing to an operator that are answered within 30 seconds).

Incentives under the STPIS are paid relative to a regulatory control period target and are an adjustment to prices one year after the completion of the performance year (i.e. 2016 performance impacts revenues from 1 January 2018 through 31 December 2018).

Yearly performance can vary broadly depending on the number of weather events. However, a number of risk mitigation tools exist to enable the AusNet Services Group to smooth or mitigate this variability. These include the ability to bank performance (delay rewards or penalties for a year) to reduce volatility of revenue and an exemption regime where extreme performance outside of the AusNet Services Group's control is excluded from calculations of performance. The graph below shows the reliability performance, as measured by the number of unplanned minutes off supply, defined as the total minutes, on average, that a customer can expect

unplanned interruption to supply over a specified period of time (“**USAIDI**”), against the AusNet Services Group’s internal targets for the regulatory period 2012 through 2016.



Source: AusNet Services Group.

Average unplanned minutes off supply per customer for 2012, 2013 and 2015 was better than the target. This can be attributed to a combination of favourable weather and the programme that focuses on improving the distribution network’s reliability performance by systematically reviewing poorly performing segments and investing in making the network “smarter”, that is, adding technology that automatically reconfigures the affected network in order to minimise the number of customers affected by outages.

Contributing to the unfavourable USAIDI performance in 2014 were a number of severe weather days. In 2014, a total of 12 total fire ban days were declared in Victoria between January and March 2014 due to extreme temperatures which resulted in bushfires in some parts of the state. A total of 13 USAIDI minutes were lost between 14 and 17 January 2014 due to four consecutive days with temperatures above 40 °C. Another four consecutive days of temperatures above 35 °C affected Victoria between 6 and 9 February. On 9 February 2014, 18 USAIDI minutes were lost due to bushfires, a day which qualified for the Major Event Day (“**MED**”) exclusion criteria, whereby days which exceed an established USAIDI threshold are excluded from the regulatory assessment of performance.

Damaging winds on 16 and 29 December which resulted in 3.7 and 5.2 USAIDI minutes being lost respectively. These events did not meet the MED threshold.

Network performance in 2015 was aided by favourable weather and underlying performance improvements related to the types of investment referred to above in “smarter”, self-healing networks.

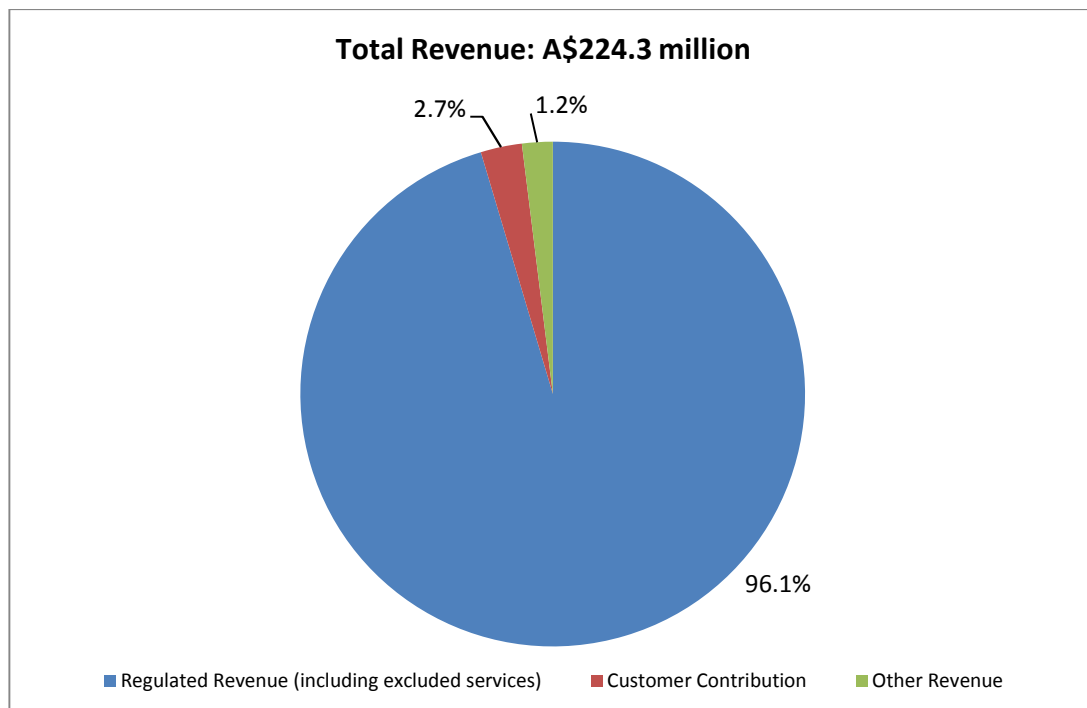
In 2016, the summer period between January and March was relatively benign in terms of temperature. There were only seven declared total fire ban days during this period compared to 6 in 2015 and 12 in 2014. Overall the network performed well against occasional extreme temperature days where in the past these would have caused significant USAIDI minutes lost.

However, there were five major storms that resulted in over 324,000 customer interruptions between January, March, May and October. Overall USAIDI lost from these storms was approximately 211 minutes (the highest in 20 years) and will be excluded in the regulatory performance STPIS scheme. In spite of this exemption, moderate storms during the year also accumulated another 57 USAIDI minutes but are ineligible for performance exclusion. This is the main reason for the unfavourable performance of 171 minutes against the target of 153.

## Gas Distribution Network

### Gas Distribution Revenue Profile

The AusNet Services Group's gas distribution revenues for the financial year ended 31 March 2017 is summarised in the following chart. Each of these components of the AusNet Services Group's gas distribution revenues are discussed in greater detail below.



Source: AusNet Services Group.

### Gas Distribution Regulated Revenue

The AusNet Services Group charges retailers, at regulated rates, for their customers' DUoS charges. The AER is responsible for regulating the distribution tariffs pursuant to the NGR and the GIA. Price regulation of the distribution networks is conducted in a similar manner as for electricity distribution tariffs (described above), except that it forms part of the approved access arrangement, rather than being a separate determination. For the gas distribution network, the prices per volume of gas distributed are regulated, with actual revenue subject to the volume of gas distributed. The target total building block revenue set for the AusNet Services Group's gas distribution network for the current regulatory period, 2018 through 2022, is set out in the table below.

|                                                        | Year Ended 31 December |       |       |       |       |
|--------------------------------------------------------|------------------------|-------|-------|-------|-------|
|                                                        | 2018                   | 2019  | 2020  | 2021  | 2022  |
|                                                        | (A\$, in millions)     |       |       |       |       |
| Return on capital <sup>(1)</sup> .....                 | 92.9                   | 96.8  | 101.3 | 105.6 | 109.4 |
| Depreciation .....                                     | 41.6                   | 31.0  | 33.8  | 37.2  | 41.6  |
| Operating costs allowance .....                        | 54.3                   | 56.3  | 58.4  | 61.0  | 63.3  |
| Efficiency carry over .....                            | 3.4                    | 1.7   | 3.3   | 0     | 0.7   |
| Tax allowance .....                                    | 10.0                   | 6.7   | 8.4   | 10.9  | 11.1  |
| Total building block revenue .....                     | 199.3                  | 189.6 | 202.2 | 211.6 | 222.9 |
| Total building block revenue (smoothed) <sup>(2)</sup> | 192.7                  | 199.2 | 205.2 | 211.6 | 216.4 |

Source: AER, Access arrangement final decision AusNet Services 2018 to 2022, November 2017.

Notes:

(1) Return on capital is calculated by multiplying the RAB by the WACC (post tax nominal) as determined by the AER.

(2) A revenue smoothing (CPI-X) factor is applied to the unadjusted revenue path by AER. Negative values for X indicate real price increases under the CPI-X formula.

### Gas Distribution Customer Contributions

Customers are required to contribute to the cost of their connection should the cost of connection exceed the expected incremental revenue the customer will contribute. Customer contributions are regulated under the Gas Distribution System Code. The cost of assets built for customers is included in the RAB net of the contribution made by the customer.

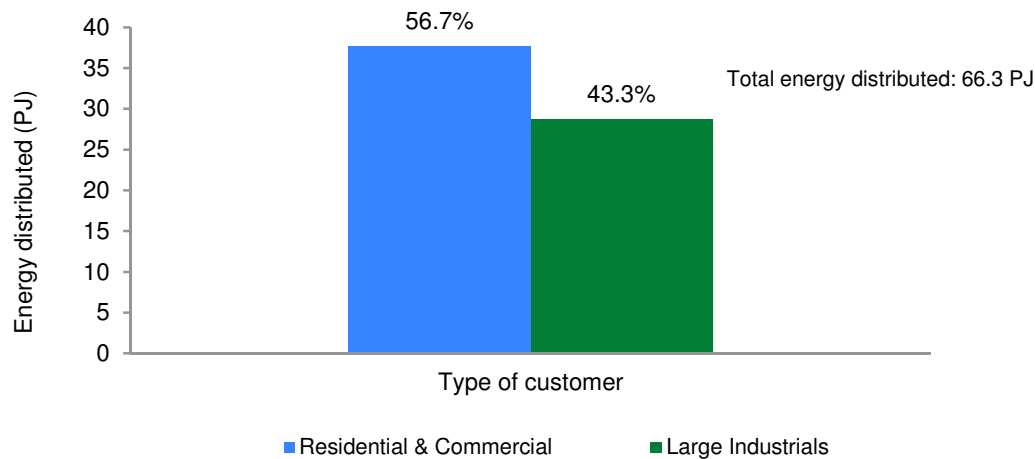
### Excluded Services

The AusNet Services Group charges additional fees for ancillary reference services, including special meter reading, connection and disconnection services.

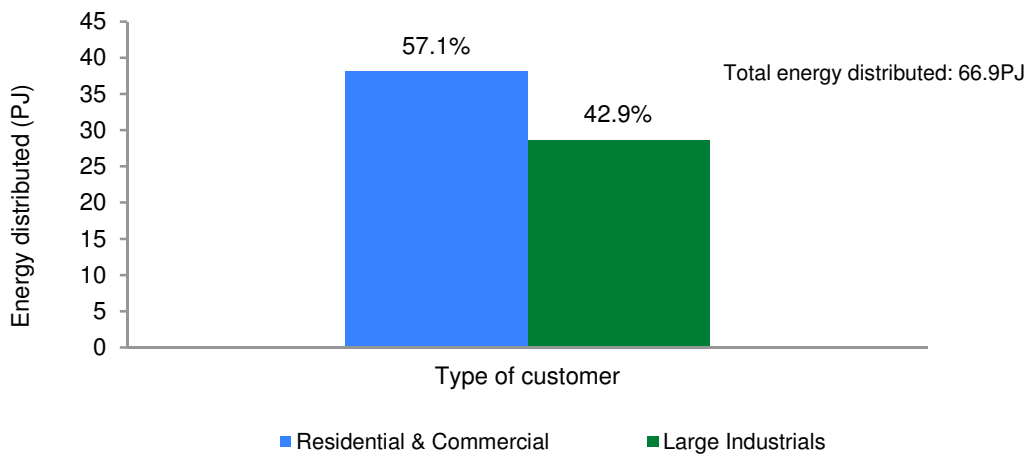
### Gas Distribution Customers

For the financial year ended 31 March 2017, the AusNet Services Group's five largest gas retail customers accounted for 84% of the AusNet Services Group's total gas distribution network and excluded revenues. The AusNet Services Group had approximately 684,400 residential and commercial customers and approximately 284 large industrial customers as at 30 September 2017. The chart below provides an overview of the AusNet Services Group's gas energy distributed for the fiscal years ended 31 March 2017 and 31 March 2016.

### Gas distributed for the 2017 Fiscal Year



### Gas distributed for the 2016 Fiscal Year



Source: AusNet Services Group.

The AusNet Services Group charges a volume-based tariff to residential and commercial customers who account for approximately 57% of total energy delivered and 98% of distribution-regulated revenue. Large industrial customers account for approximately 43% of total energy delivered and 2% of revenue through a demand-based tariff.

### Gas Distribution Network Condition

The age profile and asset condition of the AusNet Services Group's gas distribution network are consistent with industry standards. Assets are maintained, refurbished and replaced in response to well established inspection, testing and condition monitoring programmes that form part of the AusNet Services Group's comprehensive asset management system. This asset management system, which was certified to the international standard for Asset Management (ISO 55001) in 2014, focuses on low life cycle costs, enhancing network safety and performance and optimising capital and operating expenditures.

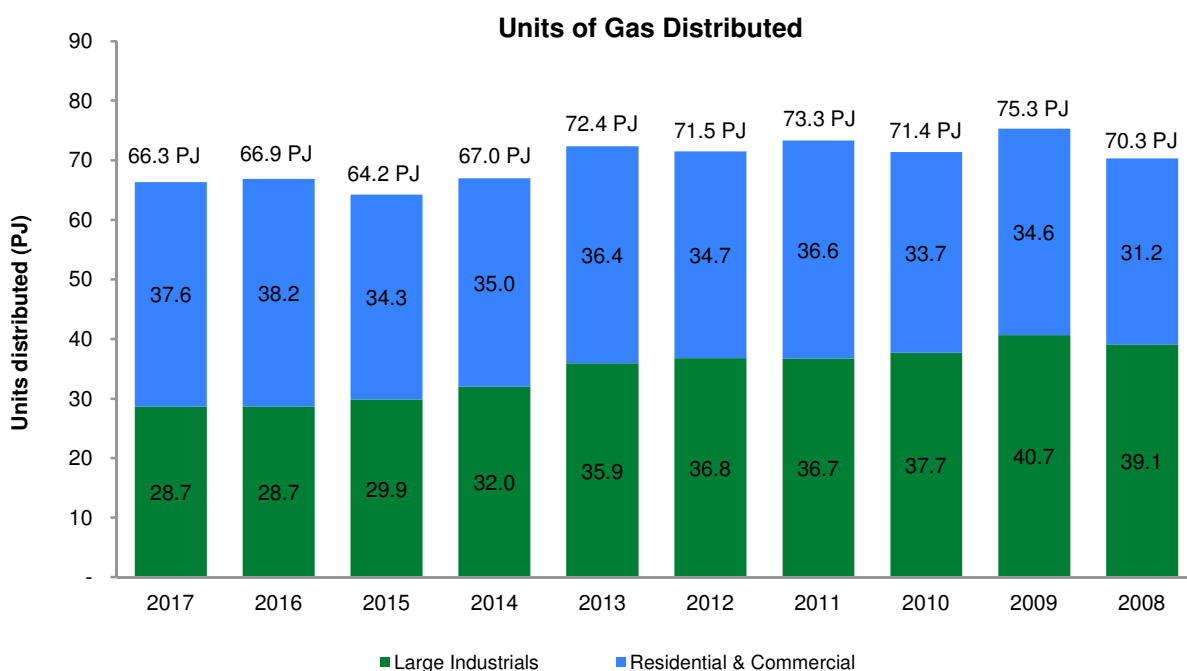
Safety related programmes are subject to a Gas Safety Case approved by Energy Safe Victoria, the regulator in respect of the safe supply and use of gas in Victoria. Compliance with the approved Gas Safety Case is monitored via annual audits conducted by the AusNet Services Group and by Energy Safe Victoria.

The AusNet Services Group's gas network consisted of approximately 184 kilometres of transmission pipe and approximately 11,245 kilometres of distribution mains as at 30 September 2017. The pipelines within the network are of different material, reflective of the prevailing technology of the day when the network was

constructed: 69% are polyethylene, 22% are protected steel, 3% are polyvinyl chloride (“PVC”), and the balance (6%) is of unprotected steel or cast iron construction.

### Gas Distribution Network Growth

The AusNet Services Group enhances its network capacity to meet on-going increases in demand from consumers. The AusNet Services Group believes that its current proposed capital expenditure plan is sufficient to meet foreseeable future increases in demand for gas. During the year ended 31 March 2017, the AusNet Services Group had approximately 15,100 net new customer connections equating to 2.3% growth. There continues to be strong growth in new connections in the western suburbs of Melbourne due to new estate developments. The figure below illustrates gas consumption from the AusNet Services Group’s gas distribution network over the past ten years.



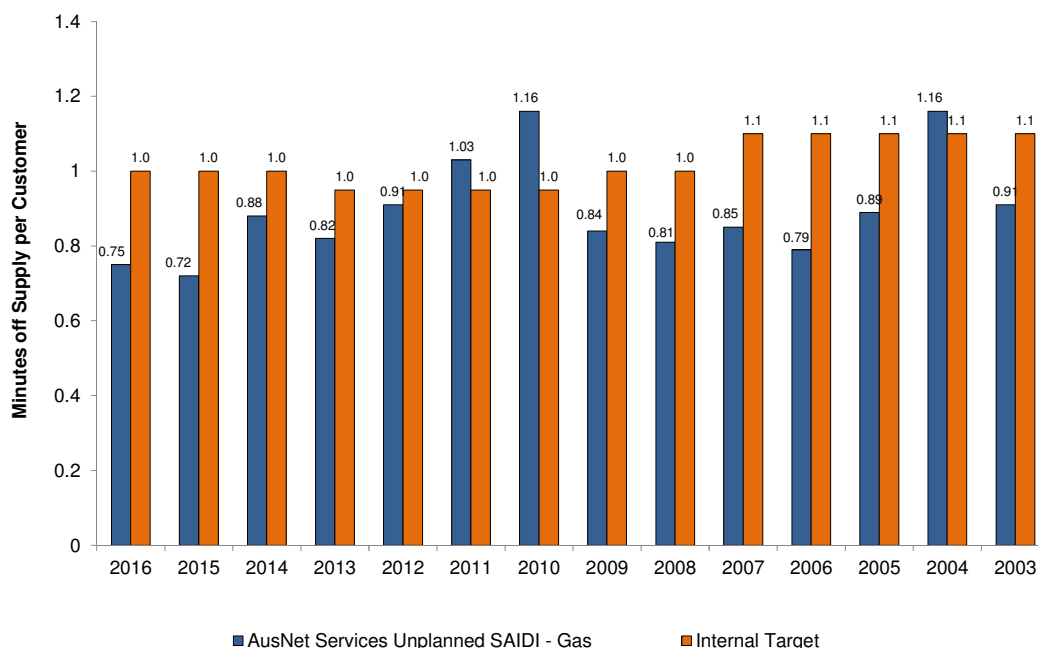
Source: AusNet Services Group.

### Gas Distribution Network Performance

Network outages negatively affect the AusNet Services Group’s gas distribution revenues, which are based on the volume of gas consumed by end users. The AusNet Services Group measures the reliability of its gas distribution system by:

- USAIDI; and
- leakage rates, which measures the number of network leaks per kilometre of distribution mains (for mains & services) and meter leaks per 1,000 connection points.

The chart below illustrates the gas distribution network's historic and current performance for USAIDI.



Source: AusNet Services Group.

The AusNet Services Group achieved its performance target for USAIDI for the past five years.

The performance targets for 2011 and 2010 were exceeded as a direct result of high rainfall in the western part of Victoria. High rainfall increases water ingress into the low pressure cast iron network consequently causing increased customer outages. In 2010, Victoria experienced its heaviest rainfalls in a number of years. The years since 2011 have been relatively dry, which has contributed to the below target USAIDI values. During this period AusNet Services has continued its mains replacement program, upgrading old, poor performing low pressure mains which are susceptible to water ingress to high pressure mains.

## Unregulated Businesses

In addition to delivering organic growth on its regulated networks, the AusNet Services Group has considerable unregulated activities which are combined into the CES Division. In building the AusNet Services Group's contracted infrastructure investment portfolio the business has leveraged its transmission expertise in the fields of development, construction and operations and management of high voltage assets for opportunities that fall outside the regulated regime. Further, the AusNet Services Group has considerable commercial expertise and practical skills in metering and asset intelligence services enabling it to add value from unregulated business opportunities via Select Solutions.

## Contracted Infrastructure Investments

The AusNet Services Group owns and operates a portfolio of contracted infrastructure assets in excess of A\$500 million. These investments consist primarily of network infrastructure assets which fall outside the economically regulated asset base. The investments are made through directly negotiated agreements, priced either based on an approved negotiating framework or competitively (including tender processes or bilateral negotiations), pursuant to which the AusNet Services Group typically receives revenue over the contract period in exchange for the network service and infrastructure provided.

Throughout the 2017/2018 financial year AusNet Services announced it will invest in the building, owning and operating of transmission connection assets for the Salt Creek Wind Farm (developed by Tilt Renewables), the Bulgana Green Energy Hub (developed by Neoen Australia) and the Murra Warra Wind Farm (developed by RES Australia and Macquarie Capital). These projects are aiming for completion throughout calendar years 2018 and 2019 and are expected to make a significant contribution to the growth of contracted infrastructure portfolio.

The AusNet Services Group views contracted network infrastructure as having strong growth potential and has developed a significant pipeline of opportunities including bespoke network solutions for both generation and major load clients. The AusNet Services Group's investments to date have been concentrated in Victoria, however, the business is seeking to expand the contracted infrastructure business into other States.

## **Business and Community Energy**

The CES Division is aiming to realise new lines of business evolving from the transformation of the energy industry, with a particular focus on enabling both commercial and industrial businesses and communities to understand and improve the way they source and use energy. This evolving area involves several trials including with the communities of Mooroolbark, Yackandandah, and the Waurin Ponds campus of Deakin University. The CES Division will continue to explore the commercial and technical innovations that will create value as more customers pursue alternative energy supply strategies.

## **Select Solutions Business**

Select Solutions is a brand with which the CES Division provides services in the unregulated energy and utility markets including specialist utility services to the AusNet Services Group. Select Solutions is a leading specialist provider of metering and asset intelligence services in the essential infrastructure sector throughout Australia. Due to strategic changes the focus on Select Solutions' services have been reduced and are now focussed on high margin activities. Services include the leasing of communications infrastructure and space on the AusNet Services Group sites and assets.

These services provided by Select Solutions generally require minimal capital expenditure.

Select Solutions currently provides these services to various industry markets including, but not limited to, utility owners, energy retailers, governments, industrial and commercial businesses. Select Solutions has a number of accreditations that underpin its services offering, including AEMO accreditations for metering services and laboratories for calibration and testing services accredited by the National Association of Testing Authorities. Focusing on unregulated business growth, Select Solutions is dedicated to continued expansion of its current services portfolio to increase market share in its selected market.

## **Technology**

The technology division develops and manages the technology strategies, architecture and systems which enable the achievement of the AusNet Services Group's strategic objectives and which support the safe, effective and efficient operation of its networks.

The AusNet Services Group has several important technology systems to support the management of its transmission and distribution networks. These include systems relating to the operation and control of the electricity and gas networks, call centre and customer support systems, metering systems, billing and revenue collection systems, and a range of other systems supporting corporate services (for example, financial and human resources systems).

The systems used to monitor, protect and control the electricity and gas networks ("**SCADA systems**") are the most critical. Control room operators use these systems to monitor the state of the networks and the energy that flows through them. Metering systems, the advanced metering infrastructure and billing systems play a critical role in collecting revenue and supporting enhanced customer services. Call centre and customer support systems enable the AusNet Services Group to respond to faults on a timely basis.

Various risk treatment strategies are employed and tested regularly to ensure continuity of all systems, including backup, failover and disaster recovery. In line with the AusNet Services Group's risk management framework, the international standard for risk management ISO 31000:2009 has been used in developing the strategies for technology risk management. These encompass a range of potential threats and associated mitigations and treatments, such as hardware and software failures, environmental failures (including fires, loss of power), exposure to viruses, and malicious attacks.

The AusNet Services Group has adopted a blend of in-house and outsourced services for the delivery of technology functions and capabilities. Over the past 12 months, the AusNet Services Group has uplifted its operational and enterprise security capabilities by implementing solutions and capabilities to improve the organisational security posture, including the introduction of a 24x7 Security Operations Centre through its IT partner.

## **Employees**

The AusNet Services Group had 2,125 permanent payroll employees as at 30 September 2017. The vast majority of the AusNet Services Group's employees are located in Victoria. The total employee group comprises 1,430 employees on individual employment contracts and 695 employees on enterprise bargaining agreements or Modern Awards.

Overall, the AusNet Services Group enjoys a relatively stable industrial relations environment with issues resolved through negotiation and occasional support from the Fair Work Commission, the employment tribunal. In terms of disputes, there has been minimal industrial action in pursuit of any union claims, with the period from 2005 through 2010 being free of such action, and some limited protected action in 2010 and most recently in 2017 in the Electricity division, as a new enterprise agreement is being renegotiated to cover trades based roles. At the time of preparing this Information Memorandum, AusNet Services was subject to limited protected industrial action by the Electrical Trades Union in the form of work bans, linked to continuing negotiations for a new Enterprise Agreement. The impacts of these bans, while causing some services impacts to customers, have been managed by the company to ensure no material negative effect on overall business performance. The current Agreement expired in September 2016. All other Enterprise Agreements were successfully renegotiated without recourse to industrial action in 2016 and 2017 respectively.

## **Health & Safety**

The AusNet Services Group is committed to protecting the health, safety and wellbeing of those who work for and with the AusNet Services Group and for those who come into contact with the AusNet Services Group's operations. The AusNet Services Group is committed to attaining industry leading performance in health and safety and believes that such performance is a critical part of the success and sustainability of the business.

The AusNet Services Group uses a systematic approach to managing health and safety which has been mapped against the internationally recognised standards. The AusNet Services Group's management system, health and safety standards and procedures are applied at the operating level to meet the requirements of Australian State and Federal government health and safety regulators.

The AusNet Services Group monitors health and safety performance regularly and intervenes if performance in health and safety does not meet the continual improvement targets set.

## **Risk Management and Internal Controls**

The effective management of risk is central to the creation and protection of value for the AusNet Services Group. By understanding and managing risk, the AusNet Services Group aims to provide greater certainty for shareholders, employees, customers, suppliers and the communities in which it operates.

The Board of Directors of AusNet Services reviews and guides the AusNet Services Group's overall systems of risk management and internal control.

The Audit and Risk Management Committee assists the Board of Directors of the AusNet Services in discharging these responsibilities. The Audit and Risk Management Committee has oversight of the adequacy and effectiveness of the AusNet Services Group's risk management processes and internal control system, including the establishment and maintenance of risk assessments and management processes, plus the monitoring and reporting of material business risks (financial and non-financial).

The Managing Director is accountable to the Audit and Risk Management Committee and the Board of Directors of the AusNet Services for the implementation of risk management processes in line with good corporate governance.

The AusNet Services Group adopts a structured and consistent process for recognising, understanding and responding to risk. All employees are responsible for the management of risk in accordance with the Risk Management Policy and Risk Appetite Statement. This responsibility includes ensuring that emerging conditions and key controls are identified, monitored and actioned.

The AusNet Services Group operates under one framework that enables the management of risk to become fully integrated into all its critical systems and processes for making decisions. This enables the AusNet Services Group to take appropriate action to reduce uncertainty and increase the likelihood that its objectives will be achieved.

## **Interest Rate and Foreign Exchange Risk Management**

The AusNet Services Group manages its interest rate risk with fixed rate debt and interest rate swaps. The AusNet Services Group's revenue and costs from its electricity transmission and distribution businesses and its gas distribution business are impacted directly by changes in interest rates via the regulatory price review process. This is a result of the "building block" approach where interest rates are used to determine the WACC, and consequently, regulated revenue.

The objective of the hedging activities in relation to these businesses is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the AER when setting the rate of return for the relevant business. The AusNet Services Group's Treasury Risk Policy states that interest rate risk is to be managed in order to maintain the percentage of fixed rate debt to total debt at a level between 90% and 100% for each regulated business over the course of its regulatory period. As at 30 September 2017, the percentage of fixed rate debt (including floating rate debt hedged through interest rate swaps) to net debt was 97.3%.

The functional currency of the AusNet Services Group is the Australian dollar. The AusNet Services Group's Treasury Risk Policy states that any material currency exposure has to be hedged. This includes hedging 100% of foreign currency denominated debt. As at 30 September 2017, all foreign currency denominated bonds were 100% hedged through maturity.

## **Insurance**

The AusNet Services Group self-insures its towers, poles, wires, pipelines and associated equipment in accordance with industry practice. The AusNet Services Group carries various types of insurance, including property damage, workers' compensation, environmental liability, combined liability (includes bushfire liability, product liability, cyber risk, personal injury, automobile liability and professional indemnity), directors' and officers' liability insurance and corporate travel. These insurances and their deductibles are maintained at levels that the AusNet Services Group believes are adequate or reasonable and consistent with industry standards.

## **Litigation and Disputes**

Other than as disclosed in this Information Memorandum, as at the date of this Information Memorandum, there are no legal or arbitration proceedings pending or known to be contemplated that may in the future have, or have had in the 12 months preceding the date of this Information Memorandum, a material effect on the financial position or profitability of the AusNet Services Group. The AusNet Services Group is party to various other litigation matters in the ordinary course of business. The AusNet Services Group cannot estimate with certainty the ultimate legal or financial liability with respect to those litigation matters but believes any ultimate liability in those litigation matters is not expected to be material to the financial position, results of operations or cash flows of the AusNet Services Group.

## **Environmental Matters**

### **Contaminated Sites**

The AusNet Services Group's operations are subject to a number of laws and regulations relating to environmental protection and safety, including bushfire mitigation. The AusNet Services Group believes that it is in compliance in all material respects with applicable environmental laws and regulations and that there are no outstanding or anticipated environmental issues of a significant nature other than a number of sites contaminated by historical gas manufacturing operations. The estimated net present value for costs of remediation of those sites, amounting to A\$33.9 million at 30 September 2017, has been provided for in the AusNet Services Group's accounts. Work related to the remediation is on-going.

### **Spills from Oil Filled Plant**

The AusNet Services Group also has established policies and procedures for managing electricity and gas facilities to existing environmental regulatory standards. Spills from oil filled plant may happen on occasion within the electricity transmission and distribution industry. The AusNet Services Group has a programme to prevent spills of transformer oil causing material off-site effects, which include erecting containment barriers and oil/water separation pits and filters for large oil filled plant in major installations such as zone substations and terminal stations. Nevertheless, from time to time oil spills may occur from leaking or damaged plant items.

These spills occasionally escape containment and contaminate ground or surface water, leading to clean-up and remediation efforts.

### **Polychlorinated Biphenyls**

The AusNet Services Group has removed polychlorinated biphenyls from most of its electrical equipment. Small amounts remain in low concentrations in certain equipment. The AusNet Services Group has established procedures for the safe management and disposal of this material.

### **Asbestos**

The AusNet Services Group has undertaken an audit to identify all material or materials likely to contain asbestos in its businesses. The AusNet Services Group maintains asbestos registers and has in place procedures relating to asbestos removal where required.

### **Electric and Magnetic Fields**

EMF produced by electricity have been the subject of employee and public health concerns in recent years. Numerous scientific studies have been undertaken on the potential adverse effects of EMF on human health. None of these studies have established adverse effects, but there still remains substantial scientific and public debate. Any potential impact arising from electric and magnetic fields would affect the electricity industry as a whole and would not be limited to the AusNet Services Group.

The AusNet Services Group's distribution, sub-transmission and transmission lines are within the health guidelines on EMF set by the NHMRC. International guidelines published by ICNIPR have been recommended by ARPANSA. The AusNet Services Group monitors any changes and also actively participates in the ongoing international and national development of safe levels of human exposure to EMF.

### **Regulatory Management Policy**

The AusNet Services Group seeks to maintain a professional relationship with government and the relevant regulators. The AusNet Services Group believes that this strategy has been relatively successful, in light of the outcomes achieved in a range of regulatory decisions and approvals. The AusNet Services Group believes that the improvement achieved in the final decisions for the 2016 EDPR, and the 2017 TRR, compared to the regulator's draft decision, are evidence of the success of its regulatory approach to date.

## BOARD AND MANAGEMENT

### Directors

The Board of Directors for each of AusNet Services consists of the following persons:

| Name                 | Position          |
|----------------------|-------------------|
| Peter Mason AM       | Chairman          |
| Nino Ficca           | Managing Director |
| Dr Ralph Craven      | Director          |
| Sally Farrier        | Director          |
| Ho Tian Yee          | Director          |
| Robert Milliner      | Director          |
| Dr Nora Scheinkestel | Director          |
| Sun Jianxing         | Director          |
| Tan Chee Meng        | Director          |

### Peter Mason AM

*Bachelor of Commerce (First Class Honours), University of New South Wales*  
*Master of Business Administration, University of New South Wales*  
*Honorary Doctorate, University of New South Wales*

Chairman and Independent Non-Executive Director. Mr Mason has been an Independent Non-Executive Director of AusNet Services since 18 March 2016 and Chairman of AusNet Services since 11 May 2016.

Mr Mason is a Director of Singapore Telecommunications Ltd (SingTel), a Senior Advisor to UBS Investment Bank, Chairman of The Centre for Independent Studies and Chairman of the UBS Australia Foundation.

Mr Mason has been Chairman and a Director of a number of listed companies including Chairman of AMP Limited and Chairman of David Jones Limited. Mr Mason has over 40 years' experience in investment banking. He was a member of the Council of the University of New South Wales for 13 years. For 12 years he was a Director of the Children's Hospital in Sydney and Chairman of the Children's Hospital Fund for eight years. Mr Mason was appointed a Member of the Order of Australia for his contribution to the Children's Hospital.

### Nino Ficca

*Bachelor of Engineering (Electrical) (Honours), Deakin University*  
*Graduate Diploma in Management, Deakin University*  
*Advanced Management Programme, Harvard Business School, USA*

Managing Director. Mr Ficca is Managing Director of AusNet Services and has been Managing Director of AusNet Services Transmission since 7 September 2005, Managing Director of AusNet Services Distribution since 31 May 2005 and Managing Director of AusNet Services (RE) since 9 September 2005 (and a Director since 31 May 2005).

Mr Ficca has over 30 years' experience in the energy industry, including numerous senior management roles with AusNet Transmission Group (formerly SPI PowerNet Pty Ltd) including as Managing Director since 2003. Mr Ficca is a Chairman of Energy Networks Australia, a director of Cigre Australia and a member of the National Energy Market Operations Committee. He is Chair of the Deakin University Engineering Advisory Board. He was also formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

## **Dr Ralph Craven**

*Bachelor of Engineering (Electrical – First Class Honours), University of Queensland*  
*Doctor of Philosophy, University of New South Wales*  
*Postgraduate Diploma in Management, Deakin University*  
*Postgraduate Diploma in Information Processing, University of Queensland*

Non-Executive Director. Dr Craven is a Non-Executive Director of AusNet Services and, prior to the Restructure, had been a Non-Executive of AusNet Services Transmission, AusNet Services Distribution and AusNet Services (RE) since 24 January 2014.

Dr Craven has served on the boards of listed and unlisted companies for over 10 years. He has broad experience in energy, resources, infrastructure and agribusiness, having worked in these sectors for more than 35 years.

His professional background encompasses electricity and gas businesses, mining, commodities trading, and the management of large scale system operations at the national level and the delivery of major infrastructure projects.

Dr Craven is the current Chairman of Stanwell Corporation Limited, the largest electricity generation company in Queensland. His prior directorships include being Chair of Invion Limited and Non-executive Director and Chair of the Audit Committee of Mitchell Services Limited and a Director of Windlab Limited. He was formerly Chair of Ergon Energy Corporation Limited, Tully Sugar Limited and Deputy Chair of Arrow Energy Ltd. At the end of 2015 he completed a six year term as Director of the International Electrotechnology Commission (IEC) and Chair of the IEC National Committee of Australia. Dr Craven was CEO of Transpower New Zealand Limited and also held senior executive positions in Shell Coal Pty Ltd and NRG Asia Pacific Limited.

## **Sally Farrier**

*Bachelor of Chemical and Process Engineering (First Class Honours), University of Canterbury, New Zealand*  
*Masters of Business Administration, Victoria University of Wellington*  
*Post Graduate Diploma in Finance and Investment Analysis, Securities Institute of Australia*

Independent Non-Executive Director. Ms Farrier is an Independent Non-Executive Director of AusNet Services and, prior to the restructure, had been an Independent Non-Executive Director of AusNet Services Transmission, AusNet Services Distribution and AusNet Services (RE) since 24 January 2014.

Ms Farrier is a professional non-executive director and corporate adviser specialising in the utilities and infrastructure sectors. She has extensive experience in the Australian energy industry and has held numerous expert roles in relation to water resources at Australian federal and state levels. Ms Farrier has served as a National Water Commissioner and as a member of the Victorian Water Trust Advisory Council. In addition, she has an active interest in innovation and supporting women entrepreneurs.

Her prior directorships include Meridian Energy Limited, Manidis Roberts Pty Limited, Hydro Tasmania and Western Power. Ms Farrier was also a founding director of Farrier Swier Consulting Pty Limited and is currently a director of the Australian Kidney Foundation (trading as Kidney Health Australia).

## **Ho Tian Yee**

*Bachelor of Arts (Economics), Portsmouth University, UK*  
*Master of Business Administration, University of Chicago, USA*

Non-Executive Director. Mr Ho is a Non-Executive Director of AusNet Services and, prior to the restructure, had been a Non-Executive Director of AusNet Services Transmission, AusNet Services Distribution and AusNet Services (RE) since 1 September 2008.

Mr Ho is the Managing Director of Pacific Asset Management (S) Pte Ltd, and an Advisor to Blue Edge Advisors Pte Ltd. His previous employment and board membership includes Bankers Trust Company, Singapore and Singapore Power Limited. He currently serves as a non-executive director of DBS Group Holdings Ltd and DBS Bank Ltd and is the non-executive Chairman of Fullerton Funds Management Company Limited and Chairman of Mount Alvernia Hospital.

He was recently appointed as member of the Urban Renewal Authority of Singapore (URA) Investment Committee.

### **Robert Milliner**

*Bachelor of Commerce, University of Queensland  
Bachelor of Laws (Hons), University of Queensland  
Masters of Business Administration, University of Western Australia  
Advanced Management Program, Harvard Business School, USA*

Independent Non-Executive Director. Mr Milliner has been an Independent Non-Executive Director of AusNet Services since 23 July 2015.

Mr Milliner is a Senior Adviser, International Affairs at Wesfarmers Limited, Senior Adviser at UBS and Senior Adviser to the International Chamber of Commerce Secretary General. He is a Director of the Global Infrastructure Hub Ltd, Chairman of the Board of the Foundation for Young Australians and a Director of the Australian Charities Fund. In 2013 and 2014 he was the B20 Australia Sherpa and coordinated the international business community's recommendations to the 2014 G20. From 2004 to 2011 he was Chief Executive Partner of law firm Mallesons Stephen Jaques (now King & Wood Mallesons) and retired from Mallesons in January 2012 after 28 years as a partner.

### **Dr Nora Scheinkestel**

*Bachelor of Laws (Honours), University of Melbourne  
PhD, University of Melbourne  
Centenary Medal*

Independent Non-Executive Director. Dr Scheinkestel has been an Independent, Non-Executive Director of AusNet Services since 18 November 2016.

Dr Scheinkestel is an experienced company director with more than 20 years' experience as a non-executive Chairman and Director of companies in a wide range of industry sectors including the public, government and private sectors.

Her executive background is as a senior banking executive in international and project financing. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance.

Her prior directorships include AMP Limited and its funds management and banking subsidiaries, Insurance Australia Group Limited, Mayne Pharma Limited, Orica Limited, Newcrest Mining Limited, and Pacific Brands Limited. Dr Scheinkestel is an Associate Professor at the Melbourne Business School at Melbourne University, a Trustee of the Victorian Arts Centre Trust and is a former member of the Takeovers Panel. In 2003, she was awarded a centenary medal for services to Australian society in business leadership.

### **Sun Jianxing**

*Bachelor of Engineering, Northeast Dianli University, China*

Non-Executive Director. Mr Sun is a Non-Executive Director of AusNet Services and, prior to the Restructure, had been a Non-Executive Director of AusNet Services Transmission, AusNet Services Distribution and AusNet Services (RE) since 24 January 2014.

Mr Sun is a Non-executive Director of ElectraNet and Co-Chair of International Cooperation Department, State Grid Corporation of China (SGCC).

His previous roles include Head of SGCC Australia Representative Office, Deputy CEO of State Grid Energy Development Company Ltd, Deputy General of Materials & Equipment Supplying Department, SGCC, and Chief Engineer of State Grid Shenzhen Energy Developments Ltd and Division Chief of International Cooperation Department, SGCC. In his early years, Mr Sun also worked as a Senior Engineer at the China General Institute for Electric Power Planning and Designing.

## **Tan Chee Meng**

*Bachelor of Engineering (Honours), University of Canterbury, New Zealand*  
*Bachelor of Laws (Honours), National University of Singapore*  
*Master of Laws (First Class), University of Cambridge, UK*

Non-Executive Director. Mr Tan has been a Non-Executive Director of AusNet Services since 11 May 2016. Mr Tan is a Director of Singapore Power Limited and Chairman of that company's Nominating Committee and a member of its Executive and Audit Committees. He also sits on the boards of The Arts House Ltd, Singapore Urban Redevelopment Authority and St Gabriel's Foundation. He is the Chairman of the School Management Committee of Assumption English School.

Mr Tan spent his earlier career as a civil engineer before becoming a qualified legal practitioner holding offices of Deputy Senior State Counsel and Deputy Public Prosecutor in both the civil and criminal divisions of the Attorney-General's Chambers, and Deputy Director of the Commercial Affairs Department in Singapore. Mr Tan joined private practice in 1993, and was appointed Senior Counsel in 2006. He is currently the Deputy Chairman of WongPartnership LLP.

## **Company Secretary**

The company secretary of AusNet Services is Claire Hamilton.

## **Executive Management**

The following table lists the Managing Director of the AusNet Services Group and his direct reports.

| <b>Name</b>       | <b>Position</b>                                              |
|-------------------|--------------------------------------------------------------|
| Nino Ficca        | Managing Director                                            |
| Adam Newman       | Executive General Manager & Chief Financial Officer          |
| Matthew Guthridge | Executive General Manager – Strategy & Transformation        |
| Claire Hamilton   | Executive General Manager — Governance and Company Secretary |
| Chad Hymas        | Executive General Manager — Commercial Energy Services       |
| Geraldine Leslie  | Executive General Manager — People, Safety & Customer        |
| Alistair Parker   | Executive General Manager — Regulated Energy Services        |
| Mario Tieppo      | Executive General Manager — Technology                       |

## **Nino Ficca**

Managing Director. For information about Mr Ficca, see “— Board and Management — Directors” above.

## **Adam Newman**

*Bachelor of Business, Western Australian Institute of Technology (now Curtin University)*  
*Post Graduate Diploma of Business, Curtin University*  
*Graduate Diploma in Applied Finance, Securities Institute of Australia*  
*Chartered Accountant*  
*Advanced Management Programme – INSEAD, France*

Executive General Manager & Chief Financial Officer — Responsible for Finance, Treasury, Procurement, Investor Relations, Taxation and the Cost-efficiency program. Mr Newman has approximately 30 years' experience in finance, managerial and operational areas. Prior to his appointment in March 2013 he worked

at BlueScope Steel from 2001 to 2013 in a variety of roles in Australia and the United States; most recently General Manager – Commercial Australia and New Zealand, President of Steelscape Inc. and Chief Financial Officer for North America. Prior to joining BlueScope he worked at BHP Billiton Limited from 1996 to 2001 in corporate strategy, mergers and acquisitions and minerals business development.

Mr Newman is a Chartered Accountant who also worked in Coopers & Lybrand's Corporate Advisory group from 1989 to 1996 in their Perth and London offices.

### **Matthew Guthridge**

*Bachelor of Science, Monash University*  
*Graduate Diploma in Psychology, Monash University*  
*Doctorate in Psychology (Organisational), The University of Melbourne*

Executive General Manager – Strategy & Transformation. Dr Guthridge has more than 15 years of strategy and transformation experience in some of the world's leading energy and utilities companies. Prior to his appointment as the Executive General Manager – Strategy & Transformation in 2017, Dr Guthridge was Head of Utilities Transformation at The Boston Consulting Group (BCG).

Dr Guthridge was formerly a Partner at PwC in Australia and an Associate Principal in the Global Energy Practice of McKinsey & Company, based in London. During his career, he led strategy and transformation programs for energy companies and utilities located in Australia, Asia, Europe, and the USA. He is responsible for managing the development and implementation of AusNet Services' corporate strategy, business planning and transformation agenda.

### **Claire Hamilton**

*Bachelor of Arts (Business Studies) (Honours), University of Sheffield, UK*  
*Graduate Certificate in Innovation and Service Management, RMIT*  
*Chartered Accountant*  
*Graduate, Australian Institute of Company Directors*  
*Professional Member, Institute of Internal Auditors, Australia*  
*Certificate in Governance Practice, Governance Institute of Australia*

Executive General Manager Governance and Company Secretary. Ms Hamilton is responsible for the legal and company secretarial, risk and resilience, internal audit and compliance functions. Previously, Ms Hamilton held the role of General Manager, Risk & Assurance.

Ms Hamilton has approximately twenty years' experience in the energy industry, initially with TXU where she held senior accounting roles and internal audit roles. In 2005, she joined the AusNet Services Group and was appointed to the role of Head of Internal Audit before being appointed to the Executive Leadership Team as General Manager Risk & Assurance in 2009.

Ms Hamilton is a Chartered Accountant, beginning her career with Coopers & Lybrand in the UK before joining the audit and advisory practice of PricewaterhouseCoopers in Melbourne in 1994.

### **Chad Hymas**

*Bachelor of Business (Accounting), Monash University*  
*Bachelor of Arts (Organisational Psychology), Monash University*  
*Master of Business Administration, Deakin University*  
*Certified Practising Accountant (ASCPA)*

Executive General Manager — Commercial Energy Services. Mr Hymas was appointed Executive General Manager - Commercial Energy Services following three years as General Manager - Strategy and Business Development. In his role, Mr Hymas is responsible for the growth and strategic direction of the Commercial Energy Services business which brings unregulated infrastructure services, emerging energy markets, utility and metering services and asset intelligence services under one portfolio.

Mr Hymas' 15 years' experience in the energy industry provides him with a deep understanding of the industry's strategic, commercial and regulatory drivers which are essential in assessing the immediate and long term growth opportunities for AusNet Services. In his previous role, Mr Hymas led a range of strategic transformational initiatives including implementing the company-wide enterprise planning system, process

improvements and acquisitions the most notable being the Mortlake Terminal Station. Before moving into the energy industry, Mr Hymas started his career as an accountant with Arthur Anderson and Motorola Australia & New Zealand.

### **Geraldine Leslie**

*Bachelor of Arts, University of Wollongong*  
*Master of Business Administration, University of Wollongong*

Executive General Manager — People, Safety and Customer. Ms Leslie joined the AusNet Services Group in November 2009. Her role incorporates responsibility for the AusNet Services Group's human resources, health, safety environment and quality, corporate affairs and customer service functions. Prior to joining the AusNet Services Group, Ms Leslie worked with BlueScope Steel for almost 9 years in Senior HR Leadership roles, her last position being the General Manager Human Resources for BlueScope's Australian Coated and Industrial Markets. Her background also incorporates various senior executive and leadership roles in the public health sector and local government.

### **Alistair Parker**

*Bachelor of Engineering (Honours), Aston University, UK*  
*Master of Business Administration, Lancaster University, UK*

Executive General Manager — Regulated Energy Services. Mr Parker has over 30 years of experience in the energy industry with a focus on network strategy, asset management and network regulation. From 2009, prior to his role as Executive General Manager — Regulated Energy Services at the AusNet Services Group, Mr Parker was General Manager — Asset Management and Director — Regulation and Network Strategy. Before moving to Australia, Mr Parker spent 15 years with National Grid in the UK, initially as an engineer then moving into commercial roles. In 2000, he became a consultant with Ernst & Young in New Zealand before moving to PricewaterhouseCoopers in Australia, ultimately as Melbourne Energy Economics Practice Leader.

### **Mario Tieppo**

*Bachelor of Business (Accounting),*  
*Certified Practising Accountant (CPA)*  
*Executive General Manager — Technology*

Mr Tieppo has over 25 years' experience in the information technology industry and has a strong track record of building technology functions and leading large organisational change programmes. Prior to joining the AusNet Services Group in 2013, he held the position of Chief Information Officer for SA Power Networks. Mr Tieppo has also held senior executive positions in the agriculture, government, postal utilities, retail and logistics sectors. In previous positions, Mr Tieppo has been responsible for strategy and planning, programme and project management and the management of mission critical information systems. He is a Certified Practising Accountant, has completed the Advanced Management Program at INSEAD and has a strong background in financial management, audit and procurement.

At the AusNet Services Group, Mr Tieppo is responsible for the technology, innovation and telecommunications functions of the business. This includes the provision of information systems, network operations systems and telecommunications for the AusNet Services Group's three network businesses and its new energy services.

## **Board of Directors for the Issuer and the Guarantors**

The directors of the Issuer and the Guarantors are Nino Ficca, Adam Newman and Alistair Parker.

### **Nino Ficca**

For information about Mr Ficca, see “— Board and Management — Directors” above.

### **Adam Newman**

For information about Mr Newman, see “— Board and Management — Executive Management” above.

**Alistair Parker**

For information about Mr Parker, see “— Board and Management — Executive Management” above.

## GLOSSARY

|                                                               |                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2016 EDPR</b>                                              | The Australian Energy Regulator's 2016 Electricity Distribution Price Review dated 26 May 2016                                                                                                                                                          |
| <b>2P</b>                                                     | proved and provable                                                                                                                                                                                                                                     |
| <b>A\$</b>                                                    | Australian dollars                                                                                                                                                                                                                                      |
| <b>AASB</b>                                                   | Australian Accounting Standards Board                                                                                                                                                                                                                   |
| <b>AASB 9</b>                                                 | Accounting standard AASB 9 <i>Financial Instruments</i>                                                                                                                                                                                                 |
| <b>AASB 119</b>                                               | Accounting standard AASB 119 <i>Employee Benefits</i>                                                                                                                                                                                                   |
| <b>ABN</b>                                                    | Australian Business Number                                                                                                                                                                                                                              |
| <b>ACCC</b>                                                   | Australian Competition and Consumer Commission                                                                                                                                                                                                          |
| <b>ACRs</b>                                                   | Automatic Circuit Reclosers                                                                                                                                                                                                                             |
| <b>ACT</b>                                                    | Australian Competition Tribunal                                                                                                                                                                                                                         |
| <b>AEMA</b>                                                   | Australian Energy Market Agreement                                                                                                                                                                                                                      |
| <b>AEMC</b>                                                   | Australian Energy Market Commission                                                                                                                                                                                                                     |
| <b>AEMO</b>                                                   | Australian Energy Market Operator                                                                                                                                                                                                                       |
| <b>AER</b>                                                    | Australian Energy Regulator                                                                                                                                                                                                                             |
| <b>Alternative Control, Ancillary and Negotiated Services</b> | Also referred to as Excluded Services, these are other services provided by the AusNet Services Group, including meter disconnection and reconnection, customer transfers, special meter reads and maintenance charges for large customer installations |
| <b>AMI</b>                                                    | Advanced Metering Infrastructure                                                                                                                                                                                                                        |
| <b>AMI CROIC</b>                                              | AMI Cost Recovery Order in Council                                                                                                                                                                                                                      |
| <b>AMS</b>                                                    | AusNet Services Group Asset Management System                                                                                                                                                                                                           |
| <b>ARPANSA</b>                                                | Australian Radiation Protection and Nuclear Safety Agency, a Commonwealth agency responsible for protecting the health and safety of people and the environment from the harmful effects of radiation                                                   |
| <b>Asset Management Strategy</b>                              | Asset Management Strategy of the AusNet Services Group                                                                                                                                                                                                  |
| <b>ASIC</b>                                                   | Australian Securities and Investments Commission                                                                                                                                                                                                        |
| <b>ASX or Australian Securities Exchange</b>                  | ASX Limited or the securities exchange which it operates                                                                                                                                                                                                |
| <b>ATO</b>                                                    | Australian Taxation Office                                                                                                                                                                                                                              |
| <b>AusNet Electricity Services</b>                            | AusNet Electricity Services Pty Ltd (ABN 91 064 651 118)                                                                                                                                                                                                |
| <b>AusNet Finance</b>                                         | AusNet Finance Pty Ltd (ABN 69 092 341 690)                                                                                                                                                                                                             |
| <b>AusNet Services</b>                                        | As defined in the Terms and Conditions of the Notes                                                                                                                                                                                                     |

|                                       |                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AusNet Services Distribution</b>   | AusNet Services (Distribution) Ltd (ABN 37 108 788 245)                                                                                                                                                                                                                                                                              |
| <b>AusNet Services Finance Trust</b>  | AusNet Services Finance Trust (ARSN 116 783 914)                                                                                                                                                                                                                                                                                     |
| <b>AusNet Services Group or Group</b> | As defined in the Conditions of the Notes                                                                                                                                                                                                                                                                                            |
| <b>AusNet Services (RE)</b>           | AusNet Services (RE) Ltd (ABN 46 109 977 371), the trustee of the AusNet Services Finance Trust.                                                                                                                                                                                                                                     |
| <b>AusNet Services Transmission</b>   | AusNet Services (Transmission) Ltd (ABN 48 116 124 362)                                                                                                                                                                                                                                                                              |
| <b>AusNet Transmission Group</b>      | AusNet Transmission Group Pty Ltd (ABN 78 079 798 173)                                                                                                                                                                                                                                                                               |
| <b>Australian Government</b>          | The government of the Commonwealth of Australia                                                                                                                                                                                                                                                                                      |
| <b>Australian Tax Act</b>             | Income Tax Assessment Acts of 1936 and 1997 of Australia                                                                                                                                                                                                                                                                             |
| <b>CCA</b>                            | Competition and Consumer Act 2010 (Cth) of Australia (formerly the Trade Practices Act 1974 (Cth))                                                                                                                                                                                                                                   |
| <b>COAG</b>                           | Council of Australian Governments                                                                                                                                                                                                                                                                                                    |
| <b>Common Service</b>                 | As defined under the NER, “a service that ensures the integrity of a distribution system and benefits all Distribution Customers and cannot reasonably be allocated on a locational basis.”                                                                                                                                          |
| <b>Commonwealth</b>                   | The Commonwealth of Australia                                                                                                                                                                                                                                                                                                        |
| <b>Constitution Restriction</b>       | The restriction on the power to issue shares and other equity interests set out in AusNet Services’ constitution                                                                                                                                                                                                                     |
| <b>Corporations Act</b>               | Corporations Act 2001 (Cth) of Australia                                                                                                                                                                                                                                                                                             |
| <b>CPI</b>                            | The Australian Consumer Price Index published by the Australian Bureau of Statistics                                                                                                                                                                                                                                                 |
| <b>CROIC</b>                          | Cost Recovery Order in Councils                                                                                                                                                                                                                                                                                                      |
| <b>CSG</b>                            | coal seam methane gas                                                                                                                                                                                                                                                                                                                |
| <b>(Cth)</b>                          | Indicates federal legislation of the Commonwealth of Australia                                                                                                                                                                                                                                                                       |
| <b>DNSP</b>                           | Distribution network service providers                                                                                                                                                                                                                                                                                               |
| <b>DRP</b>                            | Dividend Reinvestment Plan which provides eligible shareholders with a method of reinvesting all or part of their dividend in additional shares.                                                                                                                                                                                     |
| <b>DRP Approval</b>                   | The resolution passed by the shareholders of AusNet Services on 21 July 2016 to permit AusNet Services to issue shares pursuant to a DRP or any underwriting thereof at any time within 18 months of the date of the resolution (subject to any earlier revocation or amendment at a subsequent general meeting of AusNet Services). |
| <b>DUoS</b>                           | Distribution use of system charge                                                                                                                                                                                                                                                                                                    |
| <b>EDPR</b>                           | Electricity Distribution Price Review                                                                                                                                                                                                                                                                                                |
| <b>EIA</b>                            | Electricity Industry Act 2000 (Vic) of Australia                                                                                                                                                                                                                                                                                     |

|                                      |                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>EMF</b>                           | Electric and magnetic fields                                                                                                                                                                                                                                                                                                                                             |
| <b>Enterprise Agreements</b>         | Union collective agreements                                                                                                                                                                                                                                                                                                                                              |
| <b>ESC</b>                           | Essential Services Commission                                                                                                                                                                                                                                                                                                                                            |
| <b>ESC Act</b>                       | Essential Services Commission Act 2001 (Vic) of Australia                                                                                                                                                                                                                                                                                                                |
| <b>ESMSs</b>                         | Electricity Safety Management Schemes                                                                                                                                                                                                                                                                                                                                    |
| <b>Excluded Services</b>             | Also referred to as Alternative Control, Ancillary and Negotiated Services, these are other services provided by the AusNet Services Group, including meter disconnection and reconnection, customer transfers, special meter reads and maintenance charges for large customer installations                                                                             |
| <b>FATCA</b>                         | Sections 1471 to 1474 of the United States Internal Revenue Code of 1986 or any consolidation, amendment, re-enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-United States laws enacted with respect thereto |
| <b>FFI</b>                           | Foreign financial institution                                                                                                                                                                                                                                                                                                                                            |
| <b>GIA</b>                           | Gas Industry Act 2001 (Vic) of Australia                                                                                                                                                                                                                                                                                                                                 |
| <b>GST</b>                           | goods and services tax                                                                                                                                                                                                                                                                                                                                                   |
| <b>Guarantor/Guarantors</b>          | As described in the Conditions of the Notes                                                                                                                                                                                                                                                                                                                              |
| <b>GW</b>                            | gigawatt, a unit of power equal to one billion watts                                                                                                                                                                                                                                                                                                                     |
| <b>GWh</b>                           | gigawatt hour, a unit of energy equal to one billion watt hours                                                                                                                                                                                                                                                                                                          |
| <b>ICNIRP</b>                        | International Commission on Non-Ionizing Radiation Protection, an independent scientific organisation, whose aims are to provide guidance and advice on the health hazards of non-ionizing radiation exposure                                                                                                                                                            |
| <b>Issuer</b>                        | AusNet Services Holdings Pty Ltd (ABN 97 086 006 859)                                                                                                                                                                                                                                                                                                                    |
| <b>Jemena</b>                        | SGSP (Australia) Assets Pty Ltd (“ <b>SGSPAA</b> ”) and its Subsidiaries trading as “Jemena” or “Zinfra Group” (as applicable)                                                                                                                                                                                                                                           |
| <b>LNG</b>                           | Liquefied natural gas                                                                                                                                                                                                                                                                                                                                                    |
| <b>Management Services Agreement</b> | The agreement (as amended) under which SPI Management Services acted as manager of the AusNet Services Group’s businesses                                                                                                                                                                                                                                                |
| <b>MCE</b>                           | Ministerial Council on Energy                                                                                                                                                                                                                                                                                                                                            |
| <b>MEB</b>                           | The merchant energy business that consisted of TXU Corp’s electricity generation, electricity and gas retail businesses and interest in the SEAGas gas pipeline                                                                                                                                                                                                          |
| <b>MED</b>                           | Major event day                                                                                                                                                                                                                                                                                                                                                          |
| <b>Modern Awards</b>                 | Industry based Awards that contain the minimum employment standards set by the Fair Work Commission for that industry                                                                                                                                                                                                                                                    |

|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Moody's</b>                         | Moody's Investors Services, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>MWh</b>                             | Megawatt hour, a unit of energy equal to one million watt hours                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>National Grid</b>                   | The interconnected transmission network in Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia and Tasmania                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>NECF</b>                            | National Energy Customer Framework                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>NEL</b>                             | National Electricity Law                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>NEM</b>                             | National Electricity Market                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>NER</b>                             | National Electricity Rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>NE(SA) Act</b>                      | National Electricity (South Australia) Act 1996 (SA)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Network Agreement</b>               | The network agreement between the AEMO and the AusNet Services Group dated 3 October 1994 that establishes the services and applicable terms and conditions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Networks NSW ACT Decision</b>       | Decision handed down by the Australian Competition Tribunal on 26 February 2016 in respect of appeals by the NSW and ACT distribution businesses in relation to the implementation of the 2013 Rate of Return Guideline                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>NGER</b>                            | National Greenhouse and Energy Reporting Act 2007 (Cth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>NGL</b>                             | National Gas Law                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>NGR</b>                             | National Gas Rules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>NHMRC</b>                           | National Health and Medical Research Council                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>NSW</b>                             | New South Wales                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>PJ</b>                              | petajoules, a unit of energy equal to one quadrillion (10 <sup>15</sup> ) joules                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>PVC</b>                             | Polyvinyl chloride                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>RAB</b>                             | The RAB represents the value, as assessed by the AER, of past regulated network investments as well as contracted transmission assets that will become regulated in subsequent price reviews. This is the value on which the AusNet Services Group can expect to earn a return (return on capital), and the value that is returned to the AusNet Services Group over the economic life of the assets (as regulatory depreciation). For each regulatory period, the RAB is adjusted for inflation, capital expenditure, depreciation, customer contributions and disposals. The AusNet Services Group's regulated assets include ownership of the primary regulated Victorian electricity transmission network, together with an electricity distribution network located in eastern Victoria and a gas distribution network located in western Victoria. The calculation of the total RAB value is subject to some estimation as the AER ultimately determines the RAB of each network. |
| <b>REFCL</b>                           | Rapid Earth Fault Current Limiter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Regulated/Contracted Asset Base</b> | Includes the RAB as well as contracted transmission assets whose revenues and returns are set by applying an approved negotiated price framework or competitively (including through tender or                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                           |                                                                                                                                                                                                                                              |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                           | bilateral negotiations), rather than through price regulation, including, for example, the Victorian desalination contract;                                                                                                                  |
| <b>Restructure</b>                        | The corporate restructure under which the, then, Stapled Entities became wholly owned by AusNet Services and eligible securityholders received shares in AusNet Services in the same as proportion of the stapled securities previously held |
| <b>Same Business Test</b>                 | As referred to in sections 165-13 and 165-210 of the Income Tax Assessment Act 1997                                                                                                                                                          |
| <b>SAPN</b>                               | South Australia Power Network                                                                                                                                                                                                                |
| <b>SECV</b>                               | State Electricity Commission of Victoria                                                                                                                                                                                                     |
| <b>SWER</b>                               | Single Wire Earth Return                                                                                                                                                                                                                     |
| <b>Select Solutions</b>                   | A brand used by the AusNet Services Group's unregulated services business; a leading specialist provider of metering and asset intelligence services in the essential infrastructure sector throughout Australia                             |
| <b>SGIAD</b>                              | State Grid International Australia Development Company Limited                                                                                                                                                                               |
| <b>SGSPAA</b>                             | SGSP (Australia) Assets Pty Ltd                                                                                                                                                                                                              |
| <b>SGX or SGX-ST</b>                      | Singapore Exchange Securities Trading Limited or the securities exchange which it operates                                                                                                                                                   |
| <b>Shared Transmission Service</b>        | As defined by the AER, "a service provided to a Transmission Network User for use of a transmission network for the conveyance of electricity (including a service that ensures the integrity of the related transmission system)."          |
| <b>SPI</b>                                | Singapore Power International Pte Ltd                                                                                                                                                                                                        |
| <b>SPI Management Services</b>            | SPI Management Services Pty Ltd                                                                                                                                                                                                              |
| <b>Standard &amp; Poor's</b>              | Standard & Poor's Global Rating Services                                                                                                                                                                                                     |
| <b>Stapled Entities</b>                   | AusNet Services (Distribution) Ltd (ABN 37 108 788 245), AusNet Services (Transmission) Ltd (ABN 48 116 124 362) and AusNet Services Finance Trust (ARSN 116 783 914) which, prior to the Restructure, were stapled together                 |
| <b>STPIS</b>                              | Service Target Performance Incentive Scheme                                                                                                                                                                                                  |
| <b>Subsidiary</b>                         | As defined in the Terms and Conditions of the Notes                                                                                                                                                                                          |
| <b>Taxation Administration Act</b>        | Taxation Administration Act 1953 of Australia                                                                                                                                                                                                |
| <b>TFN</b>                                | Tax file number                                                                                                                                                                                                                              |
| <b>Transmission System Maximum Demand</b> | The maximum amount of aggregated electricity recorded at entry and interconnection points to the AusNet Services Group transmission network in each calendar year                                                                            |
| <b>Transmission System Minutes</b>        | A measure used by the AusNet Services Group to track the loss of supply to its transmission customers caused by the transmission system                                                                                                      |

|                                   |                                                      |
|-----------------------------------|------------------------------------------------------|
| <b>TRR</b>                        | Transmission Revenue Reset                           |
| <b>Trustee</b>                    | As defined in the Terms and Conditions of the Notes  |
| <b>TSS</b>                        | Tariff structure statement                           |
| <b>TUoS</b>                       | transmission use of system                           |
| <b>U.S.\$</b>                     | U.S. dollars                                         |
| <b>(Vic)</b>                      | Indicates state legislation of the State of Victoria |
| <b>Victorian State Government</b> | The government of the State of Victoria              |
| <b>WACC</b>                       | weighted average cost of capital                     |

## CONDITIONS OF THE NOTES

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*The following are the conditions which, as supplemented, amended or replaced by the relevant Pricing Supplement, apply to each Note constituted by the Deed Poll. References to the "Pricing Supplement" in these Conditions do not limit the provisions which may be supplemented, amended or replaced by the Pricing Supplement in relation to a particular Series of Notes.*

*Definitions and interpretation provisions are set out in Condition 22 ("Interpretation").*

### Part 1 Introduction

#### 1 Introduction

##### 1.1 Programme

Notes are issued under a debt issuance programme established by the Issuer and have the benefit of the Guarantee.

##### 1.2 Pricing Supplement

Notes are issued in Series. A Series may comprise one or more Tranches having one or more Issue Dates and on conditions otherwise identical (other than in respect of the first payment of interest). A Tranche is the subject of a Pricing Supplement which supplements, amends or replaces these Conditions. If there is any inconsistency between these Conditions and the Pricing Supplement, the Pricing Supplement prevails.

Copies of the Pricing Supplement are available for inspection or on request by a Holder or prospective Holder during normal business hours at the Specified Office of the Issuer or the Registrar.

##### 1.3 Types of Notes

An Note is either:

- (a) a Fixed Rate Note;
- (b) a Floating Rate Note;
- (c) a Zero Coupon Note;
- (d) a Structured Note; or
- (e) a combination of the above (or any other type of debt obligation including a certificate of deposit), as specified in the relevant Pricing Supplement.

##### 1.4 Denomination

- (a) Unless otherwise specified in the Pricing Supplement, Notes are issued in the denomination of A\$1,000 (or an approximate equivalent in an alternate currency).
- (b) Notes are issued in a single Denomination.

##### 1.5 Currency

Notes are denominated in the currency specified in the Pricing Supplement.

##### 1.6 Clearing Systems

Notes may be held in a Clearing System, in which case the rights of a person holding an interest in the Notes lodged in the Clearing System are subject to the rules and regulations of the Clearing System.

## Part 2 **The Notes**

### **2 Form**

#### **2.1 Constitution under Note Deed Poll**

Notes are debt obligations of the Issuer constituted by, and owing under, the Note Deed Poll.

#### **2.2 Form**

Notes are issued in registered form by entry in the Register.

#### **2.3 No certificates**

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by any applicable law.

#### **2.4 Independent obligations**

The obligations of the Issuer in respect of each Note constitute separate and independent obligations which the Holder to whom those obligations are owed is entitled to enforce without having to join any other Holder or any predecessor in title of a Holder.

### **3 Status**

#### **3.1 Status**

Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4 (“Negative Pledge”)) unsecured obligations of the Issuer.

#### **3.2 Ranking**

Notes rank equally among themselves and at least equally with all other unsubordinated and unsecured obligations of the Issuer, except for liabilities mandatorily preferred by law.

#### **3.3 Guarantee**

Notes are issued with the benefit of the Guarantee. Under the Guarantee each Guarantor unconditionally and irrevocably guarantees to the Holders, among other things, the due and punctual performance by the Issuer of its obligations under the Notes.

#### **3.4 Ranking of the Guarantee**

The obligations of the Guarantor under the Guarantee rank at least equally with all other unsubordinated and unsecured obligations of the Guarantor, except for liabilities mandatorily preferred by law.

### **4 Negative pledge**

The Issuer and the Guarantors agree not to create any Lien or allow one to exist on the whole or any part of its present or future property to secure any Capital Markets Indebtedness or any guarantee (or other assurance against financial loss) in respect of any Capital Markets Indebtedness without the approval of an Extraordinary Resolution of Holders unless, before or at the same time, the Issuer’s obligations under the Notes either:

- (a) are secured equally and ratably; or
- (b) have the benefit of any other Lien approved by an Extraordinary Resolution of Holders.

## **5 Title and transfer of Notes**

### **5.1 Title**

Title to Notes passes when details of the transfer are entered in the Register.

### **5.2 Effect of entries in Register**

Each entry in the Register in respect of a Note constitutes:

- (a) an unconditional and irrevocable undertaking by the Issuer to the Holder to pay principal and (if applicable) interest and any other amount in accordance with these Conditions; and
- (b) an entitlement to the other benefits given to Holders under these Conditions in respect of the relevant Note.

### **5.3 Register conclusive as to ownership**

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note subject to correction for fraud or error.

### **5.4 Non-recognition of interests**

Except as required by law, the Issuer and the Registrar must treat the person whose name is entered in the Register as the holder of a Note as the absolute owner of that Note. This Condition applies whether or not a Note is overdue and despite any notice of ownership, trust or interest in the Note.

### **5.5 Joint holders**

Where two or more persons are entered in the Register as the joint holders of a Note then they are taken to hold the Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than four persons as joint holders of a Note.

### **5.6 Transfers in whole**

Notes may be transferred in whole but not in part.

### **5.7 Compliance with laws**

Notes may only be transferred if:

- (a) the consideration payable at the time of transfer is at least A\$500,000 (or its equivalent in other currencies, but disregarding any moneys lent by transferor or its associates) or the transfer is effected in a manner which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act;
- (b) the transfer is not to a “retail client” for the purpose of Chapter 7 of the Corporations Act; and
- (c) such action:
  - (i) complies with applicable laws, regulations and directives in Australia and any other relevant jurisdiction;
  - (ii) does not require any document to be lodged with ASIC or the ASX; and
  - (iii) does not require the registration of a prospectus or corresponding or similar document relating to the Notes or the Issuer, or any other action or steps, in any jurisdiction.

## **5.8 Transfer procedures**

Interests in Notes held in a Clearing System are transferable only in accordance with the rules and regulations of that Clearing System.

Application for the transfer of Notes not held in a Clearing System must be made by the lodgment of a transfer form with the Registrar at its Specified Office. Transfer forms must be in the form available from the Registrar. Each transfer form must be:

- (a) duly completed;
- (b) accompanied by any evidence the Registrar may require to establish that the transfer form has been duly executed; and
- (c) signed by, or on behalf of, both the transferor and the transferee.

Transfers are registered without charge provided all applicable Taxes in relation to the transfer have been paid.

## **5.9 Effect of transfer**

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under these Conditions in respect of the transferred Notes and the transferee becomes so entitled in accordance with Condition 5.2 ("Effect of entries in Register").

## **5.10 CHESS**

Notes listed on ASX Limited (ABN 98 008 624 691) are not transferred through, or registered on, the Clearing House Electronic Subregister System operated by ASX Limited and are not "Approved Financial Products" (as defined for the purposes of that system).

## **5.11 Austraclear as Holder**

If Austraclear is recorded in the Register as the Holder, each person in whose Security Record (as defined in the Austraclear Regulations) a Note is recorded is taken to acknowledge in favour of the Issuer, the Registrar and Austraclear that:

- (a) the Registrar's decision to act as the Registrar of that Note is not a recommendation or endorsement by the Registrar or Austraclear in relation to that Note, but only indicates that the Registrar considers that the holding of the Note is compatible with the performance by it of its obligations as Registrar under an Agency Agreement; and
- (b) the Holder does not rely on any fact, matter or circumstance contrary to paragraph (a).

## **Part 3 Interest**

### **6 Fixed Rate Notes**

This Condition 6 ("Fixed Rate Notes") applies to the Notes only if the Pricing Supplement states that it applies.

#### **6.1 Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) its Interest Commencement Date to (but excluding) its Maturity Date at the Interest Rate. Interest is payable in arrear on each Interest Payment Date.

#### **6.2 Fixed Coupon Amount**

Unless otherwise specified in the Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the preceding Interest Period is the Fixed Coupon Amount specified in the Pricing Supplement.

### 6.3 Calculation of interest payable

The amount of interest payable in respect of a Fixed Rate Note for any period for which a Fixed Coupon Amount is not specified in the Pricing Supplement is calculated by multiplying the Interest Rate for that period, the outstanding principal amount of the Fixed Rate Note and the applicable Day Count Fraction.

## 7 Floating Rate Notes

This Condition 7 ("Floating Rate Notes") applies to the Notes only if the Pricing Supplement states that it applies.

### 7.1 Interest on Floating Rate Notes

Each Floating Rate Note bears interest on its outstanding principal amount from (and including) its Interest Commencement Date to (but excluding) its Maturity Date at the Interest Rate.

Interest is payable in arrear:

- (a) on each Interest Payment Date; or
- (b) if no Interest Payment Date is specified in the Pricing Supplement, each date which falls the number of months or other period specified as the Specified Period in the Pricing Supplement after the preceding Interest Payment Date (or in the case of the first Interest Payment Date, after the Interest Commencement Date).

### 7.2 Interest Rate determination

The Interest Rate payable in respect of a Floating Rate Note must be determined by the Calculation Agent in accordance with these Conditions.

### 7.3 Fallback Interest Rate

Unless otherwise specified in the Pricing Supplement, if, in respect of an Interest Period, the Calculation Agent is unable to determine a rate in accordance with Condition 7.2 ("Interest Rate determination"), the Interest Rate for the Interest Period is the Interest Rate applicable to the Floating Rate Notes during the immediately preceding Interest Period.

### 7.4 ISDA Determination

If ISDA Determination is specified in the Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Floating Rate Notes for each Interest Period is the sum of the Margin and the ISDA Rate.

In this Condition:

- (a) **"ISDA Rate"** means for an Interest Period, a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction if the Calculation Agent for the Floating Rate Notes were acting as Calculation Agent for that Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option, the Designated Maturity and the Reset Date are as specified in the Pricing Supplement; and
  - (ii) the Period End Dates are each Interest Payment Date, the Spread is the Margin and the Floating Rate Day Count Fraction is the Day Count Fraction; and
- (b) **"Swap Transaction", "Floating Rate", "Calculation Agent"** (except references to **"Calculation Agent for the Floating Rate Notes"**), **"Floating Rate Option", "Designated Maturity", "Reset Date", "Period End Date", "Spread"** and **"Floating Rate Day Count Fraction"** have the meanings given to those terms in the ISDA Definitions.

## 7.5 Screen Rate Determination

If Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Floating Rate Notes for each Interest Period is the sum of the Margin and the Screen Rate.

In this Condition, “**Screen Rate**” means, for an Interest Period, the quotation offered for the Reference Rate appearing on the Relevant Screen Page at the Relevant Time on the Interest Determination Date. However:

- (a) if there is more than one offered quotation displayed on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, the “**Screen Rate**” means the rate calculated by the Calculation Agent as the average of the offered quotations. If there are more than five offered quotations, the Calculation Agent must exclude the highest and lowest quotations (or in the case of equality, one of the highest and one of the lowest quotations) from its calculation;
- (b) if an offered quotation is not displayed by the Relevant Time on the Interest Determination Date or if it is displayed but the Calculation Agent determines that there is an obvious error in that rate, the “**Screen Rate**” means:
  - (i) the rate the Calculation Agent calculates as the average mean of the Reference Rates that each Reference Bank quoted to the leading banks in the Relevant Financial Centre specified in the Pricing Supplement at the Relevant Time on the Interest Determination Date; or
  - (ii) where the Calculation Agent is unable to calculate a rate under paragraph (i) because it is unable to obtain at least two quotes, the rate the Calculation Agent calculates as the average of the rates (being the nearest equivalent to the Reference Rate) quoted by two or more banks chosen by the Calculation Agent in the Relevant Financial Centre at approximately the Relevant Time on the Interest Determination Date for a period equivalent to the Interest Period to leading banks carrying on business in the Relevant Financial Centre in good faith; or
- (c) if the Pricing Supplement specifies an alternative method for the determination of the Screen Rate Determination, then that alternative method applies.

## 7.6 BBSW Rate Determination

If BBSW Rate Determination is specified in the Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Floating Rate Notes for each Interest Period is the sum of the Margin and the BBSW Rate.

In this Condition, **BBSW Rate** (expressed as a percentage) means, for an Interest Period, the average mid rate for prime bank eligible securities having a tenor closest to the Interest Period which is designated as “AVG MID” on the Reuters Screen BBSW page (or any page which replaces that page) at about 10.15am (Sydney time) (or such other time at which such rate customarily appears on that page (**Publication Time**)) on the first day of that Interest Period.

However, if the average mid rate is not displayed by 10:30 am (Sydney time) on that day (or such other time that is 15 minutes after the then prevailing Publication Time), or if it is displayed but the Calculation Agent determines that there is a manifest error in that rate, **BBSW Rate** means the rate (expressed as a percentage per annum) determined by the Calculation Agent in good faith at approximately 10:30 am (Sydney time) (or such other time that is 15 minutes after the then prevailing Publication Time) on that day, having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for prime bank eligible securities having a tenor closest to the Interest Period or for funds of that tenor displayed on the Reuters Screen BBSW page (or any page which replaces that page) at or around that time on that date; or

- (b) if bid and offer rates for prime bank eligible securities having a tenor closest to the Interest Period are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date.

## **7.7 Interpolation**

If the Pricing Supplement states that "Linear Interpolation" applies to an Interest Period, the Interest Rate for that Interest Period is determined through the use of straight line interpolation by reference to two ISDA Rates, Screen Rates, Bank Bill Rates or other floating rates specified in the Pricing Supplement.

The first rate must be determined as if the Interest Period were the period of time for which rates are available next shorter than the length of the Interest Period (or any alternative Interest Period specified in the Pricing Supplement).

The second rate must be determined as if the Interest Period were the period of time for which rates are available next longer than the length of the Interest Period (or any alternative Interest Period specified in the Pricing Supplement).

## **8 Structured Notes**

This Condition 8 ("Structured Notes") applies to the Notes only if the Pricing Supplement states that it applies.

### **8.1 Interest on Structured Notes**

Each interest bearing Structured Note bears interest on its outstanding principal amount from (and including) its Interest Commencement Date to (but excluding) its Maturity Date at the Interest Rate.

Interest is payable in arrear:

- (a) on each Interest Payment Date; or
- (b) if no Interest Payment Date is specified in the Pricing Supplement, each date which falls the number of months or other period specified as the Specified Period in the Pricing Supplement after the preceding Interest Payment Date (or in the case of the first Interest Payment Date, after the Interest Commencement Date).

### **8.2 Interest Rate**

The Interest Rate payable in respect of an interest bearing Structured Note must be determined in the manner specified in the Pricing Supplement.

## **9 General provisions applicable to interest**

### **9.1 Maximum or Minimum Interest Rate**

If the Pricing Supplement specifies a Maximum Interest Rate or Minimum Interest Rate for any Interest Period then, the Interest Rate for the Interest Period must not be greater than the maximum, or be less than the minimum, so specified.

### **9.2 Calculation of Interest Rate and interest payable**

The Calculation Agent must, as soon as practicable after determining the Interest Rate in relation to each Interest Period for each Floating Rate Note and interest bearing Structured Note, calculate the amount of interest payable for the Interest Period in respect of the outstanding principal amount of that Note.

Unless otherwise specified in the Pricing Supplement, the amount of interest payable is calculated by multiplying the product of the Interest Rate for the Interest Period and the outstanding principal amount of the Note by the applicable Day Count Fraction.

The rate determined by the Calculation Agent must be expressed as a percentage rate per annum.

### **9.3 Calculation of other amounts**

If the Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent must, as soon as practicable after the time at which that amount is to be determined, calculate the amount in the manner specified in the Pricing Supplement.

### **9.4 Notification of Interest Rate, interest payable and other items**

The Calculation Agent must notify the Issuer, the Registrar, the Holders, each other Agent and any stock exchange or other relevant authority on which the Notes are listed of:

- (a) each Interest Rate, the amount of interest payable and each other amount, item or date calculated or determined by it together with the Interest Payment Date; and
- (b) any amendment to any amount, item or date referred to in paragraph (a) arising from any extension or reduction in any Interest Period or calculation period.

The Calculation Agent must give notice under this Condition as soon as practicable after it makes its determination. However, it must give notice of each Interest Rate, the amount of interest payable and each Interest Payment Date by the fourth day of the Interest Period.

The Calculation Agent may amend its determination of any amount, item or date (or make appropriate alternative arrangements by way of adjustment) as a result of the extension or reduction of the Interest Period or calculation period without prior notice but must notify the Issuer, the Registrar, the Holders, each other Agent and each stock exchange or other relevant authority on which the Notes are listed after doing so.

### **9.5 Determination final**

The determination by the Calculation Agent of all amounts, rates and dates falling to be determined by it under these Conditions is, in the absence of manifest error, final and binding on the Issuer, the Registrar, each Holder and each other Agent.

### **9.6 Rounding**

For the purposes of any calculations required under these Conditions (unless otherwise specified in the Pricing Supplement):

- (a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.);
- (b) all figures must be rounded to five decimal places (with halves being rounded up); and
- (c) all amounts that are due and payable must be rounded (with halves being rounded up) to:
  - (i) in the case of Australian dollars, one cent; and
  - (ii) in the case of any other currency, the lowest amount of that currency available as legal tender in the country of that currency.

## **Part 4 Redemption and purchase**

### **10 Redemption**

#### **10.1 Scheduled redemption**

Each Note is redeemable by the Issuer on the Maturity Date at its Redemption Amount unless:

- (a) the Note has been previously redeemed;

- (b) the Note has been purchased and cancelled; or
- (c) the Pricing Supplement states that the Note has no fixed maturity date.

## **10.2 Partly paid Notes**

Each Partly Paid Note is redeemable on the Maturity Date in accordance with the Pricing Supplement.

## **10.3 Instalment Notes**

Each Instalment Note is partially redeemable in the Instalment Amounts and on the Instalment Dates specified in the Pricing Supplement. The principal amount of each Instalment Note is reduced by the Instalment Amount with effect from the relevant Instalment Date.

## **10.4 Early redemption for taxation reasons**

The Issuer may redeem all (but not some) of the Notes of a Series in whole before their Maturity Date at the Redemption Amount and any interest accrued on it to (but excluding) the redemption date if the Issuer is required under Condition 13.2 ("Withholding tax") to increase the amount of a payment in respect of a Note.

However, the Issuer may only do so if:

- (a) the Issuer has given at least 30 days' (and no more than 60 days') (or any other period specified in the Pricing Supplement) notice to the Registrar, the Holders, each other Agent and any stock exchange or other relevant authority on which the Notes are listed;
- (b) before the Issuer gives the notice under paragraph (a), the Registrar has received:
  - (i) a certificate signed by two directors of the Issuer; and
  - (ii) an opinion of independent legal advisers of recognised standing in the jurisdiction of incorporation of the Issuer,

that the Issuer would be required under Condition 13.2 ("Withholding tax") to increase the amount of the next payment due in respect of the Notes;

- (c) in the case of Fixed Rate Notes, no notice of redemption is given earlier than 90 days before the earliest date on which the Issuer would be obliged to pay Additional Amounts; and
- (d) in the case of Floating Rate Notes and Structured Notes bearing a floating rate of interest:
  - (i) the proposed redemption date is an Interest Payment Date; and
  - (ii) no notice of redemption is given earlier than 60 days before the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay Additional Amounts.

## **10.5 Early redemption at the option of Holder (Holder put)**

If the Pricing Supplement states that a Holder may require the Issuer to redeem all or some of the Notes of a Series held by that Holder before their Maturity Date, the Issuer must redeem the Notes specified by the Holder at the Redemption Amount and any interest accrued on it to (but excluding) the redemption date if the following conditions are satisfied:

- (a) the amount of Notes to be redeemed is a multiple of their Denomination;
- (b) the Holder has given at least 30 days' (and no more than 60 days') (or any other period specified in the Pricing Supplement) notice, to the Issuer and the Registrar by delivering to the Specified Office of the Registrar during normal business hours a completed and signed redemption notice in the form obtainable from the Specified Office of the Registrar together with any evidence the Registrar may require to establish title of the Holder to the Note;

- (c) the notice referred to in paragraph (b) specifies an account in the country of the currency in which the Note is denominated to which the payment should be made or an address to where a cheque for payment should be sent;
- (d) the redemption date is an Early Redemption Date (Put) specified in the Pricing Supplement; and
- (e) any other condition specified in the Pricing Supplement is satisfied.

A Holder may not require the Issuer to redeem any Note under this Condition 10.5 if the Issuer has given notice that it will redeem that Note under Condition 10.4 ("Early redemption for taxation reasons") or Condition 10.6 ("Early redemption at the option of the Issuer (Issuer call)").

#### **10.6 Early redemption at the option of the Issuer (Issuer call)**

If the Pricing Supplement states that the Issuer may redeem all or some of the Notes of a Series before their Maturity Date under this Condition, the Issuer may redeem so many of the Notes specified in the Pricing Supplement at the Redemption Amount and any interest accrued on it to (but excluding) the redemption date.

However, the Issuer may only do so if:

- (a) the amount of Notes to be redeemed is, or is a multiple of, their Denomination;
- (b) the Issuer has given at least 30 days' (and no more than 60 days') (or any other period specified in the Pricing Supplement) notice to the Registrar, the Holders, each other Agent and any stock exchange or other relevant authority on which the Notes are listed;
- (c) the proposed redemption date is an Early Redemption Date (Call) specified in the Pricing Supplement; and
- (d) any other condition specified in the Pricing Supplement is satisfied.

#### **10.7 Partial redemptions**

If only some of the Notes are to be redeemed under Condition 10.6 ("Early redemption at the option of the Issuer (Issuer call)"), the Notes to be redeemed must be specified in the notice and selected:

- (a) in a fair and reasonable manner; and
- (b) in compliance with any applicable law, directive or requirement of any stock exchange or other relevant authority on which the Notes are listed.

#### **10.8 Effect of notice of redemption**

Any notice of redemption given under this Condition 10 ("Redemption") is irrevocable.

#### **10.9 Late payment**

If an amount is not paid under this Condition 10 ("Redemption") when due, then:

- (a) for a Note (other than a Zero Coupon Note or a Structured Note), interest continues to accrue on the unpaid amount (both before and after any demand or judgment) at the Default Rate specified in the Pricing Supplement (or, if no Default Rate is specified, the last applicable Interest Rate) until the date on which payment is made to the Holder;
- (b) for a Zero Coupon Note, the obligation to pay the amount is replaced by an obligation to pay the Amortised Face Amount recalculated as at the date on which payment is made to the Holder; and
- (c) for a Structured Note as specified in the Pricing Supplement:

- (i) interest continues to accrue at the Default Rate specified in the Pricing Supplement (or, if no Default Rate is specified, the last applicable Interest Rate) until the date on which payment is made to the Holder; or
- (ii) the obligation to pay the amount is replaced by an obligation to pay an amount determined in the manner specified in the Pricing Supplement.

#### **10.10 Purchase**

The Issuer and any of its Related Entities may at any time purchase Notes in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Holders alike. Notes purchased under this Condition 10.10 may be held, resold or cancelled at the discretion of the purchaser and (if the Notes are to be cancelled, the Issuer), subject to compliance with any applicable law or requirement of any stock exchange or other relevant authority on which the Notes are listed.

### **Part 5 Payments**

#### **11 General provisions**

##### **11.1 Summary of payment provisions**

Payments in respect of Notes must be made in accordance with Condition 12 ("Payments").

##### **11.2 Payments subject to law**

All payments are subject to applicable law, but without prejudice to the provisions of Condition 13 ("Taxation").

##### **11.3 Payments on business days**

If a payment is due on a day which is not a Business Day then the due date for payment is adjusted in accordance with the applicable Business Day Convention and the Holder is not entitled to any additional payment in respect of any delay.

##### **11.4 Currency indemnity**

The Issuer waives any right it has in any jurisdiction to pay an amount other than in the currency in which it is due. However, if a Holder receives an amount in a currency other than that in which it is due:

- (a) it may convert the amount received into the due currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate. It may deduct its usual costs in connection with the conversion; and
- (b) the Issuer satisfies its obligation to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion after deducting the costs of the conversion.

#### **12 Payments**

##### **12.1 Payment of principal**

Payments of principal and any final Instalment Amount in respect of a Note must be made to each person registered at 10.00 am on the payment date as the holder of a Note.

##### **12.2 Payment of interest**

Payments of interest and Instalment Amounts (other than the final Instalment Amount) in respect of a Note will be made to each person registered at the close of business on the Record Date as the holder of that Note.

### **12.3 Payments to accounts**

Payments in respect of Notes will be made:

- (a) if the Notes are held in the Austraclear System, by crediting on the payment date, the amount due to:
  - (i) the account of Austraclear (as the Holder) in the country of the currency in which the Note is denominated previously notified to the Issuer and the Registrar; or
  - (ii) if requested by Austraclear, the accounts of the persons in whose Security Record (as defined in the Austraclear Regulations) a Note is recorded in the country of the currency in which the Note is denominated as previously notified by Austraclear to the Issuer and the Registrar in accordance with the Austraclear Regulations; and
- (b) if the Notes are not held in the Austraclear System, by crediting on the payment date, the amount then due under each Note to an account in the country of the currency in which the Note is denominated previously notified by the Holder to the Issuer and the Registrar.

### **12.4 Payments by cheque**

If the Holder has not notified the Registrar of an account to which payments to it must be made by the close of business on the Record Date, payments in respect of the Note will be made by cheque sent by prepaid post on the payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the Note) at its address appearing in the Register at the close of business on the Record Date. Cheques sent to the nominated address of a Holder are taken to have been received by the Holder on the payment date and, no further amount is payable by the Issuer in respect of the Notes as a result of the Holder not receiving payment on the due date.

## **13 Taxation**

### **13.1 No set-off, counterclaim or deductions**

All payments in respect of the Notes must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless such withholding or deduction is required by law.

### **13.2 Withholding tax**

Subject to Condition 13.3 ("Withholding tax exemptions") and Condition 13.4 ("FATCA and section 126"), if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of the Notes such that the Holder would not actually receive on the due date the full amount provided for under the Notes, then:

- (a) the Issuer agrees to withhold or deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under paragraph (b) below); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by the Commonwealth of Australia or a political sub-division of it, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this Condition, each Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

### **13.3 Withholding tax exemptions**

The Issuer is not required to pay an Additional Amount under Condition 13.2(b) ("Withholding tax") if the obligation to do so arises as a result of any one or more of the following:

- (a) the deduction is required in respect of Taxes by reason of the Holder having some connection with the Tax Jurisdiction other than the mere holding of the Note or receipt of payment in respect of the Note; or

- (b) the deduction is required as a result of Taxes which would not be required to be deducted by the Issuer (or the person making a payment on its behalf) if the Holder:
  - (i) provided the Issuer, its agent or any tax authority with their name, address, registration number or similar details or any relevant tax exemption or similar details; or
  - (ii) ensured that any third party complied with any other statutory requirements (such as making a declaration of non-residence or similar claim) for any relevant tax exemption; or
- (c) the deduction is required as a result of a Holder being an Offshore Associate of the Issuer other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act; or
- (d) to, or to a third party on behalf of an Australian resident Holder or a non-resident Holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that Holder has not supplied an appropriate tax file number an Australian business number or other exemption details; or
- (e) to the extent that the payee is: (a) treated as a resident (for the purposes of the relevant double taxation agreement) in a jurisdiction having a double taxation agreement with the relevant jurisdiction of the holder giving complete exemption from Taxes otherwise imposed by such jurisdiction on the payment; and (b) is not excluded from the benefit of such exemption; or
- (f) where such withholding or deduction is required to be made pursuant to a notice or direction issued by the Commissioner of Taxation under section 255 of the Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act 1953 of Australia or any similar law; or
- (g) in respect of any estate, inheritance, gift, sales, transfer, personal property, or any similar tax, assessment or governmental charge; or
- (h) to the extent that such deduction or withholding would not have arisen if the Notes had been, or would be, issued in a manner which satisfies the requirements of section 128F of the Tax Act such that section 128F applies to interest paid, or any amount taken to consist of interest, in respect of such Notes; or
- (i) in any other circumstances specified in the Pricing Supplement.

#### **13.4 FATCA and section 126**

Notwithstanding any other provision of these Terms and Conditions, if the Issuer, or any other person through whom payments on the Notes are made, is required to withhold, deduct or make payments of amounts under or in connection with, or in order to ensure compliance with FATCA or section 126 of the Tax Act, the Issuer or that other person will be permitted to make such withholding, deduction or payment, and Holders and beneficial owners of Notes will not be entitled to receive any gross up, additional amount or other amount for such withholding, deduction or payment.

#### **14 Time limit for claims**

A claim against the Issuer for a payment under a Note is void unless made within 10 years (in the case of principal) or 5 years (in the case of interest and other amounts) from the date on which payment first became due.

### **Part 6 Events of Default**

#### **15 Events of Default**

##### **15.1 Event of Default**

An Event of Default occurs in relation to a Series of Notes if:

- (a) **(non-payment of principal or interest)** the Issuer fails to pay any principal or interest due in respect of any Note of that Series within 7 days (in the case of the principal) and 14 days (in the case of interest) of the due date for payment;
- (b) **(breach of other obligations)** the Issuer fails to pay any amount in respect of any Notes of the relevant Series other than principal or interest, or the Issuer or a Guarantor otherwise fail to perform or comply with any of their other material obligations under a Note, the Note Deed Poll or the Guarantee in respect of that Series and the failure is not remedied within 30 Business Days of notice requiring remedy from the relevant Holder;
- (c) **(insolvency event)** an Insolvency Event occurs in respect of the Issuer or a Guarantor of that Series except in the case of a members voluntary winding up or a voluntary deregistration or dissolution of a Guarantor which owns no assets and is solvent;
- (d) **(cross default)** any present or future monetary obligation of the Issuer or a Guarantor in connection with moneys borrowed or raised or a guarantee or indemnity of the Issuer or a Guarantor in respect of any moneys borrowed or raised (other than Subordinated Debt) exceeding (in aggregate) A\$50,000,000 (or its equivalent):
  - (i) is not satisfied on time or at the end of its grace period; or
  - (ii) is declared prematurely repayable as a result of an event of default (howsoever described),

except to the extent in any instance that the existence or enforceability of the relevant obligation is being disputed in good faith;
- (e) **(enforcement)** any final judgment is enforced against any property of the Issuer or a Guarantor for an amount exceeding A\$50,000,000 and this is reasonably likely to have a material adverse effect on the Issuer's or Guarantors' ability to meet their financial and other material obligations under a Note, the Note Deed Poll or the Guarantee, and such judgment is not discharged, or a stay of execution is not obtained, within 45 Business Days; or
- (f) **(unenforceability)** any Note, the Note Deed Poll or the Guarantee is or becomes wholly or partly void, voidable or unenforceable and that situation is not remedied within 30 Business Days of a notice requiring remedy from the relevant Holder.

## 15.2 Consequences of an Event of Default

If an Event of Default occurs and continues unremedied in relation to the Notes of any Series or any of them, then a Holder in that Series may send a notice to the Issuer (with a copy to the Registrar) requesting that each Note of that Series held by such Holder is to be redeemed at its Redemption Amount (together with any accrued interest). The Issuer must pay the amounts referred to in the notice in accordance with the notice, and those amounts will become immediately due and payable, when the Issuer has received notice from a Majority of Holders in that Series.

Failure of the Holder to give or delay in giving notice does not affect the validity of a notice given to that Issuer.

## 15.3 Rectification

The Holders' right to declare Notes due and payable terminates if the situation given cause to it has been cured before such right is exercised.

## 15.4 Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it notify the Registrar of the occurrence of the Event of Default (specifying details of it) and use its reasonable endeavours to procure the Registrar to promptly notify Holders, each other Agent and any stock exchange or other relevant authority on which the Notes are listed of the occurrence of the Event of Default.

## Part 7 **General**

### **16 Agents**

#### **16.1 Role of Agents**

In acting under an Agency Agreement, each Agent acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any Holder.

#### **16.2 Appointment and replacement of Agents**

Each initial Agent for a Series of Notes is specified in the Pricing Supplement. Subject to Condition 16.4 ("Required Agents"), the Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor.

#### **16.3 Change of Agent**

Notice of any change of an Agent or its Specified Office must promptly be given to the Holders by the Issuer or the Agent on its behalf.

#### **16.4 Required Agents**

The Issuer must:

- (a) at all times maintain a Registrar; and
- (b) if a Calculation Agent is specified in the Pricing Supplement, at all times maintain a Calculation Agent.

#### **16.5 Meetings of Holders**

The Meetings Provisions contain provisions (which have effect as if incorporated in these Conditions) for convening meetings of the Holders of any Series to consider any matter affecting their interests, including any variation of these Conditions or a Pricing Supplement by Extraordinary Resolution.

### **17 Variation**

#### **17.1 Variation with consent**

Unless Condition 17.2 ("Variation without consent") applies, any Condition or a Pricing Supplement may be varied by the Holders, with the consent of the Issuer, by Extraordinary Resolution in accordance with the Meetings Provisions.

#### **17.2 Variation without consent**

Any Condition or Pricing Supplement may be amended without the consent of the Holders if the amendment:

- (a) is of a formal, administrative or technical nature;
- (b) is made to correct a manifest error;
- (c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision and, in the reasonable opinion of the Issuer, does not adversely affect the interests of the Holders; or
- (d) only applies to Notes issued by it after the date of amendment.

## **18 Further issues**

The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same Conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes of that Series.

## **19 Notices**

### **19.1 Notices to Holders**

All notices and other communications to Holders must be in writing and must be left at the address of or sent by prepaid post (airmail, if appropriate) to the address of the Holder (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the notice or communication).

They may also be:

- (a) given by an advertisement published in the Australian Financial Review or The Australian; or
- (b) if the Pricing Supplement specifies an additional or alternate newspaper, given by an advertisement published in that newspaper.

### **19.2 Notices to the Issuer and the Agents**

All notices and other communications to the Issuer or an Agent must be in writing and may be left at the address of, or sent by prepaid post (airmail, if appropriate) to, the Specified Office of the Issuer or the Agent.

### **19.3 When effective**

They take effect from the time they are taken to be received unless a later time is specified in them.

### **19.4 Deemed receipt - publication in newspaper**

If published in a newspaper, they are taken to be received on the first date that publication has been made in all the required newspapers.

### **19.5 Deemed receipt - postal**

If sent by post, they are taken to be received five days after posting.

## **20 Substitution of the Issuer**

### **20.1 Substitution of Issuer**

The Issuer ("**Retiring Issuer**") may substitute for itself any of its Related Entities incorporated and resident in Australia as the debtor ("**Substitute Issuer**") in respect of any Series of Notes ("**Relevant Notes**") by giving notice to the Holders in accordance with Condition 19.1 ("Notices to Holders").

### **20.2 Conditions to substitution**

The Retiring Issuer may make a substitution under these Conditions only if:

- (a) (**no event of default**) no Event of Default continues unremedied in respect of any Relevant Notes;
- (b) (**rating**) any credit rating from internationally recognised rating agency of the Relevant Notes will not be downgraded by that agency as a result of the substitution;
- (c) (**documents**) the Retiring Issuer and the Substitute Issuer have entered into the documents ("**Documents**") necessary to effect the substitution of all obligations of the Retiring Issuer, and in which the Substituted Issuer has undertaken in favour of each Holder of the Relevant

Notes to be bound by all of the obligations of the Retiring Issuer, under these Conditions, the Pricing Supplement, the Agency Agreement, the Relevant Notes and the Note Deed Poll, as the debtor in respect of those Relevant Notes in place of the Retiring Issuer;

- (d) **(legal opinion)** the Substitute Issuer has obtained a legal opinion (which may be disclosed to the Holders) confirming that:
  - (i) the Substitute Issuer's obligations under the Documents are valid, binding and (subject to the terms of the Documents) enforceable subject only to the qualifications of the same nature as apply to the Retiring Issuer's obligations under these Conditions, the Pricing Supplement, the Agency Agreement, the relevant Notes and the Note Deed Poll; and
  - (ii) there is no change in relation to the Australian withholding tax treatment of the Relevant Notes as a result of the substitution;
- (e) **(guarantee)** the Guarantors have signed and delivered to the Registrar a deed poll and done any other thing necessary to ensure that the Substituted Issuer's obligations under Relevant Notes are guaranteed on the same terms and conditions as the Guarantor guarantees the obligations of the Retiring Issuer under Relevant Notes immediately prior to such substitution;
- (f) **(authorisations)** the Substitute Issuer and the Retiring Issuer have obtained all the authorisations necessary for the substitution and for the Substitute Issuer to comply with its obligations under the Documents;
- (g) **(listing)** each stock exchange, or other relevant authority on which the Relevant Notes are listed has confirmed that the Relevant Notes will continue to be listed after the proposed substitution; and
- (h) **(process agent)** if applicable, the Substitute Issuer has appointed a process agent in Victoria as its agent to receive service of process on its behalf in relation to any action in connection with the Relevant Notes.

### 20.3 Substituted Issuer's rights

With effect on and from the time the substitution takes effect:

- (a) no Holder nor any party to the Agency Agreement has any further obligation to the Retiring Issuer in relation to the Relevant Notes;
- (b) the Retiring Issuer has no further obligations to any Holder, or other party to the Agency Agreement, in relation to the Relevant Notes;
- (c) the Substitute Issuer has rights which are identical to the rights which the Retiring Issuer had in respect of the Relevant Notes;
- (d) the Substitute Issuer assumes obligations towards the Holders, and each of the parties to the Agency Agreement, which are identical to the obligations which the Retiring Issuer had in respect of the Relevant Notes;
- (e) the Substitute Issuer is taken to be a party to the Agency Agreement and the Note Deed Poll and is bound by their terms; and
- (f) a reference in the Agency Agreement and the Note Deed Poll to "Issuer" includes a reference to the Substitute Issuer.

In paragraphs (c) and (d) a reference to "identical" rights or obligations is a reference to rights or obligations substantially identical in character to those rights or obligations rather than identical as to the person entitled to them or obliged to perform them.

## **20.4 Other rights and obligations not affected**

Despite anything contained in these Conditions, the Holders, each Agent, the Retiring Issuer and all other parties to the Agency Agreement remain entitled to their rights and bound by their obligations in respect of Relevant Notes which have accrued up to and including when the substitution takes effect.

## **21 Governing law**

### **21.1 Governing law**

Notes are governed by the law in force in Victoria.

### **21.2 Jurisdiction**

The Issuer and each Guarantor submit to the non-exclusive jurisdiction of the courts of Victoria and courts of appeal from them. The Issuer and each Guarantor waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

### **21.3 Serving documents**

Without preventing any other method of service, any document in any action may be served on the Issuer or a Holder by being delivered or left at their registered office or principal place of business.

## **22 Interpretation**

### **22.1 Definitions**

In these Conditions the following expressions have the following meanings:

#### **Definitions**

**Additional Amount** means an additional amount payable by the Issuer under Condition 13.2 ("Withholding tax").

**Agency Agreement** means:

- (a) the agreement entitled "The ASX Austraclear Registry and IPA Services Agreement " dated 16 March 2010 between the Issuer and Austraclear Services Limited (ABN 28 003 284 419);
- (b) any other agreement between the Issuer and the Registrar specified in the Pricing Supplement; and
- (c) any other agency agreement entered into by the Issuer in relation to an issue of Notes.

**Agent** means the Registrar, the Calculation Agent and any additional agent appointed under an Agency Agreement.

**Amortised Face Amount** means, in relation to a Note, an amount equal to the sum of:

- (a) the issue price specified in the Pricing Supplement; and
- (b) the amount resulting from the application of the amortisation yield specified in the Pricing Supplement (compounded annually) to the issue price (as specified in the Pricing Supplement) from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date the Note becomes due and repayable.

If the calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year must be made on the basis of the Day Count Fraction specified in the Pricing Supplement.

**AusNet Services** means AusNet Services Ltd (ABN 45 603 317 559).

**AusNet Services Group** means AusNet Services and its Subsidiaries.

**Austraclear** means Austraclear Limited (ABN 94 002 060 773).

**Austraclear Regulations** means the regulations known as “Austraclear System Regulations” established by Austraclear to govern the use of the Austraclear System.

**Austraclear System** means the system operated by Austraclear in Australia for holding securities and electronic recording and settling of transactions in those securities between members of the system.

**Business Day** means a day on which banks are open for general banking business in Sydney and Melbourne and in each (if any) Relevant Financial Centre specified in the Pricing Supplement (not being a Saturday, Sunday or public holiday in that place) and, if a Note is to be issued or paid on that day, a day on which each Clearing System is operating.

**Business Day Convention** means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following conventions, where specified in the Pricing Supplement in relation to any date applicable to any Note, have the following meanings:

**Floating Rate Convention** means that the date is postponed to the next following day which is a Business Day unless that day falls in the next calendar month, in which event:

- (a) that date is brought forward to the first preceding day that is a Business Day; and
- (b) each subsequent Interest Payment Date is the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Pricing Supplement after the preceding applicable Interest Payment Date occurred;

**Following Business Day Convention** means that the date is postponed to the first following day that is a Business Day;

**Modified Following Business Day Convention or Modified Business Day Convention** means that the date is postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is brought forward to the first preceding day that is a Business Day;

**Preceding Business Day Convention** means that the date is brought forward to the first preceding day that is a Business Day; and

**No Adjustment** means that the relevant date must not be adjusted in accordance with any Business Day Convention.

If no convention is specified in the Pricing Supplement, the Following Business Day Convention applies. Different conventions may be specified in relation to, or apply to, different dates.

**Calculation Agent** means the Registrar or any other person specified in the Pricing Supplement as the party responsible for calculating the Interest Rate and other amounts required to be calculated under these Conditions.

**Capital Markets Indebtedness** means any indebtedness for money borrowed or interest thereon in the form of bonds, notes, debentures, loan stock or other similar securities that are, or are capable of being, quoted, listed or ordinarily dealt with in any stock exchange, over-the-counter or other securities market, having an original maturity of more than 365 days from its date of issue, or any guarantee or indemnity in respect of Capital Markets Indebtedness.

**Clearing System** means:

- (a) the Austraclear System; or

- (b) any other clearing system specified in the Pricing Supplement.

**Corporations Act** means the Corporations Act 2001 of Australia.

**Condition** means the correspondingly numbered condition in these conditions.

**Day Count Fraction** means, in respect of the calculation of interest for any period of time ("**Calculation Period**"), the day count fraction specified in the Pricing Supplement and:

- (a) if "**Actual/Actual (ISMA)**" is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (b) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of:
  - (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
  - (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months unless:
  - (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day is not considered to be shortened to a 30-day month; or
  - (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February is not considered to be lengthened to a 30-day month);
- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation

Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February is not considered to be lengthened to a 30-day month);

- (g) if “**RBA Bond Basis**” or “**Australian Bond Basis**” is so specified, means one divided by the number of Interest Payment Dates in a year (or where the Calculation Period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in a year multiplied by the actual number of days in the Calculation Period divided by the number of days in the half-year ending on the next Interest Payment Date); and
- (h) any other day count fraction specified in the Pricing Supplement.

**Denomination** means the notional face value of a Note specified in the Pricing Supplement.

**Event of Default** means an event so described in Condition 15 (“Events of Default”).

**Extraordinary Resolution** has the meaning given in the Meetings Provisions.

**FATCA** means sections 1471 to 1474 of the United States Internal Revenue Code of 1986 or any consolidation, amendment, re-enactment or replacement of those provisions and including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-United States laws enacted with respect thereto.

**Fixed Rate Note** means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on any other dates as specified in the Pricing Supplement.

**Floating Rate Note** means a Note on which interest is calculated at a floating rate payable 1, 2, 3, 6, or 12 monthly or in respect of any other period or on any date specified in the Pricing Supplement.

**Guarantee** means the guarantee and indemnity granted by the Guarantors under the deed poll entitled “Guarantee Deed Poll” dated on or about the date of the Note Deed Poll.

**Guarantor** means:

- (a) subject to clause 15.3 of the Guarantee, AusNet Gas Services Pty Ltd (ABN 43 086 015 036), AusNet Electricity Services Pty Ltd (ABN 91 064 651 118), AusNet Asset Services Pty Ltd (ABN 27 075 826 881) and AusNet Transmission Group Pty Ltd (ABN 78 079 798 173); and
- (b) any new Subsidiary of AusNet Services which becomes a Guarantor under clause 15.2 of the Guarantee.

**Holder** means, in respect of a Note, each person whose name is entered in the Register as the holder of that Note. For the avoidance of doubt, where a Note is held in a Clearing System, references to a Holder include the operator of that system or a nominee for that operator or a common depository for one or more Clearing Systems (in each case acting in accordance with the rules and regulations of the Clearing System or Systems).

**Index Linked Note** means a Note in respect of which the amount payable in respect of interest is calculated by reference to an index or a formula or both as specified in the Pricing Supplement.

**Information Memorandum** in respect of a Note means the information memorandum, disclosure document (as defined in the Corporations Act) or other offering document referred to in the Pricing Supplement.

**Insolvency Event** means, in respect of any body corporate, the happening of any of these event:

- (a) an order is made that it be wound up except to reconstruct or amalgamate while solvent;

- (b) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of it (unless the application is stayed, withdrawn or dismissed within 45 Business Days or the application is frivolous or vexatious);
- (c) except to reconstruct or amalgamate while solvent, a liquidator is appointed in respect of the body corporate, whether or not under a court order;
- (d) except to reconstruct or amalgamate while solvent, it enters into, or resolves to enter into, a scheme of arrangement, deed of company arrangement or composition with, or assignment of the benefit of, all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them;
- (e) except to reconstruct or amalgamate while solvent, an entity resolves to wind itself up, or to otherwise dissolve itself, or is otherwise wound up or dissolved;
- (f) an entity is found or declared by a court to be insolvent or becomes insolvent within the meanings of section 95A(1) and (2) of the Corporations Act;
- (g) a controller (as defined in the Corporations Act) is appointed to or over all or any of the property of the Issuer or a Guarantor, where the value of all the property in respect of which an appointment is made exceeds A\$50,000,000;
- (h) an administrator is appointed to an entity; or
- (i) anything analogous or having substantially similar effect to any of the events specified above happened under the law of any applicable jurisdiction.

**Instalment Amounts** has the meaning given in the Pricing Supplement.

**Instalment Note** means a Note which is redeemable in one or more instalments, as specified in the Pricing Supplement.

**Interest Commencement Date** means, for a Note, the Issue Date of the Note or any other date so specified in the Pricing Supplement.

**Interest Determination Date** has the meaning given in the Pricing Supplement.

**Interest Payment Date** means each date so specified in, or determined in accordance with, the Pricing Supplement.

**Interest Period** means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Interest Commencement Date; and
- (b) the final Interest Period ends on (but excludes) the Maturity Date.

**Interest Rate** means, for a Note, the interest rate (expressed as a percentage per annum) payable in respect of that Note specified in the Pricing Supplement or calculated or determined in accordance with these Conditions and the Pricing Supplement.

**ISDA Definitions** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (as supplemented, amended and updated as at the Issue Date of the first Tranche of the Notes of the Series).

**Issue Date** means the date on which a Note is, or is to be issued, as specified in, or determined in accordance with, the Pricing Supplement.

**Issuer** means AusNet Services Holdings Pty Ltd (ABN 97 086 006 859) and any Related Entity which is substituted for the Issuer under Condition 20 ("Substitution of the Issuer").

**Lien** means any mortgage, charge, pledge, lien or other encumbrance or security interest.

**Majority of Holders** means Holders representing more than 50% of the aggregate outstanding principal amount of the Notes as at the relevant date except that for this purpose any Notes held in the name of the Issuer or a Guarantor or a Subsidiary of the Issuer or a Guarantor will be disregarded.

**Margin** means the margin specified in, or determined in accordance with, the Pricing Supplement.

**Maturity Date** means, the date so specified in, or determined in accordance with, the Pricing Supplement.

**Meetings Provisions** means the provisions relating to meetings of Holders set out in schedule 2 of the Note Deed Poll.

**Note** means a medium term debt obligation issued or to be issued by the Issuer which is constituted by, and owing under the Note Deed Poll, the details of which are recorded in, and evidenced by, entry in, the Register.

**Note Document** means a Note, the Note Deed Poll and any relevant Pricing Supplement.

**Note Deed Poll** means the deed poll so entitled executed by the Issuer on or about 20 January 2017.

**Offshore Associate** means an associate (as defined in section 128F of the Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

**Partly Paid Note** means a Note in relation to which the initial subscription moneys are payable to the Issuer in two or more instalments.

**Pricing Supplement** means, in respect of a Tranche, the pricing supplement specifying the relevant issue details in relation to it.

**Record Date** means, the close of business in the place where the Register is maintained on the eighth calendar day before the payment date or any other date so specified in the Pricing Supplement.

**Redemption Amount** means:

- (a) for a Note (other than a Zero Coupon Note or a Structured Note), the outstanding principal amount as at the date of redemption;
- (b) for a Zero Coupon Note, the Amortised Face Amount calculated as at the date of redemption; and
- (c) for a Structured Note, the amount determined by the Calculation Agent in the manner specified in the Pricing Supplement,

and also includes any final instalment and any other amount in the nature of a redemption amount specified in, or determined in accordance with, the Pricing Supplement or these Conditions.

**Reference Banks** means the institutions so described in the Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate.

**Reference Rate** has the meaning given in the Pricing Supplement.

**Register** means the register, including any branch register, of holders of Notes established and maintained by or on behalf of the Issuer under an Agency Agreement.

**Registrar** means Austraclear Services Limited (ABN 28 003 284 419) or any other person appointed by the Issuer under an Agency Agreement to maintain the Register and perform any payment and other duties as specified in that agreement.

**Regular Period** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each Interest Period;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**Related Entity** has the meaning it has in the Corporations Act.

**Relevant Screen Page** means:

- (a) the page, section or other part of a particular information service (including the Reuters Monitor Money Rates Service and the Dow Jones Telerate Service) specified as the Relevant Screen Page in the Pricing Supplement; or
- (b) any other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

**Relevant Time** has the meaning given in the Pricing Supplement.

**Series** means an issue of Notes made up of one or more Tranches all of which form a single Series and are issued on the same Conditions except that the Issue Date and Interest Commencement Date may be different in respect of different Tranches of a Series.

**Specified Office** means the office specified for that person in the Information Memorandum or any other address notified to Holders from time to time.

**Structured Note** means:

- (a) an Index Linked Note; or
- (b) an Instalment Note.

**Subsidiary** of an entity means:

- (a) another entity which is a subsidiary of the first within the meaning of Part 1.2 division 6 of the Corporations Act; or
- (b) any other entity which is a subsidiary of or otherwise controlled by the first within the meaning of any approved accounting standard; and

**Subordinated Debt** means any debt which is subordinated in right of payment on liquidation to any other indebtedness of the Issuer or a Guarantor.

**Tax Act** means the Income Tax Assessment Act 1936 of Australia and where applicable, the Income Tax Assessment Act 1997 of Australia.

**Taxes** means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them except if imposed on, or calculated having regard to, the net income of a Holder.

**Tax Jurisdiction** means the Commonwealth of Australia and any other jurisdiction of incorporation of a Guarantor (in the case of payment by the Issuer or a Guarantor, as the case may be), or, in each case, any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or any Guarantor, as the case may be, is or becomes subject in respect of payments made by it of principal or interest on the Notes.

**Tranche** means an issue of Notes specified as such in the Pricing Supplement issued on the same Issue Date and on the same Conditions.

**Zero Coupon Note** means a Note which does not carry entitlement to periodic payment of interest before the redemption date of the Note and which is issued at a discount to its principal amount.

## **22.2 References to certain general terms**

Unless the contrary intention appears, a reference in these Conditions to:

- (a) a group of persons is a reference to any two or more of them jointly and to each of them individually;
- (b) a document (including these Conditions) includes any variation or replacement of it;
- (c) law means common law, principles of equity and laws made by any parliament (and laws made by parliament include and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (d) a directive means a treaty, an official directive, request, regulation, guideline or policy (whether or not having the force of law) with which responsible participants in the relevant market generally comply;
- (e) Australian dollars or A\$ is a reference to the lawful currency of Australia;
- (f) a time of day is a reference to Melbourne time;
- (g) the word “person” includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- (h) a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (j) anything (including any amount) is a reference to the whole and each part of it; and
- (k) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

## **22.3 References to particular terms**

Unless the contrary intention appears, in these Conditions:

- (a) a reference to the Issuer, the Registrar, the Calculation Agent or another Agent is a reference to the person so specified in the Pricing Supplement;
- (b) a reference to the Agency Agreement is a reference to the Agency Agreement applicable to the Notes of the relevant Series.

- (c) a reference to a Note is a reference to a Note of a particular Series issued by the Issuer specified in the Pricing Supplement;
- (d) a reference to a Holder is a reference to the holder of Notes of a particular Series;
- (e) if the Notes are Zero Coupon Notes or Structured Notes which do not bear interest, references to interest are not applicable;
- (f) a reference to a particular date is a reference to that date adjusted in accordance with the applicable Business Day Convention; and
- (g) a reference to “outstanding” means, in relation to a Note on any date, which has not been redeemed or satisfied in full by the Issuer or a Guarantor and “outstanding principal amount” means, in relation to an outstanding Note, the principal amount outstanding on that Note at that time.

## **22.4 References to principal and interest**

Unless the contrary intention appears, in these Conditions:

- (a) any reference to “principal” is taken to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (“Taxation”), any premium payable in respect of a Note, and any other amount in the nature of principal payable in respect of the Notes under these Conditions; and
- (b) the principal amount of a Note issued at a discount is to be taken as at any time to equal the lesser of:
  - (i) its Denomination; and
  - (ii) if specified in the Pricing Supplement, its Amortised Face Amount at that time;
- (c) the principal amount of a Note which is to vary by reference to a schedule or formula (where such determination has been previously made in accordance with these Conditions) is to be taken as at any time to equal its varied amount;
- (d) the principal amount of a Partly Paid Note is to be taken to equal its paid up principal amount;
- (e) the principal amount of an Instalment Note at any time is to be taken to be its Denomination less the total instalments repaid to the extent that such instalments relate to a repayment of principal; and
- (f) any reference to “interest” is taken to include any Additional Amounts and any other amount in the nature of interest payable in respect of the Notes under these Conditions.

## **22.5 Number**

The singular includes the plural and vice versa.

## **22.6 Headings**

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these Conditions.

## **22.7 Terms defined in Pricing Supplement**

Terms which are defined in the Pricing Supplement as having a defined meaning have the same meaning when used in these Conditions but if the Pricing Supplement gives no meaning or specifies that the definition is “Not Applicable”, then that definition is not applicable to the Notes.

## FORM OF PRICING SUPPLEMENT

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*The Pricing Supplement that will be issued in respect of each Tranche of each Series will be substantially in the form set out below.*

Series No.: [            ]

Tranche No.: [            ]

### **AusNet Services Holdings Pty Ltd**

(ABN 97 086 006 859)

#### **Debt Issuance Programme**

#### **Initially guaranteed by certain related entities of the Issuer**

Issue of  
[Aggregate Principal Amount of Tranche] [Title of Notes "Notes"]

The date of this Pricing Supplement is [                      ].

This Pricing Supplement (as referred to in the Information Memorandum dated 30 January 2018 in relation to the above Programme for medium term notes ("**Information Memorandum**")) relates to the Tranche of Notes referred to above. It is supplementary to, and should be read in conjunction with the Note Deed Poll dated [        ] made by the Issuer specified in paragraph 1 below. The Notes will have the benefit of a guarantee initially from the Guarantors referred to in paragraph 2 below.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

The particulars to be specified in relation to the Tranche of Notes referred to above are as follows:

- |          |                                                                                                                                                 |   |                                                                                                                                                           |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> | <b>Issuer</b>                                                                                                                                   | : | AusNet Services Holdings Pty Ltd                                                                                                                          |
| <b>2</b> | <b>Guarantors</b>                                                                                                                               | : | AusNet Gas Services Pty Ltd<br>AusNet Electricity Services Pty Ltd<br>AusNet Asset Services Pty Ltd<br>AusNet Transmission Group Pty Ltd                  |
| <b>3</b> | <b>If to form a single Series with an existing Series, specify date on which all Notes of the Series become fungible, if not the Issue Date</b> | : | [Specify]                                                                                                                                                 |
| <b>4</b> | <b>Method of distribution</b>                                                                                                                   | : | [Private/Syndicated Issue]                                                                                                                                |
| <b>5</b> | <b>Public Offer Test Compliant</b>                                                                                                              | : | [It [is/is not] the Issuer's intention that this issue of Notes will be issued in a manner which will seek to satisfy the Public Offer Test]              |
| <b>6</b> | <b>Dealers</b>                                                                                                                                  | : | [Australia and New Zealand Banking Group Limited<br>Commonwealth Bank of Australia<br>National Australia Bank Limited<br>Westpac Banking Corporation<br>] |

|           |                                                                                            |   |                                                                                                                                                       |
|-----------|--------------------------------------------------------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>7</b>  | <b>Joint Lead Arrangers</b>                                                                | : | [Australia and New Zealand Banking Group Limited<br>Commonwealth Bank of Australia<br>National Australia Bank Limited<br>Westpac Banking Corporation] |
| <b>8</b>  | <b>Principal amount of Tranche</b>                                                         | : | [Specify]                                                                                                                                             |
| <b>9</b>  | <b>If interchangeable with existing Series</b>                                             | : | [Specify]                                                                                                                                             |
| <b>10</b> | <b>Issue Date</b>                                                                          | : | [Specify]                                                                                                                                             |
| <b>11</b> | <b>Purchase Price</b>                                                                      | : | [Specify]                                                                                                                                             |
| <b>12</b> | <b>Denomination</b>                                                                        | : | [Specify amount and currency] (Condition 1.4)                                                                                                         |
| <b>13</b> | <b>Maturity Date</b>                                                                       | : | [ ] [In the case of an amortising Notes, insert the date on which the last instalment of principal is payable].                                       |
| <b>14</b> | <b>Type of Notes</b>                                                                       | : | [Fixed Rate/ Floating Rate/ Other]                                                                                                                    |
| <b>15</b> | <b>If Notes are interest-bearing, specify whether they are:</b>                            |   |                                                                                                                                                       |
|           | (a) <b>Fixed Rate</b>                                                                      | : | [Yes/No]                                                                                                                                              |
|           | (b) <b>Floating Rate</b>                                                                   | : | [Yes/No]                                                                                                                                              |
|           | (c) <b>Other Notes</b>                                                                     | : | [Yes/No]                                                                                                                                              |
| <b>16</b> | <b>If the Notes are Fixed Rate, specify</b>                                                | : | Condition 6 applies: [Yes/No]                                                                                                                         |
|           | <b>Fixed Coupon Amount</b>                                                                 | : | [ ]                                                                                                                                                   |
|           | <b>Interest Rate</b>                                                                       | : | [ ]                                                                                                                                                   |
|           | <b>Interest Commencement Date, if not Issue Date</b>                                       | : | [ ]                                                                                                                                                   |
|           | <b>Interest Payment Dates</b>                                                              | : | [ ]                                                                                                                                                   |
|           | <b>Business Day Convention</b>                                                             | : | [ ]                                                                                                                                                   |
|           | <b>Day Count Fraction</b>                                                                  | : | [ ] (if none specified, the Day Count Fraction will be Actual/365 (Fixed) (as defined in the Terms and Conditions)).                                  |
| <b>17</b> | <b>If the Notes are Floating Rate, specify</b>                                             | : | Condition 7 applies: [Yes/No]                                                                                                                         |
|           | <b>Interest Commencement Date, if not Issue Date</b>                                       | : | [ ]                                                                                                                                                   |
|           | <b>Interest Rate</b>                                                                       | : | [Specify]                                                                                                                                             |
|           | <b>[Interest Payment Dates]</b> [Alternatively, refer to <b>Specified Periods</b> instead] | : | [ ]                                                                                                                                                   |
|           | <b>Business Day Convention</b>                                                             | : | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]             |

|    |                                                 |   |                                                                                                                                                                                                                                                                                                                               |
|----|-------------------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <b>Margin</b>                                   | : | [      ] (state if positive or negative)                                                                                                                                                                                                                                                                                      |
|    | <b>Minimum/Maximum Interest Rate</b>            | : | [      ]/[not applicable]                                                                                                                                                                                                                                                                                                     |
|    | <b>Day Count Fraction</b>                       | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Fallback Interest Rate</b>                   | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | [If ISDA Determination applies, specify]        |   |                                                                                                                                                                                                                                                                                                                               |
|    | <b>Floating Rate Option</b>                     | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Designated Maturity</b>                      | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Reset Date</b>                               | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | [If Screen Rate Determination applies, specify] |   |                                                                                                                                                                                                                                                                                                                               |
|    | <b>Relevant Screen Page</b>                     | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Relevant Time</b>                            | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Reference Rate</b>                           | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Reference Banks</b>                          | : | [If none are specified, the Reference Banks will be four major banks specified by the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate]                                                                                                                                      |
|    | <b>Relevant Financial Centre</b>                | : | [Specify if other than Sydney and Melbourne]                                                                                                                                                                                                                                                                                  |
|    | <b>Interest Determination Date</b>              | : | [      ]                                                                                                                                                                                                                                                                                                                      |
|    | <b>Linear Interpolation</b>                     | : | [Applicable/Not applicable]                                                                                                                                                                                                                                                                                                   |
| 18 | <b>If Notes are Structured Notes, specify</b>   | : | Condition 8 applies: [Yes/No]<br><br>[Specify full interest determination provisions, including Interest Commencement Date, rate or calculation basis for interest or actual amounts of interest payable, amount and dates for payment, minimum/maximum rates. Also specify full details for Partly Paid or Instalment Notes] |
| 19 | <b>Maximum and Minimum Interest Rate</b>        | : | Specify if applicable - Condition 9.1                                                                                                                                                                                                                                                                                         |
| 20 | <b>Default Rate</b>                             | : | In the case of interest-bearing Notes, specify rate of interest applying to overdue amounts (if different to usual Interest Rate): [      ] Condition 10.9                                                                                                                                                                    |
| 21 | <b>Rounding</b>                                 | : | Specify any changes to Condition 9.6                                                                                                                                                                                                                                                                                          |
| 22 | <b>Amortisation Yield</b>                       | : | In the case of Zero Coupon Notes, specify the Amortisation Yield [      ]                                                                                                                                                                                                                                                     |
| 23 | <b>Maturity Redemption Amount</b>               | : | [      ] [If Maturity Redemption Amount is not the Outstanding principal amount of the Notes, insert amount or full calculation provisions.]                                                                                                                                                                                  |

- 24 Early Redemption Amount (Put)**
- Early Redemption Date (Put)** : [ ]
- Are the Notes redeemable before their Maturity Date at the option of Holders under Condition 10.5** : Applicable: [Yes/No]
- If Early Redemption Amount (Put) is not the Outstanding principal amount together with any interest accrued on the Notes, insert amount or full calculation provisions** : [ ]
- Specify minimum notice period for exercise of put option** : [ ]
- Specify any relevant conditions to exercise of option** : [ ]
- Specify if Holders are not to receive accrued interest on early redemption at option of Holders** : [ ]
- 25 Early Redemption Amount (Call)**
- Early Redemption Date (Call)** : [ ]
- Are the Notes redeemable before their Maturity Date at the option of the Issuer under Condition 10.6?** : Applicable [Yes/No]
- If Early Redemption Amount (Call) is not the outstanding principal amount together with any interest accrued on the Notes, insert amount or full calculation provisions** : [ ]
- Specify minimum notice period for the exercise of the call option** : [ ]
- Specify maximum notice period for the exercise of the call option** : [ ]
- Specify any relevant conditions to exercise of option** : [ ]
- Specify whether redemption at Issuer's option is permitted in respect of some only of the Notes and, if so, any minimum aggregate principal amount and the means by which Notes will be selected for redemption** : [ ]
- Specify if Holders are not to receive accrued interest on early redemption at their option** : [ ]

|           |                                                                                                                                                                                            |          |                                                                                                                                          |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>26</b> | <b>Early Redemption Amount (Tax) – Condition 10.4</b>                                                                                                                                      |          |                                                                                                                                          |
|           | <b>If Early Redemption Amount (Tax) is not the outstanding principal amount together with accrued interest (if any) thereon of the Notes, insert amount or full calculation provisions</b> | <b>:</b> | [                      ]                                                                                                                 |
|           | <b>Specify if Holders are not to receive accrued interest on early redemption for tax reasons</b>                                                                                          | <b>:</b> | [                      ]                                                                                                                 |
| <b>27</b> | <b>Early Redemption Amount (Default)</b>                                                                                                                                                   | <b>:</b> | [                      ]                                                                                                                 |
|           | <b>If Early Redemption Amount (Default) is not the outstanding principal amount of the Notes, insert amount or full calculation provisions</b>                                             | <b>:</b> | [                      ]                                                                                                                 |
|           | <b>Specify if Holders are not to receive accrued interest on early redemption on default</b>                                                                                               | <b>:</b> | [                      ]                                                                                                                 |
| <b>28</b> | <b>Redemption of Zero Coupon Notes</b>                                                                                                                                                     | <b>:</b> | Specify any change to Condition 10.6(b)                                                                                                  |
| <b>29</b> | <b>Events of Default</b>                                                                                                                                                                   | <b>:</b> | Specify any additional (or modifications to) Events of Default                                                                           |
| <b>30</b> | <b>Additional or alternate newspapers</b>                                                                                                                                                  | <b>:</b> | Specify any additional or alternate newspapers for the purposes of Condition 20.1(b)                                                     |
| <b>31</b> | <b>Taxation</b>                                                                                                                                                                            | <b>:</b> | Specify the additional circumstances in which an exception to the gross up obligation are to apply pursuant to Condition 13.3(e)         |
| <b>32</b> | <b>Other relevant terms and conditions</b>                                                                                                                                                 | <b>:</b> | Specify any Conditions to be altered, varied, deleted otherwise than as provided above and also any additional Conditions to be included |
| <b>33</b> | <b>Paying Agent, Registrar and Calculation Agent</b>                                                                                                                                       | <b>:</b> | Austraclear Services Limited                                                                                                             |
| <b>34</b> | <b>Clearing System</b>                                                                                                                                                                     | <b>:</b> | Specify if other than Austraclear System                                                                                                 |
| <b>35</b> | <b>ISIN</b>                                                                                                                                                                                | <b>:</b> | [                      ]                                                                                                                 |
| <b>36</b> | <b>Common Code</b>                                                                                                                                                                         | <b>:</b> | [                      ]                                                                                                                 |
| <b>37</b> | <b>Additional selling restrictions</b>                                                                                                                                                     | <b>:</b> | Specify any variation to the selling restrictions (clause 9.2 of the Dealer Agreement)                                                   |
| <b>38</b> | <b>Listing</b>                                                                                                                                                                             | <b>:</b> | [                      ]                                                                                                                 |
| <b>39</b> | <b>Other amendments</b>                                                                                                                                                                    | <b>:</b> | [                      ]                                                                                                                 |

**CONFIRMED**

**For and on behalf of  
AusNet Services Holdings Pty Ltd**

By: .....  
Authorised Officer

Date: .....

Name:

## SELLING RESTRICTIONS

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Under the Amended and Restated Dealer Agreement dated 20 January 2017 (“**Dealer Agreement**”) and subject to the Conditions contained in this Information Memorandum, the Notes will be offered by the Issuer through the Dealers. The Issuer has the sole right to accept any offer to purchase Notes and may reject that offer in whole or (subject to the terms of the offer) in part. The Issuer is entitled under the Dealer Agreement to appoint one or more persons as a Dealer for a particular Series of Notes. At the time of any appointment, each such person will be required to represent and agree to the selling restrictions applicable at that time.

In particular, each Dealer appointed under the Programme in respect of an issuance of Notes will be required to agree to comply with any applicable law, regulation or directive in any jurisdiction in which it subscribes for, offers, sells or transfers Notes and that it will not, directly or indirectly, subscribe for, offer, sell or transfer Notes or distribute any Information Memorandum or other offering material in relation to the Notes, in any jurisdiction, except in accordance with these selling restrictions, any additional restrictions which are set out in the relevant Pricing Supplement and any applicable law, regulation or directive of that jurisdiction.

None of the Issuer or any Dealer has represented that any Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or in accordance with any available exemption, or assumes any responsibility for facilitating that sale.

The following selling restrictions apply:

### **1 General**

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Information Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Information Memorandum comes are required by the Issuer, and the Dealers to comply with all applicable laws and directives in each country or jurisdiction in which they purchase, offer, sell, resell, reoffer or deliver Notes or have in their possession or distribute or publish the Information Memorandum or other offering material and to obtain any authorisation, consent, approval or permission required by them for the purchase, offer, sale, reoffer, resale or delivery by them of any Notes under any applicable law, regulation or directive in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales, reoffers, resales or deliveries, in all cases at their own expense, and neither the Issuer nor any Dealer has responsibility for such matters. In accordance with the above, any Notes purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes in such jurisdiction.

In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of Notes in Australia, the United Kingdom, the United States of America, Hong Kong, Japan, Singapore and the European Economic Area as set out below.

### **2 Australia**

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Notes has been, or will be, lodged with ASIC. Each Dealer appointed under the Programme will be required to represent and agree, that unless the relevant Pricing Supplement (or another supplement to any Information Memorandum) otherwise provides, it:

- (a) has not (directly or indirectly) made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any offering circular, information memorandum or any other offering material or advertisement relating to the Notes in Australia,

unless: (a) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the

offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act; (b) such offer is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act; (c) such action complies with all applicable laws, regulations and directives; and (d) such action does not require any document to be lodged with ASIC.

For the purposes of this selling restriction, the Notes include interests or rights in the Notes held in Austraclear.

### 3 The United States of America

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act. Each Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold the Notes, and that it will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, unless the Pricing Supplement or the subscription agreement relating to one or more Tranches specifies that the applicable exemption under the Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”) is either under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or “not applicable”, each Dealer will make certain representations and agreements as set out in the Dealer Agreement.

To the extent that the Pricing Supplement or the subscription agreement relating to one or more Tranches of Notes specifies that the applicable TEFRA exemption is C Rules, the following applies: Under the C Rules and the regulations expected to be promulgated under Section 4701(b)(1)(B) of Title 26 of the U.S. Code (“**Code**”) to set out the criteria for “foreign targeted obligations” that are exempt from the excise tax under Section 4701(b)(1)(B) of the Code, Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer will represent and agree that it will not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with their original issuance. In connection with their original issuance of Notes, each Dealer has represented, and each further Dealer appointed under the Programme, will be required to represent and agree that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions, and will not otherwise involve its U.S. office in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules.

### 4 The United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## 5 New Zealand

No action has been taken to permit the Notes to be offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand (“**FMCA NZ**”). In particular, no product disclosure statement under that Act has been prepared or lodged in New Zealand in relation to the Notes. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell any Notes in New Zealand, other than to wholesale investors within the meaning of clause 3(2)(a), (c) or (d) of Schedule 1 to the FMCA NZ, which includes any person who is an “investment business”, “large”, or a “government agency”, in each case as defined in Schedule 1 to the FMCA NZ, provided (for the avoidance of doubt) that Notes may not be issued to any “eligible investor” (as defined in clause 41 of Schedule 1 to the FMCA NZ) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA NZ, meets the investment activity criteria specified in clause 38 of that Schedule. In addition, each holder of Notes is deemed to represent and agree that it will not distribute the Information Memorandum, any Pricing Supplement or any other advertisement in relation to any offer of Notes in New Zealand other than to such persons as referred to above.

## 6 Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purpose of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

The Notes may not be offered for sale in Hong Kong (other than to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance) by means of any document issued, circulated or distributed in Hong Kong.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation, Information Memorandum or other offering material or other document relating to the Notes whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

## 7 Singapore

The Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore, and Notes will only be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Information Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act; (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

“securities” (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (c) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (d) where no consideration is or will be given for the transfer;
- (e) where the transfer is by operation of law;
- (f) pursuant to Section 276(7) of the Securities and Futures Act; or
- (g) as specified in Regulation 32 of the Securities and Futures (Offers of Investment) (Shares and Debentures) Regulations 2005 of Singapore.

## 8 The People’s Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

## 9 European Economic Area

In relation to each Member State of the European Economic Area (“**EEA State**”) which has implemented the Prospectus Directive (each, a “**Relevant EEA State**”), each Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant EEA State (“**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant EEA State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant EEA State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant EEA State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant EEA State by any measure implementing the Prospectus Directive in that Relevant EEA State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto) and includes any relevant implementing measure in the Relevant EEA State.

### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Information Memorandum in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

## **10 Variation**

These selling restrictions may be amended, varied, replaced or otherwise updated from time to time in accordance with the Dealer Agreement. Any change may be set out in a Pricing Supplement or in another supplement to this Information Memorandum.

## AUSTRALIAN TAXATION

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*The following is a summary of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), at the date of this Information Memorandum, of payments of interest (as defined in the Australian Tax Act) on the Notes to be issued by the Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including, dealers in securities, custodians or other third parties who hold Notes on behalf of any Holders), nor does it deal with partly paid, indexed or zero coupon Notes.*

*Prospective holders of Notes should also be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.*

*The summary is not exhaustive and, in particular, does not deal with the position of certain classes of Holders (including, without limitation, dealers in securities, custodians or other third parties who hold Notes on behalf of any person).*

*This summary is not intended to be, nor should it be construed as, legal or tax advice to any particular holder of the Notes. Each Holder should seek professional tax advice in relation to their particular circumstances.*

### **1 Interest withholding tax**

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act (“**IWT**”) is available, in respect of the Notes issued by the Issuer under section 128F of the Australian Tax Act if the following conditions are met:

- (a) the Issuer remains a resident of Australia and a company (as defined in section 128F(9) of the Australian Tax Act) when it issues those Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) those Notes are debt interests and are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Issuer is offering those Notes for issue. In summary, the five methods are:
  - offers to 10 or more unrelated financiers, securities dealers or entities that carry on the business of investing in securities in the course of operating in financial markets;
  - offers to 100 or more investors who have acquired debentures or debt interests in the past or are likely to be interested in acquiring debentures or debt interests;
  - offers of listed Notes;
  - offers via publicly available information sources; or
  - offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days using one of the preceding methods.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test;

- (c) the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in those Notes were being, or would later be, acquired, directly or indirectly, by an “associate” of the Issuer, except as permitted by section 128F(5) of the Australian Tax Act; and

- (d) at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an “associate” of the Issuer, except as permitted by section 128F(6) of the Australian Tax Act.

#### *Associates*

“Associates” of the Issuer for the purposes of section 128F of the Australian Tax Act will include entities such as natural persons, companies, trustees and partnerships that have a particular family or business connection to the Issuer. Examples include:

- (i) a person or entity which (together with associates) holds more than 50% of the voting shares of, or otherwise controls, the Issuer;
- (ii) an entity in which more than 50% of the voting shares are held by, or which is otherwise controlled by, the Issuer;
- (iii) a trustee of a trust where the Issuer is capable of benefiting (whether directly or indirectly) under that trust; and
- (iv) a person or entity who is an “associate” of another person or company which is an “associate” of the Issuer under paragraph (i) above.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above), “associate” does not include:

- (A) onshore associates (i.e. Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (i.e. Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Notes in the course of carrying on business through a permanent establishment in Australia)

who are acting in the capacity of:

- (C) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme (for the purposes of the Corporations Act 2001 of Australia); or
- (D) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

#### ***Compliance with section 128F of the Australian Tax Act***

Unless otherwise specified in any relevant Pricing Supplement (or another relevant supplement to this Information Memorandum), the Issuer intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act that are in effect at the date of the issue of the Notes.

#### ***Holders who are Residents of Specified Countries***

The Australian government has signed new or amended double tax conventions (“**New Treaties**”) with a number of countries (each a “**Specified Country**”). The New Treaties apply to interest derived by a resident of a Specified Country.

Broadly, the New Treaties effectively prevent IWT applying to interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- certain financial institutions resident in a Specified Country which are unrelated to and dealing wholly independently with the Issuer. The term “financial institution” refers to either a bank or other enterprise which substantially derives its profits by raising and providing debt finance in the financial markets or by taking deposits at interest and using those funds in carrying on a business of providing finance.

Accordingly, where interest is paid by the Issuer to certain types of holders of Notes that are resident for tax purposes in Specified Countries, the interest may not be subject to Australian IWT.

However, arrangements involving back-to-back loans or other economically equivalent arrangements will be subject to the 10% IWT rate and the anti-avoidance provisions in the Australian Tax Act are not restricted from applying.

The Australian Federal Treasury maintains a listing of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation. This listing is available to the public on the Federal Treasury’s Department website.

### ***Payment of additional amounts***

As set out in more detail in the relevant Terms and Conditions for the Notes, and unless expressly provided to the contrary in the relevant Pricing Supplement (or another relevant supplement to this Information Memorandum), if the Issuer is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Notes, the Issuer must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of those Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If the Issuer is compelled by law in relation to any Notes to deduct or withhold an amount in respect of any withholding taxes, the Issuer will have the option to redeem those Notes in accordance with the relevant Terms and Conditions.

### ***Payments under the Guarantee***

It is unclear whether or not any payment by the Guarantor under the Guarantee would be subject to Australian IWT. There are good arguments that such payments (other than interest paid on an overdue amount) do not constitute “interest” for IWT purposes, and, if so, would not be subject to IWT.

The Australian Taxation Office has published a Taxation Determination stating that payments by a guarantor in respect of debentures (such as the Notes) are entitled to the benefit of the exemption contained in section 128F of the Australian Tax Act if payments of interest in respect of those debentures by the Issuer are exempt from IWT. However, there is some doubt as to whether the Taxation Determination applies in the context of the Guarantee and whether the reasoning adopted in the Taxation Determination is strictly correct.

If such payments are characterised as interest for IWT purposes, IWT at the rate of 10% will be payable on payments of interest (as defined in section 128B(1AB) of the Australian Tax Act), or interest paid on an overdue amount, by the Guarantor to non-residents (other than non-residents holding the Notes in the course of carrying on a business at or through a permanent establishment in Australia) or residents of Australia holding the Notes in the course of carrying on a business at or through a permanent establishment outside Australia.

As set out in more detail in the Guarantee, if the Guarantor is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of payments under the Guarantee, the Guarantor must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of those Notes after such deduction or withholding are

equal to the respective amounts which would have been received had no such deduction or withholding been required.

## 2 Other tax matters

Under Australian laws as presently in effect:

- (a) *income tax - offshore Holders* - assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes on such principal and interest;
- (b) *income tax - Australian Holders* - Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Australian Holders**"), will be assessable for Australian tax purposes on income either received or accrued due to them in respect of the Notes. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Holder and the Terms and Conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (c) *gains on disposal of Notes - offshore Holders* - a holder of Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Notes, provided such gains do not have an Australian source. A gain arising on the sale of Notes by a non-resident holder to another non-resident should not be regarded as having an Australian source where such Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia;
- (d) *gains on disposal of Notes - Australian Holders* - Australian Holders will be required to include any gain or loss on disposal of the Notes in their taxable income. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;
- (e) *deemed interest* - there are specific rules that can apply to treat a portion of the purchase price of Notes as interest for withholding tax purposes when certain Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian Holder. These rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;
- (f) *death duties* - no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (g) *stamp duty and other taxes* - no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes;
- (h) *other withholding taxes on payments in respect of Notes* - section 12-140 of the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") imposes a type of withholding tax (see below in relation to the rate of withholding tax) on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number ("**TFN**"), (in certain circumstances) an ABN or proof of some other exception (as appropriate).

Such withholding should not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding those Notes in the course of carrying on business

at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate).

The rate of withholding tax is currently 47% from the 2017-18 income year and, under if measures passed by the Australian House of Representatives on 25 October 2017 are enacted in their current form, will be increased to 47.5% following the 2018-19 income year;

- (i) *supply withholding tax* - payments in respect of the Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of the Taxation Administration Act;
- (j) *goods and services tax (GST)* - neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of a supply to a non-resident Holder outside Australia and certain areas offshore of Australia, which together comprise the “indirect tax zone” ) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of the Notes, would give rise to any GST liability in Australia;
- (k) *debt/equity rules* - Division 974 of the Australian Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and IWT. The Issuer intends to issue Notes which are to be characterised as “debt interests” for the purposes of the tests contained in Division 974 and the returns paid on the Notes are to be “interest” for the purpose of section 128F of the Australian Tax Act. Accordingly, Division 974 is unlikely to adversely affect the Australian tax treatment of holders of Notes;
- (l) *garnishee directions* - the Commissioner of Taxation for Australia may give a direction under section 255 of the Australian Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act or any similar provision requiring the Issuer or a Guarantor to deduct or withhold from any payment to any other party (including any holder of Notes) any amount in respect of tax payable by that other party. If the Issuer or a Guarantor is served with such a direction, the Issuer and the Guarantors intend to comply with that direction and make any deduction or withholding required by that direction;
- (m) *taxation of financial arrangements*—Division 230 of the Australian Tax Act contains tax-timing rules for certain taxpayers to bring to account gains and losses from “financial arrangements”. The rules in Division 230 do not apply to impose interest or other withholding taxes on payments in respect of the Notes.
- (n) *additional withholdings from certain payments to non-residents*—Section 12-315 of the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. The current regulations do not apply to the payments in respect of the Notes or payments by a Guarantor under the Guarantee and no further regulations have been released. The possible application of any future regulations should be monitored.

## DIRECTORY

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### Issuer

#### **AusNet Services Holdings Pty Ltd**

Level 31  
2 Southbank Boulevard, South Bank  
Melbourne Vic 3006

Telephone: (61 3) 9695 6363  
Facsimile: (61 3) 8635 7524  
Attention: Assistant Treasurer  
Email: [treasury@ausnetservices.com.au](mailto:treasury@ausnetservices.com.au)

### **Registrar, Issuer and Paying Agent and Calculation Agent for Notes**

#### **Austraclear Services Limited**

Level 4  
20 Bridge Street  
Sydney NSW 2000

Telephone: (61 2) 8298 8476  
Facsimile: (61 2) 9256 0456  
Attention: Manager, Clearing and Settlements  
Operations

### Arrangers and Dealers

#### **Australia and New Zealand Banking Group Limited**

ANZ Tower  
242 Pitt Street  
Sydney NSW 2000

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