SNOWCAP

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Mr Peter Botten and Graeme Hunt
Chairman and CEO and Managing Director
AGL Energy Limited
Level 24, 200 George Street
Sydney, NSW 2000

We believe AGL has a substantial value creation opportunity – 30-60% upside in its share price – if it can abandon management's proposed demerger and pursue an accelerated transition plan by bringing forward coal closure to 2030.

Dear Peter and Graeme,

Today, we are writing because AGL is at a crossroads. In the wake of Brookfield's bid, and the recent announcement by Origin that it is closing Eraring seven years early, the time has come for a serious discussion about what is best for AGL, its shareholders, and Australia.

AGL's shareholders are currently faced with two suboptimal options. The first is a value destructive and environmentally disastrous demerger plan backed by management. The second, is a take private offer that materially undervalues AGL's business.

We are writing, as AGL shareholders, to advocate for what we believe is the third and most obvious path forwards. That is to abandon the demerger and pursue an aggressive strategy to transition AGL's coal assets by 2030. We believe that doing so has the potential to unlock substantial value for AGL's shareholders, whilst delivering huge environmental and social benefits.

Given the importance of what is at stake – both for the future of the Company, and Australia – we have shared a more detailed presentation outlining our views. This can be accessed via the following link: www.*snowcapresearch.com/agl*

AGL Today: Five Years of Value Destruction

AGL is a flagship Australian company. It provides an essential service to millions of Australians every day. Yet over the past five years, AGL has drastically underperformed both its peers and the wider Australian market. As a result, the Company's shares now trade at a substantial discount to intrinsic value.

Underpinning this poor performance has been a failure by AGL's management to adapt to changing energy markets and a shift in investor attitudes around climate. Since 2012, the Company has acquired nearly 7GW of coal power whilst severely under-investing in renewables. As a result, it is now one of the most carbon intensive utilities on the planet.

Most markedly, AGL has refused to meaningfully bring forward the retirement dates of its two largest coal plants; Loy Yang A and Bayswater, which currently stand at 2045 and 2033 respectively - a decision which stands in contrast to other major coal plants.

The Proposed Demerger: A Tokenistic and Destructive Solution

In our view, the demerger plan is a flawed, and half-baked attempt by management to financially engineer its way around AGL's problems rather than address their root cause. We believe that the supposed strategic benefits are a fantasy, and any potential valuation uplift will be unlikely to materialise due to the interdependent, cross-ownership structure.

Most concerningly, the demerger does absolutely nothing to address the environmental concerns of investors. Instead, it is a one-way street that will make coal closure much harder.

The Opportunity: Why Accelerated Transition Can Unlock Value for Shareholders

We believe that in order to address its current share price discount, AGL must abandon the proposed demerger and commit to close down its coal plants by 2030 as part of a broader, accelerated transition plan. Doing so has the potential to unlock 30-60% of upside for shareholders and avoid 385 million tonnes of future greenhouse gas emissions.

Early commitment to coal closure will not only address the core reason for AGL's current discount, it will also deliver huge maintenance capex savings over the coming decade, and provide AGL with a clear strategic direction for the future.

Brookfield and Grok Ventures Bid

The recent bid from Brookfield and Grok Ventures recognises both the flaws in the demerger proposal and the strategic merits of early transition. However, we share management's view that the initial office price of A$7.50 does not provide appropriate value to AGL's shareholders. In our view, there are also notable advantages to managing AGL's transition under the transparency and accountability of public ownership.

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We look forward to an ongoing conversation with you and other shareholders

Sincerely,

SNOWCAP