

ASX & SGX-ST Release



17 November 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Half Year 2016 Results Release and Presentation

Enclosed is an announcement made by AusNet Services which is provided for the information of AusNet Services Holdings Pty Ltd noteholders.

Susan Taylor
Company Secretary

ASX & SGX-ST Release



17 November 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Half Year 2016 Results Release and Presentation

The following documents are attached:

1. ASX and SGX-ST Release – AusNet Services Half Year 2016 Results; and
2. AusNet Services Half Year 2016 Results Presentation.

Susan Taylor
Company Secretary

17 November 2015

TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Half Year 2016 Results

AusNet Services today announced its half year results for the period ending 30 September 2015, reporting a 10.0% increase in revenues to \$1,068.9m, a 22.9% increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to \$650.4m and a Net Profit After Tax (NPAT) of \$374.5m. NPAT variance to the prior period is principally due to several items including:

- Tax consolidation outcome arising from legal entity restructure, **\$132m**
- Tax benefit relating to Intellectual Property dispute settlement, **\$28m**
- Prior period impact of ATO Audit settlement (intra-group financing audit), **(\$143m)** and Advanced Metering Infrastructure (AMI) customer rebate provision **(\$38m)**

Adjusted EBITDA increased by 14.7% to \$650.4m, principally due to higher volumes and tariffs on both electricity and gas distribution networks. Adjusted NPAT increased by 31.0% to \$214.9m. The Directors declared an interim 2016 dividend of 4.265 Australian cents per share, 100% franked. The Directors also confirm dividend guidance of 8.53 cents per share in FY16, with the final FY16 dividend also expected to be 100% franked.

A\$m	HY 2016	HY 2015	Variance	
Statutory Result				
Revenue	1,068.9	971.3	up	10.0%
EBITDA	650.4	529.4	up	22.9%
EBIT	455.1	340.3	up	33.7%
PBT	300.4	193.4	up	55.3%
NPAT	374.5	-4.9	up	>100%
Adjusted EBITDA ^{1,3}	650.4	566.9	up	14.7%
Adjusted NPAT ^{2,3}	214.9	164.0	up	31.0%
Interim dividend	4.265	4.18	up	2.0%
Franking	100%	53%	up	47%

- Adjusted EBITDA excludes the recognition of a provision for AMI customer rebates of \$37.5m for the half year ended 30 September 2014.
- As well as the after-tax impact of item 1 listed above, adjusted NPAT also excludes the \$131.5m impact of entry into a new tax consolidated group arising from the restructure and the tax benefit associated with the Intellectual Property dispute settlement with the ATO of \$28.1m as at 30 September 2015 and; \$142.6m in income tax expense for the settlement with the ATO in relation to the intra-group financing audit for the half year ended 30 September 2014;
- Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review.

Operational Review

Electricity distribution

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	530.6	447.7	82.9	18.5
Segment result - EBITDA (\$M)	332.6	213.8	118.8	55.6
Volume (GWh)	4,067	3,860	207	5.4
Connections	685,435	673,254	12,181	1.8
Capital expenditure (\$M)	198.8	250.2	(51.4)	(20.5)

AusNet Services' electricity distribution revenue growth has been driven by a combination of regulated price increases for both electricity distribution and AMI and a cooler six-month period to 30 September 2015 compared to the previous period. Along with an increase in customer connections, this has driven the 5.4% increase in volume.

The electricity distribution business contributed \$332.6m in EBITDA for the period ended 30 September 2015, a \$118.8m increase compared to the previous period. This increase is due to the revenue increase as well as \$52.5m AMI adjustments for customer rebates and impairment recognised in the prior period. The current period also includes \$10m of costs for the Yarram and Mickleham bushfire class actions.

The decline in electricity distribution capital expenditure is due to a number of factors, including benefits from lower unit rates and capital efficiency measures, prudent management of capex at the end of the existing EDPR period, lower customer demand for augmentation, the completion of a number of zone substation rebuild projects in the prior year, and lower IT spend due to the implementation of the enterprise-wide SAP solution. In addition, there has been a change in the spend profile for asset replacement, with the prior year including a greater proportion of spend in the first half compared to the current year forecast. This decline is somewhat offset by a \$17 million increase in expenditure on the metering program.

The IT stabilisation works and rollout of a wireless mesh communications network under the AMI program is continuing. AusNet Services expects to complete work on its core systems by the end of calendar 2016 and finalise the conversion of meters to remotely provide data to market by early calendar 2017. Total capital expenditure incurred on the AMI program during the six months to 30 September 2015 was \$53.9m vs \$36.7m in the prior period.

Gas distribution

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	130.9	117.5	13.4	11.4
Segment result - EBITDA (\$M)	104.8	92.0	12.8	13.9
Volume (PJ)	46.0	40.8	5.2	12.7
Connections	654,587	640,793	13,794	2.2
Capital expenditure (\$M)	46.8	44.0	2.8	6.4

The gas distribution business revenues for the period increased \$13.4m largely due to the increase in volumes due to a cold winter in this period and a warmer winter in the comparative period. The gas distribution business contributed \$104.8m in EBITDA, an increase of \$12.8m over the previous period primarily as a result of the higher revenues.

Electricity transmission

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	335.1	330.7	4.4	1.3
Segment result - EBITDA (\$M)	207.6	213.9	(6.3)	(2.9)
Capital expenditure (\$M)	96.4	104.3	(7.9)	(7.6)

AusNet Services' electricity transmission business contributed \$335.1m in total revenues for the period ended 30 September 2015. Transmission regulated revenue is not subject to volume risk. The 1.3% increase in revenue is as a result of higher easement tax cost pass-through along with favourable incentive scheme outcomes, offset by the negative price path in the Transmission Revenue Reset (TRR) Final Determination for the 2014-17.

The electricity transmission business contributed \$207.6m in EBITDA for the period ended 30 September 2015, a decrease of \$6.3m over the previous corresponding period. Operating expenses increased due to higher easement tax and increased labour costs.

Capital expenditure has declined due to the completion of a number of replacement projects in the prior period including Ringwood and Dederang terminal station works. The major capital expenditure projects during the period were Brunswick terminal station upgrade (\$31.1m) and Richmond terminal station rebuild (\$19.0m). Both of these large projects are approximately 60% complete and on track to be completed during FY17 and FY19 respectively.

Select Solutions

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	78.2	81.1	(2.9)	(3.6)
Segment result - EBITDA (\$M)	5.4	9.7	(4.3)	(44.3)

Select Solutions provides asset intelligence and end to end metering services. Select Solutions' customers are primarily businesses operating in the essential infrastructure sector such as electricity, water and gas utility owners and telecommunications companies.

Select Solutions contributed \$78.2m in total revenues for the period ended 30 September 2015. Revenue decreased compared to the prior period due to the cessation of gas meter procurement activity with a large customer from April 2015 (\$10m) offset by new contracts and growth in existing contracts. Select Solutions contributed \$5.4m in EBITDA for the period ended 30 September 2015, a decrease of \$4.3m on the prior period as a result of higher mobilisation costs on new contracts and cost overruns on other contracts.

Outlook

AusNet Services remains committed to growing, modernising and transforming its existing networks, delivering value to shareholders and customers by moving to more efficient operating model. AusNet Services continues to optimise its business model and target outperformance relative to the regulatory benchmark settings.

AusNet Services will continue to determine future dividends 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 dividends by 2% to 8.53 cents per share. The interim 2016 dividend is 100% franked and the final 2016 dividend is expected to be 100% franked.

Dividend key dates

The 2016 interim dividend of 4.265 Australian cents per share is 100% franked.

Important dates:

20 November 2015	ASX & SGX-ST ex-date for interim dividend
24 November 2015	Record date to identify shareholders entitled to interim dividend
30 November 2015	Last election date for participation in DRP for interim dividend
24 December 2015	Payment of interim dividend

The Dividend Reinvestment Plan (DRP) will be in operation for the 2016 interim 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 30 November 2015 and 11 December 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 \$11bn 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: AZI.SI). For more information visit AusNet Services' website, www.ausnetservices.com.au.



Half Year 2016 Results

For the financial period ended 30 September 2015



17 November 2015

missionzero



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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

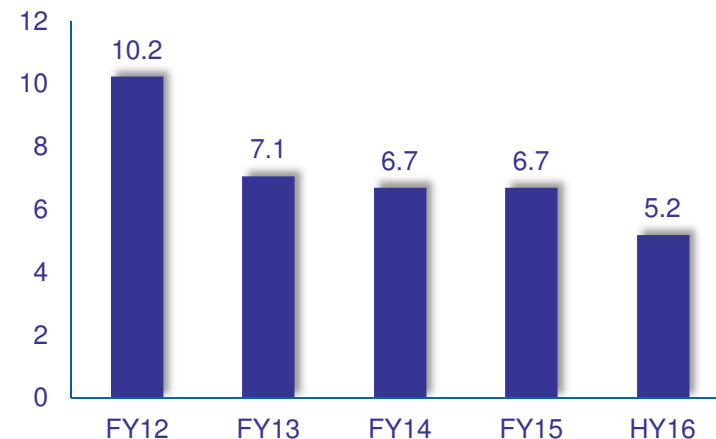
► missionZero progress

- › Stronger line management accountability
- › Focus on elimination and/or minimisation of risk

missionzero

Performance

- According to AusNet Services Engagement Survey 2014, Safety is considered *“One of the strongest aspects of our workplace culture”*
- Improved reporting and learning culture
- Disciplined commitment to corrective actions close-out
- HY16 Recordable Injury Frequency Rate (RIFR) = 5.2; the lowest injury rate on record



Investment proposition - overview



- \$8.8bn Regulated and Contracted Asset Base 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

Scale

- Diversified debt portfolio with access to a variety of markets ensuring a low cost of capital
- Investment grade credit rating, currently rated A- by S&P and A3 by Moody's
 - Forecasting Net Debt to Regulated & Contracted Asset Base of <70% to FY 2018 (currently 68%)

Prudent

- Approx. 90% of revenues are regulated
- Predictable cash flows supportive of growing dividend profile
- Simplified corporate structure enhances transparency and increases ability to distribute franking credits

Stability

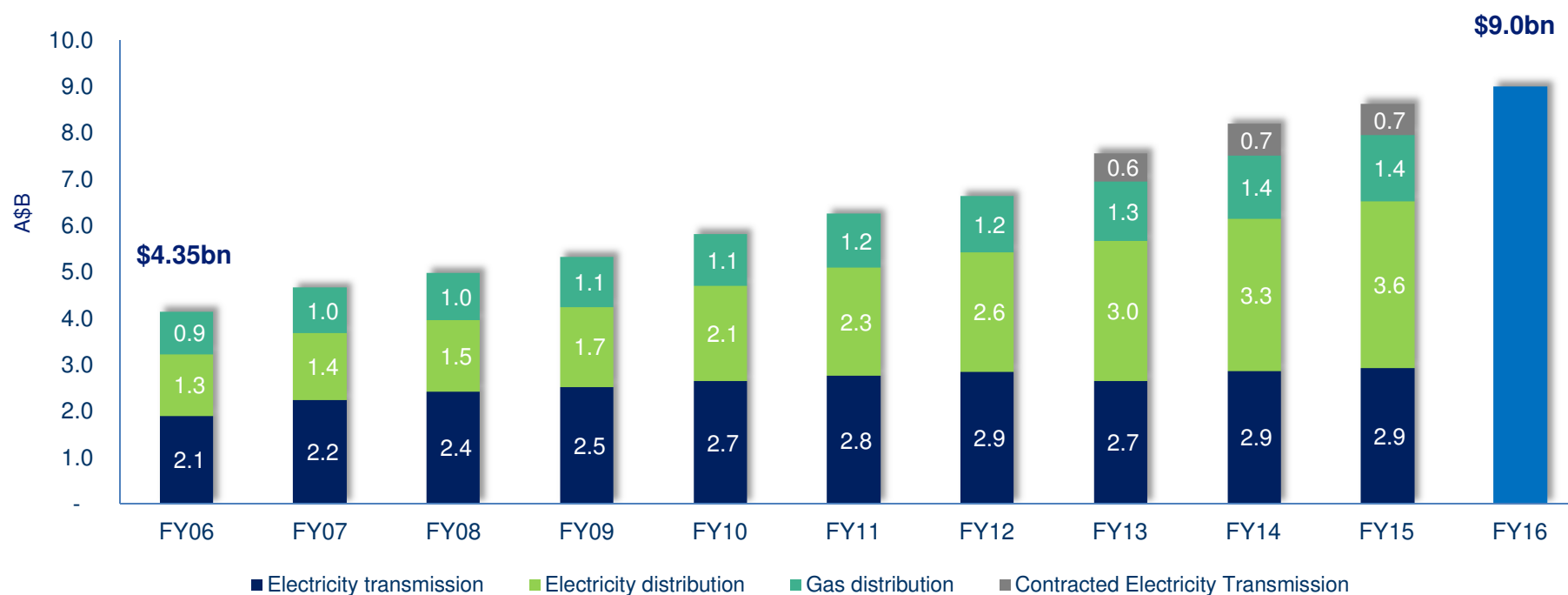
Focus

- Significant de-risking of business undertaken in FY15 & HY16, metering program stabilised and on track for completion in early 2017
- Targeting business-wide efficiency program, extracting further value from networks following SAP implementation
- Developing cutting-edge technologies driving network efficiencies, safety and innovation

Regulated & Contracted Asset Base growth



7.5% CAGR growth per annum since listing in Dec 2005

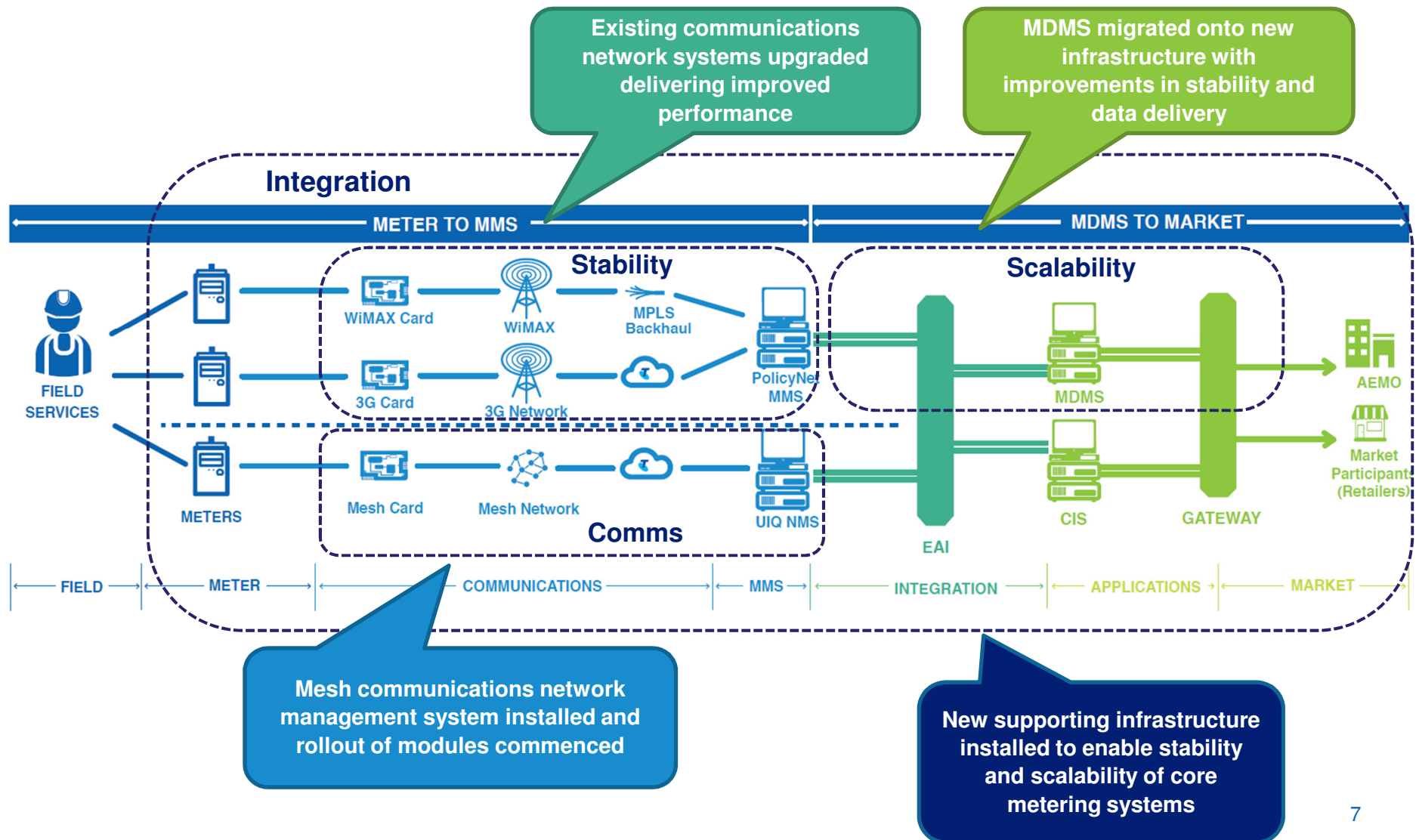


Note:

- FY16 Regulated & Contracted Asset Base, estimate only
- Contracted electricity transmission included in electricity transmission RAB prior to FY13

Metering Program

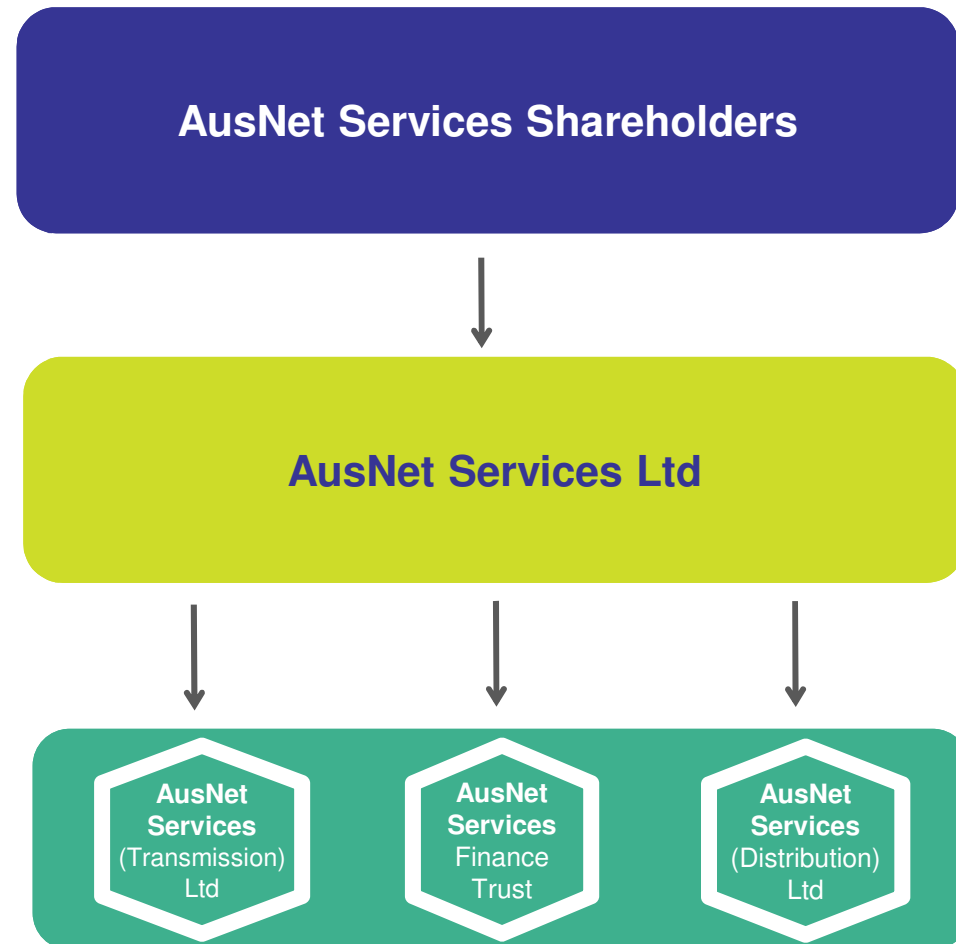
Stabilisation plan on track & on budget



Simplified Corporate Structure



- ▶ AusNet Services completed legal entity restructure on 18 June 2015, where new listed company (AusNet Services Ltd) became the single head entity of the group
- ▶ New structure facilitates:
 - Simplification, transparency and broader investor appeal
 - Improved ability to distribute available franking credits
 - Greater certainty of tax position in relation to capital structure
 - Reduced administration & cost, including AFSL requirements

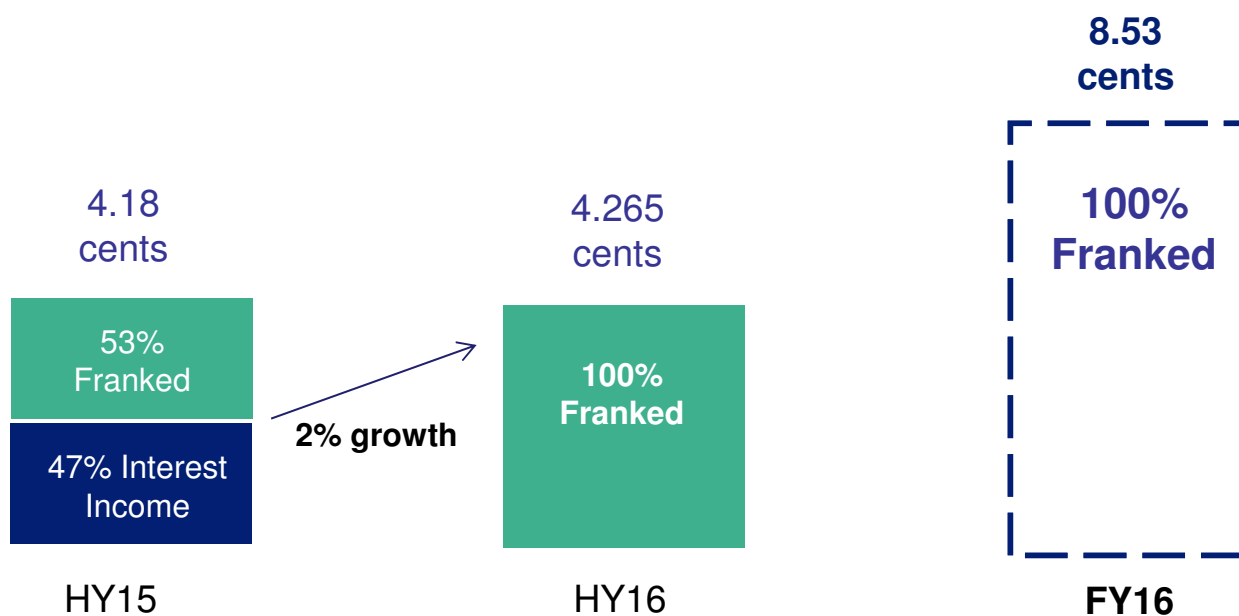


Dividend Growth

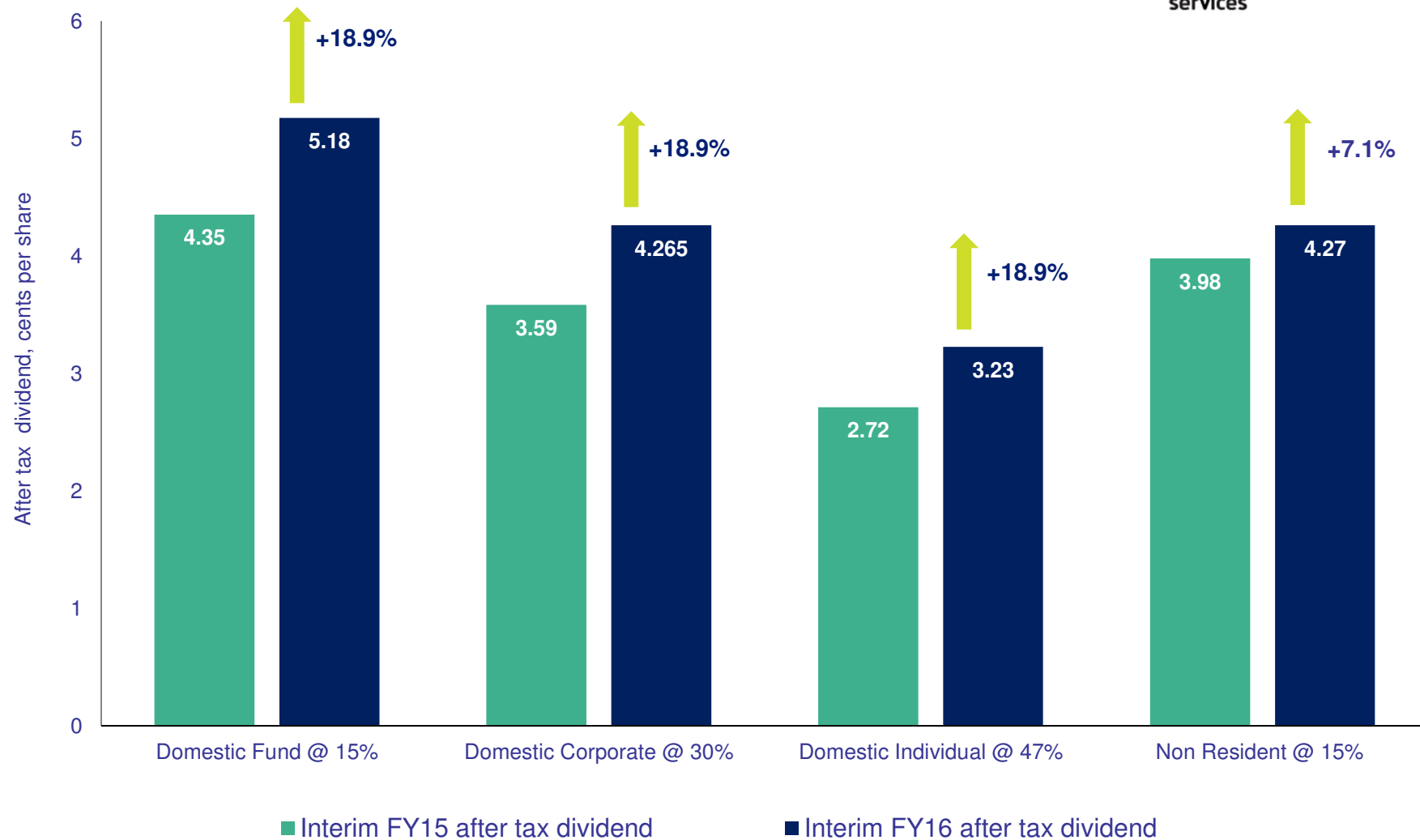


Half Year & Full Year Dividends

- ▶ HY16 dividend **100%** franked
- ▶ FY16 dividend expected to be **100%** franked
- ▶ On track to meet FY16 dividend guidance of 8.53cps, up 2% on FY15



Significant after tax growth in dividends



Note:

- Withholding tax @ 15% for non-resident in a tax treaty jurisdiction
- Captures impact of moving to 100% franked (from 53% franked/47% Interest) and 2% growth in gross dividend to 4.265cps from 4.18cps



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Financial performance



Half Year to 30 September 2015 (A\$M)

A\$M	HY 2016	HY 2015	Variance	
Statutory Result				
Revenues	1,068.9	971.3	10.0%	► Higher revenues driven by higher tariffs and strong volumes due to the coldest winter weather in 26 years
EBITDA	650.4	529.4	22.9%	► Increase in EBITDA also reflects prior period AMI rebate of \$38m
EBIT	455.1	340.3	33.7%	
PBT	300.4	193.4	55.3%	
NPAT	374.5	-4.9	>100%	► Significant NPAT growth driven by favourable income tax movements:
Cash flow from operations	283.5	334.8	-15.3%	• Corporate Restructure (\$132m) • Intellectual Property dispute settlement (\$28m)
Adjusted EBITDA	650.4	566.9	14.7%	
Adjusted NPAT	214.9	164.0	31.0%	
Adjusted Cash flow	406.0	374.0	8.5%	► Adjusted result reflects strong underlying operating performance
Interim dividend (cps)	4.265	4.18	2.0%	

Note:

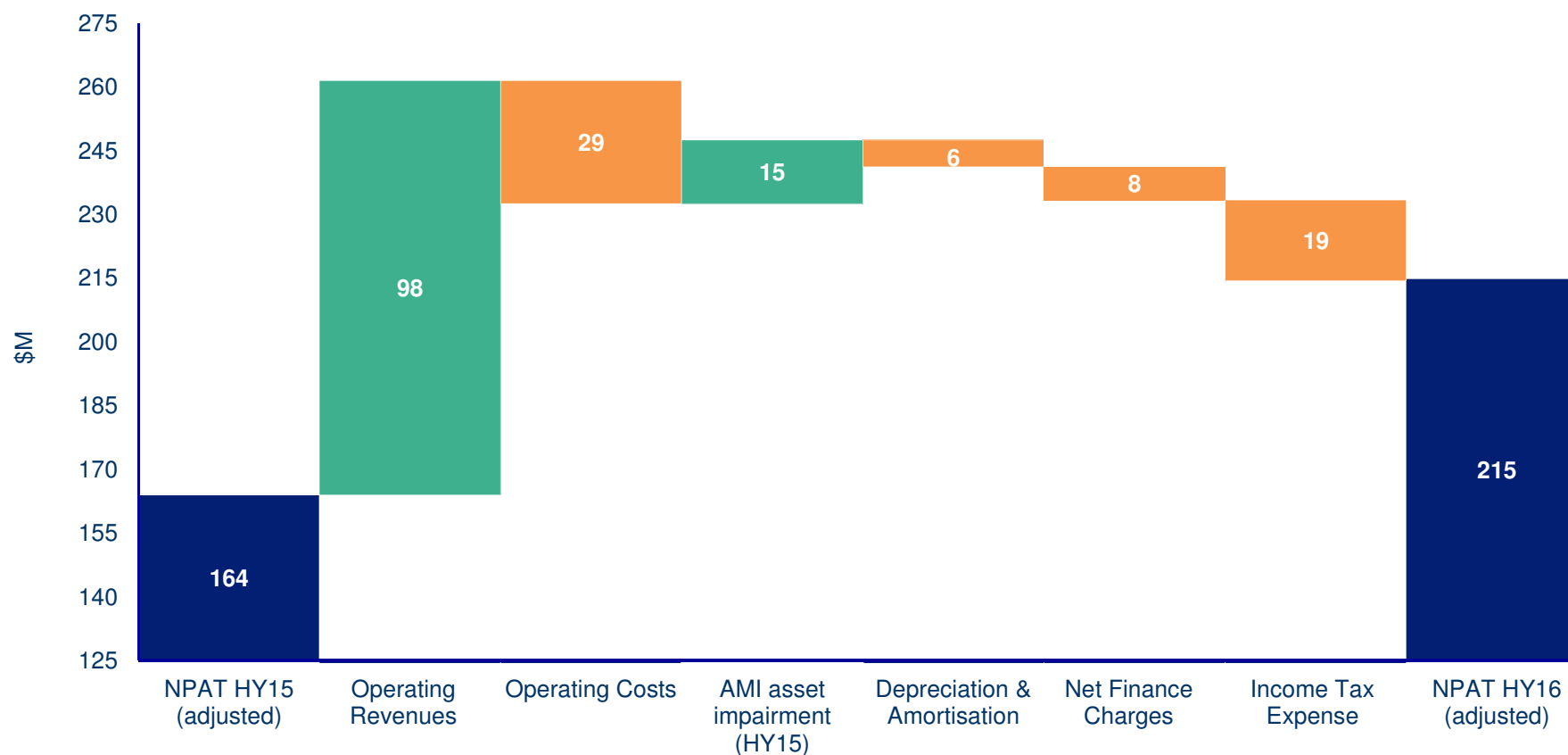
- Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review
- Refer to appendices for reconciliation of statutory result to adjusted result and for income tax expense reconciliation

Financial performance

Adjusted result



Half Year to 30 September 2015 (A\$M)



Note:

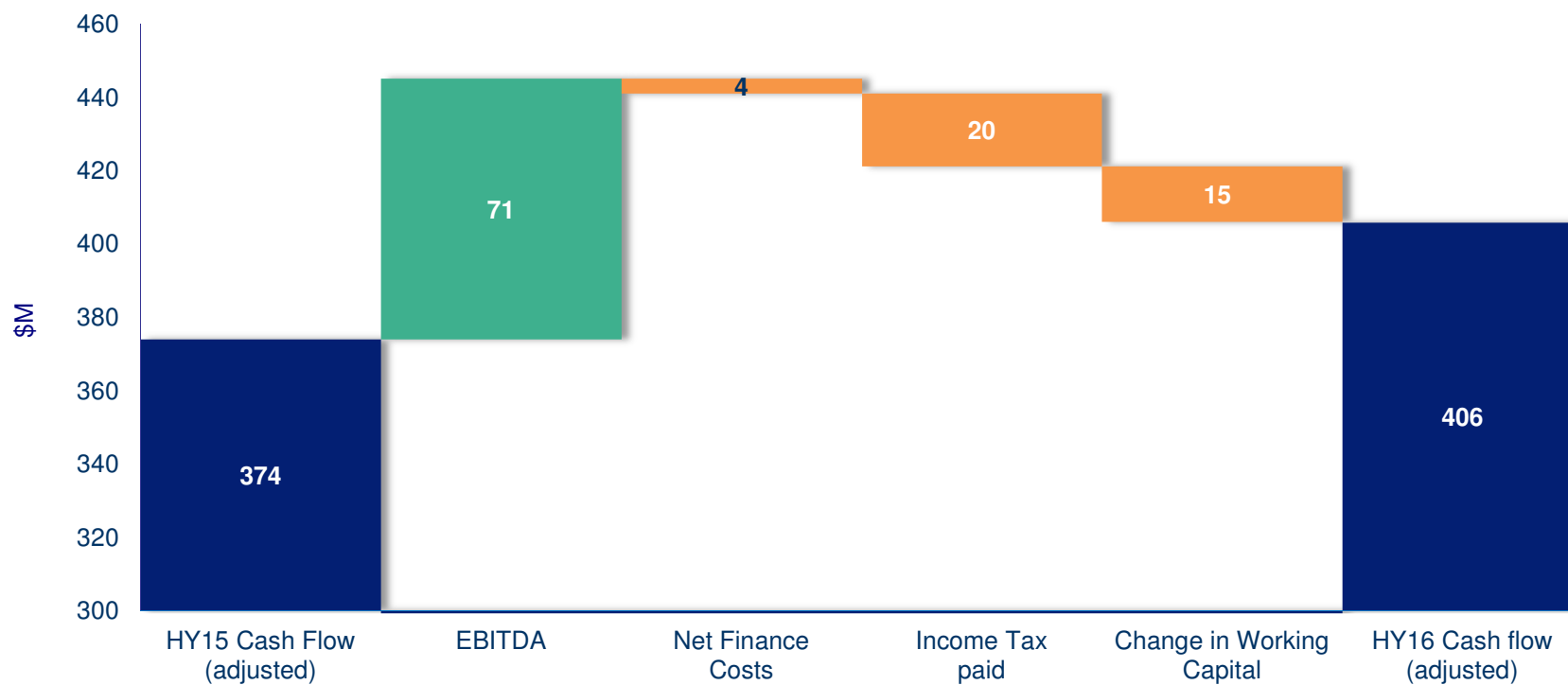
- Refer to appendices for reconciliation to statutory result

Cash flow from operations

Adjusted result



Half Year to 30 September 2015 (A\$M)



Note:

- Statutory net cash flow from operations **\$283.5m** (HY15:\$334.8m)
- Adjusted HY15 Cash Flow excludes MSA payment of **\$39m**.
- Adjusted HY16 Cash Flow excludes **\$69m** of tax paid in relation to S163AA dispute, **\$25m** ATO settlement (intra-group financing) and AMI rebate **\$27.6m** paid.

Gross capital expenditure



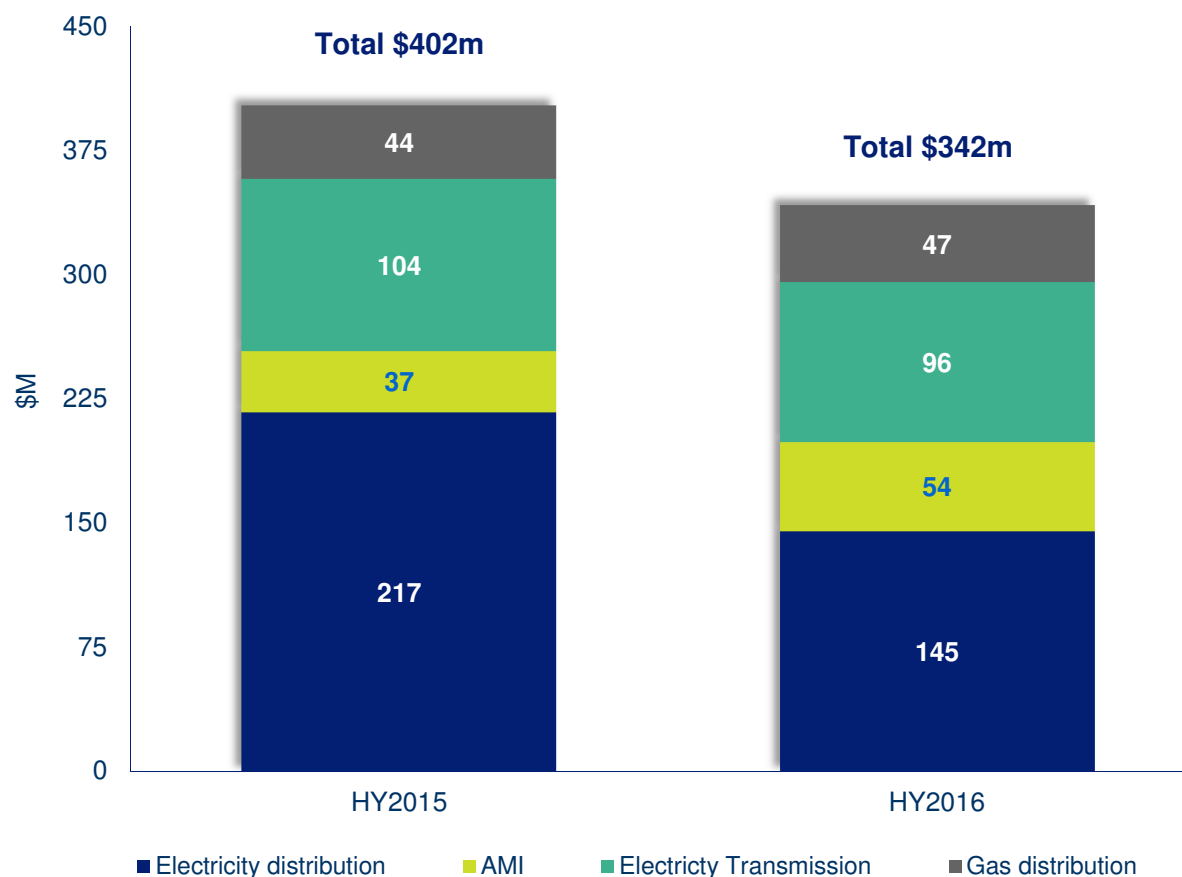
Half Year to 30 September 2015 (A\$m)

► **HY 2016 capex decreased 15%**

► **Lower electricity distribution capex due to:**

- › Change in spend profile for asset replacement
- › Lower IT spend given SAP implementation
- › Reduced customer demand resulting in lower augmentation works
- › Lower unit rates and capital efficiency measures

► **Revised FY 2016 capex guidance of around \$830m**



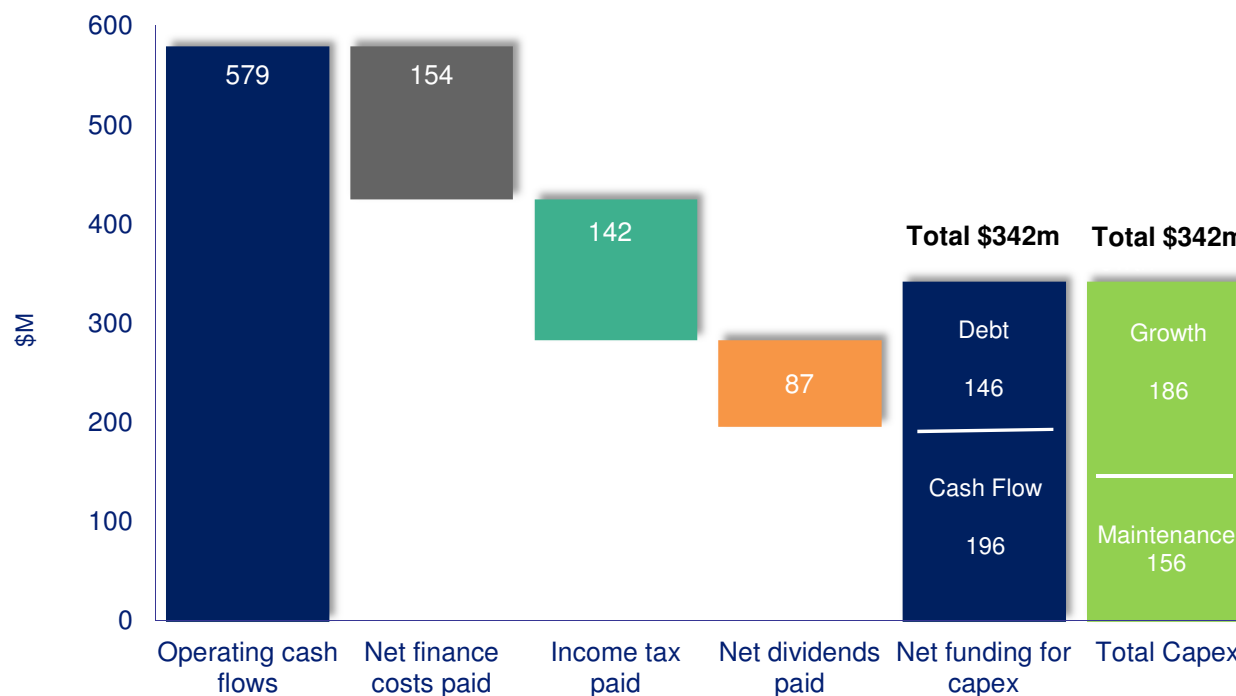
Note:

HY16 gross capital expenditure includes customer contributions of \$7.5m (HY15:\$14.7m)

Dividend & capex funding

Half Year to 30 September 2015 (A\$M)

- ▶ Dividends fully covered by strong operating cash flows
- ▶ **\$196m** of operating cash flows available to fund capex
- ▶ **\$142m** cash tax paid, inclusive of:
 - S163AA – unsuccessful High Court Appeal (**\$69m**)
 - ATO intra-group financing audit settlement (**\$25m**)
 - Transmission group company tax (**\$48m**)



Note:

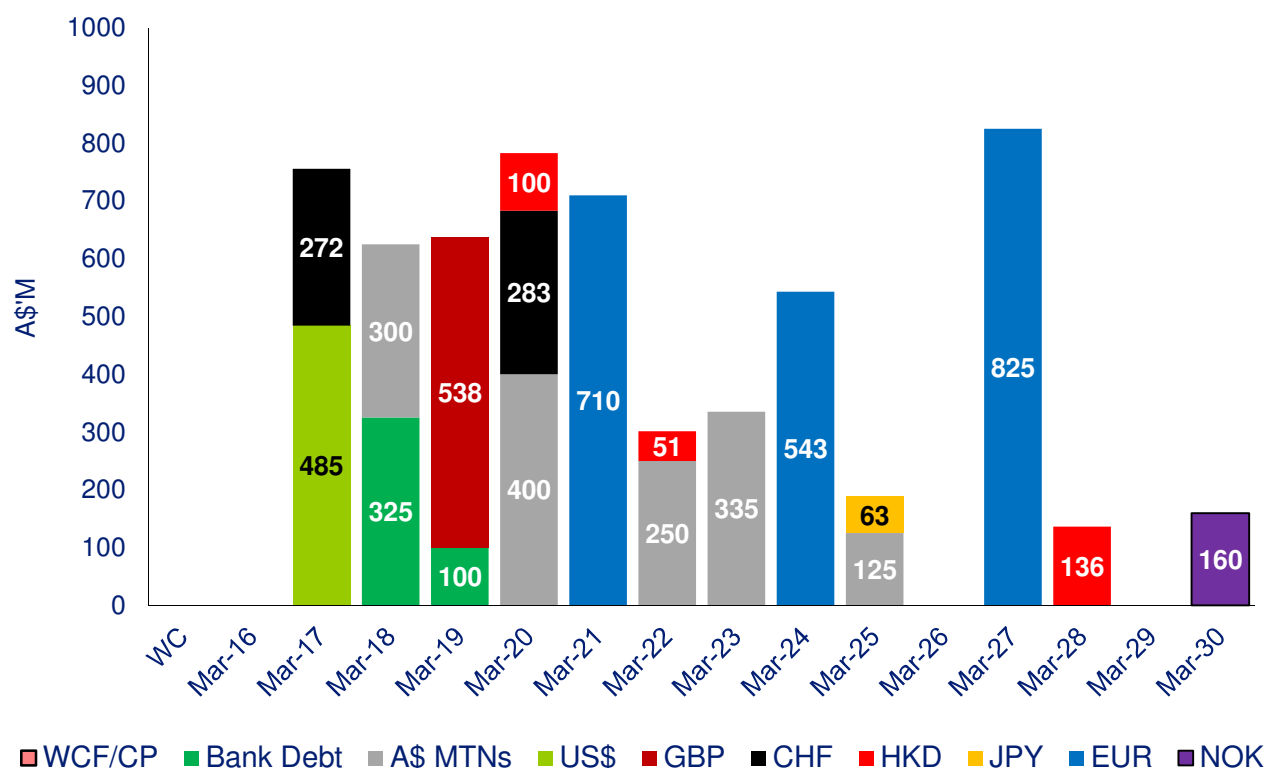
- Operating cash flows = receipts from customers of **\$1,126m** less payments to suppliers and employees of **\$547m**, inclusive of **\$27.6m** AMI rebate paid
- Net dividends = gross dividends of **\$145m** offset by proceeds from the DRP of **\$58m**

Diversified debt portfolio



Debt maturity profile as at 30 September 2015 – Net debt \$5,967 (A\$M)

- ▶ As at 30 Sep 2015, AusNet Services had A\$450m of undrawn, committed bank debt facilities
- ▶ Net Debt hedged against movements in interest rates
- ▶ Considering all funding options, including a potential hybrid security issue
- ▶ Debt maturity profile broadly aligned to new regulatory debt hedging regime



Note:

Net debt = Debt at face value (\$6,000M) / less cash / cash equivalents of \$33M. Offshore debt shown at hedged rates.

Sound fundamentals



Financial Metrics	30-Sep-15	30-Sep-14
Total Assets	\$11.4bn	\$11.2bn
Total Borrowings	\$6.8bn	\$6.6bn
Net Debt ₁	\$6.8bn	\$5.9bn
Net Gearing (CV) ₂	66%	63%
Net Debt (FV) to Regulated / Contracted Asset Base ₃	68%	69%
Interest Cover ₄	2.9x	3.0x

Market Metrics @ 30 Sep 15	ASX	SGX
Security Price	A\$1.37	S\$1.37
Market Capitalisation	A\$4.8bn	S\$4.8bn

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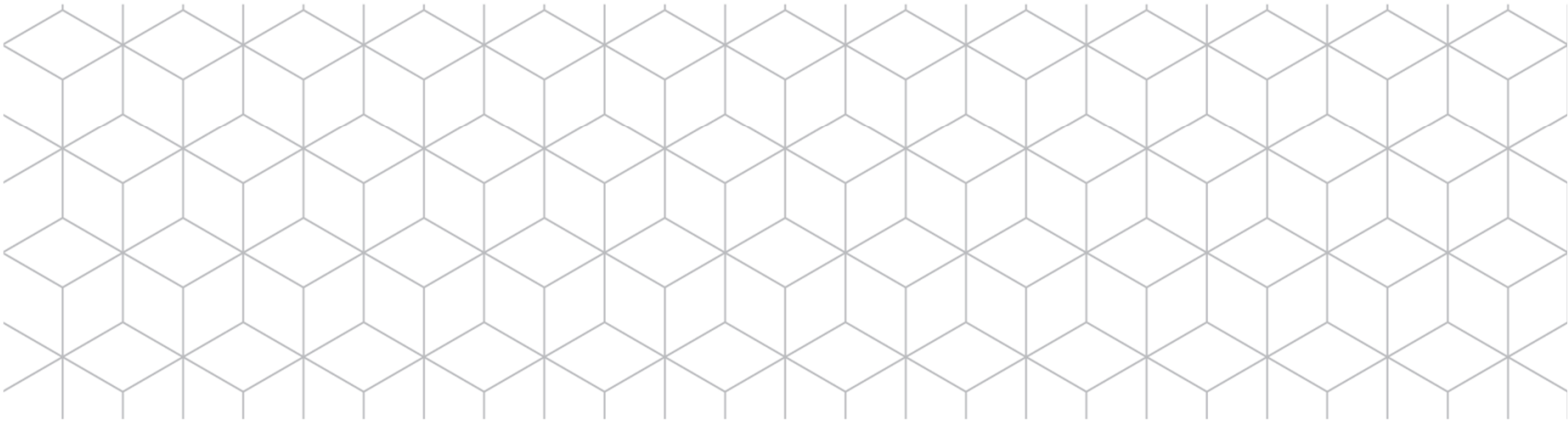
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Note: All references to '\$' are Australian dollars unless otherwise stated.



Electricity transmission network



New indoor 66kV Gas Insulated Switchgear at Richmond Terminal Station

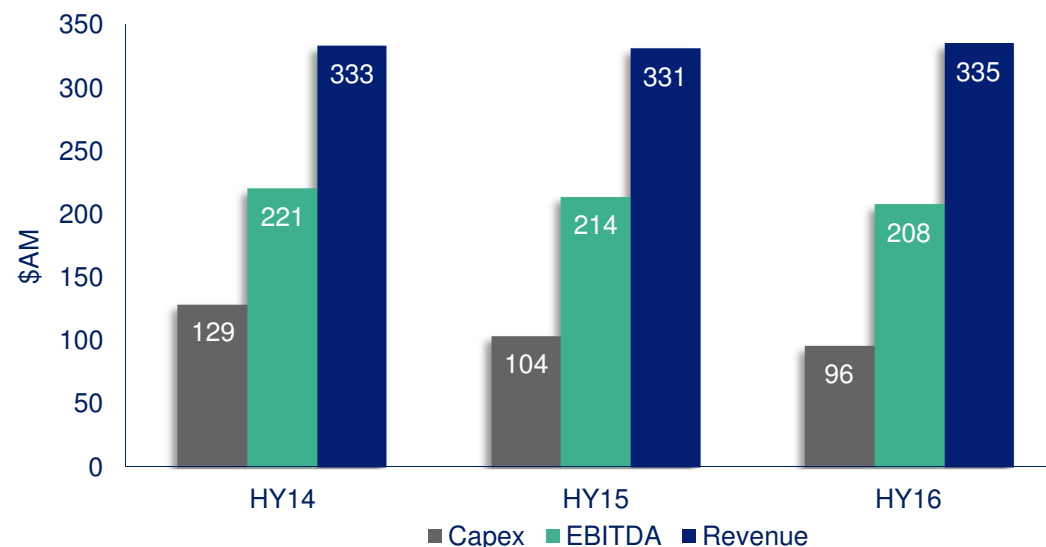
Electricity transmission network



Half Year Highlights (A\$M)

- ▶ Revenue growth consistent with regulated price path, lower EBITDA due to higher labour costs
- ▶ Submitted Transmission Revenue Proposal (TRR) 2017-22 to the AER
- ▶ Recorded zero minutes off supply
- ▶ Richmond Terminal Station rebuild major project milestone with the replacement of its 66kV outdoor Air Insulated Switchgear with indoor 66kV Gas Insulated Switchgear.

	30-Sep-15	30-Sep-14	Variance %
Revenue	335.1	330.7	1.3%
EBITDA	207.6	213.9	-2.9%
EBITDA Margin	62.0%	64.7%	-2.7%



Electricity distribution network



Bushfire mitigation, low-flying helicopter inspections of powerlines

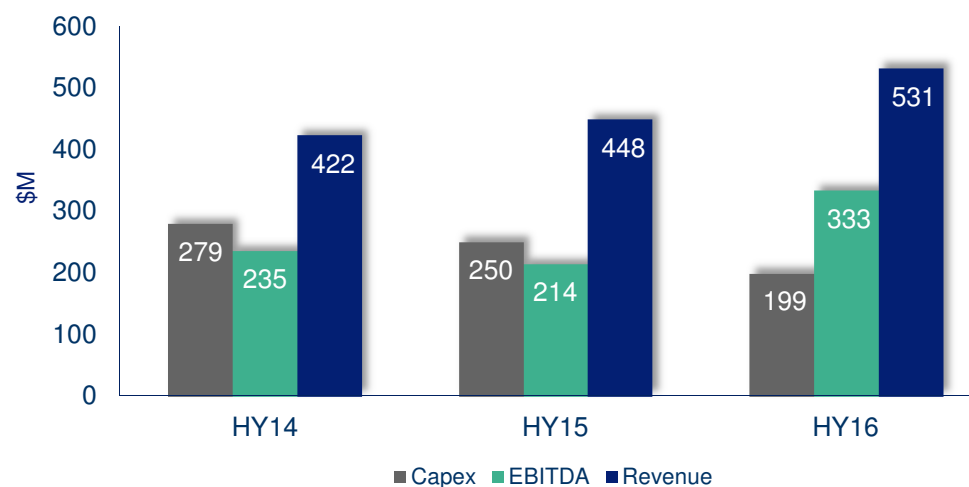
Electricity distribution network



Half Year Highlights (A\$M)

- ▶ Higher revenues from regulated price increases (8.4% in CY15) and increased volumes due to the colder winter weather
- ▶ Increase in EBITDA also reflects AMI customer rebate (\$37.5m) and AMI asset write-off (\$15m) in prior period
- ▶ Estimated STPIS recovery for the EDPR 2011-15 period of \$82m
- ▶ HY16 AMI revenue \$82m (HY15:\$62m)
- ▶ \$10m in costs associated with Yarram and Mickleham bushfire class actions

	30-Sep-15	30-Sep-14	Variance %
Revenue	530.6	447.7	18.5%
EBITDA	332.6	213.8	55.6%
EBITDA Margin	62.7%	47.8%	14.9%
Volume (GWh)	4,067	3,860	5.4%
Connections	685,435	673,254	1.8%



Gas distribution network



Pressure reduction station

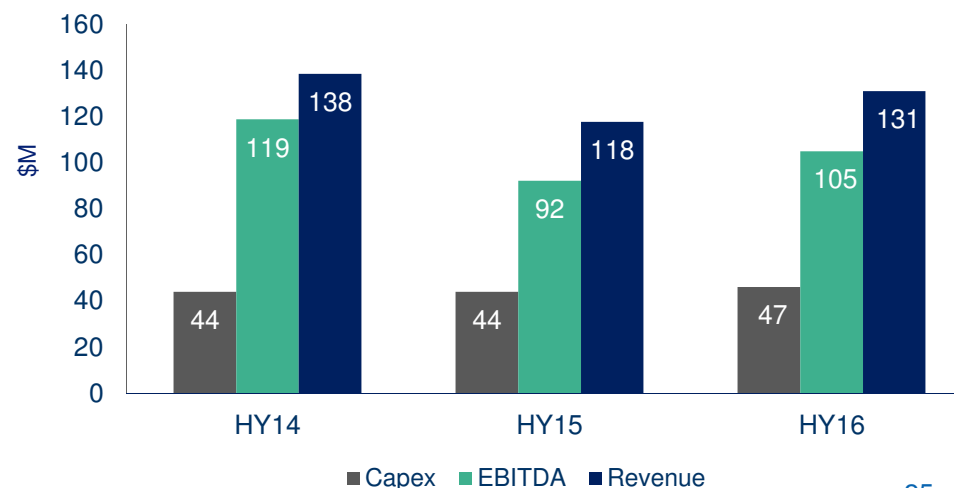
Gas distribution network



Half Year Highlights (A\$M)

- ▶ Higher revenues due to a substantial increase in volumes driven by the colder winter weather
- ▶ Average tariff increase of 3.4% in CY15
- ▶ Continued growth in new connections, due to residential housing growth in network growth corridors
- ▶ Completed a new 11km pipeline between Geelong & Torquay, eliminating risk of supply interruptions in the peak winter period

	30-Sep-15	30-Sep-14	Variance %
Revenue	130.9	117.5	11.4%
EBITDA	104.8	92.0	13.9%
EBITDA Margin	80.1%	78.3%	1.8%
Volume (PJ)	46.0	40.8	12.7%
Connections	654,587	640,793	2.2%



Select Solutions



Geomatic Technologies (GT) rail transport survey for General Electric (GE)

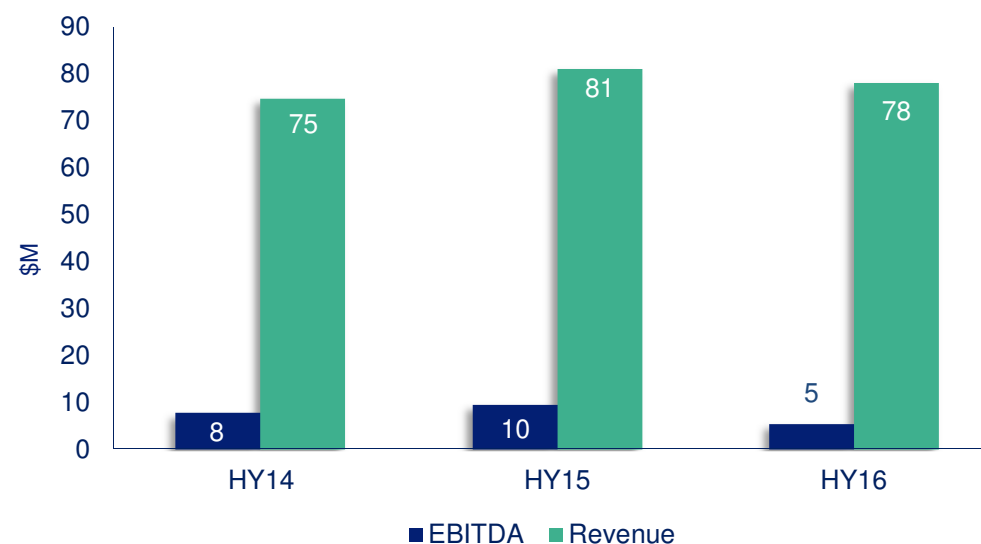
Select Solutions



Half Year Highlights (A\$M)

- ▶ Revenue impacted by negotiated cessation of gas meter procurement contract in NSW (\$10M)
- ▶ Strategic focus has been on winning foundation contracts with new interstate customers
- ▶ EBITDA impacted by the under-performance of new foundation contracts due to additional mobilisation costs
- ▶ Select Solutions has maintained high margin activities including Contestable Metering and Antenna Site Leasing

	30-Sep-15	30-Sep-14	Variance %
Revenue	78.2	81.1	-3.6%
EBITDA	5.4	9.7	-44.3%
EBITDA Margin	6.9%	12.0%	-5.1%





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Financial Performance

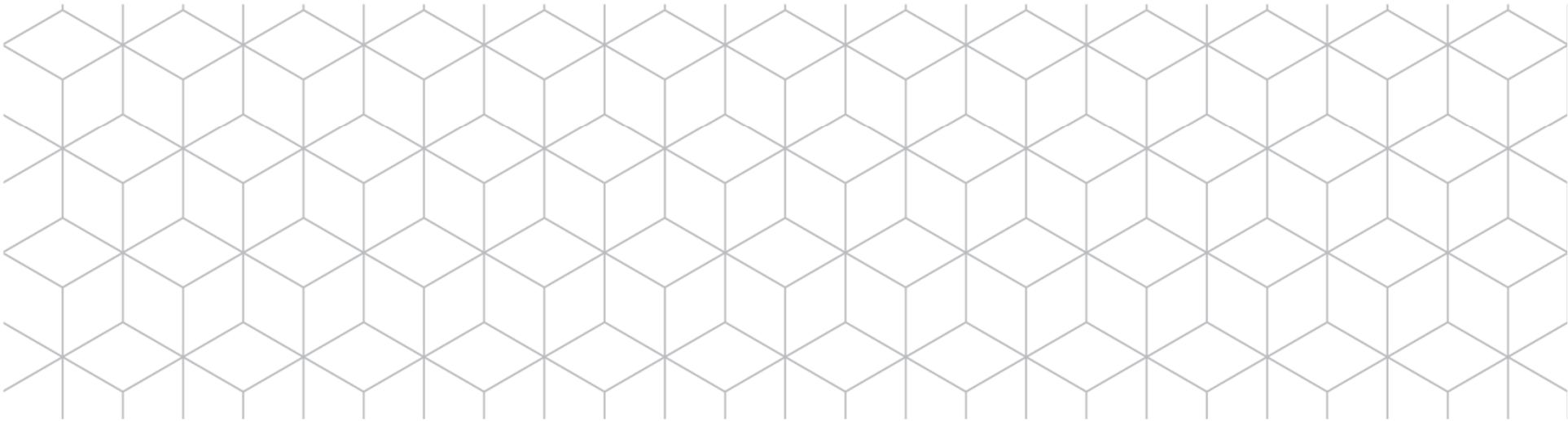
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EDPR 2016-20 draft decision



\$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

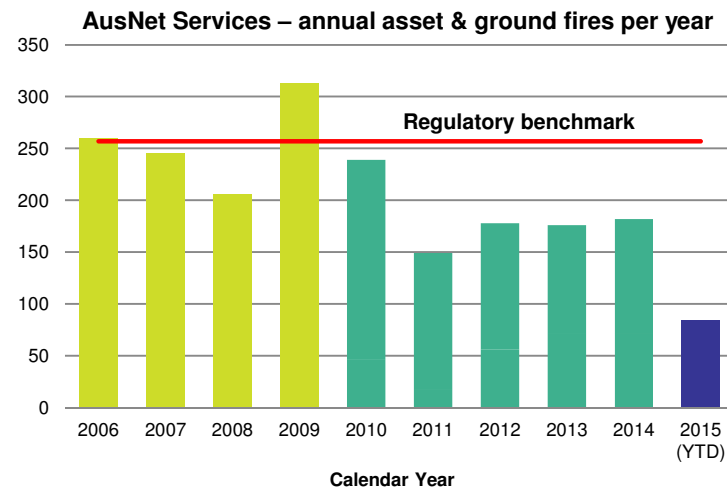
- Reduction in revenue relative to initial proposal predominantly relates to the AER's understanding of equity returns in the current low interest rate environment and overvaluing imputation credits for investors.
- Both these matters are under appeal in the Australian Competition Tribunal and it is expected that the outcome of these appeals will be applied in the Final Decision.
- 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.

Bushfire mitigation

F factor scheme



- In 2011, the Victorian Government introduced the 'F-factor' scheme to financially incentivise distribution businesses with a \$25,000 reward or penalty (per fire start), if they perform better or worse than their respective fire start targets.
- For the third consecutive year, AusNet Services has reduced the number of fire starts by approximately 30 per cent below our regulatory target.



Year	Five-year benchmark target	No. of fire starts	Financial reward
2012	256.8	178	\$1.97 million
2013		176	\$2.02 million
2014		182	\$1.87 million
2015		84	na

Above: Table showing AER's five-year benchmark target and our performance as at the end of September 2015

- This year alone, AusNet Services will inspect approximately 133,000 power poles and pole-top assets, clear 240,000 trees from powerlines and replace a large number of assets, including 3,600 poles.

Future energy networks

HelloGrid - new energy network industry initiative

- ▶ HelloGrid is an initiative to educate the community about how networks across Australia work and their importance in the transformation to a future with greater renewables.

- Engage with customers and promote energy network benefits
- Develop and promote new technologies and business models
- Advocate for an adaptive regulatory regime with an appropriate cost base and progressive tariffs





Introduction & Summary

Financial Performance

Operational Review

Regulatory Review

Outlook



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



Outlook



Dividend guidance of **8.53 cps** for FY 2016,
2% increase on FY 2015

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

Dividend reinvestment plan active for the interim 2016
dividend @ 2% discount

Forecast net
debt to Regulated &
Contracted Asset Base
of <70% to 2018
(currently 68%)

Intention to transition
to Independent
Chairman by 2016
AGM

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

Metering program, stabilisation plan on track and on
budget for completion in early 2017

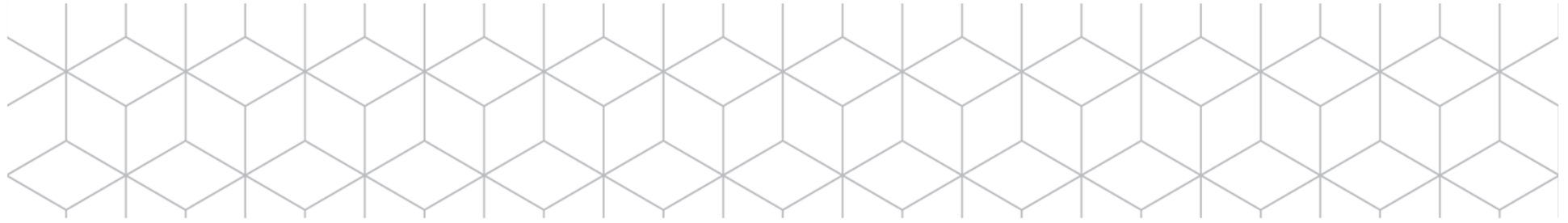
Interim FY16 dividend **100% franked**, expecting final FY16 dividend to also be **100% franked**

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



Questions





Appendices



Financial performance

Reconciliation of statutory result to adjusted result



Half Year to 30 September 2015 (A\$M)

	EBITDA (\$m)				NPAT (\$m)		
	HY 2016	HY 2015	Change		HY 2016	HY 2015	Change
Statutory Result	650.4	529.4	121.0		374.5	(4.9)	379.4
AMI customer rebates	-	37.5	(37.5)		-	26.3	(26.3)
ATO settlement (intra-group financing)	-	-	-		-	142.6	(142.6)
Intellectual Property settlement	-	-	-		28.1	-	(28.1)
Restructure Implementation	-	-	-		131.5	-	(131.5)
Adjusted Result	650.4	566.9	83.5		214.9	164.0	50.9

Notes

- 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.
- Adjusted HY15 NPAT excludes the impact of Finance Trust loan deductions of **(\$20m)** from the ATO settlement (intra-group financing audit).

Income Tax Expense

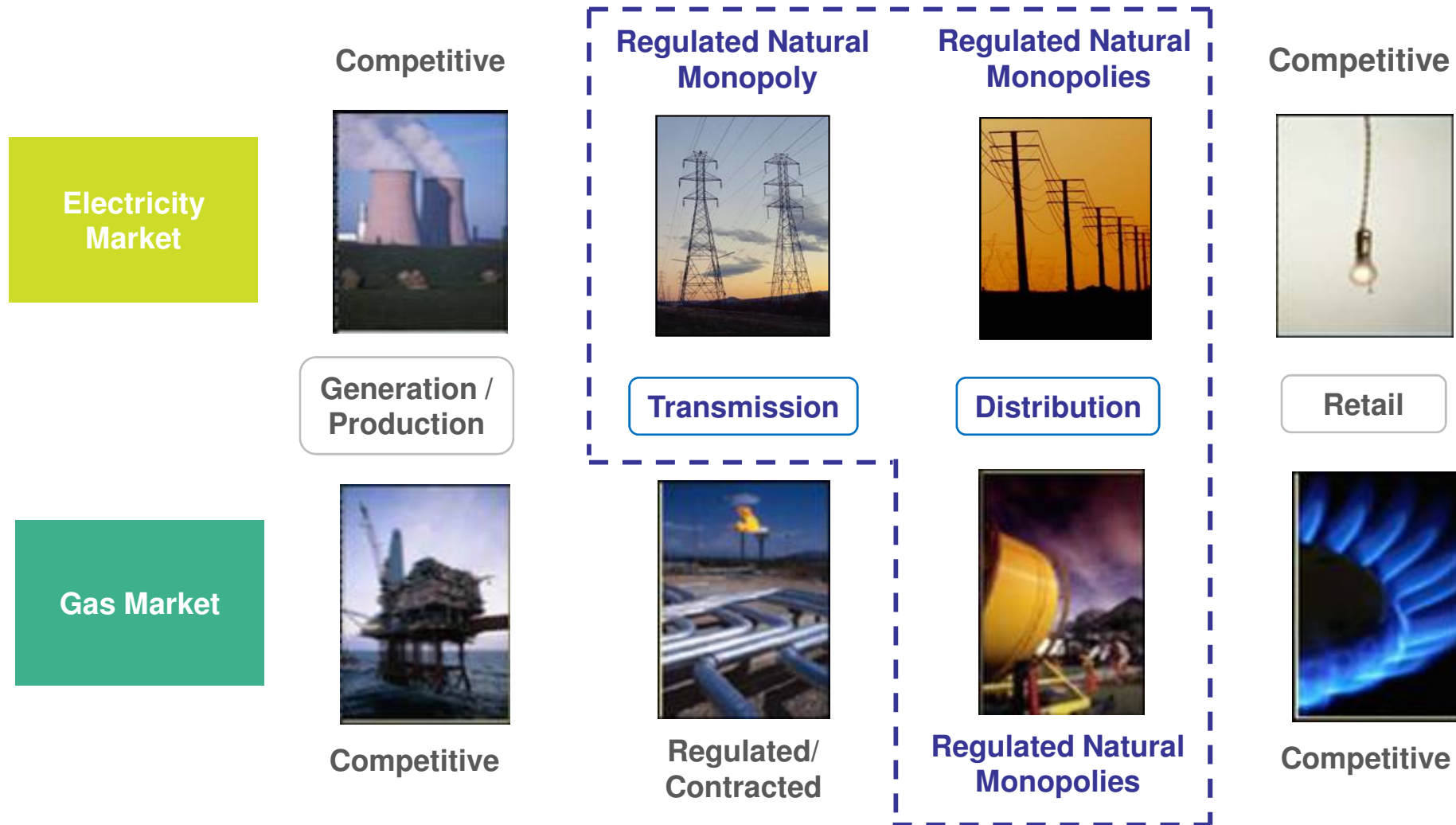


Reconciliation

	HY16 (\$M)
Pre-tax Profit	300
- Prima facie tax @ 30%	90
- Tax consolidation outcome arising from legal entity restructure	(285)
- Tax benefit from Intellectual Property settlement	(28)
- Cancellation of Same Business Test tax losses (restructure)	153
- Other	(4)
Income Tax Expense	(74)
NPAT	374

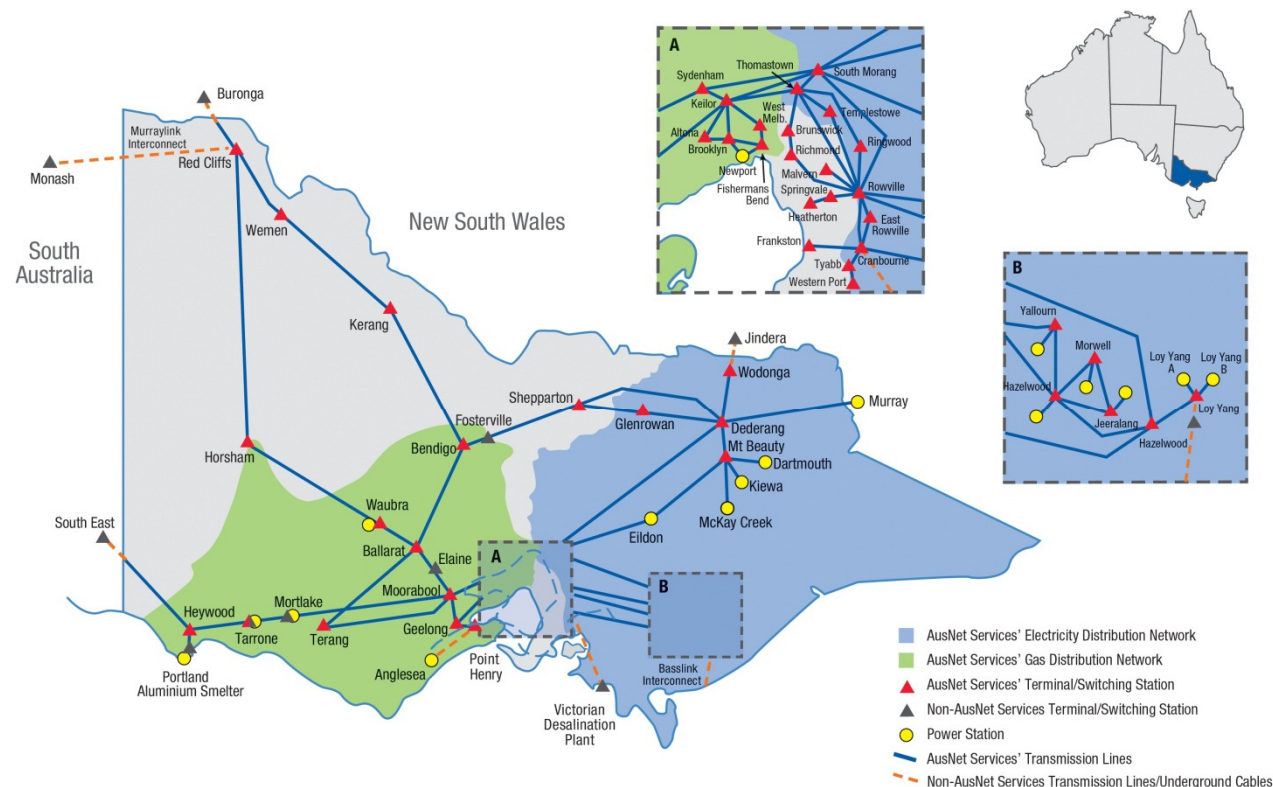
Australian Energy Market Structure

AusNet Services operates in regulated transmission and distribution sectors



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

- ▶ 51,598km of electricity distribution network
- ▶ 685,435 customers

Gas distribution

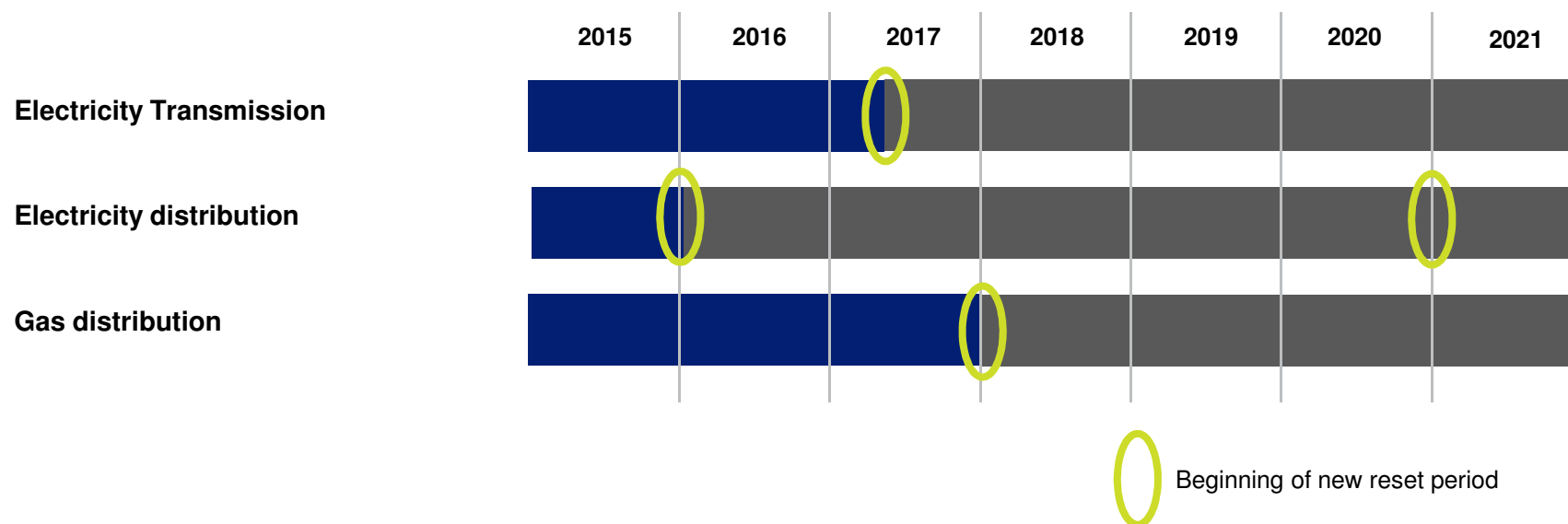
- ▶ 10,721km of gas distribution network
- ▶ 654,587 customers

Networks summary



Diversified networks and staggered reset periods reduce regulatory risk

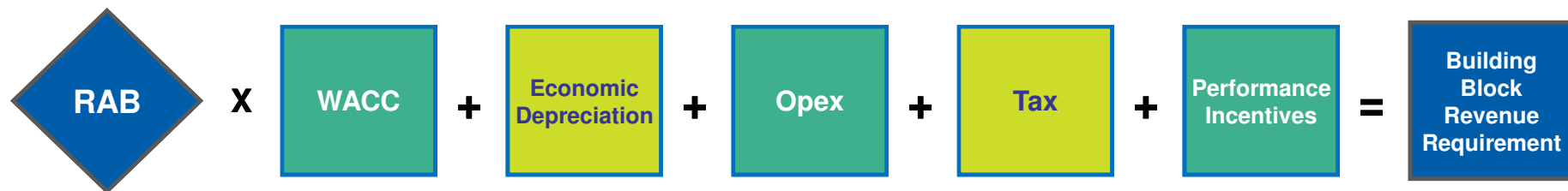
- ▶ Around 90% of total HY16 revenues are regulated and inflation protected
- ▶ Electricity distribution Regulatory Proposal (EDPR) 2016-2020 final decision expected April 2016
- ▶ Electricity Transmission revenue proposal (TRR) 2017-2022 submitted to the AER in October, draft expected by June 2016 and final decision by January 2017



Australian Regulatory Framework



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)
- Electricity distribution network to be regulated under a revenue cap regime from 1 Jan 2016
- A revenue cap regime determines revenues independently of volumes

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

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

All figures updated for relevant appeals

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

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	\$1,579m	\$552m
Opex (Nominal)	\$277m	\$928m	\$591m
Revenue (Nominal)	\$952m	\$2,533m	\$1,600m

All figures updated for relevant appeals

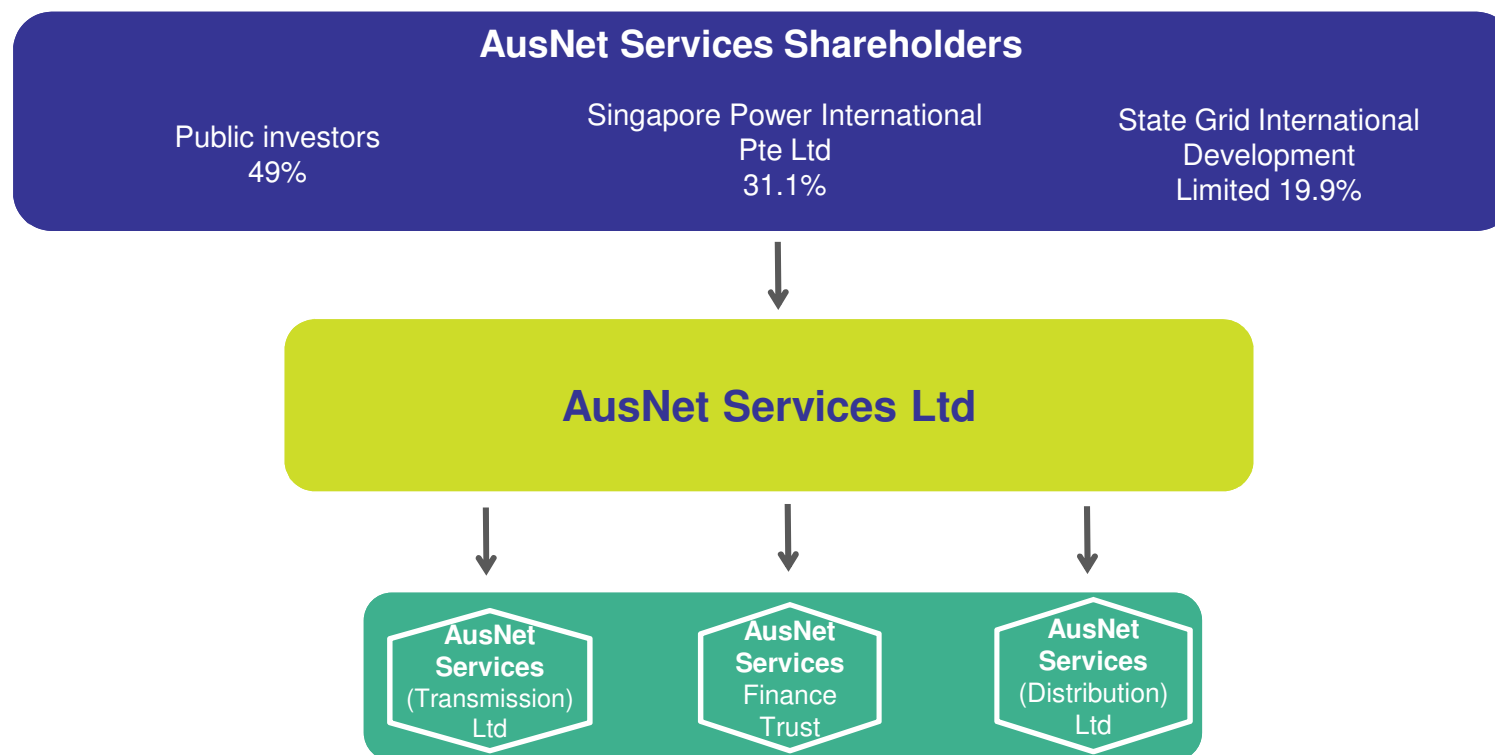
Advanced Metering Infrastructure Update



Stabilisation plan on track & on budget

- ▶ Previously announced instability in AMI systems and program to improve performance.
- ▶ Over 700,000 advanced meters installed with around 425,000 providing remote reads to market.
- ▶ Program fully mobilised from June 2015 with all key vendors appointed.
 - › Enabling systems changes for the rollout of mesh communications infrastructure completed
 - › Pilot rollout of mesh communications modules and supporting infrastructure commenced
 - › New supporting hardware installed with the first core application successfully migrated
- ▶ System upgrades and new infrastructure have delivered improved data performance.
- ▶ Metering Program technology upgrade to be complete by late 2016.
 - › 95% of meters expected to be providing remote services to market by March 2017

Current Ownership structure



- ▶ Shareholders have a 100% ownership interest in the assets of the group.
- ▶ 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 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.

Further Information and Contacts



- ▶ AusNet Services is the largest diversified energy network business in Victoria, owning and operating around \$11 billion of electricity and gas distribution assets, including the state-wide electricity transmission network. The company also has a non-regulated division, Select Solutions, providing utility services.
- ▶ Headquartered in Melbourne, Australia, AusNet Services employs more than 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: AZI.SI).
- ▶ For more information visit www.ausnetservices.com.au

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