ASX & SGX-ST Release

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12 November 2014

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Half Year 2015 Results Release and Presentation

The following documents are attached:

1. ASX and SGX-ST Release – AusNet Services Half Year 2015 Results; and
2. AusNet Services Half Year 2015 Results Presentation.

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AusNet Services

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AusNet Services (Transmission) Ltd
ABN 48 116 124 362

AusNet Services Finance Trust
ARSN 116 783 914

AusNet Services (RE) Ltd
ABN 46 109 977 371

AFS Licence No. 294117 as responsible entity for AusNet Services Finance Trust

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AusNet Services Half Year 2015 Results

AusNet Services today announced its half year results for the period ending 30 September 2014, reporting a 1.1% increase in revenues to $971.3m, a 9% decrease in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $529.4m and a Net Loss After Tax of $4.9m. The net loss and variance to the prior corresponding period is principally due to several items including:

- $163.0m impact due to an in-principle, non-binding agreement with the Australian Taxation Office (ATO) to settle all matters concerning the intra-group financing review (Division 974 audit) and rights to future income issues;
- $37.5m Advanced Metering Infrastructure Program (AMI) customer rebates provision;
- $15.0m AMI asset impairment;
- Prior period inclusion of performance fees in relation to the Management Services Agreement of $12.0m; and
- Prior period inclusion of $86.7m recognition of amounts potentially payable under the Section 163AA ATO impost dispute.

Adjusted EBITDA, which includes the $15.0m AMI asset impairment, decreased by 4.5% to $566.9m and adjusted NPAT decreased by 4.4% to $184.4m. The Directors declared an interim 2015 distribution of 4.18 Australian cents per security (52.6% franked).

A$M	HY 2015	HY 2014		Variance
Statutory Result				
Revenue	971.3	961.2	up	1.1%
EBITDA	529.4	581.8	down	-9.0%
EBIT	340.3	402.5	down	-15.5%
PBT	193.4	226.2	down	-14.5%
NPAT	-4.9	97.7	down	-105.0%
Adjusted EBITDA [1,3]	566.9	593.8	down	-4.5%
Adjusted NPAT [2,3]	184.4	192.8	down	-4.4%
Interim distribution	4.18	4.18	unchanged	0.0%

1. Adjusted EBITDA excludes $12m in performance fees recognised for the period ended 30 Sep 13; excludes the recognition of a provision for AMI customer rebates of $37.5m for the period ended 30 Sep 14.
2. In addition to the after-tax impact of the EBITDA adjustments referred to above, adjusted NPAT also excludes $86.7m for the amount potentially payable for the period ended 30 Sep 13 in respect of Section 163AA disputes and excludes recognition of $163.0m in income tax expense for settlement with the ATO in relation to the intra-group financing audit for the period ended 30 Sep 14.
3. Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review

Operational Review

Electricity distribution

	30 September 2014	30 September 2013	Movement	%
Segment revenue ($M)	447.7	422.2	25.5	6.0
Segment result - EBITDA ($M)	213.8	235.0	(21.2)	(9.0)
Volume (GWh)	3,860	3,902*	(42)	(1.1)
Connections	673,254	663,163	10,091	1.5
Capital expenditure ($M)	250.2	278.9	(28.7)	(10.3)

* Restated to exclude solar exports

AusNet Services' electricity distribution business contributed $447.7m in total revenues for the period ended 30 September 2014. Total revenue for electricity distribution increased by $25.5m or 6% despite the slight decline in volumes distributed. This growth has been primarily driven by regulated price increases for both electricity distribution as well as AMI revenues. The electricity distribution price increase is due to a combination of regulated price path, as well as higher revenues under incentive schemes, somewhat offset by a price reduction for the pass-through of transmission use of system charges.

The electricity distribution business contributed $213.8m to EBITDA for the period ended 30 September 2014, which is a $21.2m decrease compared to the previous period. This reduction in EBITDA is significantly due to the $37.5m AMI customer rebates, as well as a $15.0m impairment of AMI assets, offset by increased revenue and a $7.3m reduction in expenses associated with the performance fees under the Management Services Agreements with SPI Management Services Pty Ltd (SPIMS) which was terminated on 31 March 2014.

A warmer six-month period to 30 September 2014 compared to the previous period, along with changing consumer behaviours, have contributed to the decline in volume. However, these impacts have been mostly offset by the 1.5% increase in customer numbers.

Of the total capital expenditure for electricity distribution of $250.2m, $65.4m was spent on asset replacement while a further $56.7m relates to various safety programs, including those highlighted in the Victorian Bushfire Royal Commission. The decrease in capital expenditure from the previous period is due to AMI, with completion of the meter and communication rollouts, and lower IT spend as AusNet Services undertook a technical review of the AMI solution.

The Essential Services Commission (ESC) has concluded its audit of distribution businesses' compliance with the best endeavours obligations under the AMI Cost Recovery Order in Council (CROIC). The ESC found that AusNet Services "has not demonstrated that it used best endeavours, to the extent practicable, to meet the AMI rollout target, and has not demonstrated that it maintained an effective strategy to identify and manage risks." The ESC has indicated that it will continue to monitor AusNet Services' progress and require regular reporting. The ESC has noted in its report that it did not assess the efficiency and prudency of any AMI expenditure.

Gas distribution

	30 September 2014	30 September 2013	Movement	%
Segment revenue ($M)	117.5	138.4	(20.9)	(15.1)
Segment result - EBITDA ($M)	92.0	118.6	(26.6)	(22.4)
Volume (PJ)	40.8	42.7	(1.9)	(4.4)
Connections	640,793	627,240	13,553	2.2
Capital expenditure ($M)	44.0	44.4	(0.4)	(0.9)

The gas distribution business contributed $117.5m in total revenues for the period, a $20.9m decrease compared to the previous period. This is largely due to price reductions following a lower WACC in the latest gas regulatory determination, with a 15% price reduction on 1 July 2013, and a further 4% price reduction on 1 January 2014. Lower industrial volumes contributed to a volume decline of 4.4%. The gas distribution business contributed $92.0m to EBITDA for the period, a decrease of $26.6m over the previous corresponding period primarily as a result of lower revenues.

Electricity transmission

	30 September 2014	30 September 2013	Movement	%
Segment revenue ($M)	330.7	332.9	(2.2)	(0.7)
Segment result - EBITDA ($M)	213.9	220.5	(6.6)	(3.0)
Capital expenditure ($M)	104.3	128.8	(24.5)	(19.0)

AusNet Services' electricity transmission business contributed $330.7m in total revenues for the period. Transmission regulated revenue is not subject to volume risk. The 0.7% decrease in revenue is as a result of the reduction in regulatory WACC arising from the Transmission Revenue Reset (TRR) Final Determination for the 2014-17 period, which commenced on 1 April 2014.

The electricity transmission business contributed $213.9m to EBITDA for the period ended 30 September 2014, a decrease of $6.6m over the previous period. In addition to lower revenues, operating expenses for transmission increased by 3.9% due to lower capitalised overheads associated with lower capital expenditure ($2.7m) and a one-off gain on disposal of fixed assets recorded in the prior period ($1.3m).

The decline in capital expenditure compared to the previous period is a result of several major terminal station upgrades being completed in the prior period.

The TRR provides funding for key transmission projects, particularly the replacement and refurbishment of several major terminal stations, including Richmond and West Melbourne, which underpin electricity supply to the Melbourne Central Business District. In addition, AusNet Services is undertaking an upgrade of the Brunswick terminal station.

Select Solutions

	30 September 2014	30 September 2013	Movement	%
Segment revenue ($M)	81.1	74.7	6.4	8.6
Segment result - EBITDA ($M)	9.7	7.7	2.0	26.0

Select Solutions provides metering, data and asset management solutions, including integrated mobile and spatial technologies, to external parties and AusNet Services. Select Solutions' customers are primarily businesses operating in the essential infrastructure sector such as electricity, water and gas utility owners, transportation authorities and telecommunications companies.

Select Solutions contributed $81.1m in total revenues for the period. This excludes revenue earned from services provided to other entities within the Stapled Group. Revenue increased due to the acquisition of Geomatic Technologies in February 2014, which contributed $6.5m towards segment revenue. Select Solutions contributed $9.7m to EBITDA for the period, an increase of $2.0m on the prior period which included a $1.2m adjustment.

Outlook

AusNet Services is considering a restructure and simplification proposal (Proposal), which is expected to broaden the investment appeal of AusNet Services. Under the proposal, the existing stapled entities would become wholly owned by a new listed entity (expected to be called AusNet Services Ltd). The proposal is subject to due diligence, applicable regulatory approvals and final Board approval. The Proposal would be implemented by way of company and trust schemes of arrangement and require the approval of securityholders and the court. There will be no capital raising or return of capital as part of the Proposal and securityholders will not be required to pay any cash consideration. An explanatory memorandum and securityholder meeting date will be notified in due course. AusNet Services is targeting an implementation date within the 2015 financial year.

AusNet Services will continue to determine future distribution amounts from operating cash flows after servicing all of its maintenance capital expenditure and a portion of its growth capital expenditure. For the 2015 financial year, AusNet Services expects to maintain distributions of 8.36 cents per security. The final FY 2015 distribution is expected to be around 60% franked.

Growth in the Regulated & Contracted Asset Base remains stable; underpinned by asset replacement, peak demand requirements and bushfire mitigation requirements. AusNet Services remains committed to growing and modernising its existing networks. AusNet Services will also focus on expanding and commercialising specialist utility related solutions, in particular metering and technical services.

AusNet Services expects capital expenditure in FY 2015 to be around $915m.

Distribution key dates

The 2015 interim distribution of 4.18 Australian cents per security comprises 2.20 cents from a fully franked dividend (52.6%) and 1.980 cents from interest income (47.4%).

Important dates:

21 November 2014	ASX & SGX-ST ex-date for interim distribution
25 November 2014	Record date to identify securityholders entitled to interim distribution
26 November 2014	Last election date for participation in DRP for interim distribution
24 December 2014	Payment of interim distribution

The Distribution Reinvestment Plan (DRP) will be in operation for the 2015 interim distribution at a 2% discount to the average trading price. The average trading price will be the average of the volume weighted average price of securities sold in ordinary market transactions on the ASX between 27 November 2014 and 10 December 2014 (inclusive). For further information please refer to the DRP Rules at www.ausnetservices.com.au.

About AusNet Services

AusNet Services is the largest diversified energy network business in Victoria, owning and operating over $11 billion of electricity and gas distribution assets, including the state-wide electricity transmission network. The company also has a non-regulated division, Select Solutions, providing utility services.

Headquartered in Melbourne, Australia, AusNet Services employs more than 2,500 people to service 1.3m consumers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: X04).

For more information visit AusNet Services' website, www.ausnetservices.com.au

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Half Year 2015 Results

For the financial period ended 30 September 2014

12 November 2014

Disclaimer

- The AusNet Services Group (AusNet Services) comprises AusNet Services (Transmission) Ltd (AusNet Services Transmission), AusNet Services (Distribution) Ltd (AusNet Services Distribution) (together, the Companies) and their subsidiaries, AusNet Services Finance Trust and the responsible entity for the AusNet Services Finance Trust, AusNet Services (RE) Ltd (Responsible Entity), which is the holder of the Australian Financial Services Licence No. 294117. Shares in each of the Companies are stapled to units in the AusNet Services Finance Trust.
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Introduction & Summary

Financial Performance

Operational Review

Strategy & Outlook

Note: All references to '$' are Australian dollars unless otherwise stated.

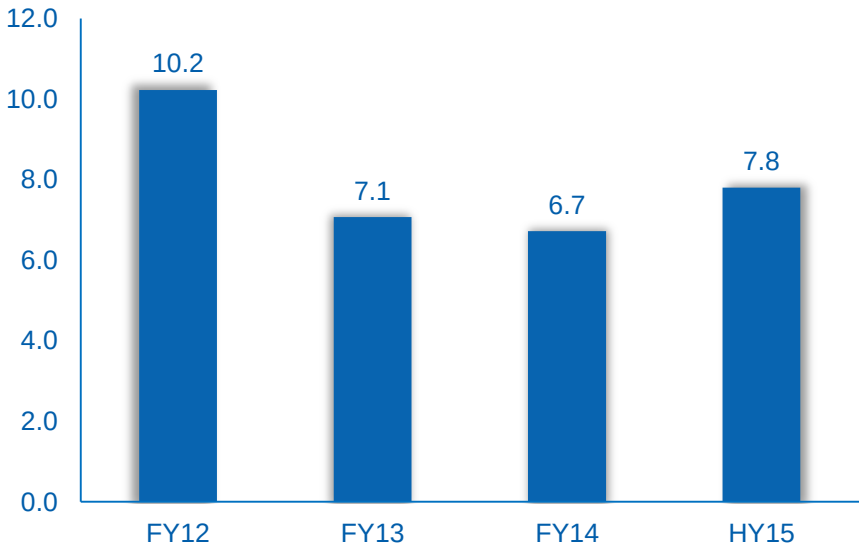
Safety mission & performance

Our missionZERO journey continues

- **About missionZero**
  - › symbolises our safety vision and values. When it comes to the safety of our people our target is ZERO injuries
  - › Underpinned by a strategy focused on strong safety leadership, safe behaviour, the creation of safe work environments and improved systems and measurement
- **missionZero progress**
  - › Stronger line management accountability
  - › Focus on elimination and/or minimisation of risk

Performance against target

- HY15 Recordable Injury Frequency Rate (RIFR) = 7.8, a 16.4% increase on FY14.
- Deterioration in RIFR largely due to contractor and third party performance. AusNet Services continues to focus on increasing safety standards.



missionZERO

Key developments

Rebrand and internalised management
Implemented the internalisation of senior management and IT services; renamed and rebranded to AusNet Services

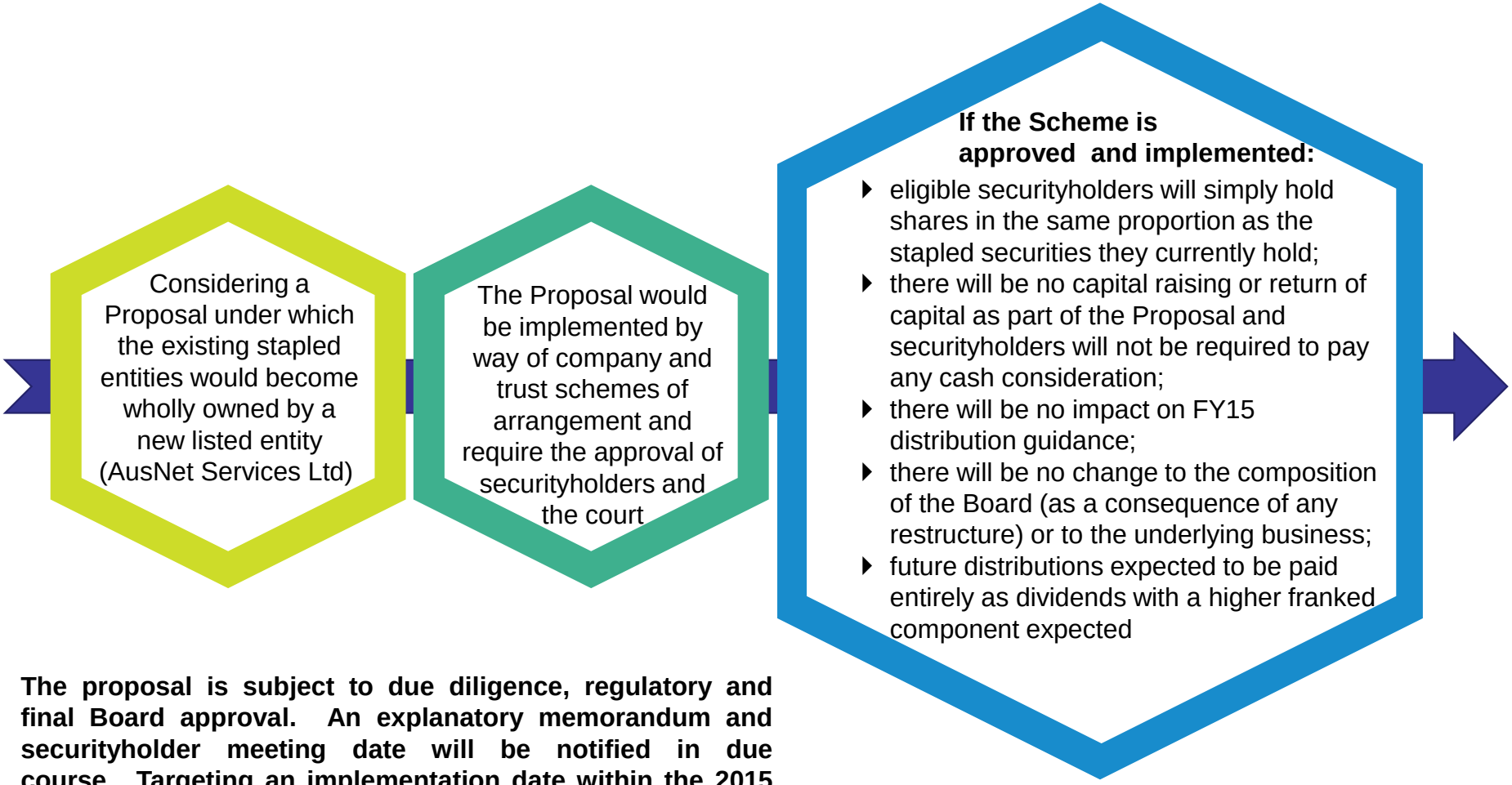
Settled ATO audit
Reached an in-principle, non-binding agreement to settle all matters concerning intra-group financing audit (Division 974 audit)

Settled Kilmore East bushfire class action
Agreed to settle Kilmore East bushfire class action, without admission of liability. Insurers paid $378.6m into a settlement reserve fund

Agreed AMI Remediation Plan
Developed a remediation plan to complete the Advanced Metering Infrastructure program. Forecasting $175m of additional investment to December 2016

Proposing Corporate Restructure
Considering a proposal under which, if approved by securityholders, the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd)

Restructure & simplification proposal



The proposal is subject to due diligence, regulatory and final Board approval. An explanatory memorandum and securityholder meeting date will be notified in due course. Targeting an implementation date within the 2015 financial year.

Investment proposition

$8.4bn Regulated & Contracted Asset Base

- $8.4bn Regulated & Contracted Asset Base, representing critical energy delivery infrastructure, providing stable long-term regulated cash flows
- 3 Victorian energy networks: electricity transmission, electricity and gas distribution, regulated natural monopolies with high barriers to entry
- 88% of revenues are regulated and inflation protected

Financial Stability & Flexibility

- Conservative gearing, forecasting net debt to Regulated & Contracted Asset Base of <70% to FY 2017 (currently 69%)
- Investment grade credit rating, currently rated A- by S&P and A3 by Moody's
- Balance sheet resilience, supported by strong cash flows

Organic Growth & Yield

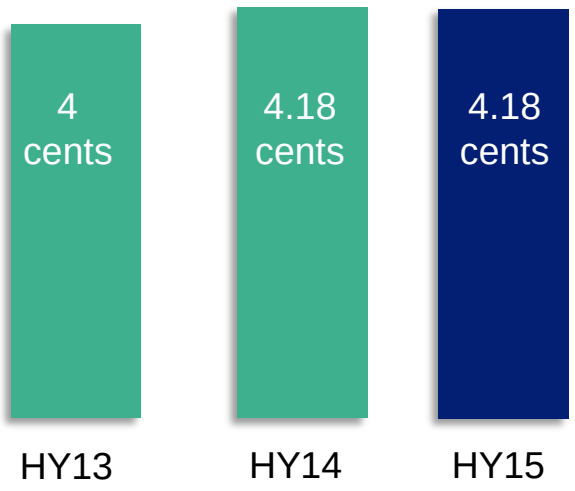
- Organic growth in the Regulated & Contracted Asset Base forecast at 6% p.a. to FY 2017
- FY 2015 distribution guidance of 8.36 cents per security, distributions fully covered by strong operating cash flows
- Interim FY 2015 distribution franked at 53%, final FY 2015 distribution expected to be around 60% franked, representing after-tax distribution growth for securityholders

Focused Strategy

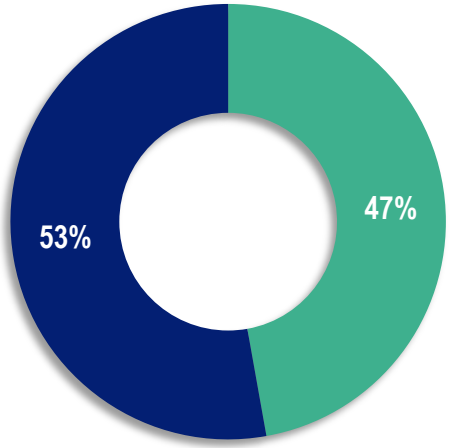
- 100% control, ownership and internalised management of asset base, providing securityholders with a secure path to cash flows
- Continuing transformation journey by moving to a more efficient operating model and simpler corporate structure
- Provide safe, resilient and reliable networks

Stable & tax-effective distributions

Half Year Distribution ¢



HY15 Distribution Components



	HY15	HY14	HY13
Interest Income	47.4%	57.3%	60.2%
Fully Franked Dividend	52.6%	33.3%	33.3%
Return of Capital	0.0%	9.4%	6.5%

- FY15 distribution guidance of 8.36cps
- Interim FY15 distribution franked at 53%
- Final FY15 distribution expected to be around 60% franked

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Financial performance

Half Year to 30 September 2014 (A$M)

A$M	HY 2015	HY 2014	Variance
Statutory Result			
Revenues	**971.3**	961.2	1.1%
EBITDA	**529.4**	581.8	-9.0%
EBIT	**340.3**	402.5	-15.5%
PBT	**193.4**	226.2	-14.5%
NPAT	**-4.9**	97.7	-105.0%
Interim distribution	**4.18**	4.18	0.0%
Adjusted EBITDA	**566.9**	593.8	-4.5%
Adjusted NPAT	**184.4**	192.8	-4.4%

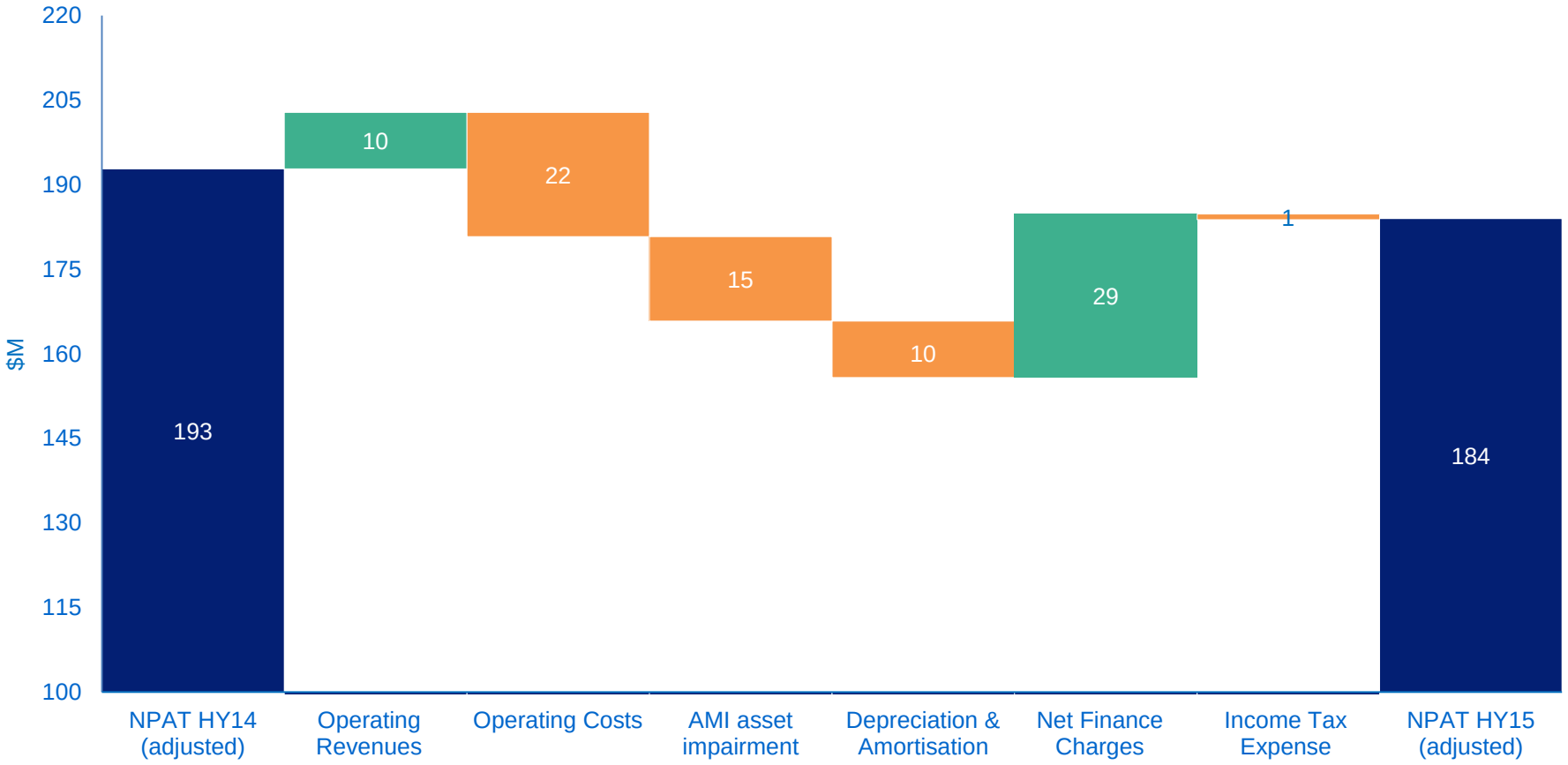
- Higher revenues in electricity distribution offset by lower revenues in gas distribution and electricity transmission as a result of recent regulatory determinations
- Higher operating costs due to recognition of AMI program customer rebate ($37.5m) and WiMAX card asset impairment ($15m)
- Higher income tax expense due to in-principle, non-binding agreement with the ATO to resolve intra-group financing audit (Division 974 audit)

Notes
Refer to appendices for reconciliation to statutory result

Financial performance

Adjusted result

Half Year to 30 September 2014 (A$M)

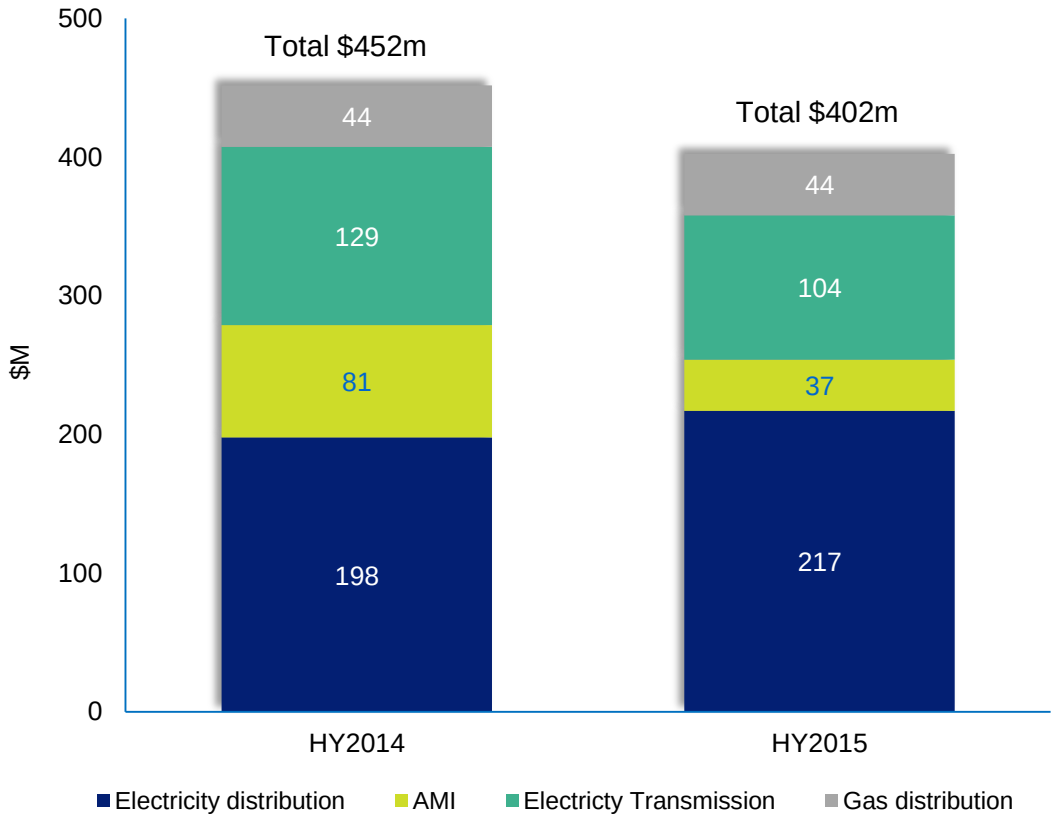


Notes
Refer to appendices for reconciliation to statutory result

Gross capital expenditure

Half Year to 30 September 2014 (A$M)

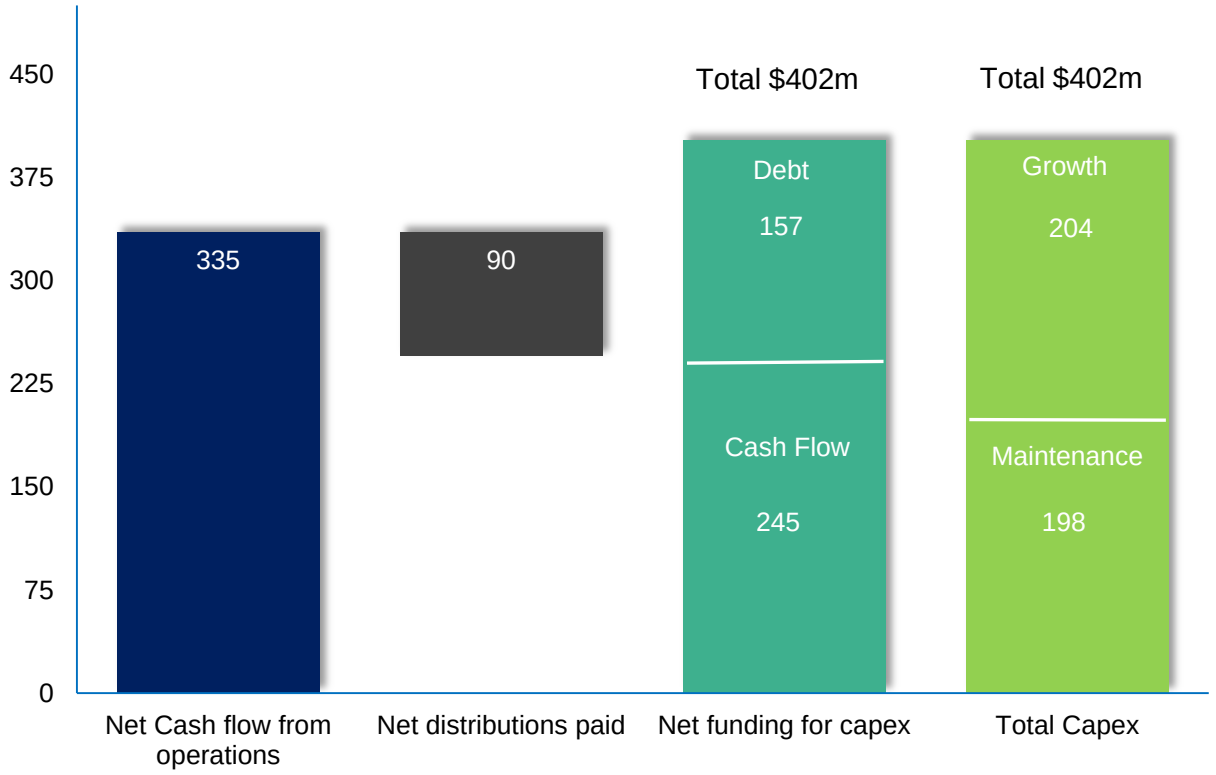
- **HY 2015 capex down 11% as a result of:**
  - lower transmission capex due to completion of several major upgrades in prior period
  - lower AMI program spend due to completion of meter installations in previous period
- **Capex to accelerate in second half of FY 2015 due to AMI remediation**
- **FY 2015 capex expected to be around $915m (FY14:$922m)**



Capex funding

Half Year to 30 September 2014 (A$M)

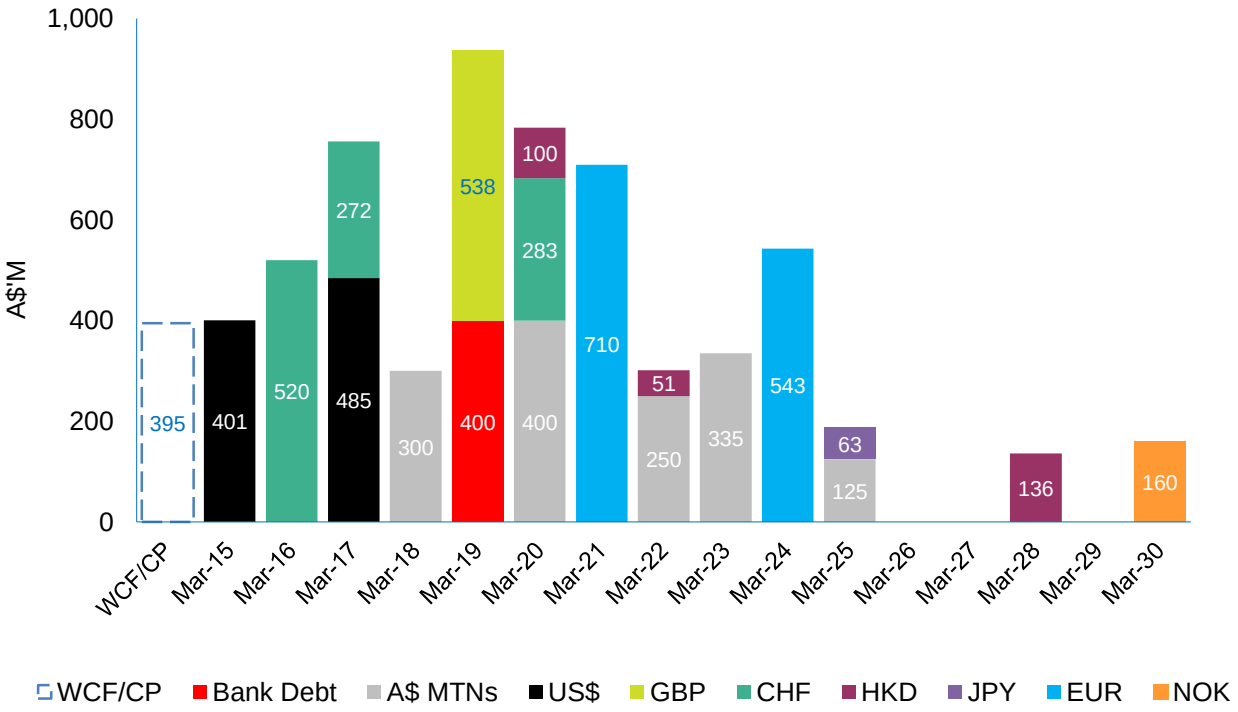
- Capex underpinned by solid operating cash flows and a prudent mix of debt and equity funding
- After satisfying net distributions (net of $51m re-invested under the DRP), $245m of operating cash flows were available to fund capex
- HY 15 cash flow includes a net payment of $39m for management internalisation and associated costs
- Regulatory depreciation for the half was $210m
- Growth/maintenance capex split expected to be around 60/40. Higher first half maintenance capex due to accelerated pole replacements



Diversified debt portfolio

Debt maturity profile as at 30 September 2014 – Net debt approx. $5,790 (A$M)

- As at 30 Sep 2014, AusNet Services had A$375m of undrawn, committed bank debt facilities and A$675m in cash
- Net Debt effectively hedged against movements in interest rates (HY15 net debt hedging @ 95%)
- Issued A$125m 10yr bond and NOK900m ($A160m) 15yr year bond during the period



Notes: Net debt = Debt at face value ($6,465M) *less* cash / cash equivalents of $675M. Offshore debt shown at hedged rates.

Sound fundamentals

Financial Metrics	30-Sep-14	30-Sep-13
Total Assets	$11.2bn	$9.9bn
Total Borrowings	$6.6bn	$5.3bn
Net Debt [1]	$5.9bn	$5.3bn
Net Gearing (CV) [2]	63%	61%
Net Debt (FV) to Regulated / Contracted Asset Base [3]	69%	68%
Interest Cover [4]	3.0x	2.9x

Market Metrics @ 30 Sep 14	ASX	SGX
Security Price	A$1.37	S$1.51
Market Capitalisation	A$4.7bn	S$5.2bn
Net Asset Value Per Security	A$1.03	S$1.14

Notes

1. Net debt is debt at carrying value.
2. Calculated as net debt at carrying value divided by net debt at carrying value plus equity.
3. Debt at face value less cash divided by Regulated / Contracted Asset Base. Demonstrates how AusNet Services funds its capex in terms of debt vs. income generating assets.
4. Calculated as EBITDA less customer contributions and tax paid, divided by net interest expense. This is how interest cover is measured for internal management purposes, as it provides an accurate reflection of how after-tax operating cash flows are used to meet interest payments.

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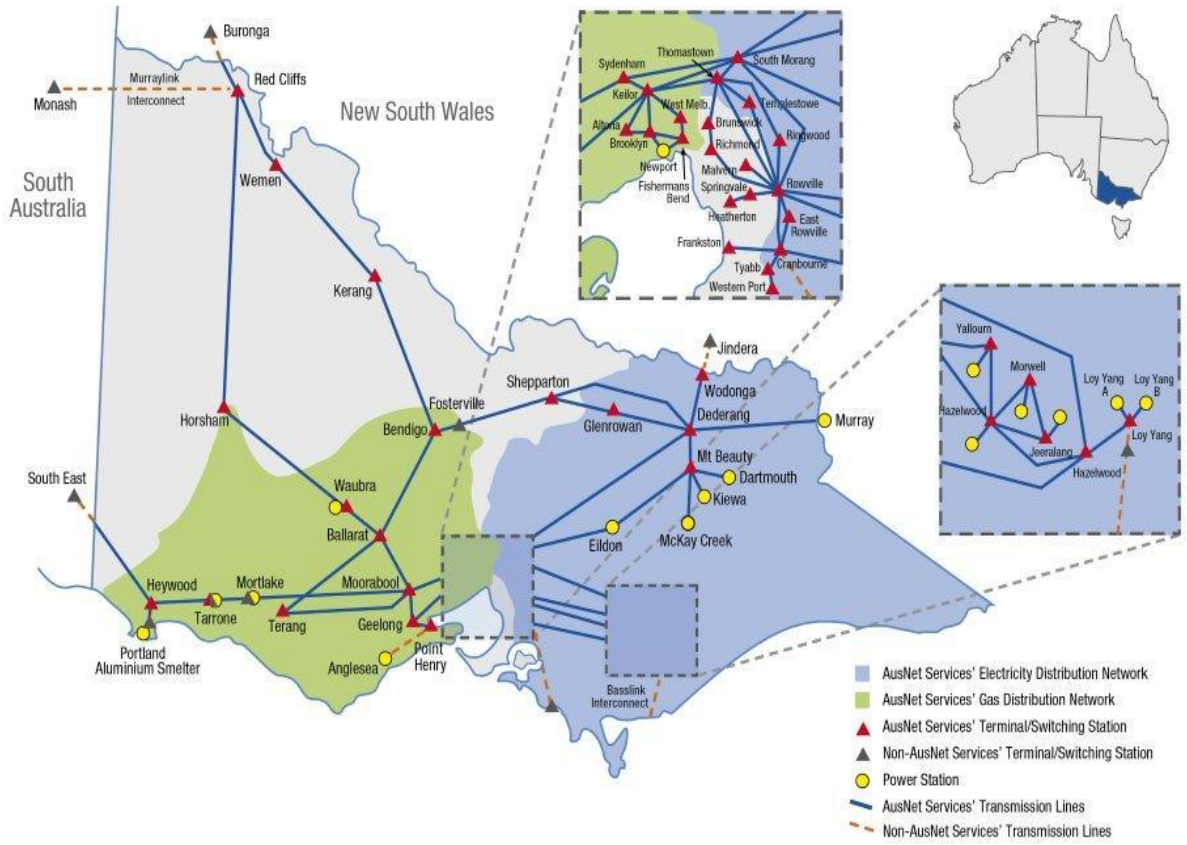
Suite of high quality assets

Key Network Statistics*



Electricity Transmission

- 6,573km of transmission lines
- 13,000 towers

Electricity Distribution

- 50,705km of electricity distribution network
- 673,254 customers

Gas Distribution

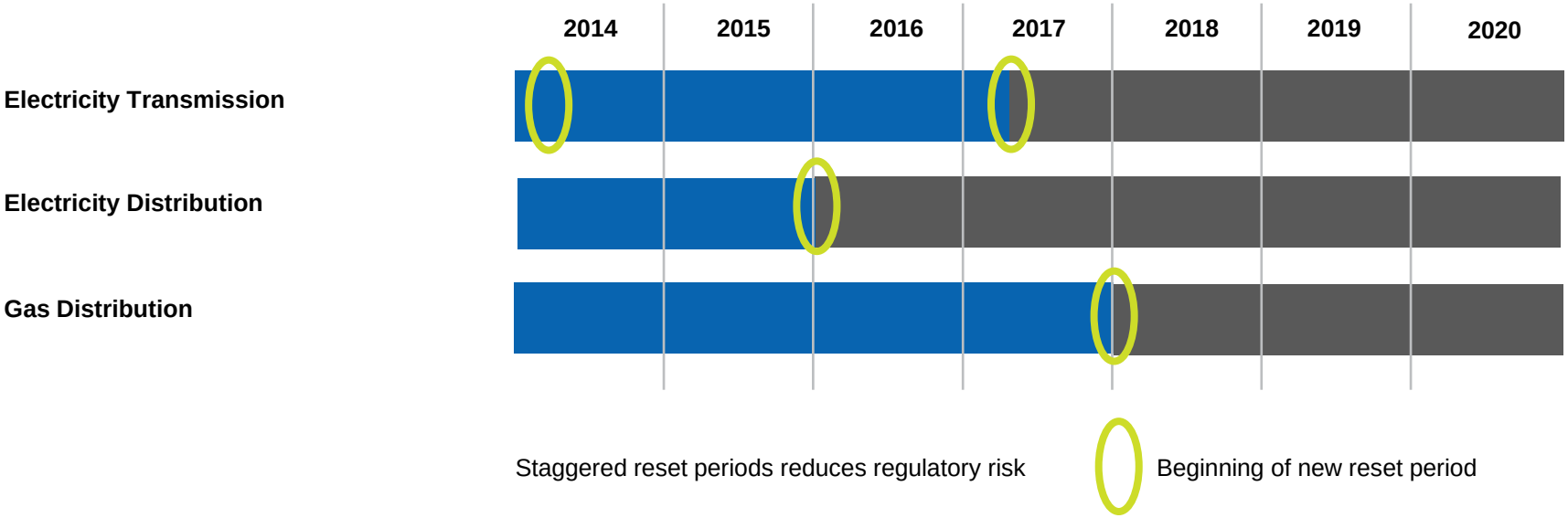
- 10,577km of gas distribution network
- 640,793 customers

* All figures are approximate as at 30 September 2014

Networks summary

Diversified reset periods reduce regulatory risk

- 3-year Transmission Regulatory Reset period commenced on 1 April 2014
- Electricity Distribution Regulatory Proposal 2016-2020 application to be submitted to the AER in early 2015



Regulatory Reform

Key reforms and current issues:

- **Distribution network pricing rule change**
  - Tariffs based on price signals reflecting the cost of relieving network capacity constraints (long run marginal cost)
- **Establishment of a national smart metering contestability framework**
  - The AEMC proposes early transition to this framework for Victoria (introducing meter churn)
  - Distributors would be compensated for the removal of their meter
  - Network benefits derived from smart metering would likely be impacted
- **The way in which electricity is supplied and used is changing**
  - Technology, environmental considerations and the high price of delivered energy is driving increased customer involvement in energy decisions
  - The role of networks is evolving in response to these factors
  - Reforms should reflect the value invested in network assets
- **A longer term vision for the electricity sector is highly desirable**
  - AusNet Services is engaging with policymakers and other stakeholders on future framework options

Electricity transmission network

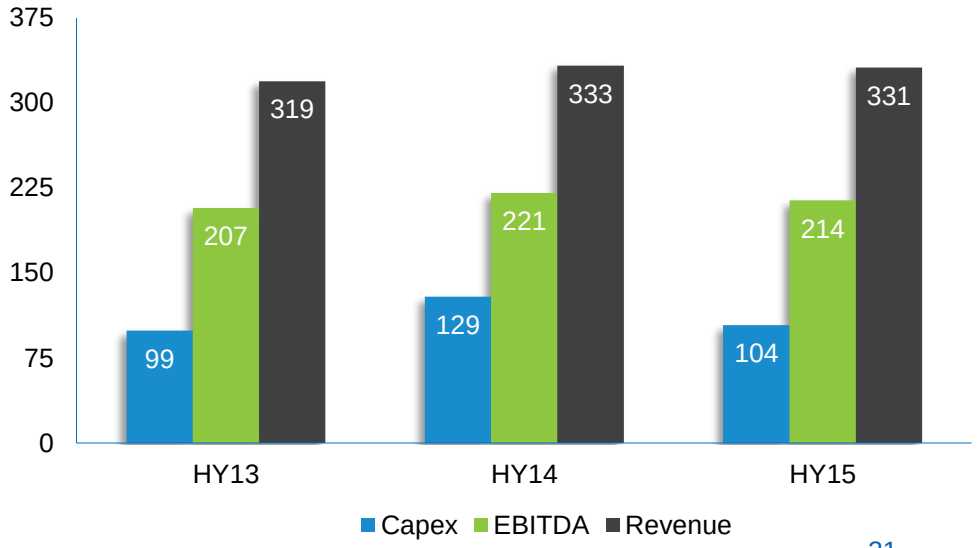


Electricity transmission network

Half Year Highlights (A$M)

- Lower revenue and EBITDA due to a new price path commencing 1 Apr 2014 as a result of TRR 2014-17
- Significantly progressed Melbourne CBD Terminal Station redevelopment. Completed major upgrades at Brooklyn and Bendigo terminal stations
- Upgraded Dederang Terminal Station in northern Victoria, a crucial interstate link transporting up to 1,600MW in peak periods
- Continue to develop a pipeline of unregulated transmission opportunities with a focus on new wind and gas fired generation connections

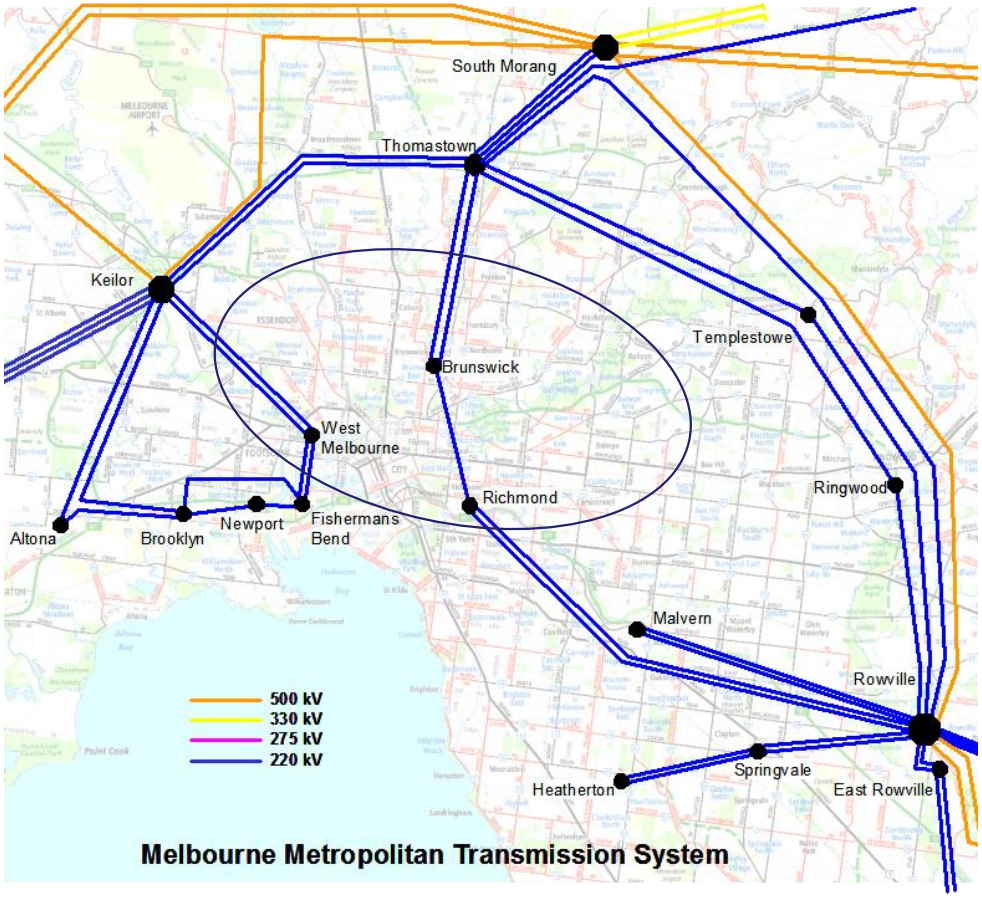
	30-Sep-14	30-Sep-13	Variance %
Revenue	**330.7**	332.9	-0.7%
EBITDA	**213.9**	220.5	-3.0%
EBITDA Margin	**64.7%**	66.2%	-1.6%



Electricity transmission network

CBD Terminal Station redevelopment project

- **Customer project – Load growth**
  - Brunswick Terminal Station - moved into a new phase with the commencement of building works following the successful defence of town planning objections at VCAT.
- **Aged Assets > 50 years**
  - Richmond Terminal Station – recently commissioned a major component of the 5 year rebuild project bringing on line the new 22kV building and Gas Insulated Switch room along with installation of a new 220kV to 22kv transformer.
  - West Melbourne Terminal Station - Special dispensation was given to AusNet Services (under Section 77 of the Major Transports Facilitation act) for East West Road Link to include design changes required to manage the impact to our site.



Electricity distribution network

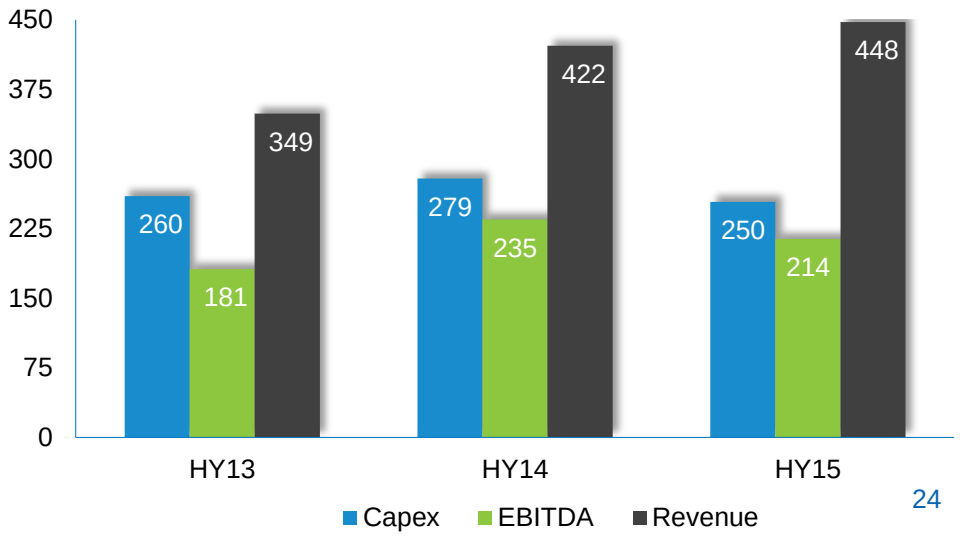


Electricity distribution network

Half Year Highlights (A$M)

- Higher revenues from regulated price increases of 13.75% in CY14, partially offset by lower Transmission charge (pass through) over recovery in prior period
- Margins impacted by recognition of $37.5m AMI customer rebate and $15m impairment due to the replacement of WiMAX cards
- HY15 AMI revenue $62m, up from $51m in HY14

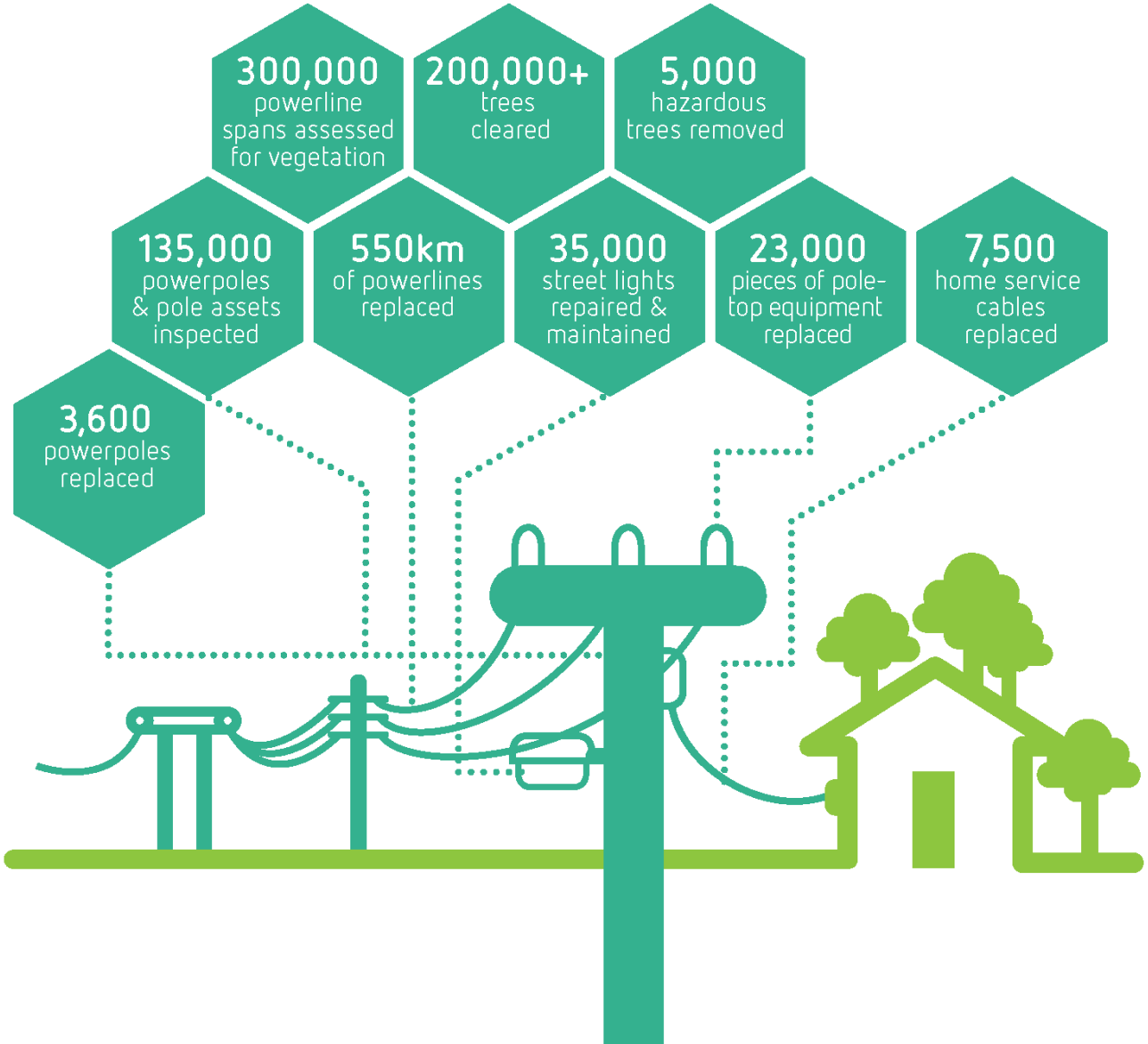
	30-Sep-14	30-Sep-13	Variance %
Revenue	**447.7**	422.2	6.0%
EBITDA	**213.8**	235.0	-9.0%
EBITDA Margin	**47.8%**	55.7%	-7.9%
Volume (GWh)	**3,860**	3,902	-1.1%
Connections	**673,254**	663,163	1.5%



Electricity distribution network

To manage its networks for the future, AusNet Services has pioneered the development of innovative network management tools including:

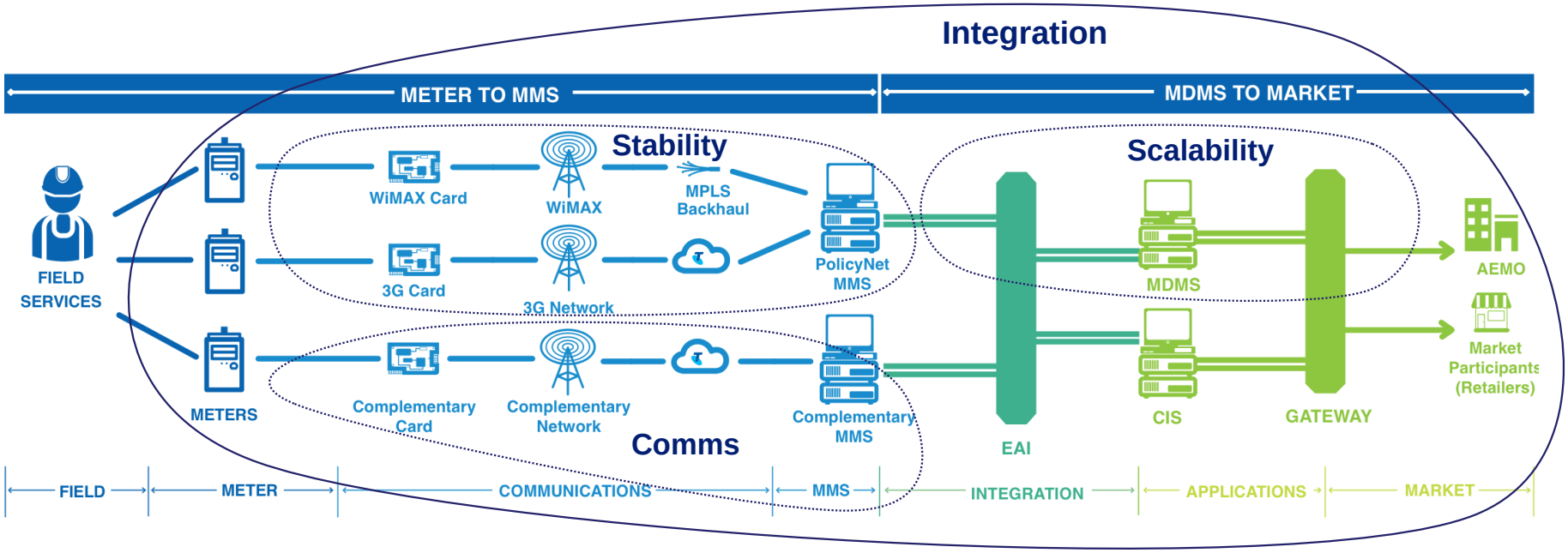
- Distribution Feeder Automation
- Network Management Automation
- Distribution Outage Management System
- Grid Energy Storage Systems
- $40m, two-year HV aerial bundled cable (HV ABC) replacement program in heavily vegetated, high fire risk areas



Advanced Metering Infrastructure Update

- **Almost 700,000 meters installed with around 400,000 communicating remotely with the market**
- **Previously announced instability in end-to-end AMI IT systems and technical review undertaken with key findings being:**
  - No replacement of the core systems
  - Additional communication technology required
  - Further investment in supporting infrastructure to stabilise systems and scale up for remaining meters not currently being read remotely
- **Remediation approach finalised and Vendor negotiations currently in progress.**
- **Expenditure required to complete a fully compliant AMI Program estimated at $175m (~90% capex and ~10% opex).**
- **The remediation plan will be delivered in phases with expected completion by the end of 2016.**

AMI Remediation Build Phase



Stability
Stabilise the core systems

Scalability
Scale the system to handle 100% meter fleet

Comms
Introduce new comms solution for infill

Integration
Integrate end-to-end systems with operations

AMI Regulatory Update

- The following expenditure is subject to future regulatory approval by the AER:

($M) Nominal	CY 2012	CY 2013	CY 2014	CY 2015	TOTAL $M
Approved AER Budget	**183**	**107**	**25**	**20**	**335**
AusNet Services	**181**	**177**	**140**	**188**	**686**
AMI Expenditure subject to future regulatory approval					**351**

- AusNet Services will seek to recover this additional AMI Program expenditure within the regulatory framework.
- On 17 September, AusNet Services was informed that it had been unsuccessful in an administrative review of the AER's AMI 2012-15 Budget Determination, in which the AER disallowed $56.4m of AusNet Services' costs. AusNet Services has decided not to pursue further appeals in this regard.
- On 31 July 2014, AusNet Services advised that it would have to make a payment of up to $37.5m under the Victorian Government's customer rebate policy. The policy requires AusNet Services to pay a fixed amount of $125 per customer as a one-off lump sum for premises which do not have a smart meter installed that communicates remotely with the market by 31 March 2015. It is expected that the rebate will be paid by 30 June 2015.

Gas distribution network

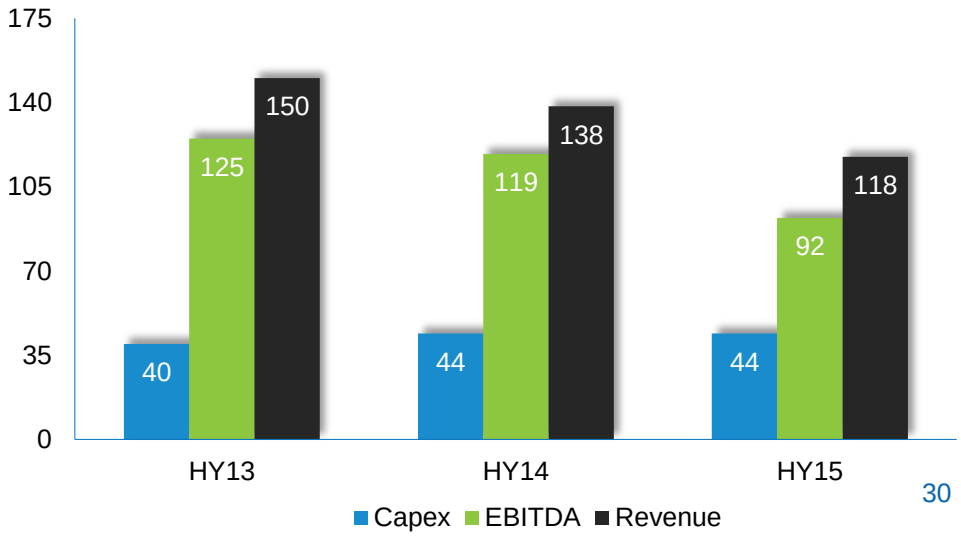


Gas distribution network

Half Year Highlights (A$M)

- Lower revenues due to a reduction in tariffs from 1 Jul 13 (-15%) and 1 Jan 14 (-4%)
- Continued growth in new connections, due to residential housing growth in the western corridor
- Volume decline predominantly due to lower industrial usage
- Continue to extend our gas mains pipeline to Avoca, Huntly, Bannockburn and Winchelsea as part of the Victorian Government's Energy for the Regions program. Residents and businesses will be able to choose natural gas toward the end of 2015.

	30-Sep-14	30-Sep-13	Variance %
Revenue	**117.5**	138.4	-15.1%
EBITDA	**92.0**	118.6	-22.4%
EBITDA Margin	**78.3%**	85.7%	-7.4%
Volume (PJ)	**40.8**	42.7	-4.4%
Connections	**640,793**	627,240	2.2%



Select Solutions

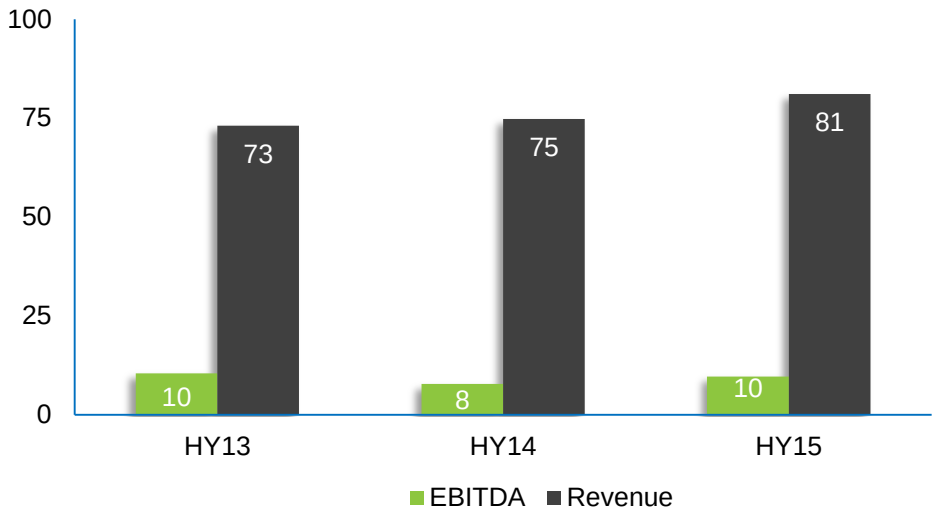


Select Solutions

Half Year Highlights (A$M)

- **Select Solutions has had a successful half year with growth coming in the following areas:**
  - Meter Replacement programs with Endeavour Energy, South Australia Water and Southern Water (Tasmania);
  - Specialist field metering services to Jemena and United Energy;
  - Continued growth in contestable metering;
  - Corrosion Protection services for Melbourne Water, City West Water and Jemena; and
  - The opening of Singapore based laboratory;
- **Select Solutions remains focused on expanding service offerings in new markets, in particular New South Wales and Queensland, and continuing the integration and growth of Geomatic Technologies.**

	30-Sep-14	30-Sep-13	Variance %
Revenue	**81.1**	74.7	8.6%
EBITDA	**9.7**	7.7	26.0%
EBITDA Margin	**12.0%**	10.3%	1.7%



Introduction & Summary

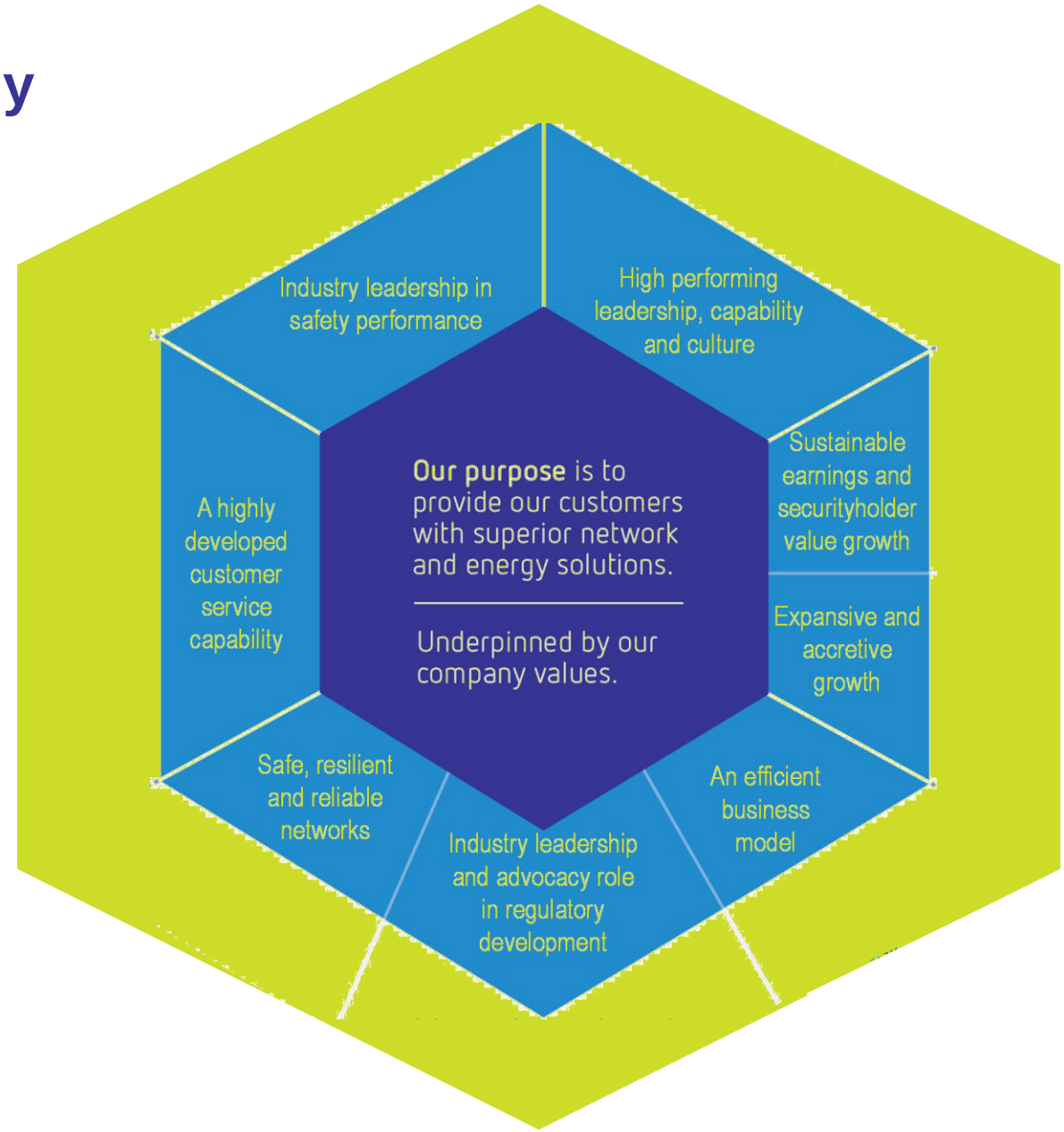
Financial Performance

Operational Review

Strategy & Outlook

Note: All references to '$' are Australian dollars unless otherwise stated.

Strategy


Industry leadership in safety performance
High performing leadership, capability and culture
Sustainable earnings and securityholder value growth
Expansive and accretive growth
An efficient business model
Industry leadership and advocacy role in regulatory development
Safe, resilient and reliable networks
A highly developed customer service capability
Our purpose is to provide our customers with superior network and energy solutions.
Underpinned by our company values.

Outlook

- Targeting simplification of corporate structure within the 2015 financial year
- Simplified structure expected to improve investor sentiment and broaden the appeal of AusNet Services
- Future distributions are expected to be paid entirely as dividends, if the scheme is approved by securityholders and implemented
- Expecting distributions of 8.36 cps for FY 2015
- Final FY 2015 distribution expected to be around 60% franked
- FY 2015 capex expected to be around $915m
- Regulated & Contracted Asset Base growth forecast to average around 6% p.a. to 2017
- Forecasting net debt to Regulated & Contracted Asset Base of < 70% to 2017 (currently 69%)
- Focused on delivering a fully compliant AMI program
- Distribution Reinvestment Plan in operation for the 2015 interim distribution (2% discount)

Questions

Appendices

Financial performance

Reconciliation of statutory result

Half Year to 30 September 2014 (A$M)

	EBITDA ($m)				NPAT ($m)		
	HY 2015	HY 2014	Change		**HY 2015**	HY 2014	Change
Statutory Result	**529.4**	**581.8**	**(52.4)**		**(4.9)**	**97.7**	**(102.6)**
AMI customer rebates	37.5	-	37.5		26.3	-	26.3
Intra group financing settlement with ATO	-	-	-		163.0	-	163.0
Section 163AA Tax impost	-	-	-		-	86.7	(86.7)
MSA performance fees	-	12.0	(12.0)		-	8.4	(8.4)
Adjusted Result	**566.9**	**593.8**	**(26.9)**		**184.4**	**192.8**	**8.4**

Adjusted EBITDA and adjusted NPAT are useful for investors as they exclude the impact of one-off transactions not incurred in the ordinary course of business. As such, they better reflect the performance of business operations.

Bushfire litigation

- On 15 July 2014, AusNet Services and other parties to the Kilmore East Bushfire class action agreed to settle the action. The settlement is without admission of liability by AusNet Services or any other party. AusNet Services' liability insurers have paid AusNet Services' liability of $378.6 million into a settlement reserve fund. Subject to Court approval, which is expected in November 2014, the settlement avoids the need for ongoing litigation in relation to the Kilmore East Bushfire.
- AusNet Services is a defendant in litigation that has been brought in connection with the 7 February 2009 bushfire located at Murrindindi, and the 9 February 2014 bushfires located at Yarram and Mickleham. AusNet Services also denies that it was negligent in relation to these bushfires and will vigorously defend these claims.
- AusNet Services strongly holds the belief that it has consistently complied with its regulatory obligations, including in the year ended 31 March 2009 and in the year ended 31 March 2014. It is therefore reasonable to consider that AusNet Services' insurance and, if required, a claim to the regulator for pass-through of residual costs ultimately incurred in relation to the proceedings, would be sufficient to cover AusNet Services' liability, if any, associated with these bushfires. However, the ultimate resolution of these matters cannot be known with certainty.
- AusNet Services has liability insurance which specifically provides cover for bushfire liability. AusNet Services 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.
- AusNet Services' safety record, network asset management and network maintenance programs are consistent with industry practice, and its bushfire mitigation and vegetation management programs comply with Electricity Safety (Bushfire Mitigation) Regulations. AusNet Services' bushfire mitigation and vegetation management programs are audited annually by Energy Safe Victoria. AusNet Services has consistently achieved a 'zero' bushfire mitigation index for the bushfire seasons since listing in 2005, including the 2008-09 and 2013-14 bushfire seasons.

Tax Audit

Resolution of ATO intra-group financing review (Division 974 audit)

- **AusNet Services and the Australian Taxation Office ("ATO") have reached an in-principle, non-binding agreement to settle all matters concerning the Division 974 audit and related reviews. Key details of the agreement include:**
  - Resolution provides tax certainty, with the ATO ceasing all audit activity for years up to and including 31 March 2014;
  - Future distributions to securityholders expected to contain a higher fully franked dividend component, reflecting settlement outcomes;
  - AusNet Services will make a primary tax payment of $23.5m and an interest payment of $1.5m, following execution of a binding settlement deed in November 2014;
  - AusNet Services will cancel carry forward tax losses, amounting to $475m (in respect of the 2008-14 financial years) and $31.5m in respect of the 2005 financial year, following execution of a binding settlement deed;
  - Post loss cancellation, AusNet Services will have $676m of carry forward tax losses;
  - AusNet Services will cease taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014;
  - FY15 Net Profit after Tax is impacted by around $185m (reflecting $25m cash payment, plus cancellation of prior year losses and FY15 deductions @ 30%).

Tax Audit

Resolution of ATO intra-group financing review (Division 974 audit)

Background

› In September 2013, the Australian Taxation Office (ATO) formally notified AusNet Services of its intention to review the Group's intra-group financing arrangements for the 2010 - 2014 income years. The primary focus of the audit was to consider the classification of loans made by the AusNet Services Finance Trust.

› The Audit considered the application of the debt and equity rules, under Division 974 of the Income Tax Act 1997, focussing on classification of loans between AusNet Services Finance Trust ("Finance Trust") and group companies. AusNet Services previously advised that its exposure included:

- A primary tax liability of $79.8m and $20.7m of interest penalties and incremental withholding tax arising in the AusNet Services Transmission tax consolidation group.
- A primary tax liability of $128.9m in the AusNet Services Distribution tax consolidated group, but no cash tax liability due to carry forward tax losses.
- $17.2m of incremental withholding tax in the AusNet Services Distribution tax consolidated group.

Tax Litigation

- **Section 163AA impost**
  - Relates to deductions for licence fees imposed under Section 163AA of the Electricity Industry Act 1993, claimed in the 1999 to 2001 tax years
  - Federal Court proceedings initiated by AusNet Services in Oct 12, appealing ATO assessments of $86.7m (being $54m of primary tax, plus interest of $32.7m).
  - Accumulated exposure ($102.3m) less deduction for interest charges ($14.5m) less part-payment made to ATO ($30.6m) equals net additional cash exposure of $57.2m
  - Federal Court trial in Jul 13, with judgment against AusNet Services handed down in Sep 13. Appeal against judgment lodged in Oct 13
  - In Apr 14, the Full Court of the Federal Court of Australia found against AusNet Services by a split decision of 2:1
  - AusNet Services has filed a special leave application to appeal to the High Court of Australia, which is scheduled to be heard in late 2014.

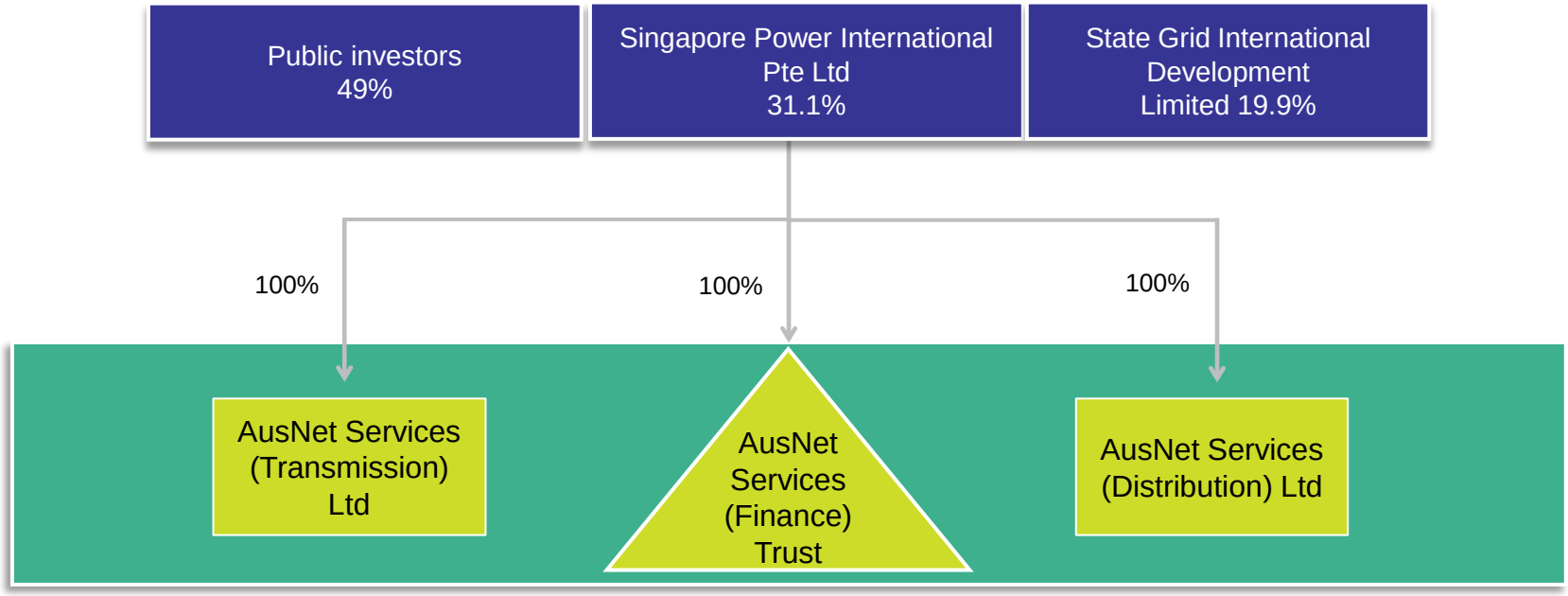
- **Intellectual Property**
  - Relates to deductions for intellectual property (copyright), claimed in the 1998 tax year and each subsequent year
  - Federal Court proceedings initiated by AusNet Services in Apr 12, appealing ATO assessments of $44.0m (being $27.4m primary tax, plus interest and penalties of $16.6m). A further $8.0m of interest charges have accrued to 30 Sep 14.
  - Accumulated exposure ($52.0m) less deduction for interest charges ($6.7m) less part-payment made to ATO ($17.1m) equals net additional cash exposure of $28.2m
  - Unclaimed future IP deductions (i.e. remainder of 25 year straight line entitlement) recognised as deferred tax asset ($40m tax effected). Recoverability of tax asset is bound by outcome of litigation and represents additional risk to accumulated exposure above
  - In Mar 14, the Federal Court found in favour of AusNet Services. It is expected that the appeal will be heard before the end of calendar year 2014.

Current regulatory determinations

Regulatory period	Gas Distribution 2013-17	Electricity Distribution 2011-15	Electricity Transmission 2014-17
Beta	0.8	0.8	0.8
Risk Free Rate	3.14%	5.14%	4.31%
Debt Risk Premium	3.35%	4.22%	2.48%
Gamma	0.25	0.25	0.65
Market Risk Premium	6.00%	6.50%	6.50%
Nominal Vanilla WACC	7.07%	9.75%	7.87%
Return on Equity	7.94%	10.34%	9.51%
Net Capex (Nominal)	$512m	$1579m	$552m
Opex (Nominal)	$277m	$928m	$591m
Revenue (Nominal)	$952m	$2533m	$1600m

All figures updated for relevant appeals

Current Ownership structure



- Securityholders have a 100% ownership interest in the assets of the group.
- AusNet Services 100% owns, operates and controls its assets, providing securityholders with a secure pathway to cash flows. AusNet Services is not an infrastructure fund model.
- Singapore Power is a long term investor, purchasing the original Transmission assets over 14 years ago and the Distribution assets 10 years ago, prior to the listing of AusNet Services in December 2005.
- State Grid Corporation of China is the largest utility in the world and became a substantial securityholder in AusNet Services on 3 January 2014.
- Considering a Proposal under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd)

Debt reconciliation

HY15 Face Value Debt	**$6,465.5M**
Adjusted for:	
Fair Value Debt (Hedging)	($122.6M)
Discount/premium	**$4.3M**
Loan Fees	$17.4M
HY15 Carrying Value Debt	**$6,566.4M**
HY15 Face Value Debt	
Domestic	$2,205.0M
International	$4,260.5M

Fair Value Debt (Hedging) predominantly relates to the restatement of foreign debt for FX and interest rate movements, which is hedged via derivative instruments. Face value of international debt at hedged rates.

Further Information and Contacts

- AusNet Services is the largest diversified energy network business in Victoria, owning and operating around $11 billion of electricity and gas distribution assets, including the state-wide electricity transmission network. The company also has a non-regulated division, Select Solutions, providing utility services.

- Headquartered in Melbourne, Australia, AusNet Services employs more than 2500 people to service 1.3 million consumers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: X04).

- For more information visit www.ausnetservices.com.au

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AusNet Services

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AusNet Services (Transmission) Ltd
ABN 48 116 124 362

AusNet Services Finance Trust
ARSN 116 783 914

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

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