

# ASX & SGX-ST Release



21 July 2016

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

## Annual General Meeting Presentation

The presentation for today's Annual General Meeting is attached.

**Susan Taylor**  
Company Secretary

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# AusNet Services Ltd Annual General Meeting

21 July 2016



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# Chairman's address

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*Peter Mason AM*

# Managing Director address

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*Nino Ficca*

# Safety performance

## ▶ About missionZero

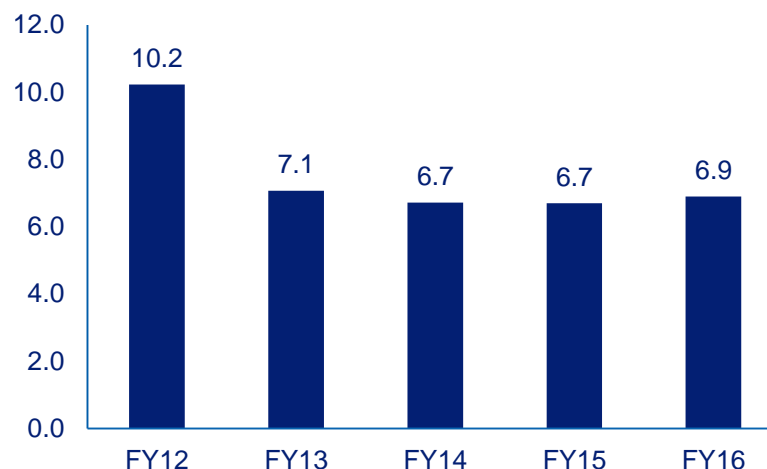
- › missionZero is our safety program to achieve ZERO injuries

## ▶ missionZero progress

- › 450 employees received safety training
- › 32,650 employee safety conversations
- › Focus on critical risk control

## ▶ Recordable Injury Frequency Rate (RIFR) = 6.9

- › 3.2% deterioration on FY15, largely due to injuries to meter readers who work alone in uncontrolled environments
- › Other areas of the business, including our field operations, reduced RIFR by 23%



# Our People



## Embed our new values



## Build leadership capability

- › 450 People Leaders completed our 'Switched On' Leadership program
- › Phase two will commence this year

## Support efficiency change

- › Supporting the business to operate more efficiently, including leveraging our Enterprise Resource Planning platform implementation

## A focus on gender diversity

- › Female participation up 1% to 20%
- › Entered into a partnership with Deakin University to offer eight "Women in Power Engineering" scholarships over three years



Managing Director, Nino Ficca welcomes the first Women in Power Engineering scholarship recipients.

## 2015 Employee Share Plan

- › 41.2% eligible employee participation

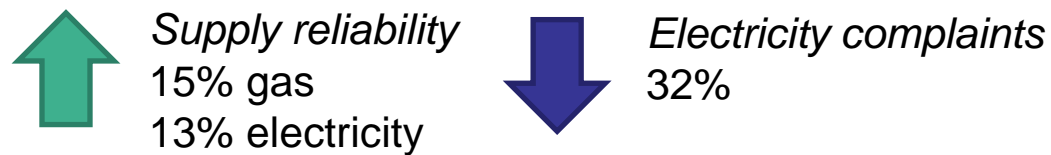
# Our Customers

Our purpose: *to empower communities and their energy future*

## Achievements

1. Improved our customer communications
2. Enhanced our customers' experience when undertaking maintenance
3. Increased customer engagement

## Results



## Smart meter innovations

- › Continue to reduce potential electric shocks
- › New service to alert customers if their solar systems aren't exporting to the grid





# Investment proposition



- Regulated & Contracted Asset Base of \$8.9bn, comprising critical energy delivery infrastructure
- 100% control, ownership & management of assets, a secure path to cash flows

Scale

- Sustainable financial settings supporting 'A' range credit rating
- Diversified debt portfolio, extended tenors, accessing a variety of markets

Prudent

- Around 90% of revenues are regulated, inflation adjusted, underpinning a sustainable dividend profile
- Disciplined growth strategy, focusing on 1x RAB and accretive contracted opportunities

Stability

- Extract further value from asset base through business-wide efficiency program
- Develop and integrate innovative technologies in response to changing energy environment

Focus

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

**1. REGULATED BUSINESS**

Lead network transformation and embrace change

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**2. CONTRACTED ENERGY INFRASTRUCTURE and SERVICES**

Grow contracted energy infrastructure business, leverage core capabilities

**3. Drive efficiency and effectiveness throughout the portfolio to maximise value**

**4. Leverage reputation as a trusted and respected partner**

**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

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# Future energy networks

## - *adapting to emerging technology and customer needs*



- ▶ Energy networks must adapt to embrace new renewable generation sources, energy market innovations and changing customer expectations.
- ▶ Energy networks will continue to play a key role in meeting large industrial and commercial load demand.
- ▶ AusNet Services is integrating new technologies into its regulated networks e.g. Mooroolbark Mini Grid Project.
- ▶ Regulatory policy in Australia will also adapt.
  - Objective to incentivise efficient investment, whilst ring-fencing must be workable and focused on customer outcomes.



# 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

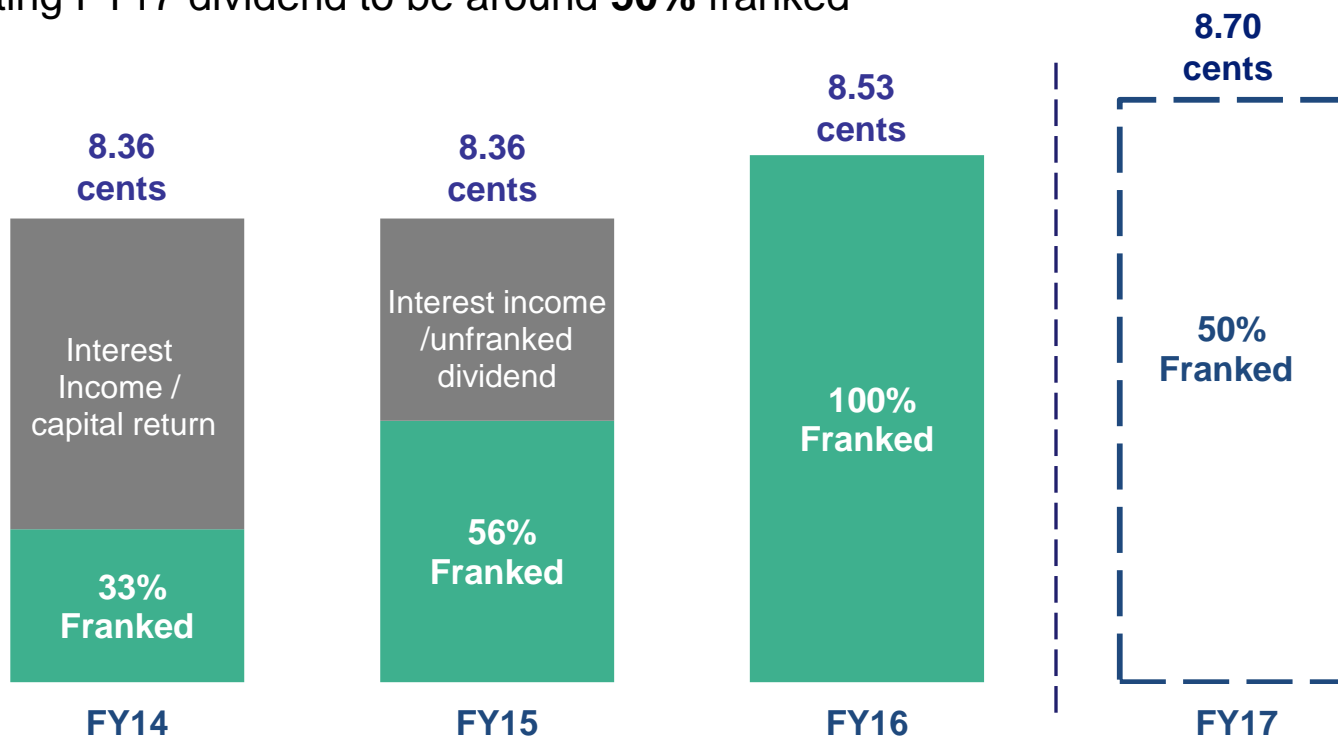
**67%**

Net debt to Regulated &  
Contracted Asset Base

# Dividend growth and franking

## Full Year Dividend and Franking

- ▶ FY16 dividend **100%** franked
- ▶ FY17 dividend guidance of 8.70cps, up **2%** on prior year
- ▶ Expecting FY17 dividend to be around **50%** franked



# Financial performance



Full Year to 31 March 2016 (A\$M)

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

# Electricity transmission network



## Operational Highlights

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

### ► Contracted energy infrastructure

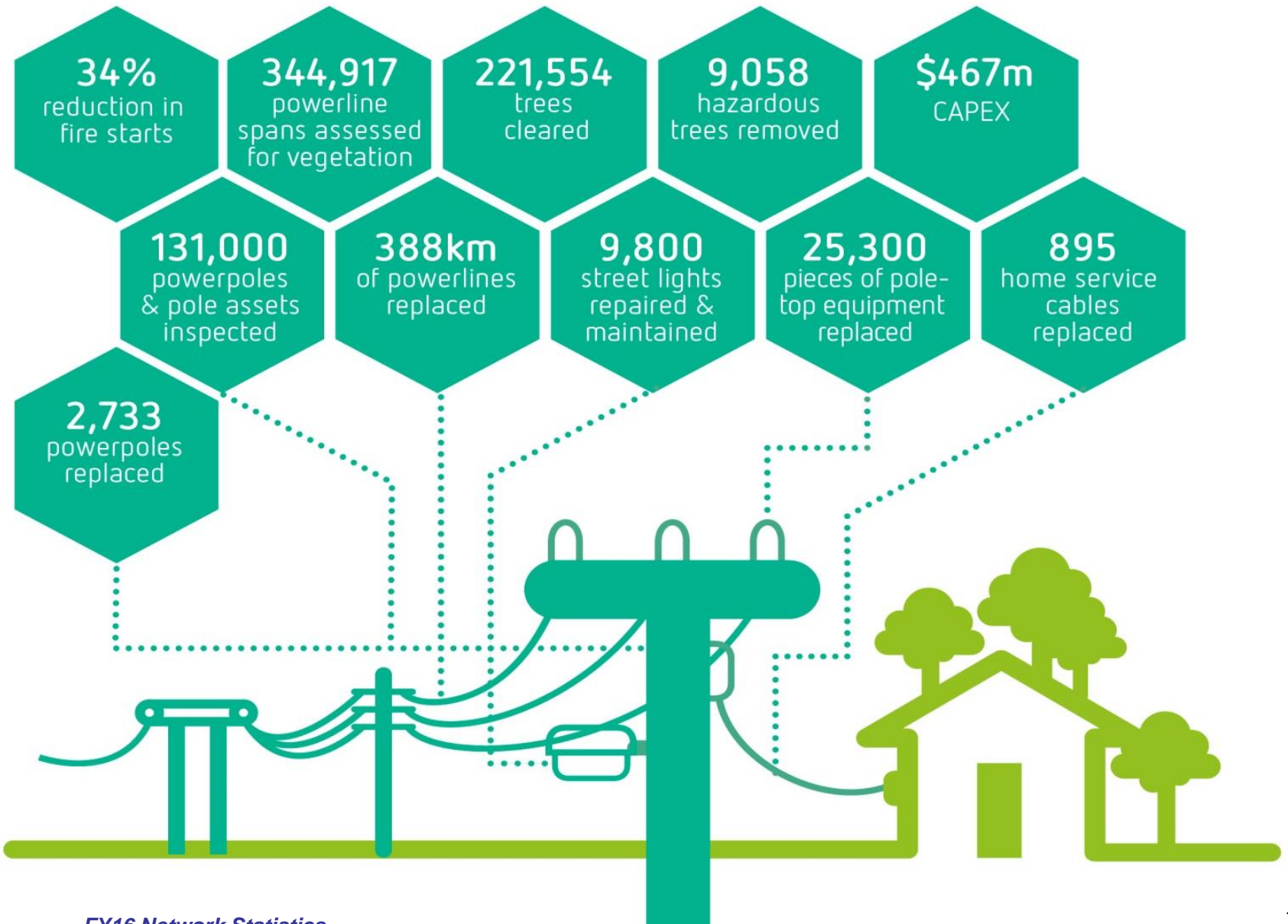
- › Acquired Mortlake Terminal Station (pictured right) for a total of **\$117m** from Origin Energy, with transaction completion reached in late June 2016.





# Electricity distribution network

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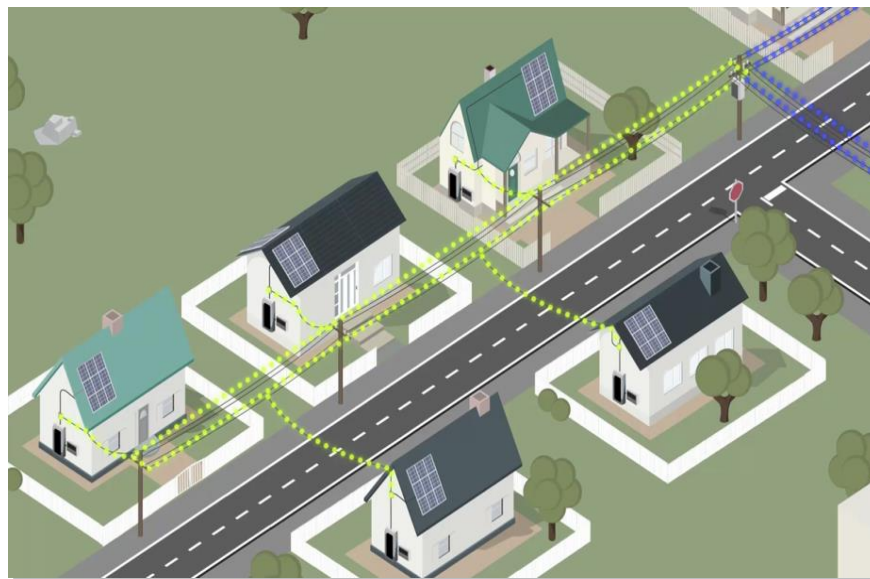




# Electricity distribution network

## Network modernisation

- › **Residential Energy Storage trial** – 3 year trial of 10 homes in outer Melbourne found substantial customer and network benefits.
- › **Grid Energy Storage System (GESS)** – 1MW battery system and smart inverter located at Thomastown Terminal Station providing network support.
- › **Mooroolbark Mini Grid Project** (pictured right) – first trial of its kind in Australia, involving 14 homes enabled with solar panels and battery storage, with a common connection to the grid.



# EDPR 2016-20 Final Decision & Appeals



- Australian Competition Tribunal handed down decisions in late February 2016 in respect of NSW and ACT distributors and other entities. The AER appealed the decisions.
- In May, the AER final EDPR 2016-20 decision was released and adopted the Guideline WACC, including the unfavourable gamma. AusNet Services has appealed certain aspects of the decision, in particular the gamma.

▪ The following table summarises the AER's Decision by the two main services, distribution and metering, relative to the Preliminary Decision made in October 2015.

	Preliminary Decision (\$M)	Final Decision (\$M)	% Increase
<b>Distribution Services</b>			
Total Revenue	2,887	3,132	8.5%
Total Capital Expenditure(real 2015\$)	1,745	1,797	3%
Total OperatingExpenditure(real 2015\$)	1,104	1,170*	6%
<b>Metering Services</b>			
Total Revenue	443	392*	-11%
<b>Total Distribution and Metering Revenue</b>	<b>3,330</b>	<b>3,524</b>	<b>5.8%</b>

\*Note operating costs have been reallocated to distribution from metering by the AER

# Gas distribution network

## Operational Highlights

### ▶ Asset upgrade

- › Critical gas pressure reduction station, Ballarat City Gate, was upgraded during February, supplying approximately 40,000 residential customers and large industrial customers.
- › Increased 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.

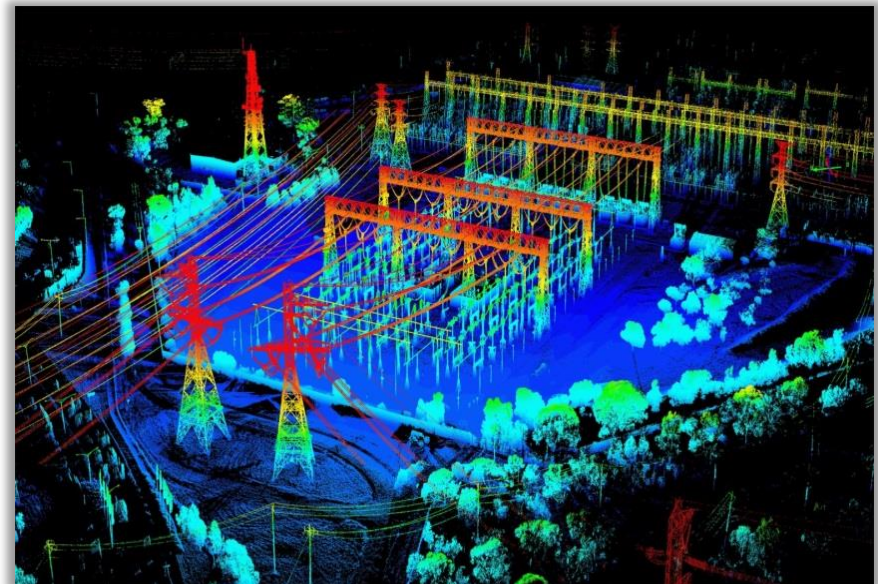
### ▶ Network performance

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

# Select Solutions

## Operational Highlights

- ▶ Select Solutions strategic focus continues to be growth with blue chip customers (utilities, rail, government etc.) through the commercialisation of innovative solutions
- ▶ Select Solutions through its Geomatic Technologies business (GT) won the Innovation and Commercialisation award at the 2015 Asia Pacific and the Victorian Spatial Excellence Awards for the Bushfire Safety Clearance program.
- ▶ The program employed a combination of positioning technology, LiDAR scanning, (pictured right), a surveying technology using pulsed laser to measure distances, also known as 3D laser scanning.



# Outlook



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 TRR 2017-22 proposal.

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# Formal Business

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# HOW TO USE YOUR HANDSET

- Insert the plastic smartcard into the top of the handset
- The chip should be facing you and at the bottom of the card



# HOW TO USE YOUR HANDSET



- When inserted you will briefly see a welcome message on screen
- You will then be returned to the holding screen where your name will now appear at the top of the display



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# HOW TO USE YOUR HANDSET



- Press 1 to vote FOR
- Press 2 to vote AGAINST
- Press 3 if you wish to ABSTAIN



# HOW TO USE YOUR HANDSET

- Your selection and the word Received will appear on your handset to indicate your vote has counted
- If you wish to change your mind, simply enter your new choice



# HOW TO USE YOUR HANDSET

- If you wish to ask a question press the microphone button to the left of the screen
- Then press the Green square to confirm
- This will place you in a queue of names that can be viewed by the chairman



# HOW TO USE YOUR HANDSET

- When called by the Chairman your microphone will activate automatically.
- Hold the handset 10cm from your face and speak clearly



# Item 1

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## *Financial Statements and Reports*

# Item 2

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## *Election of Directors*

# Item 2 (a)

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*Mr Peter Mason AM*

# Item 2 (b)

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*Mr Tan Chee Meng*



# Remuneration report

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*Tina McMeckan*

# Item 3

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## *Remuneration Report*

# Item 4

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## ***Grant of Performance Rights to Managing Director***

# Item 5

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## ***Increase in Total Fee Pool of Non-Executive Directors***

# Item 6

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***Issue of Shares – Up to 10% Pro Rata***

# Item 7

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## *Issue of Shares pursuant to Dividend Reinvestment Plan*

# Item 8

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## *Issue of Shares pursuant to an Employee Incentive Scheme*



*Meeting closed.*

*Thank you for your attendance.*