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ASX Release

AGL's Annual General Meeting 2014

23 October 2014

AGL Energy Limited is holding its 2014 Annual General Meeting this morning. Attached are:

- The Chairman's opening address
- The Managing Director's presentation slides; and
- The comments by Les Hosking, Chair of the Board's People and Performance Committee, in relation to the 2014 Remuneration Report.

Paul McWilliams

Company Secretary

About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is taking action toward creating a sustainable energy future for our investors, communities and customers.

2014 ANNUAL GENERAL MEETING
CHAIRMAN'S OPENING REMARKS

Good morning Ladies and Gentlemen.

My name is Jerry Maycock and I am your Chairman.

Welcome to AGL's Annual General Meeting of Shareholders. 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.

Financial Results

Turning now to our financial results for 2014.

AGL's record statutory net profit after tax of $570 million was a record high for the Company.

However, as many of you know, we use underlying profit to more meaningfully track company performance. Underlying profit is calculated excluding significant items. Most importantly, it excludes the 'mark to market' impact of the large hedging positions held by AGL in the wholesale energy market. In the annual accounts the values of these positions are calculated at balance date, but their true economic impact only occurs when the positions mature - at which time their realised value is included in the profit statement.

On this underlying basis, AGL's Net Profit After Tax for the year was $562 million, down 3.9% on the prior year.

There are a number of reasons for the slightly lower profit, but the most important was an overall reduction in demand for electricity and gas. This was due to a combination of an unusually mild winter in New South Wales and Victoria, ongoing energy efficiency measures adopted by consumers, rooftop solar installations and reductions in output from the manufacturing sector.

One consequence of the lower profit, together with a modest increase in the funds employed in the business, was that we made no headway this year in improving the returns on funds employed in the business. Our ratio of EBIT to Funds Employed was 10%, still below the level we seek to fairly compensate our shareholders for the level of risk in our industry.

Looking on the brighter side, AGL's energy business performed better than its peers, and recent trends suggest the rate of demand reduction seen in the last few years may be slowing.

Encouraged by the strong cashflow result, the Board decided to hold dividends at the same level as the prior year.

I would now like to cover three other matters.

Firstly, AGL's recent acquisition of the Macquarie Generation assets in New South Wales.

Secondly AGL's coal seam gas exploration and development activities in New South Wales.

Finally, I will say a few words about the retirement of AGL's Managing Director, Michael Fraser, after 7 years at the helm.

Macquarie Generation assets
Firstly, the Macquarie Generation assets which AGL completed the acquisition of just a few weeks ago, at the start of September.

In approving AGL's bid for these assets, the Board was mindful of the challenges facing electricity generators in Australia. Over the last few years falling demand for energy, coupled with a rapid uptake by many households of rooftop solar power, has seen an oversupply of electricity generation capacity in the National Electricity Market. This has resulted in a sustained period of low and flat wholesale prices for electricity.

However, the Board was satisfied that these factors were fully reflected in the price AGL paid to buy the assets. It's no secret that when the New South Wales government first mooted the prospect of selling its generation assets, the price it then expected to receive for Macquarie Generation was substantially higher than the price it ultimately received from AGL. The Board was also satisfied that the price AGL was prepared to pay took into account a number of potential risks. For example, in our valuation model we assumed that one of the power stations, Liddell, would close in 2017 because of the possibility that one of Macquarie Generation's major customers - the Tomago aluminium smelter – may close within that timeframe. But there is every chance that this won't happen. The Tomago plant is one of the more cost efficient aluminium smelters around the world, while aluminium prices have been strengthening in global commodity markets. The weakening of the Australian dollar should also help. If the Tomago smelter remains open, then Liddell will continue to operate and will provide incremental profits to AGL over and above that assumed in our base case valuation for Macquarie Generation.

The acquisition of Macquarie Generation is also consistent with the strategy of vertical integration that AGL has pursued for several years. In New South Wales, our electricity customer base has rapidly increased from approximately 400,000 in 2012 to now number approximately 800,000. Macquarie Generation, as one of the lowest cost generators in the market, provides an effective hedge against the risk of unexpected increases in wholesale electricity prices, preserving our retail margins and our competitiveness in New South Wales. The scale of Macquarie Generation means that we can also better manage the wholesale electricity costs relating to our electricity customer base in Queensland.

The funding of the acquisition price was heavily skewed toward equity rather than debt to make sure that we preserved our investment grade credit rating. In approving the decision to ask our shareholders to provide us with more share capital, the Board insisted that all shareholders – large and small – be given equal opportunity to participate. We were well aware that this was the second time in little more than two years that we had asked our shareholders to support the funding of a major transaction. We recognised that not all shareholders would have the desire, or the financial capacity, to make a further investment in the Company. So it was important that the equity raising was structured to make sure that those shareholders who chose not to participate would be compensated for the effect of any dilution of their proportional equity interest in AGL. The Board is pleased that the renounceable rights entitlement offer achieved these requirements. Approximately 95 percent of institutional shareholdings and 70 percent of retail shareholdings accepted the offer and agreed to subscribe for new AGL shares at a cost of $11.00 per share. Those shareholders who did not want to accept the offer were able to realise cash by either selling their rights on the market or waiting until the offer closed to receive proceeds from the sale of their rights into a bookbuild process.

By now shareholders who sold their rights should have received these proceeds, giving them the option, if they so choose, to reinvest in the company.

NSW Gas Activities
I would now like to spend a few minutes talking about gas. In particular, gas in New South Wales.

Natural gas is an established feature of the lifestyle of average Australians. More than 5 million households are now using natural gas. Natural gas is also a crucial input for a very large number of businesses around the country. Around 30 percent of gas supplied in eastern Australia comes from coal seams. The vast majority of known gas reserves in eastern Australia are to be found in coal seams.

New South Wales is Australia's most populous State. It also has the largest economy in the country. This means that it is the State most reliant on natural gas for the wellbeing of its citizens and its businesses. Yet New South Wales only produces 5 percent of its own gas – which, by the way, is already from coal seams. The remaining 95 percent of its gas needs have been imported from other States. Historically, this has not been problematic. In the past, retail sellers of gas, such as AGL, have been able to secure gas under very long term contracts with gas producers in other States to buy large volumes of gas at what are, by today's standards, very low prices. But these contracts are coming to an end. Within the next 3 year they will expire. The major producers are no longer prepared to sell gas to energy retailers on the same terms as those that applied in the past. Instead, massive volumes of gas are soon to be diverted to large scale LNG projects in Queensland and shipped to Asian buyers at prices much higher than the producers were previously getting from selling in the domestic markets in Australia. This places New South Wales at great risk of being materially short of gas from 2017. The consequences will be felt most directly in the industrial sectors of the economy, although the flow on effects in terms of higher prices and higher unemployment will be felt more broadly across the State.

The solution to this problem lies within State control. New South Wales has abundant supplies of natural gas, most of which is currently trapped within coal seams lying deep underground across several parts of the State. While our own industry could doubtless have done a better job of making the case for gas field development, plentiful gas reserves in places close to Sydney have now been quarantined because of recent changes in policy by the New South Wales government brought about as a result of community campaigns against coal seam gas extraction.

For AGL, our Gloucester Gas Project had already received regulatory approval before the government announced its restrictions on new coal seam gas projects. We are currently undertaking a pilot programme to hydraulically fracture four wells which were drilled more than two years ago. The pilot programme will meet the strict environmental conditions of our regulatory approvals as well as giving us data about the quality and quantity of gas flows from gas reserves near Gloucester, a few hours drive north of Sydney. We hope that the pilot programme will provide us with enough confidence to commit to the substantial investment of money to undertake larger scale activities which could increase the level of gas self-sufficiency in New South Wales from its current 5 percent to something closer to 20 percent. However, even our most ambitious estimates do not foresee large quantities of gas from this project being available until 2017. Even with gas from Gloucester, New South Wales will continue to face materially higher gas prices unless additional projects also come on stream.

Although we are now proceeding with the early stages of its development, and have an increasing level of local support, we know that there are still people who are opposed to our Gloucester project.

The opponents of the project have largely focused on three key issues:

- The effect of coal seam gas activities on the health of local residents and on the local environment;
- The effect of coal seam gas activities on water reserves, particularly water aquifers used for drinking water and irrigation of arable land; and
- The nature of our dealings with local landowners and the community more generally.

Let me take each of these points one at a time.

Firstly, I can assure you that the health of local residents and the wellbeing of the environment is a matter of paramount importance to the Board.

I mentioned earlier that only 5 percent of the gas in New South Wales is produced in New South Wales. That gas, methane, comes from coal seams, and is produced by AGL from its operations at Camden in Sydney's west, side by side horse studs, dairies, farms, and private residences. These operations have been in place for more than 13 years. During that time, almost 150 wells have been drilled at Camden, more than 100 of which have been hydraulically fractured, with no evidence of any harm to local residents or to the local environment. Although methane is odourless and non-toxic, a routine part of our operations is to monitor for any leakages. We have invested in laboratory quality equipment to regularly take air samples around the Camden gas project. We are using this same technology to get baseline measurements at Gloucester so we can quickly identify and respond to any changes.

I should also add that, in spite of the many alarmist claims, hydraulic fracturing has been around for a long time. It is not new to the industry and it is not new to AGL. When we do use hydraulic fracturing we use mostly water and sand. Other additives are similar to those used in a variety of household products such as detergents and salad dressing. We have never used the more exotic chemicals used overseas, even before they were banned by the New South Wales government. It is also worth noting that hydraulic fracturing has been used approximately 1.2 million times in the United States since 1947. In Australia, fracture stimulation of wells has been used safely for more than 40 years.

In relation to the Gloucester Gas Project, the Commonwealth and State government approvals in place include a requirement that we satisfy almost 100 operating conditions designed to make sure we protect the health of local residents and safeguard the local environment. We have employed many people with expertise and wide experience in drilling for coal seam gas to make sure we comply with all the operating conditions.

The Chief Scientist & Engineer has also recently undertaken an independent review of coal seam gas activities in New South Wales. Her final report was released late last month which sets the whole debate into sensible balance.

The report notes that the review drew on information from a large number of experts from around the world. It also consulted extensively with community groups, industry and government agencies.

The review concluded that the technical challenges and risks of coal seam gas extraction can be managed through various measures which include:

- High standards of engineering and professionalism in CSG companies;
- Comprehensive monitoring of CSG operations with ongoing scrutiny of the resulting data; and
- A well trained and certified workforce.

We welcome the additional recommendations proposed by the Chief Scientist. Our operations are already conducted at or beyond these recommendations so that we can be confident we are looking after local residents and the local environment.

The second concern is about protecting our water resources.

Water is a precious resource, especially in a continent as dry as Australia. Especially important are the shallow aquifers, those lying within 50 metres of the surface, because they provide the water for agriculture and for general community use. Water from the deeper aquifers is too salty for agricultural use unless it is blended or treated to reduce salinity levels. We need to make sure that water which is extracted from the deeper aquifers does not contaminate the shallow aquifers.

So let me tell you what we are doing to make sure we look after the water resource.

- We protect the aquifers during the drilling process. We do this by lining the hole we drill with multiple layers of steel which are cemented into place. The casing runs down from the top of the well, beyond all the shallow aquifers which provide drinking and irrigation water. This is designed to keep potable water separate from lower level aquifers, and to prevent gas that comes up the well from entering into the aquifers.
- Abandoned wells are plugged with concrete from just below the surface through to the bottom of the hole. This will prevent water from moving, up or down.
- We have in place a comprehensive water monitoring program. At Camden, we monitor at 15 locations. We have almost 50 water monitors in place at Gloucester. Water monitoring will be continuous at the Waukivory site where we are conducting a pilot drilling program. The data from all our water monitoring is publically available on our website.
- We have funded an independent environmental scientist who has been directly engaged by the Gloucester Shire Council to provide an additional layer of oversight.
- We are proposing to treat water extracted from coal seams at Gloucester using a reverse osmosis desalination facility to create a new freshwater resource for the community. The salt produced from this process is not toxic and will be disposed of in a licensed landfill site.
- We have our own team of expert hydrogeologists to supervise all our drilling activities for compliance with water safeguards.

Ladies and gentlemen, AGL is committed to looking after our water resource. I hope I have shown that we are taking the actions necessary to demonstrate that commitment.

The last concern relates to the support of the local community. It is important that the work we do is respectful of the interests of people living on or near to the land where we want to conduct our drilling and production activities. In relation to landowners, we want them to get fair financial compensation for any disruption our activities cause to them. We have in place land access agreements with more than 200 landholders in New South Wales. We have signed up to new land access principles which mean we will only conduct our activities on land if and when we have the agreement of the landowner. We make sure we leave the land in the same, or better, condition after we have finished with a gas well.

In relation to the broader community, I acknowledge that, on some matters, our industry was slow to respond to legitimate community concerns about our activities. We have tried to remedy this by doing a number of things. We now have in place bigger and dedicated local community relations teams who are available to readily provide information about what we are doing. We host regular community open days and visits to our operating sites. We provide financial and non-financial support to a great many community bodies.

While we still have to convince some people that AGL is one of the best companies to undertake gas exploration and production, the Board is pleased that there are encouraging signs that many more people are supportive of what we are doing and how we are doing it.

AGL's business and prospects
So to wrap up these remarks on our business, there are always plenty of armchair critics around when it comes to energy. Depending on your point of view you can criticise fossil fuels in general - or you can single out natural gas production as either being a vital transition fuel to a lower carbon world or as being a terrible threat to the environment. You can be strongly in favour of, or strongly opposed to, renewable energy projects. You can advocate deregulated markets to drive competitive behaviour, or you can advocate regulated markets to protect consumers.

Navigating amongst all these extreme views, AGL is in the business of creating competitive energy solutions for our 3.8 million customers in an environmentally responsible manner and seeking to earn a satisfactory return for you, our owners. Your company has been in the business for 177 years - you can be proud that today it is the largest private sector renewable energy producer in Australia as well as the largest and most competitive thermal energy supplier. We know there will be challenges and opportunities as energy markets evolve, and are well placed to deal with those.

CEO Retirement
AGL's Managing Director and Chief Executive Officer, Michael Fraser, informed the Board earlier this year of his intention to retire by 30 June 2015. Over the term of his stewardship, Michael has made a significant contribution to your Company, taking the helm in 2007 at a time of uncertainty for the Company and later guiding it capably through the global financial crisis. He has overseen substantial growth in AGL's business as well as a marked improvement in the quality of service we provide our customers. He will leave AGL in a strong financial position with the legacy of a highly engaged workforce, ready to meet the current industry challenges as well as take on the future opportunities that will characterise and reshape the industry.

On behalf of the Board, I would like to personally thank Michael for his contribution to the Company over more than 30 years, seven of them as CEO and Managing Director.

The Board has commenced a domestic and international search to find the right person to lead AGL. The search has covered a strong field of both internal and external candidates. On present indications we expect to announce the results of this process within the next month or so.

On behalf of the Board, I would like to thank Michael and all AGL employees for their hard work during 2014. I would also like to thank our shareholders for their continued support of the company.

END

2014 Annual General Meeting

Presented by –
Michael Fraser

23 October 2014

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AGL

FY14 Highlights

Solid result given soft demand conditions.

- Statutory Profit of $570 million up 52.0%
- Underlying Profit of $562 million down 3.9%
- Underlying Operating Cash Flow before interest and tax of $1.1 billion
- Underlying EPS of 100.8 cents down 5.2%
- Dividends per share of 63.0 cents fully franked in line with prior year
- Total Injury Frequency Rate down 44%
- Record level of employee engagement maintained
- Continued improvement in customer service
- Macquarie Generation acquired for $1.5 billion post 30 June 2014
- Standard & Poor’s reaffirmed BBB credit rating

Integrated strategy

Delivering growth and diversity of earnings.

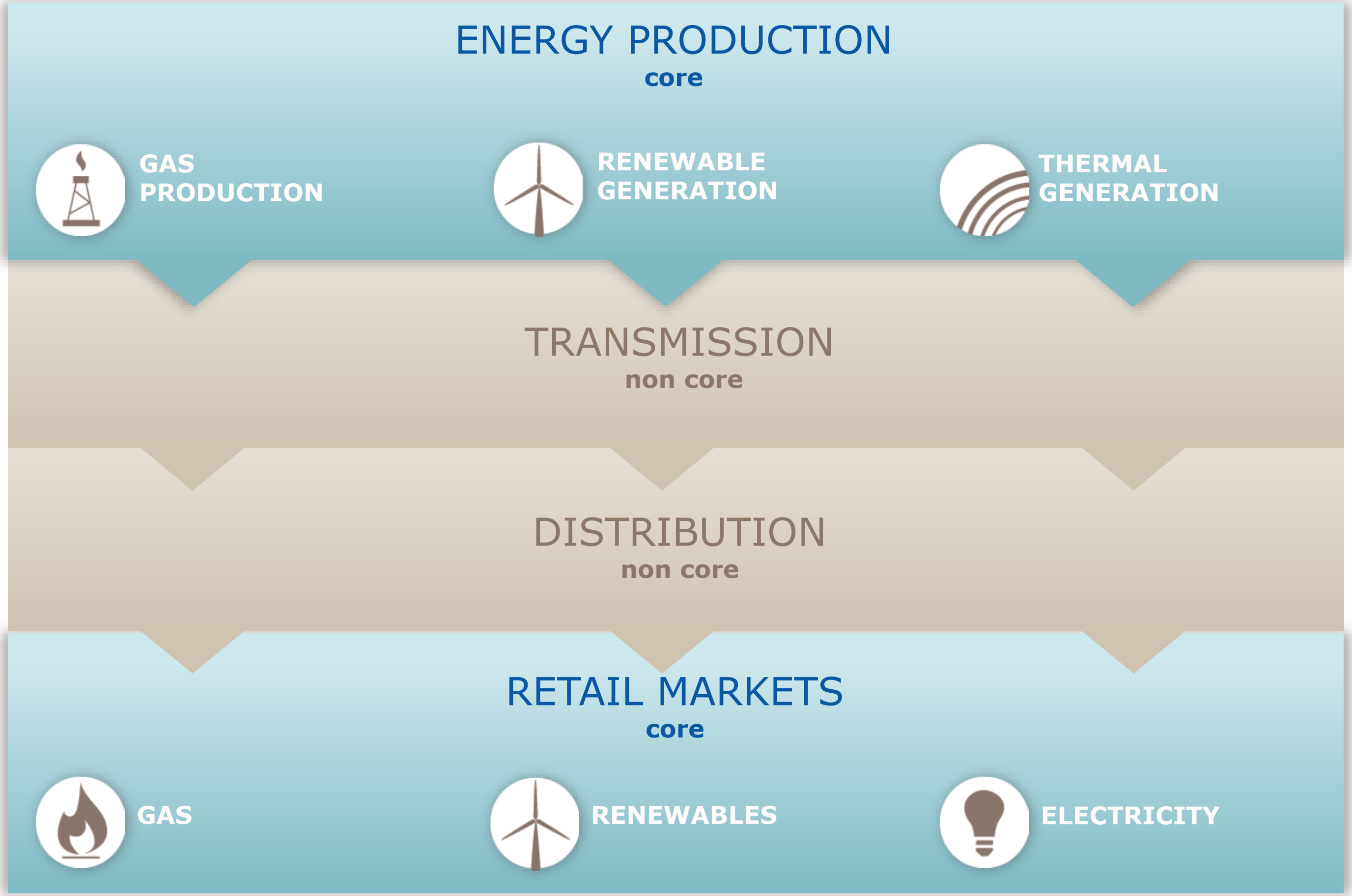
Energy

Production

- 10,500 MW[1] of operating capacity including 1,720 MW of renewable generation
- 43.3 TWh[1] of self generation against sales of 27.8 TWh
- 1,891 PJ of 2P gas reserves (including ATP1103)

Storage

- 12.4 PJ of self supply against sales of 204 PJ in FY14
- Newcastle gas storage 1.5 PJ
- Silver Springs gas storage capacity of 35 PJ



Retail Markets

- 2.4 million electricity customers[2]
- 1.5 million gas customers[2]
- 1.9 million dual fuel accounts
- Over 900,000 e-billing accounts
- Over 600,000 customers linked to flybuys
- MyAGL Monthly billing launched

1. Includes Macquarie Generation.
2. Includes customer numbers from AGL's 50% equity investment in ActewAGL which operates in Australian Capital Territory.

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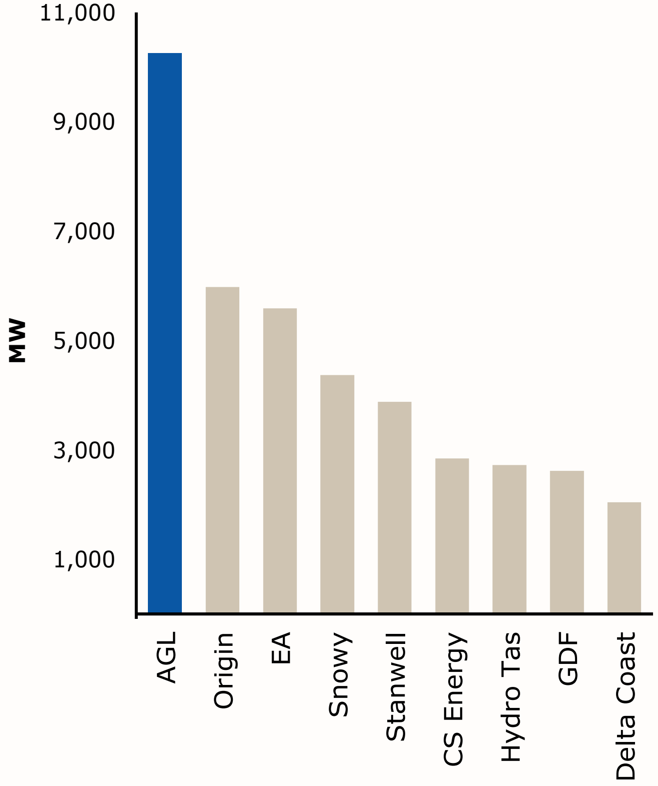
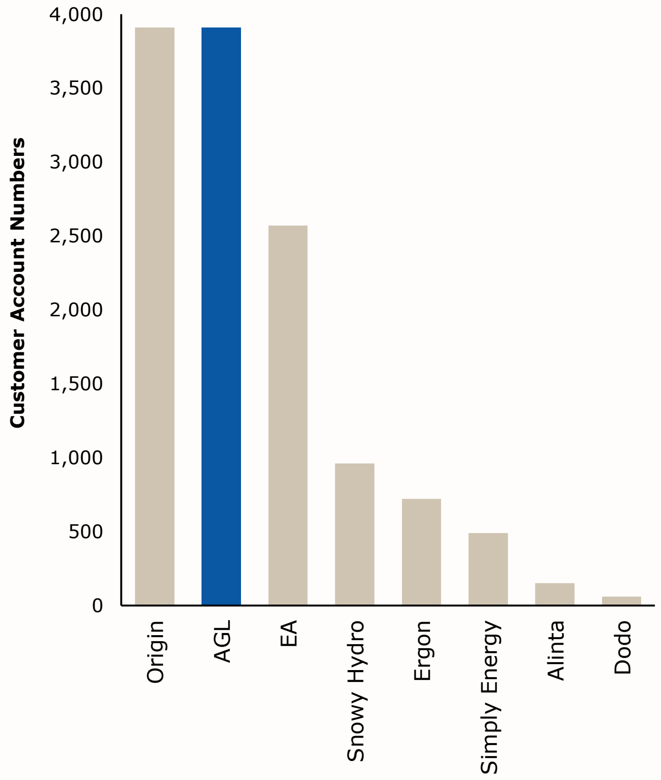
Strong Market Positions

Scale benefits provide competitive advantage.

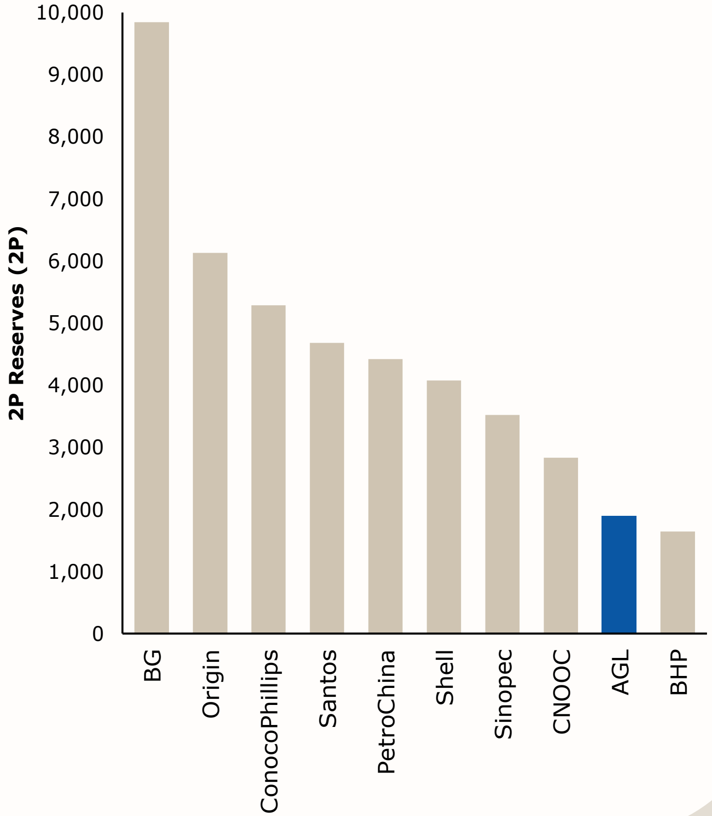
Largest Generator in the NEM[1]



Leading Retail Position[2]



Developing Upstream Business[3]



1. AEMO planning information as at 8 August 2014. Adjusted for Mitsui acquisition of 28% stake in certain GDF assets. Capacity ownership includes rights to long term offtake.
2. Electricity and gas customer account numbers in NEM states as at 30 June 2014 per 'UBS 2014 Utilities Structure" dated 17 October 2014. AGL includes 50% of ActewAGL customers. Snowy Hydro reflects combination of Red Energy and Lumo Energy. Alinta excludes WA customers.
3. EnergyQuest data (August 2014), Eastern Australia proved plus probable gas reserves.

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AGL strategic priorities

Optimise and grow core business, develop capabilities for future market.

Existing Business Model
Vertically Integrated Energy Supplier

Current Priorities

Future Business Model
Integrated Energy Solutions Provider

1. **Integrate and maximise value of existing generation/trading portfolio**
2. **Source/develop long term gas supplies to strengthen existing portfolio**
3. **Grow retail margins and market share of customer value**
4. **Develop new business capabilities as integrated energy solutions provider**
5. **Continue disciplined investments in additional growth opportunities**

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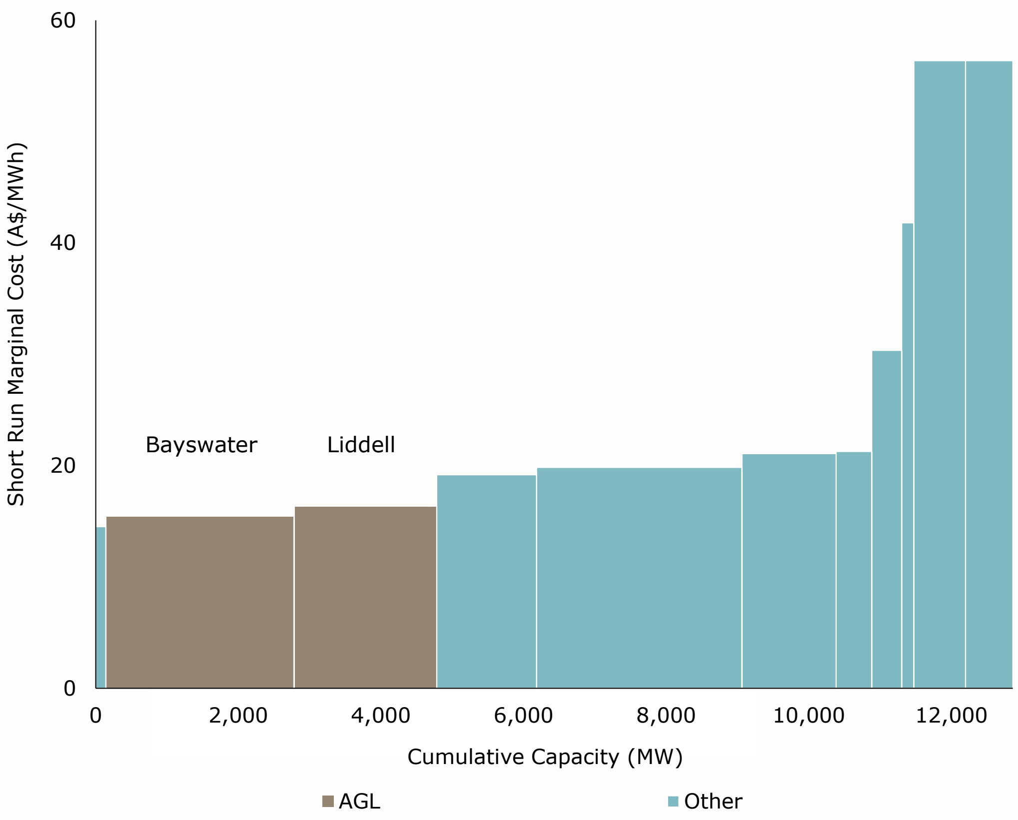
Macquarie Generation

Compelling value for lowest cost, large scale NSW generator.

- Macquarie Generation's key assets are:
  - Two black coal fired power stations in the Hunter Valley, NSW
    - Bayswater – 2,640 MW
    - Liddell – 2,000 MW
  - Long term low cost coal contracts that provide significant competitive advantages
- Acquisition entirely consistent with AGL's integrated strategy
- Improves AGL's risk arrangement capability
- Modelled returns exceed both AGL's cost of capital and investment hurdle rate of 12% post tax
- EPS accretive in FY15

Lowest Cost Position of Scale in NSW, AGL's Largest Load Centre[1]

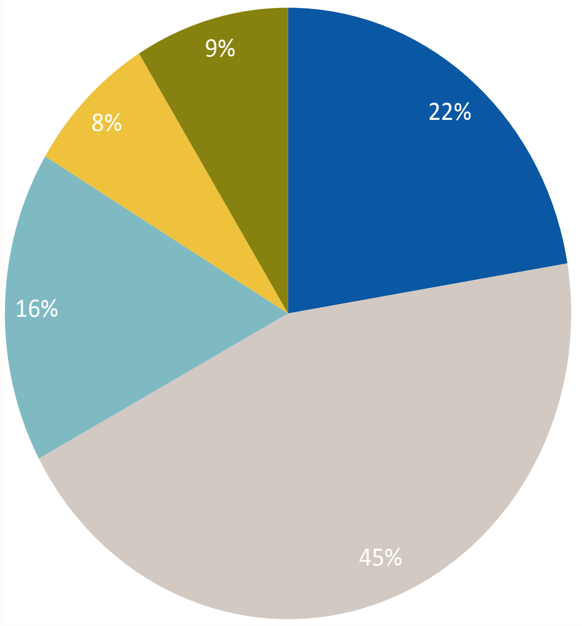


1. AEMO 2013 Planning Studies – Existing Generator Technical Data Summary as at 23 May 2014. Real June 2013.

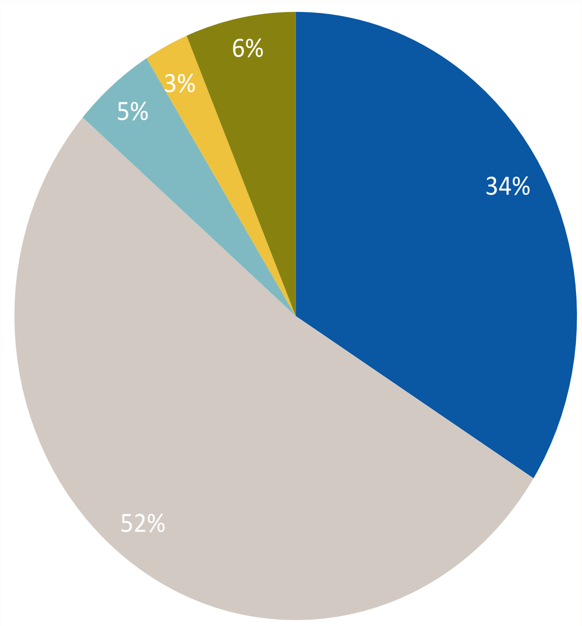
AGL generation portfolio

Diversified across renewables, gas and coal.

Generation Capacity - 10.5 GW[2]



Generation Sent Out FY14 – 43.3 TWh[1]



2.2 GW	Brown coal	14.7 TWh
4.7 GW	Black coal	22.6 TWh
1.9 GW	Gas	2.1 TWh
0.8 GW	Hydro	1.1 TWh
0.9 GW	Wind	2.8 TWh
10.5 GW	Portfolio Total	43.3 TWh

1. Sent out generation for FY14 for AGL inclusive of Macquarie Generation.
2. Generation capacity as at 30 June 2014 for AGL inclusive of Macquarie Generation.

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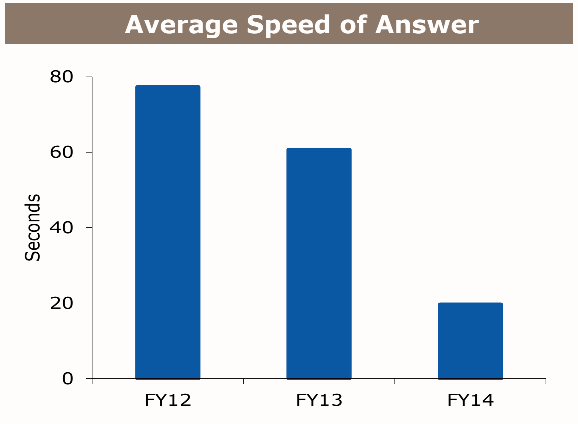
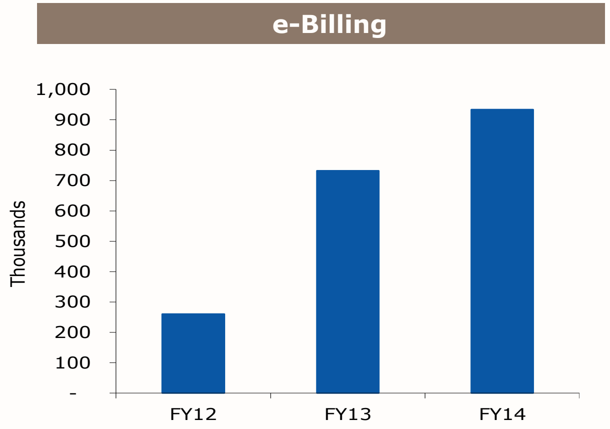
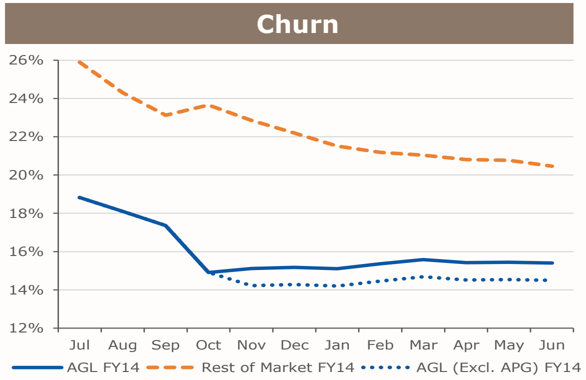
Retail core operations

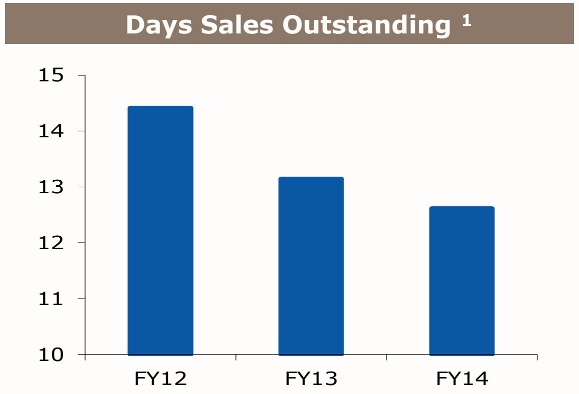
Operational excellence continues to improve customer service.

- Seamless integration of APG customer base
- Speed to answer down to 20 seconds
- AGL churn down to 14.5% (vs market churn 20.5%)
- Excellent Days Sales Outstanding
- e-Billing approaching 1 million accounts
- Monthly billing introduced









1. Days Sales Outstanding excluding APG.

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Regulatory pricing

Deregulation of retail markets largely complete.

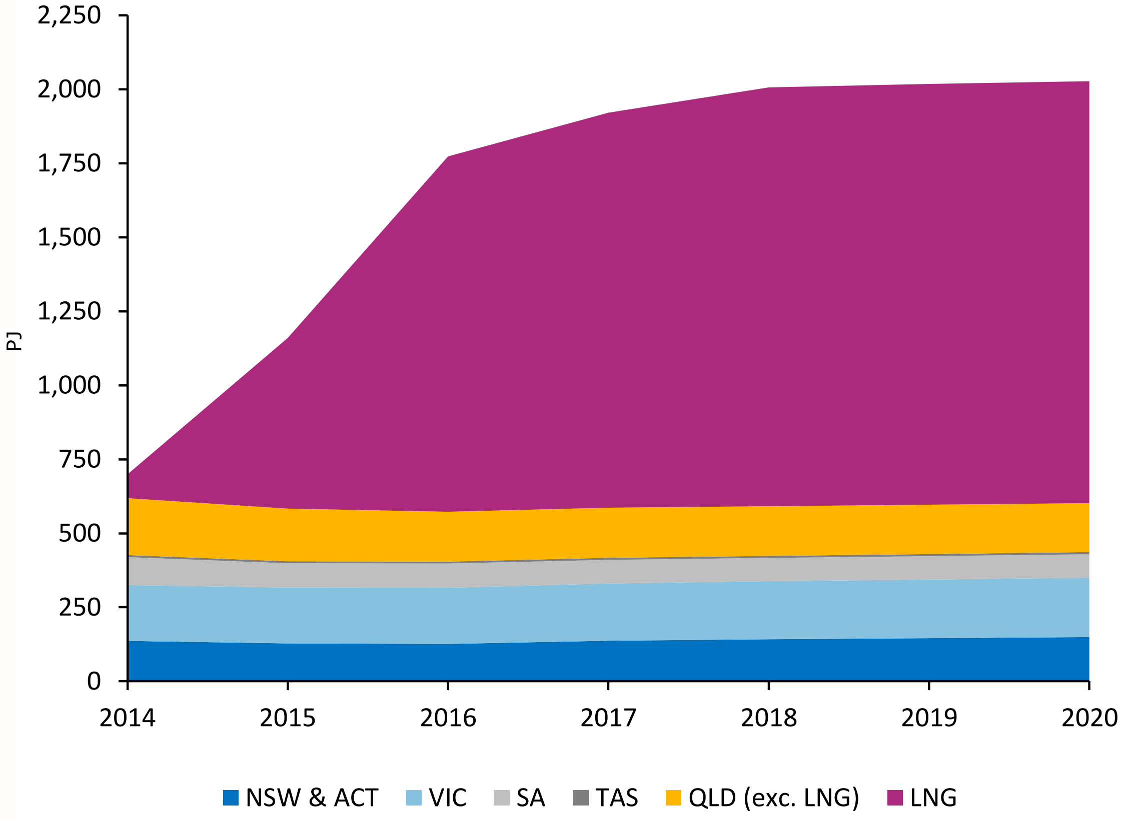
	Electricity	Gas
New South Wales	✓ Deregulated 1 July 2014	✓ Regulation continues but allows retail prices to reflect market prices (up 11.7% from 1 July 2014)
Queensland	✓ Deregulated (price monitoring) from 1 July 2015	✓ Deregulated 1 July 2007
South Australia	✓ Deregulated 1 February 2013 (AGL commitment on standing price expires January 2015)	✓ Deregulated 1 February 2013
Victoria	✓ Deregulated 1 January 2009	✓ Deregulated 1 January 2009

Gloucester vital for NSW gas supplies

Waukivory pilot proceeding as per approvals.

- Queensland LNG projects to cause significant shift in Eastern Australia supply/demand balance
- Demand to triple over next 2-3 years
- Gloucester project will increase NSW gas supplies by ~20%
  - Comprehensive water monitoring program in force
  - Extensive environmental approval conditions
  - Final Investment Decision expected in Calendar Year 2015

Eastern Australia Gas Demand for Whole of Market[1]



1. Data sourced from AEMO Gas Statement of Opportunities May 2014.

Outlook

Solid performance expected despite carbon removal and soft demand.

- 2015 Underlying Profit (after tax) expected to be between $575 - $635 million[1,2]
- Key factors influencing FY15 Underlying Profit are:
  - Repeal of carbon
  - Closure of HCE
  - Growth in wholesale gas margins
  - Return to more normal winter weather in July & August
  - Continued softness in customer demand
  - Sale of Moranbah gas assets[3]
- Major capital projects on track
  - Diamantina Power Station – commissioned in October 2014
  - Nyngan Solar Plant and Newcastle Gas Storage commissioning second half FY15
- Macquarie Generation integration on track

1. Subject to normal market conditions.
2. Guidance for FY15 Underlying Profit includes the expected contribution from Macquarie Generation from the date of its acquisition on 2 September 2014. AGL's Statutory Profit will include a significant item in relation to Macquarie Generation acquisition costs, previously estimated to be approximately $156 million (after tax).
3. Moranbah is classified as "held for sale" and, in accordance with accounting standards, is no longer depreciated. If at 30 June 2015 Moranbah is not sold and is no longer classified as held for sale, then non-cash depreciation of approximately $25 million (pre-tax), for the period 1 January 2014 to 30 June 2015, would need to be recognised. No profit on sale is assumed for providing Underlying Profit guidance.

2014 ANNUAL GENERAL MEETING
REMUNERATION REPORT

Les Hosking (Chair - People & Performance Committee)

Good morning ladies and gentlemen.

AGL's Remuneration Report commences on page 53 of the Annual Report.

It sets out AGL's policy in respect of remuneration paid to the Board, the Managing Director and senior leaders and describes the elements of remuneration paid to the Managing Director and senior leaders, the links to Company and individual performance and the criteria used to assess performance.

It also explains how non-executive Directors' fees are determined within the aggregate limit approved by Shareholders.

Finally, it sets out the remuneration details for each Director and each of the specified executives.

The Corporations Act specifies that the resolution on the Remuneration Report is advisory only. This means that companies are not directly bound by the results of the shareholder vote on the resolution. It is also recognition that the Remuneration Report is a "backward looking" report which describes the remuneration practices actually adopted in the year just gone. However, that does not mean that the result on the vote is ignored. Far from it. The practical reality is that Boards pay very close attention to how shareholders vote on this resolution. Consequently, the Board will take the result of the resolution into account when making future changes to AGL's remuneration policies.

Consistent with the purposes of these provisions of the Corporations Act, a key objective of AGL's remuneration policy is to align the remuneration paid to the Managing Director and senior executives with the interests of our shareholders. The Board thinks that AGL has achieved that objective. In further support of that objective, the Board takes independent advice from a specialist remuneration consultant.

AGL's Long Term Incentive Plan is one of very few among ASX listed companies to have an effective mechanism to reduce unvested entitlements if actual achievement against performance hurdles in later years is poor.

The Plan rewards executives based on the results of two key performance measures. The first measure is total shareholder return. This measures the returns enjoyed by shareholders in the form of dividends and increases in AGL's share price. Over the course of 2014, the total returns for AGL shareholders was 11.8 per cent. Consequently, executives received a full entitlement of share rights in respect of this measure.

The second performance measure is relative total shareholder return. This is the first year this measure has applied, having been introduced to replace the previous performance measure – Return on Funds Employed. Under this measure, Executives are rewarded based on how returns for AGL's shareholders compare with the returns enjoyed by shareholders of other top 100 companies listed on the Australian Securities Exchange. The mechanism to reduce unvested benefits if there is a subsequent deterioration in performance will also apply to this performance measure. This year, the total returns enjoyed by AGL's shareholders ranked only in the 35th percentile, below the threshold of the 40th percentile before SPRs are awarded to Executives. Consequently, Executives received no share rights this year in relation to that measure. Further, they have no opening balance in their notional bank account.

The Board believes that the combination of the two measures, absolute TSR and relative TSR, will continue to incentivise executive management to produce superior financial and operating results on a sustainable basis.

I commend the Remuneration Report to shareholders.

END