ASX & SGX-ST Release

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12 May 2016

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Full Year 2016 Results Release and Investor Presentation

The following documents are attached:

1. AusNet Services Full Year 2016 Results Release; and
2. Investor Presentation.

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ASX & SGX-ST Release

12 May 2016

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Full Year 2016 Results

AusNet Services today announced its full year results for the period ending 31 March 2016, reporting a 4.6% increase in revenues to $1,919.0 million, a 9.1% increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $1,142.5 million and a Net Profit After Tax (NPAT) of $489.3 million. NPAT is $466.7 million higher than the prior corresponding period, principally due to:

- Tax consolidation benefit arising from legal entity restructure, $135.0 million
- Tax benefit relating to Intellectual Property (IP) dispute settlement, $28.1 million
- Prior period tax charge from Australian Taxation Office (ATO) Audit settlement (intra-group financing audit), $142.6 million
- Advanced Metering Infrastructure (AMI) customer rebate and asset write-offs, $60.6 million and
- Higher Profit Before Tax

Adjusted EBITDA increased by 5.8% to $1,142.5 million, principally due to higher volumes and tariffs on both electricity and gas distribution networks. Adjusted NPAT increased 19.9% to $326.2 million. The Directors declared a final 2016 dividend of 4.265 Australian cents per share (cps), 100% franked, bringing the total FY16 dividend to 8.53 cps, 100% franked.

A$M	FY 2016	FY 2015	Variance	
Statutory Result				
Revenue	1,919.0	1,833.9	up	4.6%
EBITDA	1,142.5	1,047.2	up	9.1%
EBIT	750.2	668.0	up	12.3%
PBT	457.9	354.4	up	29.2%
NPAT	489.3	22.6	up	>100%
Adjusted EBITDA [1,3]	1,142.5	1,079.7	up	5.8%
Adjusted NPAT [2,3]	326.2	272.0	up	19.9%
Final dividend (cps)	4.265	4.18	up	2.0%
Franking	100%	60%	up	40%

1. Adjusted EBITDA excludes the recognition of a provision for AMI customer rebates of $32.5 million for the full year ended 31 March 2015.

2. As well as the after-tax impact of item 1 listed above, adjusted NPAT also excludes the $135.0 million impact of entry into a new tax consolidated group arising from the restructure and the tax benefit associated with the IP dispute settlement with the ATO of $28.1 million as at 31 March 2016 and; $142.6 million in income tax expense for the settlement with the ATO in relation to the intra-group financing audit as well as the recognition of $84.1 million associated with the net exposure relating to the IP dispute with the ATO for the year ended 31 March 2015.

3. Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review.

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Operational Review

Electricity distribution

	FY2016	FY2015	Movement	%
Segment revenue ($M)	**963.6**	879.6	84.0	9.5
Segment result – EBITDA ($M)	**575.9**	453.7	122.2	26.9
Volume (GWh)	**7,662**	7,361	301	4.1
Connections	**691,378**	679,213	12,165	1.8
Capital expenditure ($M)	**467.3**	486.9	(19.6)	(4.0)
Adjusted segment result ($M)[1]	**575.9**	486.2	89.7	18.4

1. Adjusted segment result excludes $32.5 million of AMI rebates for 31 March 2015. Adjusted segment result is a non-IFRS measure that has not been subject to audit or review.

Our electricity distribution business has achieved significant year-on-year growth in EBITDA driven by a 9.5% increase in revenues, low underlying cost growth and a number of one-off expenses that were incurred in the prior year. The increase in revenue is due to a combination of regulated price increases for both electricity distribution and metering revenues, favourable weather conditions and new connections supporting a 4.1% increase in volumes.

Electricity distribution use of system tariffs and metering tariffs were reset on 1 January 2016 based on the 2016-2020 Electricity Distribution Price Review (EDPR) Preliminary Decision published by the Australian Energy Regulator (AER). This reset saw a 5.7% decline in distribution prices and a 42.9% decline in metering revenues, thereby reducing the 2016 full year growth rate when compared to the 18.5% increase reported at the half year. Regulated revenue for our electricity distribution business (including metering) for the last 3 months of FY2016 was $40.2 million or 18.1% lower than the same period last year.

The final decision for the 2016-2020 EDPR is expected to be released by the AER in late May 2016. Any changes to the Preliminary Decision will be adjusted in the 2017 calendar year tariffs. In addition, the AER's review of our expenditure under the AMI Cost Recovery Order In Council (CROIC) for the 2014 and 2015 calendar years is expected to be completed by the end of December 2016, with any variations to also be adjusted in 2017.

Segment expenses include a number of unusual or one-off items in both FY2016 and FY2015:

- The prior year includes $60.6 million in metering charges relating to customer rebates ($32.5 million) and asset write-offs ($28.1 million); and
- The current year includes $10.0 million of costs relating to the 2014 bushfires at Yarram and Mickleham.

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Excluding these items, operating expenses for our electricity distribution business increased $12.4 million or 3.4% due to wage increases and higher short-term incentive payments, partially offset by a reduction in service level payments.

Capital expenditure was 4.0% or $19.6 million lower than FY2015, despite a metering program spend of $103.8 million, an increase of $54.7 million on the prior year. This was due to a number of factors, including benefits from lower unit rates, lower customer demand for augmentation, and a number of capital efficiency measures. In addition, IT capital expenditure allocated to our electricity distribution business was $34.1 million lower due to the implementation of our enterprise-wide ERP solution.

Metering program update

The IT stabilisation works and rollout of a wireless mesh communications network under the metering program continues to track to plan. A major system upgrade was released on 11 April 2016 and the mesh deployment is on schedule. We expect to complete the technical work on our core systems by the end of calendar year 2016 and finalise the conversion of meters to remotely provide data to market by the end of FY2017.

Gas distribution

	FY2016	FY2015	Movement	%
Segment revenue ($M)	**188.8**	187.3	1.5	0.8
Segment result – EBITDA ($M)	**136.7**	142.0	(5.3)	(3.7)
Volume (PJ)	**66.9**	64.2	2.7	4.2
Connections	**660,924**	647,536	13,388	2.1
Capital expenditure ($M)	**92.7**	99.0	(6.3)	(6.4)

The EBITDA reduction of $5.3 million is principally due to a $7.3 million reduction in customer contributions from the prior year. Removing this impact, results in EBITDA growth of 1.4% or $2.0 million. Regulated revenues for gas distribution were $180.2 million or $6.1 million higher than the prior year. This was driven by a colder winter, partially offset by the removal of the carbon tax and lower weather-adjusted volumes.

Segment expenses increased by $6.8 million compared to prior year due to higher metering costs as well as a higher allocation of internal labour costs.

The reduction in capital expenditure has arisen from our mains renewal program (replacement of old cast iron and steel pipelines) primarily due to the achievement of lower contract costs.

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Electricity transmission

	FY2016	FY2015	Movement	%
Segment revenue ($M)	**625.8**	619.8	6.0	1.0
Segment result – EBITDA ($M)	**409.6**	434.5	(24.9)	(5.7)
Capital expenditure ($M)	**248.3**	212.3	36.0	17.0

Our electricity transmission business experienced a 5.7% decline in EBITDA on the back of a $30.9 million increase in operating expenses.

The increase in revenue largely resulted from the increase in easement tax pass-through, which is also reflected in our increased expenses. This has been partially offset by the negative price path in the Transmission Revenue Reset (TRR) Final Determination for the 2014-17 period.

Easement tax represents approximately 50% of total operating expenses for our electricity transmission business. Excluding the impact of easement tax (which is a revenue pass-through item), expenses increased by $23.0 million or 28.1% compared to the prior year. This was due to a combination of factors, including:

- Increased legal and other administrative costs associated with the implementation of the corporate restructure, the Section 163AA dispute with the ATO and the preparation of the TRR submission;
- Higher labour operating expenses due to a combination of wage increases, higher short-term incentive payments, and a lower labour capitalisation rate arising from a changing mix of works; and
- The inclusion in FY2015 of a $1.1 million gain on the sale of land.

Capital expenditure in our electricity transmission business accelerated in the second half of the year and we reported 17.0% year-on-year growth. The significant increase is due to the upgrade works at Brunswick terminal station, which increased $42.7 million from the prior year.

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Select Solutions

	FY2016	FY2015	Movement	%
Segment revenue ($M)	**152.4**	158.9	(6.5)	(4.1)
Segment result – EBITDA ($M)	**20.3**	17.0	3.3	19.4

Select Solutions provides specialist metering, asset intelligence and telecommunication solutions. Select Solutions' customers are primarily businesses operating in the utility and essential infrastructure sectors such as electricity, water, gas, telecommunications and rail.

Select Solutions' revenue declined due to the negotiated cessation of cost pass-through gas meter procurement activity with a large customer from April 2015 ($22.0 million) offset by new contracts and growth in existing contracts.

Select Solutions has improved its result in the second half of FY2016, delivering an EBITDA of $14.9 million during this period. The first half result was negatively impacted by higher mobilisation costs on new contracts and cost overruns on other contracts, both of which have not continued in the second half.

Outlook

AusNet Services remains stable and committed to growing, modernising and transforming its existing networks, delivering value to shareholders and customers by focusing on various business wide efficiency initiatives. AusNet Services continues to optimise its business model and target outperformance relative to the regulatory benchmark settings, whilst seeking new opportunities in contracted energy infrastructure and services.

AusNet Services will continue to determine future dividends by reference to operating cash flows after servicing all of its maintenance capital expenditure and a portion of its growth capital expenditure. For the 2017 financial year, AusNet Services expects to increase dividends to 8.70cps and expects the dividend to be 50% franked.

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Dividend key dates

The 2016 final dividend of 4.265 Australian cps is 100% franked.

Important dates:

18 May 2016	SGX-ST ex-date for final dividend
19 May 2016	ASX ex-date for final dividend
20 May 2016	Record date to identify shareholders entitled to final dividend
23 May 2016	Last election date for participation in DRP for final dividend
22 June 2016	Payment of final dividend

The Dividend Reinvestment Program (DRP) will be in operation for the 2016 final dividend at a 2% discount to the average trading price. The average trading price will be the average of the volume weighted average price of shares sold in ordinary market transactions on the ASX between 24 May 2016 and 6 June 2016 (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 $12bn of electricity and gas distribution assets, including the state-wide electricity transmission network. The company also has a non-regulated division, Select Solutions, providing specialist utility services.

Headquartered in Melbourne, Australia, AusNet Services employs more than 2,500 people to service over 1.3m consumers and is listed on the Australian Securities Exchange (ASX: AST) and the Singapore Stock Exchange (SGX-ST: AZI.SI). For more information visit AusNet Services' website, www.ausnetservices.com.au.

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Full Year 2016 Results

For the financial period ended 31 March 2016

AusNet services

12 May 2016

missionZero

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Introduction & Summary

Financial Performance

Operational Review

Outlook

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

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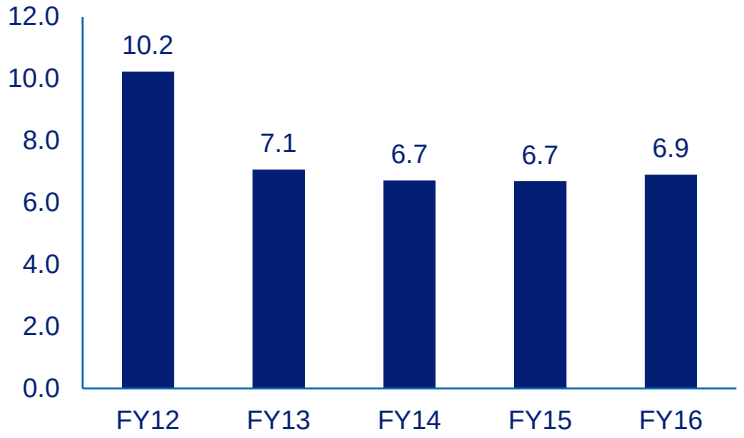
Safety mission & performance

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
  - A sustainable and mature safety culture
  - Focus on critical risk control

Performance

- Recordable Injury Frequency Rate (RIFR) = 6.9
  - 3.2% deterioration on FY15, largely due to injuries associated with metering. Meter readers working alone in uncontrolled environments present a variety of safety challenges
  - Other areas of the business, including our service delivery network field workforce, reduced RIFR by 23%
  - All people at AusNet Services have contributed to strong improvements in reporting culture and corrective action close-out discipline



Investment proposition

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Scale

- Regulated and Contracted Asset Base of $8.9bn, comprising critical energy delivery infrastructure
- 100% control, ownership & management of asset base, providing a secure path to cash flows
- Organic growth in the Regulated & Contracted Asset Base forecast at 4% p.a. to FY 2018

Prudent

- Sustainable financial settings supporting 'A' range credit rating (A- S&P and A3 Moody's)
- Diversified debt portfolio, extended tenors, accessing a variety of markets, ensuring a low cost of capital
- Forecasting Net Debt to Regulated & Contracted Asset Base of <70% to FY 2018 (currently 67%)

Stability

- Around 90% of total revenues are regulated and inflation adjusted, underpinning a sustainable dividend profile
- Simple and transparent corporate structure with high degree of tax certainty
- Disciplined growth strategy, focusing on 1x RAB and accretive contracted opportunities, aligned to core networks

Focus

- Extract further value from asset base through business-wide efficiency program
- Develop and integrate innovative technologies in response to changing energy environment
- Enhance corporate governance structure, including appointment of independent Chairman

FY 2016 Investment highlights

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4% growth in Regulated & Contracted Asset Base to **$8.9bn**

100% Franked FY16 Dividends

- Restructured and simplified corporate structure
- Went 'live' with Enterprise Resource Planning (ERP) platform
- AMI program on track

Dividend growth **2%**

Revenue ↑ 5%,
Adjusted EBITDA ↑ 6%
Adjusted NPAT ↑ 20%

4% Growth in net operating cash flows (adjusted)

8.1% 12 month total Shareholder returns to 31 March 2016

Maintained **'A'** range credit rating

Stronger Credit Metrics

3.0x interest cover

67% Net debt to Regulated & Contracted Asset Base

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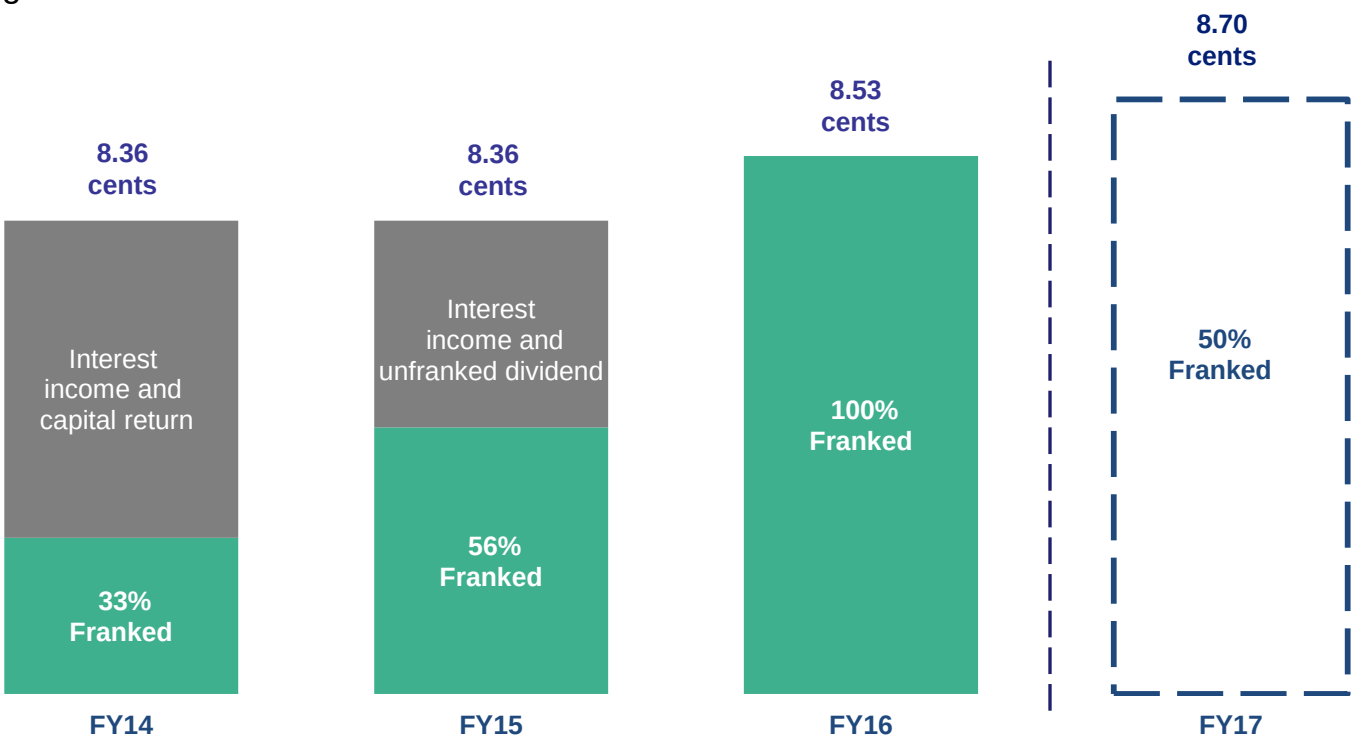
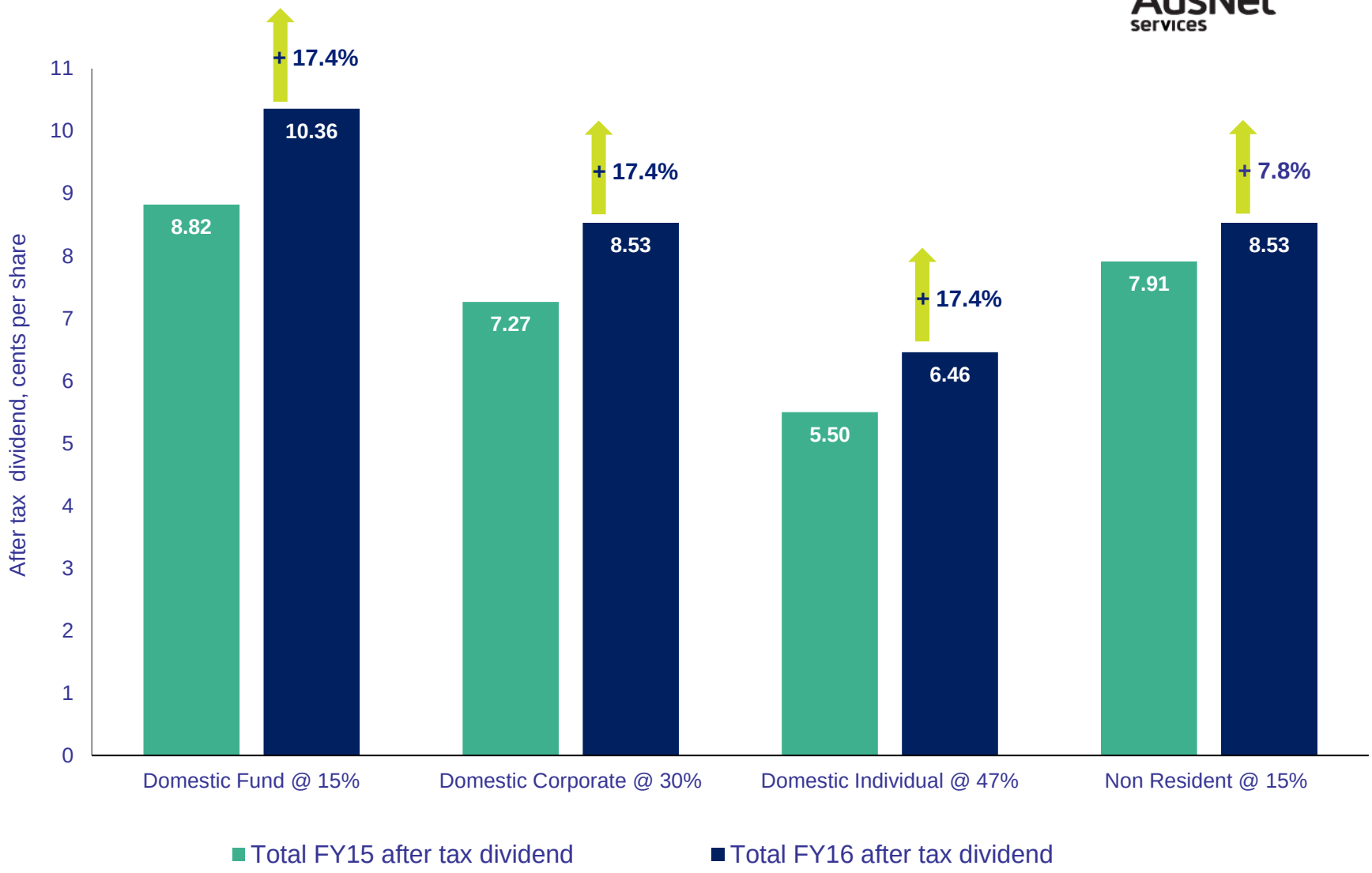
Dividend growth and franking

Full Year Dividend and Franking

- FY16 final dividend **100%** franked (payable 22 June 2016)
- FY17 dividend guidance of 8.70cps, up **2%** on prior year
- Expecting FY17 dividend to be around **50%** franked



Significant after tax growth in dividends



Note
Withholding tax @ 15% for non-resident in a tax treaty jurisdiction

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FOCUS 2021
Our five year plan

AusNet services

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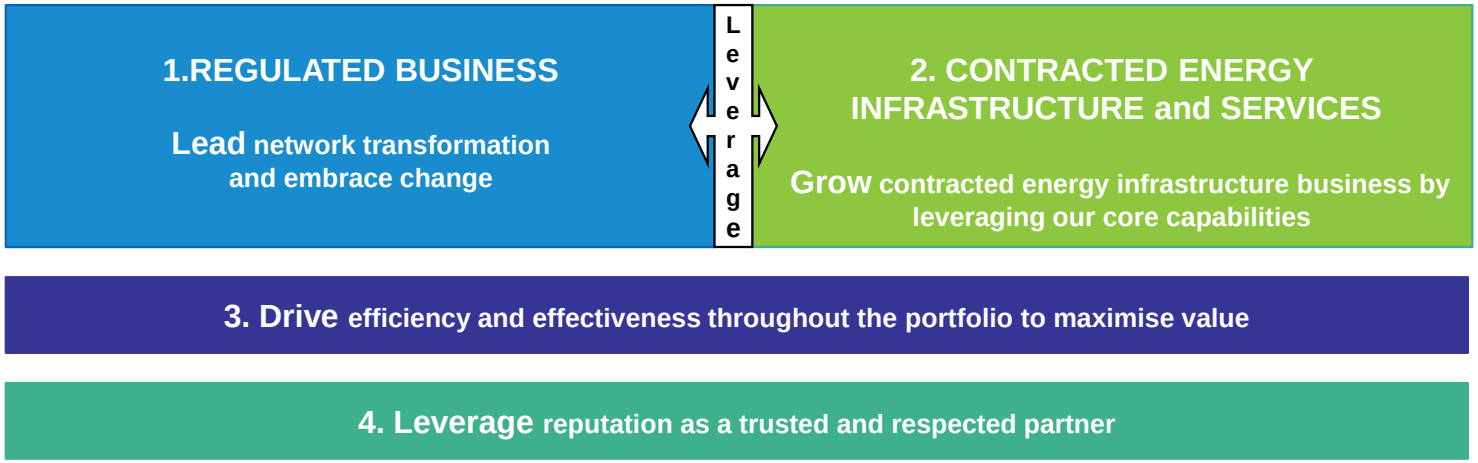
Leverage core capabilities to build a portfolio of high performing and sustainable regulated and contracted energy infrastructure businesses



Focus 2021 targets:

- Operate all three core networks in the top quartile of efficiency benchmarks
- Grow our:
  - contracted energy infrastructure asset base to $1bn
  - specialist services to essential infrastructure operators

Productivity & efficiency

FOCUS 2021
Our five year plan

*Total factor productivity benchmarking highlights electricity transmission and gas distribution as **efficient** networks. Electricity distribution benchmarking indicates mid-range performance*

ERP platform implemented in May 2015, on time and on budget. Focus now on benefits realisation, targeting around $40m p.a. ($20m opex / $20m capex) of benefits by FY19

AusNet Services continues its business-wide efficiency initiatives, including:

- **Enhancing design processes and works integration to limit multiple truck-rolls to network points**
- **Using centralised procurement expertise to drive down contract costs**
- **Centralising commercial management, driving down unit-rate and contract variations**
- **Improving resource efficiency and streamlining the workforce by centralised planning and scheduling**

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Future energy networks

- *adapting to emerging technology and customer needs*

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- Energy networks must adapt to embrace new renewable generation sources, energy market innovations and changing customer expectations.
  - The transmission network plays a central role in providing scale renewables to large population and industrial centres
  - The distribution network will empower customers to use, share and export energy

- AusNet Services is integrating new technologies into its regulated networks.
  - Residential energy storage trial demonstrated that storage delivers benefits for both customers and networks
  - Mooroolbark Mini Grid Project – first trial of its kind in Australia, involving 14 homes enabled with solar panels and battery storage, with a common connection to the grid
  - *Internet of Things,* with AMI data to drive better customer and network outcomes

- Regulatory policy in Australia will also adapt.
  - Objective to incentivise efficient investment and use of network services for long term interests of customers
  - Accelerated depreciation of particular network elements is an efficient mechanism to protect network investment and ensure efficient outcomes for customers
  - Ring-fencing must be workable and focused on customer outcomes

Board Developments

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- Mr Ng Kee Choe, who served as Chairman for over 10 years, retired as Chairman and Director with effect from the conclusion of the Board meeting on 11 May 2016.

- Mr Peter Mason was appointed an independent Non-Executive Director, effective 18 March 2016 and succeeded Mr Ng as Chairman.

- Mr Mason was Chairman of AMP Limited from 2005 to 2014 (Director from 2003) and Chairman of David Jones Limited in 2013 and 2014 (Director from 2007).

- Mr Tan Chee Meng was appointed as a Non-Executive Director, effective 11 May 2016 as a Singapore Power nominee.

- The current Board comprises:

    - Four independent Non-Executive Directors (including independent Chairman);
    - Two Singapore Power nominees;
    - Two State Grid Corporation of China nominees; and
    - Nino Ficca, Managing Director.

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AusNet services

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Financial performance

Full Year to 31 March 2016 (A$M)

A$M	FY 2016	FY 2015	Variance
Statutory Result			
Revenues	**1,919.0**	1,833.9	4.6%
EBITDA	**1,142.5**	1,047.2	9.1%
EBIT	**750.2**	668.0	12.3%
PBT	**457.9**	354.4	29.2%
NPAT	**489.3**	22.6	>100%
Cash flow from operations	**710.0**	767.6	-7.5%
Adjusted EBITDA	**1,142.5**	1,079.7	5.8%
Adjusted NPAT	**326.2**	272.0	19.9%
Adjusted Cash flow	**836.5**	806.9	3.7%
Total dividend (cps)	**8.53**	8.36	2.0%

- Higher revenues driven by higher tariffs and strong volumes due to the coldest winter weather in 26 years
- Increase in EBITDA impacted by prior period AMI rebate and asset write-off (**$61m)**
- Significant NPAT growth driven by favourable income tax movements:
  - Corporate Restructure **($135m)**
  - Intellectual Property dispute settlement **($28m)**

Note
- Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review
- Refer to appendices for reconciliation of statutory result to adjusted result and for income tax expense reconciliation

NPAT performance

Adjusted result

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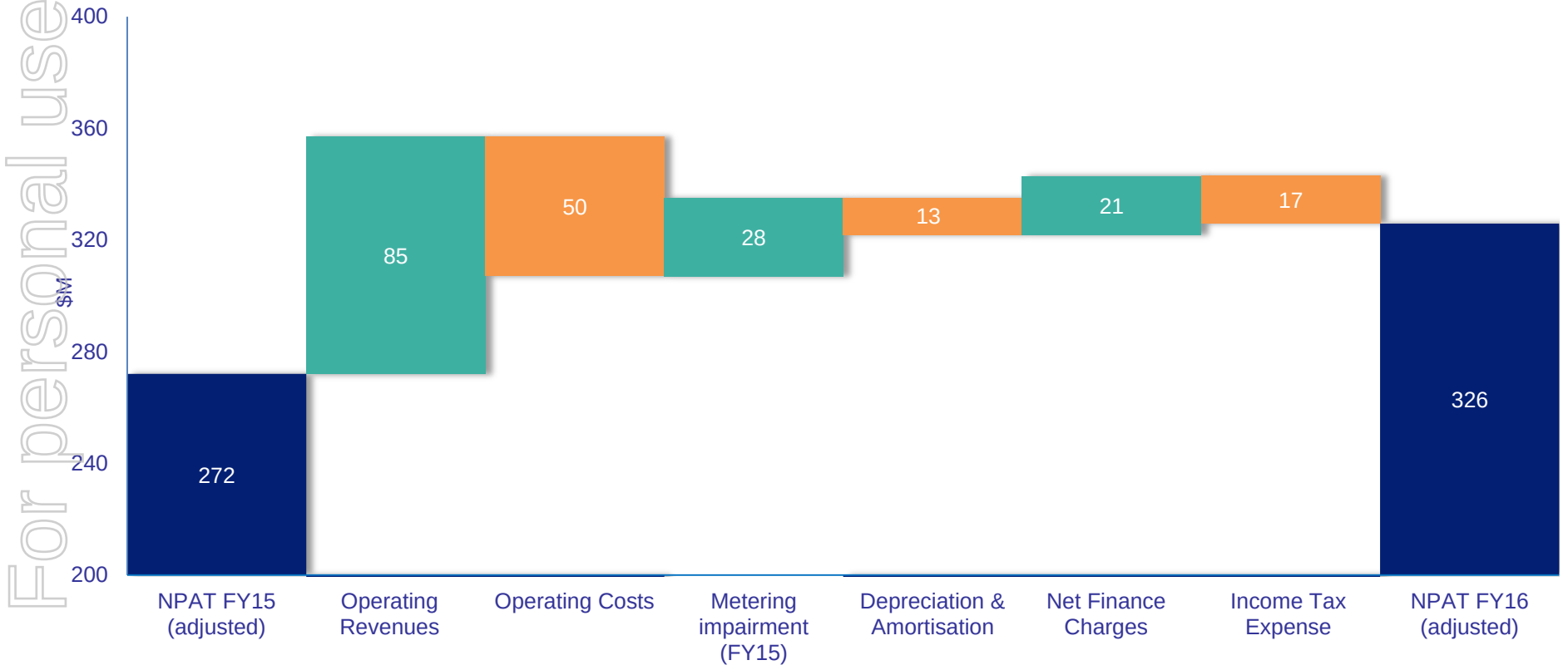
Full Year to 31 March 2016 (A$M)



Note
Refer to appendices for reconciliation to statutory result

Cash flow from operations

Adjusted result

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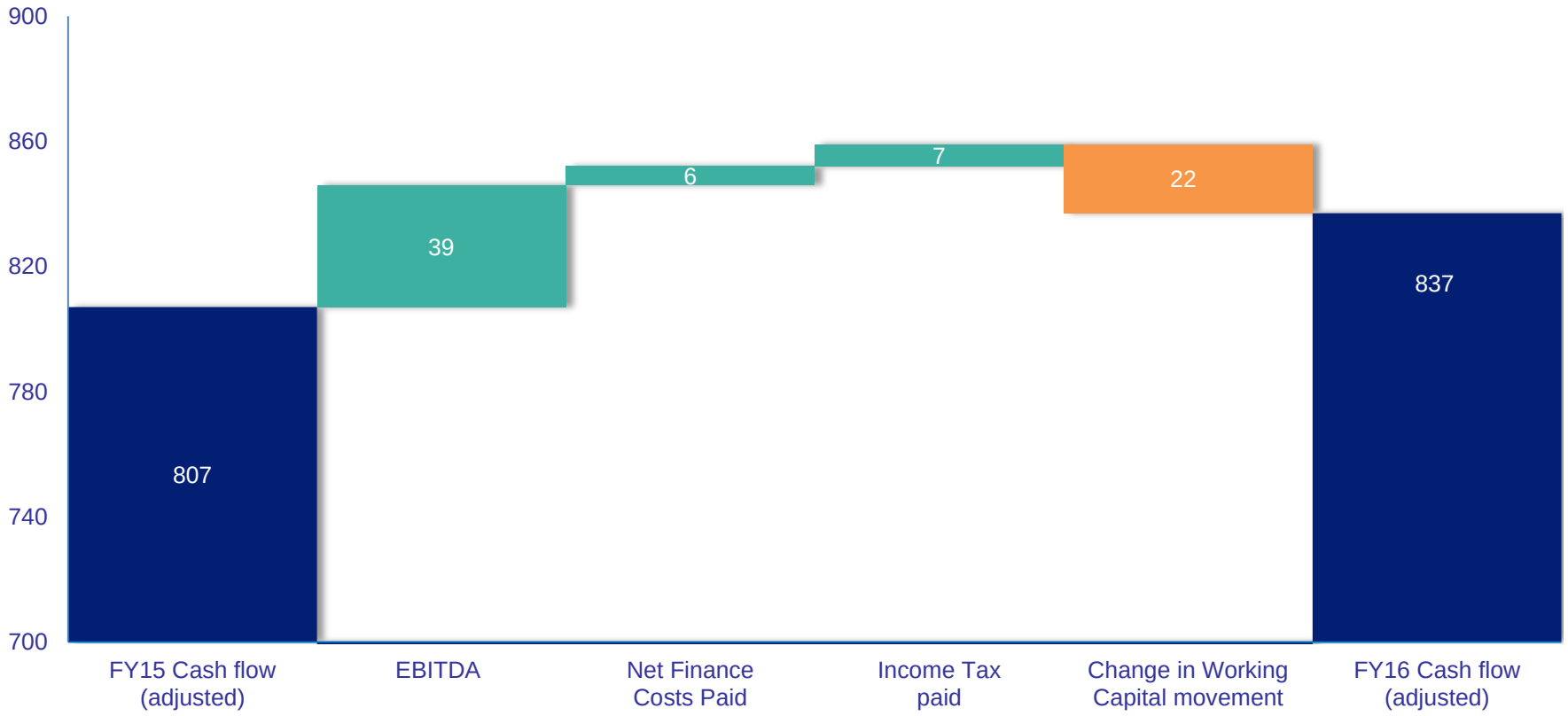
Full Year to 31 March 2016 (A$M)



Note

- EBITDA movement is after removal of non-cash items
- Statutory net cash flow from operations **$710.0m** (FY15:$767.6m)
- Refer to appendices for reconciliation to statutory result

Gross capital expenditure

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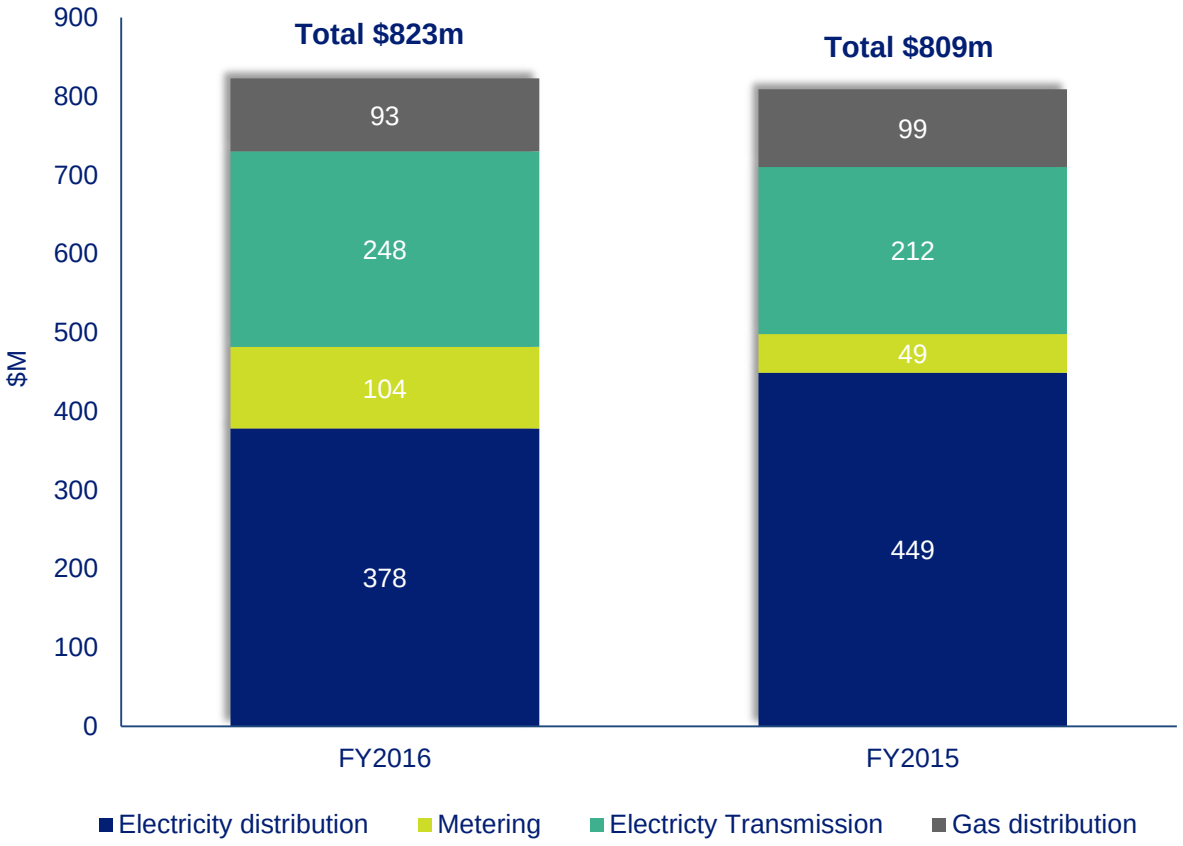
Full Year 31 March 2016 (A$M)

- **Capex up 2%**
- **Metering capex higher due to accelerated program activity**
- **Lower electricity distribution capex due to:**
  - Change in spend profile for asset replacement
  - Lower IT spend given ERP implementation
  - Reduced customer demand resulting in lower augmentation works
  - Lower unit rates and capital efficiency measures



Note
FY16 gross capital expenditure includes customer contributions of $62m (FY15:$62m)

Dividend & capex funding

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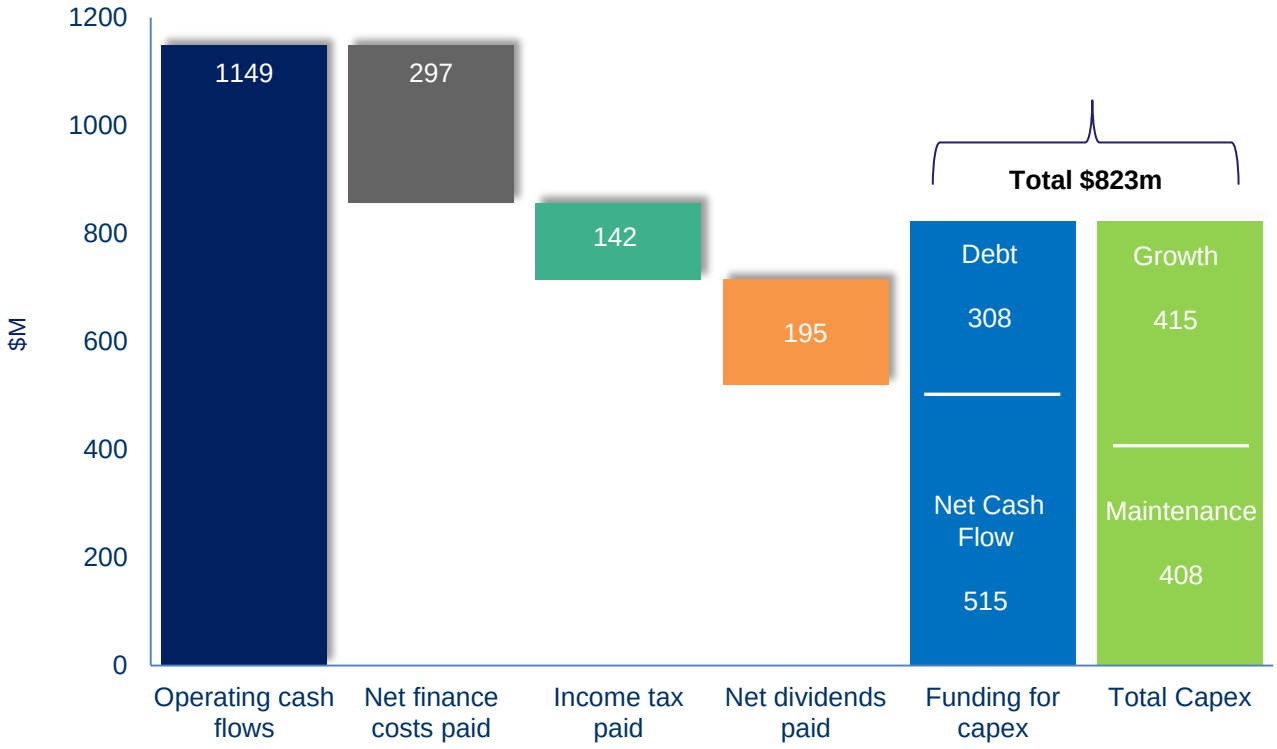
Full Year 31 March 2016 (A$M)

- Dividends fully covered by strong operating cash flows
- **$515m** of cash flows available to fund capex
- Estimated regulatory deprecation *less* indexation of **$303m**
- Operating cash flows are inclusive of AMI customer rebates **($33m)**
- Income tax paid includes:
  - S163AA – unsuccessful High Court Appeal **($69m)**
  - ATO intra-group financing audit settlement **($25m)**



Note
Net dividends = gross dividends of **$294.5m,** offset by proceeds from the DRP of **$99.6m**

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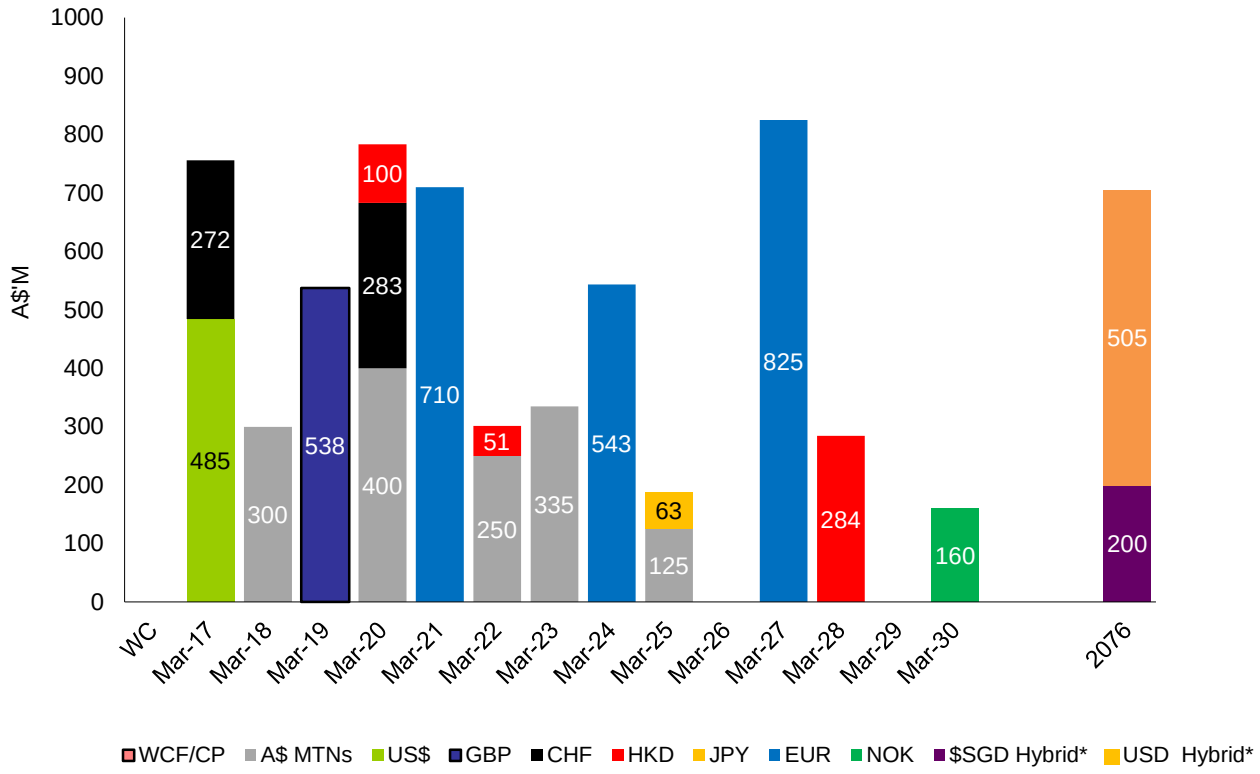
Diversified debt portfolio

Debt maturity profile as at 31 March 2016 – Net debt $5,998 (A$M)

- Issued **A$705m** of hybrid securities and raised **A$148m** via a 12yr Hong Kong dollar bond issue
- Net Debt hedged against movements in interest rates **(100%)**
- Debt maturity profile broadly aligned to new regulatory debt hedging regime
- As at 31 Mar 2016, AusNet Services had **A$875m** of undrawn, committed bank debt facilities



* First call date for hybrid securities is in September 2021

Note
Net debt = Debt at face value ($6,440M) *less* cash / cash equivalents of $441M. Offshore debt shown at hedged rates (face value).

Prudent & sustainable financial metrics

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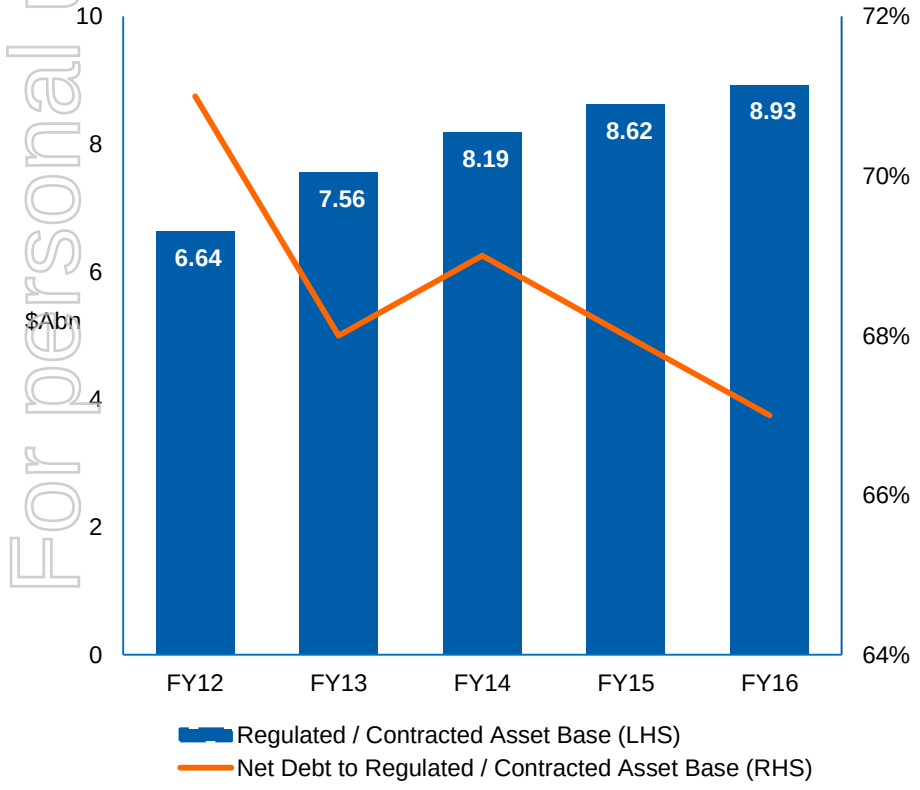
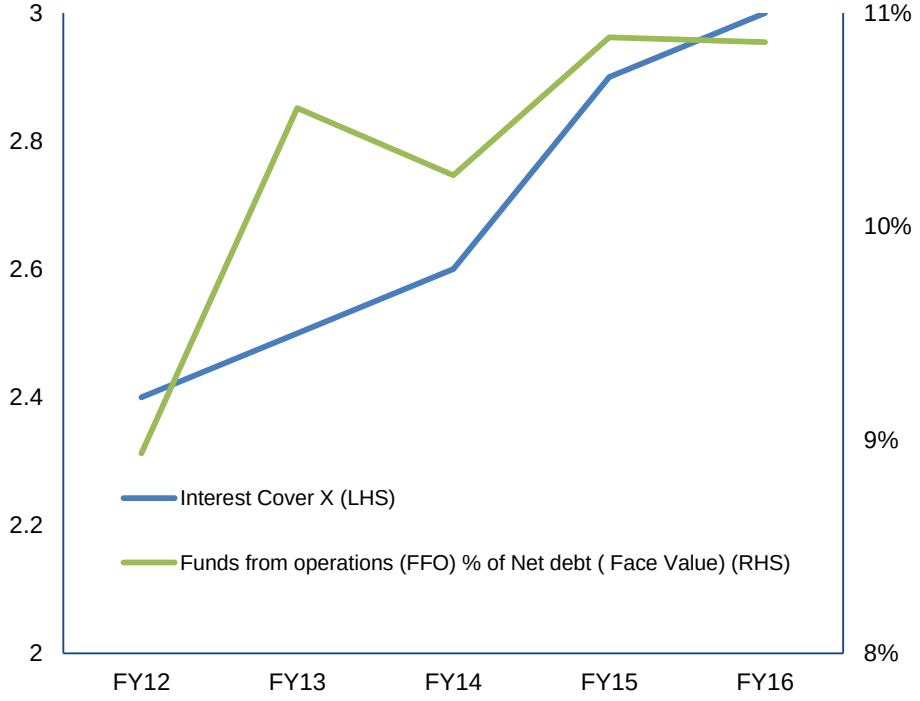
Growing asset base, lower gearing and improved interest cover

- Financial metrics positioned to support sustainable dividend and asset base growth over the long term, whilst underpinning an 'A' range credit rating





FFO is calculated as EBITDA less customer contributions, tax paid, net interest expense (including return on desalination licence receivable).

Sound fundamentals

Financial Metrics	31-Mar-16	31-Mar-15
Total Assets	$11.7bn	$12.1bn
Total Borrowings	$6.9bn	$7.2bn
Net Debt [1]	$6.5bn	$6.3bn
Net Gearing (CV) [2]	64%	66%
Net Debt (FV) to Regulated / Contracted Asset Base [3]	67%	68%
Interest Cover [4]	3.0x	2.9x

Market Metrics @ 31 Mar 16	ASX	SGX
Security Price	A$1.49	S$1.55
Market Capitalisation	A$5.3bn	S$5.5bn

Note

1. Net debt is debt at carrying value. Includes $A705m in Hybrids.
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 and includes $A705m in Hybrids.
4. Calculated as EBITDA less customer contributions and tax paid, divided by net interest expense (including return on desalination licence receivable). 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. Includes cost of Hybrids, however under credit rating agency methodology, hybrids obtain a 50% equity credit.

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AusNet services

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Electricity transmission network

500kV towers

Electricity transmission network

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Full Year Highlights (A$M)

- Negative price path offset by **$15m** recovery from the Transmission service target performance incentive scheme (STPIS)
- Lower EBITDA due to higher labour costs
- Electricity Transmission revenue proposal (TRR) 2017-2022 submitted to the AER, draft expected by June 2016 and final decision by January 2017
- **0.085** minutes off supply, exceeding internal target of **1.15** minutes off supply in FY16

	31-Mar-16	31-Mar-15	Variance %
Revenue	**625.8**	619.8	1.0%
EBITDA	**409.6**	434.5	-5.7%
EBITDA Margin	**65.5%**	70.1%	-4.6%
EBIT	**309.6**	338.6	-8.6%
EBIT Margin	**49.5%**	54.6%	-5.1%
Regulated Asset Base	**2,963**	2,931	1.1%
Contracted Asset Base	**743**	665	11.7%

Note

- Electricity transmission contracted asset base includes prescribed, negotiated, contestable assets and the desalination licence receivable.
- Upon completion, prescribed assets (e.g. Brunswick Terminal Station) are expected to roll into the RAB at the next Transmission reset, subject to AER discretion.
- Contracted asset base excludes Mortlake terminal station acquisition, expected to be completed in June 2016.

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Electricity transmission network

Operational Highlights (A$M)

Contracted energy infrastructure

› Entered into a binding agreement with Origin Energy to acquire its Mortlake Terminal Station for a total of **$117m,** with transaction completion expected in June 2016. Long-term fixed revenue entitlements, escalating annually with CPI, expected to increase cash inflows by **$8.8m** in FY2018, being the first full-year contribution.

Major asset upgrades

› Richmond Terminal Station rebuild reached major project milestone with the replacement of 66kV outdoor air insulated switchgear with indoor 66kV gas insulated switchgear. Target completion in June 2018.

› Targeting completion of Brunswick Terminal Station redevelopment in Q2 of CY 2017.

› Work commenced on **$35m** Heatherton Terminal Station major redevelopment. Commissioned in 1964, the terminal station is the main source of electricity supply for large parts of south eastern metropolitan Melbourne, serving approximately **95,000** customers. Includes the replacement of three 150MVA transformers as well as the rebuilding of the 220kV and 66kV switchyards.

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Electricity distribution network

Field crews using enterprise resource planning enabled mobility devices

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Electricity distribution network

Full Year Highlights (A$M)

- Regulated price movements:
  - › up **8.4%** in CY15 and;
  - › down **5.64%** in CY16, applying preliminary EDPR 2016-20 decision
  - › CY17 tariffs subject to final EDPR 2016-20 decision
- Increased volumes due to the colder winter weather
- Increase in EBITDA also reflects AMI customer rebate **($32.5m)** and AMI asset write-off **($28m)** in prior period
- FY16 AMI revenue **$147m** (FY15:$134m)

	31-Mar-16	31-Mar-15	Variance %
Revenue	**963.6**	879.6	9.5%
EBITDA	**575.9**	453.7	26.9%
EBITDA Margin	**59.8%**	51.6%	8.2%
EBIT	**346.6**	234.9	47.6%
EBIT Margin	**36.0%**	26.7%	9.3%
Volume (GWh)	**7,662**	7,361	4.1%
Connections	**691,378**	679,213	1.8%
Regulated Asset Base	**3,764**	3,601	4.5%

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Electricity distribution network

Operational Highlights (A$M)

Network modernisation

› **Mooroolbark Mini Grid Project** – first trial of its kind in Australia, involving 14 homes enabled with solar panels and battery storage, with a common connection to the grid. Each house will be capable of generating and storing its own electricity and can share electricity with other houses in the mini grid.

› **Residential Energy Storage trial** – 3 year trial of 10 homes in outer Melbourne found that a typical residential customer with solar panels could save **$1,500** over five years by adding a battery storage system. However, the potential benefit for a network from the same customer system could be up to **$3,000** over five years (depending on location), or double the direct customer benefit.

› **Grid Energy Storage System (GESS)** – 1MW battery system and smart inverter located at Thomastown Terminal Station providing network support. Recently a network fault resulted in an outage located on the same feeder as the GESS. The GESS was able to power 104 commercial and industrial customers, downstream of the facility, via battery storage. This was the first time it had been initiated in response to live network conditions, reducing customers' outage by around 2 hrs & 20 mins.

Electricity distribution network

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Operational Highlights (A$M)

Safety

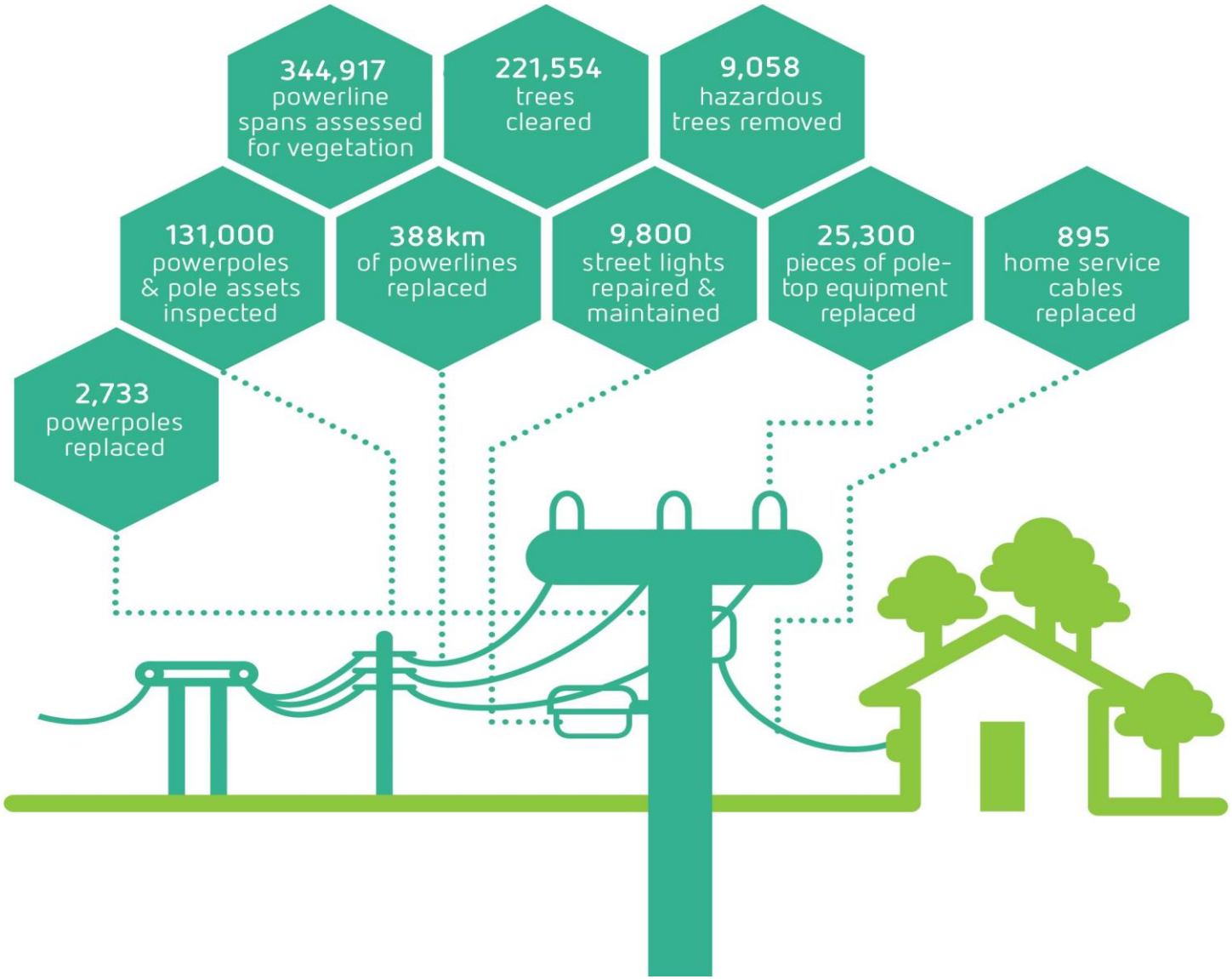
- Completed power line upgrade project in the Dandenong Ranges (**$40m**). The two-year project involved undergrounding around 50kms of overhead high-voltage (22,000-volt) aerial bundled cable, as well as replacing a further 7kms of cable with modern conductor design.
- The Powerline Replacement Fund (PRF) program (**~$100m** between FY16-FY21) - a Victorian State Government funded program arising from the 2009 Bushfires Royal Commission recommendations, replacing 'bare wire' high voltage power lines in high risk locations with insulated overhead or underground cables.
- The Overhang Removal program (**~$35m** in FY16-FY18) - a vegetation compliance program replacing 'bare wire' power lines where vegetation overhangs exist at targeted locations in hazardous fire risk areas with either insulated overhead or underground cables.

Network Performance

- FY16 STPIS **$26m** (FY15:$35m). STPIS recovery for the EDPR 2011-15 period of **$140m.**
- **136.8 minutes** off supply, exceeding internal target of **148.5 minutes** off supply

Electricity distribution network

FY16 activity



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NSW Appeals and impact on EDPR 2016-20 Decision

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► Australian Competition Tribunal handed down decisions in late February 2016 in respect of NSW and ACT distributors and other entities.

► South Australian and Victorian interveners (including AusNet Services) had previously made submissions with respect to allowed return on equity, cost of debt and gamma (value of imputation credits to investors).

► **Decisions: Gamma** – AER position that gamma should be 0.4 was rejected and gamma restored to 0.25

Cost of debt – Tribunal determined that error was established in terms of the transition to a trailing average approach to cost of debt. AER must now remake decisions in terms of the immediate transition approach or a hybrid transition

Cost of equity – AER methodology and parameters supported. AER use of its foundation model did not involve an error of discretion

Benchmarking – Tribunal determined that error has been established in terms of AER application of benchmarking. AER must remake Networks NSW and ActewAGL opex decisions including using broader range of modelling and benchmarking, and “Bottom up” review of forecast opex

► The AER is appealing the Australian Competition Tribunal decisions. The AER final EDPR 2016-20 decision will adopt the Guideline WACC, including the unfavourable gamma.

► A final decision is expected by the end of May 2016.

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Gas distribution network

City gate pressure reduction asset

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Gas distribution network

Full Year Highlights (A$M)

- Higher revenues due to an increase in volumes driven by the colder winter weather
- Tariff increases of **3.4%** in CY15 and **4.5%** in CY16
- Continued growth in new connections, due to residential housing growth in network growth corridors
- Replaced **91kms** of low pressure mains and **21kms** medium pressure mains

	31-Mar-16	31-Mar-15	Variance %
Revenue	**188.8**	187.3	0.8%
EBITDA	**136.7**	142.0	-3.7%
EBITDA Margin	**72.4%**	75.8%	-3.4%
EBIT	**80.8**	82.9	-2.5%
EBIT Margin	**42.8%**	44.3%	-1.5%
Volume (PJ)	**66.9**	64.2	4.2%
Connections	**660,924**	647,536	2.1%
Regulated Asset Base	**1,461**	1,420	2.9%

Gas distribution network

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Operational Highlights (A$M)

Asset upgrade

› Critical gas pressure reduction station, Ballarat City Gate, was upgraded during February. The Ballarat City Gate supplies approximately 40,000 residential customers and some of AusNet Services' largest industrial customers including Mars, Goodman Fielder, McCain Foods and Boral.

› The increased demand within the gas network also saw us increase capacity investment, with two key construction projects including a new gas city gate at Mt Cottrell near Werribee and a second gas pipeline from Geelong to Torquay, providing capacity for an expected 5,000 additional homes and businesses in the region.

Network performance

Measure	FY16	FY15	Target
Response Times			Reg Benchmark
Metro – Business Hours	99.1%	97.9%	>95%
Metro - After Hours	99.8%	97.9%	>90%
Country – All Hours	98.9%	98.1%	>90%
USAIDI	0.72 min	0.85 min	Internal benchmark <1min

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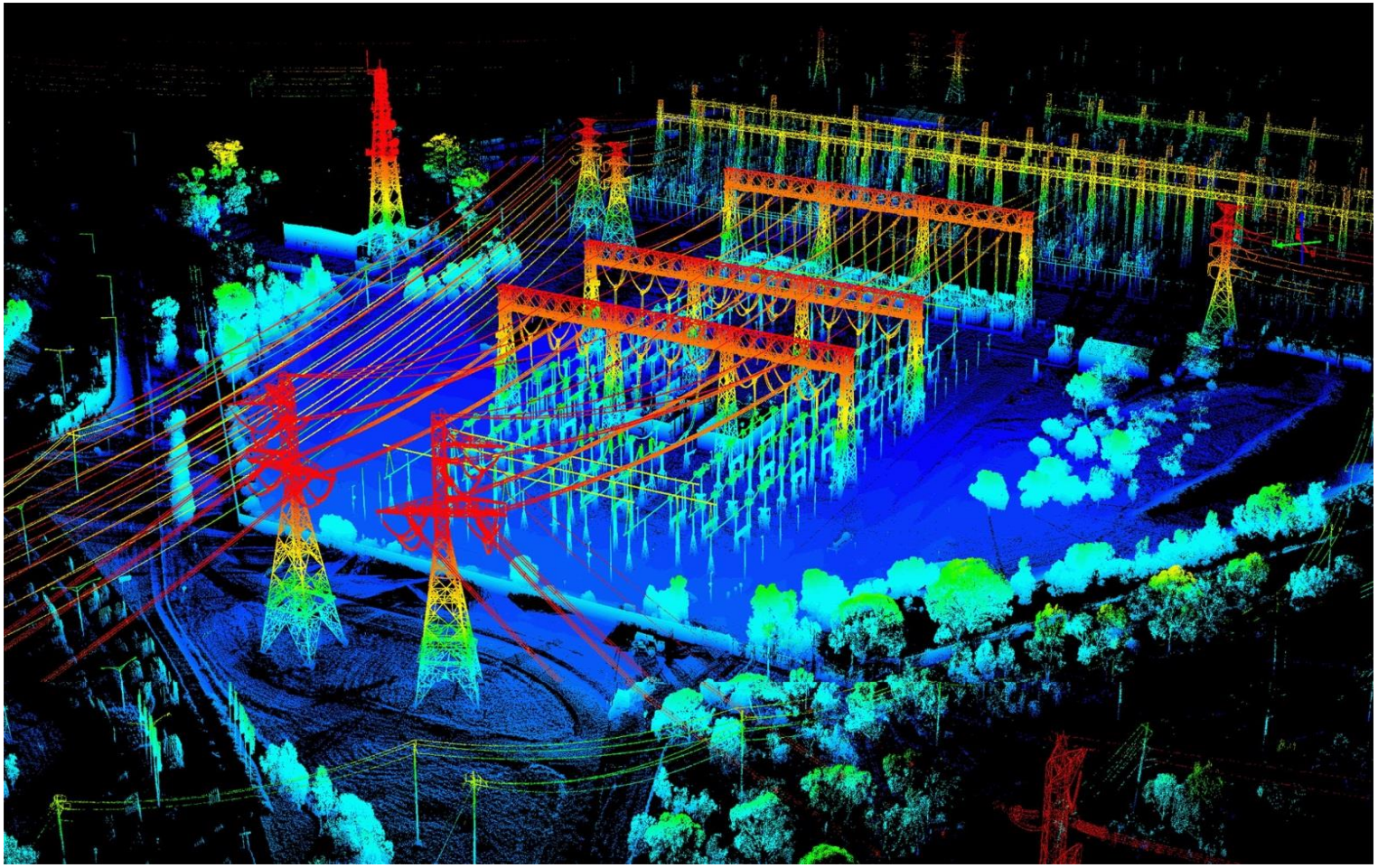
Select Solutions



3D LIDAR image of a Terminal Station

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Select Solutions

Full Year Highlights (A$M)

- Revenue impacted by negotiated cessation of gas meter procurement contract in NSW
- Strategic focus has been on winning foundation contracts with new interstate customers
- Geomatic Technologies (GT) won the Innovation and Commercialisation award at the Asia Pacific and Victorian Spatial Excellence Awards for the 2015 year. The awards acknowledged GT for its unique approach to the Bushfire Safety Clearance program.

	31-Mar-16	31-Mar-15	Variance %
Revenue	**152.4**	158.9	-4.1%
EBITDA	**20.3**	17.0	19.4%
EBITDA Margin	**13.3%**	10.7%	2.6%
EBIT	**13.2**	11.6	13.8%
EBIT Margin	**8.7%**	7.3%	1.4%

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Dividend guidance of **8.70 cps** for FY17, up **2%** on FY16

Regulated and Contracted Asset Base growth forecast to average around **4%** p.a. to 2018*

Leverage core capabilities to build a portfolio of high performing and sustainable regulated and contracted energy infrastructure businesses

Forecast net debt to Regulated and Contracted Asset Base of <70% to 2018 (currently 67%)

Continue to focus on business-wide efficiency program targeting opex and capex initiatives

Expecting FY17 dividend to be around 50% franked

* Based on EDPR 2016-20 draft decision and TRR 2017-22 proposal.

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Appendices

Financial performance

Reconciliation of statutory result to adjusted result

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Full Year 31 March 2016 (A$M)

	EBITDA ($M)			NPAT ($M)			Cash flow from operations ($M)		
	FY 2016	FY 2015	Change	**FY 2016**	FY 2015	Change	**FY 2016**	FY 2015	Change
Statutory Result	**1,142.5**	1,047.2	**95.3**	**489.3**	22.6	**466.7**	**710.0**	767.6	**-57.6**
AMI customer rebates	-	32.5	-32.5	-	22.8	-22.8	32.5	-	32.5
ATO settlement (intra-group financing)	-	-	-	-	142.6	-142.6	25.0	-	25.0
Intellectual Property settlement	-	-	-	-28.1	84.1	-112.2	-	-	-
S163AA dispute	-	-	-	-	-	-	69.0	-	69.0
Management Services Agreement termination payment	-	-	-	-	-	-	-	39.3	-39.3
Restructure Implementation	-	-	-	-135.0	-	-135.0	-	-	-
Adjusted Result	**1,142.5**	1,079.7	**62.8**	**326.2**	272.0	**54.2**	**836.5**	806.9	**29.6**

Note
Adjusted EBITDA, adjusted NPAT and adjusted cash flow from operations 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.

Income Tax Expense

Reconciliation

	FY16 ($M)
Pre-tax Profit	**458**
- Prima facie tax @ 30%	**137**
- Tax consolidation outcome arising from legal entity restructure	**(288)**
- Tax benefit from Intellectual Property settlement	**(28)**
- Cancellation of Same Business Test tax losses (restructure)	**153**
- Other	**(5)**
Income Tax Benefit	**(31)**
NPAT	**489**

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Long-term performance

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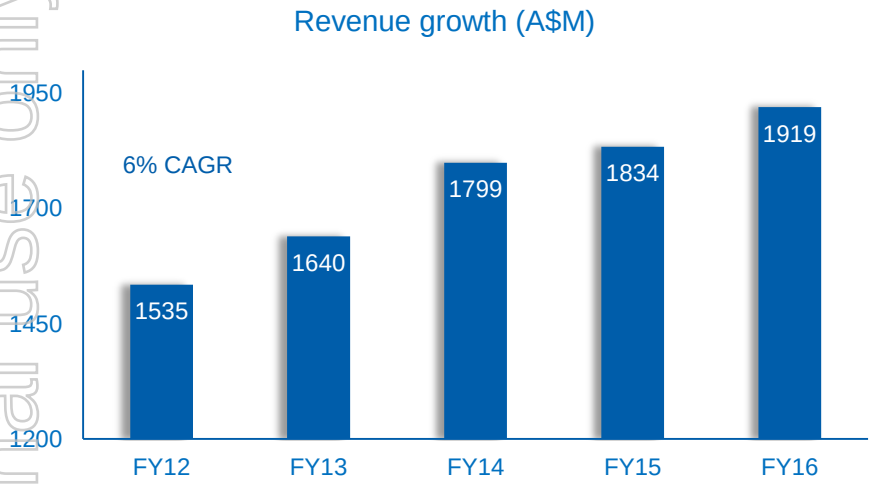

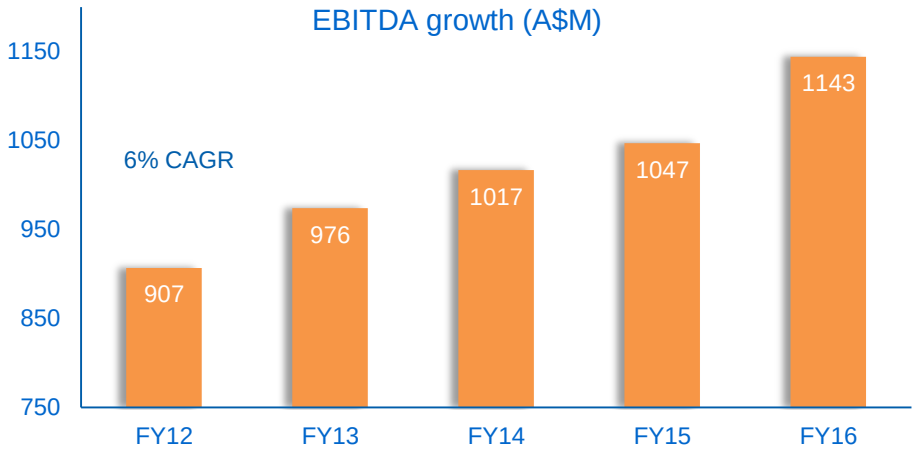

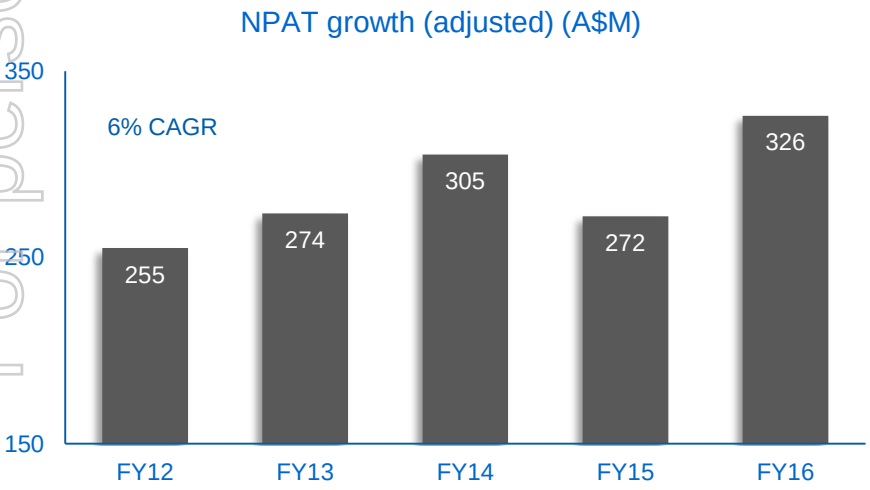

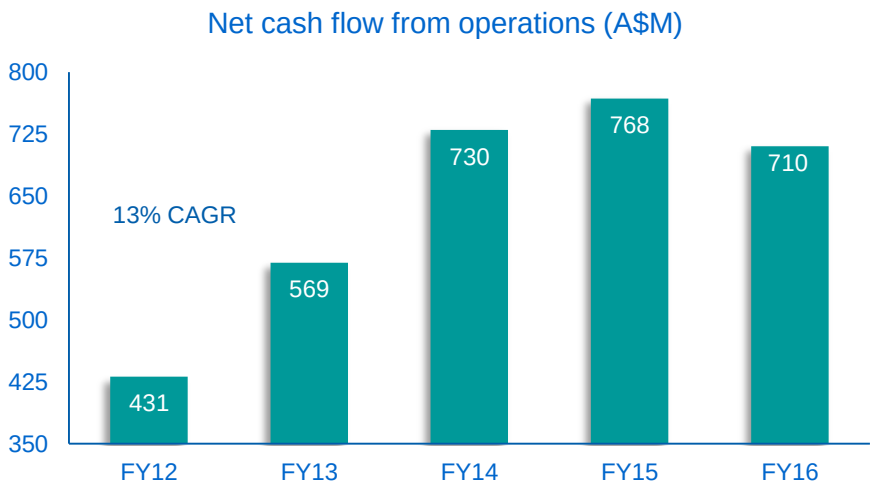

Note

- FY15 and FY16 adjusted NPAT as disclosed on slide 40.
- 'FY14 Adjusted' NPAT excludes the after-tax MSA termination and associated costs ($40.4m NPAT impact) and the net charge of $86.7m for the amount potentially payable at 31 March 2014 in respect of the Section 163AA dispute.

Regulated & contracted asset base (RCAB)

- movement from FY15 to FY16

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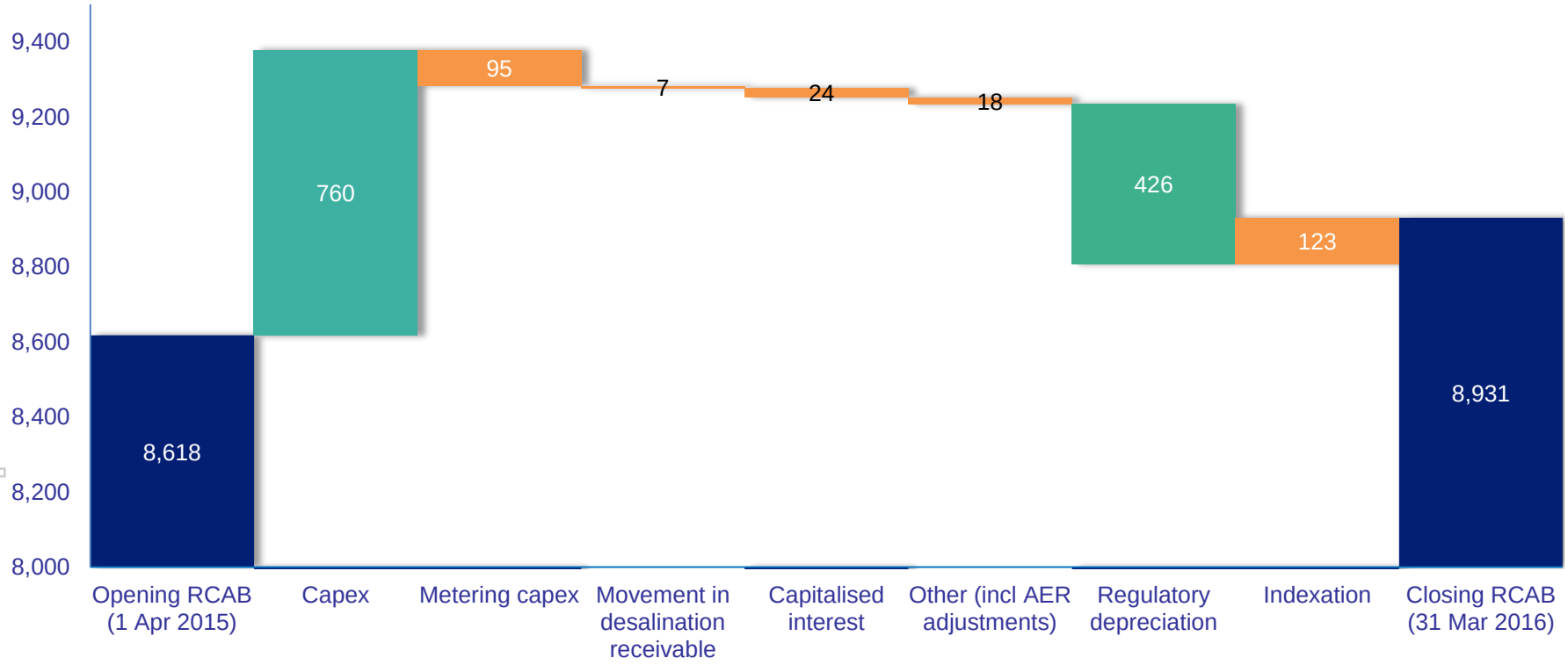

Note

- Capex excludes customer contributions of $62m.
- AMI capex represents amount in excess of regulatory allowance and is subject to future regulatory review.

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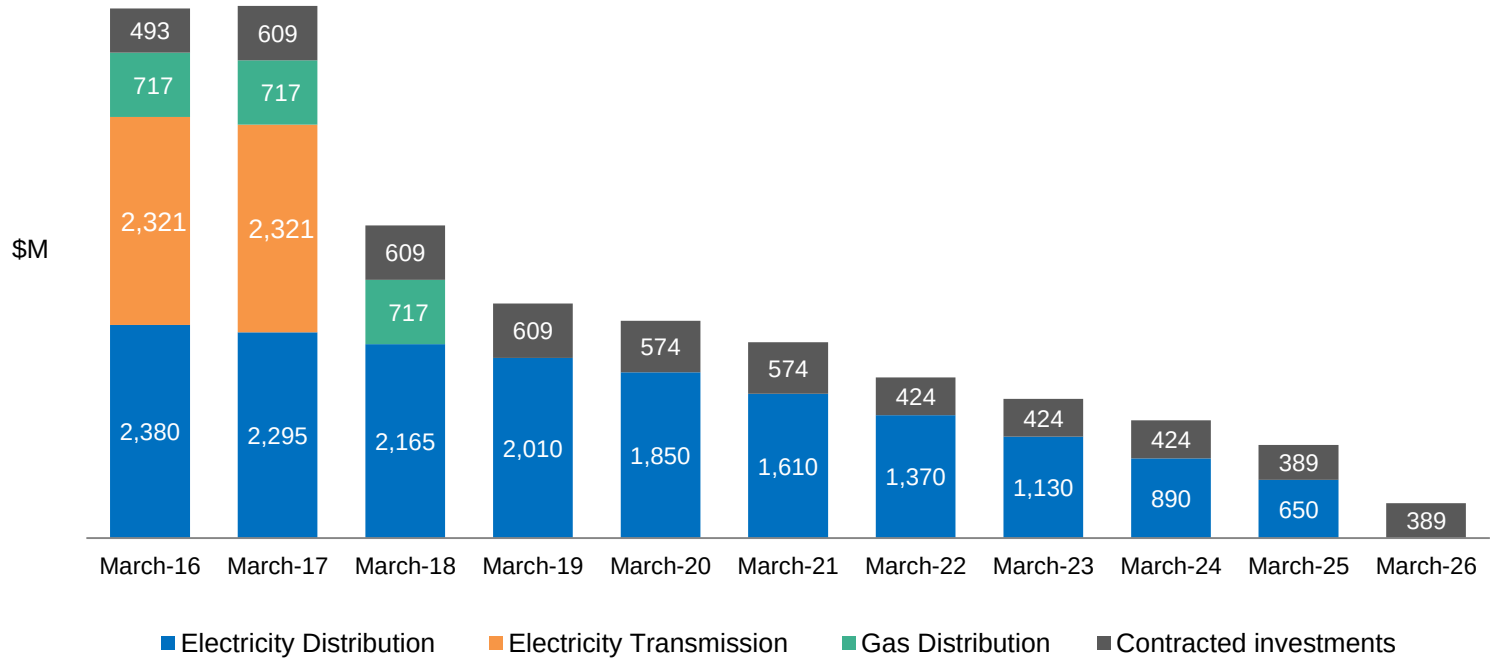
Interest rate hedging profile

- To hedge interest rate risk for the new electricity distribution regulatory period, $2.38bn of interest rate swaps with varying tenors were executed in February 2016, at an average interest rate of 2.29% (prior period interest rate was 5.11%).
- As at 31 March 2016, the weighted average interest rate of the total hedge portfolio was 3.11%.



Note
Hedging extends beyond 2026

Australian Energy Market Structure

AusNet Services operates in regulated transmission and distribution sectors

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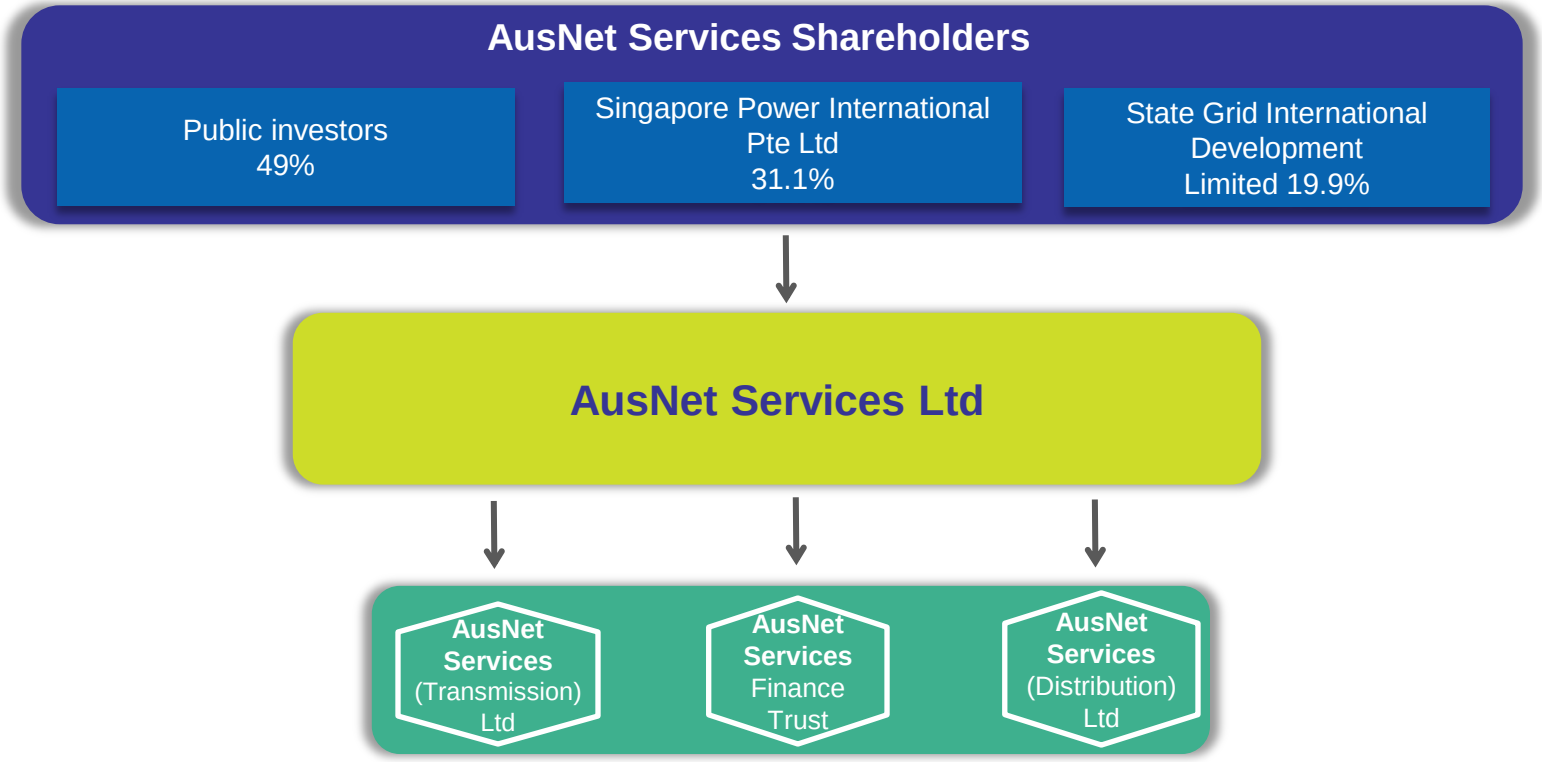
	Generation / Production	Transmission	Distribution	Retail
Electricity Market	Competitive	Regulated Natural Monopoly	Regulated Natural Monopolies	Competitive
Gas Market	Competitive	Regulated/ Contracted	Regulated Natural Monopolies	Competitive

Current Ownership structure



- AusNet Services 100% owns, operates and controls its assets, providing shareholders 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 15 years ago and the Distribution assets over 11 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 shareholder in AusNet Services on 3 January 2014.

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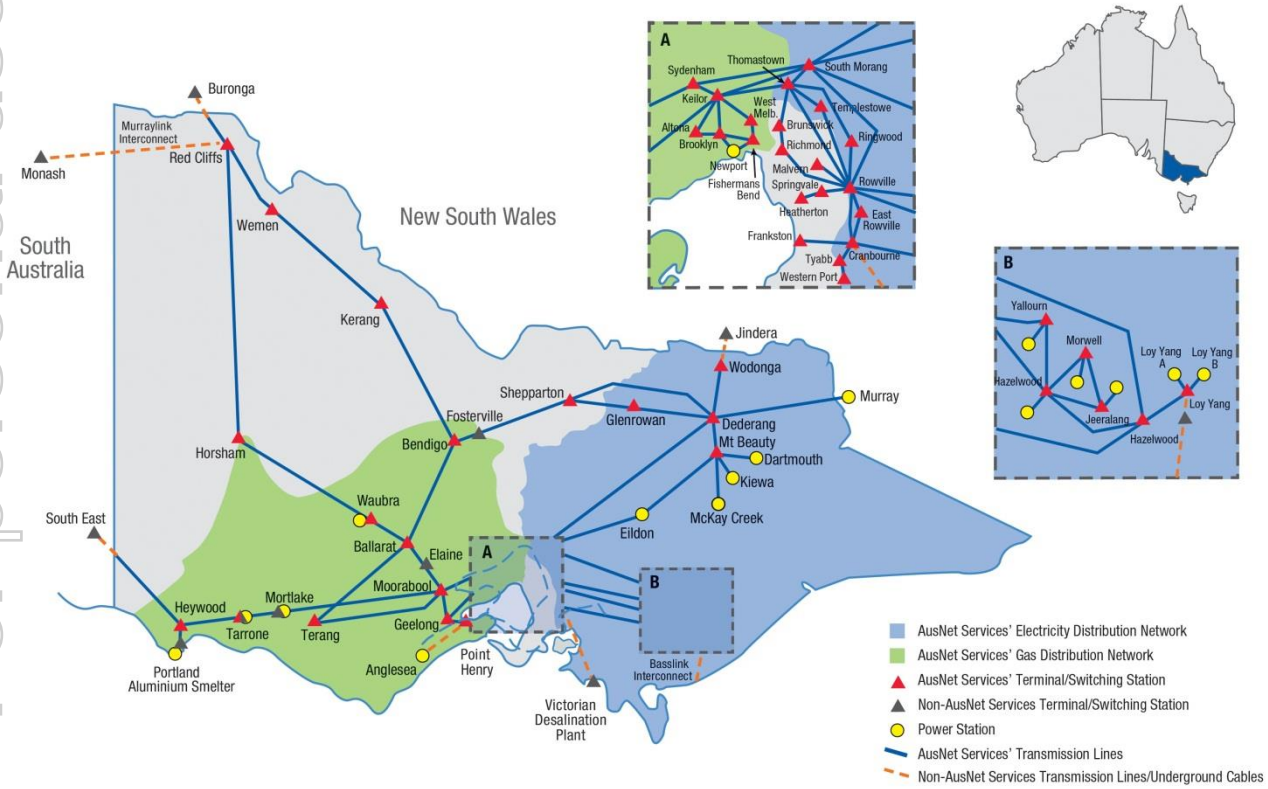
Suite of high quality assets

100% own, operate and control critical energy delivery infrastructure in Victoria



Electricity Transmission

- 6,709km of transmission lines
- 13,000 towers

Electricity distribution

- 51,483km of electricity distribution network
- 691,378 customers

Gas distribution

- 10,832km of gas distribution network
- 660,924 customers

Note
All figures are approximate as at 31 March 2016

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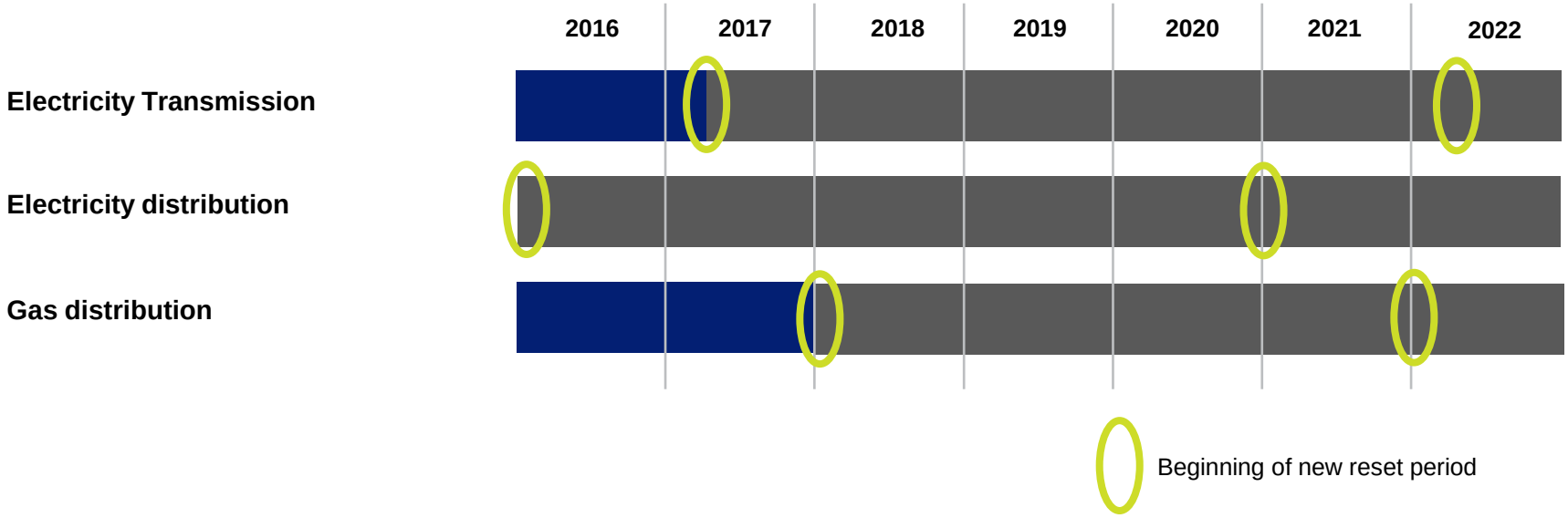
Networks summary

Diversified networks and staggered reset periods reduce regulatory risk

- Around 90% of total FY16 revenues are regulated and inflation protected
- Electricity distribution Regulatory Proposal (EDPR) 2016-2020 final decision expected by the end of May 2016
- Electricity Transmission revenue proposal (TRR) 2017-2022 submitted to the AER, draft expected by June 2016 and final decision by January 2017



Australian Regulatory Framework

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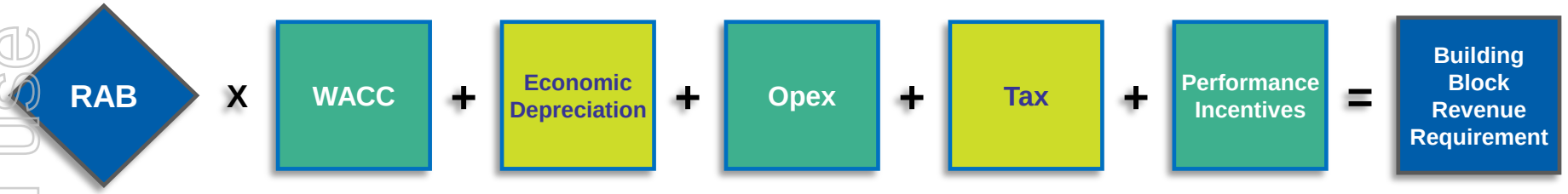
Incentive based regulatory regime - pricing built on building-block methodology



- Regulated Asset Base (RAB) is indexed annually, protecting against inflation risk
- National regulatory approach administered by the Australian Energy Regulator (AER)
- A revenue cap regime determines revenues independently of volumes

Network	Current Methodology
Electricity Transmission	Revenue Cap
Electricity Distribution	Revenue Cap
Gas Distribution	Price Cap

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EDPR 2016-20 draft decision

$M	AusNet Services Proposal	AER draft decision
Distribution Services		
Total Revenue	3,461	2,887
Total Capital Expenditure	1,886	1,614
Total Operating Expenditure	1,260	1,191
Metering Services		
Total Revenue	506	443
Total Capital Expenditure	165	56
Total Operating Expenditure	151	151

- Reduction in revenue relative to initial proposal predominantly relates to the AER's understanding of equity returns in the current low interest rate environment and overvaluing imputation credits for investors.
- The AER approved substantial bushfire expenditure and the inclusion of a mechanism to incorporate future Government mandated expenditure is welcomed. AusNet Services' customer engagement revealed strong support for continued investment to reduce further bushfire risk.
- In respect of Metering Services, a substantial amount of capex associated with the proposed prudent and orderly replacement of communications infrastructure has been rejected by the AER.

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EDPR 2016-2020

Regulatory period	Current Period 2011-15	AusNet Services 2016-2020 Proposal	AER draft decision
Beta	0.8	0.89	0.70
Risk Free Rate	5.14%	2.64%	2.75%
Debt Risk Premium	4.22%	2.75%	2.55%
Gamma	0.25	0.25	0.40
Market Risk Premium	6.50%	8.17%	6.50%
Nominal Vanilla WACC	9.75%	7.19%	6.10%
Return on Equity	10.34%	9.90%	7.30%
Net Capex (Nominal)	$1,579m	$1,867m	$1,614m
Opex (Nominal)	$928m	$1,356m	$1,191m
Revenue (Nominal)	$2,533m	$3,566m	$2,887m

Note
All figures updated for relevant appeals

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TRR 2017-2022

Regulatory period	Current Period 2014-17	AusNet Services 2017-2022 Proposal
Beta	0.8	0.89
Risk Free Rate	4.31%	3.02%
Debt Risk Premium	2.48%	2.35%
Gamma	0.65	0.25
Market Risk Premium	6.50%	7.91%
Nominal Vanilla WACC	7.87%	7.22%
Return on Equity	9.51%	10.00%
Net Capex (Nominal)	$552m	$815m
Opex (Nominal)	$591m	$1,182m
Revenue (Nominal)	$1,600m	$3,161m

Note
Current TRR 2014-17 period is a three year reset, proposed TRR 2017-22 is a five year reset

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Current regulatory determinations

Regulatory period	Gas distribution 2013-17	Electricity distribution 2016-20 (draft)	Electricity Transmission 2014-17
Beta	0.8	0.70	0.8
Risk Free Rate	3.14%	2.75%	4.31%
Debt Risk Premium	3.35%	2.55%	2.48%
Gamma	0.25	0.40	0.65
Market Risk Premium	6.00%	6.50%	6.50%
Nominal Vanilla WACC	7.07%	6.10%	7.87%
Return on Equity	7.94%	7.30%	9.51%
Net Capex (Nominal)	$512m	$1,614m	$552m
Opex (Nominal)	$277m	$1,191m	$591m
Revenue (Nominal)	$952m	$2,887m	$1,600m

Note
All figures updated for relevant appeals

Advanced Metering Infrastructure Update

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Metering Program remains on track

- Metering Program continues to track to plan, with successful delivery to key program milestones:
  - › Major system upgrade released **11 April 2016.**
  - › Mesh deployment commenced in November 2015 and rollout continues to schedule.
    - Mesh communication modules deployed to over 125,000 sites (45% of total).
    - Over 95% of the deployed modules are successfully communicating.
- System upgrades and new infrastructure have delivered improved data performance for existing 420,000 logically converted meters.
- Metering Program technology on track to be complete by late 2016.
  - › 95% of meters expected to be providing remote services to market by March 2017

Regulated & Contracted Asset Base

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- The Regulated & Contracted Asset Base (RCAB) consists of the following items:

  1. Regulated Asset Base (RAB), which is subject to some estimation as the Australian Energy Regulator (AER) ultimately determines the RAB of each network, and;

  2. The value of contracted network assets whose revenues and return are set through a negotiated or competitive process (e.g. desalination licence receivable). This may also include the value of network assets that will form part of the RAB at the next regulatory period.

- RAB is an estimate, that is subject to review by the regulator and is only formally confirmed with the regulator at the end of each determination period. RAB represents the value on which the network owner can expect to earn a return (return on capital), and the value that is returned to the network owner over the economic life of the assets (as regulatory depreciation). RAB is the starting point in the regulated revenue building block approach adopted by the regulator in order to determine AusNet Services regulated revenues.

- In addition, the contracted asset base is an internal management estimate based on the contracted asset values, which are then subject to depreciation and indexation.

- Given its purpose, the RCAB is not a substitute for, and is not reconciled to, the accounting carrying value of PPE.
  Key differences between RCAB and accounting values include, but are not limited to:
  - Historical fair value adjustments under accounting and initial adoption of IFRS
  - Regulatory depreciation and accounting depreciation differences
  - Indexation for RAB and contracted assets
  - Regulatory treatment of customer contributions differs to accounting
  - Accounting treatment for certain costs (capital or expense) differs to regulatory
  - RAB valuation undertaken for the first regulatory reset

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Further Information and Contacts

- AusNet Services is the largest diversified energy network business in Victoria, owning and operating around $12 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 specialist utility services.

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

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

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AusNet Services

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AusNet Services
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