

## **2019 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 2019 Annual General Meeting. It is a pleasure for the AGL Board to be in Sydney again for the AGM for the first time since 2016.

I would like to start the meeting by acknowledging the traditional owners of the land on which we meet today, the Gadigal people of the Eora Nation, and pay our respects to their elders past, present and emerging.

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'. On hearing this alarm, you should stand by for instructions to evacuate. The second alarm sounds like a '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 2019 financial year, and about other topical matters. Then, Brett Redman, AGL's Managing Director and 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, Patricia McKenzie, Peter Botten and Diane Smith-Gander.

Also on the stage today is our Managing Director and CEO, Brett Redman, Company Secretary, John Fitzgerald, and Chief Financial Officer, Damien Nicks. Seated in the front row of the room are members of the 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 may 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 outline a few key changes to the Board and Executive Team since the 2018 AGM. In December 2018, the Board appointed Brett Redman as Managing Director & CEO. The Board is very encouraged by the energy, rigour and commitment to culture and performance that Brett has brought to the role to date.

In May 2019 we appointed Damien Nicks to the role of CFO.

Belinda Hutchinson retired from the Board in December 2018 after making an enormous contribution over eight years of service. In May 2019, Patricia McKenzie

joined the Board, bringing 40 years' of experience in the Australian energy sector. You will have the opportunity to hear a little more from Patricia later when considering her election.

Jacqueline Hey and Diane Smith-Gander will retire by rotation and are standing for re-election at today's meeting. Both Jacquie and Diane will address the meeting later in the proceedings.

In my view, AGL has a capable, skilled and experienced Board. However, we are always conscious of the need to maintain the right balance and mix of skills to discharge our responsibilities and achieve AGL's strategic objectives. As part of normal succession processes, we will continue to take steps to ensure we have the right skills and experience that may be required in the future. This includes succession planning for Les Hosking and John Stanhope, each of whom have indicated that they do not intend to stand for re-election when their current terms expire in 2020 and 2021 respectively.

Turning now to our results for the 2019 financial year.

AGL's statutory profit after tax was 905 million dollars. This compares with 1,582 million dollars in the 2018 financial year.

The decrease in statutory profit after tax in the 2019 financial year included the loss on fair value of financial instruments of 139 million dollars compared with a 562 million-dollar gain in the prior year. This net loss reflected a negative fair value movement in AGL's net sold forward electricity position as a result of higher forward electricity prices, and a negative fair value movement in AGL's purchased oil and coal derivative contracts as a result of lower forward oil and coal prices.

Given the volatility of these non-cash fair value movements every year, AGL regards 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 fair value movements.

Underlying Profit after tax for the 2019 financial year was 1,040 million dollars, up 2 per cent on the previous year.

The final dividend of 64 cents per share (which was 80 per cent franked) will be paid on 20 September 2019. When added to the interim dividend of 55 cents per share, the total dividend for the 2019 financial year was 119 cents per share, franked at 80 per cent. This represents an increase in total dividends declared over last financial year of 2 cents per share.

In 2016, AGL introduced a dividend policy to target a payout ratio of approximately 75 percent of Underlying Profit and a minimum franking level of 80 percent. AGL's dividends have increased by 51 cents per share since this time.

Today we confirm the earnings outlook for the 2020 financial year as being within the range of 780 million dollars to 860 million dollars, subject to normal trading conditions. The midpoint of this range represents a drop in underlying profit after tax compared to the 2019 result, however, our operating cash performance and financial position remains robust and we have entered the 2020 Financial Year in a solid position to execute our strategy – and to make the investment decisions that will generate value in years to come.

Over the course of the 2019 Financial Year and continuing in the 2020 Financial Year, energy policy is a key matter for AGL, the customers and communities we serve and for the Australian economy at large. We are in the early stages of a multi-decade transition from an energy landscape dominated by base-load thermal power to a future of cleaner, more distributed energy generation and storage. This transition should ultimately deliver more affordable, reliable and cleaner energy for our country while empowering our customers.

As with any major transition, there remains uncertainty, price volatility and some debate as to the best path forward. At AGL, we are focused on the responsible operation of our assets and making investments that are sustainable over the long-term. It remains our priority to work constructively with all levels of government, regulators, industry and the community at large in relation to the transition.

This includes working with the Commonwealth-led taskforce in relation to the closure of the Liddell power station. AGL recently announced a schedule for closing the Liddell power station, with the first unit closing in April 2022 and the remaining three units closing in April 2023, to support system reliability throughout the 2022 to 2023 summer. We continue to progress a number of projects to provide further capacity to the market.

We want to help drive progress towards stable energy and climate policy nationally that enables private operators like AGL to make long-term investment decisions and for our customers and shareholders to feel confident about the future.

Our most immediate priority is making energy more affordable and its costs and usage more transparent to our customers. AGL took steps during the 2019 Financial Year to provide automatic discounts to loyal customers and forgive the debts of certain hardship customers who couldn't afford to pay their bills. We also lowered standing offer rates for electricity customers. Following the introduction of new default pricing mechanisms, AGL conducted a review to ensure that all standing offer customers were not paying more than if they were on the regulated rate. As a result, prices have fallen further for many standing offer customers.

We also continue to take steps to make it easier for customers to understand and compare prices and get access to the best deals.

We also recently extended the AGL Safety Net to approximately 140,000 gas customers to improve energy affordability for families and businesses across Australia and reward loyal customers. This will ensure that a minimum discount of 5 per cent is applied to those residential and small business gas customers who have been on standing offers for more than one year.

During the 2019 Financial Year, AGL's growth strategy was refreshed in recognition that the parts of the business that have underpinned AGL's strong financial performance over recent years – in electricity generation, wholesale trading and retailing – will be exposed to more challenging operating conditions in the years ahead.

Our strategy refresh identified three major areas of potential investment focus: optimising our existing portfolio for performance and value; evolving and expanding our core energy market offerings; and creating new opportunities with increasingly connected customers as data and energy value streams converge.

In early September, AGL completed the acquisition of Perth Energy, an integrated energy company in Western Australia. The acquisition strongly aligns with AGL's existing presence in the Western Australian gas retail market. Perth Energy, as Western Australia's third-largest electricity retailer and a gas retailer to business customers, is a strong strategic fit for AGL as we seek to expand in Western Australia and will provide greater flexibility for the management of our Western Australian gas position.

AGL withdrew a non-binding indicative proposal to acquire Vocus Group in June 2019 after undertaking due diligence. However, we remain interested in opportunities in the broadband and data sector and continue to explore related growth opportunities.

While it is important for AGL to invest in growth to secure future value creation, just as we have done successfully in the past, maintenance of financial discipline and appropriate capital allocation is especially pertinent with interest rates at current lows.

AGL recently commenced an on-market buy-back of up to 5% of the company's issued capital. The Board considers an on-market share buy-back to be an appropriate mechanism to return excess cash to shareholders where liquidity materially exceeds buffer levels.

I will now speak briefly about three resolutions that we received from two small groups of shareholders for consideration at the AGM. These are items 5a, 5b and 6 in the Notice of Meeting.

The Board respects the right of shareholders to put forward resolutions. However, the Board does not consider these resolutions to be in the best interests of AGL, for the reasons detailed in the Notice of Meeting, and the Board recommends that shareholders vote against these items.

Items 5b and 6 are contingent on the outcome of Item 5a, being the special resolution to amend AGL's Constitution.

Based on the the proxy and direct votes received ahead of the meeting, and the number of votes that I have been informed are represented on the floor today, Item 5a will not receive sufficient support from shareholders to be passed and therefore, as advised to shareholders in the Notice of Meeting, Items 5(b) and 6 will not be put to the meeting. However, we will give shareholders an opportunity to ask questions about these resolutions later in the meeting.

I do want to assure shareholders that the two key issues that are the subject of the resolutions, being climate change and emissions from our operations, are a key focus for the Board. We understand that these matters are of concern to our shareholders and they are matters that the Board takes very seriously.

At AGL, we take a disciplined approach to how we manage and disclose climate-related risks and emission levels.

We provide detailed reporting on our climate change strategy and risks in accordance with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. During FY20 we intend to undertake further analysis to understand the impacts on AGL's portfolio and closure plans under scenarios that limit warming to below 1.5 degrees above pre-industrial levels.

We also measure and report on key environmental data across air, water, waste, noise and biodiversity and publish this information on our website.

We engage transparently with members of the community and other stakeholders who are concerned about the impact of AGL operations.

The Board understands the importance of managing carbon risk and is focused on a stable and sustainable transition towards an energy system that is reliable, affordable and better for the environment. Over a number of years AGL has taken, and AGL continues to take, a range of actions to operate more sustainably and to minimise our

environmental footprint in the areas in which we operate. We will also continue to support action consistent with the goals of the Paris Accord.

However, the Board believes it's important that any transition of the energy sector takes place in an orderly manner. AGL is committed to working with government and industry to help deliver frameworks and policies that lead to more affordable, reliable and sustainable energy.

I would also like to speak briefly about the changes we made during the 2019 financial year to our executive remuneration framework. We made these changes, which are detailed in the Remuneration Report, to align the executive remuneration framework with our strategic priorities and shareholder interests.

These changes appear to have been supported by our shareholders. As part of the changes to the executive remuneration framework, the Board determined to increase the performance period for the long-term incentive plan, from three years to four years, to better reflect the long-term horizon of the business planning cycle. The extension of this period would have resulted in a year, being the 2023 financial year, when no LTIP awards would be due to be tested and potentially vest. Therefore, the purpose of the bridging grant is to ensure a smooth transition of the four-year performance period and the Board considered that the bridging grant was the best way to achieve this.

In summary, it has been another year of strong performance for AGL amid ongoing uncertainty in the energy sector. However, the 2020 Financial Year is expected to be more challenging with a lower earnings outlook. Despite these challenges, your Board is confident that the appropriate strategy is in place, supported by a strong company culture and capable management team, to drive the right outcomes for customers and the community and continued value creation for our shareholders over the long-term.

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