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.

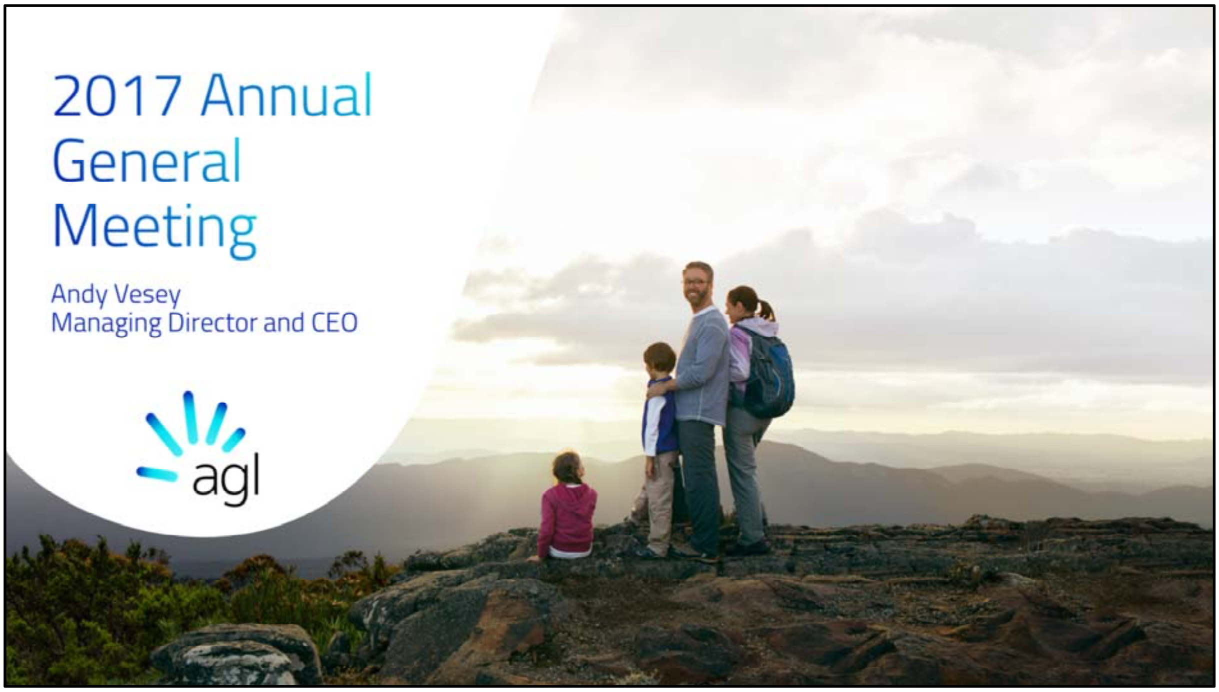
I would now like to turn to the topic of Board renewal. Over the past two years, with the assistance of independent expert advice, the Board has devoted considerable time to identifying the collective skills and experience that the Board will require to continue overseeing the strategic direction and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

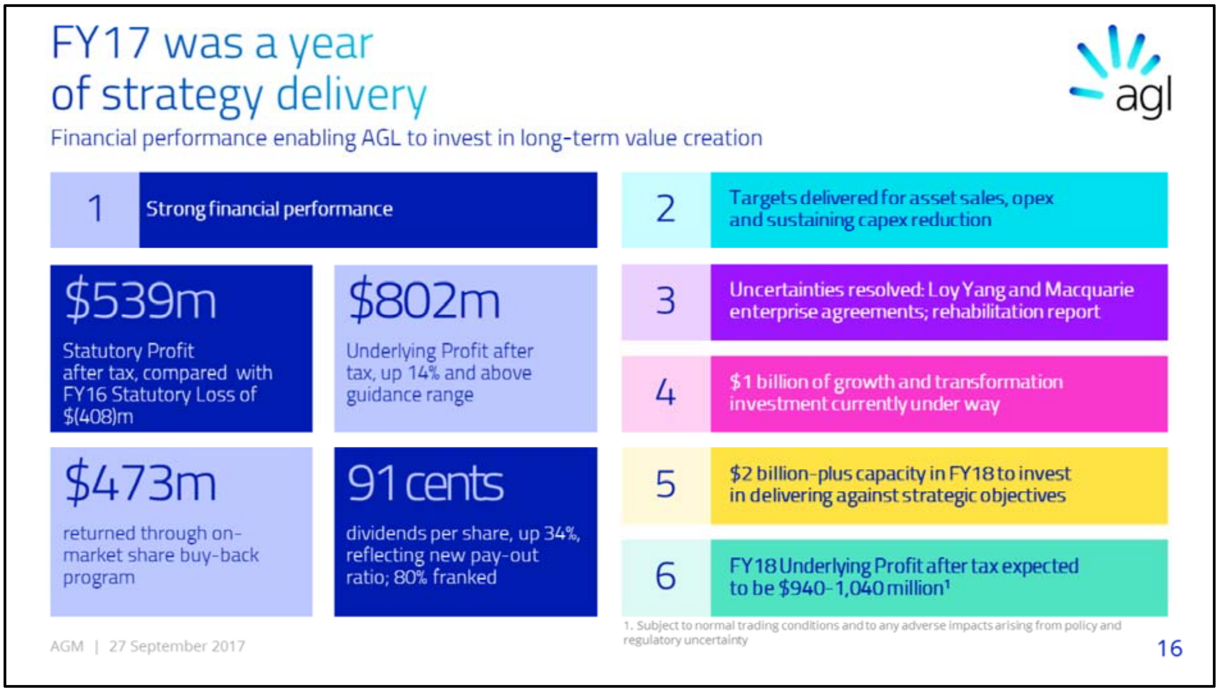
Finally, I would like to deal with Chair succession. As foreshadowed at the 2016 AGM and as announced to ASX on 21 June 2017, I have decided to retire from the Board at the conclusion of this AGM after serving as a member of the AGL Board for 11 years, and Chair for 7 years. Following a rigorous succession 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.

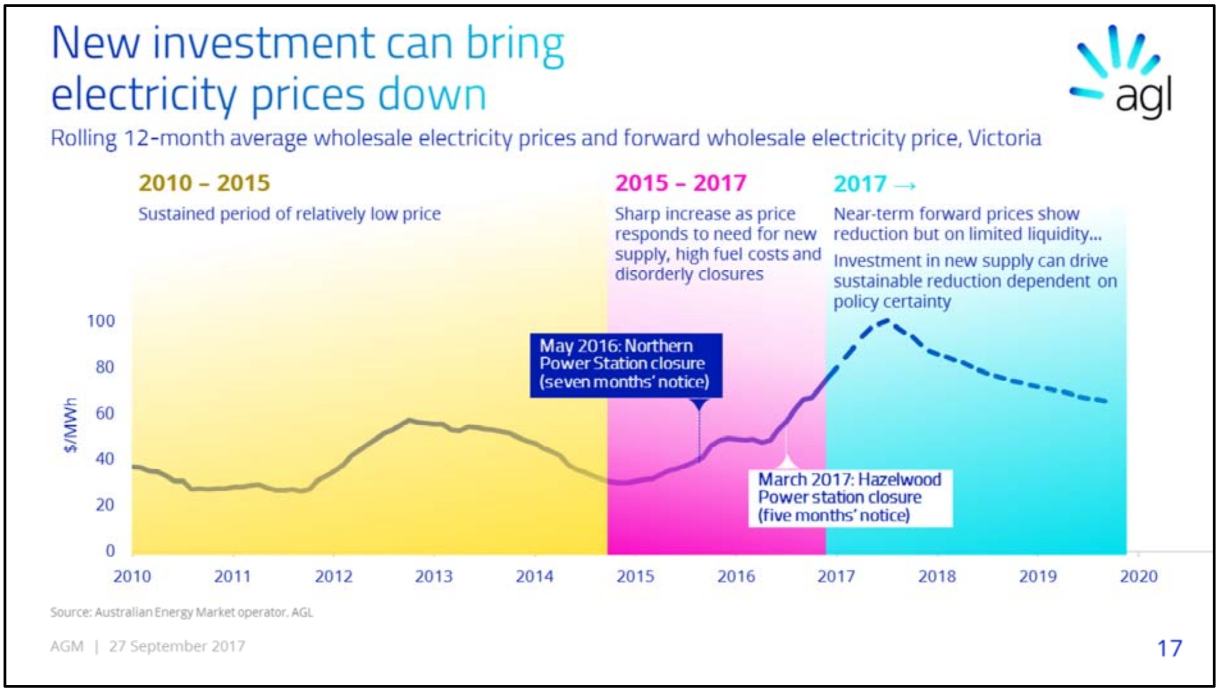
It is now my pleasure to invite Andy Vesey, our CEO and Managing Director, to say more about AGL's operating performance, our strategic initiatives, and our earnings expectations for 2018. Following Andy's address, we will move to the formal business of the meeting.



Thank you, Chairman, and good morning.
I'm going to begin my presentation by playing a short video that summarises AGL's strategy.
[Video plays]



I trust you found the video a useful summary of our strategy.
Let me say that our continued strong financial performance positions us to invest for the long term and deliver on that strategy.
The chairman has covered the financial results in some detail.
So, I will add other highlights of the year including the completion of 1 billion dollars of asset sales and exceeding our targets to reduce opex and sustaining capex.
These targets are all about keeping our capital base agile in uncertain times.
We are also focused on resolving uncertainties where we can.
We put in place in new enterprise agreements at both AGL Loy Yang and AGL Macquarie.
We also confirmed our long-term rehabilitation provisions at all our sites with the publication of our results last month.
We began growth and transformation programs representing 1 billion dollars of AGL investment during the year and we have funding headroom in excess of 2 billion dollars to support further investment.
Finally, we provided guidance for Underlying Profit after tax in financial year 2018 of between 940 million and 1 billion and 40 million dollars.
This was subject to normal trading conditions and to any adverse impacts arising from policy and regulatory uncertainty.
That guidance is unchanged although we do note that the scrutiny of the energy sector by federal and state governments and regulatory bodies continues to increase.



I am going to use the rest of my time to outline in principle the options to mitigate the impact of the announced closure of the Liddell Power Station in 2022.

Let me start by discussing the drivers of wholesale power prices.

This chart shows average rolling 12-month wholesale electricity prices since 2010 combined with current forward prices to 2020 in Victoria.

There are three phases I want to point out.

Firstly, until 2015, prices remained relatively low because the market was balanced and was relying on fuels at relatively low prices.

Secondly, prices began to rise sharply, signalling the need for new investment to replace the ageing generation fleet, just as gas prices were also rising.

The disorderly withdrawal of non-AGL plant such as Northern in South Australia and Hazelwood here in Victoria exacerbated the problem.

It placed additional stress on the remaining plant in the system, while creating extra demand and price pressure for black coal, the cost of which was already rising.

The good news is that I believe we are now entering a third phase.

Spot electricity prices have moderated somewhat from extreme highs earlier this year.

Forward prices, while not always a direct predictor of the prices that will occur in the future, do indicate lower wholesale prices are achievable over time.

This is because the market is responding to the signal of high prices to bring on new generation investment.

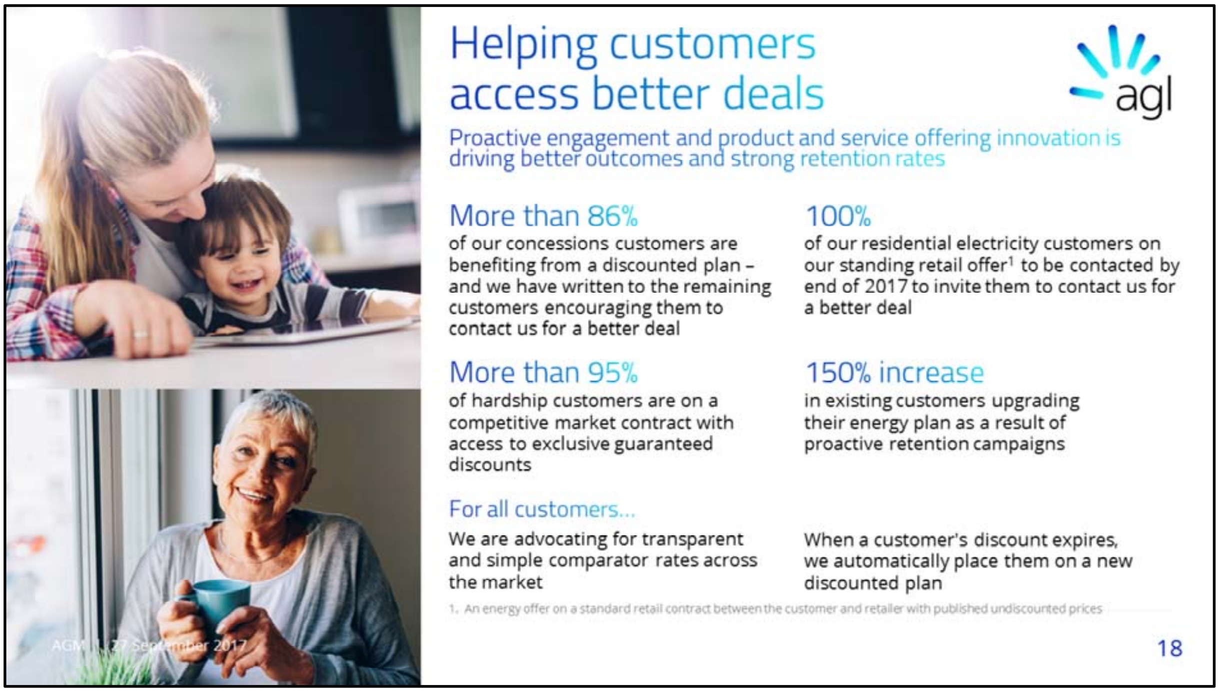
Indeed, more than 4.5 gigawatts of new wind and solar projects are currently under development in Australia.

It is essential that policy delivers the certainty to enable new investment to support these developments and facilitate a smooth transition to a reliable and affordable carbon-constrained future.

We are eager to work constructively with federal and state governments, regulators and all stakeholders to drive outcomes that support this future.

In particular, we support measures that would prevent the disorderly withdrawal of plant and would enable market mechanisms to incentivise investment in firm capacity.

Combined with actions to address high gas prices, these measures can result in lower energy prices for consumers.



In the meantime, however, we are helping customers access better deals.

I am pleased to say that our engagement efforts are driving improved outcomes for consumers and strong retention rates for AGL.

More than 86 per cent of our concession customers are benefiting from a discounted plan and we have written to the remaining concession customers encouraging them to contact us about their plans.

We have already communicated with 100 percent of our contactable hardship customers to offer a better deal, with over 95 percent now on competitive market contracts with access to exclusive guaranteed discounts.

By the end of the year we will have contacted all of our residential electricity customers on our standing retail offer asking them to contact us.

And, as a result of proactive retention campaigns, we have seen a 150 percent increase in existing customers upgrading their energy plans.

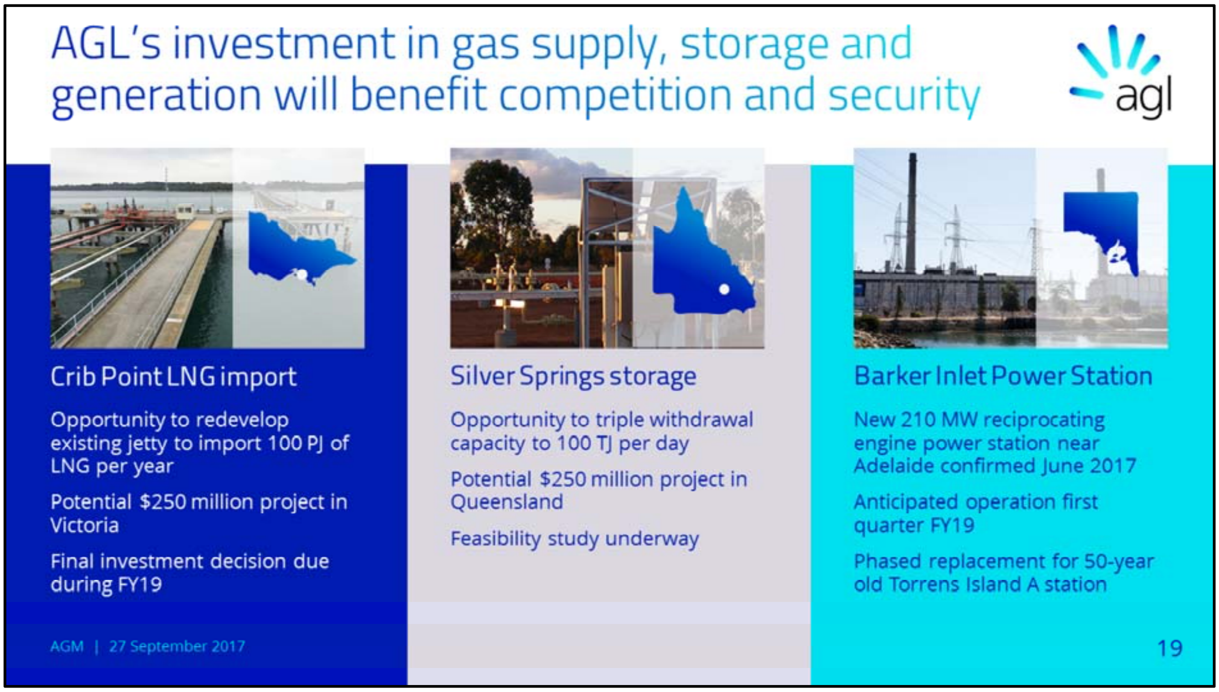
We support strongly the Prime Minister's initiative to bring the industry together to agree to more action to address issues of affordability for the most vulnerable in our community and make energy offers easier to understand and compare.

That's why we are advocating for the development of transparent and simple comparator rates.

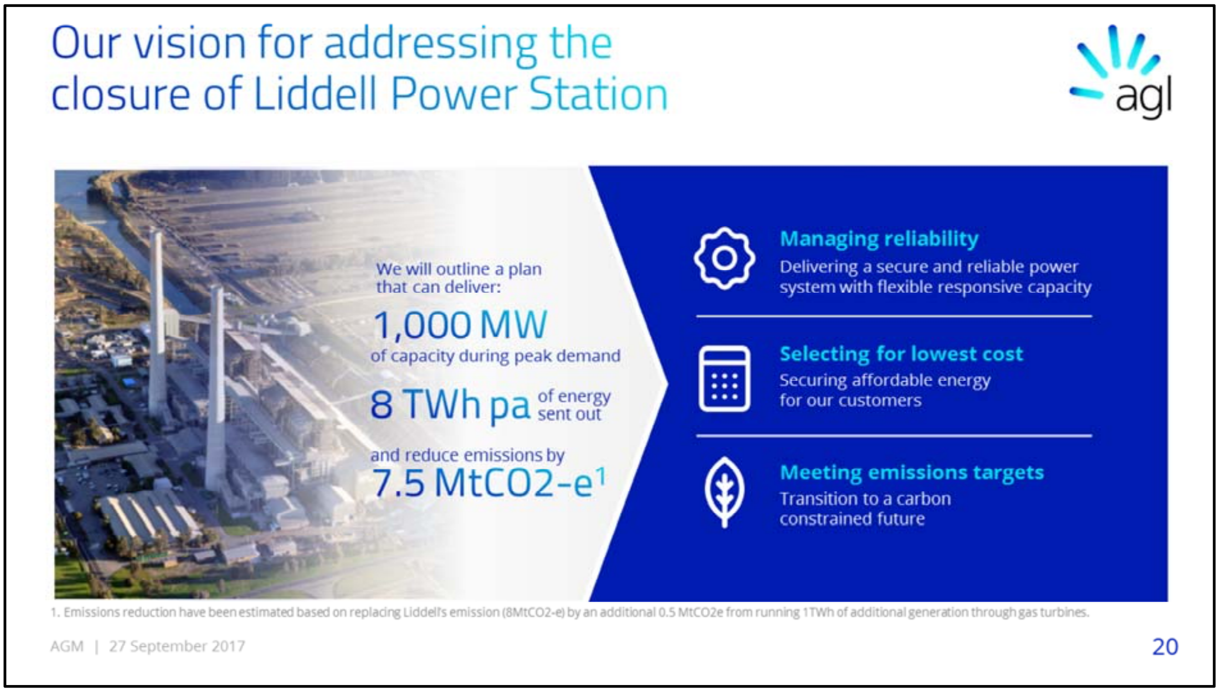
And, let me say for the record, we do not put customers whose discounts have expired back on non-discounted plans; we put them on new discounted plans.

Put simply, we want our customers to get a fair deal and understand their energy use.

This supports our strategic imperative of building customer advocacy.



Affordability and energy security ultimately require improved energy supply.
That's why we're investing in gas infrastructure – to support more efficient electricity generation, create new sources of competitive supply and put downward pressure on prices.
We are working towards a final investment decision during financial year 2019 on our proposed 250-million-dollar project to import LNG at Crib Point here in Victoria.
This will potentially bring 100 petajoules a year of additional gas supply to Eastern Australia – enough to supply Victoria's entire residential demand.
This means more competition and less reliance on a small number of existing sources of supply.
We are proposing to expand our gas storage facility at Silver Springs in Queensland, which will provide greater flexibility in our gas market operations nationally.
And our Barker Inlet Power Station in South Australia will be operational in the first quarter of financial year 2019.
This will come at a cost to AGL of 295 million dollars, providing 210 megawatts of flexible and efficient gas peaking capacity.
This is a real example of AGL investing in new infrastructure which, over time, will replace ageing and increasingly unreliable and expensive plant, in this case the Torrens Island A station, which is now 50 years old.



This brings me to Liddell.

We announced in April 2015, as part of our Greenhouse Gas Policy, a commitment to close our conventional coal-fired power stations at the end of their operating lives, which is 2022 in the case of Liddell.

AGL's commitment reflected community expectations and the Federal Government's agreement a few months later to work towards limiting global warming to less than 2 degrees Celsius above pre-industrial levels.

Now, coal represents 86 percent of AGL's electricity generation and is likely to remain an integral part of our business for several decades.

And AGL's position in low-cost coal-fired power has been a driver of the company's strong financial performance as wholesale electricity prices have risen in recent times.

But our commitment to exit coal does not hide from these facts: it acknowledges them directly.

Our near-term business model depends on reliable coal-fired power and we are Australia's biggest ground source emitter of CO_2.

Therefore, it's our obligation to you our shareholders to address carbon risk through the transformation of our business.

So, since April 2015, we have been assessing options to replace Liddell.

And as we said at our results presentation in August, we expect to come to market soon with more details.

Now, following AEMO's report earlier this month, we have been talking to the Federal Government about the issue.

We have committed to present our plans to the Prime Minister and AEMO by early December.

We are confident those plans will not only address concerns raised, but also result in the development of new, reliable and low-emissions energy supply.

We are designing our plan to mitigate the market impact of Liddell's closure.

It will address the 8 terawatt hours a year of energy that Liddell provides and the 1,000-megawatt reserve capacity shortfall AEMO has highlighted.

In the interests of reliability, affordability and meeting our obligations to reduce carbon emissions, we must begin the process of renewal now.

The good news is that there are attractive opportunities to repurpose the site, for example with gas-fired power or battery storage as I will discuss shortly.

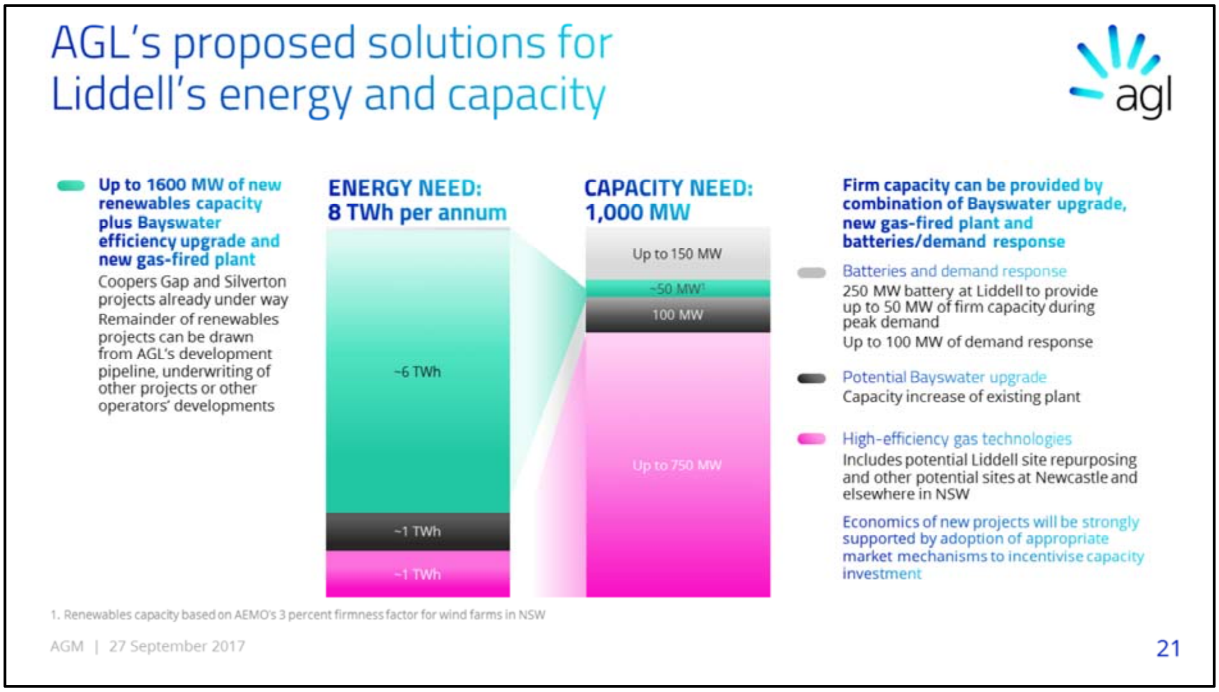
I want to emphasise that no-one has more to lose from failing to mitigate the market impact of Liddell's closure than AGL.

We have more than 2.2 million electricity customers nationally and our generation operations exist to manage the price risk we take on behalf of those customers.

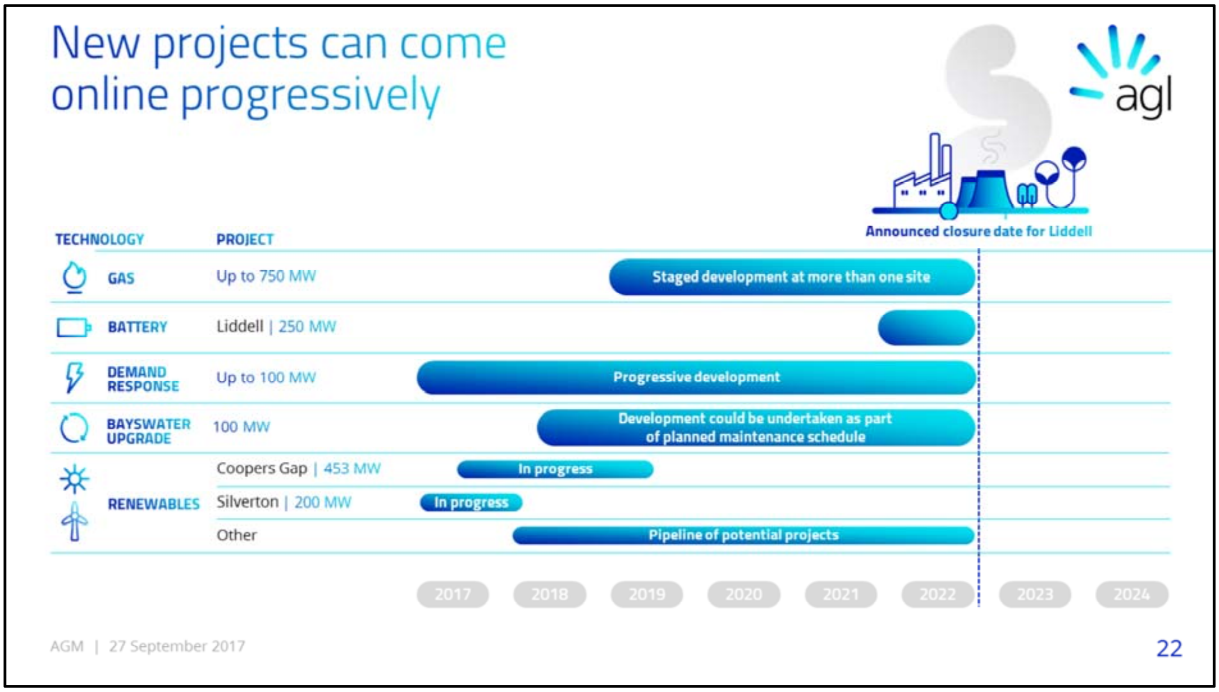
In addition, we are contracted to supply the Tomago smelter near Newcastle, which is Australia's largest single consumer of energy.

We need adequate capacity to service that contract and, importantly, we also have the interests and futures of our Liddell employees to consider.

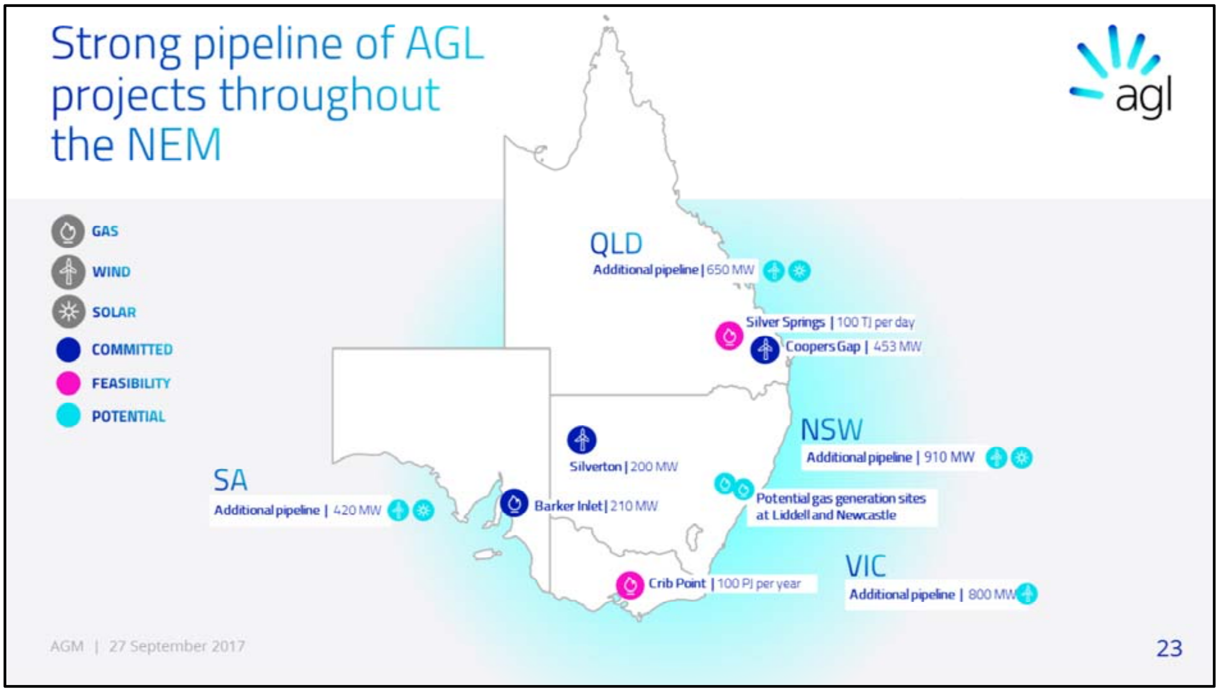
Repurposing the site would offer high-quality jobs for decades to come.



This slide shows the detail of how we are assessing the need to replace Liddell's energy and provide firm capacity.
We believe the bulk of the 8 terawatt hours of energy needed to match Liddell's output can come from new renewables projects, as we believe this is the most cost-effective option.
That would include our Coopers Gap and Silverton projects already under construction, other projects from within our pipeline, and other companies' projects as well.
And, of course, the intermittency of wind and solar generation means additional firm, flexible, dispatchable capacity is also required.
We can provide the 1,000 megawatts of capacity needed through a combination of upgrades to the Bayswater power station that adjoins Liddell, construction of new high-efficiency gas-fired power plants and development of battery and demand response solutions.
We see batteries at Liddell, as well as demand response solutions, providing up to a further 150 megawatts of firm capacity.
Through our planned maintenance program, we will be able to upgrade Bayswater to add around 100 megawatts of efficient capacity at the site.
Our gas projects would comprise reciprocating engine technology like at Barker Inlet or other high-efficiency gas technologies.
Our projects to increase gas supply will support the economics of these projects, which we believe will comprise up to 750 megawatts of new capacity.
Gas development again at Liddell would take advantage of existing infrastructure as well as the connections to the electricity grid.
We are also examining the potential for gas development at Newcastle and elsewhere in New South Wales.
Our plans will be flexible, enabling us to increase or decrease our own investment depending on the broader response of the market to price signals and policy certainty.
Before we present our final plans to the Federal Government and AEMO, we have more work to do on refining the technical scope of these plans.
And of course, all our decisions will be subject to determining the best funding structures and our confidence in generating an appropriate return for you, our shareholders.



This slide addresses when we believe the different components of our plan can be deployed.
Highly efficient, flexible gas plant can be quick to develop and, given its modular design, installed in stages.
We believe initial capacity would begin to be constructed from 2019 and up to 750 megawatts would be in place at various sites by the time of Liddell's announced closure.
We will deploy both grid-scale batteries, as well as residential batteries combined with orchestration technology to enable customers to participate in and benefit financially from demand response.
Upgrades to Bayswater can begin as early as 2019.
Finally, we have 653 megawatts of renewables under development at Coopers Gap and Silverton and more than 3,000 megawatts of additional renewables projects in our development pipeline.



This map shows our current pipeline of projects to bring on new energy supply, including two billion dollars of projects already committed or in the feasibility stage and others with the potential for development.

The committed projects, in dark blue, are the Coopers Gap and Silverton wind farms and the Barker Inlet Power Station.

Projects in the feasibility stage, in dark pink, are the Crib Point LNG import jetty and the Silver Springs gas storage project.

Two sites in New South Wales are highlighted as potential for our gas development, Liddell and Newcastle.

As I have mentioned we are scoping additional potential sites for gas projects elsewhere in New South Wales.

We have numerous additional wind and solar projects under assessment throughout the market, which are not shown here.

And this, of course, is just AGL's pipeline.

Our competitors, other operators and new entrants are also developing new energy and capacity in response to the market need.

Let me conclude by saying we are confident that between our actions and those of the market. the impact of Liddell's planned closure in 2022 will be mitigated.

And now I hand the meeting back to your Chairman.

Thank you.