

ASX Announcement



16 July 2020

AusNet Services 2020 Annual General Meeting

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

Authorised by:

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AusNet Services 2020 Annual General Meeting

The 2020 Annual General Meeting (AGM) of AusNet Services Ltd will be held today at 2.00pm (AEST).

Please find attached:

- Chairman's address
- Managing Director's address; and
- AGM presentation slides.

Shareholders, proxy holders and guests will be able to attend the 2020 AGM virtually via the Lumi platform at <https://web.lumiagm.com/?fromUrl=332534070>.

Instructions on how to join the AGM are also available on the AusNet Services website at www.ausnetservices.com.au/annual-meetings.

The results of the AGM will be released to the ASX after the conclusion of the meeting.

Paul Lynch
Company Secretary

This announcement was authorised for release by the Company Secretary

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2020 CHAIRMAN'S ADDRESS

Mr Peter Mason AM, Chairman, AusNet Services

Good afternoon and welcome to the AusNet Services Annual General Meeting.

I would like to take this opportunity to thank you, as shareholders, for your continued support of our company during the past year.

The energy sector continues to exhibit a challenging operating environment. In recent years this has been distinguished by policy and political uncertainty, climate change, bushfires, extreme weather events, changes to energy demand and supply characteristics and increasing interest by customers and communities. Now, the health and economic impacts of the COVID-19 pandemic are further challenging the business, our customers and society, more broadly.

In this period of significant challenge for our company, our industry and all of our stakeholders, we as a Board pay tribute to the people of AusNet Services for the way they have responded to the challenges and continue to do so. Foremost is a focus on the safety and health of our workers, customers, and suppliers. This is central to AusNet Services' culture.

Times are, indeed, very tough. For many of the Victorian communities in which we operate, bushfires have had devastating impacts. AusNet Services played its part in the immediate response and restoration, and we continue to support those communities in their ongoing recovery efforts.

In response to COVID-19 and in collaboration with Energy Networks Australia, we are proud to support and deliver a package of customer relief initiatives. These initiatives are targeted to those residential customers who suffer hardship and for small business customers who have been forced to scale back or cease operations.

We are pleased to provide this support, but recognise there will be an impact on revenues, as the measures will involve deferral, rebating or waiver of network charges between 1 April and 30 June 2020. The ultimate financial impact will depend upon hardship take-up rates and the extent and duration of COVID-19 restrictions that apply in Victoria, all of which are difficult to quantify at this time, as you would appreciate.

In response to this challenging operating environment, we are paying close attention to costs and financial management. We are also paying close attention to funding and capital management, recognising that our 'A' range credit rating in international financial markets is extremely valuable, as the Australian and global economies face damage and volatility, the severity of which is presently uncertain. As a key player and contributor in the energy market transition, AusNet Services must ensure it can meet significant levels of investment obligations, and opportunities, which we know already lie ahead.

Looking back to the financial year ended 31 March 2020, I am pleased that AusNet Services delivered strong performance and positive outcomes for our shareholders and, we believe, for our customers and stakeholders. Simultaneously, we pursued our strategy to anticipate and respond to energy industry transformation.

As recently announced at our Full Year 2020 results, capital management initiatives play a key role in supporting our significant growth pipeline and our credit profile in the near to medium term. Whilst we have advanced our thinking in respect of a preferred way forward (from a range of capital management initiatives), we are not working to any timeframe or time constraint. We are continuing to monitor the form and timing of next steps and will update shareholders and the market at the appropriate time.

We have provided Full Year 2021 dividend guidance, in the range of 9 - 9.5 cents per share, expected to be 40% franked. We recognise that dividends are important to our shareholders and the decision to reduce them in FY21 was not taken lightly. In this regard, the Board was unanimous in the view that dividend outcomes need to be carefully balanced against the need to prudently fund our significant investment pipeline, which coincides with upcoming periods of lower expected rates of return, in a low interest rate environment. Given the ongoing uncertainty associated with COVID-19, guiding to range of reduced dividend outcomes in FY21, remains a prudent and necessary response.

While the current environment necessitates adaptation and flexibility in our strategy execution, it does not remove the opportunity to lead in the transition to renewables, new technologies and increasing customer choices. We have a clear focus on customers, a strong emphasis on efficiency, and significant investment opportunities.

In all our endeavours, we aim to work constructively and effectively with governments and regulators. However, policy uncertainty continues to stifle investment. Investment in large scale transmission infrastructure can take many years to plan, execute and build with returns on investment recovered over 25 - 30 years. For funds to be deployed over such a long period of time, investors need certainty. It is imperative that policymakers reach consensus, otherwise consumers risk missing out on the benefits associated with energy sector transition. And furthermore, there is a real risk that underinvestment creates heightened supply risk, as is now commonplace each summer.

We are pleased to have welcomed Tony Narvaez as Managing Director in November 2019, succeeding Nino Ficca who retired after 14 years leading the company. There has been a seamless and effective transition of leadership, and I would like to thank Nino for his outstanding contribution to both AusNet Services and the wider energy industry.

I would also like to thank our shareholders, customers, employees, management and my fellow directors for their contribution to AusNet Services' ongoing transformation.

Our Managing Director, Tony Narvaez, will now provide a more detailed insight into AusNet Services' operations and financial performance.

2020 MANAGING DIRECTOR'S ADDRESS

Mr Tony Narvaez, Managing Director, AusNet Services

As the Chairman has noted, external events including the COVID-19 pandemic and extreme weather and bushfire events, have presented significant operating challenges for our company. As an essential services provider in a rapidly evolving energy sector, it has been really pleasing to see first-hand, just how well the company is accustomed to adapting and responding to the challenges. And despite this backdrop, we have made good progress against our Energising Futures strategy. That is our focus on growth, driving efficiency, customer and being future ready. However, in terms of observations since joining the company, what deserves greatest mention is the level of determination and resilience our people have shown. The business has very much adjusted swiftly to this challenging environment.

In terms of our people, one of the things we must continue to do is build a talented and diverse workforce from that resilience to ensure future success. Over the last 12 months, we focussed on areas which we believe resulted in positive impacts on culture and engagement within our business. Our recent engagement scores across the business have seen a pleasing improvement across the board. One of the efforts we are focussing on is driving an aligned and adaptable culture, where employees are quick to flex to changing circumstances. And as you would expect in this environment, we are continuing to build a more inclusive, connected and flexible workplace.

I have also observed a strong safety culture at AusNet Services. I am really pleased to lead an organisation that makes safety its number one priority. While we experienced a 13% increase in the Recordable Injury Frequency Rate (RIFR) in FY20, to 3.99, this represents our second lowest RIFR on record. We are now refreshing our programs, as one should, increasing our focus on high potential incidents. So, despite a reasonable year, we will not sit still on safety and we will continue to fine tune our programs and our efforts, both internally and with our delivery partners, to focus on our objective of zero injuries.

In terms of achievements, we saw several significant ones in FY20. In response to devastating bushfires mentioned earlier, we rapidly deployed restoration efforts with positive feedback from all stakeholders. We fast tracked guaranteed service level payments and waived network charges to customers impacted for more than seven consecutive days due to bushfires. I will take this opportunity to again thank our customers, emergency services and our employees for their resilience and resolve in the face of such challenging circumstances.

We have maintained a strong financial standing, which is essential in the current environment, while also investing nearly \$1 billion of capital expenditure in both FY19 and FY20. This involved upgrading our networks, diversifying our asset base into unregulated investments, and improving reliability and safety for our customers. (Regulated Asset Base grew 4%, Contracted asset base up 19%).

Growth remains a key pillar of our strategy. The transition to renewables is opening opportunities across our regulated networks, as well as our commercial energy business, Mondo. Our contracted investments included the connection of two large wind farms (Stockyard Hill and Dundonnell) to the transmission network. We are also very excited that Mondo was selected to deliver the Western Victoria Transmission Network Project, with completion of the project dependent on initial stage activities and approvals. Mondo's selection to develop this critical piece of transmission infrastructure represents a big step in our strategy to grow the contracted asset base to \$1.5b by 2024. This project involves the largest augmentation of the Victorian Transmission network since the early 1980s and will facilitate significant additional renewables onto our network.

Innovation continues to feature prominently throughout the business. During the year we commenced the LiDAR program to build a 3D digital network model to deliver business benefits through automated vegetation assessment. This is an initiative that will help transform the way we inspect and monitor our network.

We also continue to progress our response to transformation within our industry. Increasing distributed generation, battery storage and empowering customer choice, requires us to facilitate two-way flow of electricity on our networks. Our focus in this area, resulted in AusNet Services being awarded the 2019 Clean Energy Council Award for community engagement and innovation.

One of the areas we continue to focus on is identifying and executing efficiency initiatives across the business. We implemented a fully outsourced field services delivery model with two key delivery partners, in Downer and Zinfra. This allows us to further optimise our resource allocation, driving better outcomes for our business and customers.

During the year we connected 1,360 MW of new renewable generation to our transmission network. We continued to improve our network's resilience in response to periods of peak summer demand, including the rebuild of West Melbourne Terminal Station.

Our focus on our customers is also resonating strongly within the business. In an Australian first trial, we established a Customer Forum to engage directly with our electricity distribution customers. Under the trial, AusNet Services agreed parts of its proposed services and expenditure for the period 2022 to 2026 directly with the Customer Forum. We also gained valuable insights from the process itself, which we are applying across our business.

In terms of community safety, we are continuing to install leading edge technology across some of the most bushfire prone areas of our electricity network, to reduce the risk of powerline-related bushfires. The technology, known as Rapid Earth Fault Limiter or REFCL, has been successfully implemented at nine zone substations now, and is today providing enhanced protections for Victorian communities.

Our Gas network also continued to expand with an additional 199km of new pipelines delivered, representing 3% growth.

We delivered solid financial performance with underlying cost savings of \$17m. We are pleased to have been able to increase dividends to shareholders by 5% in FY20, in line with guidance (franked to 50% for the year). Earnings before interest, tax, depreciation, and amortisation

(EBITDA) increased 5.5 per cent in FY20. This positive EBITDA performance was achieved despite incurring \$15 million of bushfire-related additional expenditure.

In terms of the broader industry, we know traditional energy models continue to change. Regulators and policy makers are reforming the planning, investment, charging and access elements of the transmission network. We support the development of the national Integrated System Plan (ISP) and Victorian Transmission Network augmentation plans. Of course, energy policy certainty and alignment are key to accelerating delivery of urgently needed energy delivery infrastructure. We expect to continue to play an active role in industry reforms.

Our strategic focus and outlook remains on appropriately navigating the operating and financial impacts of COVID-19. This involves supporting our employees, customers, and communities, whilst pulling operational levers to offset known and potential impacts. We have now integrated our COVID-19 response with our continued Transformation Program, which has seen a recent organisational restructure resulting in personnel changes across the business.

As always, our role is to ensure we maintain resilient networks and essential services, to keep the power flowing to homes and businesses and to ensure our employees are safe and supported. This role includes an obligation to invest significant capital into our networks, today and tomorrow. Our growing regulated asset base (at around 2.5% pa to FY24), together with the contracted asset growth focus (targeting \$1.5bn by 2024) will continue to provide a strong foundation for future cash flow generation and shareholder returns.

We are taking proactive capital management steps to remain in a strong financial position over the investment cycle. Despite continued volatility in financial markets and the broader economy, we remain well placed to navigate this period of uncertainty.

We will continue our focus on transforming our business to deliver strong outcomes for our shareholders and customers. I am confident that we are very well placed to achieve this and play an active part in Australia's energy future.



AusNet
services

Annual General Meeting

16 July 2020



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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.

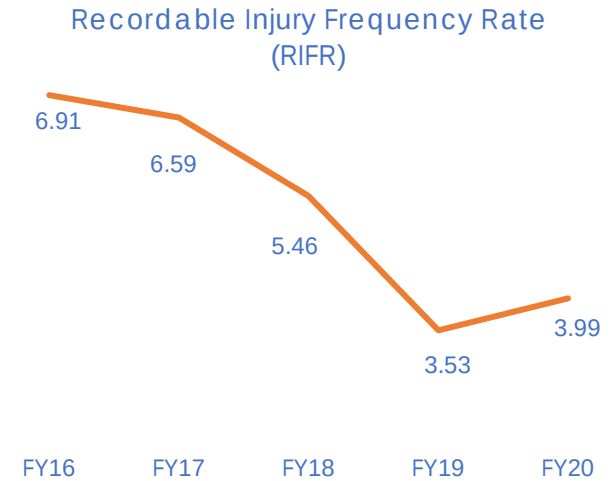
Energising Safety

IT'S IN OUR HANDS



FY20 RIFR ↑ 13%

Working with delivery partners,
refreshing critical risk and audit
program to maintain safety focus
and address performance



FY20 Achievements

Community



- Supported bushfire restoration with positive feedback from all stakeholders
- Fast tracked guaranteed service level payments and waived network charges to customers impacted for more than seven consecutive days due to bushfires
- AusNet Services wins 2019 Clean Energy Council Awards for community engagement & innovation

Growth



- FY20 dividend up 5% (50% franked)
- Around \$1bn of capital investment (Regulated Asset Base ↑4%. Contracted Asset Base ↑19%)
- Mondo awarded Western Victoria Transmission Network Project
- Connected Dundonnell and Stockyard Hill wind farms, on time and on budget

Innovation



- Innovative engagement with customer forum to submit EDPR 2022-26 proposal
- Using LiDAR imagery to build a 3D network map for asset inspection and vegetation management in bushfire risk areas

Efficiency



- Implemented fully outsourced field services delivery model to reduce costs and optimise resource allocation
- Lowest opex cost rural distributor in Australia as measured by opex per customer (2018)

Operational Highlights



Electricity Transmission

- West Melbourne terminal station rebuild 70% complete as part of strengthening the network
- Practical completion achieved for 1,360MW wind and solar farm connections
- North West Communications Loop project completed with 478km of fibre installed from Horsham to Red Cliffs to Kerang
- Secured the Western Victoria Renewables Integration interface works
- Finalised operational and maintenance services contract with Zinfra
- Established Customer Advisory Panel to work on 2023-2027 Transmission Revenue Reset



Electricity Distribution

- REFCL* Tranche 1- all 8 zone substations in service for this summer. 6 out of 8 zone substations are compliant. Time extensions granted for the two remaining zone substations to achieve full compliance
- REFCL Tranches 2 and 3 on track to meet compliance dates with time extensions likely to be requested to allow HV customers at 2 zone substations to achieve REFCL capability
- Awarded operational and maintenance services contract to Downer, expanding footprint from 70% to 100% of network



Gas Distribution

- Continued network expansion, with 199km of new gas pipelines and 3% customer growth
- Awarded Downer a five-year extension on Gas Services Contract commencing April 2021
- Improved overall customer satisfaction by 11% and new customer connection satisfaction by 28%
- Improved Unaccounted for Gas revenues by net \$1.3m
- Founding member of the Australian Hydrogen Centre

* Rapid Earth Fault Current Limiter

Financial Performance



- Delivered underlying cost savings of \$17m
- Increases in pass-through items, easement tax (↑\$34m) and TUOS (↑\$15m)
- Sale of inventory at book value (\$13m), due to expansion of electricity distribution operational and maintenance services contract with Downer EDI (Downer)
- Higher customer contributions (↑\$22m)
- Total 2020 dividend up 5%, 50% franked (FY19 42.5% franked)

A\$M	FY 2020	FY 2019	Variance
Statutory Result			
Revenues	1,977.6	1,861.5	↑6.2%
EBITDA	1,196.6	1,134.2	↑5.5%
EBIT	732.1	677.8	↑8.0%
PBT	415.4	371.9	↑11.7%
NPAT	290.7	253.9	↑14.5%
Cash flow from operations	720.6	813.7	↓11.4%
Dividends (cps)	10.20	9.72	↑4.9%

Strategic Focus & Outlook

Financial resilience and asset base growth



- Continue to invest and grow the asset base
- FY21 dividend guidance of 9.0 - 9.5 cps, (40% franked). FY21 guidance prudently reflects unprecedented economic and operating uncertainty as a result of COVID-19 pandemic, significant investment pipeline and impacts of upcoming regulatory resets
- Regulated Asset Base growth forecast at around 2.5% p.a. to FY24
- 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 FY24
- Capital management initiatives to underpin significant growth pipeline and further support credit profile

COVID-19 Pandemic



- Continue to deliver safe, reliable network services and energy supply to all customers
- Support our employees, customers (particularly the vulnerable), communities and industry partners during this difficult time
- Deliver on customer relief measures

Further Information and Contacts



AusNet Services is the largest diversified energy network business in Victoria, owning and operating around \$10.8 billion of regulated and contracted 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 and energy services.

Headquartered in Melbourne, Australia, AusNet Services employs around 1,700 people to service around 1.5 million customers.

For more information visit www.ausnetservices.com.au

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