ASX Release

AusNet services

13 May 2019

AusNet Services Full Year Results 2019 Release and Presentation

The following documents are attached:

1. AusNet Services Full Year 2019 Results Release; and
2. Investor Presentation.

Claire Hamilton
Company Secretary

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ASX Release

13 May 2019

AusNet Services Full Year 2019 Results

AusNet Services reported its full year results for the year ended 31 March 2019, recording a final dividend of 4.86cps (FY19 dividend of 9.72cps) up 5%, franked to 45% (FY19 franking 42.5%, 0% franked in FY18).

Cash flow from operations remain strong, underpinning our ability to fund capital investment and support the increase in dividends.

As previously advised, the full year results have been negatively impacted by reduced regulated revenues; namely hand-back of previously received metering revenue, lower reliability incentive revenue and a 9.4% decrease in gas tariffs. The second half was positively impacted by prices resetting in both distribution businesses on 1 January 2019.

The impact of lower revenues was materially offset by the cost-efficiency program, resulting in an EBITDA decline of 0.8%, versus a revenue decline of 2.5%.

Compared to the prior period, results were also adversely impacted by increased depreciation consistent with growth in asset base and increased finance costs resulting from hedging adjustments and discounting changes to provisions. Both of these were non-cash items.

Nino Ficca, Managing Director of AusNet Services said, “We remain committed to putting customers at the centre of what we do. We are striving to deliver positive customer experiences by enabling choice and doing our part to make energy more affordable. We continue to play an essential role in supporting the transition to renewables having invested over $200 million this financial year connecting new renewable generation projects to our Electricity Transmission network.”

A$M	FY 2019	FY 2018	Variance
Revenues	**1,861.5**	1,909.8	**↓2.5%**
EBITDA	**1,134.2**	1,142.9	**↓0.8%**
Earnings before interest and tax	**677.8**	700.5	**↓3.2%**
Profit before income tax	**371.9**	416.6	**↓10.7%**
Net profit after tax	**253.9**	291.4	**↓12.9%**
Cash flow from operations	**813.7**	886.4	**↓8.2%**
Dividend (cps)	**9.72**	**9.25**	**↑ 5.1%**
Franking	**42.5%**	**0%**	**↑ 42.5%**

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Operating and Financial Review

Electricity transmission

	FY2019	FY2018	Movement	%
Segment revenue ($M)	**618.2**	601.9	16.3	2.7
Segment result – EBITDA ($M)	**390.4**	379.8	10.6	2.8
Capital expenditure ($M)	**211.1**	163.8	47.3	28.9

Higher transmission revenues were due to a number of significant customer initiated replacement and relocation projects.

Total transmission expenses increased $5.7 million relative to FY2018; $2.5 million additional costs in order to respond to the large increase in new transmission connections driven by renewable generation and $3.2 million additional costs to implement several cost saving initiatives, particularly redundancies.

Capital expenditure increased primarily as a result of $33.2 million of wind farm connection interface works (2018: $1.9 million) as well as an increase in excluded projects (primarily customer initiated relocations). Major terminal station rebuilds at Richmond and West Melbourne make up $49.6 million of the spend.

Electricity distribution

	FY2019	FY2018	Movement	%
Segment revenue ($M)	**866.2**	891.4	(25.2)	(2.8)
Segment result – EBITDA ($M)	**528.5**	540.2	(11.7)	(2.2)
Volume (GWh)	**7,608**	7,716	(108)	(1.4)
Connections	**736,841**	722,046	14,795	2.0
Capital expenditure ($M)	**461.0**	439.3	21.7	4.9

Revenue reductions, consistent with the half year, are due to $29.1 million lower incentive revenues ($31.0 million in FY2018, $1.9 million in FY2019 due to lower reliability performance in CY2016) and a $29.4 million reduction in metering revenue, primarily due to the hand back of previously received excess expenditures disallowed by the AER. Offsetting these is a $22.1 million increase in customer contributions, primarily new housing developments and revenue cap outperformance of $3.8 million (see below for further comment).

Operating expenses decreased $13.5 million (net) as a result of the cost efficiency program, with new contractual arrangements in vegetation management and corporate support functions, in particular, reducing costs.

Capital expenditure rose as a result of a $23.6 million increase in the Rapid Earth Fault Current Limiter (REFCL) program. REFCL devices are being installed to reduce the risk of a bushfire caused by a fallen powerline.

Future revenue impacts

Revenue for distribution services is recognised when those services are provided, based on the prevailing tariffs at the time. Our electricity distribution business is regulated by the AER and revenue is set on a calendar year basis which differs to our financial year. Given the nature of the regulatory model and how tariffs are set, there are a number of items that will impact future revenues for our electricity distribution business as follows:

- There is a difference between the regulated revenue recognised under our accounting policy, and the revenue cap under the Electricity Distribution Price Review (EDPR) determination. This difference is trued-up as an adjustment to tariffs in future periods. At 31 March 2019 we have a cumulative over-recovery of $7.1 million which will reduce our revenue in CY2019 and CY2020.
- The AER's decision on our 2016 Advanced Metering Infrastructure (AMI) Transition Charges Application will result in future revenue reduction of $23 million (approximately $15 million in FY2020 and $8 million in FY2021).
- In CY2019, we re-commenced earning incentive revenues under the Service Target Performance Incentive Scheme (STPIS) and are entitled to $19.4 million as a result of our CY2017 network reliability performance of which we have received $1.9 million and will receive approximately $7.8 million in the remainder of CY2019 and $9.7 million in CY2020.

Operating & Financial Review (continued)

Gas distribution

	FY2019	FY2018	Movement	%
Segment revenue ($M)	**215.1**	224.6	(9.5)	(4.2)
Segment result – EBITDA ($M)	**152.5**	162.3	(9.8)	(6.0)
Volume (PJ)	**63.3**	66.0	(2.7)	(4.1)
Connections	**711,310**	692,282	19,028	2.7
Capital expenditure ($M)	**106.8**	96.9	9.9	10.2

Regulated gas distribution revenues and EBITDA declined as a result of a 9.4% decrease in gas tariffs for CY2018.

The increase in capital expenditure reflects higher levels of customer connections and augmentations to the network.

Mondo (previously Commercial Energy Services)

	FY2019	FY2018	Movement	%
Segment revenue ($M)	**172.1**	206.2	(34.1)	(16.5)
Segment result – EBITDA ($M)	**62.8**	60.6	2.2	3.6
EBITDA Margin (%)	**36.5**	29.4	7.1	24.1
Capital expenditure ($M)	**190.9**	50.2	140.7	280.3

The Mondo business provides a range of services and technology for essential infrastructure across the energy, water and transport sectors. Mondo provides contracted infrastructure asset services and specialised technology solutions to enable energy data and asset intelligence services. The contracted infrastructure asset services business unit owns and operates a portfolio of assets not included in the regulated asset base. The investments are made through directly negotiated agreements, under which we typically receive revenue over the contract period in exchange for infrastructure use and operational services provided.

Revenues reduced by $34.1 million predominantly as a result of the strategic refocus executed in FY2018 reducing the provision of certain maintenance services resulting in exiting a number of field services agreements. EBITDA margins improved as a result of the refocus and a change in revenue mix towards higher margin infrastructure, energy data and asset intelligence projects.

Capital expenditure in FY2019 primarily relates to three wind farm connections under construction, the completion of the Salt Creek, Bulgana and Crowlands windfarm connections and the Ballarat Battery Energy Storage project.

Outlook

For FY20, AusNet Services expects, subject to business conditions, to pay a total dividend of 10.2 cps, up 5% on FY19, franked 40% to 50%. AusNet Services will continue to determine future dividends by reference to operating cash flows (using EBITDA as a proxy) after servicing all of its maintenance capital expenditure and a portion of its growth capital expenditure.

AusNet Services expects continued growth in its regulated asset base of around 3% per annum to FY22. The business has increased the contracted energy infrastructure assets target from $1.0bn to $1.5bn by FY24 (at appropriate risk adjusted rates of return). Net debt to regulated and contracted asset base is expected to remain below 70% to FY22.

As part of AusNet Services Energising Futures Strategy, caring for our customers, enabling their choices and doing our part to make their energy affordable are key priorities. To achieve this, AusNet Services will continue to relentlessly focus on productivity and efficiency, targeting top quartile of efficiency benchmarks for all networks.

Dividend key dates

The 2019 final dividend of 4.86 Australian cps is 45% franked.

The Dividend Reinvestment Plan (DRP) will be in operation for the 2019 final dividend at a 2% discount to the average trading price. The average trading price will be the average of the volume weighted average price of shares sold in ordinary market transactions on the ASX between 24 May 2019 and 6 June 2019 (inclusive).

For further information please refer to the DRP rules at www.ausnetservices.com.au.

Relevant dates:

21 May 2019	Ex-date for final dividend
22 May 2019	Record date to identify shareholders entitled to the final dividend
23 May 2019	Last election date for participation in the DRP
27 June 2019	Payment of final dividend

About AusNet Services

AusNet Services is the largest diversified energy network business in Victoria, owning and operating $12.8 billion of assets. The company owns and operates three regulated networks - electricity distribution, gas distribution and the state-wide electricity transmission network. The company also has an unregulated business called Mondo, focusing on contracted infrastructure, asset intelligence and energy services.

Headquartered in Melbourne, Australia, AusNet Services employs around 1,900 people to service over 1.4 million consumers. For more information visit AusNet Services' website, www.ausnetservices.com.au.

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Full Year 2019 Results

For the financial year ended 31 March 2019

Disclaimer

The AusNet Services Group (AusNet Services) comprises AusNet Services Ltd and its subsidiaries.

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Non-IFRS information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from the annual financial report. Throughout this document some non-IFRS financial information is stated (operating expenses excluding certain items and regulated and contracted asset bases). We believe these non-statutory measures provide useful information to understand the financial performance of the Group, but should not be considered as an indication of, or substitution for reported information.
- The non-IFRS financial information has not been audited by the Group's auditors.

FULL YEAR 2019 RESULTS

- Introduction
- Financial Performance
- Regulated Energy Services
- Mondo *(formerly Commercial Energy Services)*
- Outlook

Safety mission and performance

Leadership

Embedding clear leadership accountabilities for all employees and promoting improved communication and recognition of safety performance

Behaviour

Taking responsibility for safety. Knowing how to work safely. Speaking up and keeping others safe

Safe Working Environment

Strong focus on critical risks including motor vehicle and electrocution

35%

Reduction in Recordable Injury Frequency Rate (FY19 RIFR 3.53)

mission zero

AUSNET SERVICES

- ASX Top 100, $6.5bn market capitalisation
- Unique set of critical infrastructure assets based in Victoria (energy transmission and distribution)
- $10.3bn regulated & contracted asset base
- Over 1.4m customers
- Around 86% regulated revenues and growing contracted revenues
- Own, operate and control asset base

Energising Futures Strategy

AusNet Services' vision is "to create energising futures by delivering value to our customers, communities and partners"

Energising Futures responds to industry transformation, which is characterised by a shift towards renewables, new technologies, changing customer expectations and pressure on energy affordability

	Objectives	Targeted Outcomes
Growth	Accretive asset base growth	• Stable, predictable long-term cash flows, supporting sustainable shareholder returns
Cost Efficiency	Improve efficiency and reduce costs	• Top quartile of efficiency benchmarks for all networks • Supporting affordable energy for customers • Sustainable shareholder returns
Customer Centricity	Enable customer choice and control	• Deliver safe and reliable energy to customers • Enhanced customer experience across the portfolio
Digital Utility	Invest in digital tools and processes to improve performance	• Improved efficiency, safety and customer outcomes • Capabilities to strengthen cyber resilience
Future-ready Capabilities & Culture	Ensure we have the right culture and capabilities for sustainable high performance and adapt to the future	• Engaged employees and adaptive ways of working • Stronger capabilities to ensure delivery of the strategy

Investment proposition

Stability	• Inflation linked revenues, next regulated revenue reset 1 Jan 2021 (Electricity Distribution) * • Long-term maintenance of A-range credit rating through prudent and sustainable financial settings
Shareholder returns	• Stable, predictable cash flows, supporting dividend growth • Delivering a sustainable cost base
Strategy	• Energising Futures strategy builds on Focus 2021 • Building a truly customer-focused, modern energy business • Accretive growth in the contracted transmission asset base
Operational excellence	• Currently top-quartile efficiency in Electricity Transmission and Gas Distribution • Targeting top-quartile for Electricity Distribution benchmarking

*Subject to change. Victorian State Government has announced it intends to extend the current regulatory period by six months to align pricing for Distribution businesses to 30 June, consistent with the rest of Australia. This is likely to defer price review timelines by six months.

FY19 Achievements

Safety	• Continued positive trend in RIFR improvement (Recordable Injury Frequency Rate), down 35% to 3.53, a record low result • Continued progress on Rapid Earth Fault Current Limiter program • Maintained a bushfire mitigation index of 'zero' throughout the fire season and outperforming fire ignition risk benchmark (as at 31 March 2019)
Growth	• FY19 dividend up 5% (42.5% franked) • Around $1bn of capital investment, regulated asset base up 3.5% • Contracted transmission asset base of $949m, up over 30%* • Total shareholder returns of 13.9%
Innovation	• 30MWh Battery Energy Storage System integrated at Ballarat Terminal Station • Multiple community energy projects with the installation of behind-the-meter energy management systems, clean energy generation and battery storage • First distribution business to trial customer forum process for a price reset, EDPR 2021-25 proposal
Efficiency	• Electricity distribution benchmarked operating cost reduction of $41m from CY16 to CY18

* Growth inclusive of signed contracts

Financial Performance

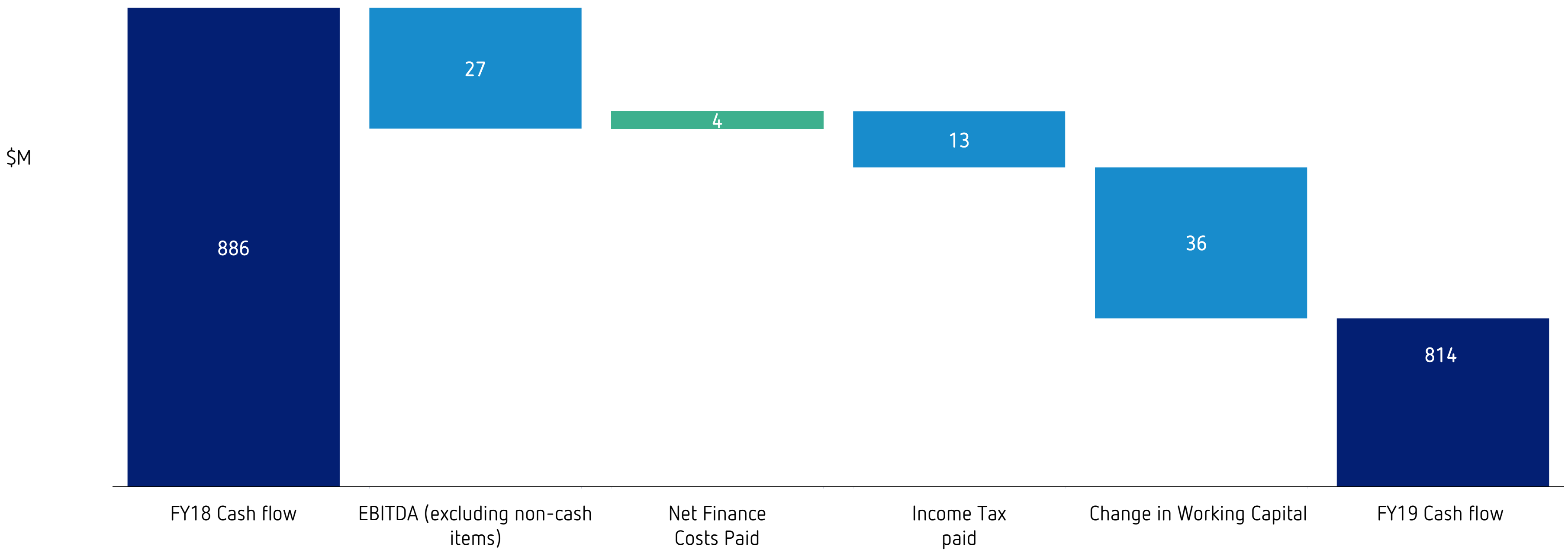
Financial performance

- Lower reliability incentive scheme (↓ $29m), metering (↓ $29m) and Mondo (↓ $34m) revenues
- Decrease in operating expenses (↓ $40m), driven by cost efficiency program and Mondo strategic refocus
- FY 2019 dividend up 5%, 42.5% franked (FY18 franking 0%)

A$M	FY 2019	FY 2018	Variance
Statutory Result			
Revenues	1,861.5	1,909.8	↓ 2.5%
EBITDA	1,134.2	1,142.9	↓ 0.8%
EBIT	677.8	700.5	↓ 3.2%
PBT	371.9	416.6	↓ 10.7%
NPAT	253.9	291.4	↓ 12.9%
Cash flow from operations	813.7	886.4	↓ 8.2%
Dividends (cps)	9.72	9.25	↑ 5.1%

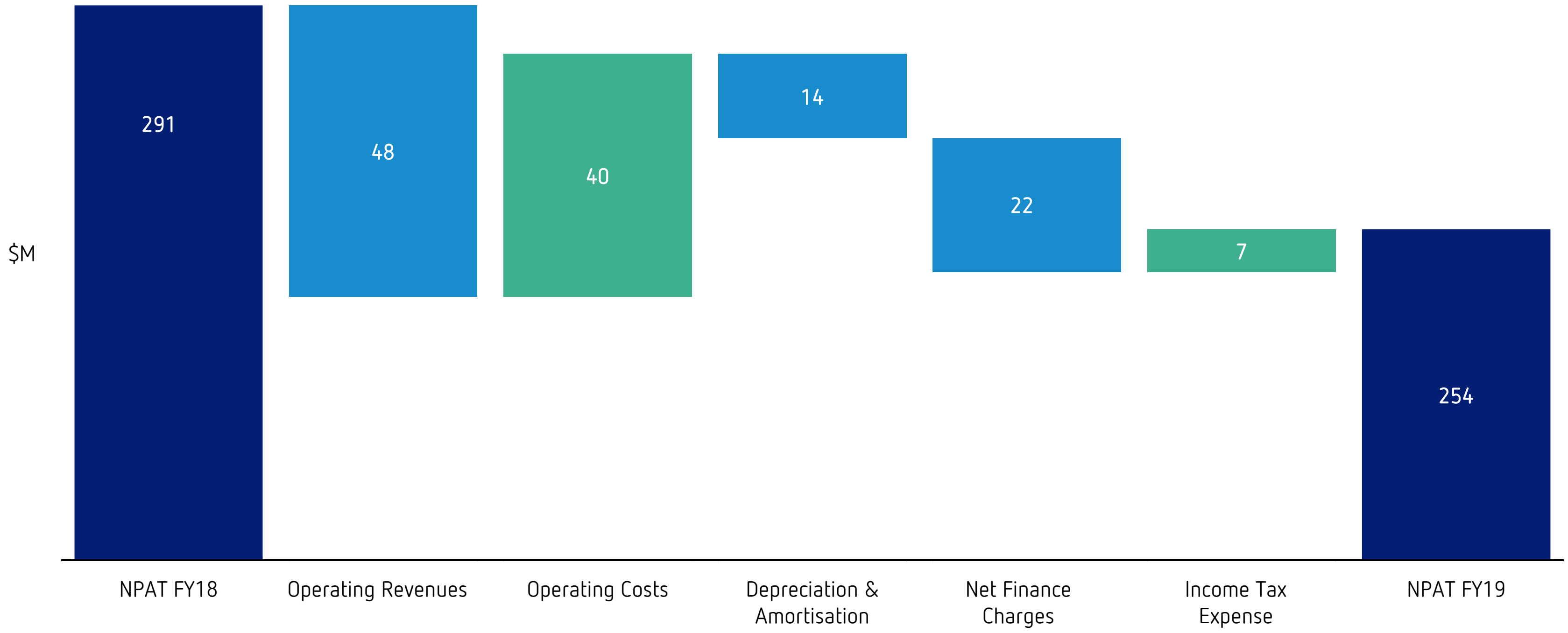
Cash flow from operations

- Continued strong operating cash flows, despite lower revenues



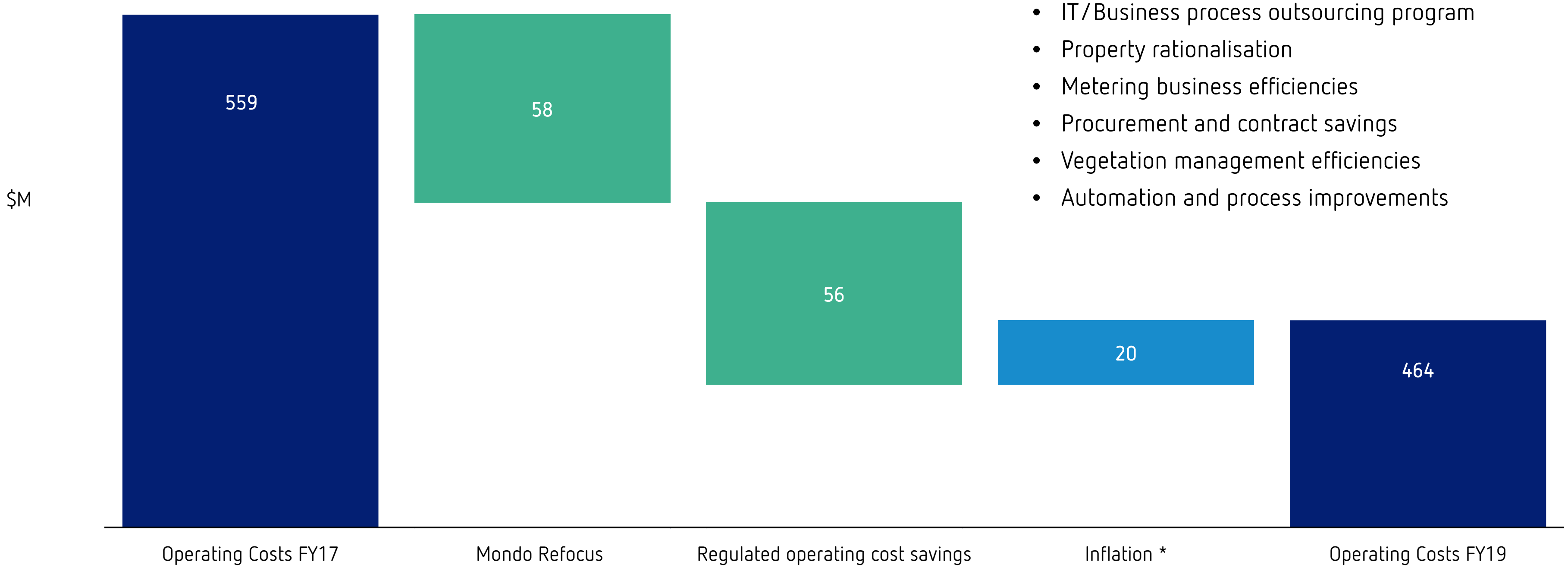
NPAT performance

- Decline in regulated revenues partially offset by cost efficiency program
- Increased net finance charges primarily relate to non-cash hedging adjustments and discounting changes to provisions



Delivering a sustainable cost base

Around $114m reduction in operating costs since FY17



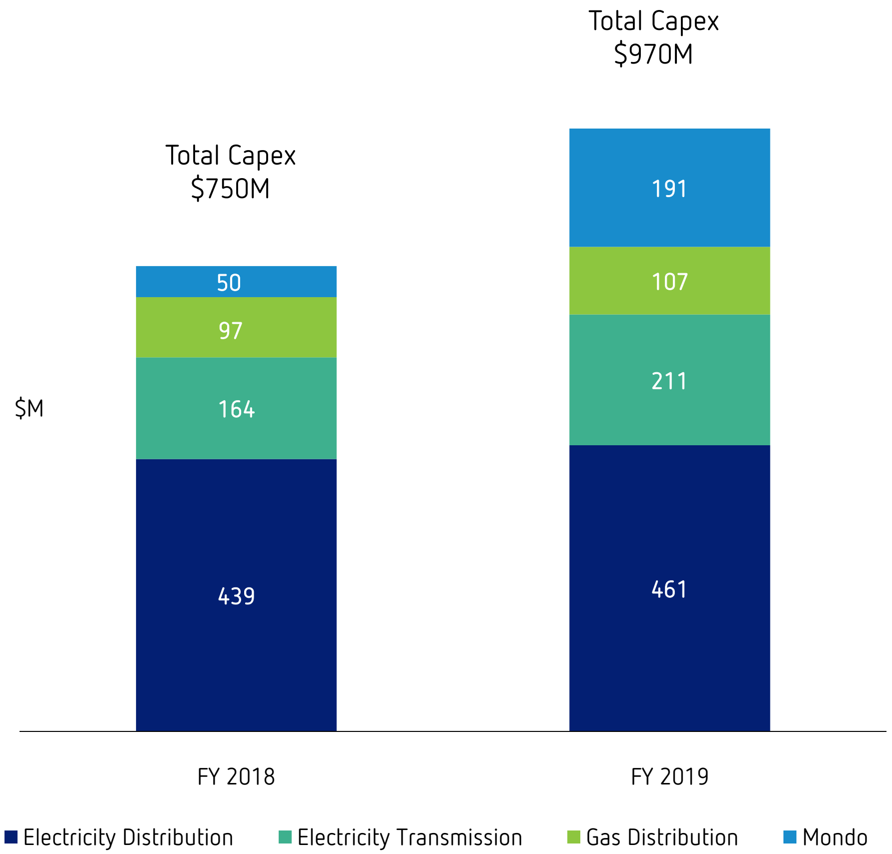
Achieved around $114m of operating cost efficiencies through:

- Headcount reduction of 24% (since April 2016)
- Mondo strategic refocus, exited a number of field services agreements
- IT/Business process outsourcing program
- Property rationalisation
- Metering business efficiencies
- Procurement and contract savings
- Vegetation management efficiencies
- Automation and process improvements

Note: Chart excludes pass through items such as Easement and land tax and Transmission Use of System Charges. Chart also excludes disposal of Property, Plant and Equipment and Guaranteed Service Level payments.
** Wage growth and inflation @ 2%.*

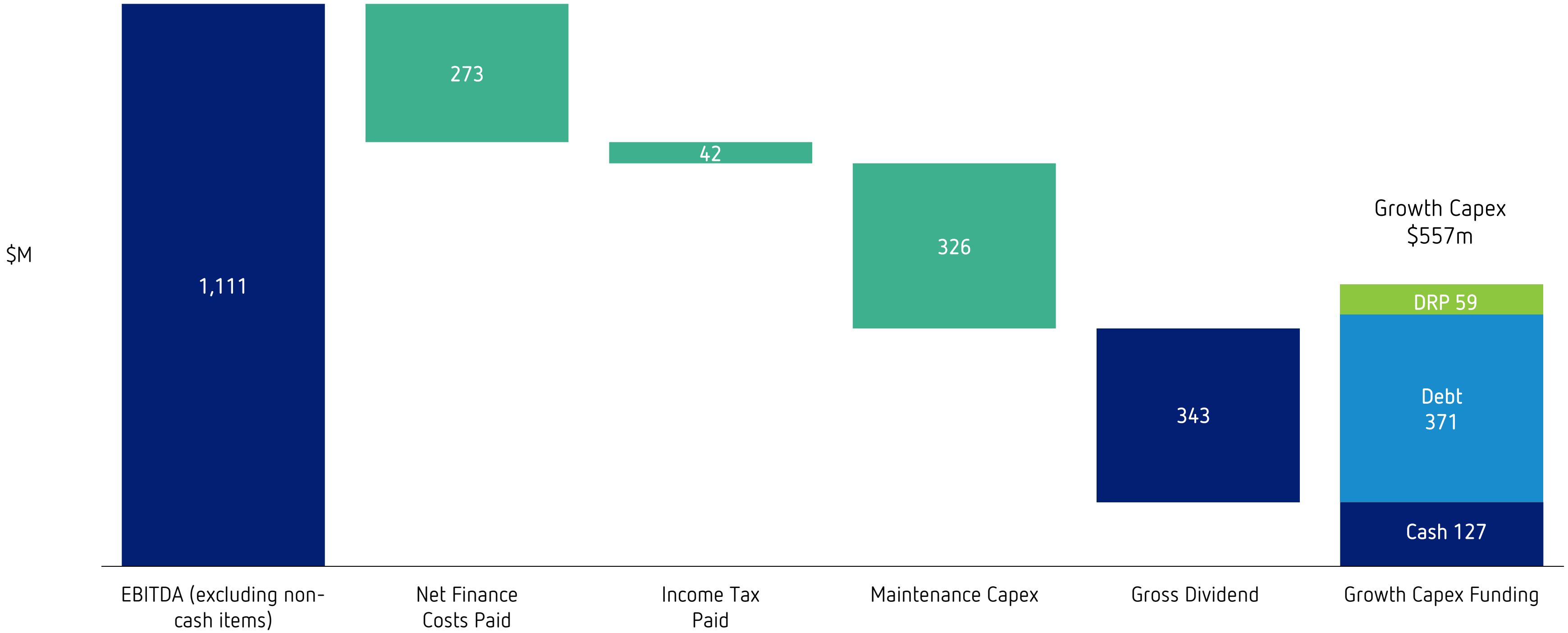
Capital investment

- Increase in Mondo growth capex due to construction of wind farm connections and Ballarat battery facility
- Transmission renewable infrastructure interface works $33m (FY18: $2m)
- Growth / maintenance capex split approximately 65/35
- Continued significant investment in bushfire mitigation $125m (FY18: $115m) and other safety measures
- FY19 capital investment includes customer contributions of $132m (FY18: $68m) of which $25m relates to Ballarat Battery Energy Storage Project



Dividend and capital investment funding

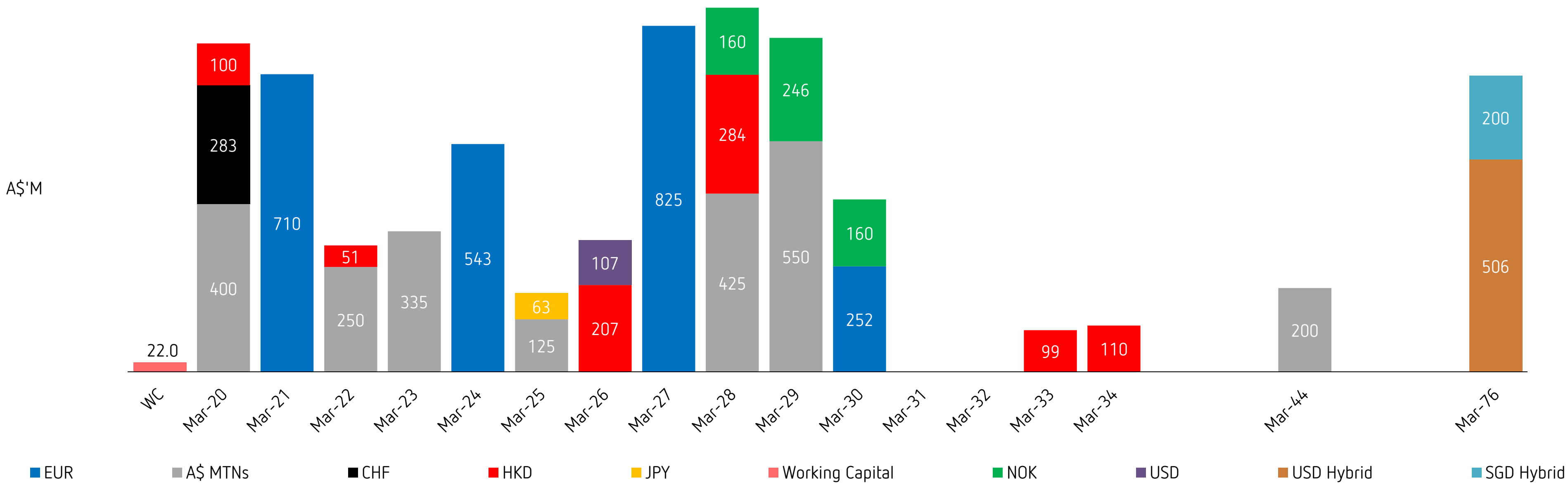
- Dividends remain fully covered by strong operating cash flows (EBITDA is used as a proxy when considering dividends)



Note: Capital investment as per cash flow statement $883m. Estimated net regulatory depreciation $344m (Indexation $128m)

Diversified debt portfolio

- $6,908m net debt hedged against movements in interest rates (99%). Over $1bn of debt raised during the period:
  - $200m, 25-year Australian Dollar bonds
  - $700m of 5, 6 and 7-year revolving bank debt facilities
  - 10-year NOK bond (A$246m) and 15-year HKD bond (A$110m)
- As at 31 March 2019, $778m of undrawn committed bank debt facilities
- Swiss Franc senior notes (A$283m) repaid in April 2019 from cash reserves



Net debt = Debt at face value ($7,247) less cash of $339m. Offshore debt shown at hedged rates (face value). First call date for SGD and USD hybrid securities is September 2021.

Regulated Energy Services

Industry developments

EDPR 2021-25 Customer Forum

- First distribution business to trial customer forum process for a price reset
- Draft proposal to be lodged with AER in July 2019* after incorporating further feedback from customers
- AER draft decision expected in April 2020*

Market reforms

- AEMC to review the use of stand alone power systems to serve existing customers where it is efficient
- Open Energy Networks, consultation with AEMO and ENA on how best to transition to a two-way grid
- Potential transmission access reform requiring networks to provide sufficient capacity consistent with firm transmission rights purchased by generators

Regulatory developments

- AER rate of return review Final Decision released in December 2018
- AER tax review released in December 2018

*Subject to change. Victorian State Government has announced it intends to extend the current regulatory period by six months to align pricing for Distribution businesses to 30 June, consistent with the rest of Australia. This is likely to defer price review timelines by six months.

Rate of Return and Tax review

Rate of return and tax review to progressively impact revenues from FY21:

- Electricity Distribution Price Review (2021-2025)* commences 1 January 2021;
- Electricity Transmission Revenue Reset (2023-2027) commences 1 April 2022; and
- Gas Access Arrangement Review (2023-2027)* commences 1 January 2023.

Review	Parameter	Current	Change
Rate of Return	Equity risk premium	4.55%	3.66%
	Debt risk premium	Broad BBB curve	2/3 Broad BBB, 1/3 Broad A
	Gamma	0.4	0.585
Tax	Refurbishment capex and capitalised direct overheads	Depreciation of refurbishment capex and capitalised direct overheads aligned to accounting treatment	Immediate deduction of refurbishment capex and capitalised direct overheads to align to tax treatment
	Tax depreciation treatment of new capex	Common use of straight line depreciation	Diminishing value depreciation for new capex

*Subject to change. Victorian State Government has announced it intends to extend the current regulatory period by six months to align pricing for Distribution businesses to 30 June, consistent with the rest of Australia. This is likely to defer price review timelines by six months.

Operational highlights

Electricity Transmission

- Completed Richmond terminal station rebuild (~$215m). West Melbourne terminal station rebuild 48% complete (~$76m)
- North West Communications Loop project 62% complete (~$15m)
- Continue to support Western Victoria and second Bass Strait interconnector feasibility
- Executed contracts for 1,437MW for 7 wind and solar farms

Electricity Distribution

- REFCL* Tranche 1 in progress, 6 out of 8 zone substations conditionally compliant. Seeking extension until 1 November 2019 for the two remaining zone substations to achieve conditional compliance
- New solar and battery pre-approval tool launched to enhance customer experience
- Working with Victorian Government to implement solar subsidy
- Information Management (IM) Platform implemented enabling data analytics and visualisation and more efficient asset management capability

Gas Distribution

- Improved reliability by 9%. Continued network expansion, with 260km of new gas pipelines
- Bannockburn connected to natural gas in July 2018, concluding 'Energy for the Regions' program. Gas marketing trial highlights strong uptake from customers
- Significant reduction in unaccounted for gas resulting in $2m p.a. in savings

* Rapid Earth Fault Current Limiter. REFCL devices are being installed to reduce the risk of a bushfire caused by a fallen powerline.

Mondo

(formerly Commercial Energy Services)

Contracted Infrastructure

On track to achieve $1bn asset base target 2 years ahead of plan. Strong pipeline supports increasing target to $1.5bn by FY24, as transition to renewables across Australia maintains momentum

Stockyard Hill Wind Farm | Transmission Line

Bulgana Green Power Hub | Terminal Station

Ballarat Energy Storage System

Crowlands Terminal Station

- Contracted transmission asset base of $949m, up over 30%*
- Salt Creek, Crowlands and Bulgana Wind Farm connections completed in FY19 (~ $100m)
- Ballarat Energy Storage System completed in FY19 (~$35m)
- Stockyard Hill Wind Farm, Dundonnell Wind Farm and Murra Warra Wind Farm connections under construction (~ $275m)
- National pipeline of connection and augmentation opportunities
- Preliminary works on several new connections underway

* Growth inclusive of signed contracts

Building capabilities to develop new energy solutions for customers

Existing unregulated operations are being leveraged to enter new markets disrupted by renewable energy and technology. Whilst in trial phase, Mondo is working with customers to develop new energy solutions that are reliable and cost effective

Project	Overview	Business Model
Hume region including Totally Renewable Yackandandah	• Multiple community energy projects • Behind-the-meter energy management systems • Clean energy generation and battery storage	• Infrastructure ownership • Energy services
Micro - grid DEAKIN UNIVERSITY	• University microgrid supported by 7.25 MW solar generation and 1 MWh battery storage, in addition to small scale solutions	• Infrastructure ownership • Energy services
Australian Government Australian Renewable Energy Agency ARENA VICTORIA State Government Environment, Land, Water and Planning	• 30MWh storage system at the transmission level	• Infrastructure ownership
Commercial & Industrial energy solutions TOYOTA	• Rooftop solar system and battery storage (*phase one*), with a view to integrating hydrogen generation	• Infrastructure ownership • Energy services

a town's journey to 1GWh of renewable energy generated

Yackandandah micro grid reaches 1GWh of locally generated renewable energy in February 2019

Mondo's work with Yackandandah has helped the community manage it's energy and move toward a 100% renewable future.

Our People

Capability & Culture

- Culture blueprint established to underpin Energising Futures strategy
- Company-wide Culture & Engagement survey launched
- Improvement in critical capabilities for strategy execution
- Launch of Energised Leader program

Diversity & Inclusion

- Refreshed Diversity & Inclusion Advisory Council
- Female representation increased from 21% to 23% through targeted Apprentice, Trainee and Graduate recruitment campaigns
- Gender pay equity review underway, addressing all identified issues

Communications & Change

- Engaged our people on strategy and vision through town halls, roadshows and new digital channels
- Established change management community to support strategy execution

Outlook

Dividends	• FY20 dividend guidance of 10.2cps, up 5% expected to be franked 40% to 50% (subject to business conditions)
Asset Base and Capital Management	• Regulated Asset Base growth forecast at around 3% p.a. to FY22 • Targeting $1.5bn of contracted energy infrastructure assets by FY24 (at appropriate risk adjusted rates of return) • Forecast Net Debt to Regulated and Contracted Asset Base of <70% to FY22
Energising Futures Strategy	• Targeting top quartile of efficiency benchmarks for all networks • Invest in digital tools to enhance customer experience • Invest in culture and capabilities

Appendices

Electricity Transmission Network

- Regulated revenues decreased by $2m to $531m as per regulated price path
- Excluded revenues $74m (FY18: $54m). Increase due to Metro Tunnel ($13m) and Waverley Park tower relocation works ($7m)
- FY20 revenue cap $581m. Increase due to higher easement and land tax in FY20 of $176m (FY19: $143m), which is a pass through item

	FY 2019	FY 2018	Variance
Revenue	618.2	601.9	↑ 2.7%
EBITDA	390.4	379.8	↑ 2.8%
EBITDA Margin	63.2%	63.1%	↑ 0.1%
EBIT	292.9	280.4	↑ 4.5%
EBIT Margin	47.4%	46.6%	↑ 0.8%
Regulated Asset Base	3,533	3,498	↑ 1.0%

Electricity Distribution Network

- CY19 revenue cap $728m (includes TUOS pass through of around $80m) and $10m STPIS revenue (entitled to $19.4m in CY19, deferring remainder to CY20)
- ~Estimated CY20 revenue cap $760m (includes estimated TUOS pass through of around $86m), subject to confirmation by AEMO
- FY19 metering revenue $51m (FY18: $80m)
- Expect CY19 and CY20 metering revenues of $50m and $46m respectively
- Customer contributions $70m (FY18: $48m). Increase due to new housing estates
- Excluded revenues $25m (FY18: $25m)

	FY 2019	FY 2018	Variance
Revenue	866.2	891.4	↓ 2.8%
EBITDA	528.5	540.2	↓ 2.2%
EBITDA Margin	61.0%	60.6%	↑ 0.4%
EBIT	244.1	266.3	↓ 8.3%
EBIT Margin	28.2%	29.9%	↓ 1.7%
Volumes (GWh)	7,608	7,716	↓ 1.4%
Connections	736,841	722,046	↑ 2.0%
Regulated Asset Base	4,427	4,185	↑ 5.8%

Gas Distribution Network

- 1 Jan 2019, average tariffs increased 1.3%
- 1 Jan 2018, average tariffs declined by 9.4%
- Excluded services revenue of $4m, unchanged from FY18
- Customer contributions $7m (FY18: $11m)
- Other revenues of $5m (FY18: $1m) primarily relates to Bannockburn gas new towns

	FY 2019	FY 2018	Variance
Revenue	**215.1**	224.6	↓ 4.2%
EBITDA	**152.5**	162.3	↓ 6.0%
EBITDA Margin	**70.9%**	72.3%	↓ 1.4%
EBIT	**100.7**	113.7	↓ 11.4%
EBIT Margin	**46.8%**	50.6%	↓ 3.8%
Volume (PJ)	**63.3**	66.0	↓ 4.1%
Connections	**711,310**	692,282	↑ 2.7%
Regulated Asset Base	**1,617**	1,569	↑ 3.1%

- Revenue and operating cost decrease due to strategic refocus away from certain maintenance services, exiting a number of field service agreements
- Completed Salt Creek, Bulgana and Crowlands wind farm connections and Ballarat Energy Storage System
- Expect FY20 capex of around $140m on Stockyard Hill, Dundonnell and Murra Warra 2 wind farm connections, currently under construction

	FY 2019	FY 2018	Variance
Revenue	172.1	206.2	↓ 16.5%
EBITDA	62.8	60.6	↑ 3.6%
EBITDA Margin	36.5%	29.4%	↑ 7.1%
EBIT	40.1	40.1	0.0%
EBIT Margin	23.3%	19.4%	↑ 3.9%
Contracted Infrastructure Asset Base	712	560	↑ 27.1%

New lease accounting standard - AASB 16

- AASB 16 will require the recognition of all leases for a lessee on balance sheet, with limited exceptions for short term and low value leases, thereby removing the off balance sheet treatment currently applied to operating leases
- AusNet Services will apply AASB 16 on 1 April 2019
- Refer to Note F5 of the financial statements for more information

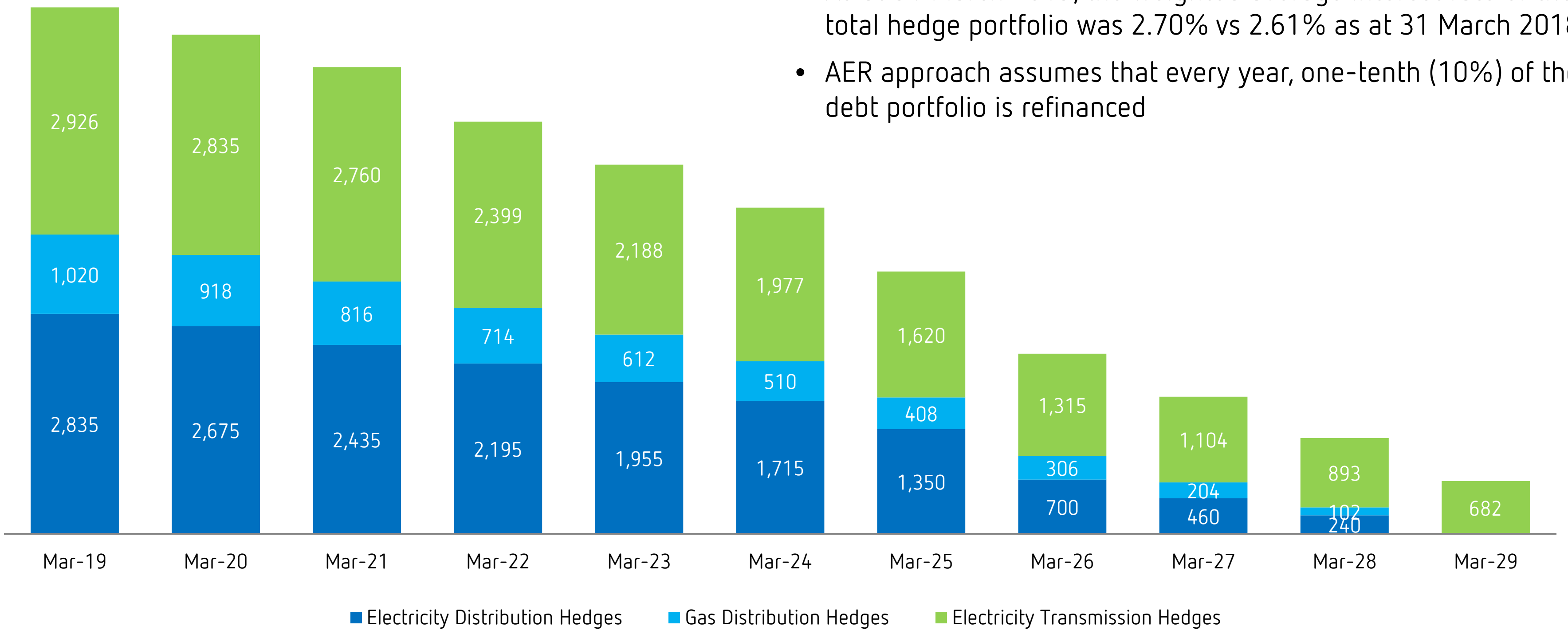
Sound fundamentals

Financial Metrics	FY2019	FY2018
Market Capitalisation (as at 31 March)	$6.5bn	$6.1bn
Total Assets	$12.8bn	$12.5bn
Regulated / Contracted Asset Base	$10.3bn	$9.8bn
Total Borrowings (Face Value)	$7.2bn	$7.2bn
Net Debt [1]	$7.6bn	$6.9bn
Net Gearing (Carrying Value) [2]	70%	66%
Net Debt (Face Value) to Regulated / Contracted Asset Base [3]	67%	67%
Interest Cover [4]	3.3x	3.6x
Credit Ratings (S&P / Moody's)	A- / A3	A- / A3

Note

1. *Net debt is debt at carrying value. Includes full amount of $A706m in Hybrids, despite receiving 50% equity credit.*
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. Includes full amount of $A706m in Hybrids, despite receiving 50% equity credit.*
4. *Calculated as EBITDA less customer contributions and tax paid, divided by net interest expense (including return on desalination licence receivable). This is how interest cover is measured for internal management purposes, as it provides an accurate reflection of how after-tax operating cash flows are used to meet interest payments. Includes full amount of $A706m in Hybrids, despite receiving 50% equity credit.*

Interest rate hedging profile

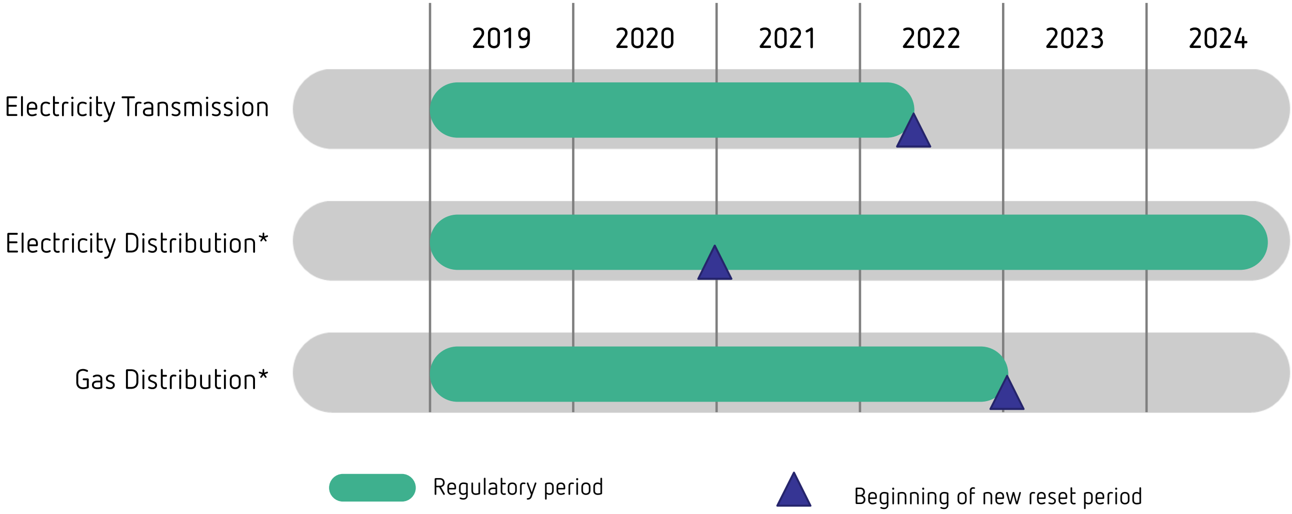


- As at 31 March 2019, the weighted average interest rate of the total hedge portfolio was 2.70% vs 2.61% as at 31 March 2018
- AER approach assumes that every year, one-tenth (10%) of the debt portfolio is refinanced

Note: Face value of hedges outstanding as at the end of the financial year. Electricity transmission hedges include unregulated transmission connection hedges which extend beyond FY29

Regulatory Reset Summary

Around 86% of total revenues locked-in until 1 Jan 2021



*Subject to change. Victorian State Government has announced it intends to extend the current regulatory period by six months to align pricing for Distribution businesses to 30 June, consistent with the rest of Australia. This is likely to defer price review timelines by six months.

Current regulatory determinations

Regulatory period	Gas distribution 2018-22	Electricity distribution 2016-20	Electricity transmission 2017-22
Beta	0.70	0.70	0.70
Risk Free Rate	2.73%	2.93%	2.52%
Cost of Debt	5.04%	5.52%	4.94%
Gamma	0.40	0.40	0.40
Market Risk Premium	6.50%	6.50%	6.50%
Nominal Vanilla WACC	5.94%	6.31%	5.80%
Return on Equity	7.30%	7.50%	7.10%
Net Capex (Nominal)	$522m	$1,788m	$780m
Opex (Nominal)	$293m	$1,355m	$1,225m
Revenue (Nominal)	$1,040m	$3,524m	$2,742m

Note: Data in table is based on original regulatory determinations

Regulated network statistics

Around 86% of total revenues

Electricity Transmission

- Over 6,700km of lines
- 53 terminal stations and switchyards
- Over 13,000 towers

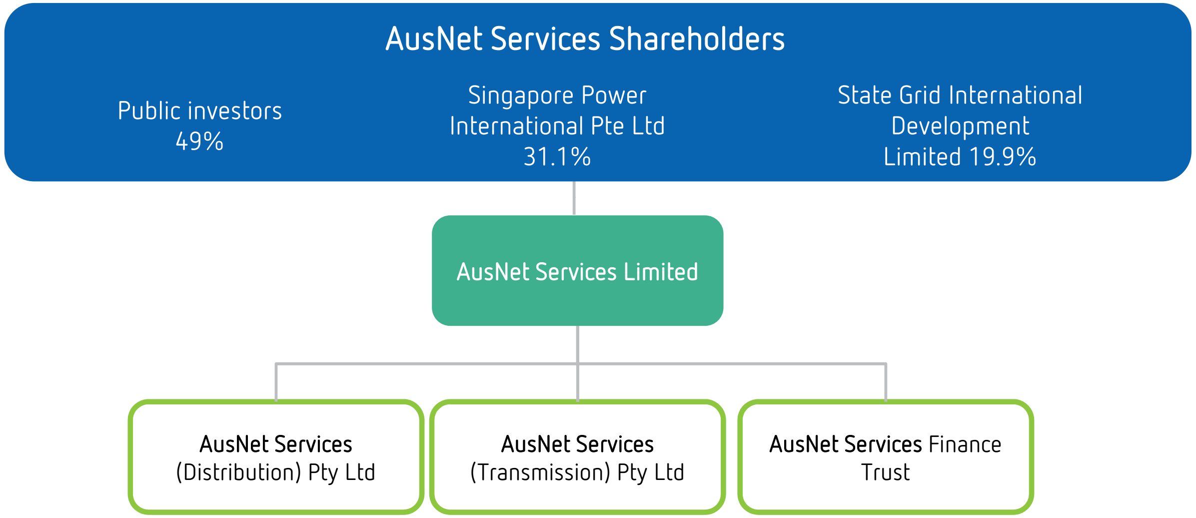
Electricity Distribution

- 736,000 customers
- 60 zone substations
- Over 7,500 Gwh of throughput p.a.
- Around 383,000 power poles

Gas Distribution

- 711,000 customers
- 11,700km of gas mains
- 63 PJ of throughput p.a.

Ownership Structure



- AusNet Services 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 in 2000 and the Distribution assets in 2004, 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 $12.8 billion of assets.

The company owns and operates three regulated networks - electricity distribution, gas distribution and the state-wide electricity transmission network. The company also has an unregulated business called Mondo, focusing on contracted infrastructure, asset intelligence and energy services.

Headquartered in Melbourne, Australia, AusNet Services employs 1,900 people to service over 1.4 million customers and is listed on the Australian Securities Exchange (ASX: AST).

For more information visit www.ausnetservices.com.au

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