2017 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

My name is Jerry Maycock and I am your Chairman.

Welcome to AGL's Annual General Meeting of Shareholders. I would like to start the meeting by acknowledging the traditional owners of the land on which we meet today, the Wurundjeri people of the Kulin nation, and pay our respects to their elders past and present.

AGL's Board and senior management are here to report to you today on the state of your company, its performance and accomplishments in the past year, and the opportunities and challenges for the future.

May I ask you to make sure that your mobile phones are turned off or switched to silent while the meeting is in progress. Filming of the meeting is not permitted. I also ask that you note where your nearest exit is in the unlikely event it becomes necessary to evacuate the building. In the event of an emergency, you will hear two audible emergency alarms. The first alarm sounds like a 'BEEP BEEP'. On hearing this alarm, you should stand by for instructions to evacuate. The second alarm sounds like a 'WHOOP WHOOP'. On hearing this alarm, you should immediately begin to evacuate the building. Emergency exits are located either side of the stage. In the event of an emergency please do not use the lifts. All emergency exits must remain unimpeded.

The Notice convening this Meeting has been sent to all registered Shareholders and the necessary quorum is present here today.

I will start by explaining the running order for today's meeting.

Shortly, I will introduce the rest of the AGL Directors. Then I will make a few remarks about the financial results for the year just completed, and about other topical matters, following which, Andy Vesey, AGL's CEO and Managing Director, will give you more details about the operational highlights and strategic achievements for the year and an update on our expectations for the year ahead. We will then attend to the formal business of the meeting.

Between Andy and I, we will seek to answer many of the questions that shareholders have notified us of in advance. One specific question I can respond to now relates to the opportunity to provide shareholders with a discounted energy plan. I am pleased to report that the company has looked at this question and will be able to extend an offer to shareholders. Shareholders wanting to receive more information can log onto the Investor Centre on AGL's website or see one of our Customer Service Representatives in the foyer.

At the company's 2016 AGM, more than 25% of the total votes cast on the 2016 Remuneration Report were against the adoption of the report. The company and the Board have engaged at length with various stakeholders since the 2016 AGM to seek to understand the concerns that led to the "first strike". This year we have made a number of changes to our remuneration practices and reporting to address the concerns raised in the 2017 Remuneration Report. We will deal with the results of those changes later in the meeting.

You will have the opportunity to speak on, or ask questions about, each item of business. Please note that only persons holding yellow or red cards are entitled to ask questions at this meeting. Visitors holding a blue or green card are not eligible to vote or speak, but are most welcome to listen. Please also note this AGM is being filmed for webcasting purposes.

I would now like to introduce your Directors to you. A brief profile of each Director and their relevant skills, qualifications, experience and responsibilities is included on pages 12 to 13 of the Annual Report.

I will ask each Director to stand as I introduce them. They are: Belinda Hutchinson, John Stanhope, Diane Smith-Gander, CEO and Managing Director, Andy Vesey, Peter Botten, Jacqueline Hey, Les Hosking and Graeme Hunt. As announced to the Australian Securities Exchange in June this year, Graeme will, from the conclusion of today's meeting, be your new Chairman. I will have more to say about that later in the meeting.

Also on the podium are the Company Secretary, John Fitzgerald, and the Chief Financial Officer, Brett Redman. Seated in the front row of the room are members of your company's Executive Team. A brief profile of each Executive Team member is included on pages 8 to 9 of the Annual Report.

Finally, AGL's external auditors, Deloitte, are here this morning. The senior audit partner, Jason Thorne, is available to answer any relevant questions you wish to ask later in the meeting and I thank him for attending today.

Turning now to our financial results for 2017.

AGL's statutory profit after tax attributable to shareholders was $539 million. This compares with a statutory loss after tax of $408 million in the 2016 financial year.

The increase in statutory profit in FY17 was the result of strong underlying earnings growth, the non-recurrence of significant items that affected the FY16 result, and a decrease in the movement in the fair value of financial instruments. The accounting values of these instruments are such that their true economic impact only occurs when the positions mature - at which time their realised value is included in the profit statement.

For many years, AGL has regarded underlying profit as the more useful measure of company performance. Underlying profit is calculated by excluding significant items and the 'mark to market' impact of the large hedging positions and other financial instruments. I am pleased to report that underlying profit for the 2017 financial year was $802 million, up 14% on last year. This is the third consecutive year that underlying profit has increased by above 10% on the previous year.

The final dividend of 50 cents per share (which was 80% franked) was paid on 22 September 2017. When added to the interim dividend of 41 cents per share, the total dividend for the year was 91 cents per share, franked at 80%. This represents an increase in total dividends declared since last year of 23 cents per share, an increase of 34%. The increase is consistent with the Board's adoption, in September 2016, of a dividend policy targeting a payout ratio of 75% of annual underlying profit after tax and a minimum franking ratio of 80%.

This pleasing result was driven principally by the strong performance of AGL's thermal and renewable generation assets which have performed well in an environment of rising wholesale electricity prices. The company's strong financial performance has also been underpinned by a continuing focus on cost discipline and operational execution – it is important to note that our operating assets can only generate revenue if they are efficiently maintained to be available for production as and when the market requires them.

The Board acknowledges and understands the prevailing customer and community concerns about energy security and affordability. Consumer energy prices have risen significantly due to factors such as rising prices for the coal and gas that is needed to generate electricity, the abrupt closure of several non-AGL coal fired power stations (including Hazelwood in Victoria in March 2017, just five months after its owner announced its intention to close) and continued uncertainty in government policy.

The company has already implemented a range of industry-leading measures that are designed to ease the impact of higher prices, especially for those customers that are in vulnerable economic circumstances or on low incomes.

We also continue to explore new ways of making energy more affordable for all customers, including by reducing the complexity involved in comparing energy offers. Over the longer term, the company's strong financial position is enabling us to invest in solutions to deliver more reliable, affordable and sustainable energy. Over time we believe that this investment, if supported by policy and regulatory settings which are clear and certain, will help to ease the market pressures that have been driving higher prices for both gas and electricity.

In April 2015, AGL announced, as part of its Greenhouse Gas Policy, a commitment to close its coal-fired power stations at the end of their respective operating lives. In the case of the Liddell power station, this will be in 2022. In recent weeks, the Federal Government has expressed concern that Liddell's planned closure will result in a 1000 megawatt capacity shortfall in the National Electricity Market in 2022 and has proposed that AGL consider the continuation of Liddell's operations post 2022 for five years and/or the sale of the plant. When considering the future of Liddell, it is important to acknowledge that it is a plant that is approximately 45-years old and that, at the time that AGL acquired it, the intention of the NSW Government, its previous owner, was to close the plant in 2022. AGL also announced in 2015 that Liddell would close in 2022 at the end of its operating life and since this time management has been working on the options to mitigate the impact of its closure, which include new generation and a re-purposing of the site.

AGL has, since acquiring Liddell in 2014, improved its reliability. However, that has partly been achieved by derating the plant by approximately 15% to reduce stress on the equipment. It is still likely to experience unanticipated outages and will become less reliable as it approaches the end of its operating life in 2022 - even with significant planned investment by the company of $159 million in the plant before it closes. While it may be technically possible to extend the life of the power station, the costs of doing so in a way that ensures that the plant is even moderately reliable are certain to be substantial.

On the other hand, the sale of such an asset would be challenging because it will be difficult to 'unbundle' from AGL's wholesale portfolio, and physically from the adjacent, interconnected, Bayswater plant. Any new owner would obviously need to pay AGL for the value of the asset in the period of remaining life to 2022. They would also need to make a highly complex and risky set of assumptions about a wide range of obligations up to and/or beyond 2022. These would include fuel and other operating costs, capital costs, subsequent closure and rehabilitation costs, as well as social costs.

Nevertheless, the Government has requested that AGL management present to your Board the continuation of Liddell's operations post 2022 for five years and/or the sale of the plant, which we will consider. In addition, AGL has committed to deliver a plan by early to mid-December of the actions it will take to avoid a market shortfall once the Liddell coal-fired power station closes in 2022, being the replacement of a significant portion of Liddell's capacity with new technology. These plans have been evolving since we originally announced the plant's closure, giving 7 years notice in 2015, and will be compared with the sale or life extension options.

Later in this meeting Andy Vesey, the CEO and Managing Director will outline the broad architecture of the plan against which the alternatives of sale, life extension or closure will be evaluated.

It may be helpful to outline the objectives against which the Board evaluates any large electricity investment proposal such as this. Most importantly, from our shareholder's perspective, the investment needs to fit within our strategic vision, and have short and long term financial returns that are sufficiently attractive.

However, there are also a number of other objectives against which any major investment is also tested, including these:

1. Is the proposal consistent with the rules and system design of the National Electricity Market and other regulatory requirements such as renewable energy targets? Are the risks from future changes to law or regulation acceptable, and are any changes to those laws and regulations necessary to support the investment?
2. Will the proposal directly or indirectly benefit AGL's customers over time?
3. Is it consistent with AGL's commitments and obligations to a variety of national and international stakeholders, including meeting AGL's share of Australia's greenhouse gas reduction targets?
4. Is the investment robust against reasonably foreseeable changes in technology change, customer behaviour, digital disruption and economic growth or dislocation?

AGL is committed to responding to the Federal Government by early to mid-December with the results of our deliberations, including a more detailed explanation of our plan that will fill any gap in the market that may arise at the time Liddell is due to close in 2022. Of course, further work needs to be done on it before any investment decision is made, in the ordinary course of business, over the next year or so, but the Board expects that the funding required to execute such a plan will be within the Company's capacity.

The Board's current expectation is that if a plan of this type and scale is implemented, it will meet the legitimate concerns of Government and result in the delivery from 2022 and beyond, of new, reliable and low-emissions energy to mitigate any market shortfall that may arise as a result of Liddell closing in 2022.

However, it is important to emphasise that a greater degree of certainty in policy and regulatory settings will be critical if AGL and others in the industry are to invest the capital that is urgently needed for, on the one hand, existing plant to reach the end of its operating life and, on the other, the new capacity that is needed when it closes. As a responsible corporate citizen, AGL and your Board will continue to advocate for that certainty and work closely with the Government so that our customers, and all consumers, have access to clean, reliable and affordable energy supply.

I will turn now to the question of capital management. As I stated at last year's AGM, the Board's priorities, when considering the efficient management of the company's capital position, are to retain the capability to fund improvements to the core business and be able to take advantage of strategic growth opportunities as they arise. The Board is also focused on retaining the financial strength needed to withstand future shocks, while also maintaining a strong liquidity position.

At last year's AGM, AGL announced its intention to carry out an on-market buy-back of up to 5% of its issued share capital. I am pleased to report that the company's strong cash earnings and liquidity has enabled the return of approximately $473 million to our shareholders in FY17 through this program.

The buy-back remains open until 12 October 2017, however, as noted in our results announcement on 10 August 2017, the company has a reduced focus on buying back shares while it investigates the feasibility of potential growth opportunities both in Australia and, where they exist, in similar de-regulated English-speaking markets overseas. Ascertaining the quality and extent of growth opportunities that may be available to the company will be a core focus for the Board during FY18. As always, the company will be disciplined in assessing the feasibility of any growth opportunities and will continue to maintain its focus on protecting and enhancing the core operations of the business and maintaining a strong balance sheet within the parameters of an investment grade credit rating.

I would now like to turn to the topic of Board renewal. Over the past two years, with the assistance of independent expert advice, the Board has devoted considerable time to identifying the collective skills and experience that the Board will require to continue overseeing the strategic direction and governance of the company.

This valuable work has been used to assist with the identification and subsequent appointment to the Board of Diane Smith-Gander (at the 2016 AGM) and Peter Botten (on 21 October 2016). The Board has been strengthened by the addition of Diane and Peter as directors and each has already made an important contribution. The Board will continue to review its collective skills and experience on an ongoing basis so that AGL has the strong governance and strategic oversight necessary to deal with the challenges of today and the future.

Finally, I would like to deal with Chair succession. As foreshadowed at the 2016 AGM and as announced to ASX on 21 June 2017, I have decided to retire from the Board at the conclusion of this AGM after serving as a member of the AGL Board for 11 years, and Chair for 7 years. Following a rigorous succession planning and selection process, the Board has, in accordance with the company's Constitution, elected Graeme Hunt to succeed me as Chairman with effect from the end of this meeting. Graeme has been a director since 2012 and has a deep understanding of AGL's strategy and of the operational, governance, policy and stakeholder priorities of the company. Graeme's appointment will support the continuity of strategy for AGL at a time of transformation in the energy industry.

For my own part, I am proud to have served as a director and Chairman of AGL. The company has taken great steps in strategy, scale and performance since its demerger 11 years ago. Today, AGL is in a financially sound position, delivering record returns to shareholders and has good prospects for the future. I thank you for the opportunity to serve as your Chairman and wish Graeme and my colleagues on the Board every success in the next chapter of the company's evolution.

It is now my pleasure to invite Andy Vesey, our CEO and Managing Director, to say more about AGL's operating performance, our strategic initiatives, and our earnings expectations for 2018. Following Andy's address, we will move to the formal business of the meeting.