

AGL Energy Limited

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Chairman's Opening Remarks

10.30am on Thursday, 29 October 2009

2009 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Good morning Ladies and Gentlemen. Welcome to AGL's Annual General Meeting of Shareholders. First, may I ask you to make sure your mobile phones are turned off until the meeting has concluded. I also ask that you note where your nearest exit is in the unlikely event that it is necessary to evacuate the building.

The necessary quorum is present and I have pleasure in declaring open the 2009 Annual General Meeting of AGL Energy Limited.

My name is Mark Johnson and I am your Chairman. I would like to welcome you all here today. I trust that you will find the meeting to be both informative and helpful.

The Board of your company, and its 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.

This is AGL's first Annual General Meeting to be held outside Sydney. Last year, a number of shareholders wrote to us asking whether we would consider rotating the Annual General Meeting between cities. This prompted the Board to ask itself: "why not". AGL's Retail Energy and Merchant Energy businesses are both managed from our Melbourne office. A substantial proportion of our customers and our electricity generation assets are situated in Victoria. Many of our shareholders reside in Victoria. The majority of our employees are based in Melbourne, a good many of whom have taken the opportunity to be here today. Most of these employees are also AGL shareholders. After weighing up all these factors, the Board agreed that it made sense to hold this year's Annual General Meeting in Melbourne.

Of course, we also have many shareholders, customers, assets and employees in New South Wales. In future, we anticipate holding the Annual General Meeting in Melbourne every second or third year.

On behalf of the Board, may I say that we certainly appreciate the efforts of shareholders who have taken the time to send us questions. We have received a number of questions from shareholders. These questions fall into 4 broad categories which we will respond to during the course of the meeting. The categories of questions are as follows:

- Executive remuneration. Max Ould will speak about changes to aspects of incentives available to our senior managers when we get to consideration of the 2009 Remuneration Report.
- Customer service. Sandra McPhee will make some comments on this when she speaks to the meeting about the role of the Safety, Sustainability and Corporate Responsibility Committee.
- Renewable energy and the impacts of the proposed Carbon Pollution Reduction Scheme. Michael Fraser will have more to say on this in his presentation to the meeting.
- Dividends. I will comment on the level of AGL's dividends later in my address.

There will also be ample opportunity to ask other questions from the floor during the course of this meeting.

We really encourage your continued feedback and you will have been given a Shareholder Feedback Form when you registered here this morning. You can place your feedback forms in boxes provided at the exit from the hall.

The Notice convening this Meeting has been sent to all registered Shareholders and I shall take the Notice as read.

Before we start the formal business of the Meeting, I would like to introduce your directors to you:

First, the non-executive Directors. Starting on my left is Graham Reaney.

Graham will be retiring from the Board at the conclusion of this meeting. He has made a substantial contribution to the Board since 1988 when he became a director of what was then The Australian Gas Light Company. Graham has been Chairman of the Board Audit and Risk Management Committee for many years. He is also a member of the Board People and Performance Committee.

I take this opportunity on behalf of all shareholders, and his fellow directors, to thank Graham for his significant contribution to the Board and to the development of the company.

Max Ould is Chair of the People and Performance Committee. Max is standing for re-election as a Director. I will say more about his experience and his accomplishments a little later when this motion is put before the meeting. Max will also speak to the meeting at that time.

Jerry Maycock is a member of the Audit and Risk Management Committee. Jerry is also Managing Director and Chief Executive Officer of CSR Limited and has recently been appointed to the Advisory Council of the Australian Business School at the University of New South Wales.

Sandra McPhee is Chair of the Board Safety, Sustainability and Corporate Responsibility Committee and a member of the People and Performance Committee. Sandra is also a director of Tourism Australia and St Vincent's & Mater Health Sydney Limited and Vice President of the Art Gallery of New South Wales.

Bruce Phillips is a member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee. Bruce has many years of experience in the upstream oil and gas industry. He is also a director of Platinum Capital Limited and an alternate director of the Very Small Particle Company Limited.

Les Hosking was appointed to the Board in November last year and is standing for election today.

John Stanhope was appointed to the Board in March this year. He too is standing for election today.

I will give you more details about Les and John and their skills and experience when the motions for their election are put to the meeting. I will also invite Les and John to address the meeting at that time.

Finally, I am pleased to introduce to shareholders the Managing Director of the company, Michael Fraser, who will be addressing shareholders later in the meeting.

We also have with us the AGL Executive Team. On the podium is the Company Secretary Paul McWilliams and Chief Financial Officer Stephen Mikkelsen. Other members of the senior executive team are also here this morning and are seated at the front of the hall.

Finally, your external auditors Deloitte Touche Tohmatsu are here this morning. The senior audit partner Greg Couttas is available to answer any questions on the audit should you wish to ask later in the meeting and I thank him for attending today.

AGL has recently published its 2009 Annual Report, which contains full information about the company's financial and operating performance during the year. A copy of the Annual Report was provided to each of you this morning when you registered your attendance at the meeting.

The reported profit after tax for the year was \$1,596.1 million. After adjusting for gains made on the sale of non-core assets, other significant items and the changes in fair value of derivatives included in the reported result, our underlying profit for the year was \$378.8 million, an increase of 11% on last year's result. Michael Fraser will have more to say about the financial and operating performance of the company, and about our earnings expectations for 2010, when he speaks to you shortly.

By now, you should all have received the final dividend of 28 cents a share, fully franked, which was paid on 30 September 2009. When this is added to the interim

dividend of 26 cents, the total dividend for the year was 54 cents, fully franked – an increase of one cent on last year's dividend.

A number of Shareholders have commented that the percentage increase in the dividend was smaller than the increase in profit over the year. This is true, but the dividend of 54 cents represents 63.5 per cent of our underlying earnings per share. At the time we sought shareholder approval of the merger with Alinta and demerger of AGL, we advised Shareholders that it was our intention to maintain a dividend payout of around 60 per cent of our underlying net profit after tax. The Board considers that this provides the right balance between rewarding our Shareholders and retaining sufficient funds to continue building the new assets we need to achieve our strategic goals. However, the Board is mindful that it is here to work for you – our Shareholders. We will continue to review the level of dividends to meet your expectations.

I thought I would give you a brief update on AGL's strategy and the steps we took during 2009 toward achieving our strategic objectives.

AGL is Australia's largest energy retailer, selling gas and electricity to more than 3 million customers. Australian energy markets, particularly for electricity, can be very volatile. For example, prices in the national electricity market can vary between minus \$1,000 per megawatt hour and + \$10,000 per megawatt hour. When demand for electricity is at its highest – during periods of extreme summer temperatures – energy retailers can be quickly exposed to substantial losses unless they have taken steps to manage their cost of supply.

To balance risk between the cost of obtaining energy in wholesale markets and our customers' demand for energy, AGL has, for some years now, been pursuing a strategy of vertical integration. This means that we have been working towards increasing our ability to self-supply more of our upstream gas and electricity needs rather than relying solely on supply contracts with third party owners of gas reserves and electricity generators. As well as helping us to manage the cost of supply, this strategy also provides AGL with security of supply, particularly in relation to long-term access to gas.

We also recognised some time ago that renewable energy would become an increasingly important part of the Australian energy landscape. Since 2005, we have either acquired or built more than 1,000MW of renewable energy capacity in both hydro and wind. This provides enough energy capacity to meet the annual peak electricity requirements of more than half a million households.

With that brief overview of our strategy, I would like to quickly summarise AGL's main strategic achievements over the last year.

We strengthened our Balance Sheet by raising \$3.2 billion from the sale of non-core assets, and by refinancing \$800 million of debt facilities.

We built our ownership interests in upstream gas reserves with the acquisition of a gas exploration licence in the Gloucester Basin in New South Wales and the successful takeover of Sydney Gas Limited.

We expanded our portfolio of renewable generation assets with new wind farm projects and completion of the construction of the 140MW power station at Bogong in the Victorian Alps. Bogong Power Station will be officially opened on 20 November.

Legislation requiring that, by 2020, 20 per cent of Australia's energy be from renewable energy sources has recently been enacted. Substantial investment in new renewable energy assets will be required if the 20 per cent target is to be met by 2020. Much of that investment will be in wind farms until other technologies such as solar and geothermal become scaleable and cost competitive.

Apart from the projects under construction, we have also invested in identifying locations for future wind farm projects. We have acquired development rights for a number of sites which have good quality reliable wind and are situated close to the electricity transmission system. By taking early action to secure high quality development sites, AGL's renewable energy assets will deliver significant value in the years to come.

We have also made some early investments in renewable technologies other than wind and hydro. During the year we entered into an alliance with, and took a small shareholding in, Torrens Energy Limited, a small listed company with geothermal exploration licences in South Australia close to electricity transmission lines. Exploration of the potential geothermal resource is just commencing but there have been some encouraging early results. We will continue to monitor developments in other emerging energy technologies, and make investments in those technologies when we see promising opportunities.

Finally, in Retail Energy, we completed the transfer of customer accounts on to our new SAP billing system.

You will see from comments we make in the Annual Report that we experienced some difficulties following that transfer. Many of our customers received late bills and poor service from AGL during that period and we received many complaints. We have now rectified the problems that caused the delays in issuing bills. And we have apologised to those customers who were inconvenienced.

AGL's goal is to provide excellent service to our customers. The investment we have made in the new billing system was a necessary and important first step to get better insights into our customers' energy needs and to improve our levels of service.

Sustainability is a matter of great importance to AGL. Today we released our 2009 Sustainability Report which provides details of AGL's performance in managing our responsibilities to the environment, our customers, the community, and our employees. This is our fifth annual Sustainability Report.

My colleagues on the Board and I think AGL has made considerable progress this year. We have made important steps in seeking to align the remuneration structure with the interests of Shareholders, balancing current performance with the need for long term investment and stewardship of your company's assets.

The company is in very sound condition and the results are solid. The strategy is clear, there are opportunities ahead, and AGL has a team that is working diligently together. On behalf of the Board, I would like to thank all AGL employees for their hard work during 2010.

It is now my pleasure to invite Michael Fraser, our Managing director and CEO, to address the meeting.