18 July 2019

Chairman’s Address and Annual General Meeting Presentation

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

Claire Hamilton
Company Secretary
Chairman’s Address and Annual General Meeting Presentation

The Chairman’s Address and the presentation, to be given at today’s Annual General Meeting, are attached.

Claire Hamilton
Company Secretary
2019 CHAIRMAN’S ADDRESS

Mr Peter Mason AM, Chairman, AusNet Services

Good afternoon and welcome to 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.

For the financial year ended 31 March 2019, AusNet Services has provided a solid performance for shareholders, increasing dividends by 5% and recording total shareholder returns of 13.9%, whilst making good progress refining and implementing our strategy.

Australia’s energy sector continues to undergo disruption, driven by technology change, an accelerating shift to renewables and increasing customer engagement. Customer choices are shaping the energy supply chain and energy consumers have unprecedented opportunities to participate more actively in the sector.

Policy uncertainty abounds in a national energy market that, as a result of Australia’s federal system of government, is subject to a mix of policies from the federal government and six state and two territory governments.

In my Chairman’s message in the 2019 annual report, I noted the pressure upon governments and regulators to determine policies to assist the industry in responding to this disruption. For AusNet Services we must have an investment environment which enables us to adapt our long established transmission and distribution networks to provide access and supply in a pattern for which they were not originally designed.

The transmission grid in Victoria is currently based upon a significant base load being generated in the Latrobe Valley. Significant new developments of wind and solar generation are predominantly in the north west of the state. Adjustment of the networks will require substantial new investment.

Likewise, in the distribution network, substantial adaptation must be undertaken to ensure that the roof top solar installations and batteries, encouraged by the Victorian state government subsidies, and ultimately electric vehicles, can operate effectively.

Recent increases in electricity prices and anticipation of demand spikes during summer peaks, reflect these uncertainties anticipated in the national electricity marketplace.

Over several weeks, the Australian press has carried numerous reports of disruptions to the system. A coal-fired power station at Yallourn and a gas powered station at Mortlake are both requiring long term repair.

AusNet Services is concerned to ensure that consumers are generally aware that, as in other parts of the world (Manhattan this past weekend) and as we had some experience in each of the last two summers, the system can be put under massive pressure. Indeed for safety reasons, as well as technical reasons, particularly on very hot days, sections of the networks may cease to distribute energy for several hours.

From our offices in Melbourne city we have been watching as a new 100 plus storey apartment block is being built. Imagine being on the 80th floor of that building if services such as elevators and air conditioning, and utilities, such as telephone and water, were not to be available for some hours during a heat wave.
We at AusNet Services are great believers in a summer-preparedness program, analogous to those undertaken in relation to bushfire preparedness, to ensure that customers are alert to the possible risks.

The past year has also seen a heightened public focus on customers and corporate culture. These are matters of importance for shareholders. The Board has recognised this and is working with a Customer Forum to assist timely customer feedback for long-term decision-making. Likewise, we are increasing emphasis upon the examination and development of our corporate culture.

**Managing Director and Board Movements**

Our Managing Director Nino Ficca has announced his intention to retire after 14 years leading the company.

Nino’s leadership of the company and his contribution to the wider industry has been outstanding. He has spent his professional lifetime at the company. He led the company through its initial public listing in 2005 and since that time has overseen a sustained period of strong performance and returns to shareholders, with a consistently strong balance sheet. Through Nino’s leadership and commitment, the company has successfully navigated periods of uncertainty and challenge, always with a high level of integrity. The Board has valued Nino’s vast industry experience and knowledge as well as his strong safety leadership, as demonstrated by the marked improvement in AusNet Services’ safety performance.

We are pleased to have appointed Tony Narvaez to succeed Nino. He is currently CEO of Endeavour Energy, the operator of a major electricity distribution network in NSW, servicing over 2.4 million people. Tony has proven leadership qualities with extensive experience in the Australian energy sector.

Nino and Tony will together facilitate an orderly transition of leadership. Tony will officially take the reins on 1 November 2019.

Alan Chan Heng Loon and Li Lequan joined the Board during the year, to fill the vacancies created by the retirement of Ho Tian Yee and Sun Jianxing respectively. I thank both retiring directors for their contributions, and welcome the new directors.

**Looking Ahead**

AusNet Services is well poised to capitalise on the opportunities the energy transition presents and to support customers as they choose their own energy futures.

Our objective is to deliver sustainable and growing returns to shareholders, through continued investment in our regulated and contracted asset base, with an ongoing focus on cost management.

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

Our Managing Director, Nino Ficca, will now provide a more detailed insight into AusNet Services’ operations and financial performance.
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The AusNet Services Group (AusNet Services) comprises AusNet Services Ltd and its subsidiaries.

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Chairman’s address

Peter Mason  AM
Managing Director’s address

Nino Ficca
Safety mission and performance

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

Safe Working Environment
Strong focus on critical risks including motor vehicle and electrocution

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

Reduction in Recordable Injury Frequency Rate (FY19 RIFR 3.53)
Environmental, Social & Governance (ESG)

- Risk management processes assess internal and external drivers of risk, including economic, environmental and social sustainability risks
- On climate change, we analyse physical, transition and liability risks to determine their potential impact on our business and the actions required to address these risks
- Commenced a process to frame our impacts and contributions to sustainable development through global frameworks and common standards
- Reviewed United Nations Sustainable Development Goals. Of the 17 goals it cites, we identified three where our impact and contribution are greatest: Affordable and Clean Energy, Sustainable Cities and Communities, and Climate Action
- Started to apply key principles from global standards including the AA1000 Accountability Principles
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

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

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**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.

<table>
<thead>
<tr>
<th><strong>Objectives</strong></th>
<th><strong>Targeted Outcomes</strong></th>
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<td>Accretive asset base growth</td>
<td>• Stable, predictable long-term cash flows, supporting sustainable shareholder returns</td>
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<td>Improve efficiency and reduce costs</td>
<td>• Top quartile of efficiency benchmarks for all networks</td>
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<td>Enable customer choice and control</td>
<td>• Supporting affordable energy for customers</td>
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<td>Invest in digital tools and processes to improve performance</td>
<td>• Sustainable shareholder returns</td>
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<td>Ensure we have the right culture and capabilities for sustainable high performance and adapt to the future</td>
<td>• Deliver safe and reliable energy to customers</td>
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<td></td>
<td>• Enhanced customer experience across the portfolio</td>
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<td></td>
<td>• Improved efficiency, safety and customer outcomes</td>
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<td>• Capabilities to strengthen cyber resilience</td>
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<td>• Engaged employees and adaptive ways of working</td>
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<td>• Stronger capabilities to ensure delivery of the strategy</td>
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Financial performance

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

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<thead>
<tr>
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<th>A$M</th>
<th>FY 2019</th>
<th>FY 2018</th>
<th>Variance</th>
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<tbody>
<tr>
<td>Statutory Result</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td>1,861.5</td>
<td>1,909.8</td>
<td>(\downarrow 2.5)%</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>1,134.2</td>
<td>1,142.9</td>
<td>(\downarrow 0.8)%</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>677.8</td>
<td>700.5</td>
<td>(\downarrow 3.2)%</td>
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<tr>
<td>PBT</td>
<td></td>
<td>371.9</td>
<td>416.6</td>
<td>(\downarrow 10.7)%</td>
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<tr>
<td>NPAT</td>
<td></td>
<td>253.9</td>
<td>291.4</td>
<td>(\downarrow 12.9)%</td>
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<tr>
<td>Cash flow from operations</td>
<td></td>
<td>813.7</td>
<td>886.4</td>
<td>(\downarrow 8.2)%</td>
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<tr>
<td>Dividends (cps)</td>
<td></td>
<td>9.72</td>
<td>9.25</td>
<td>(\uparrow 5.1)%</td>
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Regulated Energy Services

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.
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.

- 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
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
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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