

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.