

INTERIM CEO'S ADDRESS

Thank you, Chairman, and good morning everyone.

It was such an honour for me to be named AGL's interim CEO, and I'm really pleased that the AGM is my first public engagement in the role. It's a great opportunity to meet with you - our shareholders.

I thought it made sense to introduce myself to you. I have worked for AGL for 11 years, first as head of finance in merchant energy and upstream gas, then as head of group strategy and, since 2012, as chief financial officer.

The role of CFO involves a great deal of customer and shareholder engagement. In this role over the past six years, I have always welcomed the opportunity to connect with the Australian retail investors that make up the overwhelming majority of our 119,000 shareholders. More than half of our shareholders – many of them customers and many of them former or current AGL employees – own less than 1,000 shares each. We know that when we deliver strong results and increase dividends as we have in recent years, these are the people who are benefitting.

During my time as CFO it has been an honour to have led growth initiatives and teams who have delivered for AGL and our shareholders. This includes the acquisitions of the Macquarie and Loy Yang power station businesses, whose performance under AGL's management has driven our recent strong financial results. Another growth achievement has been creating the Powering Australian Renewables Fund, now one of the biggest private developers of clean energy projects in our country. And I'm delighted that joining us on stage for the first time today, as interim chief financial officer, is Damien Nicks. Damien has been integral to AGL's success as part of the finance team since joining us in 2015.

Since I became interim CEO last month, I have spent much of my time connecting with customers, with AGL's people at our sites around Australia, and with other stakeholders in the community. Safety, as always, is a core focus of AGL's people – and I am pleased to say that having visited many of our sites in recent weeks, I am confident our safety culture is stronger than ever.

In these discussions perhaps the most common question I have been asked is whether I anticipate a change in strategic direction for AGL. My answer, in a word, is no.

For several years we have referred to two strategic imperatives that drive AGL's decision-making. They are: to prosper in a carbon-constrained future, and to build customer advocacy. We define these things as "imperatives" because, frankly, we know we have to respond to them or be left behind. We must meet changes in technology. And we must meet and try to exceed customer and community expectations.

So, I would like to tell you what we are doing for our customers. Amid continuing uncertainty, I believe the customer is our North Star. When in doubt, go where the customer is going. To do that we have to know our customers well, we have to ensure they are well informed; and we have to give them a reason to trust and believe in us. But we know that, over the past 20 years, while competition has increased dramatically as successive governments have opened up the energy utility market, the increased choice available to consumers has not delivered for everyone as it should have done. Some customers don't know how to get a better deal, while many of those that do find the range of offers and the practices of discounting confusing. And the increases in customers energy costs arising from the sharp increases in network and generation costs over recent years is a lot to absorb for the most vulnerable in our society.

For these reasons I too am a passionate supporter of AGL's measures to increase fairness, simplicity and transparency for energy consumers – such as our AGL Essentials product launched this year, which offers customers a simple low-rate electricity bill with no confusing discount pricing, our recent moves to provide loyalty benefits to standing offer customers and our ongoing initiatives to support customers in financial hardship, including the 50-million-dollar debt relief package we announced at our results last month.

But we recognise that our industry still has some way to go on these issues and the community expects us to do more to make things easier for customers.

We will continue to work constructively and engage deeply with all levels of government, with regulators and consumer groups and with customers directly to accelerate progress and eliminate confusion.

We will be working to demonstrate that any new measures can be deployed to maximise transparency and ease for customers, and not in a restrictive way that damages confidence in the investment needed to bring prices down and deliver the better services that customers want.

Never has the importance of investment and of innovation been greater. Customers' expectations of their energy providers are undergoing profound change – driven by the rise of the internet and mobile commerce – and companies like AGL cannot stand still. That is why we are investing 300 million dollars in digital transformation which will allow us to better engage with our customers, giving them better service. And it's why we will continue to seek out opportunities to invest in more new and better services for our customers. Today we are putting our increasingly connected customer at the centre of everything we do and delivering real actions to make their lives easier.

Similarly, we know the long-term transition to lower carbon technologies is already happening. AGL recognises that the community's focus today is on ensuring the transition does not have unintended consequences in terms of affordability – and that people want to understand how we will keep the electricity system reliable as transition occurs.

That's why the question of how to provide the back-up capacity in the system for when wind and solar generation is not available – known in the industry as “firming capacity” – is, in my opinion, such a key component of making energy more affordable for all. Simply put, an electricity market that only pays generators for the energy they sell requires periods of extreme high prices to provide a return on new investment. That's because firming plant costs a lot to build but isn't required to generate electricity much of the time. Yet this price volatility – to the extent that it affects prices for customers – is an understandable cause for concern. We believe the solution is a long-term capacity market that rewards generators for providing back-up capacity, removes the requirement for high prices and provides stability for new investment to deliver lower prices.

Certainty on how these key policy questions will be resolved remains the most important signal for investment in the new generation that our country needs to bring energy prices sustainably lower for all. We are committed to listening to and working with our customers, government, regulators and the communities in which we operate to ensure a stable transition occurs.

We also recognise that coal-fired generation has been the basis of Australia's prosperity for decades – and, since the Macquarie and Loy Yang acquisitions, of AGL's strong profit growth in recent years. There is no question in my mind that its continued responsible operation will be fundamental to Australia's energy system, at least in the medium term. But as Australia's largest emitter of carbon, we have an obligation to our shareholders and other financial counter-parties, in a responsible and measured way, to manage their exposure to carbon risk.

It was in that context, in 2015, we gave long-term notice of our intentions in relation to the ongoing responsible operation of our coal-fired plants, including their anticipated closure dates. The question of closure dates is an operational one: of ensuring ageing coal plants are retired responsibly and safely as we work through transition. It is not a question of ideology on our part. Far from it. And neither is the need to address our carbon exposure more generally. It is a question of prudent and pragmatic risk management, working alongside all stakeholders, to deliver a sustainable and responsible transition in which the power sector continues both to enable and to participate in Australia's future prosperity.

Amid the widespread and very real concerns about energy affordability and reliability, we recognise that to retain the right to play our part in delivering an affordable, sustainable and reliable energy future for the Australian economy and industry as a whole, we have to retain our licence to operate. We recognise that for that to be able to occur we need to build people's trust in us to do what's right during the complex transition under way in the energy sector – whether they are shareholders, customers, employees or members of the wider community.

We want AGL's shareholders and our people to take pride not just in our 180-year heritage but also the things we are doing today to make our company and our communities stronger. At the same time, we want them to be excited by the opportunities that transitioning to new technology will allow us to offer our customers. We want you, our shareholders, not just to think of us twice a year when you bank your dividends, but to be our advocates as the leaders and responsible stewards of change. We are committed to continue to invest to deliver the best outcomes for you, for our customers and for the community at large.

Thank you.