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ASX Release

AGL's Annual General Meeting 2013

23 October 2013

AGL Energy Limited is holding its 2013 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 2013 Remuneration Report.

Paul McWilliams

Company Secretary

About AGL

AGL Energy Limited (AGL) is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on 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 Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

2013 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 has recently published its 2013 Annual Report, which contains full information about the company's financial and operating performance during the year. By now, you should all have received the fully franked final dividend of 33 cents a share paid on 27 September 2013. When this is added to the interim dividend of 30 cents, the total dividend for the year was 63 cents. This is an increase of 2 cents on last year's dividend.

The reported (or statutory) net profit for the year was $388.7 million. After adjusting for significant items and the changes in fair value of certain derivatives included in the reported result, our underlying profit for the year was $598.3 million, up 24 per cent on last year's result of $482.0 million. This is a pleasing result and reflects the strong contribution made this year by the Loy Yang power station, which AGL acquired in June last year.

Although we have long advised shareholders that underlying profit is a better measure of the Company's operating performance, we do acknowledge that this year's reported result was meaningfully affected by a number of significant items. The most substantial of these was the impairment to the book values of AGL's upstream gas assets in New South Wales as a result of changes to the State Environmental Planning Policy announced earlier this year by the New South Wales government. As I mentioned in the Annual Report, this is a disappointing example of government policy making driven predominantly by short term political imperatives with little weight apparently given to longer term State energy interests. Unfortunately, it is not the only example.

Over the last several years, Australia's energy policies have been largely developed on a piecemeal basis rather than within a consistent framework designed to achieve the key objectives of maintaining security of energy supply, at affordable prices, and with least harm to the environment. More recently, governments have developed an alarming propensity to change the rules without due regard to the flow-on consequences for both the owners of energy assets and energy consumers. While such an approach may be temporarily popular with voters, in the long run it is not in the best interests of energy consumers. We encourage governments, both State and Federal, to provide stable, consistent, principles based energy policies so that energy companies can confidently make the high cost investments required to provide the secure, reliable and environmentally responsible energy infrastructure needed to develop a strong and sustainable Australian economy.

AGL has sought to develop a balanced portfolio of generation assets to provide competitive sources of energy, not only to our substantial commercial and industrial customer base, but also to our consumer customers that now total some 3.5 million accounts. As a result, your company now controls one of the largest portfolio of renewable electricity generators in the country, as well as one of the largest and most competitive thermal power plants. We are also positioned to profit from a strong portfolio of gas contracts and gas storage facilities.

We have had a range of comments, and some questions, from shareholders around the most appropriate mix of energy sources for AGL, and therefore by extension, for Australia. Some of these comments are passionately against coal fired generation, others equally passionately against wind farms and coal seam gas developments. This neatly illustrates one of the dilemmas today's society faces. Everyone wants cheap, reliable energy with no impact on the environment - yet this is not yet technically or economically possible. Hence our approach to seek a balance which not only responds to government policy, but which will evolve over time as technology develops. We are also very mindful of our obligation to you as shareholders to make enough profit to reinvest in the company and to pay dividends.

On that topic, we have also received some questions about our dividend policy which I will summarise here. The Board’s objective is to seek to pay a progressively larger dividend each year, while retaining an appropriate level of funds for reinvestment and maintaining our BBB credit rating. Since 2006, our dividend payments have averaged around 60 per cent of underlying profit. Absent extraordinary events, we expect this approach to continue.

We have also received some questions about executive and director remuneration, which we will cover in the later agenda item on the remuneration report.

Your Board remains optimistic about the Company’s prospects, although there are some challenges to be overcome in the short term. AGL has a clear strategy and a strong Balance Sheet. It has a pipeline of growth projects and a skilled team led very capably by Michael Fraser. On behalf of the Board, I would like to thank all AGL employees for their hard work during 2013. I would also like to thank our shareholders for their continued support of the company.

2013 Annual General Meeting

Michael Fraser,
Managing Director and CEO

23 October 2013

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FY13 Highlights

Strong cash performance and profit growth.

- Statutory Profit of $388.7 million up 238.3%
- Underlying Profit of $598.3 million up 24.1%
- Underlying EPS of 108.8 cents per share up 8.8%
- Dividend per share up 3.3% to 63.0 cents per share fully franked
- Underlying Operating Cash Flow before interest and tax of $1.2 billion up 64.1%
- Provision for impairment of NSW gas projects of $343.7 million (pre-tax)
- Standard & Poors reaffirmed BBB credit rating
- Total injury frequency rate down by 31%
- Record level of employee engagement up 10%
- Successfully integrated Loy Yang A and completed Macarthur wind farm (420 MW)
- Improvement across all customer satisfaction measures

Acquisition of Australian Power & Gas (APG)

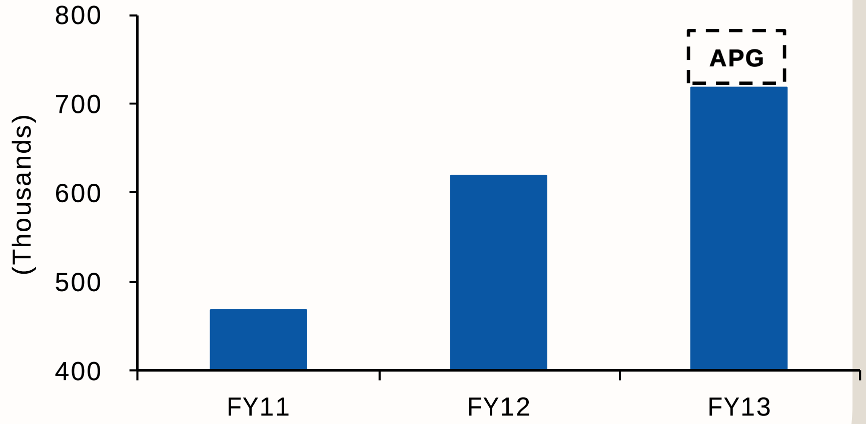
Delivers 10% growth in AGL's customer base.

- Acquisition targeted to complete October 2013
- Acquisition increases AGL customer base to 3.85 million
  - APG's largest customer base is in Victoria
  - NSW electricity customer base set to exceed 800,000
- AGL plans to:
  - Improve quality of service and product offering
  - Cease APG's door knocking activities
  - Fully integrate within 12 months
  - Substantially lower cost to serve ($132/customer)
  - Deliver superior debtor management

APG Customer Numbers

('000)	Electricity	Gas	Total
Victoria	121	107	228
New South Wales	74	25	99
Queensland	22	4	26
Total	**217**	**136**	**353**

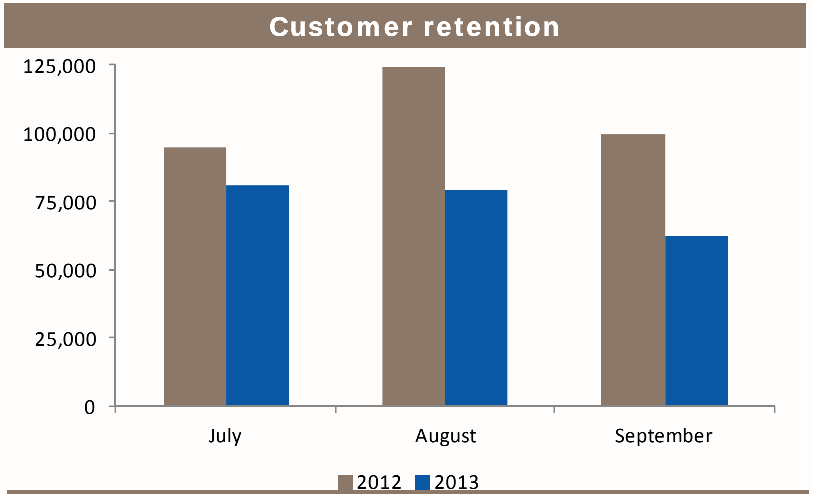
NSW electricity customer numbers

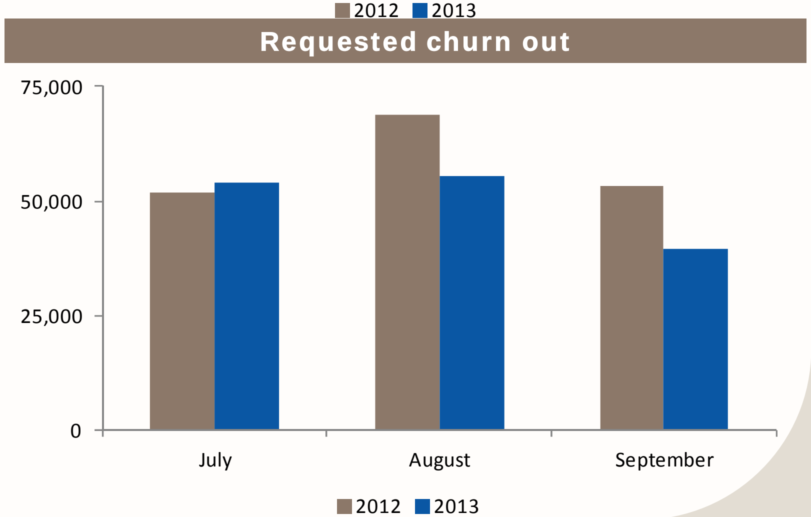


Record level of retail competition begins to slow

Customer churn and discounts fall in first quarter of FY14.

- Record levels of competition in FY13 resulted in:
  - Retention activity increasing by 65%
  - Acquisition and retention costs increasing by $20 million
  - Downward pressure on margins which will flow through into FY14 results
- First quarter of FY14 has seen competition slow compared to first quarter of FY13:
  - Retention activity down 30%
  - Requested churn out down by 14%
  - Discounts reduce in all States
- All major retailers and a number of second tier retailers have now withdrawn from door knocking





Regulatory pricing

Policy settings begin to improve

- SA government implemented price deregulation effective 1 February 2013
- Queensland announces deregulation effective 1 July 2015
- AEMC[1] report to NSW government reaffirms that competition is effective
  - Recommendation for NSW Government to deregulate electricity and gas prices
  - Price monitoring and maintenance of consumer protections expected post deregulation
- Price deregulation will foster competition, investment and improved service for customers
- Deregulation removes a major risk from AGL's business
  - Adverse regulatory outcomes reduced FY13 EBIT by ~$68 million

1. Australian Energy Market Commission

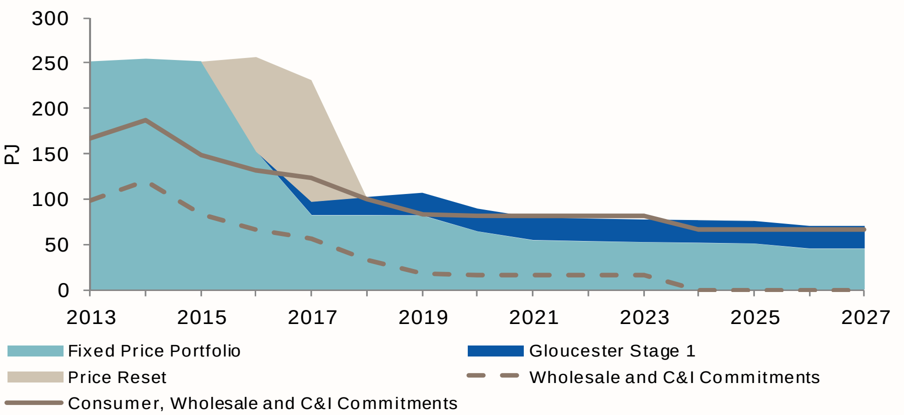
Energy in action. AGL

Wholesale gas portfolio

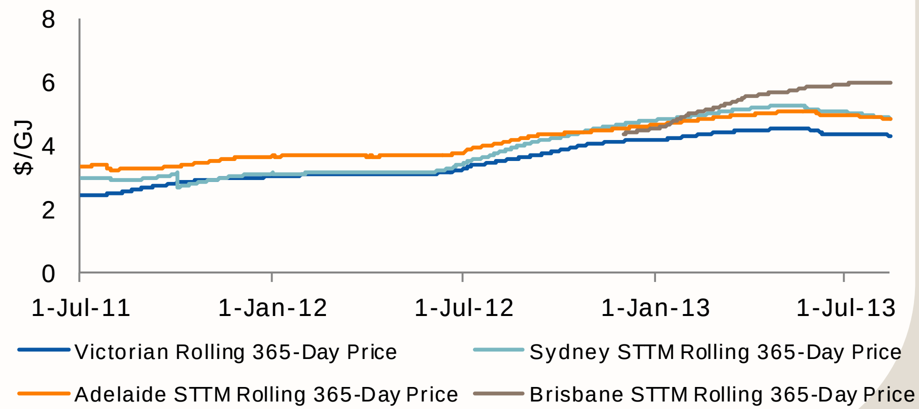
AGL's gas portfolio provides substantial upside.

- AGL is extremely well placed with a long gas position in QLD
  - QLD sourced supply contracts in place to 2027
  - Existing supply contracts allow for additional QLD sales of up to 40 PJ p.a. from 2015
  - Good progress being made in large sales contract negotiations
- Majority of AGL's existing gas supply contracts are now fixed
  - Approximately 85% of supply contracted at fixed prices with CPI escalation
  - Contracts subject to further market review confined to southern markets
- Rising gas prices in all east coast markets
  - Queensland market for FY15 forward now trading at $9-10 per GJ

AGL Contracted Supply – Maximum Annual Quantity[1]



Wholesale gas prices



1. Wholesale and C&I commitments do not include requirements for generation at Torrens Island Power Station and Somerton which will vary dependent upon wholesale gas and electricity prices.

Gloucester Gas Project

Targeting lowest cost gas supply into Sydney-Newcastle market.

- FEED underway:
  - WorleyParsons engaged
  - Geotechnical and survey work for the pipeline
- Cooperation Agreement entered into with Gloucester Council to undertake basin wide water study
- Conducting irrigation trial with produced water
- Work program underway to comply with conditions required to commence construction
  - State development approval 92 conditions
  - Federal EPBC approval 36 conditions
- Applications made for petroleum production licence and pipeline licence in December 2012
- Final investment decision target Q3 2014:
  - First gas target Q4 2016
  - Production target 20-30 PJ per annum

Image of AGL's property near Gloucester, showing gas wells and irrigation trial

Project Updates

Solar projects

› Total project cost of ~$440 million, with funding support provided by ARENA ($166.7 million) and the NSW Government ($64.9 million)

› Two sites: Nyngan, NSW (102 MW) and Broken Hill, NSW (53 MW), capacity factor of ~26-27%

› Construction to start at Nyngan in Jan 2014, with completion expected in mid 2015. Construction at Broken Hill to commence in Jun 2014, with commissioning in late 2015

Diamantina Power Station – Mount Isa (JV with APA)

› 242 MW CCGT and 60 MW OCGT (dual fuel) power stations

› CCGT operations targeted H1 2014

› 10.5 year gas supply contract commenced May 2013 for 138 PJ

Newcastle Gas Storage Facility

› 1.5 PJ storage capacity, 120 TJ/day re-injection rate

› Total project cost of ~$310 million

› Main LNG tank construction has commenced

› Completion targeted mid 2015

Outlook

Solid operating performance to continue against backdrop of soft demand.

- 2014 Underlying Profit (after tax) expected to be between $560m - $610m[1,2]
  - After adjusting for a change in accounting standards that came into effect on 1 July 2013, this guidance compares with an Underlying Profit of $585.4 million in FY13[3]
- Key factors affecting FY14 Underlying Profit are:
  - Change in accounting standard (AASB119) for defined benefit superannuation funds reduces FY14 by ~$10 million (FY13 comparative impact $12.9 million)
  - Record warm July to September lowers energy demand and reduces FY14 Underlying Profit after tax by $25-30 million
  - Aggressive competition and discounting in FY13, while abating, flows through into FY14 earnings
- Continued strong underlying operating cash flow performance expected in FY14
- AEMC recommends NSW deregulates electricity and gas prices
- Good progress on large Queensland gas sales contracts
- Major capital projects and APG integration on track

1. Subject to normal market conditions
2. Includes APG from October 2013
3. Restated for AASB119

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2013 ANNUAL GENERAL MEETING
REMUNERATION REPORT

Good morning ladies and gentlemen.

AGL's Remuneration Report can be found commencing on page 64 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. More recent changes to the Corporations Act mean that all the company's Directors face the prospect of having to stand for re-election if there are two consecutive votes of at least 25 per cent against adoption of the Remuneration Report. 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 the 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.

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. In fact, under very weak performance circumstances, the company has to make up significant ground in the subsequent year before any new benefits can start to be earned. This was demonstrated two years ago when share performance rights previously banked in relation to the return on funds employed performance hurdle were entirely eliminated. For AGL's Executives this meant that AGL's return on funds employed had to make up all of the ground lost before new share performance rights were granted in relation to that performance hurdle.

The results this year show that the Long Term Incentive Plan is continuing to operate as intended to achieve full alignment of executive remuneration with the interests of our Shareholders.

The Plan rewards executives based on the results of two key performance measures. The first measure is total shareholder return. Over the course of 2013, the total returns for AGL shareholders was minus 1 per cent, with the value of dividends received during the year more than offset by a fall in the value of AGL shares. Consequently, executives received no new share rights in respect of this measure.

The second performance measure has been tied to improvement in the return on funds employed in the business. In 2013, the return on funds employed increased by 11.4 per cent - from 11.6 per cent to 12.9 per cent.

As a result, share performance rights allocated to executives in respect of this measure increased compared with previous years. There has been recent comment in the media that executives have unfairly benefited from this measure as the calculation of return on shareholder funds under the Plan was calculated using profit before significant losses, not profit after significant losses.

It should be pointed out that this method of calculation has been widely communicated and consistently applied during the four year life of the Plan. It is important to note that it is also a two-way street. In years when there have been extraordinary profits treated as significant items, these have also been excluded from the calculation, to the detriment of executives.

Furthermore it should be noted that the short-term incentives received this year by the Managing Director and several executive team members were in fact materially reduced by some of these significant items.

In the time since this measure was introduced in 2010, the return on funds has increased by almost 20 per cent. This is an excellent outcome, which has benefitted all shareholders. The Board believes that the Long Term Incentive Plan has been instrumental in delivering this result, with executive management sharing appropriately in some of the shareholder value created as a consequence of the improved performance.

In the Annual Report, the Chairman indicated that the primary purpose of this performance measure had now been accomplished. The nature of a return on funds employed measure is that it cannot continue to grow indefinitely without taking increasing levels of risk. There is also the risk that projects which add shareholder value would not be undertaken simply because they would not increase an already high return on funds employed. For these reasons, the Board has agreed to adopt a new measure to replace the return on funds employed measure with effect from this financial year.

Whilst retaining the absolute TSR measure, instead of the second measure being return on funds employed we will substitute relative TSR. That is, Executives will now be 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.

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. The change in one of the measures also means that none of the calculations of performance under the plan will be reliant on accounting based measures, which removes a potential source of contention such as we saw this year.

Finally, you will also note that, in recognition of the very challenging market conditions at present, neither the directors nor the senior management will receive any increase in fixed pay this financial year.

I commend the Remuneration Report to shareholders.