ASX & SGX-ST Release

14 May 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Level 31, 2 Southbank Boulevard
Southbank Victoria 3006
Australia
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www.ausnetservices.com.au

AusNet Services Full Year 2015 Results Release
and
Investor Presentation

The following documents are attached:

1. AusNet Services Full Year 2015 Results Release; and
2. Investor 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 Full Year 2015 Results

AusNet Services today announced its full year results for the period ending 31 March 2015, reporting a 1.9% increase in revenues to $1,833.9m, a 2.9% increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $1,047.2m and a Net Profit After Tax (NPAT) of $22.6m. NPAT variance to the prior corresponding period is principally due to several items including:

- $183.3m impact due to a binding agreement with the Australian Taxation Office (ATO) to settle all matters concerning the intra-group financing review (Division 974 audit and related reviews) and rights to future income issues;
- $84.1m recognition of net exposure in relation to Intellectual Property dispute with the ATO
- $60.6m Advanced Metering Infrastructure Program (AMI) charges relating to customer rebates provision ($32.5m) and asset write-off ($28.1m);
- Prior period inclusion of $57.7m termination of the Management Services Agreement (MSA) and associated costs, performance fees in relation to the MSA of $22.2m and $86.7m recognition of amounts potentially payable under the Section 163AA ATO impost dispute.

Adjusted EBITDA includes the $28.1m AMI asset write-off and decreased by 1.6% to $1079.7m. Adjusted NPAT decreased by 2.5% to $312.8m. The Directors declared a final 2015 distribution of 4.18 Australian cents per security, a total of 8.36 cents per security for FY15. The final 2015 distribution will be 60% franked, if the restructure and simplification proposal (Proposal) is implemented before the next distribution payment date of 26 June 2015.

A$M	FY 2015	FY 2014	Variance	
Statutory Result				
Revenue	1,833.9	1,799.4	up	1.9%
EBITDA	1,047.2	1,017.4	up	2.9%
EBIT	668.0	647.7	up	3.1%
PBT	354.4	305.4	up	16.0%
NPAT	22.6	178.3	down	-87.3%
Adjusted EBITDA [1,3]	1,079.7	1,097.3	down	-1.6%
Adjusted NPAT [2,3]	312.8	320.9	down	-2.5%
Final distribution	4.18	4.18	unchanged	0.0%

1. Adjusted EBITDA excludes the recognition of a provision for Advanced Metering Infrastructure (AMI) customer rebates of $32.5 million for the year ended 31 March 2015 and $50.0 million payable for the termination of the Management Services Agreement (MSA), $22.2 million of performance fees under the MSA and $7.7 million in restructuring costs associated with the Termination Deed for the year ended 31 March 2014.
2. As well as the after-tax impact of the items listed for adjusted EBITDA above, Adjusted NPAT also excludes recognition of $183.3 million in incoe tax expense for the settlement with the ATO in relation to the intra-group financing audit for the year ended 31 March 2015; excludes $84.1 million recognition of net exposure relating to Intellectual Property dispute with the ATO for the period ended 31 March 2015 and; excludes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute for the year ended 31 March 2014.
3. Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review.

Operational Review

Electricity distribution

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	879.6	815.1	64.5	7.9%
Segment result – EBITDA ($M)	453.7	451.6	2.1	0.5%
Volume (GWh)	7,361	7,483	(122)	(1.6%)
Connections	679,213	668,603	10,610	1.6%
Capital expenditure ($M)	486.9	568.6	(81.7)	(14.4%)
Adjusted segment result ($M)[1]	486.2	465.3	20.9	4.5%

1. Adjusted segment result excludes $32.5 million of AMI rebates for 31 March 2015 and $13.7 million of performance fees for 31 March 2014. Adjusted segment result is a non-IFRS measure that has not been subject to audit or review.

Despite the slight decline in volumes distributed, AusNet Services' electricity distribution business achieved an increase in revenue, primarily driven by regulated price increases for both electricity distribution and AMI. The electricity distribution price increase is due to a combination of regulated price path, as well as higher revenues under incentive schemes, partially offset by a price reduction for the pass-through of transmission use of system charges.

An increase in EBITDA has been achieved despite $60.6 million in AMI charges relating to customer rebates ($32.5 million) and write-off of assets ($28.1 million) and $11.1 million of higher transmission use of system charges, which will be recovered in next year's revenues. The prior year included $13.7 million of SPI Management Services performance fees.

Of the total electricity distribution capital expenditure of $486.9 million, $119.3 million was spent on asset replacement while a further $114.3 million relates to various safety programs, including those highlighted in the Victorian Bushfire Royal Commission. The decrease in capital expenditure from the previous year is due to AMI, with completion of the meter and communication rollouts, principally occurring in the previous year.

Gas distribution

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	187.3	219.5	(32.2)	(14.7%)
Segment result – EBITDA ($M)	142.0	168.1	(26.1)	(15.5%)
Volume (PJ)	64.2	67.0	(2.8)	(4.2%)
Connections	647,536	633,184	14,352	2.3%
Capital expenditure ($M)	99.0	112.2	(13.2)	(11.8%)

The reduction in gas distribution segment revenue is largely the result of price reductions following a lower WACC in the latest gas regulatory determination, with a 15 per cent price reduction on 1 July 2013, and a further 4 per cent price reduction on 1 January 2014, driving regulated revenues down $19 million. In addition, customer contributions reduced $13.3 million due to the prior year recognition of $20.9 million of gifted distribution network assets as part of the Regional Rail Link project.

Lower industrial volumes contributed to almost 80 per cent of the volume decline. Weather conditions accounted for the

remainder of the decline as weather normalised residential consumption increased 1.4 per cent.

The gas distribution business contributed $142.0 million to EBITDA for the year, a decrease of $26.1 million over the previous year primarily as a result of lower revenues, partially offset by prior year expenses containing a $7.9 million increase in the environmental provision for the remediation of contaminated former gas sites.

AusNet Services remains committed to allocating its resources to ensure a safe and reliable supply of natural gas to existing customers and bringing more gas to Victorians through efficient investment. In addition to ongoing expansion of the network, AusNet Services has agreed to extend its gas network to several towns identified in the Victorian Government's Energy for the Regions program. To date, AusNet Services has an agreement with Regional Development Victoria for the supply and reticulation of natural gas to Huntly, Avoca, Bannockburn and Winchelsea with Huntly completed during the financial year and work underway in the other three towns.

Electricity transmission

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	619.8	628.3	(8.5)	(1.3%)
Segment result – EBITDA ($M)	434.5	436.9	(2.4)	(0.6%)
Capital expenditure ($M)	212.3	232.7	(20.4)	(8.8%)

The decrease in electricity transmission revenues 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 $434.5 million to EBITDA for the year, a decrease of $2.4 million over the previous year. The impact of lower revenues was offset by the removal of Management Services performance fees in the current year.

The decline in capital expenditure is a result of the completion of several major terminal station upgrades. The TRR provides funding for key transmission projects, particularly the replacement and refurbishment of several major CBD 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

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	158.9	150.7	8.2	5.4%
Segment result – EBITDA ($M)	17.0	18.5	(1.5)	(8.1%)

Select Solutions provides asset intelligence and end to end metering solutions 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, (including Jemena, which is considered a related party as it is controlled by State Grid) and telecommunications companies.

Select Solutions revenues increased by 5.4 per cent largely due to Geomatic Technologies (GT), which was acquired in February 2014. Select Solutions contributed $17.0 million to EBITDA for the year, a decrease of $1.5 million on the prior period primarily due to a change in revenue recognition treatment in communications revenues, resulting in a $3.8 million adjustment, partially offset by the GT contribution.

Outlook

AusNet Services remains committed to growing, modernising and transforming its existing networks. Despite increasing pressures on cost efficiencies from both the regulator and customers, AusNet Services is focused on delivering value to securityholders by moving to more efficient operating model. To assist this objective, AusNet Services is considering a restructure and simplification Proposal.

Under the Proposal, a new company called AusNet Services Ltd would become the single head entity of AusNet Services in place of the current triple stapled structure. There will be no capital raising as part of the Proposal and securityholders will not be required to pay any cash consideration. AusNet Services is targeting an implementation date of 18 June 2015.

The final FY 2015 distribution will comprise a 60% franked dividend and 40% unfranked dividend, assuming the Proposal is implemented prior to the final distribution payment date of 26 June 2015. If the Proposal is not implemented prior to the final distribution payment date of 26 June 2015, the final distribution will comprise a 53% franked dividend and 47% interest income.

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 2016 financial year, AusNet Services expects to increase distributions to 8.53 cents per security. AusNet Services expects the interim 2016 distribution to be 75% franked, if the Restructure Proposal is implemented.

AusNet Services expects capital expenditure in FY 2016 to be around $900m. AusNet Services continues to assess acquisition opportunities and other corporate transactions as they arise, along with pursuing opportunities for further organic growth in existing and related businesses.

Distribution key dates

The 2015 final distribution of 4.18 Australian cents per security comprises 2.51 cents from a franked dividend (60.0%) and 1.67 cents from an unfranked dividend (40.0%).

Important dates:

9 June 2015	ASX & SGX-ST ex-date for final distribution
11 June 2015	Record date to identify securityholders entitled to final distribution
12 June 2015	Last election date for participation in DRP for final distribution
26 June 2015	Payment of final distribution

The Distribution Reinvestment Plan (DRP) will be in operation for the 2015 final 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 12 June 2015 and 18 June 2015 (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 $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 utility services.

Headquartered in Melbourne, Australia, AusNet Services employs more than 2,600 people to service over 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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AusNet Services

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Full Year 2015 Results

For the financial period ended 31 March 2015

14 May 2015

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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- This presentation contains certain “forward-looking statements” and prospective financial information. These forward looking statements and information are based on the reasonably held beliefs of AusNet Services management as well as reasonable assumptions made by and information currently available to AusNet Services management, and are current only as of the date of this presentation. All statements other than statements of historical facts included in this presentation, including without limitation, statements regarding AusNet Services forecasts, business strategy, synergies, plans and objectives, are forward-looking statements. In addition, when used in this presentation, the words “guidance”, “forecast”, “estimate”, “expect”, “anticipated” and similar expressions are intended to identify forward looking statements. Such statements are subject to significant assumptions, risks and uncertainties, many of which are outside the control of AusNet Services and are not reliably predictable, which could cause actual results to differ materially, in terms of quantum and timing, from those described in this presentation. In receiving this presentation, you agree to the above restrictions and limitations.

Introduction & Summary

Financial Performance

Operational Review

Strategy & Outlook

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

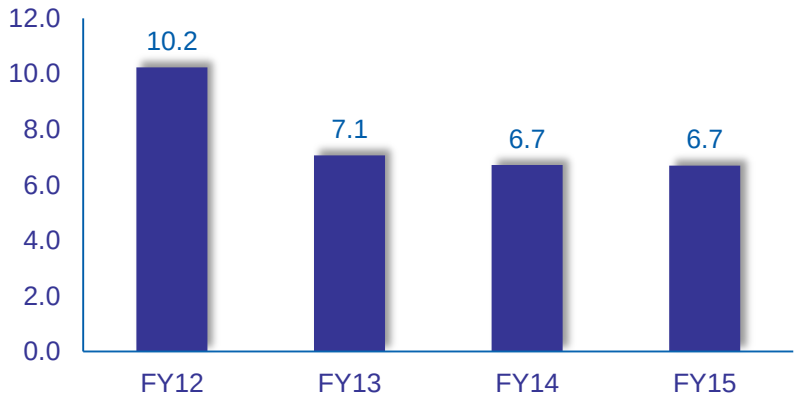
Safety mission & performance

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

- 26% improvement in Hazard and near miss reporting
- 78% improvement in corrective action close out by due date
- FY15 Recordable Injury Frequency Rate (RIFR) = 6.7
- Contractors account for 65% of recordable injuries



Broadening the Investment appeal

Substantial progress on de-risking and resolving legacy issues in FY15

Settled bushfire class actions

Reached settlement on Kilmore East & Murrindindi bushfire class actions (without admission of liability). Contributions and costs have been, or will be, met under insurance cover.

Tax Certainty

Settled intra-group financing audit (Division 974 audit and related reviews), providing tax certainty over historical capital structure.

AMI completion Plan

Developed plan to complete the Advanced Metering Infrastructure (AMI) program. Silver Spring Networks contracted to develop complementary mesh technology.

Transformation

Went 'live' with SAP platform on 4 May 2015, SAP is key enabler of more efficient and sustainable operating model, providing enhanced information management and processing. Implementation completed on time and on budget.

Restructure Proposal

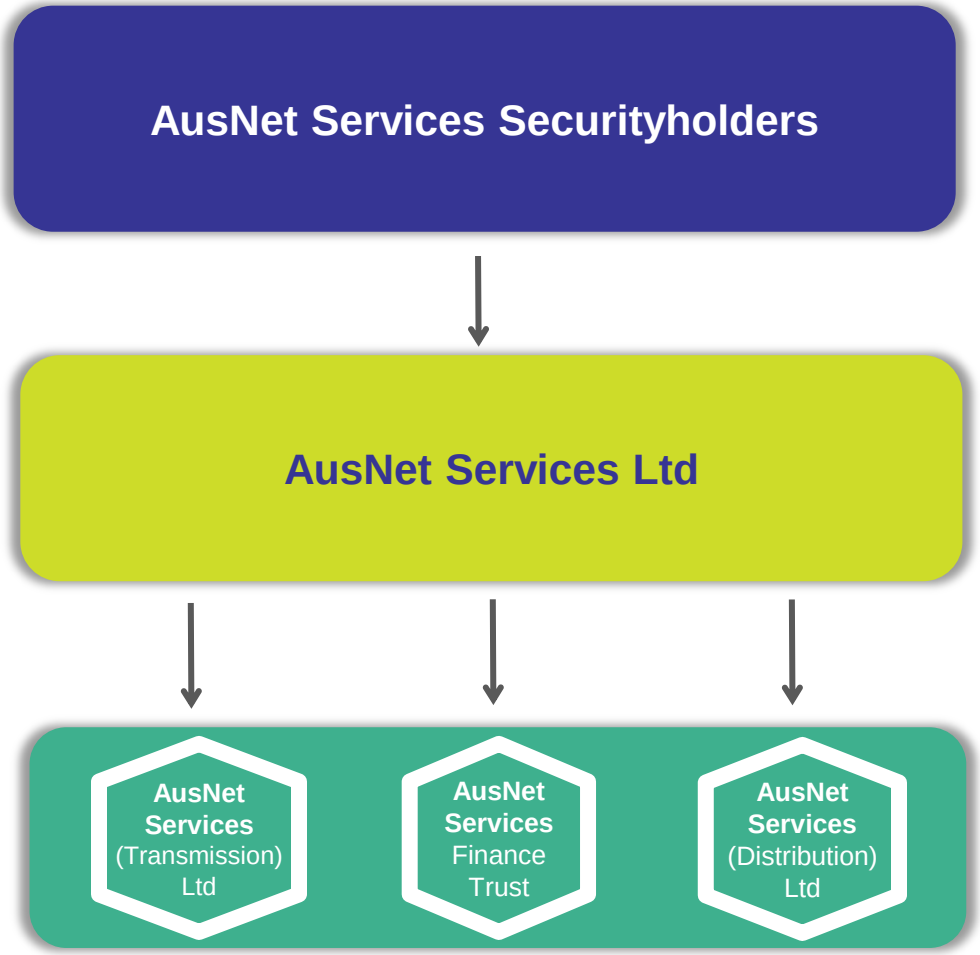
Announced and progressed proposal to simplify corporate structure. Securityholder Booklet issued in April 2015. Securityholder meetings to be held on 29 May 2015.

Restructure Proposal

- Proposed ownership structure

If the Proposal is implemented:

- New listed entity (AusNet Services Ltd) will become single head entity of the group
- All eligible securityholders will receive one share in AusNet Services Ltd for each stapled security held
- No cash payment or capital raising as part of the Proposal
- No change to the composition of the Board (as a consequence of the Proposal) or to the underlying business and assets
- The distribution reinvestment plan will apply to the next distribution in the usual way



Restructure Proposal

- **The AusNet Services Directors believe that the complexity of the current corporate structure is no longer appropriate and that the Proposal achieves a number of key benefits:**
  - Simplification and potential broader investor appeal
  - Reduced administration
  - Greater certainty of tax position in relation to capital structure
  - Facilitates the efficient repayment of AusNet Services Trust Loans
  - Improved ability to distribute available franking credits

› also has a number of **disadvantages and risks** including:

- Profile of future distributions may not suit all investors and no ability to make tax deferred distributions
- Transaction costs
- Potential stamp duty liability triggered by any further restructure of AusNet Services subsequent to this Proposal (no such restructure is currently expected)
- Cancellation of AusNet Services' pre-2005 tax losses but this is expected to be offset by an increase in the tax base of certain assets as a consequence of tax consolidation

Because the benefits outweigh disadvantages and risks, the AusNet Services Directors believe that the Proposal is in the best interests of Securityholders. Therefore the Directors unanimously recommend that Securityholders vote in favour of the Resolutions.

FY 2015 Investment highlights

5% growth in Regulated & Contracted Asset Base to **$8.6bn**

60% Final FY15 Distribution franked *

Growth in after tax distributions for domestic Securityholders

Guidance for FY 2016 distribution growth, to 8.53 cps **2%**

Revenue ↑ 2%, EBITDA ↑ 3% PBT ↑ 16%

5% Growth in net operating cash flows

18.5% 12 month total Securityholder return to 31 March 2015

Maintained **'A'** range credit rating

Stronger Credit Metrics

2.8x interest cover

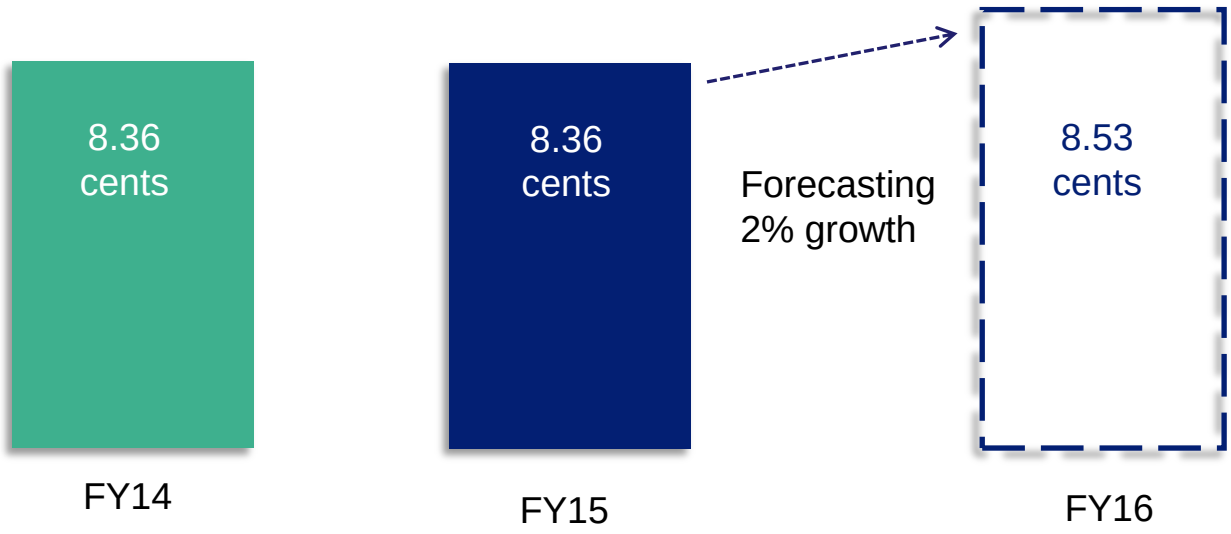
68% net debt to Regulated & Contracted Asset Base

Notes

*Assuming restructure implemented prior to final distribution payment date, 26 June 2015

Distribution growth

Full Year Distribution ¢

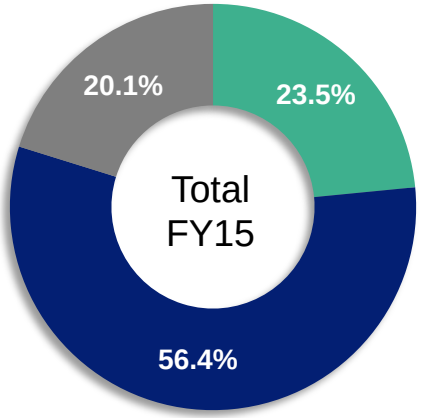


- **75%** franked dividend expected for Interim 2016 distribution, if the Restructure Proposal is implemented

Total FY15 Distribution scenarios

Scenarios depend on whether restructure proposal is implemented prior to final distribution payment date

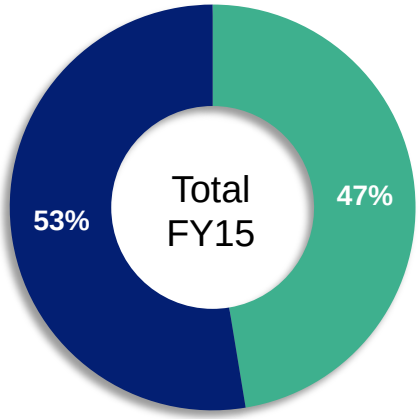
'YES' vote



	Final FY15	Interim FY15	Total FY14
Interest Income	0.0%	47.0%	57.3%
Franked Dividend	**60.0%**	53.0%	33.3%
Unfranked dividend	**40.0%**	0.0%	0.0%
			9.4%

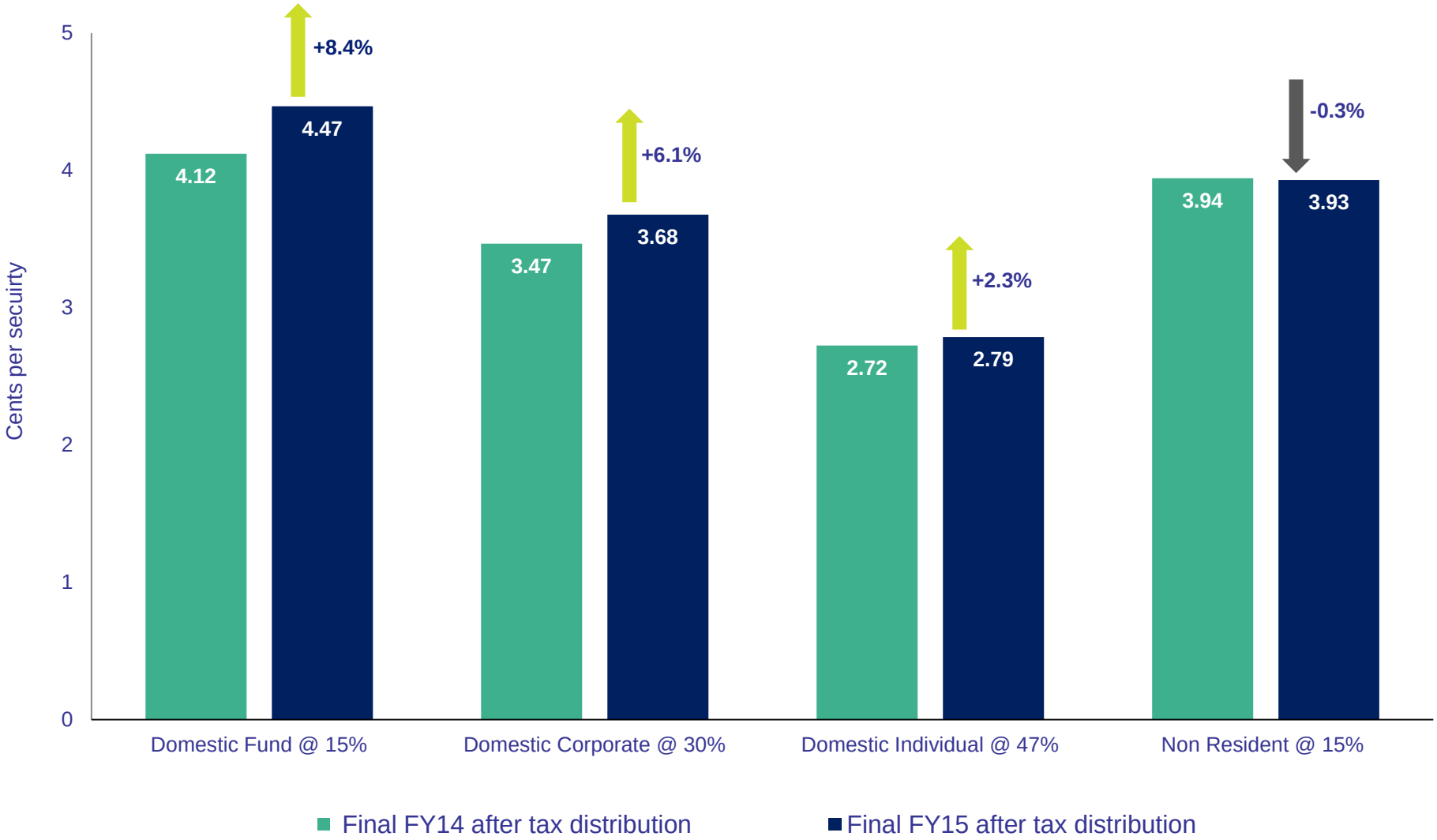
Return of Capital

'NO' vote



	Final FY15	Interim FY15
Interest Income	**47.0%**	47.0%
Franked Dividend	**53.0%**	53.0%

Comparison of final after tax distribution FY15 vs FY14



Notes

- Assumes restructure proposal is implemented prior to final distribution payment date of 26 June 2015
- Withholding tax @ 15% for non-resident in a tax treaty jurisdiction

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Financial performance

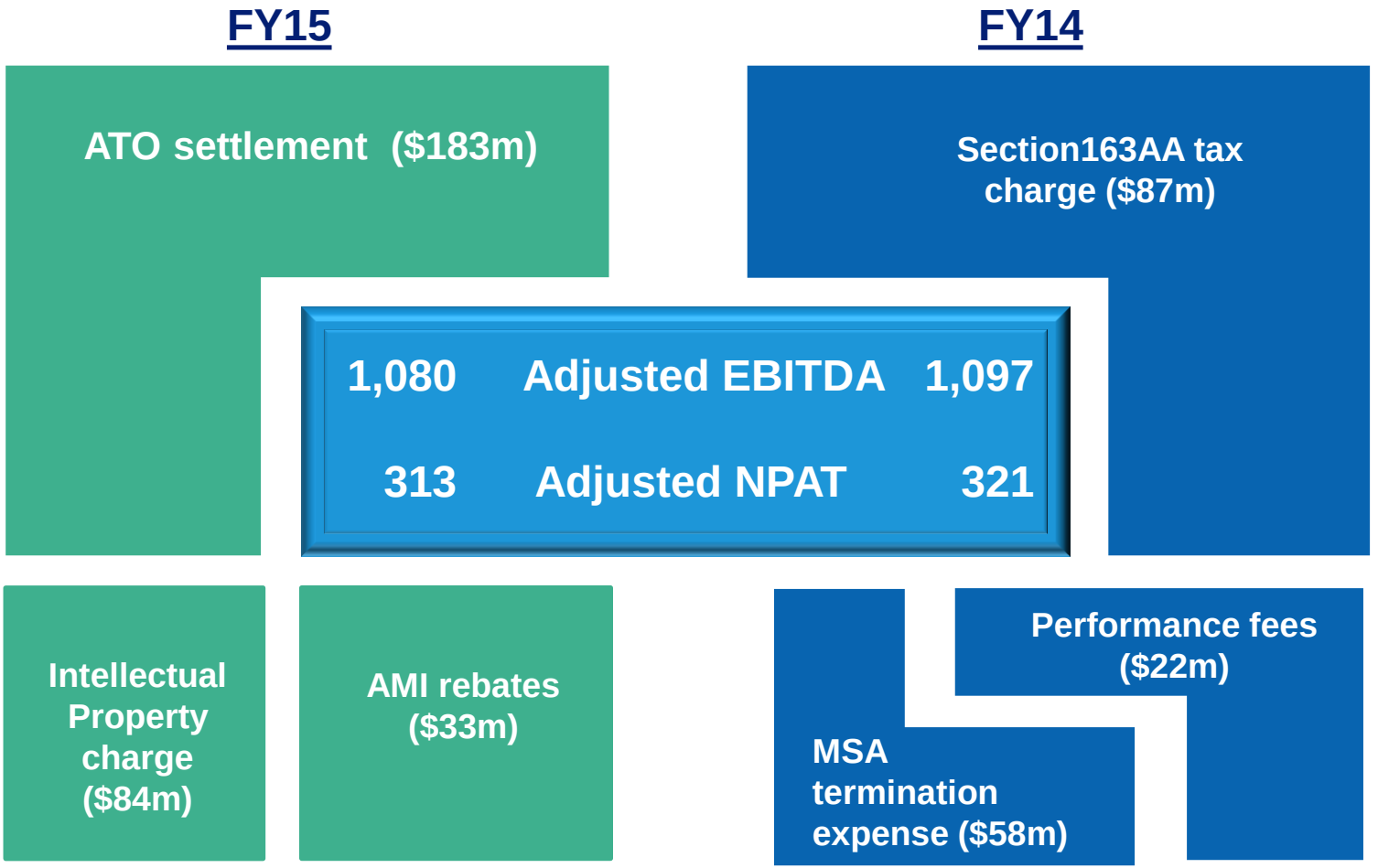
Full Year to 31 March 2015 (A$M)

A$M	FY 2015	FY 2014	Variance
Statutory Result			
Revenues	**1,833.9**	1,799.4	1.9%
EBITDA	**1,047.2**	1,017.4	2.9%
EBIT	**668.0**	647.7	3.1%
PBT	**354.4**	305.4	16.0%
NPAT	**22.6**	178.3	-87.3%
Final distribution	**4.18**	4.18	0.0%
Adjusted EBITDA	**1,079.7**	1,097.3	-1.6%
Adjusted NPAT	**312.8**	320.9	-2.6%

- Higher revenues from electricity distribution regulated price path and from AMI
- EBITDA impacted by recognition of AMI customer rebate ($33m) and AMI asset write-off ($28m)
- Higher income tax expense due to:
  - ($183m) ATO Audit settlement (intra-group financing audit) and;
  - ($84m) potential exposure relating to Intellectual Property dispute with the ATO

Notes
Refer to appendices for reconciliation to statutory result

Adjusted results



Financial performance

Adjusted result

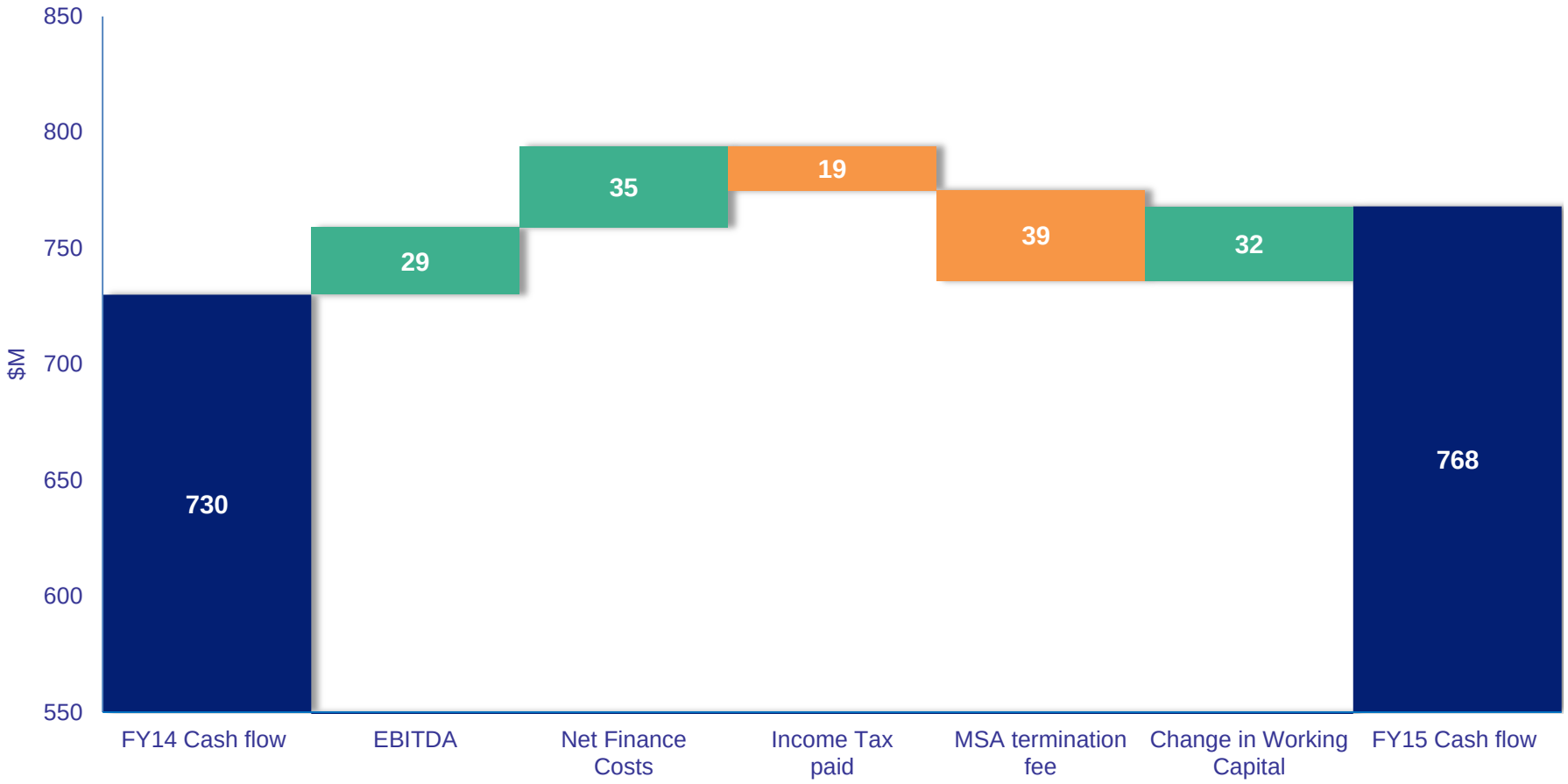
Full Year to 31 March 2015 (A$M)



Notes
Refer to appendices for reconciliation to statutory result

Cash flow from operations

Full Year to 31 March 2015 (A$M)

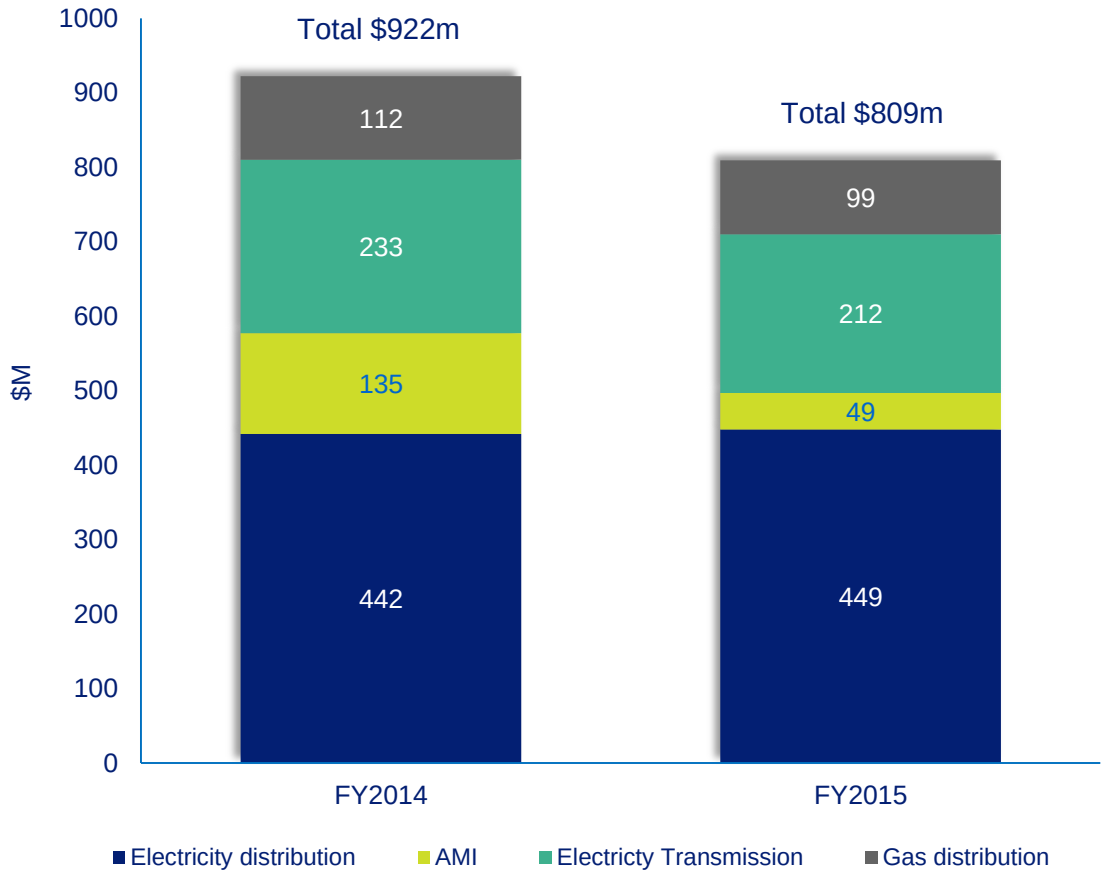


Notes: FY14 cash flow includes $22m in performance fees, no longer payable from 31 March 2014

Gross capital expenditure

Full Year to 31 March 2015 (A$M)

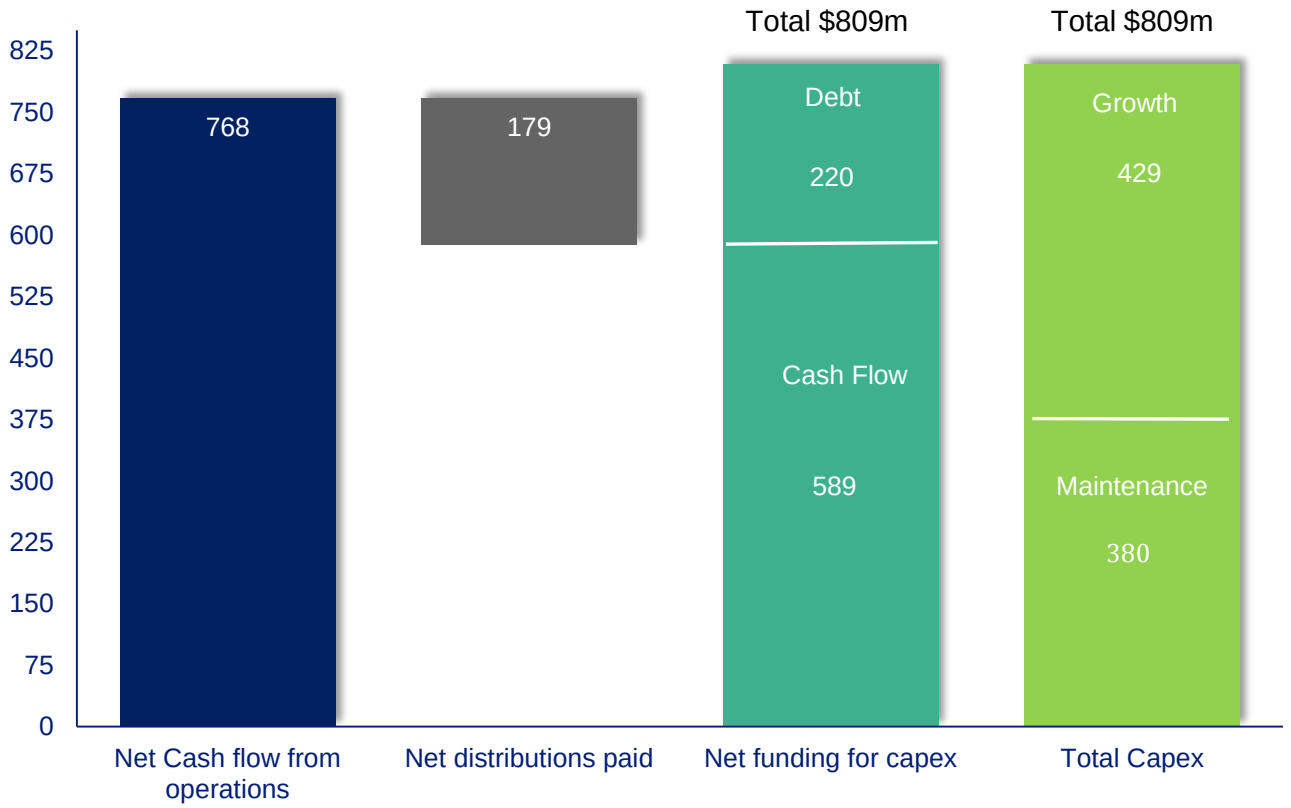
- **FY 2015 capex down 12% as a result of:**
  - › lower AMI program spend due to completion of meter installations in previous period
  - › lower transmission customer initiated capex
- **FY 2016 capex guidance of around $900m**
- **Step-up in AMI program spend expected in FY 2016**



Distribution & capex funding

Full Year to 31 March 2015 (A$M)

- Distributions fully covered by strong operating cash flows
- After satisfying distributions of **$179m** (net of $106m re-invested under the DRP), **$589m** of operating cash flows was available to fund capex

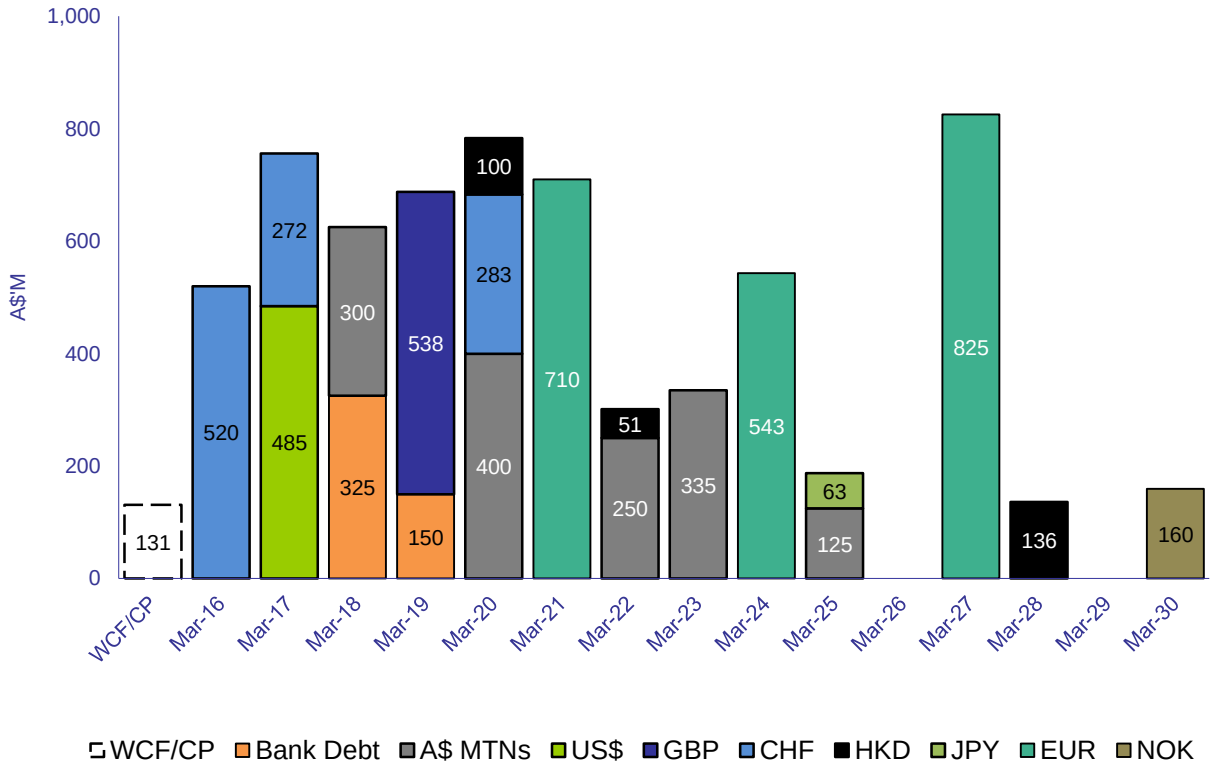


Note:
Net cash flows from operations is after **$302m** net finance costs and **$55m** cash tax paid

Diversified debt portfolio

Debt maturity profile as at 31 March 2015 – Net debt approx. $5,818 (A$M)

- As at 31 Mar 2015, AusNet Services had A$364m of undrawn, committed bank debt facilities and A$883m in cash
- Net Debt hedged against movements in interest rates (FY15 net debt hedging @ 99%)
- Raised €560m ($A825m) 12 year bond, third Euro issue in two years



Notes: Net debt = Debt at face value ($6,701M) *less* cash / cash equivalents of $883M. Offshore debt shown at hedged rates.

Sound fundamentals

Financial Metrics	31-Mar-15	31-Mar-14
Total Assets	$12.1bn	$10.6bn
Total Borrowings	$7.2bn	$6.1bn
Net Debt [1]	$6.3bn	$5.7bn
Net Gearing (CV) [2]	66%	62%
Net Debt (FV) to Regulated / Contracted Asset Base [3]	68%	69%
Interest Cover [4]	2.8x	2.5x

Market Metrics @ 31 Mar 15	ASX	SGX
Security Price	A$1.46	S$1.50
Market Capitalisation	A$5.1bn	S$5.2bn

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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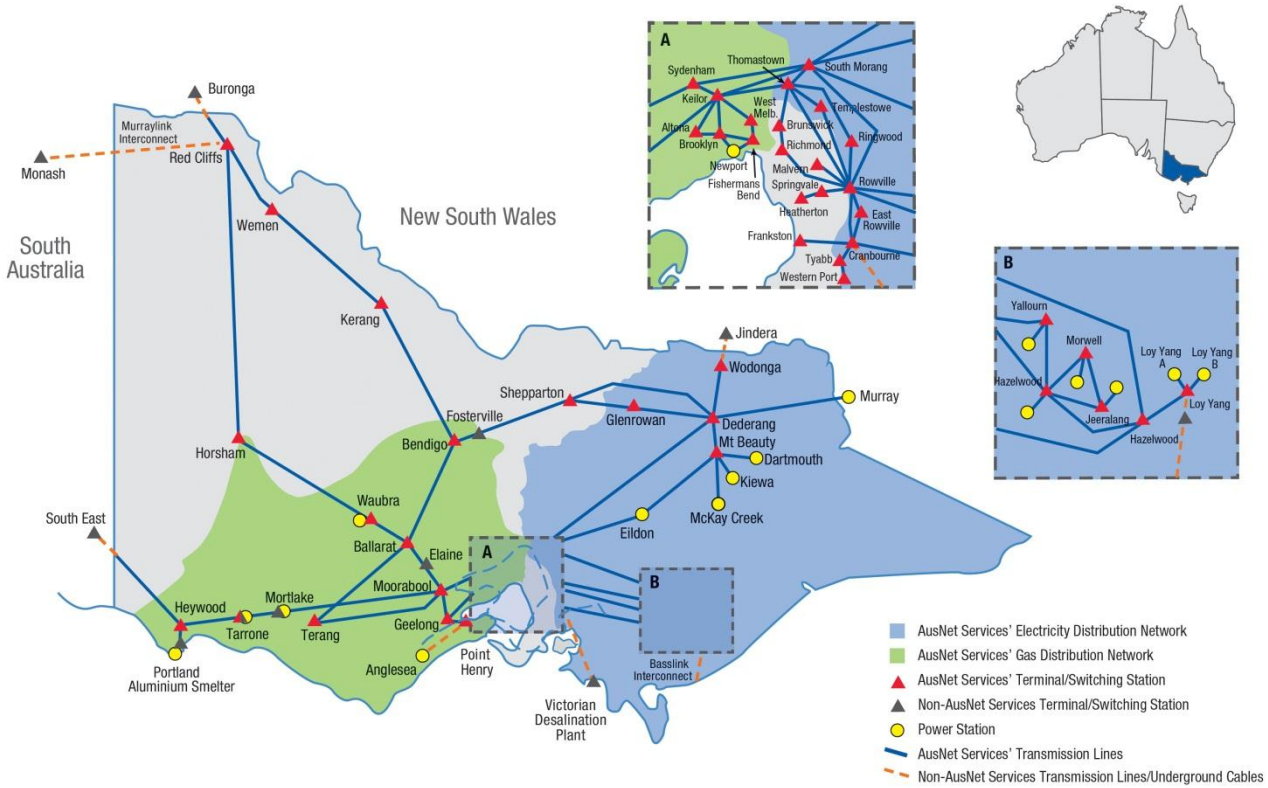
Operational Review

Strategy & Outlook

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

Suite of high quality assets

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



Electricity Transmission

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

Electricity Distribution

- 50,987km of electricity distribution network
- 679,213 customers

Gas Distribution

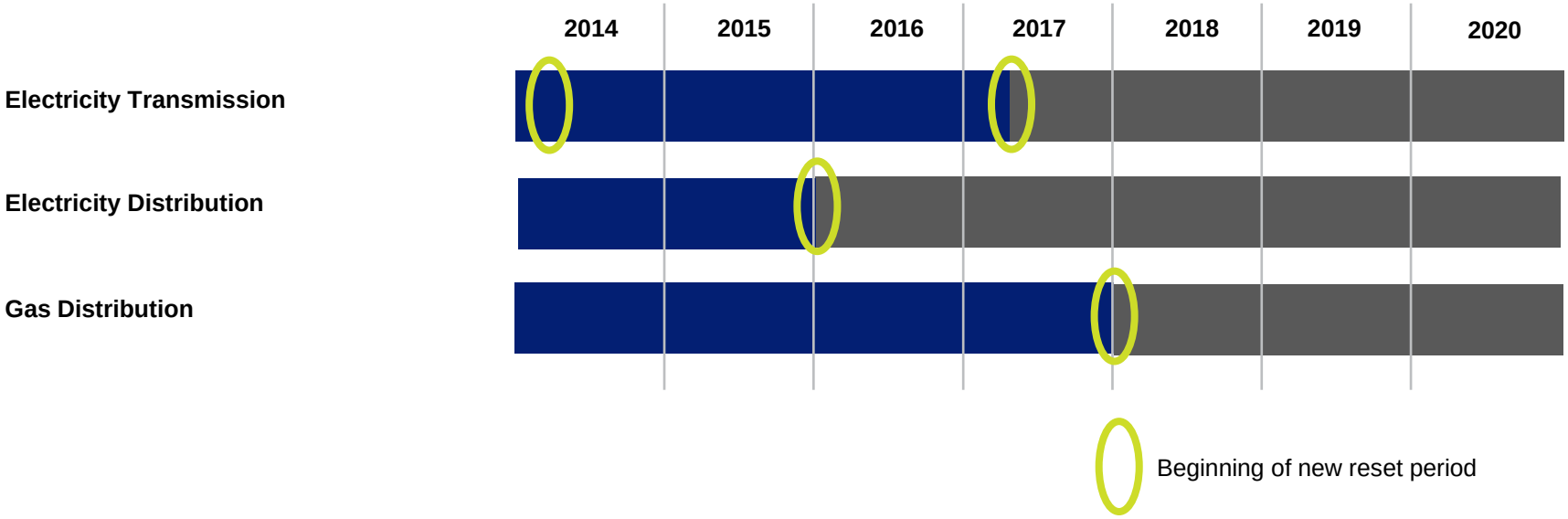
- 10,630km of gas distribution network
- 647,536 customers

* All figures are approximate as at 31 March 2015

Networks summary

Diversified networks and staggered reset periods reduce regulatory risk

- 86% of total FY15 revenues are regulated and inflation protected
- Electricity Distribution Regulatory Proposal (EDPR) 2016-2020 submitted to the AER on 30 April 2015
- EDPR draft decision expected in October 2015, with a final decision expected April 2016



Key regulatory reforms and issues

- **Cost reflective distribution network tariffs**
  - A tool to facilitate long run efficient use and investment in the network
  - Implementation depends on Victorian government policy position, currently under consideration

- **Establishment of national smart metering framework**
  - The AEMC proposes transition to a new framework from mid 2017 (introducing the potential for meter churn)
  - Distributors are expected to be compensated for the removal of their meter
  - There is a high risk of impact on the significant benefits that Victorian customers and distributors derive from AMI

- **Electricity supply transformation**
  - New technology, environmental considerations and the high price of delivered energy are driving increased customer involvement and growth in distributed energy resources
  - Several policy development projects are examining the implications for the current framework
  - The role of networks is evolving in response to these factors. Uneconomic network bypass is a risk and decisions 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

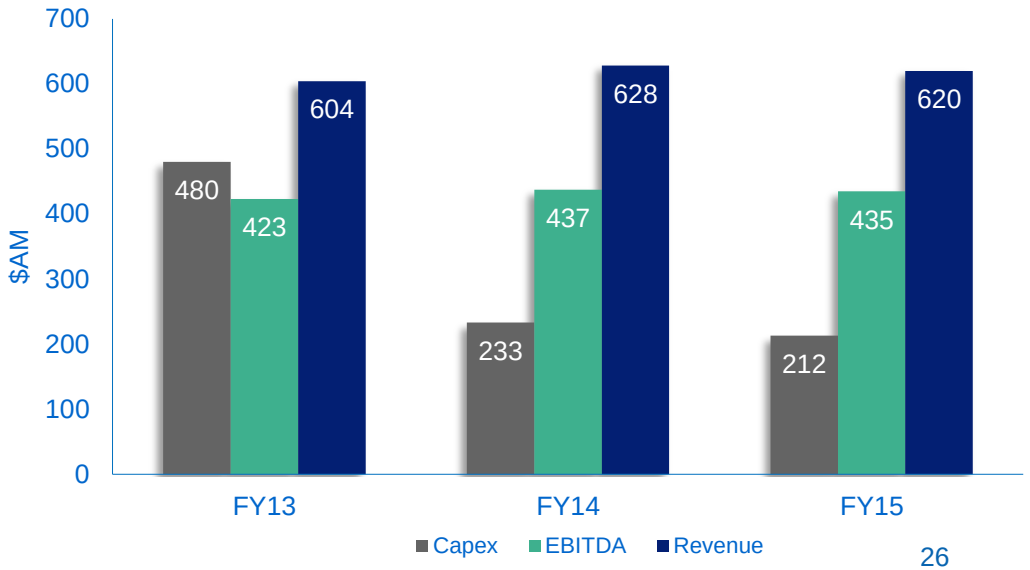


Electricity transmission network

Full Year Highlights (A$M)

- Lower revenue and EBITDA due to price path commencing on 1 April 2014 under TRR 2014-17
- Recovered $11m from Transmission Service target performance incentive scheme (STPIS) (FY14:$8.4m) and expecting $13m recovery in FY16
- AER benchmarking highlights strong performance, particularly in opex
- Continued to develop a pipeline of unregulated transmission opportunities

	31-Mar-15	31-Mar-14	Variance %
Revenue	**619.8**	628.3	-1.3%
EBITDA	**434.5**	436.9	-0.6%
EBITDA Margin	**70.1%**	69.5%	0.6%



Electricity distribution network

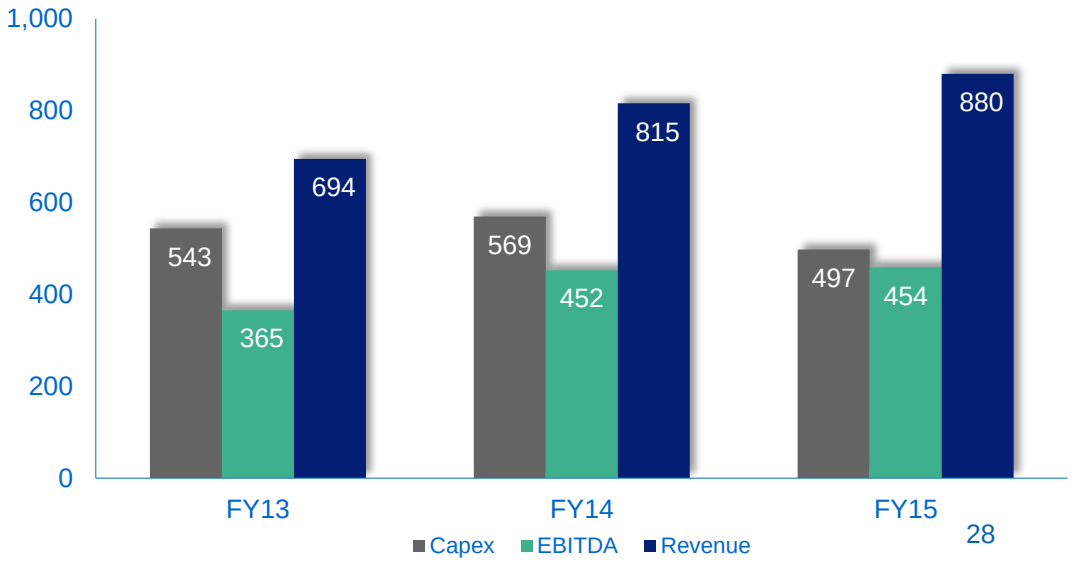


Electricity distribution network

Full Year Highlights (A$M)

- Higher revenues from regulated price increases (13.75% in CY14 and 8.4% in CY15), partially offset by lower Transmission charges ($31m lower TUOS pass through revenue)
- Margins impacted by recognition of $32.5m AMI rebate and $28.1m AMI asset write-off
- FY15 AMI revenue $134m (FY14:$107m)

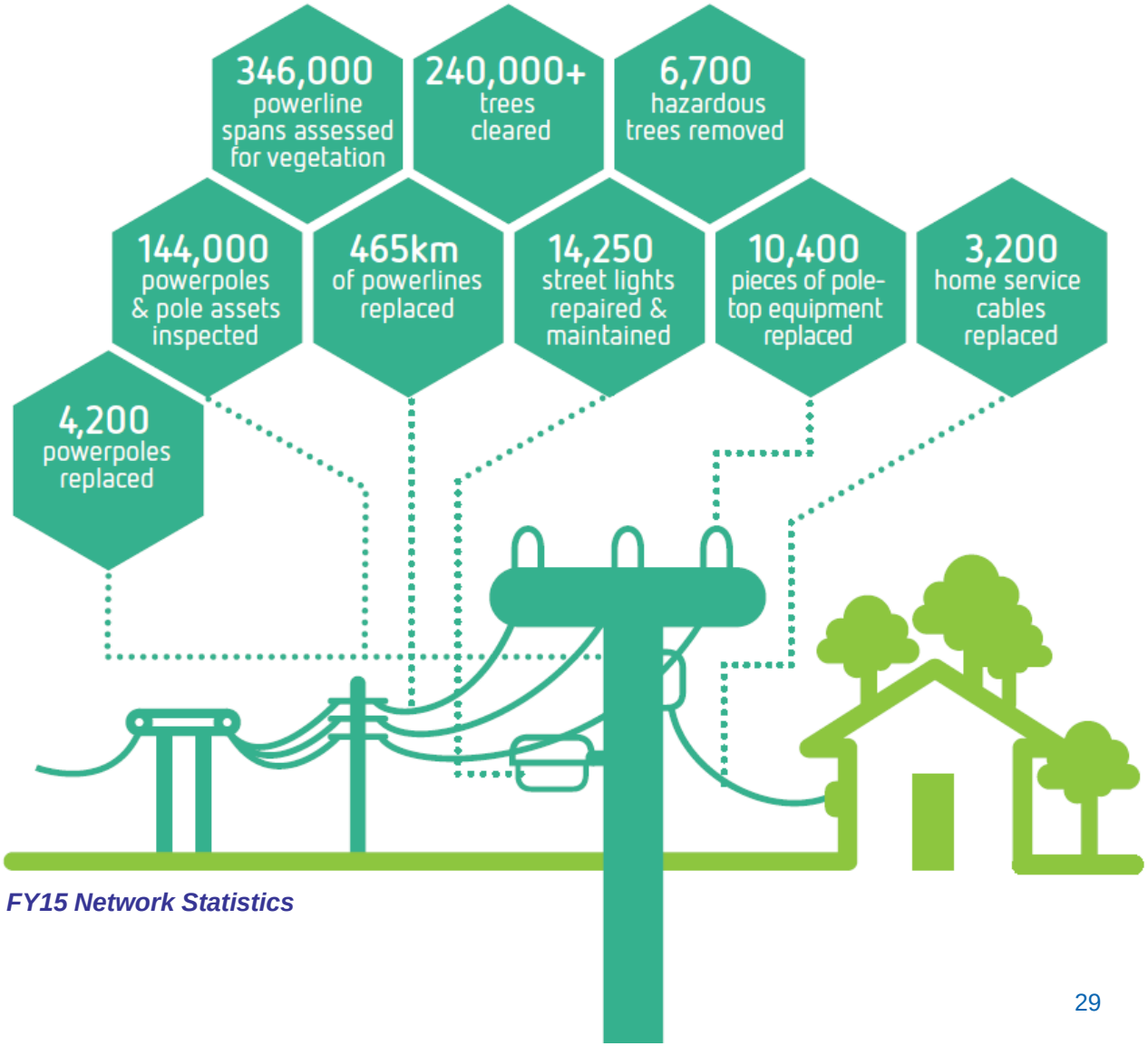
	31-Mar-15	31-Mar-14	Variance %
Revenue	**879.6**	815.1	7.9%
EBITDA	**453.7**	451.6	0.5%
EBITDA Margin	**51.6%**	55.4%	-3.8%
Volume (GWh)	**7,361**	7,483	-1.6%
Connections	**679,213**	668,603	1.6%



Electricity distribution network

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

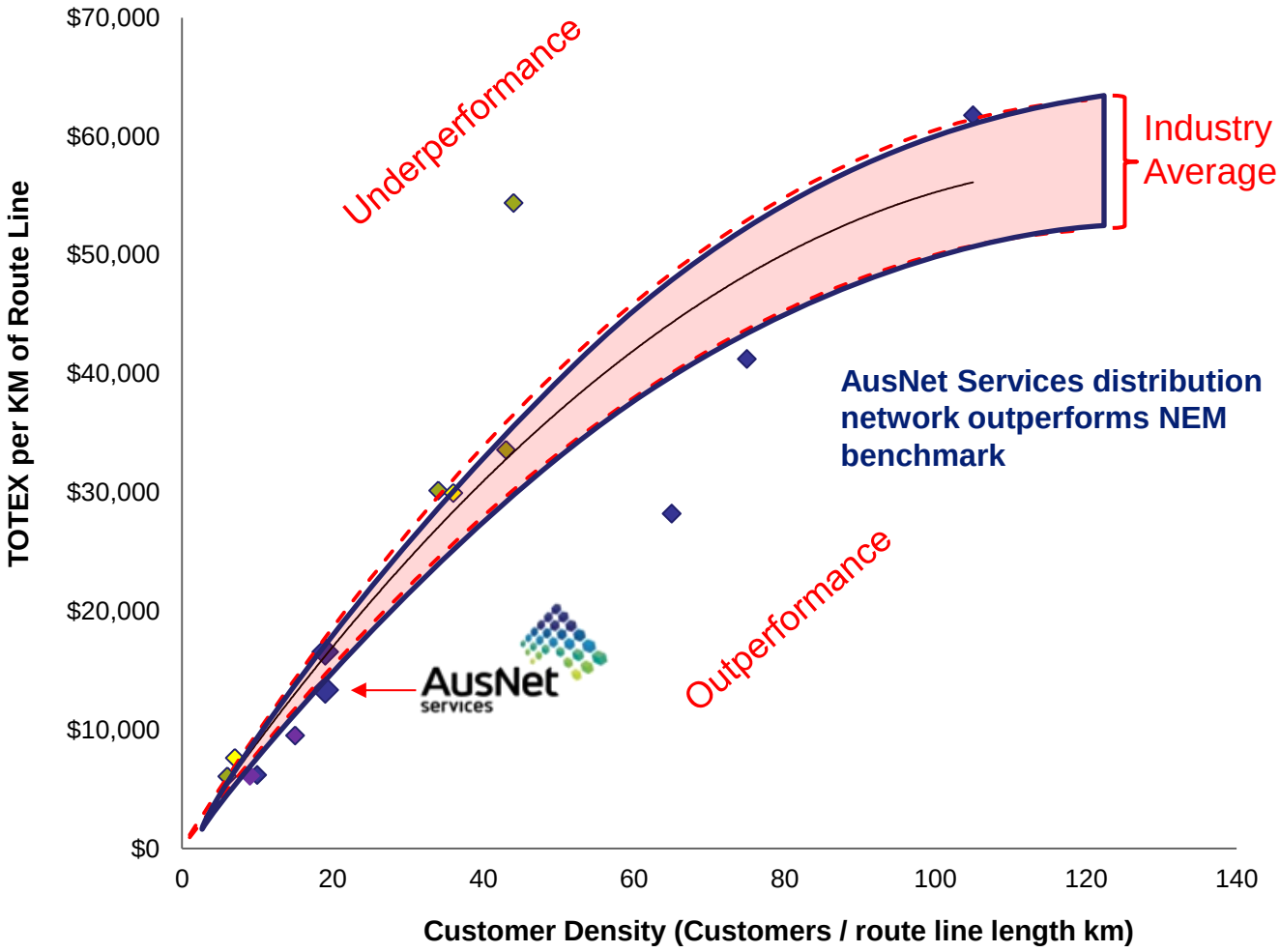


FY15 Network Statistics

Electricity Distribution Price Review (EDPR) 2016-20

EDPR 2016-20 Objective

- **Stabilising prices** and network investment are a priority to ensure distribution network provides viable service to customers in the face of potential alternatives.
- Seeking right balance by continuing to invest significant network capital to meet **customers'** expectations and improve **community safety**.
- Seeking to deliver a network service that is **sustainable** in the long term.



Source Data: AER RIN Submissions

EDPR 2016-20 and recent AER Decisions

- **Recent AER decisions for NSW/ACT and Draft for Qld/SA**
  - Revenues cut by 23% to 33% compared to proposals
- **Low WACC outcomes given low interest rate environment and AER approach**
- **AusNet Services benchmark business for distribution opex.**
- **AusNet Services Proposal <u>not</u> exposed to:**
  - Depreciation adjustment made to SAPN
  - Opex base year adjustments made to NSW business
  - Opex step changes rejection
- **AER rejected bushfire mitigation capex**
  - Victoria's circumstances and safety regulations differ

Advanced Metering Infrastructure Update

- Previously announced instability in AMI systems and $175m to complete the AMI program.
- Over 700,000 advanced meters now installed with around 420,000 communicating to market.
  - Improved system stability allowed further meter conversions by 31 March 2015.
- Priority vendors now engaged following an initial delay in program mobilisation
  - Took time to establish robust commercial terms with the right vendors
  - Adopted the same Silver Spring Networks mesh technology as other Victorian Distribution Businesses to provide a complementary communications network
  - Acquired infrastructure to stabilise end-to-end systems
- Wider mesh coverage than originally planned provides higher level of program certainty
  - Contributes to forecast increase in costs of $45m
- Metering Program technology upgrade to be complete by late 2016
  - 95% of meters expected to be communicating to market by March 2017

AMI Regulatory Update

- The following expenditure is subject to future regulatory approval by the AER, via the AMI Cost Recovery Order in Council (CROIC):

($M) Nominal	CY 2012	CY 2013	CY 2014	CY 2015	TOTAL $M
Approved AER Budget	**183**	**107**	**25**	**20**	**335**
AusNet Services	**181**	**177**	**107**	**145**	**610**
Excess expenditure - approved		**48**			**48**
Excess expenditure - rejected		**(23)**			**(23)**
AMI Expenditure subject to future regulatory approval under CROIC					**204**

- $120m of expenditure required to complete the AMI program falls outside of the CROIC process.
- On 31 July 2014, AusNet Services advised it would have to make a payment 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 remotely communicating smart meter installed as at 31 March 2015.
- Almost 230,000 customers will be eligible for this rebate. This payment and the costs associated with administration have been provided in the FY 2015 results ($32.5m). Payments are required to be made by 30 June 2015.

Gas distribution network

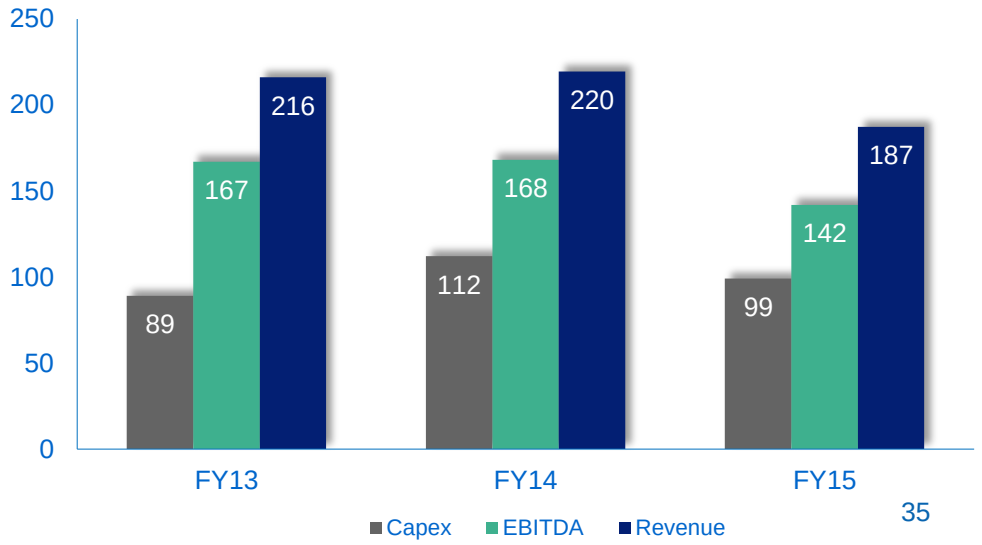


Gas distribution network

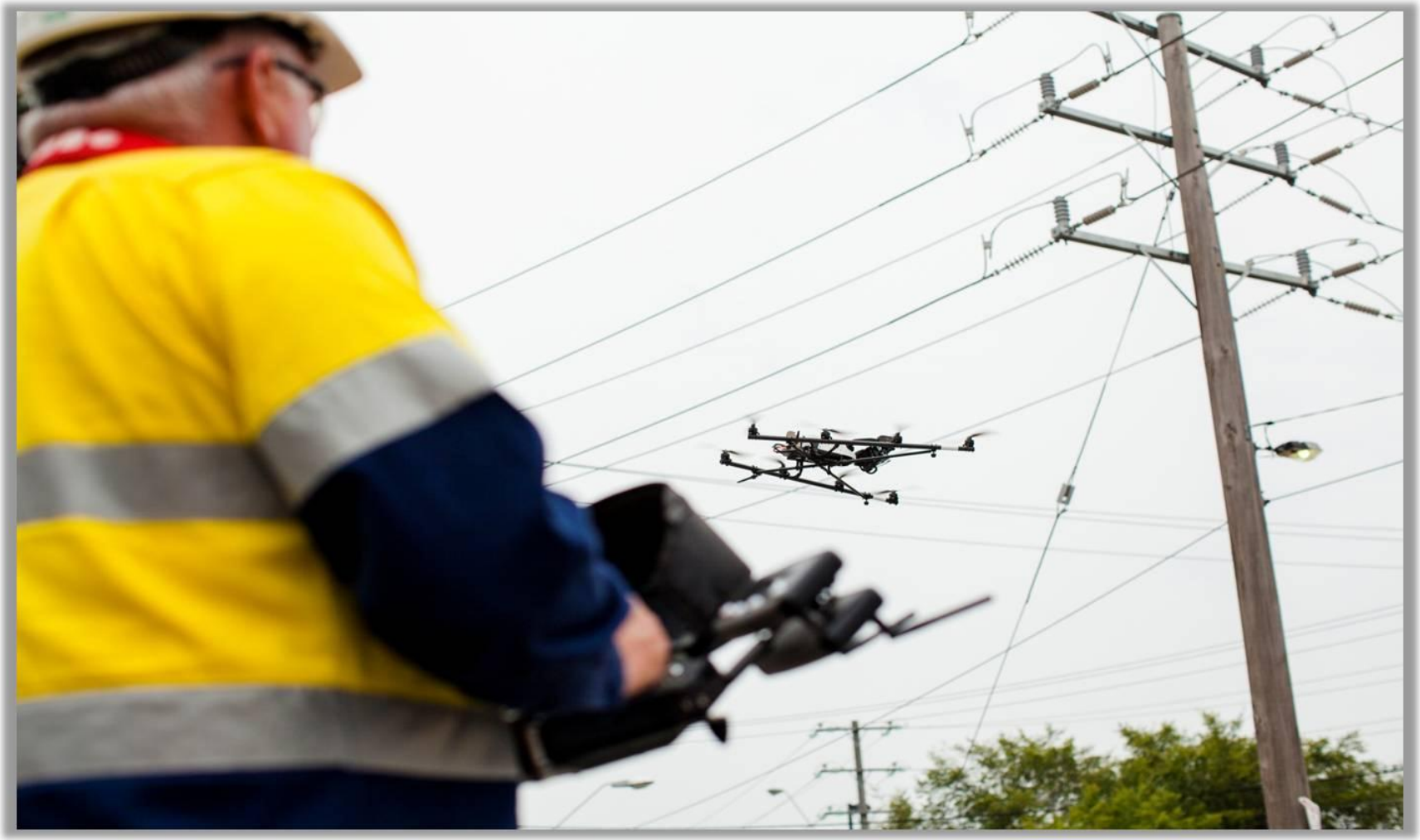
Full Year Highlights (A$M)

- Lower revenues due to a reduction in tariffs on 1 July 2013 (-15%) and 1 Jan 2014 (- 4%)
- Customer contributions reduced by $13m, previous period included $21m Regional Rail Link assets
- Continued growth in new connections, due to residential housing growth in the western corridor
- Benchmarking highlights AusNet Services as an efficient operator
- Corio City Gate upgrade ($3.5m), ensuring additional supply for Geelong and surrounding townships

	31-Mar-15	31-Mar-14	Variance %
Revenue	**187.3**	219.5	-14.9%
EBITDA	**142.0**	168.1	-15.5%
EBITDA Margin	**75.8%**	76.6%	-0.8%
Volume (PJ)	**64.2**	67.0	-4.2%
Connections	**647,536**	633,184	2.3%



Select Solutions

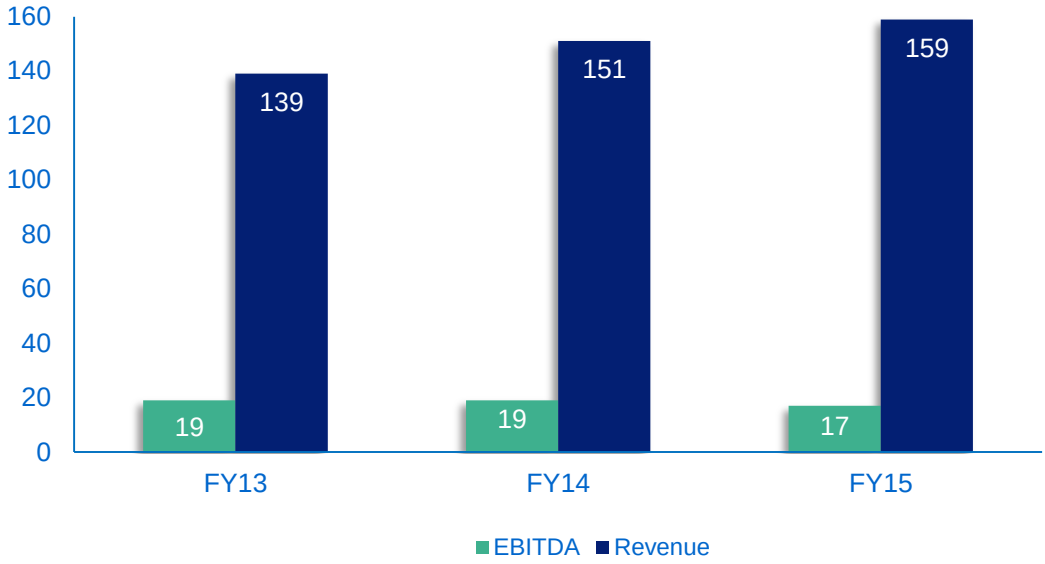


Select Solutions

Full Year Highlights (A$M)

- **Increased revenues due to the acquisition of Geomatic Technologies (GT) in February 2014**
- **Margins impacted by 'up-front' mobilisation activity for new contract wins**
- **Select Solutions has delivered in the following areas:**
  - Meter Replacement programs with Endeavour Energy, South Australia Water and Southern Water (Tasmania);
  - Continued growth in contestable metering;
  - Corrosion Protection services for Melbourne Water, City West Water and Jemena; and
  - Revenue growth from Singapore based laboratory

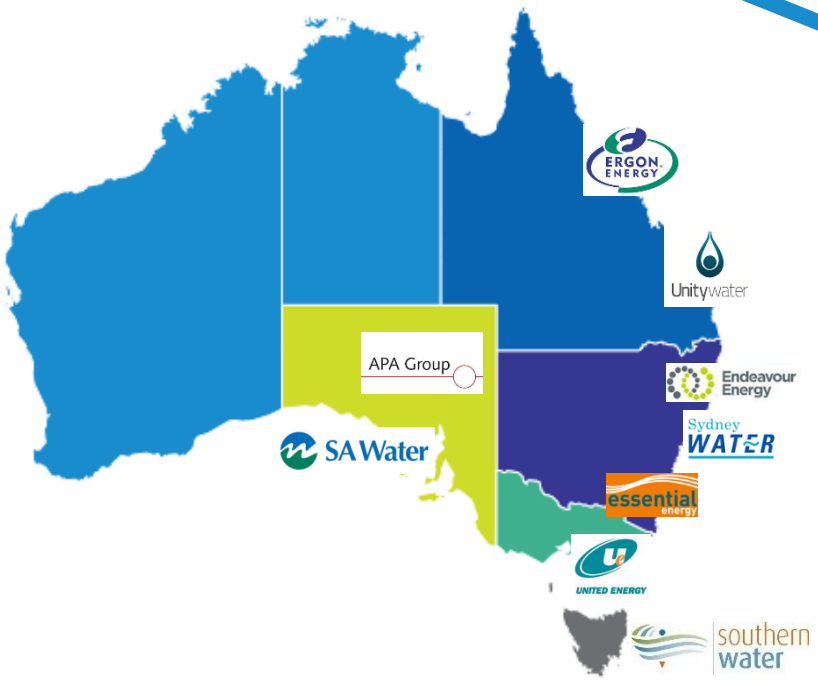
	31-Mar-15	31-Mar-14	Variance %
Revenue	**158.9**	150.7	5.4%
EBITDA	**17.0**	18.5	-8.1%
EBITDA Margin	**10.7%**	12.3%	-1.6%



Select Solutions

Secured significant contracts with ‘blue-chip’ customers in essential infrastructure sectors in **Qld**, **NSW**, **Vic**, **SA** and **Tasmania**.

Integration of GT successfully progressed, enhancing Select’s service offerings to secure contracts with Endeavour Energy, Essential Energy, UnityWater and Jemena



Achieved record Customer Satisfaction (85%) and Net Promoter (52) scores

(source Wallis Market & Social Research)

Received **‘Best Employer’** accreditation with employee engagement at

80%

Introduction & Summary

Financial Performance

Operational Review

Strategy & Outlook

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

5-year Transformation journey

2013/14 *2014/15* *2015+*

Corporate Strategy & Intent

- Environment
- Opportunities
- Vision
- Strategy
- Policy

Major transitional change

- **$10M Benefits**
- Process enhancements + targeted cost efficiencies
- **SAP/ERP implementation**
- **Around $125m** (investment, payback < 5 years)
- **Went live 4 May 2015, on time, on budget**

Transformational change

Deliver SAP/ERP benefits

- ~**$20m p.a.** reduced **operating expenses** and ~**$20m p.a.** reduction in **capital expenditure** as well as other associated benefits
- **Benefits realisation** is expected to mature within **3 years** of post deployment **e.g. FY18**

Outlook

Targeting Restructure Proposal implementation date of 18 June 2015 (securityholder vote 29 May)

Future periodic distributions are expected to be paid entirely as dividends, if the corporate restructure is implemented

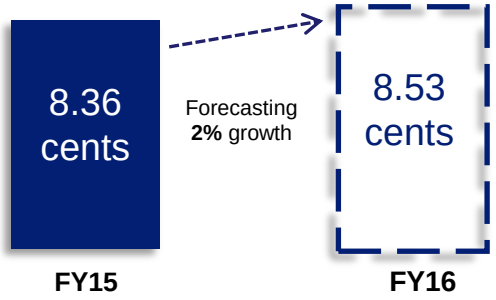
Final FY 2015 distribution 60% franked dividend / 40% unfranked dividend (as per guidance)



If the restructure is not implemented, the final FY 2015 distribution will be 53% franked dividend / 47% interest income



Expecting distributions of 8.53 cps for FY 2016, 2% increase on FY 2015



75% franked dividend expected for Interim 2016 distribution, if the corporate restructure is implemented

Continue transformation initiatives with the implementation of SAP, moving to more efficient and effective operating model

Regulated & Contracted Asset Base growth forecast to average around 5.5% p.a. to 2017*

Forecasting net debt to Regulated & Contracted Asset Base of < 70% to 2017 (currently 68%)



Focused on delivering a compliant AMI program

* Inclusive of total EDPR 2016-20 capex proposal

Questions

Appendices

Financial performance

Reconciliation of statutory result

Full Year to 31 March 2015 (A$M)

	EBITDA ($m)				NPAT ($m)		
	FY 2015	FY 2014	Change		**FY 2015**	FY 2014	Change
Statutory Result	**1047.2**	**1017.4**	**29.8**		**22.6**	**178.3**	**(155.7)**
AMI customer rebates	32.5	-	32.5		22.8	-	22.8
ATO audit settlement	-	-	-		183.3	-	183.3
Section 163AA impost dispute	-	-	-		-	86.7	(86.7)
Intellectual Property dispute	-	-	-		84.1	-	84.1
MSA termination expense	-	57.7	(57.7)		-	40.4	(40.4)
MSA performance fees	-	22.2	(22.2)		-	15.5	(15.5)
Adjusted Result	**1079.7**	**1097.3**	**(17.6)**		**312.8**	**320.9**	**(8.1)**

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.

Regulated & Contracted Asset Base Growth

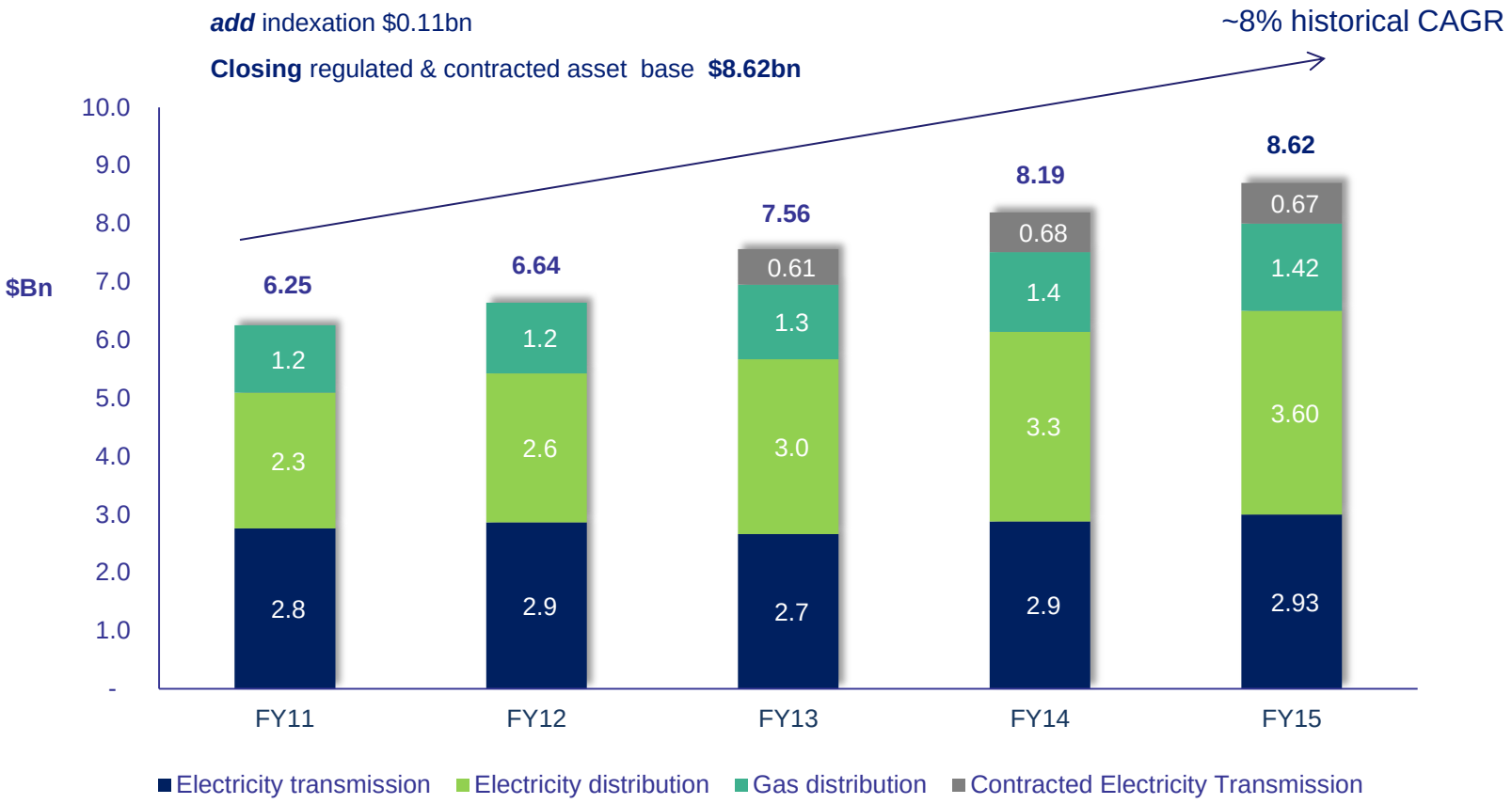
Opening regulated & contracted asset base **$8.19bn**

add capex $0.72bn

less regulatory depreciation ($0.4bn)

add indexation $0.11bn

Closing regulated & contracted asset base **$8.62bn**



Notes: Chart excludes shortfall recovery for AMI 2012-15 budget and charges application, customer contributions and capitalised interest

EDPR 2016-2020

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

All figures updated for relevant appeals

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

Tax Audit

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

- **AusNet Services and the Australian Taxation Office ("ATO") signed a 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;
  - AusNet Services made a primary tax payment of $23.5m and an interest payment of $1.5m, following execution of a binding settlement deed in March 2015;
  - AusNet Services cancelled 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 has $765m of carry forward tax losses, as at 31 March 2015;
  - AusNet Services ceased taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014;

Tax Litigation

Intellectual Property

› Relates to deductions for intellectual property (copyright), claimed in 1998-2011 tax years. The disputed items amount to $93.5m as at 31 March 2015, as illustrated below:

	Pre-consolidation Years	Post-consolidation Years	Total
Primary Tax	18.7	8.7	27.4
Interest	21.4	2.3	23.7
Future Deductions		40.1	40.1
Penalties	2.3	Nil	2.3
Gross exposure	42.4	51.1	93.5*

› Of the total $93.5m exposure, $17.1m was paid to the ATO in October 2011 as part of a '50/50' payment arrangement and $40.1m represents deductions that have not yet been claimed and carried as a deferred tax asset, leaving a net cash tax exposure of $26.9m, net of deductible interest.

› In Mar 14, the Federal Court found in favour of AusNet Services. The ATO appealed the decision, which was heard in the Full Court of the Federal Court of Australia in Dec 14.

› In May 15, The Full Court of the federal Court allowed the ATO appeal in respect of the pre tax consolidation years, other than for the $2.3m penalty imposed, which was not overturned.

› In relation to the post tax consolidation years, the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

› AusNet Services is seeking legal advice regarding the Full Court's decision and will decide whether to seek special leave to appeal to the High Court of Australia, in relation to the pre tax consolidation years. AusNet Services has 28 days to file any such application.

* Deductible interest component and penalty remission results in an after tax exposure of $84.1m. Although the dispute relates to intellectual property deductions claimed over the 1998 to 2011 tax years, separate proceedings were required for tax years falling pre and post tax consolidation of AusNet Services (Transmission) Ltd, which occurred on 19 October 2005.

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 ($105.2m) less deduction for interest charges ($15.4m) less part-payment made to ATO ($30.6m) equals net additional cash exposure of $59.2m
  - 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
  - An appeal to the High Court of Australia was heard on 9 April 15. A judgment is not expected prior to 30 June 2015.

Bushfire litigation

- AusNet Services was a defendant in litigation brought in connection with the 7 February 2009 bushfires located at Beechworth, Kilmore East, and Murrindindi, respectively. The Beechworth class action was settled in March 2012.

- On 22 December 2014, the Supreme Court of Victoria formally approved the settlement deed for the Kilmore East bushfire class action. Under the terms of the settlement, the parties involved in the litigation have paid approximately $494.7 million with AusNet Services contributing $378.6 million which was paid in full by AusNet Services' liability insurers.

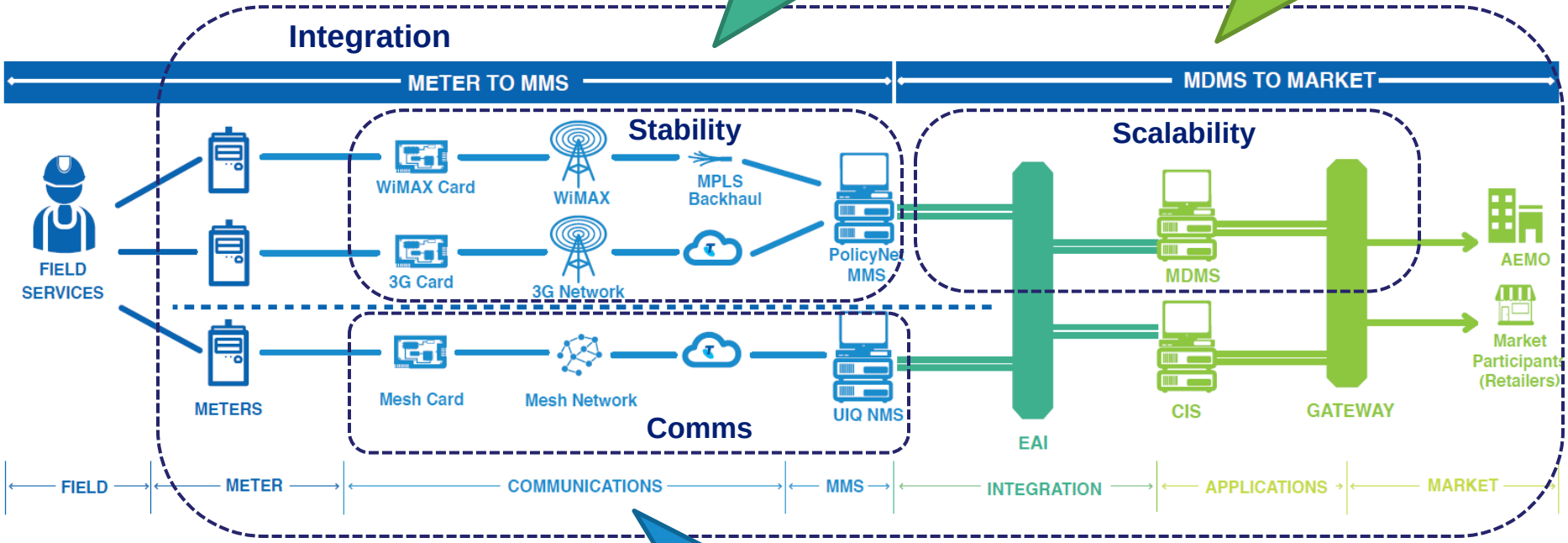
- On 6 February 2015, AusNet Services announced that the parties to the Murrindindi bushfire class action had agreed to settle the action. The settlement agreement is subject to the approval of the Supreme Court of Victoria. Under the terms of the settlement, the parties involved in the litigation have agreed to pay $300 million with AusNet Services contributing $260.9 million which will be paid in full by AusNet Services' liability insurers. This amount has been recognised in the financial statements for the year ended 31 March 2015 as both a liability and a corresponding asset to be received from insurers.

- In all three matters settlement was reached without admission of liability by AusNet Services or any other party.

Metering Program

Infrastructure acquired to enable improvement in end to end system stability

Ongoing system improvements have enabled further logical conversions of existing meters

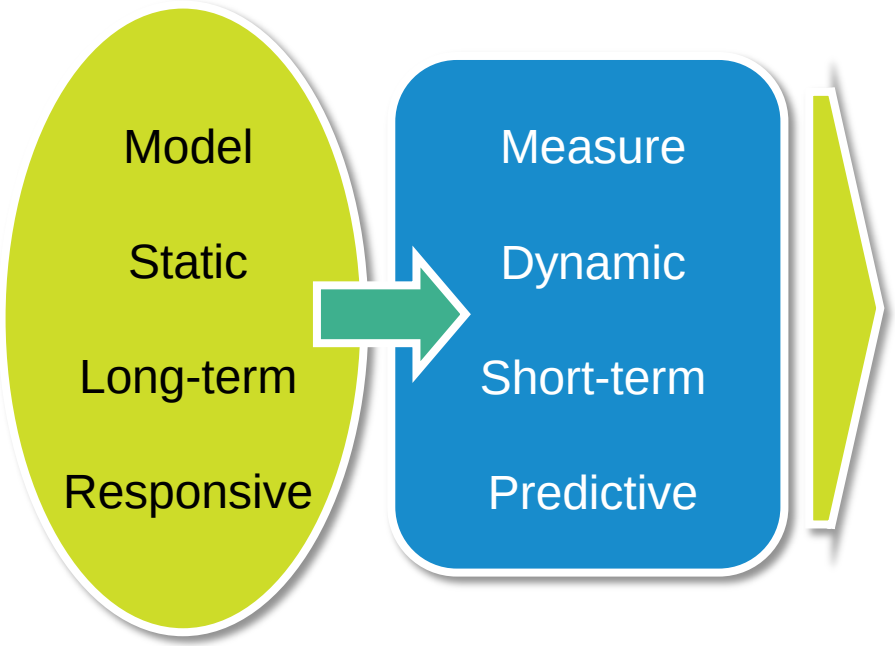


Metering Business established with process reviews underway

Mesh solution chosen for complementary comms based on similar system to other Victorian Distributers

AMI data analytics

- Data analytics are transforming our business practices and the way AST serve customers, enabling a more agile energy networks business environment



"Knowing" our network and assets
- Connectivity
- Utilisation
- Condition
- Risk

Removing public safety hazards
- LV "shocks"
- HV electrocution
- Bushfire mitigation

Improving operational and capital efficiency
- Power quality
- Supply reliability
- Maintenance
- Energy theft
- Asset life

Empowering customer participation
- Energy web portal
- Integration of distributed energy resources
- Demand management

Strategy



Our Purpose

Corporate Objectives

- High performing leadership, capability & culture
- Sustainable earnings and growth in security holder value
- Expansive and accretive growth
- An efficient business model
- Develop and promote advanced regulatory framework
- Safe, resilient and reliable networks
- A highly developed customer service capability
- Industry leader in safety performance

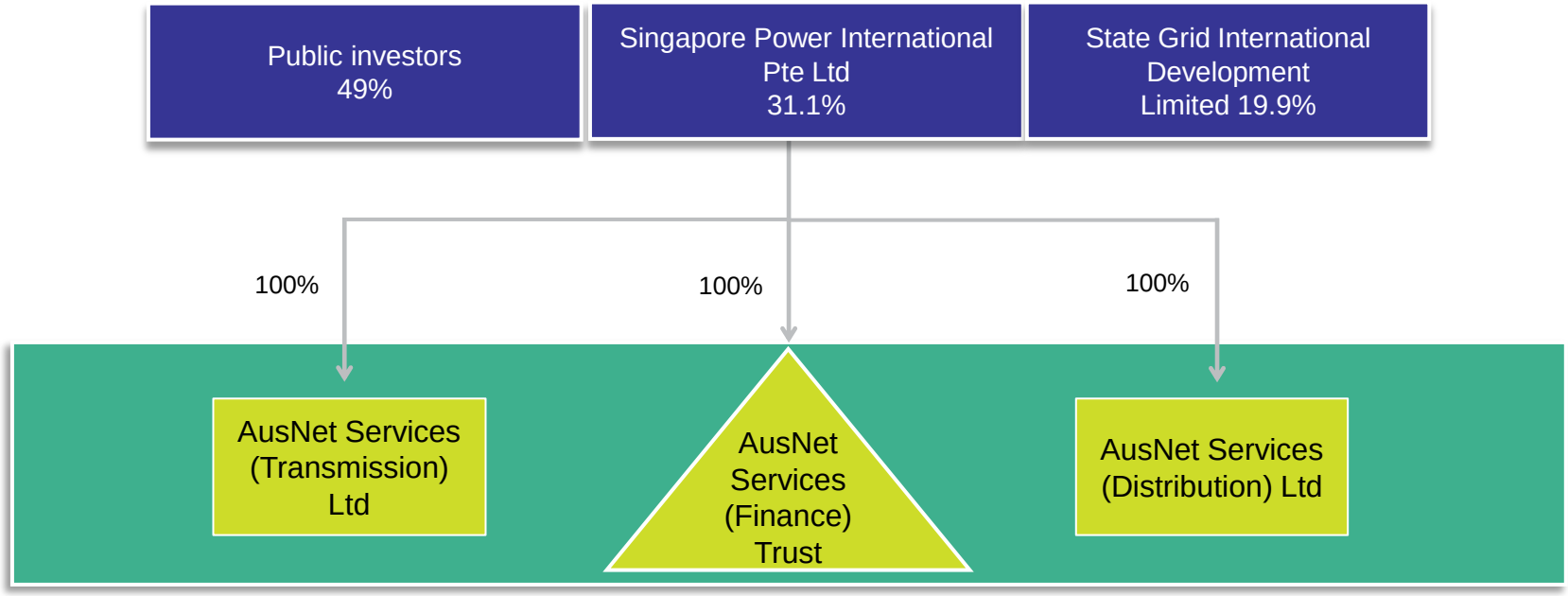
Restructure & simplification proposal timeline

Events	Indicative Time
Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meetings	Tuesday, 21 April 2015
For CDP Account Holders: latest time and date by which the orange CDP Voting Instruction Form must be received by CDP	5.00pm (Singapore time) on Wednesday, 20 May 2015
Last day for requests to transfer AusNet Services Stapled Securities between ASX and SGX-ST, to be received by the Registry or CDP (as relevant)	Monday, 25 May 2015
Latest time and date by which the blue Scheme Meetings Proxy Form and the green General Meetings Proxy Form must be received by the Registry	10.00am on Wednesday, 27 May 2015
Time and date for determining eligibility to vote at the Meetings	7.00pm on Wednesday, 27 May 2015
Scheme Meetings to be held at Meeting Room 220, Melbourne Convention & Exhibition Centre, 2 Clarendon Street, South Wharf	From 9.30am on Friday, 29 May 2015
General Meetings to be held at Meeting Room 220, Melbourne Convention & Exhibition Centre, 2 Clarendon Street, South Wharf	10.00am (or as soon thereafter as the Scheme Meetings have concluded or been adjourned) on Friday, 29 May 2015

Restructure & simplification proposal timeline

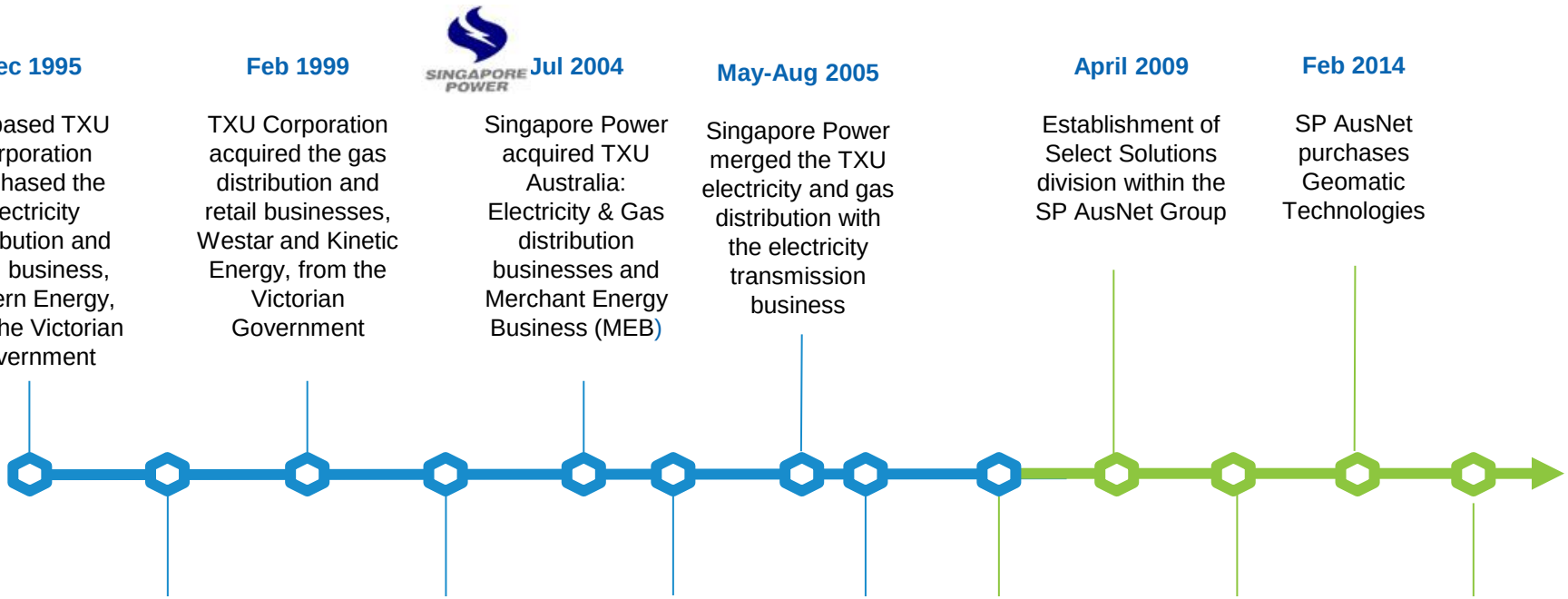
Events	Indicative Time
Inquiry hearing before the Court	Monday, 1 June 2015
Date of the Second Court Hearing for approval of the Schemes and grant of judicial advice	Thursday, 4 June 2015
Effective Date Last day of trading in AusNet Services Stapled Securities on ASX and SGX-ST	Friday, 5 June 2015
NewCo Shares commence trading on a deferred settlement basis on ASX and "when issued basis" on SGX-ST	Tuesday, 9 June 2015
Record Date All Securityholders on the Register at this time will be entitled to Participate in the Proposal unless they are Ineligible Foreign Securityholders CDP Account Holders' eligibility to Participate in the Proposal through CDP will be assessed based on the CDP Register at the same time	7.00pm (Melbourne time) 5.00pm (Singapore time) on Thursday, 11 June 2015
Implementation Date Eligible Securityholders receive NewCo Shares	Thursday, 18 June 2015
Despatch of holding statements for NewCo Shares to Securityholders and notification letters to CDP Account Holders NewCo Shares commence trading on a normal T+3 settlement basis on ASX and SGX-ST	Friday, 19 June 2015
Settlement of on-market trades conducted on a deferred settlement basis on ASX and on a "when issued basis" on SGX-ST and first settlement of trades conducted on a normal T+3 settlement basis on ASX and SGX-ST	Wednesday, 24 June 2015

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.

The Evolution of AusNet Services



Dec 1995

US based TXU Corporation purchased the electricity distribution and retail business, Eastern Energy, from the Victorian Government

Nov 1997

US based GPU Electric, Inc. acquired Victorian electricity transmission business from the Victorian Government

Feb 1999

TXU Corporation acquired the gas distribution and retail businesses, Westar and Kinetic Energy, from the Victorian Government

Jun 2000

SPI Powernet acquired the electricity transmission business in Australia from GPU Electric

Jul 2004

Singapore Power acquired TXU Australia: Electricity & Gas distribution businesses and Merchant Energy Business (MEB)

March 2005

Divestment of retail assets to China Light & Power

May-Aug 2005

Singapore Power merged the TXU electricity and gas distribution with the electricity transmission business

Jun 2005

Launch of SP AusNet brand

Dec 2005

IPO of SP AusNet

April 2009

Establishment of Select Solutions division within the SP AusNet Group

May 2013

SGID enters agreement with SP to acquire 19.9% of SP AusNet

Jan 2014

SGID acquires 19.9% of SP AusNet

Feb 2014

SP AusNet purchases Geomatic Technologies

August 2014

The new AusNet Services brand is officially launched

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 utility services.

- Headquartered in Melbourne, Australia, AusNet Services employs more than 2,600 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: X04).

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

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AusNet Services

AusNet Services (Distribution) Ltd
ABN 37 108 788 245

AusNet Services (Transmission) Ltd
ABN 48 116 124 362

AusNet Services Finance Trust
ARSN 116 783 914

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

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