

2018 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen.

My name is Graeme Hunt and I am your Chairman.

Welcome to AGL's 2018 Annual General Meeting.

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.

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 'WHOOOP WHOOOP'. 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.

In a moment, I will make a few remarks about the results for the 2018 financial year, and about other topical matters. Then, Brett Redman, AGL's Interim CEO, will speak. We will then attend to the formal business of the meeting.

Thank you to those shareholders who have submitted written questions in advance of the meeting. Brett and I will seek to answer many of those questions in our prepared comments.

You will have the opportunity to speak to - or ask questions about - each item of business. Please note that only persons holding yellow or blue cards are entitled to ask questions or make comments at this meeting. Visitors holding a red 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 my fellow Directors.

I will ask each Director to raise their hand as I introduce them. They are: Les Hosking, John Stanhope, Jacqueline Hey, Belinda Hutchinson, Peter Botten and Diane Smith-Gander.

Also on the stage today are the Interim CEO, Brett Redman, Company Secretary, John Fitzgerald, and Interim Chief Financial Officer, Damien Nicks. Seated in the front row of the room are members of your company's Executive Team.

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.

I would like to start by taking a few moments to share the Board's thoughts on the CEO succession. As you will be aware, on 23 August, we announced that Andy Vesey, AGL's Managing Director and Chief Executive Officer, would be leaving AGL and resigning from the Board.

Your Board, consistent with good governance practices, has a constant focus on succession planning, and in the months leading up to this change, the Board increased its focus on the development of internal candidates and on potential external candidates with the capability to guide the business through the next phase of its multi-year development.

Andy made a significant contribution during his years leading AGL and in particular has driven our transformation agenda. He leaves the company in a strong financial position ready to meet the current industry challenges as well as take on the future opportunities.

Brett Redman has been appointed to act as Interim CEO. Brett is an experienced and very capable executive who has been with AGL since 2007 and served as CFO since 2012. Brett has more than 25 years' experience in senior roles in blue-chip industrial companies in Australia and North America. Brett has a deep understanding of AGL's business and the energy industry and I am confident he will lead AGL effectively while the Board completes the succession process.

The Board is well progressed with the next stages of a domestic and international search to find the right person to lead AGL in the long-term. The search to date has identified strong internal and external candidates. On present indications we expect to announce the results of this process by the end of the year.

Otherwise, AGL's programs and commitments disclosed at our 2018 Full Year results are unchanged. The overall strategic direction of the business remains the same. Our priorities continue to be the safe and reliable operation of our assets, serving our customers to the best of our ability and listening and responding to all stakeholders. That includes listening to our people and continuing to consider government energy policy and the regulatory framework as it evolves.

Turning now to our financial results for 2018.

AGL's statutory profit after tax was 1,587 million dollars. This compares with 539 million dollars in the 2017 financial year.

The increase in Statutory Profit after tax in the 2018 Financial Year included a post-tax gain on the fair value of financial instruments of 562 million dollars primarily due to movements in forward wholesale electricity prices. 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 after tax is calculated by excluding significant items and the 'mark to market' impact of the large hedging positions and other financial instruments. Underlying Profit for the 2018 financial year was 1,023 million dollars, up 28 per cent on last year.

The final dividend of 63 cents per share (which was 80 per cent franked) was paid on 21 September 2018. When added to the interim dividend of 54 cents per share, the total dividend for the year was 117 cents per share, franked at 80 per cent. This represents an increase in total dividends declared over last year of 26 cents per share, an increase of 29 per cent. The increase is consistent with the increase in profit and AGL's policy to pay out 75 per cent of annual underlying profit after tax – at a minimum franking level of 80 per cent - as a dividend.

Today we confirm the earnings outlook provided at the 2018 Full Year results for the 2019 financial year as within the range of 970 million dollars to 1,070 million dollars, subject to normal trading conditions. The midpoint of this range represents a broadly flat outlook for earnings when compared to the 2018 result.

The outstanding performance of the business in the past year has been delivered because of the multi-billion-dollar investments over recent years in our portfolio of thermal and renewable generation assets. With significant ongoing investment and operating discipline, these assets have performed well during a period of favourable market conditions. This has resulted in strong returns.

While we are pleased that our investment in these assets has delivered strong returns to shareholders, the Board acknowledges the widespread concern about energy affordability and reliability. For a complex range of reasons, prices have risen significantly, and probably unsustainably, in recent years.

As the recent ACCC inquiry has found, these factors include higher prices for the coal and gas that is needed to generate electricity, the abrupt closure of several non-AGL coal fired power stations and higher network costs. This situation has been exacerbated by continued uncertainty in the policy environment.

Despite this uncertainty, AGL continues to invest in energy supply that should enhance affordability and contribute to reliability, while enabling the long-term transition of our energy fleet to lower emissions technologies. AGL is currently developing more than two billion dollars' worth of electricity generation projects aimed at modernising and improving energy supply. This includes investment in the Coopers Gap and Silvertown wind farms, Barker Inlet gas-fired Power Station, the upgrade of the Bayswater coal-fired power station, a gas-fired power station near Newcastle and the Crib Point LNG import jetty.

AGL has also worked closely with state and federal governments to introduce measures to ease the impact of higher prices, especially for those customers that are in difficult economic circumstances or on low incomes. We continue to explore new ways of making energy more affordable for all customers and working to protect our customers most in need of assistance. This includes our recently announced 50 million dollar debt relief package for customers experiencing hardship. It also includes loyalty discounts for customers who have been with us for two years or more but have not engaged with us to seek a plan better than the standing offer tariff.

We will continue to work with regulators, government and the industry to achieve the market reform that is needed to improve the reliability and affordability of Australia's energy supply.

The Board appreciates the central role of AGL's assets in delivering reliable, secure and affordable energy. So, as we plan for the future, we continue to invest in these assets so that they can continue to operate safely and reliably for the benefit of not only our customers, but the broader community.

In addition to the two billion dollars of new energy generation projects we are developing, we are also committed to investing in our existing plant. Over the next three years, that entails a sustaining capital investment program of over 400 million dollars a year to ensure our plants continue to be reliable. Reliability is especially important as we head into the summer months.

We will continue to invest in new generation so that as our existing assets reach the end of their operating lives, new assets can take their place. We are firmly of the view that this continued investment by AGL and other industry participants is essential to ease the supply and demand imbalances that have been driving higher prices for both gas and electricity.

Policy certainty is key to continued investment across the sector.

While AGL, as well as other industry participants, supported the National Energy Guarantee as a means to provide this certainty, we are now focused on working with the new federal energy minister, Angus Taylor, and with all stakeholders, to address the challenges Australia faces in relation to energy. These include affordability, especially for the most vulnerable in our society, developing policy that can stimulate further investment in new supply, and ensuring Australians feel confident in the industry as a whole.

We know that certainty of energy affordability and supply is key for every Australian.

I would like to make a few brief remarks about the issue of corporate governance. The past year has highlighted, if ever it was needed, the fundamental need for the community to have trust in our core institutions. I want to assure you that your Board is working diligently to ensure that, in the words of the Australian Prudential Regulation Authority, the company's financial success does not "dull our senses" when it comes

to managing non-financial risk. We operate in a dynamic and transforming market. While we will always maintain an appropriately active focus on delivering long term sustainable returns to our shareholders, we will work just as hard to ensure that your company is operating in a way that meets community standards of ethical governance and risk management, where the customer voice is heard.

As one example, AGL senior leadership engages regularly with a Stakeholder Advisory Council. This Council includes external members across the investment, customer, social services, civil society, government and environmental fields. Some of the key matters discussed during the 2018 Financial Year included how AGL is seeking to address the energy affordability issues our customers are facing and how we approach transition following the staged closure of AGL's coal-fired power stations.

During the 2018 Financial Year, we launched a program to hear directly from our customers and surveyed almost 1.5 million people. We are using the comprehensive results to inform and improve customer experience and to create products and services that are better aligned to our customers' needs and wants.

We also recognise that effective engagement with, and investment in, the communities in which we operate is vital to our long-term success. During the 2019 Financial Year, we plan to host at least four community events for each operational or development site to allow for community views to be raised and discussed. We know open dialogue matters.

During the 2018 Financial Year, we also revised our Board and Committee Charters. A key focus of this review was to allow the Board Committees to take a deeper dive on issues such as safety, customers and culture, while also establishing more comprehensive reporting to the Board.

I will now turn to the topic of Board renewal.

The Board is committed to a managed and gradual Board succession and renewal process. We have devoted considerable time to identifying the collective skills and experience that the Board will require to oversee the strategic direction and governance of the company as we face the challenges and opportunities of a transforming industry.

As I noted in the Annual Report, both Les Hosking and Belinda Hutchinson, who have been on the Board since 2008 and 2010 respectively, have indicated that they do not intend to stand for re-election when their current terms expire and pending his re-election at today's meeting, John Stanhope has indicated that this will be his last term. I would like to take this opportunity to thank them all for the contribution and commitment to the ongoing performance of your company.

It is now my pleasure to invite Brett Redman, your Interim CEO, to address you. Following Brett's address, we will move to the formal business of the meeting.