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Energy in action.®

ASX statement

18 September 2013

Annual Report 2013

AGL Energy Limited is about to commence dispatch of its Annual Report 2013. A copy is attached.

Paul McWilliams

Company Secretary

Energy in action.®

AGL

2013 Annual Report

Contents

AGL Financial Calendar

28 August 2013	2013 full year result and final dividend announced
2 September 2013	Ex-dividend trading commences
6 September 2013	Record date for 2013 final dividend
27 September 2013	Final dividend payable
23 October 2013	Annual General Meeting
February 2014	2014 interim result and interim dividend announced
August 2014	2014 full year result and final dividend announced

AGL's Annual General Meeting will be held at the Grand Hyatt, 123 Collins Street, Melbourne commencing at 10.30am on Wednesday, 23 October 2013.

Cover photo: Sisters Indi and Gabriella enjoy riding their ponies on the family's farming property at Macarthur in Victoria. Wind turbines on the property are part of the Macarthur Wind Farm.

This report is intended to provide AGL shareholders with information on the environmental, social, governance and risk matters that affect your company, alongside the financial performance for the year, in one easy-to-read document.

Our 2013 Annual Report includes the concise Financial Report of AGL and its consolidated entities for the financial year ending 30 June 2013. Copies of our full Financial Report for the year can be downloaded from AGL's online Investor Centre at agl.com.au or shareholders can contact AGL's Share Registry to request a copy. See page 94 for contact details.

Engaging our stakeholders

Engaging our stakeholders has always been at the heart of what AGL does. Our success is measured by our financial performance and by the social and environmental effects our decisions and actions have on the wider community.

We have a responsibility to engage with local communities which are, or could be, affected by our business. We will continue endeavours to improve the way we consult with local communities. This is vital to the success of our new developments, the expansion of existing infrastructure and our ongoing operations.

420 MW

With 140 turbines capable of generating 420 MW, the Macarthur Wind Farm in south west Victoria is currently the largest wind farm in the Southern Hemisphere.

The wind farm is located on three private properties that are also used for cattle and sheep grazing.

Divisional Financial Highlights

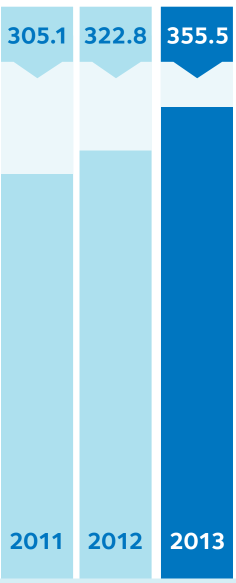
AGL's Retail Energy and Merchant Energy divisions both performed strongly against a backdrop of continued soft demand for energy and strong competition in our key markets.

Retail Energy

- Operating EBIT up by 6.8 percent to $355.5 million.
- Gross margin per customer increased 3.3 percent.
- Customer accounts up by 43,460, including 97,000 new electricity customers in New South Wales.
- Dual fuel customer accounts up to 1.7 million.

355.5

Operating EBIT ($ million)

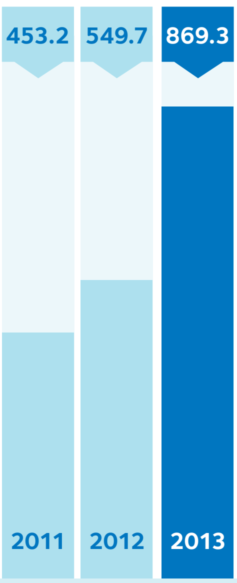


Merchant Energy

- Operating EBIT up 58.1 percent to $869.3 million.
- First full year contribution from wholly-owned Loy Yang A power station in Victoria. Performance in line with acquisition expectations.
- Construction of Macarthur Wind Farm in Victoria completed in January 2013, on time and on budget.

869.3

Operating EBIT ($ million)

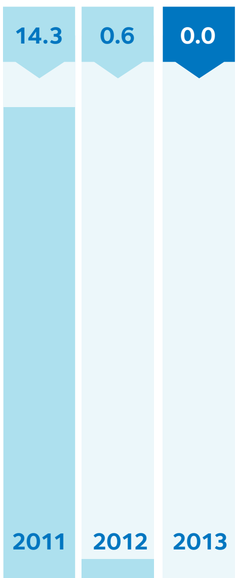


Upstream Gas

- Proposed changes to NSW coal seam gas regulations give rise to $343.7 million (pre-tax) provision for impairment.
- Government approval received for Stage 1 of Gloucester Gas Project in NSW.
- Construction continued on Newcastle Gas Storage Facility in NSW.

0.0

Operating EBIT ($ million)



Group Financial Highlights

AGL's statutory net profit after tax for the year rose by 238.3 percent due to a full year contribution from AGL Loy Yang, changes in the fair value of certain financial derivatives and a strong performance by the core Merchant and Retail businesses.

On an underlying basis, profit increased by 24.1 percent to $598.3 million. Underlying earnings per share increased by 8.8 percent to 108.8 cents.

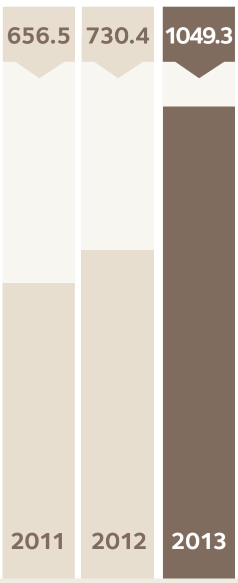
A fully franked final dividend of 33.0 cents per share was declared, bringing the dividend for the year to 63.0 cents per share.

	30 June 2013 $m	30 June 2012 $m	30 June 2011 $m
Profit after tax attributable to shareholders	388.7	114.9	558.7
Adjust for the following after tax items:			
Significant items	289.6	155.1	27.3
Changes in fair value of financial instruments	(80.0)	212.0	(154.9)
Underlying profit	598.3	482.0	431.1
Increase in underlying profit	24.1%	11.8%	0.5%

Operating EBIT

1,049.3

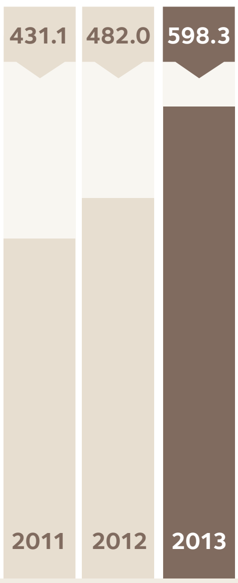
Operating EBIT ($ million)



Underlying profit

598.3

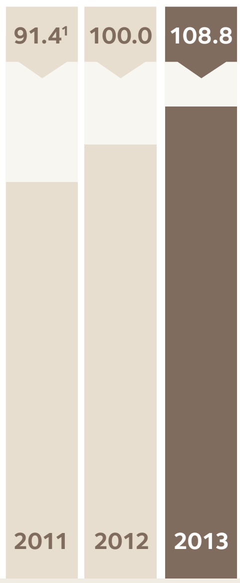
Underlying profit ($ million)



EPS – underlying

108.8

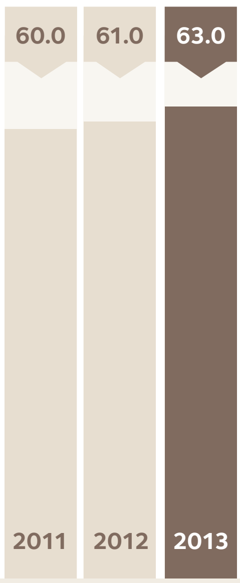
EPS – underlying (cents)



Dividends per share

63.0

Dividends per share (cents)



1 EPS restated for the bonus entitlement of the one-for-six share rights issue completed in June 2012.

Looking to the future

AGL is one of Australia's leading integrated renewable energy companies. Drawing on more than 175 years of experience, we operate 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 providing gas and electricity to more than 3.5 million customers in Queensland, New South Wales, Victoria and South Australia.

We have a diverse power generation portfolio – including base, peaking and intermediate generation plants – spread across traditional thermal generation as well as renewable sources including hydro and wind.

AGL is Australia's largest private owner and operator of renewable energy assets and is seeking to further expand this position by exploring and developing a suite of low emission and renewable energy generation development opportunities.

AGL's heritage began in 1837 as The Australian Gas Light Company, supplying gas for the first public lighting of a street lamp in Sydney in 1841, and was the second company to be listed on the then Sydney Stock Exchange.

2,750 employees

AGL has 2,750 employees and is one of Australia's Top 50 ASX-listed companies with a market capitalisation of $8.025 billion as at 30 June 2013.

Sally, Civil Engineer at AGL Loy Yang. AGL has an objective to increase female appointments to its Senior Leadership Pipeline to 50 percent by 2016.

Our Vision

Creating energy solutions for the communities of today and tomorrow

Our Values

> One Team
> Authentic
> Delivery
> Safe and Sustainable
> Vitality

Our integrated strategy

AGL retails gas and electricity to residential, small business, commercial and industrial customers.

AGL's integrated business strategy balances the risk between upstream supply of energy and our customers' demand for energy.

Vertical integration gives AGL a natural hedge against energy price movements, while providing access to multiple profit pools.

There are two core elements to AGL's integrated strategy.

The first concerns the 'demand' side of the business. This relates to the energy products and services we provide to our customers. If AGL is to continue to grow over the long term, it is crucial that we continue to expand this side of the business as it is this which underpins investment in our upstream supply assets.

The other core element of our strategy concerns the 'supply' side of the business. Over the last few years, we have been investing substantial amounts of capital to increase our ownership of the gas and electricity we need to meet our customers' needs. This will allow us to better manage the wholesale costs of gas and electricity in the years ahead so that we can remain a competitive supplier of energy to our customers.

In pursuing our strategic objectives of growing both the demand side and supply side of the business, it is also important that the investments we make earn a satisfactory return for our shareholders. This means that we need to be disciplined in determining the maximum price we are prepared to pay to acquire or develop new assets.

Energy Production

Upstream supply

Strategic Objectives

> Increase direct ownership of gas to meet a substantial proportion of AGL's long-term domestic demand for gas.

> Invest in gas storage to provide security of gas supply for our customers during periods of peak demand.

> Increase control of peaking and renewable electricity generation to be more self-sufficient in meeting customer needs and the mandatory Renewable Energy Target.

GAS PRODUCTION | RENEWABLE GENERATION | THERMAL GENERATION

Transmission*

Distribution*

GAS | RENEWABLES | ELECTRICITY

Downstream demand

Strategic Objectives

> Grow our electricity customer base in New South Wales.

> Expand the range of energy efficiency service offering to help our customers manage their energy costs.

> Provide an excellent experience for our customers.

Retail Markets

* AGL does not own gas or electricity transmission or distribution networks, but has some strategic investments in gas transmission infrastructure.

Location of significant assets

Hydro Electric Power Stations

>Dartmouth Power Station

Location	Victoria
Capacity	180 MW

>Kiewa Scheme

Location	Victoria
Capacity	391 MW

>Eildon Power Station

Location	Victoria
Capacity	135 MW

Wind Farms

>AGL Hallett 1 Wind Farm

Location	South Australia
Capacity	94.5 MW

>AGL Hallett 2 Wind Farm

Location	South Australia
Capacity	71.4 MW

>AGL Hallett 4 Wind Farm

Location	South Australia
Capacity	132.3 MW

>AGL Hallett 5 Wind Farm

Location	South Australia
Capacity	52.5 MW

>Wattle Point Wind Farm

Location	South Australia
Capacity	90.8 MW

>Oaklands Hill Wind Farm

Location	Victoria
Capacity	63 MW

>Macarthur Wind Farm

Location	Victoria
Capacity	420 MW

>Silverton Wind Farm (proposed)

Location	New South Wales
Capacity	300 MW (Stage 1)

Solar Projects

>Broken Hill Solar Project (in development)

Location	New South Wales
Capacity	53 MW

>Nyngan Solar Project (in development)

Location	New South Wales
Capacity	102 MW

Thermal Power Stations

>Loy Yang A Power Station

Location	Victoria
Fuel type	Coal
Capacity	2,210 MW

>Somerton Power Station

Location	Victoria
Fuel type	Gas
Capacity	150 MW

>Torrens Island Power Station

Location	South Australia
Fuel type	Gas
Capacity	1,280 MW

>Oakey Power Station

Location	Queensland
Fuel type	Gas/Diesel
Capacity	282 MW

Not operated by AGL

>Yabulu Power Station (50% interest)

Location	Queensland
Fuel type	Gas
Capacity	121 MW (50% of 242 MW)

Not operated by AGL

>Diamantina Joint Venture (50% interest) (under construction)

Location	Queensland
Fuel type	Gas
Capacity	151 MW (50% of 302 MW)

Not operated by AGL

Gas Storage

>Newcastle Gas Storage (under construction)

Location	New South Wales
Capacity	1.5 PJ

>Silver Springs Gas Storage

Location	Queensland
Capacity	35 PJ

Upstream Gas Projects

>Gloucester Gas Project[1]

Location	New South Wales
Reserves (2P)	454 PJ

>Camden Gas Project[1]

Location	New South Wales
Reserves (2P)	50 PJ

>Hunter Gas Project[1]

Location	New South Wales
Reserves (2P)	0 PJ

>Moranbah Gas Project (50% interest)

Location	Queensland
Reserves (2P)	291 PJ

Not operated by AGL

>ATP 1103 Exploration Project (50% interest)**

Location	Queensland
Reserves (2P)	868 PJ

Not operated by AGL

>Silver Springs Gas Project

Location	Queensland
Reserves (2P)	58 PJ

>Galilee Gas Project (50% interest)

Location	Queensland

2C resources only

1 Estimated reserves based on Mining SEPP changes. For more detail, refer to pages 57 and 58.

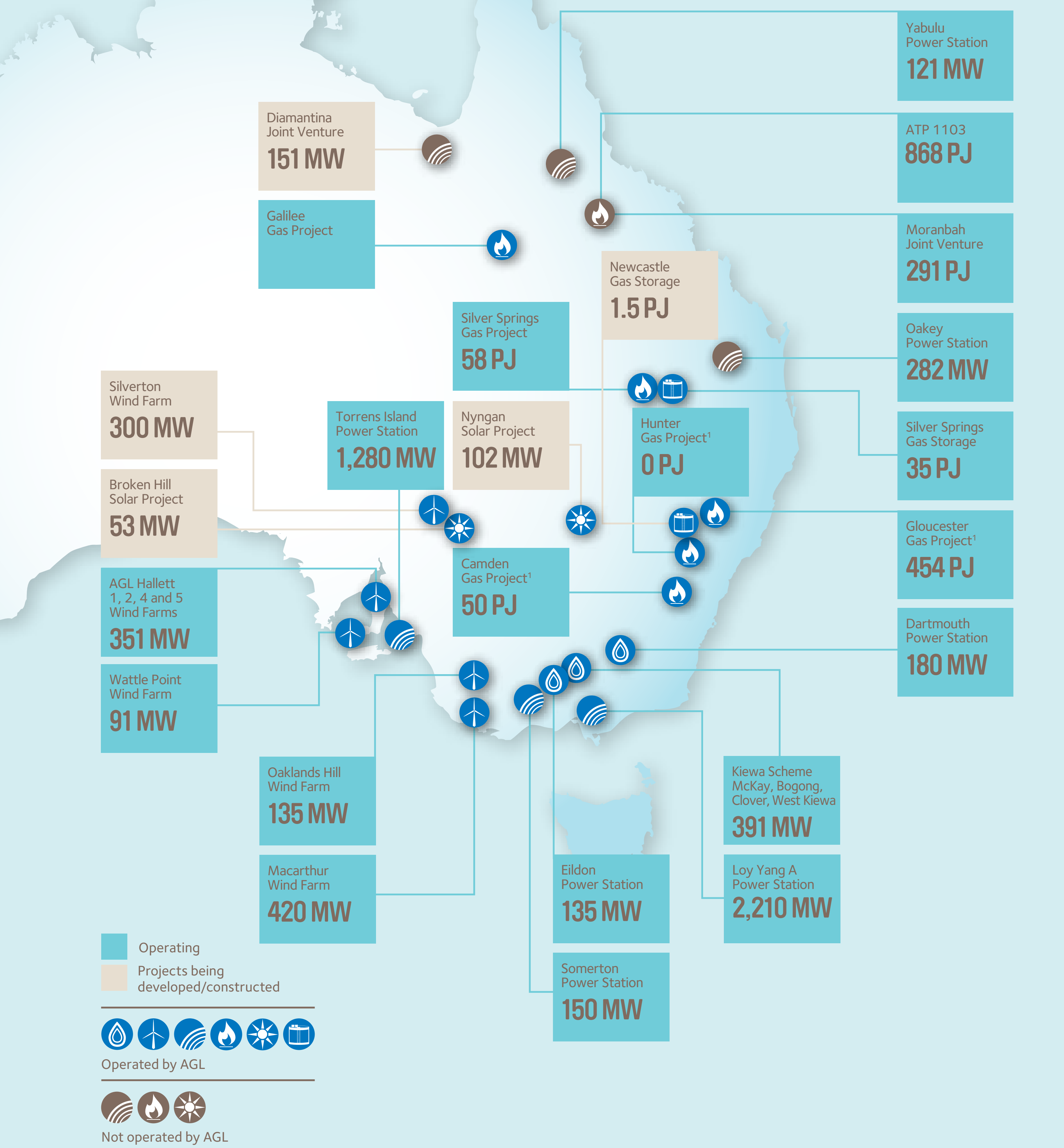
The assets listed above and displayed on the map opposite comprise upstream gas projects with 2P reserves* or 2C resources*, and power generation assets larger than 50 MW as at 30 June 2013. Operated as well as partly owned or non-operated assets are included.

Notes

* 2P, or proved plus probable reserves, are those quantities of gas that are estimated with equal certainty to be greater than or less than actual commercially recoverable quantities. 2C resources are considered not yet commercially recoverable. Consistent with new ASX Listing Rules reporting requirements, gas reserves are now reported net of 'lease fuel', i.e. net of estimated own use fuel consumption upstream of the point of sale.

** Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50 percent interest in any commercial development by contributing its share of past costs.

For more information on how we source energy visit our website **agl.com.au**



Chairman's Report

Financial results

The statutory net profit after tax of your company for the year ended 30 June 2013 was $388.7 million, an increase of 238.3 percent on last year. The result was materially affected by a number of significant items.

The uncertainty relating to the future development of AGL's coal seam gas (CSG) assets in New South Wales (NSW) has resulted in a provision for a reduction in the accounting value of the relevant assets. A review of the market supply and demand outlook for the electricity market has meant various power development projects have been deferred or cancelled. Together with a number of other smaller adjustments, the total reduction in asset values in the accounts (included as significant items) is $441.2 million. Full details are included elsewhere in this Annual Report.

A more useful measure of our annual performance is underlying profit, which is the statutory profit adjusted to exclude significant items and the effect of revaluing certain electricity hedge contracts AGL has in place to manage the wholesale cost of buying electricity in the National Electricity Market (NEM).

AGL's underlying profit for the year was $598.3 million, which compares favorably with last year's underlying profit of $482.0 million. The main reason for the increase of 24.1 percent was the full year contribution from the Loy Yang A power station and adjacent coal mine.

The Board considers this to be a very satisfactory result in the face of difficult trading conditions affecting all participants in the energy industry. Over the last year, the energy markets in which AGL operates have been characterised by high levels of competition and softening demand, both of which have affected the performance of AGL's business. These trading conditions are expected to continue for some time to come.

On a more optimistic note, AGL has finalised arbitration processes and contract negotiations for our major wholesale gas supply contracts. Approximately 85 percent of AGL's gas supply agreements now have prices set on terms which provide an opportunity to create value for shareholders against a backdrop of rising gas prices on Australia's east coast.

Dividend

The Board has declared a fully franked dividend of 33.0 cents per share. Together with the interim dividend, this will bring the total dividend for the year to 63.0 cents, an increase of two cents on last year's dividend.

The Board's dividend policy remains unchanged. A dividend of approximately 60 percent of underlying profit provides the financial flexibility to manage any variations in future performance while allowing for regular increases in the dividend from year to year.

Progress against strategic objectives

AGL has been successfully pursuing a strategy of vertical integration for several years. Greater ownership of upstream assets – electricity generators and gas reserves – helps to mitigate the risk of operating in competitive retail energy markets while exposed to volatile wholesale energy costs.

Over the last several years, we have invested considerable amounts of money in acquiring or developing our own electricity generators and gas reserves. We have also sought to increase our Retail business by growing our customer base through a combination of organic growth and opportunistic acquisitions of retail businesses.

During 2013, we made further progress in both parts of the business.

Much of the focus over the year was on successfully integrating the Loy Yang A power station and adjacent coal mine following the acquisition of full control in June 2012. At the time of acquisition, we said we expected it would be immediately accretive to AGL's earnings. I am delighted to report that this objective has been achieved, with the increase in AGL's underlying earnings per share increasing from 100.0 cents to 108.8 cents due largely to the contribution from AGL Loy Yang.

Over the last 30 months, our Retail business has largely concentrated on acquiring new electricity customers in NSW. Recently, we announced a takeover offer for Australian Power and Gas Company Limited, a small ASX-listed energy company with 350,000 customers. The successful completion of that acquisition would bring our electricity customer base in NSW to a total of almost 800,000 – effectively achieving the target we set for ourselves nearly three years ago.

Energy policy

One part of the business where our strategic objectives have been frustrated is Upstream Gas. In particular, our plans to develop CSG production in NSW have been compromised by the announcement in February 2013 of draft changes to the State's Environment Planning Policy. The proposed changes will sterilise a large portion of the gas reserves potentially available to meet an emerging shortage of gas in NSW. They undo much of the Strategic Regional Land Use Policy put in place by the NSW Government just a few months previously – a policy that had been developed after a lengthy consultation process with both industry proponents and local communities and which balanced the needs and objectives of all stakeholders while protecting the State's vital economic interests.

Unfortunately, the proposed changes are a disappointing example of energy policy development. They have been developed on a reactive basis and without consultation. The government is right to be concerned about the protection of regional water resources and any legitimate threat to human health. However, the government also has a responsibility to respect the rights of responsible corporations that have invested, in good faith, on the basis of longstanding mineral licencing regimes. AGL and the gas industry will work with all levels of government to promote the national interest by helping to allay legitimate community concerns through measured policy responses to demonstrate that CSG activities can be conducted without harm to either the environment or to human health.

Other areas of Australian energy policy are also in an unsatisfactory state. The basis for pricing the cost of carbon emissions remains highly uncertain. Poorly designed subsidies for rooftop solar installations have distorted the market for renewable energy certificates and contributed to high electricity prices for all consumers. Cost escalation and cost recovery in distribution networks remains the dominant factor in increasing retail prices.

One area of energy policy where some encouraging progress has been made is in the regulation of retail prices. AGL has consistently maintained that the most effective way to provide consumers with the lowest cost energy and widest choice of energy providers is for state and federal governments to work towards robust, competitive deregulated markets. For many years, Victoria has been the only state in the NEM to operate on a deregulated basis. It is no coincidence that it is among the most competitive energy markets in the world. Over the last financial year, both the South Australian and Queensland governments have announced significant changes in the design of their electricity markets. The South Australian electricity market was deregulated with effect from 1 February 2013. AGL supported the move to deregulation with a commitment to providing customers on standing contract price arrangements with material discounts for a period of two years. More recently, the Queensland Government has announced that electricity prices will be deregulated with effect from 1 July 2015.

AGL is optimistic that the NSW Government will also seriously evaluate the long-term benefits of removing this anachronistic price regulation in the not too distant future.

Executive remuneration

The Board devotes considerable time to designing a remuneration framework that rewards our executives for achieving results that increase the wealth of all shareholders. A vital element of this framework is AGL's long-term incentive plan (LTIP), which gives executives the opportunity to receive AGL shares as a reward for achieving sustainable improvements in financial outcomes. Full details of the operation of the LTIP, and the results achieved this year, are set out in the Remuneration Report commencing on page 64. However, I wanted to take this opportunity to inform shareholders about an important change to the design of the LTIP.

For the last four years, rewards under the LTIP have been based on annual improvements in two equally weighted measures of performance.

The first measure relates to absolute total shareholder returns (Absolute TSR). Absolute TSR is the change in AGL's share price plus the payment of dividends. Executives only start to receive new share grants each year under this measure to the extent Absolute TSR exceeds four percent, increasing to a 'stretch' level of grants at 14 percent.

The second measure is related to improvements in returns on funds employed (ROFE). This performance measure was introduced to focus management on delivering better returns from the capital AGL has invested.

After four years of steady improvement, the Board is satisfied that AGL's ROFE is now at a level which exceeds the 'cost' of its capital, and is more appropriate for the level of risk borne from operating in Australia's energy markets. Retaining this measure in future creates two problems. Firstly, it becomes impracticable to continue increasing ROFE each year without taking on unacceptable levels of risk. Secondly, projects that have target returns above the cost of capital may be overlooked because they would not increase ROFE, even though they would still be value accretive for shareholders.

The Board considered a wide range of alternative measures of performance to underpin long-term incentives and has decided to replace ROFE with relative total shareholder return (Relative TSR). For this element of the LTIP, executives will now be rewarded to the extent AGL's shareholder returns outperform the returns delivered by other Australian companies in the ASX 100. This measure recognises that AGL competes with other Australian companies for access to capital. Equity investors are more likely to provide new share capital to companies able to consistently generate appropriate relative TSR outcomes.

24.1%
increase in underlying profit

Finally, I note that the AGL LTIP is still one of the few amongst larger Australian companies with an effective 'clawback' mechanism. This improves alignment of shareholder interests with the interests of executives by reducing unvested executive rewards if performance declines below predetermined thresholds.

Conclusion

The Board is satisfied that AGL has made good progress this year, although the current difficult economic conditions and uncertain energy policy settings mean that the next two or three years are likely to be challenging times for AGL.

Many other companies will face the same challenges. AGL's sound strategy, strong financial position, and talented and engaged workforce means your company is better placed than most other companies to deal with these difficulties. The Board is confident that AGL will provide shareholders with the returns they should expect to receive over the medium term.

On behalf of the Board, I extend my thanks to AGL's Managing Director, Michael Fraser, his team of executives, and all AGL employees for their contributions to the successes achieved over the last year.

Jeremy Maycock
Chairman

Managing Director's Report

AGL's underlying profit for the year ended 30 June 2013 increased by 24.1 percent to $598.3 million. Our core Retail and Merchant Energy businesses both performed well against a backdrop of continued falling demand for energy and high levels of competition in retail energy markets.

A highlight of the year was the integration of Loy Yang into our business. Both the power station and the adjacent coal mine performed reliably throughout the year, and the earnings contributions from these assets met the expectations we set at the time we acquired them.

Delivering on strategic objectives

In recent years we have made substantial investments to increase our ownership of the assets to produce gas and electricity required to meet our customers' needs and allow us to better manage the wholesale costs of gas and electricity in the years ahead.

The acquisition of the Loy Yang A power station in June 2012 increased AGL's owned or controlled generation capacity to almost 6,000 MW. Importantly, the additional scale and portfolio diversification Loy Yang provides helps AGL's ability to manage the wholesale cost of electricity.

The addition of Loy Yang to our generation portfolio does not alter AGL's position as Australia's largest private developer, owner and operator of renewable energy assets.

During the year we completed construction of the Macarthur Wind Farm in south west Victoria. This is the largest wind farm in the Southern Hemisphere. It added 420 MW to AGL's generation portfolio and increased our total operated renewable energy capacity to 1,740 MW. It also generated significant local employment and broader regional economic benefits during development and construction.

In June 2012, AGL was announced as the successful bidder in the Commonwealth Government's Solar Flagships Program which includes two large-scale solar photovoltaic projects. The AGL projects will include a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill. The total project cost is approximately $450 million, including contributions totalling $231.6 million from the Commonwealth and New South Wales (NSW) governments. Construction of the Nyngan project is expected to start in January 2014, with completion scheduled by mid-2015. Construction of the Broken Hill project will start approximately six months later, in July 2014, and is scheduled to be completed in late 2015.

Our Upstream Gas business continued work to construct an LNG storage facility at Newcastle, in NSW. This will be used to meet AGL's peak gas market requirements over winter periods and to provide additional security of gas supply during supply disruption events. Up to 300 people will be employed during construction. The facility is expected to be commissioned early in 2015.

Unfortunately, current market and political conditions are not conducive to building further new electricity generation assets. A reduction in total demand for energy has led to an oversupply of electricity generation. Wholesale electricity prices are at levels below those required to provide a satisfactory return on investment for new plant. Ongoing uncertainty about the future of the Renewable Energy Target is also a key factor in investment decisions.

As a result, we recently announced we would defer the appointment of a contractor to construct a wind farm at Silverton near Broken Hill in NSW. This followed an earlier decision to defer investing in a gas-fired power station at Dalton, also in NSW.

Our customers

Our customers are the cornerstone of our business. Customer demand for energy products and services underpins investments in upstream supply assets such as power stations, gas storage facilities and wind farms. For AGL to deliver sustained growth into the future, it remains important that we grow and maintain our customer base. We believe this is best achieved by offering existing and potential customers a broad range of competitively priced energy products and services. Most importantly, we must ensure we provide AGL's customers with excellent service.

I am pleased to report that we made good progress during the year on all these fronts.

30%
improvement in safety performance

In total, we increased the number of AGL customers by approximately 43,500. Especially pleasing was the continued success of our campaign to grow the number of customers in New South Wales where we added 97,000 new electricity customers.

We also increased the number of "dual fuel" customer accounts. These are customers who buy both gas and electricity from AGL. We now have approximately 1.68 million such customer accounts, an increase of more than 3.7 percent over the year.

In 2012, we established AGL Energy Online, our online service that enables customers to manage their AGL account. More than 590,000 households are now registered with AGL through AGL Energy Online. We enhanced this service in February 2013 with the launch of My AGL IQ®, a purpose-built website application that allows AGL customers to track and save on their energy usage and set goals to help lower their energy spend.

In a highly competitive retail environment, AGL's rate of customer churn continues to be materially lower than the industry average. However, it remains important that AGL continues to develop key services in line with customers' evolving needs. Initiatives implemented over the last year have helped drive continued improvement in our customer satisfaction levels, which are now at the highest level since we began objectively measuring customer satisfaction more than four years ago. Other initiatives planned to commence in the coming year, such as flexible billing options, should offer further opportunities for improvements in the customer experience.

Our people

Providing a safe and healthy workplace for our employees and contractors is a key priority for AGL. I am pleased to report that, after two years of increases, our Total Injury Frequency Rate (TIFR) has fallen by more than 30 percent, from 8.5 to 5.9. This reduction is especially satisfying because it includes safety incidents at Loy Yang. In the year before its acquisition by AGL, Loy Yang's TIFR was 15.4. The successful integration into AGL's business has seen Loy Yang's TIFR fall to 5.3, an improvement of more than 66 percent.

Another key measure of the health of AGL's organisational culture is employee engagement. Every year we ask our employees to participate in a survey to measure the extent to which they want to continue to work for AGL and the extent to which working for AGL motivates them to work to the best of their ability. Our level of employee engagement has steadily improved over the last six years. This year there was further improvement, with engagement now at 77 percent. Improvements were recorded across all parts of the business. This means AGL is performing above the ORC International Best Performing Zone (a high performance external global engagement benchmark).

We have continued our efforts to improve the representation of women in leadership positions. The acquisition of Loy Yang – where the employee base is overwhelmingly male – has masked some of the good progress that has been made to increase the number of women in senior roles in other parts of AGL.

Our communities

Our success is measured by more than just our financial performance. We have a responsibility to the wider community to make sure that our business activities do not harm the health of local residents or damage the local environment.

During the year, AGL commissioned a report from an independent consultant to help alleviate community concerns about infrasound noise levels near the Macarthur Wind Farm. The report found that recorded infrasound levels after the wind farm started operating were unchanged from those recorded before and during construction. The report was also reviewed by Dr Geoff Leventhall, an internationally renowned expert in low frequency acoustics.

An issue of concern for local communities close to our CSG interests in NSW is the protection of water resources. In response to those concerns, we have increased our monitoring of water aquifers in the Gloucester and Hunter exploration areas and at our Camden gas production operation. To date, the monitoring shows there is little, if any, connectivity between the water in deep coal seams and the water in aquifers close to the surface which are used for agricultural, viticultural and pastoral pursuits.

I acknowledge that AGL, and other industry participants, need to continue demonstrating that our CSG activities are safe for the environment. We are appointing additional dedicated resources to improve our communications with those communities near our CSG activities. In addition, we recently signed a co-operation agreement with Gloucester Council which will include additional water studies to address the concerns of the Gloucester community.

Conclusion

During the year, we celebrated AGL's 175th anniversary. We have a long and proud history of working with the community and responding to the changing needs of Australian society.

Today, AGL is well positioned to respond to the many challenges and the rapid pace of change facing the energy sector. I am confident that AGL will continue to deliver outcomes of value for our customers and our shareholders.

This has been a very busy year at AGL. It has also been a very successful year. I would like to thank all AGL employees for their contributions in bringing about this result.

Michael Fraser
Managing Director

Delivering an excellent customer experience

Our Retail Energy division sells and markets natural gas, electricity and energy related products and services to more than 3.5 million residential and small business customer accounts across New South Wales (NSW), Victoria, South Australia and Queensland.

In a competitive market, Retail Energy responds to customers' concerns about increasing energy prices by providing simple and practical ways for customers to monitor their energy consumption and reduce their energy costs.

AGL has 10 Smarter Living Stores where consumers can get advice on heating, cooling, hot water and solar products.

Main achievements

Customer base grows
AGL's customer base increased to more than 3.5 million accounts, up 1.2 percent on FY2012.

More NSW electricity customers
NSW electricity customer base lifted to 717,000 in FY2013.

AGL churn rate lower
Churn rate for AGL customers continued to be lower than total market churn rate.

Customer satisfaction up
Customer satisfaction higher in FY2013, particularly in Q4.

My AGL IQ® launched
Online tool that allows AGL customers to track and compare energy use, and create personal energy savings action plan.

Monthly billing introduced
AGL customers can choose the preferred day of the month to receive accounts.

Key challenges

Intense market competition
Retail competition intense in year, with high customer churn rates and discount offers.

Electricity volumes lower
Residential demand down on last year due to rising prices, rooftop solar and customer uptake of efficiency initiatives.

Financial performance

AGL has one of Australia's largest retail energy and dual fuel customer bases. In FY2013, Retail Energy recorded an Operating EBIT of $355.5 million, up 6.8 percent on the previous year.

This result was mainly due to higher electricity gross margin from regulatory and contract price increases and growth in NSW electricity customer numbers. This was partly offset by lower average consumption. Gas gross margin was also higher due to regulatory and contract price increases and higher Victorian volumes.

Key challenges

Intense market competition

In an Australian energy market undergoing significant structural change, retail competition was intense during the year with high customer churn rates and discount offers. Competition was particularly intense in NSW and Victoria.

The churn rate for AGL customers of 18.4 percent continued to be lower than the total market churn of 24 percent. Improvements in our service levels, increasing customer participation in AGL Energy Online and new initiatives including My AGL IQ® contributed to this result.

Total electricity customer accounts increased by 61,834 during the year. However, total volumes were 134 GWh lower compared with last year due to lower residential electricity demand flowing from consumer response to rising prices, the deployment of rooftop solar photovoltaic systems, and higher adoption of energy efficiency initiatives.

Gas sales volumes were 0.5 PJ up on the previous year, with increases in Victoria being largely offset by declines in NSW.

Retail Energy continued to implement a number of strategies to improve customer engagement. These included establishing alternative sales channels, offering flexible billing options and delivering online solutions to keep pace with changing customer needs and preferences.

Our stable operating systems, in place for the past three years, provided a platform for effective debtor management.

Case study

My AGL IQ®

In February 2013, AGL launched My AGL IQ® – an online tool which allows customers to track and compare their energy use. This monitoring tool is available to all AGL customers, in all states, for all fuels and all meter types.

About 590,000 registered AGL Energy Online customers have access to My AGL IQ®. This tool allows users to see how they use energy and what their energy charges are; build a personal energy savings action plan and track performance against targets; and reduce energy use by taking practical steps.

590,000

Registered AGL Energy Online customers

Retail Energy	2013	2012
Operating EBIT ($m)	355.5	332.8
Operating EBITDA ($m)	431.1	391.9
Operating cost/gross margin (%)	49.3	49.2
Electricity volume (GWh)	15,276	15,410
Gas volume (PJ)	60.6	60.1
Consumer market gross margin ($m)	701.7	654.5
Average consumer market customers (000s)	3,500.2	3,373.2
Average consumer market gross margin per customer ($)	200.47	194.03

Key achievements

Growing our customer base

AGL's customer base increased to more than 3.5 million accounts across gas and electricity products. This was a 1.2 percent increase on last year.

In January 2011, we set an objective of growing AGL's residential and small business electricity customer base in NSW to 800,000 by June 2014. During the year, AGL added 97,000 NSW electricity consumers to our customer base, lifting total AGL electricity customers in the state to 717,000. NSW is now our largest electricity customer base.

On 15 July 2013, AGL announced an intention to acquire Australian Power and Gas Company Limited. On completion, this will increase AGL's total customers by approximately 10 percent.

Responding to customer feedback

AGL ceased using door-to-door residential sales in March 2013. We have progressively expanded alternative sales channels.

AGL monitors customer satisfaction using a variety of performance indicators including participation in external benchmarking programs. Our score averaged 6.92 in FY2013 (up from 6.68 last year), and 7.02 in Q4 2013.

AGL's share of complaints made by customers to the Ombudsman in each state was significantly below market share.

Helping customers save energy

Core to AGL's retail strategy is helping customers save energy and manage their household and business budgets. In FY2013, we continued to develop our customer engagement strategies.

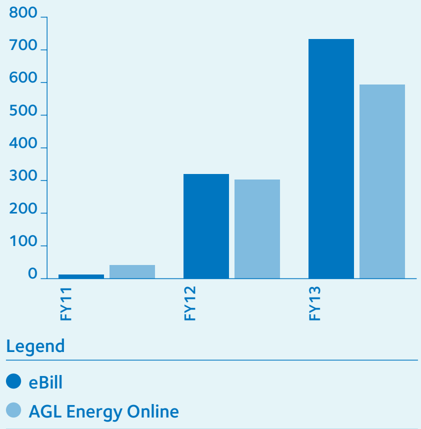
AGL's Energy Online service, which allows customers to manage their account online, was enhanced by the launch of My AGL IQ® in February 2013.

During the year, we introduced a monthly billing initiative to give AGL customers more flexibility to manage the timing of payments. For example, customers can nominate to receive their account on their preferred day of the month to coincide with the receipt of income.

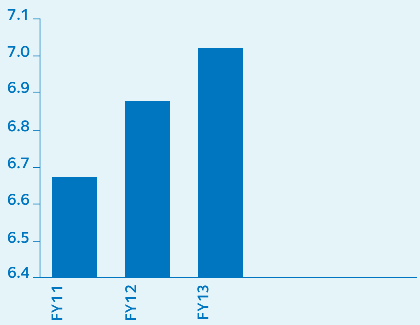
In April 2012, AGL became a partner for the new flybuys program. As of 30 June 2013, more than 400,000 AGL customer accounts were linked to flybuys earning points.

Performance highlights

Digital uptake by AGL customers ('000s)

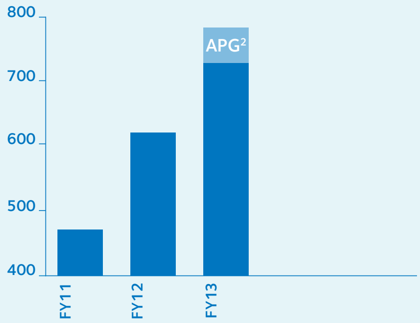


Customer satisfaction[1]



1 Customer Satisfaction score out of 10 as measured by AMR Australia

NSW electricity customer numbers ('000s)



2 On completion, acquisition of Australian Power and Gas Company Limited will increase AGL's total customer numbers by approximately 350,000.

Delivering gas and electricity to wholesale and retail markets

AGL's Merchant Energy division develops, operates and maintains our power generation assets; develops our carbon strategy; and manages the risks related to buying and delivering gas and electricity for AGL's wholesale and retail customer portfolio. It also manages relationships with AGL's large commercial and industrial customers.

Church Resources General Manager Mark (left) discusses energy efficiency options for charities with Brendan from AGL Energy Services and House with No Steps CEO Andrew.

Main achievements

Generation assets perform

AGL met or exceeded international benchmarks for generation availability across asset portfolio.

AGL Loy Yang integration

The Loy Yang A power station was successfully integrated into the generation portfolio.

Macarthur Wind Farm completed

Construction of the 420 MW Macarthur Wind Farm in Victoria was completed in January 2013, on time and on budget.

Co-generation facility completed

AGL completed a 21 MW co-generation facility at Qenos Pty Limited's Altona plant in Victoria. AGL and Qenos were jointly awarded the 'Best Co-generation Project' at the Energy Efficiency Council Industry awards.

Solar Flagships Project to proceed

AGL will proceed with two solar photovoltaic (PV) projects, with 155 MW total capacity, at Broken Hill and Nyngan in NSW. Total project cost is approximately $450 million, with $231.6 million being provided from Federal and NSW Government grants.

58%

increase in Operating EBIT, due mainly to full year contribution from AGL Loy Yang

Financial performance

In FY2013, Merchant Energy recorded an Operating EBIT of $869.3 million, up 58.1 percent on the prior year. The increase was due mainly to the inclusion of a full year contribution from AGL Loy Yang.

No development profits were recognised in the year compared with $43.0 million in FY2012.

Key challenges

Lower energy demand, low wholesale prices

Energy demand weakened across the National Electricity Market (NEM) due to a combination of increased prices, reduced manufacturing volumes, energy efficiency initiatives and increased rooftop solar generation. This low demand, coupled with excess supply of generation capacity, resulted in low wholesale energy prices.

Policy uncertainty

AGL's generation assets include a large portfolio of renewable generation assets and a pipeline of development opportunities that position AGL to benefit from Australia's mandatory Renewable Energy Target (RET). However, political uncertainty about the RET affected the value of Renewable Energy Certificates. A review of the RET is legislated to occur in 2014, although any potential changes are likely to continue to require significant further renewable development.

In addition, carbon policy uncertainty has led to decreased liquidity and lower prices in the forward electricity markets.

New South Wales gas supply

The outlook for the eastern Australian gas market is likely to be increased demand and higher prices due to the effect on supply of the start of Liquefied Natural Gas (LNG) exports from Queensland.

A number of AGL's major gas supply contracts end from 2017. The NSW Government's current policy on coal seam gas (CSG) exploration will further restrict supply, which is expected to particularly affect AGL's ability to supply gas to commercial and industrial customers.

Main highlights

Our generation portfolio

The Merchant Operations business unit manages and maintains AGL's portfolio of wind, water, gas and coal-fired electricity generation plants.

AGL's thermal and renewable generation portfolio includes the 2,210 MW coal-fired Loy Yang A power station in Victoria, the 1,280 MW gas-fired AGL Torrens power station in South Australia (SA), the 150 MW gas-fired Somerton Power Station in Victoria, and 1,720 MW of wind and hydro generation in SA, Victoria and NSW.

Merchant Energy	2013 $m	2012 $m
Operating EBITDA	1,034.5	628.5
Operating EBIT		
Energy Portfolio Management	1,134.6	540.4
Merchant Operations[1]	(366.6)	(118.8)
Business Customers	122.8	94.1
Power Development	(0.9)	40.8[2]
Sundry	(20.6)	(6.8)
Total Operating EBIT	**869.3**	549.7

1 Merchant Operations is largely a cost centre with all generation revenues and variable fuel costs included in the Energy Portfolio Management results.

2 Includes development fees of $43.0 million.

Increased thermal generation capacity

In June 2012, AGL acquired the Loy Yang A power station and adjacent coal mine in Victoria's Latrobe Valley. AGL Loy Lang directly employs about 600 people and supplies approximately 30 percent of Victoria's electricity needs.

Increased wind generation capacity

AGL's portfolio of wind generation includes four wind farms totalling 351 MW in SA's Hallett region; and the 63 MW Oaklands Hill Wind Farm and 420 MW Macarthur Wind Farm in Victoria.

The Macarthur Wind Farm has 140 wind turbines and is the largest wind farm in the Southern Hemisphere. The first wind turbine was commissioned in October 2012. All turbines were operational in December 2012. The project reached practical completion on 31 January 2013.

AGL implemented a noise monitoring program when the first turbines started operating in late September 2012. In April 2013, an independent assessment by AECOM Australia confirmed the asset was operating within the strict noise limits set in the wind farm's state planning permit.

Maintaining hydro capacity

AGL operates hydro-electric power stations to meet intermediate and peak customer demand.

Located mainly in north-eastern Victoria, our hydro-electric assets are based on the Dartmouth, Eildon and Kiewa catchments and generated more than 950 GWh during FY2013. A major refurbishment program was undertaken at the West Kiewa Power Station during the year. The program included installing new turbines and main inlet valves in the power station.

Generation asset performance

A primary objective is to ensure AGL's generation assets are available when required, particularly during periods of peak customer demand for energy. Performance is assessed by the commercial availability and start reliability of the generation assets.

This year, AGL again met or exceeded international benchmarks of good practice. All generator units at AGL Loy Yang were available for 90.7 percent of the time and at AGL Torrens availability was 99.2 percent. Start reliability at the Somerton Power Station was 94.2 percent and for AGL's hydro assets approximately 99.1 percent. These high levels of operating performance reflect AGL's commitment to maintaining and upgrading our generation assets.

Building our generation capacity

AGL's Power Development business unit develops wind and solar generation assets.

During the year, AGL received State and Federal government approvals for our proposed Dalton Power Project and associated infrastructure in NSW. Federal approval is for construction of up to a 1,000 MW gas turbine power station. Stage 1 of the project is for a 500 MW power station to supply peak demand electricity in NSW.

Under the approvals granted, AGL has five years to start construction of the project. A decision on timing of a future investment will depend on market conditions.

In July 2013, we announced we are deferring the appointment of an engineering, procurement and construction (EPC) contractor for our proposed Silverton Wind Farm near Broken Hill in NSW. With a potential operational capacity of up to 1,000 MW, the wind farm could generate up to four-and-a-half percent of NSW's current total power requirements. AGL will review the appointment of a contractor for the wind farm in 2014.

Key challenges

Lower energy demand, low wholesale prices

Energy demand weakened across the National Energy Market (NEM).

Policy uncertainty

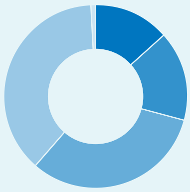
Uncertainty about the future of the Renewable Energy Target and carbon pricing reduced liquidity in the forward market.

NSW gas supply unsure

NSW Government's current policy on coal seam gas exploration will further restrict gas supply.

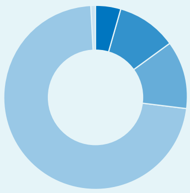
Generation portfolio

By capacity[1]



Legend	MW
Hydro	795
Wind	925
Gas	1,871
Coal	2,210
Other	46
Total	**5,847**

By output[1]



Legend	GWh
Hydro	964
Wind	2,130
Gas	2,470
Coal	14,851
Other	130
Total	**20,545**

1 Includes power stations owned, operated or controlled by AGL.

In June 2012, AGL was announced as the successful bidder under the Commonwealth Government's Solar Flagships program. AGL will proceed with a project to construct two solar photovoltaic (PV) power stations, with a total capacity of 155 MW, at Broken Hill and Nyngan in NSW. The decision followed achieving financial close of funding agreements with the Australian Renewable Energy Agency (ARENA) and the NSW Government. Total project cost is $450 million, with $231.6 million being provided from Commonwealth and NSW government grants.

This will be Australia's largest solar project, with Nyngan also being the largest solar plant in the Southern Hemisphere. Construction of the Nyngan plant is expected to start in January 2014, with completion scheduled by mid-2015. Construction of the Broken Hill plant is expected to start in July 2014 with scheduled completion in late 2015. First Solar (Australia) Pty Ltd will provide engineering, procurement and construction services for both plants, and will operate and maintain both plants for AGL for five years after commercial operation starts.

Supporting our business customers

Merchant Energy's Business Customers unit sells electricity, gas and other energy services to AGL's large commercial and industrial customers. We also provide 'beyond the meter services' such as energy efficiency advice and broader carbon management services.

During the year, AGL completed a co-generation facility at industrial customer Qenos Pty Limited's Altona plant in Victoria. The $45 million facility provides an energy efficient supply of electricity and steam for Qenos. Built, owned and operated by AGL, the embedded plant has a nominal capacity of 21 MW and will produce 171 GWh annually. This, coupled with a heat recovery steam generator, produces up to 88 tonnes of steam per hour.

The facility is the largest investment in industrial or manufacturing co-generation in more than a decade and will cut carbon dioxide emissions by 100,000 tonnes a year.

AGL and Qenos were jointly awarded the "Best Co-Generation Project" at the Energy Efficiency Council industry awards.

Case study

AGL Energy Services supports NFP sector

Energy Services, part of AGL's Business Customers division, provides energy management solutions to commercial and industrial consumers.

In FY2013, AGL was invited by Church Resources (CR) to participate in the National Energy Efficiency NFP Network, a $1.6 million Federal Government project designed to help the sector build awareness about energy efficiency and take action to reduce the cost of doing business.

CR aggregates the collective energy purchasing across its 7,000+ members in the NFP sector.

One CR member to benefit from its work with AGL is Sydney-based charity House with No Steps. AGL manages the charity's mass market power across its more than 160 properties in Queensland and NSW.

Brendan from AGL Energy Services (left) with Church Resources General Manager Mark and CEO Luke.

Advancing the long-term security of gas supply

AGL's Upstream Gas division invests in and operates gas exploration, development and production tenements and develops and operates gas storage facilities.

Our asset portfolio is classified into two broad regions. The Queensland region includes the Silver Springs Underground Gas Storage Facility near Roma, along with joint venture interests in the Moranbah Gas Project, the Diamantina Power Station, the Galilee Basin and the Cooper Basin. The New South Wales (NSW) region comprises owned and operated assets at Camden, in the Hunter Valley, at Newcastle and at Gloucester.

Gloucester Gas Project team members Amanda and Ian with Land Approvals Manager Toni (centre) who was selected as AGL's 2012 Employee of the Year.

Main achievements

Gloucester Gas Project

Government approval granted for Gloucester Gas Project Stage 1 in August 2012, subject to meeting a number of conditions, which AGL is working to satisfy.

Newcastle Gas Storage Facility

Construction program on schedule for the Newcastle Gas Storage Facility project in NSW. AGL aims to deliver gas from the facility in 2015.

NSW water monitoring activity increased

Expanded dedicated water monitoring networks across Gloucester, Hunter and Camden gas projects, and firmly embedded water monitoring in daily operations.

Continuous emission monitoring enhanced

Installed new, state-of-the-art continuous emission monitoring equipment at Camden. Data collected is published on AGL's website.

Community engagement team increased

Increase in dedicated local resources to inform and consult with local communities in line with AGL's commitment to increase our community engagement.

2017

is when a critical gas shortage is expected to emerge in NSW

Financial performance

In FY2013, Upstream Gas recorded an Operating EBIT of $0.0 million compared with $0.6 million in the previous year.

Operating EBIT from Queensland and South Australian assets was up $0.5 million due to increased gas sales. However, higher costs from increased rig workover activity and lower gas sales from our NSW assets resulted in the contribution declining $1.8 million compared with last year.

Challenges to delivery

Government policy uncertainty

Changes in government policy announced during the year have affected the value of AGL's Upstream Gas assets in NSW.

On 19 February 2013, the NSW Government announced its intention to amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP).

The proposed changes include exclusion zones for coal seam gas (CSG) exploration and development within two kilometres of residential areas and within certain critical industry cluster areas covering viticulture and equine activities. AGL's approved and operating project at Camden and the approved project at Gloucester (Stage 1) are not expected to be affected by the proposed changes.

Proposed but not approved AGL projects that could potentially be affected are Camden (Camden North expansion), Hunter and Gloucester (Stages 2 and 3).

At the date of reporting, the government was still to release a final amended Mining SEPP.

Development of NSW's CSG resource is important to the future of the NSW economy, not just for AGL shareholders and customers.

A critical shortage of gas in NSW is expected to emerge from 2017. The inability to obtain reliable supplies of gas at affordable prices will have a material effect on many industrial businesses in NSW, with flow on effects across the wider economy.

Key highlights

Gloucester Gas Project

AGL is committed to the safe and sustainable development of natural gas supply for NSW customers.

In August 2012, we received government approval for Stage 1 of the Gloucester Gas Project. The approval is subject to a number of conditions which AGL is working to satisfy. In late 2012, AGL lodged the necessary petroleum production lease application for Stage 1 of the project and a pipeline licence application.

AGL share of gas reserves*	As at 30 June 2013		As at 30 June 2012	
PJ	2P	3P	2P	3P
Gloucester (100%)	454	565	635	790
Moranbah (50%) – Bowen Basin	291	487	361	828
Camden (100%)	50	50	138	183
Hunter (100%)	0	0	134	257
Silver Springs (various)	58	150	58	150
Spring Gully (various, small)	8	9	7	10
Sub-Total	**861**	**1,261**	**1,333**	**2,218**
ATP 1103 rights (50%) – Bowen Basin**	868	2,065	737	1,594
Total	**1,729**	**3,326**	**2,070**	**3,812**

* Consistent with new ASX Listing Rules reporting requirements, gas reserves are now reported net of 'lease fuel', i.e. net of estimated own use fuel consumption upstream of the point of sale. Reserves as at 30 June 2012 have been restated accordingly for comparison purposes.

** Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50 percent interest in any commercial development by contributing its share of past costs.

The Gloucester Gas Project has the potential to meet the annual gas needs of more than one million NSW homes. Stage 1 will include up to 110 gas wells and associated infrastructure.

AGL acknowledges the concern expressed about the potential impact of the project, particularly in respect of the area's water resources. AGL has a team of hydrogeologists who are conducting ongoing studies of the area's water resources.

During the year, we announced we would continue our extensive ground and surface water monitoring program for the project. This follows the five separate water studies conducted since 2007. The Gloucester Community Consultative Committee has also commissioned a fully independent peer review of the water studies.

Hunter Gas Project

In September 2012, the Hunter Gas Project Petroleum Exploration Licence (PEL) 267 held by AGL was renewed. In accordance with the licence renewal process, AGL relinquished 25 percent of the PEL area. The relinquished land was within the Pokolbin region, in the heart of the Hunter Valley wine growing and tourism region, and met AGL's promise to the wine growers of the Hunter Valley that we would not pursue CSG exploration in specific areas within the Pokolbin region. Only three percent of the area covered by PEL 267 is presently under vine.

Camden Gas Project

Our existing operations at Camden in NSW have produced CSG since 2001 and currently provide about five percent of the state's natural gas needs. During the year AGL expanded its water and air quality monitoring program at the project and at the proposed Northern Expansion. The data collected from the program is published on AGL's website.

In March 2013 we installed new continuous emissions monitoring equipment for our main compressor at the project.

New equipment was installed after we became aware that the existing equipment was not continuously monitoring air emissions. AGL voluntarily reported the incident to the Environmental Protection Authority, promptly investigated the cause and rectified the issue. AGL also published the details on our website. The new equipment meets stringent environmental operating standards in NSW.

Other monitoring activities conducted onsite indicated that our emissions did not exceed permitted levels and that the failure to continually monitor did not pose a threat to human health or to the environment.

Newcastle Gas Storage Facility

During the year construction continued on AGL's Newcastle Gas Storage Facility project at Tomago, near Newcastle in NSW. The facility is required to meet AGL's peak gas market requirements over winter and to provide additional security of gas supply during supply disruption events. NSW does not currently have any similar gas storage capacity. AGL aims to be ready to deliver gas to market from the facility in 2015.

Diamantina Power Station

Construction of the 302 MW Diamantina Power Station at Mt Isa in north west Queensland continued during the year. The power station consists of a 242 MW Combined Cycle Gas Turbine (CCGT) and 60 MW Open Cycle Gas Turbine (OCGT). The project, a 50:50 joint venture with the APA Group, is due to be operational in FY2014.

Engaging with the community

AGL understands that the community needs to be confident there are no health or environmental impacts from CSG exploration and production. We will increase our engagement with the community so that all aspects of our project are communicated clearly, concisely and in a timely manner. We have significantly increased our dedicated local resources to inform and consult with local communities.

Key highlights

Diamantina Power Station

Construction of 302 MW power station continued. The project, a 50:50 joint venture, is due to be operational in FY2014.

Gloucester Irrigation Trial

AGL is conducting trial at our Tiedmans property to assess if water from CSG wells can be beneficially used for agricultural irrigation.

Key challenge

NSW Government policy uncertainty

Government changes in planning policies for CSG projects are causing significant uncertainty for the development of gas projects. At the date of reporting, the NSW Government is still to release its final policy.

Working together for a sustainable future

At AGL, sustainability extends beyond our environmental responsibilities. For us, sustainability means thinking about responsibilities we have to all our stakeholders – our employees, our customers, the community and our investors.

Our focus is to deliver a sustainable future for AGL. In addition to our economic performance, AGL recognises that our future success and reputational standing is also shaped and measured by the social and environmental consequences our decisions and actions have for all our stakeholders.

$1 billion

The Macarthur Wind Farm represents an investment of approximately $1 billion in renewable energy generation. It has the capacity to generate enough energy to power the equivalent of 220,000 average Victorian households each year.

During construction, the Macarthur Wind Farm created about 875 jobs (including flow on employment) in the region, 2,490 in Victoria, and 2,782 in Australia.

Our sustainability strategy

AGL has implemented a sustainability strategy to identify, manage, monitor and report on the material risks that affect our ability to protect and enhance AGL's long-term value.

Material risks that influence our business priorities include:

> **Economic performance** – delivering AGL's integrated strategy and managing longer-term challenges that may affect delivering sustainable returns to investors.

> **Customers** – delivering excellent service and value to customers and providing access to energy for vulnerable customers.

> **Community** – engaging with local communities about our activities, as well as responding to broader community needs.

> **People and Safety** – providing a safe workplace and developing our employees' skills and talents to deliver outstanding business results.

> **Sustainable energy** – structuring AGL's portfolio of assets in readiness for a carbon constrained future, and adapting to climate change risks.

> **Environment** – managing the environmental effects of supplying energy to customers, throughout the energy supply chain.

AGL has established a framework for sustainability reporting. This framework has been in place for four years and incorporates 12 strategic sustainability indicators that are used to measure and track our performance.

Governance and management

AGL has governance and management policies and practices in place to support and monitor our performance against the sustainability indicators. AGL's Board has four standing committees that meet regularly to oversee key risks affecting our business.

These committees are:

> Safety, Sustainability and Corporate Responsibility Committee

> Audit and Risk Management Committee

> People and Performance Committee

> Nominations Committee

AGL also has a range of formal policies, plans and management systems in place to govern our business activities. Our executive and management teams incorporate sustainability considerations into business strategy and operational practices. Further details are included in the Corporate Governance Statement on pages 44 to 51.

Sustainability reporting

AGL has published an annual Sustainability Performance Report since 2004. These reports inform stakeholders of the social, environmental and economic challenges facing AGL and the energy industry, and the steps we are taking to protect and grow the long-term value of our business.

Sustainability performance data

The following pages summarise AGL's performance against each of the 12 strategic sustainability targets for FY2013, and state our targets for FY2014. More detailed sustainability performance data will be published in AGL's 2013 Sustainability Performance Report which will be available on AGL's website in late 2013.

Sustainability performance data in this report covers the activities and facilities over which AGL had operational control for all, or part of, the financial year ended 30 June 2013, unless otherwise stated.

AGL engaged Deloitte to undertake a limited assurance of the 12 strategic sustainability indicators for FY2013 in this report in accordance with the Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information (ASAE 3000)*. A limited assurance engagement is restricted primarily to enquiries and limited assurance and the work is substantially less detailed than that undertaken for a reasonable assurance engagement.

Available online in late 2013

Sustainability Performance Report

AGL's 2013 Sustainability Performance Report includes:

> Detailed performance data across a wide range of subject areas
> Global Reporting Initiative (GRI) Application Level
> Global Reporting Initiative (GRI) Index
> ASAE 3000 Assurance Statement

Recognition and awards

AGL's Sustainability Performance

AGL's sustainability performance has been recognised nationally and internationally by independent experts, through inclusion in:

> Dow Jones Sustainability World Index 2012/13 and 2013/14
> Dow Jones Sustainability Asia Pacific Index 2012/13 and 2013/14
> Dow Jones Sustainability Australia Index 2013/14
> FTSE4Good Index
> Carbon Disclosure Project ASX200/NZX50 Carbon Disclosure Leadership Index 2012
> AGL received the Energy Supply Association of Australia's Sustainability Reporting Award for 2012

Effects of energy market and climate change policy

In AGL's 2010 Sustainability Performance Report, which is available on our website, we detailed our view of the future energy market policy landscape in Australia. Many of the issues we wrote about three years ago – namely climate change, energy security and customer hardship – remain relevant today. The policy landscape in FY2013 has been marked by increasing uncertainty. The effects of government policy on AGL, and the energy sector more broadly, have been profound.

Significant reforms have been made to climate change and renewable energy policies in recent years. Most notable has been the introduction of the national carbon price, the review of the Renewable Energy Target, and state-based solar feed-in tariff and energy efficiency schemes. The future of all these initiatives is uncertain. Policy certainty is a key element to successfully building the long-life energy infrastructure required to meet future energy needs.

Increased use of natural gas, including CSG, will also play a role in meeting future energy needs and will be a key component for continued economic growth in Australia. While AGL has made significant investments in NSW to increase gas supply security, the future of our investments is currently uncertain due to state and federal government policies on CSG exploration and development.

Energy price regulation has also dominated the policy landscape in FY2013. AGL has long advocated that the regulation of retail energy prices by state governments is inefficient and leads to cross-subsidisation and also limits competition and innovation in terms of tariff design and use of technology, such as smart meters. AGL welcomed announcements by the South Australian and Queensland governments in FY2013 that, like Victoria, they would cease to regulate retail energy prices and move to price monitoring.

Our stakeholders should have access to information that enhances their understanding of the effects of energy market and climate change policy on both AGL's business and our customers. AGL participates in public policy development by providing submissions, consulting with government, participating in government networking events and speaking at government enquiries.

Since 2008, AGL has published our *Applied Economic and Research Working Paper Series* to provide critical analysis of energy market trends and policy settings to industry stakeholders and policy makers. In the past five years, AGL has published 37 working papers which are available on our website. In FY2013, we published the following working papers:

No. 37: Reconciling energy prices and social policy (2013)

No. 36: The outlook for residential electricity prices in Australia's National Electricity Market in 2020 (2013)

No. 35: An analysis of Australia's Large Scale Renewable Energy Target: restoring market confidence (2012)

No. 34: Metering and the principal-agent problem in restructured energy markets (2012)

No. 33: When does retail price regulation become distortionary? (2012)

No. 32: Is the Merchant Power Producer a Broken Model? (2012)

No. 31: The Energy Market Death Spiral – Rethinking Customer Hardship (2012).

Our goal is to enhance the quality of earnings and deliver a satisfactory return to AGL shareholders through sound risk management, diversification of earning streams and continued adherence to disciplined investment processes.

Managing risk to improve returns

AGL engineers Reinier (left) and Andrew inspecting the turbine floor at the Loy Yang A power station.

AGL operates in the Australian energy sector which is undergoing unprecedented transformational reform. The operating environment is also being affected by continued constraints on capital in the aftermath of the global financial crisis (GFC).

AGL has supported the Australian Government's climate change initiatives. We are taking action to meet mandatory emission reduction targets at the lowest cost to our customers, while maintaining our commitment to building a sustainable future for all stakeholders – including our investors.

24.1%

increase in AGL's underlying profit in FY2013 to $598.3 million

Ongoing profitability

AGL has developed a portfolio of assets that provide flexibility to respond to challenges and opportunities affecting the energy sector.

Energy demand growth rates in the National Electricity Market (NEM) have been falling for decades. Against this trend, solar photovoltaic (PV) installations and installed capacity has continued to grow since 2010 to be 1.9 percent of aggregate energy demand and about 5.5 percent of household demand in 2013.

AGL has Australia's largest privately owned, operated and controlled portfolio of renewable generation assets and a pipeline of renewable development opportunities.

In July 2012, AGL received Commonwealth Government approval to commence construction of the Newcastle Gas Storage Facility project at Tomago, near Newcastle in New South Wales. This facility will enable AGL to meet our peak gas market requirements over winter periods and provides additional security of gas supply in NSW during supply disruption events.

AGL's ability to maintain growth and develop its pipeline of projects is dependent on existing and future energy market policy settings. No more so is this the case than for the development of CSG reserves in NSW. Poor policy regulation has the potential to threaten AGL's substantial CSG investments and compromise AGL's ability to deliver a future gas supply for NSW.

In addition, it will intensify the forecast gas supply shortfall in NSW when existing supply contracts end between 2014 and 2017.

The successful integration of the Loy Yang A power station and coal mine has added substantial scale, diversity and improved risk management to AGL's business profile.

AGL's underlying profit for FY2013 was $598.3 million, up 24.1 percent on FY2012. This is a particularly good result as it does not include a contribution from our Power Development business, which was $43.0 million in FY2012. Dividends paid or declared to shareholders totalled 63 cents per share, an increase of two cents per share on the FY2012 dividend.

Vision	Target FY2013	Performance FY2013	Target FY2014
Ongoing profitability			
Industry leading earnings profile based on sustainable business practices	Underlying profit: **$590-640 million**	Underlying profit: **$598.3 million** ✓	Underlying profit: as per guidance to be issued at AGL's Annual General Meeting on 23 October 2013.

Sustainable growth

AGL maintains an investment grade credit rating, which is a rating of 'BBB' or higher by a ratings agency. Ratings are based on a company's financial strength, future prospects and past history. Companies that have manageable levels of debt, good earnings potential and a good debt-paying record will have good credit ratings.

AGL's long-term credit rating was reaffirmed by Standard & Poors in June 2013 at BBB/Stable. We expect to maintain this rating based on the current capital structure and capital expenditure plans for the coming year.

An investment grade credit rating generally provides more favourable borrowing margins and offers shareholders additional confidence in the security and sustainability of earnings and dividends.

Sustaining a BBB credit rating is important to ensure AGL has ongoing access to diversified, stable and competitively priced funding markets to substantially enhance AGL's ability to fund future growth.

It is equally important when seeking to execute high value wholesale energy contracts in the NEM. The market design requires large energy retailers, such as AGL, to retain investment grade ratings to ensure smooth flow of trade and transactions in the wholesale electricity market.

Continuing to adopt a disciplined approach to growth and applying an appropriate framework to manage economic risk remain crucial strategies for AGL in our pursuit of maintaining a 'BBB' rating in the long term.

Sustainable growth through future investments in electricity generation and upstream gas is also contingent on delivering new projects that provide economic benefit to both AGL and the community. Any new funding requirements, whether for acquisition or capital expenditure purposes, are structured to support AGL's target credit rating.

AGL has $600 million in bank debt that is due to mature in July 2014. This is expected to be refinanced by April 2014.

Adjusted EBIT to funds employed measures return on investment and the efficiency of AGL's assets. This increased by 1.3 percent to 12.9 percent in FY2013 due to higher operating EBIT.

BBB
credit rating

Vision	Target FY2013	Performance FY2013	Target FY2014
Sustainable growth			
Solid returns from AGL's existing and new business activities	Improvement in return on funds employed	Adjusted EBIT to funds employed: **12.9%** [1] ✓	Credit rating: **BBB**

1 This represents an increase of 1.3 percentage points from FY2012 (11.6%).

Meeting our customers' expectations

AGL operates in a competitive market environment. We must continually provide value to our customers through innovation by providing an exceptional customer experience.

Meeting the needs of our customers is imperative to drive long-term growth and shareholder value. As an essential service provider, AGL also has an obligation to assist customers experiencing financial hardship to manage their energy use and meet their payments.

99.68%
of customers received their energy account on time in FY2013. To give customers more flexibility to manage payments, AGL customers can nominate a preferred day of the month to receive their account.

Our goal is to be a world-class customer-focused energy company.

Anne (left) and Bopha learn about the support available to new AGL customers.

6.92
customer satisfaction score

Customer experience

AGL measures customer satisfaction each quarter to monitor our service performance against the standard we have committed to in our Customer Charter, as well as the success of initiatives to improve our customers' experience.

We monitor AGL's customer experience performance using a variety of internal performance indicators and through participation in external benchmarking programs.

During FY2013, AGL's customer satisfaction score averaged 6.92 (up from 6.68 in FY2012), with a score of 7.02 in the fourth quarter of FY2013 (up from 6.88 in the corresponding quarter of FY2012).

This is the highest average customer satisfaction score that AGL has received since we started monitoring overall satisfaction levels four years ago.

The customer satisfaction score reflects responses to the question of how satisfied customers are with the service provided by their energy supplier on a scale of 0 to 10 (where 0 is not satisfied, 5 is neutral and 10 is extremely satisfied).

Helping customers save energy is core to AGL's retail strategy. In an environment of rising prices, we are conscious that reducing energy consumption is of increasing importance to both our residential and business customers.

AGL assists our customers to 'live smarter', by providing simple, affordable solutions to help them reduce energy usage and manage their budgets.

In FY2013, AGL implemented initiatives designed to support this commitment including:

> **My AGL IQ®** – a purpose-built website application that allows AGL customers to track their energy usage, set goals to help lower their energy bills, and save on their energy usage.

> **Monthly billing** – an initiative to provide our customers with more flexibility to manage their payments. Customers can nominate a preferred day of the month to receive their account, enabling them to align payment with their salary cycle.

During the year, our research showed that the majority of customers (including non-AGL customers) dislike the practice of door-to-door sales. In response, in February 2013, AGL announced we would cease the practice in the residential market.

Vision	Target FY2013	Performance FY2013	Target FY2014
Customer experience			
Top ranking energy company for customer satisfaction	To have a higher annual mean customer satisfaction score than our competitors	Customer satisfaction score: AGL's score was higher than that of our major competitors, at: **6.92** [1] ✓	To have a higher annual mean customer satisfaction score than our competitors

1 As determined by a quarterly survey prepared by an independent third party provider.

13,509

customers participated in AGL's hardship program, developed to assist customers experiencing financial hardship

Customers in hardship

Energy prices have risen in real terms over the past five years. This has contributed to increased financial pressure on low-income households in particular. As a business, AGL is constantly required to balance the essential nature of the service we provide, within the highly competitive and highly regulated energy market.

As a major energy retailer, AGL has a direct role to play in assisting vulnerable customers. We support the implementation of a shared responsibility model, where customers, industry, government and the community sector work collaboratively to achieve the best possible outcome for customers experiencing financial hardship.

For more than a decade AGL's hardship program, *Staying Connected*, has been assisting customers experiencing financial disadvantage. We work collaboratively with our community partners and industry peers to develop improvements in the way we assist customers struggling to manage their energy costs.

One measure we use to assess the effectiveness of our *Staying Connected* program is to monitor the average level of debt of participants over a 12-month period. In FY2012, we identified inherent limitations in this measure due to the increasing costs of energy and other external factors in the broader economy, which affected *Staying Connected* participants' capacity to pay. In response, we adjusted our customer hardship target in FY2013 to reflect real (rather than nominal) changes in customer debt levels.

While AGL recorded an increase in the number of customers accessing our *Staying Connected* program in FY2013, the overall average debt levels of *Staying Connected* participants decreased. During FY2013, the average real level of energy debt among *Staying Connected* participants dropped from $1,464 to $1,326. This represented a 10 percent decrease in the relative level of debt per customer.

Our initiatives focusing on identifying customers earlier in the debt cycle contributed to the lower relative level of debt per customer. Customers are better able to return to a sustainable energy position more quickly if they enter the program with a lower debt level. The increase in actual *Staying Connected* customer numbers reflects the ongoing pressure that many customers are under to meet day-to-day costs of living.

At the forefront of the challenges associated with assisting customers experiencing financial hardship, are the customers for whom hardship is an enduring and long-term systemic issue, with seemingly no foreseeable resolution.

We encourage policy makers to embrace the shared responsibility model and urgently consider whether the current assistance frameworks – from retailer hardship programs to jurisdictional concessions schemes – are adequately meeting the needs and expectations of the most vulnerable members of our community. AGL believes that consideration should be given to lifting Commonwealth Government funded income support for those people most in need.

Vision	Target FY2013	Performance FY2013	Target FY2014
Customers in hardship			
Recognised industry leader in customer hardship policy	5% reduction in the ratio of average energy debt of *Staying Connected* customers to average NEM household electricity bill	Reduction in ratio of energy debt of *Staying Connected* customers to an average household energy bill, adjusted for movements in electricity price index[1] **10%** ✓	5% reduction in the ratio of average energy debt of *Staying Connected* customers to average NEM household electricity bill

1 The NEM average household electricity bill has been adjusted for electricity price inflation, as measured by the Consumer Price Index, Australia, June 2013.

Our goal is to connect our business and employees with the community in ways which make a genuine positive contribution, engage our people and strengthen our business.

Linking with the community

Our power generation, CSG and gas storage projects have life cycles of up to 30 years. When we commit to a project, AGL is making a commitment to the community.

AGL considers community consultation is vital to the success of our new developments, and the expansion of existing infrastructure and ongoing operations. Only by engaging with communities during the whole project lifecycle is AGL able to achieve a 'social licence to operate'.

Paul, and others from AGL's Executive Team, spent their volunteering day at the St Vincent de Paul Matthew Talbot hostel.

$2.9 million

AGL's total community investment in FY2013[1]

Community engagement and support

AGL has a responsibility to work with the community to develop mutually beneficial projects, and to manage the associated environmental, social and financial outcomes as sensitively as possible.

The variable nature of AGL's development projects means we take a tailored approach to community engagement, based on the needs of individual communities and projects. By engaging local communities during the development process, we are better able to deliver and operate projects while satisfying community concerns. AGL also supports local communities through sponsorships, providing in-kind and financial support.

AGL's *Energy for Life* program builds on our local community engagement strategy, providing company-wide opportunities for our employees to give something back to the broader communities in which they live and work.

Long-term projects, long-term commitments

AGL's power generation, CSG and gas storage projects have life cycles of up to 30 years. When we commit to a project, we acknowledge AGL is also making a commitment to a community. Early engagement with our landowners, neighbours and community members is a critical first step in earning trust and becoming a valued contributor to the local community.

AGL has many obligations it must fulfil under its project permits, contracts with landowners and federal and state legislation. There are times when AGL goes beyond these obligations and makes commitments to specific individuals or communities as a whole. This could be, for example, doing additional water testing, sponsoring a local community event, presenting at a school or fixing a landowner's fence. We track these commitments through our 'Consultation Manager' system to record the promises we make and monitor our progress in delivering on our commitments.

AGL has continued to invest in resourcing our engagement activities with local communities in our project areas. In FY2013, we increased AGL's community engagement team to nine full-time community engagement specialists, many of whom live locally in the communities where projects are being developed. Our community consultation program is designed so that AGL's stakeholders are engaged, informed and involved at every stage of the project, from development through to construction and operation.

AGL's senior management, professional engineers, scientists and technicians also make an important contribution to our engagement activities. They do this by advising the community about what they do and answering questions about the technical, environmental and scientific consequences of their work. This provides community members more access to a broad range of information.

We have developed communication channels to allow the community to receive factual information about our projects and to provide feedback – including dedicated phone lines, website information and online contact points, social media and, for some projects, a local project information office.

Vision	Target FY2013	Performance FY2013	Target FY2014
Community engagement			
AGL will earn a 'social licence' to develop upstream gas and power development projects	Delivery of promises made to the community[2] **100%**	All promises made to the community were met, although there were some environmental compliance breaches[3] ✓	Measure AGL's investment in local businesses, including an analysis of job creation and financial contributions to the local community

1 This amount includes cash, staff volunteering and in-kind contributions.

2 Promises to the community are defined as "Commitments made to the community, over and above legal and contractual requirements under land purchase agreements, access and compensation agreements and conditions of project approvals and environmental licences".

3 Environmental non-compliances are detailed on pages 62 and 63 of this report and also in the environmental chapter of AGL's 2013 Sustainability Performance Report.

Community contribution

Contributing to local communities, as well as to charitable causes that reflect the interests of AGL employees, benefits both AGL and the communities in which we live and work.

AGL's *Energy for Life* program builds on our local community engagement strategy, providing opportunities for our employees to give something back to the broader community. AGL's revitalisation of this program in FY2012 signalled a move away from a focus on homelessness, by allowing us to respond more effectively to emerging sustainability risks, especially with respect to energy-related financial hardship in the community.

We continued to develop our strategic partnerships in FY2013. Our partnership with The Smith Family, which spans six years, is focused on supporting the education of children in disadvantaged areas around Australia. AGL employees are involved in an online student mentoring program (i-Track) with The Smith Family, as well as sponsoring 340 school-aged students through the organisation's *Learning for Life* program.

As part of AGL's five-year partnership with St Vincent de Paul, in addition to financial assistance, we developed an energy advice pack for volunteers to distribute to clients in hardship. The pack explains concessions available in each state as well as tips and advice on how to save energy. The packs have been distributed to Queensland and NSW volunteers. AGL is looking forward to distributing packs in Victoria and South Australia during FY2014.

We continue our support of the Cancer Council and the Julian Burton Burns Trust through financial assistance as well as fundraising events, workplace giving and volunteering support.

AGL is committed to analysing the benefits of the *Energy for Life* program. Using a Social Return on Investment (SROI) framework, the inputs (investment), outputs (activities), outcomes (benefits) and impact (overall value) of the program will be identified and valued over time.

In FY2013 AGL, in collaboration with The Smith Family and St Vincent de Paul, identified the outcomes of investments made through AGL's Strategic Partnerships. The datasets to be used in analysis in future years were also identified through this process.

This will allow us to report on the ultimate dollar value of the partnerships and enable both partners to build a more holistic understanding of the effect of the partnership initiatives over time. It is hoped this feedback loop of information will also provide insights into the effectiveness of activities.

Employee volunteering

An important part of AGL's *Energy for Life* program is our employee volunteering program, which gives AGL employees the opportunity to take one day of paid volunteering leave each year to support community causes and charitable organisations. In FY2013, 793 employees recorded a volunteering leave day, contributing 6,009 hours of service to community efforts. This represents an increase of 43 percent compared with the 4,182 hours of volunteering leave recorded in FY2012.

37%
of AGL employees recorded volunteering leave in FY2013

Vision	Target FY2013	Performance FY2013	Target FY2014
Community contribution			
Social Return on Investment (SROI) measured and at target levels	Establish framework for Social Return on Investment (SROI) analysis, with outputs of *Energy for Life* strategic partnerships measured annually	Community contribution SROI framework established for AGL's major strategic partners, The Smith Family and St Vincent de Paul ✓	Measure outputs of *Energy for Life* strategic partnerships in accordance with SROI framework developed in FY2013

Keeping our employees safe and engaged

Health and safety performance is indicative of the values that underpin an organisation, the workplace 'culture' and the effectiveness of health and safety policy and procedures.

'Safe and sustainable' is a core AGL value and is critical to achieving AGL's organisational vision of 'creating energy solutions for the communities of today and tomorrow.' Creating a safe, inclusive and engaging work environment will enable AGL employees to deliver a positive customer experience.

50 parents

In FY2013, AGL piloted new learning and development programs for our employees who are parents. Now offered on an ongoing basis, the programs are supporting more than 50 parents with coaching, practical tools and support to help them navigate their dual roles.

Our goal is to engage our employees in ways that support our business, grow their skills and deliver outstanding results in a safe and sustainable way.

Bec and Ryan are both AGL employees. Work flexibility gives them time with sons Eli and Isaac.

49% of AGL employees worked flexibly in FY2013

Employee engagement

Employee engagement measures the degree to which employees are intellectually and emotionally committed to the company they work for. At AGL, we use it as a core metric for measuring the health of the organisation.

Each year, we survey our employees to measure how 'engaged' they are. The survey asks employees to indicate the extent to which:

> they say positive things about their AGL employment experience when talking to others;

> they express their desire to continue to be part of the organisation and align to the organisation's goals; and

> working at AGL motivates them to work to the best of their ability.

AGL's FY2013 employee engagement survey also included a number of questions to identify the areas affecting engagement. A specific measure of 'sustainable engagement', which is affected by wellbeing and resilience, was incorporated in the survey.

This year employee engagement improved for AGL overall and across each of the business units. AGL is performing above the ORC International Best Performing Zone (a high performance external global engagement benchmark). AGL was also found to have a high level of sustainable engagement.

The survey results help AGL assess the extent to which initiatives implemented since our last survey are making a difference to employees' employment experience. The results also help to identify the areas for continued focus over the coming year.

Initiatives to improve employee engagement were implemented across all AGL's business units in FY2013. These initiatives included:

> **enhanced career development support and opportunities** – such as the implementation of career development frameworks, job rotations and development moves;

> **improved approach to communication** – which included activities to provide more regular business updates and communication forums to enable information sharing; and

> **a more structured approach for planning and resourcing** – including, workforce, resource and capacity planning undertaken to ensure appropriate resources to manage workload and delivery of projects.

AGL also completed our inaugural Diversity and Inclusion Census in FY2013. This company-wide survey has provided insights into the diversity of AGL's workforce and employees' experience of AGL's different workplaces.

Employee engagement continues to be a focus for AGL, with ongoing commitment to engagement and health and wellbeing initiatives for employees.

Vision	Target FY2013	Performance FY2013	Target FY2014
Employee engagement			
Engagement score maintained at global 'Best Performing Zone' level	Further improvement in employee engagement[1]	Engagement score: **77%** ✓	Achieve score above ORC International Best Performing Zone[2]

1 AGL Loy Yang was included in the FY2013 employee engagement survey, given that the survey was conducted in April/May 2013, almost a year after the acquisition. If AGL Loy Yang results are removed there was still an improvement in employee engagement in the Merchant Energy business unit (of which AGL Loy Yang is a part), up from 66 percent in FY2012 to 72 percent in FY2013.

2 The ORC International Best Performing Zone varies year on year as it is based on actual engagement scores.

100%

In FY2013, 100 percent of HSE Action Plan commitments were met.

Organisational safety

Providing a safe and healthy workplace for our employees and contractors is a priority for AGL. Our workplace health and safety program encompasses not only the physical safety of employees, but also the overall health of employees in terms of their emotional and physical wellbeing.

A primary lag safety performance measure is Total Injury Frequency Rate (TIFR). This is the number of lost time and medical treatment injuries experienced for every million hours of employee work time.

The TIFR decreased during FY2013, and as at 30 June 2013 was 5.9, compared with 6.6 in June 2012. This equates to 15 lost time injuries and 11 medical treatment injuries. Disappointingly, this means that AGL did not meet our FY2013 TIFR target of 4.9.

One-third of the injuries were occupational illnesses. These included work related mental health illnesses and long-term soft tissue or joint deterioration injuries. The majority of the occupational illnesses manifest in the office environment. Another 45 percent of injuries were as a result of a slip, trip or fall incidents in the workplace.

A focus on health assessments for operational employees has led to a reduction in acute soft tissue injuries at some operational sites. A physiotherapist has identified issues which are related to poor posture and core strength which has facilitated action by employees to remedy these issues before an injury occurs. AGL's voluntary health monitoring program will be extended to all operational sites in FY2014.

Actions focusing on ergonomics and resilience will be implemented in FY2014 to target a reduction in occupational illnesses. These actions include changes to work station design and work practices to reduce prolonged sedentary postures and continued implementation of the resilience program to assist employees to cope with change. The occupational illnesses will form a separate measure from the TIFR in FY2014. This will allow a better understanding of the magnitude of these injuries in order to drive improved performance in this area.

The number of safety incidents being reported by contractors and related entities increased by approximately one-third in FY2013. This is linked to improvements in the management of contractors and an increased focus on the management of fall prevention for work at heights. Activities continue across AGL to reduce the number and severity of contractor incidents.

A key lead safety performance measure is the setting and achievement of annual HSE Action Plans for each business unit. In FY2013, 100 percent of HSE Action Plan commitments were met. These included the development and completion of personal safety action plans by employees and leaders and the roll-out of safety training for leaders.

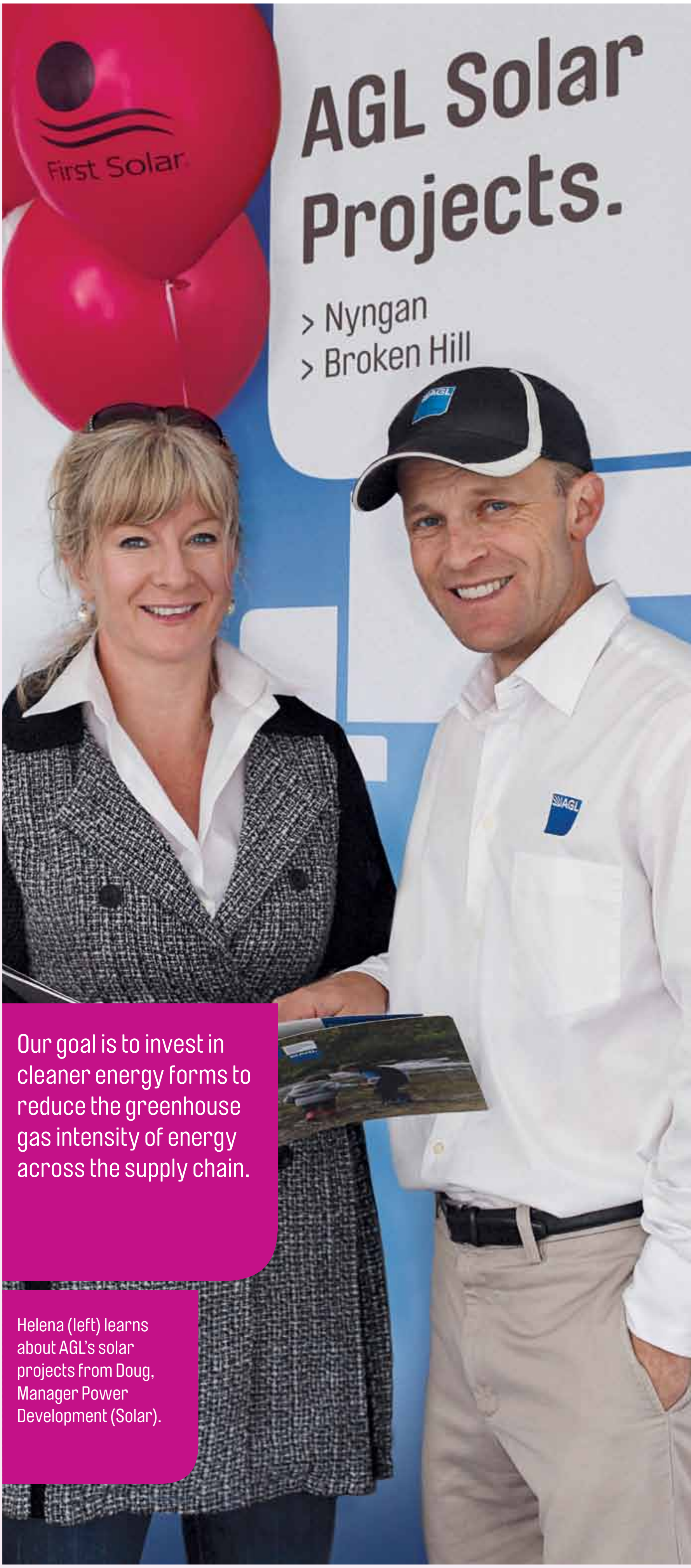
Vision	Target FY2013	Performance FY2013	Target FY2014
Health and safety			
Zero harm	Total Injury Frequency Rate[1]: **< 4.9**	Total Injury Frequency Rate[1]: **5.9** X	The FY2014 target will be published in AGL's 2013 Sustainability Performance Report

1 TIFR target and performance does not include AGL Loy Yang. AGL Loy Yang will be included from 2014.

Minimising carbon risk

Both major Australian political parties support reducing Australia's greenhouse gas emissions by five percent by 2020. Policies such as emissions trading and direct action are likely to have a material effect on Australia's stationary energy sector.

As one of Australia's largest direct (and indirect) emitters of greenhouse gases, AGL is committed to reducing the financial risks associated with existing and emerging climate change policies.



Our goal is to invest in cleaner energy forms to reduce the greenhouse gas intensity of energy across the supply chain.

Helena (left) learns about AGL's solar projects from Doug, Manager Power Development (Solar).

32%

At the end of FY2013, approximately 32 percent of AGL's operated generation portfolio capacity was renewable. In 2014, AGL will start work on Australia's largest solar generation project, with commissioned total capacity of 155 MW.

1 tCO_2e/MWh

average carbon intensity of AGL operated generation portfolio

Carbon risk

Climate change and climate change mitigation policies, such as carbon pricing, bring a number of risks and opportunities to AGL's operations and investment strategy.

The carbon intensity of AGL's operated generation portfolio significantly increased this year, due to the acquisition of the Loy Yang A power station and adjacent brown coal mine.

The Loy Yang A power station has a carbon intensity of around 1.3 tCO_2e/MWh (sent out). This has caused the carbon intensity of AGL's operated generation portfolio to increase to around 1 tCO_2e/MWh.

It is important to note that this does not represent an increase in total emissions from the Australian electricity generation sector, but rather a reallocation of emissions from one organisation to another. The total emissions from Loy Yang are expected to remain reasonably constant year on year.

Emissions from the electricity sector have fallen in recent years. This has been driven by several factors: carbon pricing; energy efficiency; and the proliferation of solar PV. AGL has been an active participant in these markets.

AGL uses three additional approaches to measure and communicate greenhouse gas performance. The Operational Footprint, Equity Footprint and Energy Supply Footprint provide a complete account of the annual greenhouse impacts of AGL's operations, investments and the energy supplied to our customers, and will be available in the AGL 2013 Sustainability Performance Report, to be published in late 2013.

In FY2013, AGL made its first payment under the new carbon pricing framework for 15 liable entities in the AGL Group. The sum of these interim liabilities was 19.2 million tCO_2e, or around 76 percent of AGL's forecast liability for FY2013 (25.4 million tCO_2e). At the fixed price of $23/tonne, AGL's interim liability equated to approximately $441 million.

AGL has been a strong supporter of emissions trading as the mechanism for addressing anthropogenic climate change. Our research has highlighted that material costs are being imposed on the Australian economy due to the lack of bipartisan agreement on the most appropriate mechanism for reducing Australia's greenhouse gas emissions.

Irrespective of the mechanism for reducing emissions, the minimisation of carbon risk requires a thorough understanding of all abatement opportunities.

In FY2014, AGL will identify its most material opportunities to improve the efficiency of existing operational assets. By undertaking this work, AGL will be well placed to reduce emissions under an emissions trading or a direct action policy framework.

Vision	Target FY2013	Performance FY2013	Target FY2014
Carbon risk			
Continuing to lower the emissions intensity of AGL	Emissions intensity of investments in new generation capacity lower than 0.7 tCO_2e/MWh	No new generation investments made[1] ✓	Develop a cost curve of material energy efficiency and greenhouse gas abatement opportunities at AGL's existing operational sites

1 While AGL did not announce or commit to any new power station developments in FY2013, it did commission the Macarthur Wind Farm and the Qenos co-generation plant during the year. Construction also continued on the Diamantina Power Station (where AGL has a 50 percent share of an unincorporated joint venture). All these projects have emissions intensities well below the 0.7 tCO_2e/MWh threshold.

Sustainable generation sources

AGL's sustainability strategy is substantially focused on renewable generation investment, with this investment largely driven, to date, by opportunities created by Australia's 20% Renewable Energy Target (RET) legislation.

During FY2013, AGL commenced operation of the 420 MW Macarthur Wind Farm. The $1 billion project has the capacity to power more than 220,000 average Victorian homes and abate more than 1.7 million tonnes of greenhouse gases every year – the equivalent of taking more than 420,000 cars off the road.

With the addition of the Macarthur Wind Farm, AGL is now operating 1,740 MW of renewable capacity. As at the end of FY2013, around 32 percent of AGL's operated generation portfolio capacity was renewable. This is significantly lower than FY2012 (48 percent) because of Loy Yang A power station which was acquired at the end of FY2012. AGL remains the largest operator and developer of new renewable energy in Australia.

As at 30 June 2013, AGL has no further renewable generation under construction. A pipeline of further renewable and gas-fired generation development opportunities is being considered. Uncertainty around the future of key government policies is delaying investment decisions.

The most material area where uncertainty persists is the Commonwealth Government's mandatory Renewable Energy Target. In FY2013, the Climate Change Authority conducted a statutory review of the policy. AGL advocated for the policy to remain in its current form. AGL's Applied Economic Policy and Research Working Paper No.35 was important in guiding the public policy debate around the costs of ongoing policy uncertainty.

However, while the Climate Change Authority's recommendations were adopted by the Commonwealth Government, uncertainty remains due to the biennial statutory review required under the legislation.

In 2014, AGL will start work on Australia's largest solar generation project. The project will involve construction of two solar facilities in NSW with a commissioned total capacity of 155 MW.

1,740 MW
of renewable capacity

Vision	Target FY2013	Performance FY2013	Target FY2014
Sustainable generation sources			
Australia's largest renewable energy company	Increase renewable investment capacity to 1,740 MW	Renewable capacity: **1,740 MW** ✓	Invest in 155 MW of renewable projects

Protecting our natural resources

AGL's environmental program is driven by a desire to prevent any harm to the environment in areas where our business operates.

Management of water resources is a critical environmental issue. Government and communities expect the CSG industry to act responsibly so that land and water resources are not harmed by exploration and development activities.

16 trial plots

Produced water from coal seams is being blended with fresh water and irrigated onto crop trials at AGL's Tiedmans property at Gloucester in NSW. Perennial and annual crops are being grown on a 12-hectare site, divided into 16 plots.

Our goal is to achieve excellence in environmental management and performance.

Therese and Andrew at AGL's trial to assess if water from CSG wells can be beneficially used for agricultural irrigation.

AGL has nine full-time community engagement specialists.

Environmental risk

The management of environmental risk is critical to AGL's businesses that regularly construct new plant and operations, hold long-term leases on land used by third parties for other purposes, and operate in sensitive environments such as national parks. AGL seeks to maintain an environmental risk profile that is As Low As Reasonably Practicable (ALARP). This requires continual improvement based on an understanding of risks.

We maintain environmental risk registers for all large power generation facilities and all our CSG projects. Risk registers are regularly reviewed and assessed by a range of operations personnel and environmental specialists.

AGL's approach to managing environmental risks is consistent with the ISO 14001 Environmental Management Systems standard. Risks identified through the 'aspects and impacts' approach are assessed from the perspectives of 'inherent risks', and 'treated risks' (which take into consideration existing control measures). This enables AGL to put in place controls and to identify where the highest residual risks remain so resources can be targeted appropriately, or, alternatively, informed decisions can be made about accepting certain risks.

Actions have been approved by AGL's management to mitigate AGL's highest residual environmental risks. The target set for FY2013 was to have 100 percent of such actions implemented in line with targeted milestones. The target was applied to AGL-operated sites that had environmental risk registers in place as at 1 July 2012, except the AGL Loy Yang power station and adjacent mine which were acquired by AGL on 29 June 2012.

With respect to AGL Loy Yang, much of FY2013 has been focused on completing detailed due diligence and risk reviews and integrating Loy Yang's environmental risk management processes with AGL's. AGL Loy Yang's Risk Manager reports directly to AGL's Merchant Operations Risk Manager so that risks are assessed based on the same process followed at AGL. All significant risks at Loy Yang were captured in an Environment Improvement Plan, generated annually pursuant to EPA licensing requirements. AGL Loy Yang will be included for the purposes of the FY2014 environmental risk target.

During FY2013, AGL's highest environmental risks related to surface water and land and groundwater at a number of power stations. Target actions designed to control these risks were developed and approved. Sixty (out of 62) actions were completed within allocated timeframes. The two outstanding actions related to an internal review of screen washing practices at AGL Torrens. These actions will be implemented in the first quarter of FY2014.

Overall, AGL's FY2013 environmental risk target was effective in driving the completion of risk register actions. The target will be maintained in FY2014 and extended to AGL Loy Yang, where the highest environmental risks relate to surface water, land and groundwater, and air quality.

Vision	Target FY2013	Performance FY2013	Target FY2014
Environmental risk			
To have an environmental risk profile that is As Low As Reasonably Practicable (ALARP)	100% of approved risk register actions for the highest residual environmental risks implemented in accordance with targeted milestones	96% of actions (or 60 of 62) were implemented in accordance with targeted milestones: **96%**	100% of approved risk register actions for the highest residual environmental risks implemented in accordance with targeted milestones

103

Number of dedicated monitoring bores and stream gauging sites in AGL's water monitoring network.

Water management

AGL's stakeholders are concerned about the management of water, particularly reduced water supplies and degradation of water quality in relation to the CSG sector. To determine whether CSG exploration activities have harmed local groundwater resources, AGL has developed dedicated groundwater and surface water monitoring networks across our gas exploration and production projects.

During FY2013, AGL expanded the water monitoring networks across our Gloucester and Hunter CSG exploration areas in NSW, and across our production well field at Camden, also in NSW. In addition, we have dedicated monitoring locations as part of our exploration activities on the 'Glenaras' homestead in Queensland, and around the construction of AGL's Newcastle Gas Storage facility at Tomago in NSW.

Eighty-two dedicated groundwater monitoring bores, six perched water monitoring bores, and 15 surface monitoring locations are now operational across the Hunter, Gloucester, Galilee and Camden project areas. In FY2013, 21 new dedicated groundwater monitoring bores and one new perched water monitoring location were installed and became operational (in the Gloucester, Hunter and Camden project areas). No new surface water monitoring locations were developed in FY2013. Water monitoring reports are now produced at least annually for all areas and discussed at AGL's community forums and published on AGL's website.

Exploration activities were restricted during the year, mostly as a result of policy and regulatory decisions in NSW. AGL's focus was therefore concentrated on establishing additional water monitoring sites to obtain longer-term baseline information in advance of new investigation programs. In coming years, AGL has plans for new fracture stimulation and flow testing programs in prospective exploration areas. It is important to understand the natural water level and water quality trends before commencing these studies. The data is also essential for the development of groundwater models used to assess water resource effects and any losses from beneficial aquifers and surface water.

Results to date from AGL's monitoring and modelling studies at the Hunter, Gloucester, Galilee and Camden gas project sites, indicate there is negligible connectivity between groundwater in deep coal seams and beneficial water resources in shallow aquifers and streams. Observed water level trends are mostly natural variations and there are no unexpected water quality trends.

Following a program of works we implemented over a number of years, AGL's CSG water monitoring program is now firmly embedded in daily operations, providing an opportunity for AGL to broaden the focus of our strategic water management target in FY2014.

AGL uses significant volumes of water in our Merchant Energy and Upstream Gas businesses. The most significant water consumption at AGL is related to the AGL Loy Yang power station's cooling tower system, which evaporates approximately 80 ML of water each day. Large volumes of water are also used at our Loy Yang and Torrens Island power stations to produce steam. At upstream gas projects, water is used for a range of purposes, such as lubricating and cooling drill bits during drilling operations.

Vision	Target FY2013	Performance FY2013	Target FY2014
Water management			
To be recognised as a prudent and responsible user of water that seeks to minimise the adverse impact of its operations on local water resources	Increase number of dedicated monitoring bores and stream gauging sites relative to overall number of CSG wells/sites	The number of dedicated monitoring bores and stream gauging sites increased from 73 to 103. This represents an increase in the ratio of water monitoring sites to gas wells from 0.45 to 0.63 ✓	Analysis of significant water usage across business units and development of KPIs for water usage and wastewater reduction by end of June 2014

Executive Team

Michael Fraser
BCom, CPA, FTIA

Managing Director and Chief Executive Officer

Michael has more than 25 years' energy industry experience, including having established AGL as one of the country's largest energy retailers, and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Brett Redman
BCom, FCA, GAICD

Chief Financial Officer

Brett joined AGL in 2007 and variously led finance in Merchant Energy, Upstream Gas, Corporate and Group Strategy before being appointed CFO in 2012. He was also Chairman of Loy Yang Power and led its acquisition by AGL. Brett has previously worked locally and internationally for BOC, Email and CSR, having originally qualified with Deloitte.

Paul McWilliams
BA (Accounting), MApFin, GradDipACG, ACA, ACSA, ACISA

Group Head of Corporate Support Services and Company Secretary

Paul has had more than 35 years' experience in a variety of roles in The Australian Taxation Office, chartered accounting firms and listed public companies. He has been with AGL since 2004.

Jane Thomas
BBus (Hons), LLB (Hons), Grad. Dip. Leg Prac, Masters Org Coaching

Group Head of People and Culture

Jane has more than 20 years' experience in human resources in large organisations, including PepsiCo International, Westpac Banking Corporation and Philips. She is a member of the Chief Executive Women Group.

Owen Coppage
Chief Information Officer

Owen has more than 25 years' management and operations experience in high voltage transmission, distribution and hydro generation. He was appointed to his role in 2007 and has responsibility for the transformation and simplification of the information technology function within AGL.

Marc England
M Eng (Hons), MBA

Group Head of Strategy

Marc joined AGL in July 2013 and is responsible for AGL's Group Strategy and for the Emerging Technologies group. An engineer by background, he has more than 17 years' experience in strategy, finance and general management in the energy and automotive industries, including time at British Gas and Ford.

Prof Paul Simshauser
BEcon, BCom, MCom, PhD (Econ), PMESA, CPA, FAICD, AFMA Acc. Dealer

Chief Economist and Group Head of Corporate Affairs

Paul has worked in the energy industry for over 20 years, having held senior positions with Stanwell Corporation, NewGen Power and Babcock & Brown. He is also a Professor of Economics at Griffith University's Business School.

Stephen Mikkelsen
CA, BBS

Group General Manager Retail Energy

Stephen has over 16 years' experience in senior financial positions in Australia's and New Zealand's electricity markets. Previously, he worked in treasury activities in banking and finance.

Anthony Fowler
BSc (Hons), MAppFin, Harvard AMP, FFin

Group General Manager Merchant Energy

Anthony has more than 15 years' experience at energy businesses in Australia and the US. He has been with AGL since 2003. Previous roles at AGL include responsibility for AGL's wholesale electricity, gas and renewable portfolios and risk management.

Michael Moraza
BE (Chem. Eng), MBA

Group General Manager Upstream Gas

Michael has nearly three decades of petroleum industry experience and joined AGL in 1996. He has driven the acquisitions of many of AGL's core assets, helped develop AGL's integrated business strategy and led the Upstream Gas group since its inception.

AGL's approach to Corporate Governance

This Statement explains how AGL addresses the ASX Corporate Governance Council's, 'Corporate Governance Principles and Recommendations – 2nd Edition' (referred to as either ASX Principles or Recommendations).

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – *Companies should establish the functions reserved to the Board and those delegated to the Executive Team*

Role of the AGL Board ('the Board')

The Board is responsible for the governance of AGL. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from AGL's Constitution.

The Board's responsibilities are set out in a formal Charter which the Board reviews every two years. The Charter was most recently reviewed and amended in February 2012.

The major powers the Board has reserved to itself are:

> Reviewing and approving AGL's strategic plans and performance objectives;

> Selecting, appointing and monitoring the performance of the Chief Executive Officer (CEO) and, if appropriate, terminating the appointment of the CEO;

> Monitoring the performance of, and approving the remuneration policies and procedures applying to, the Executive Team;

> Monitoring the timeliness and effectiveness of reporting to Shareholders;

> Approving and monitoring policies governing AGL's relationship with other stakeholders and the broader community, including policies in relation to environmental management and occupational health and safety;

> Monitoring compliance with legislative and regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;

> Monitoring financial outcomes and the integrity of reporting, and in particular, approving annual budgets and longer-term strategic and business plans;

> Approving decisions affecting AGL's capital, including determining AGL's dividend policy and declaring dividends;

> Reviewing and recommending to Shareholders the appointment or, if appropriate, the termination of the appointment of the external auditor; and

> Monitoring the effectiveness of AGL's audit, risk management and compliance systems that are in place to protect AGL's assets and to minimise the possibility of AGL operating beyond acceptable risk parameters.

The Board has established four Committees. They are:

> Nominations Committee (see Principle 2);

> Safety, Sustainability and Corporate Responsibility Committee (see Principle 3);

> Audit and Risk Management Committee (see Principle 4); and

> People and Performance Committee (see Principle 8).

Timetables for Board and Committee meetings are agreed annually in advance.

New Directors

New Directors receive a formal letter of appointment and an induction pack. The appointment letter and induction pack contain sufficient information to allow the new Director to gain an understanding of:

> The rights, duties and responsibilities of Directors;

> The role of Board Committees;

> The roles and responsibilities of the Executive Team; and

> AGL's financial, strategic, and operational risk management position.

New Directors undertake an induction program which comprises:

> An information pack which includes a copy of AGL's Constitution; Board and Committee Charters; most recent Annual Report; most recent Appendix 4D or 4E and market results presentation; most recent monthly Group Performance Report; AGL strategic plan; organisational chart; Deed of Access, Insurance and Indemnity and details of AGL's Directors and Officers insurance policy; and a copy of the register of AGL's most significant risks;

> A program of meetings with members of AGL's Executive Team; and

> A program of meetings with other AGL employees responsible for areas such as HSE, upstream gas operations, and wholesale energy trading.

Delegation to the CEO and the Executive Team

The Board has delegated to the CEO and the Executive Team responsibility for implementing AGL's strategic direction and for managing AGL's day-to-day operations. Specific limits on the authority delegated to the CEO and the Executive Team are set out in the Delegated Authorities approved by the Board.

Executive Team

The Executive Team comprises the CEO and nine senior managers (Executives) who report directly to the CEO.

Each Executive is employed under a Service Agreement which sets out the terms on which the Executive is employed including details of the Executive's duties and responsibilities, rights, and remuneration entitlements. The Service Agreement also sets out the circumstances in which the employment of the Executive may be terminated by either AGL or the Executive, including details of the notice periods required to be given by either party, and the amounts payable to the Executive as a consequence of the termination by AGL of the Executive's employment.

Recommendation 1.2 – *Companies should disclose the process for evaluating the performance of the Executive Team*

Executive Team performance evaluations have been conducted for the financial year ended 30 June 2013. Details of the evaluation process and the linkages between the result of performance evaluations and remuneration are disclosed in the Remuneration Report commencing on page 64 of this Annual Report.

Principle 2: Structure the Board to add value

AGL's Constitution provides for a minimum of three directors and a maximum of 10. As at 30 June 2013, the Board comprised seven non-executive Directors and one executive Director. The executive Director is AGL's CEO, Michael Fraser. Mr Graeme Hunt joined the Board as a non-executive Director on 1 September 2012. Mr Max Ould retired as a Director on 23 October 2012.

The Directors of AGL at any time during the financial year are listed with a brief description of their qualifications, experience and special responsibilities on pages 52 and 53 of this Annual Report.

The Board met 15 times during the financial year. Directors' attendances are set out on page 54 of this Annual Report.

Recommendation 2.1 – *The majority of the Board should be independent Directors*

AGL considers a Director to be independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgement in relation to matters concerning AGL.

In determining whether a Director is independent, the Board has considered whether the Director (or any of the Director's associates):

> is a substantial shareholder of AGL or an officer of, or otherwise associated directly with, a substantial shareholder of AGL;

> within the last three years, has been employed in an executive capacity by AGL or any of its related bodies corporate;

> within the last three years, has been a principal of a material professional adviser or a material consultant to AGL or any of AGL's related bodies corporate;

> is a material supplier to, or customer of, AGL or any of AGL's related bodies corporate, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

> has a material contractual relationship with AGL; or

> has any interest, or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in AGL's best interests.

The Board has determined that each non-executive Director is, and was throughout the entirety of the financial year, independent.

During the financial year, there were no circumstances in which individual Directors found it necessary to excuse themselves from consideration by the Board of specific matters because of the potential for independence to be compromised.

No Director has received or become entitled to receive a benefit because of a contract between any company in the AGL Group and the Director, or a firm in which the Director is a substantial member, or an entity in which the Director has a substantial financial interest, other than:

> in the case of non-executive Directors, remuneration as disclosed in the Annual Report which includes participation in the shareholder approved AGL Share Purchase Plan; and

> in the case of the CEO, a contract of employment and entitlements under AGL's Long-Term Incentive Plan.

Directors have unfettered access to AGL records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Company Secretary on any matter relevant to their role as a Director. In addition, the Board has access to other relevant senior management to seek additional information concerning AGL's business.

Under AGL's Board Charter, the Board collectively, and each Director individually, has the right to seek independent professional advice at AGL's expense to help them carry out their responsibilities. During the financial year, AGL incurred legal expenses of approximately $100,000 to review the indemnities and insurances provided to AGL's Directors and other officers.

It is usual for the non-executive Directors to confer, without management being present, at the start of each scheduled Board meeting.

Recommendation 2.2 – *The Chair should be an independent Director*
Under AGL's Constitution, the Board elects a Chairman from amongst the non-executive Directors. It is a requirement of AGL's Board Charter that the Chairman be independent.

The Board is satisfied that AGL's Chairman, Jerry Maycock is, and has been throughout the year, an independent Director.

Recommendation 2.3 – *The roles of Chair and Chief Executive Officer should not be exercised by the same individual*
The requirement in AGL's Constitution that the Chairman be appointed from among the non-executive Directors means that the roles of Chairman and Chief Executive Officer are not exercised by the same individual.

The Chairman presides over AGL's Board meetings and shareholder meetings. Under AGL's Board Charter, the Chairman is also responsible for:

> leading the Board in reviewing and discussing Board matters;

> managing the efficient organisation and conduct of the Board's function;

> briefing all Directors in relation to issues arising at Board meetings;

> facilitating effective contribution by all Directors and monitoring Board performance;

> overseeing that membership of the Board is skilled and appropriate for AGL's needs;

> promoting constructive relations between Board members and between the Board and management;

> reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and

> overseeing the implementation of policies and systems for Board performance review and renewal.

Recommendation 2.4 – *The Board should establish a nomination committee*
The Board has established a Nominations Committee. The Committee comprises all AGL's non-executive Directors. The Committee has adopted a formal Charter that is required to be reviewed at least every two years. A copy of the Charter is available on AGL's website.

The Committee is responsible for:

> reviewing the skills, knowledge and experience a Director should have, having regard to AGL's operational, financial and strategic objectives;

> reviewing the structure, size and composition of the Board and Board Committees;

> developing and implementing a process for evaluating Board, Committee and individual Director performance;

> developing selection criteria for the appointment of new Directors and overseeing arrangements for the effective appointment and induction of new Directors;

> developing succession plans for non-executive Directors to maintain an appropriate mix of skills, experience, expertise and diversity on the Board; and

> reviewing and approving any continuing education for Directors.

The Committee met two times during the year.

Details of Directors' attendances are set out on page 54 of this Annual Report.

Recommendation 2.5 – *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors*

Evaluation of Board and individual Directors
The Board regularly reviews its own performance and the performance of individual Directors. The most recent review, which was conducted during the year, was facilitated by an independent consultant and involved interviews with, and the completion of a survey by, all of the Directors and all of the Executive Team.

The results of the review were discussed at a meeting of the Nominations Committee. The Chairman also met separately with each Director to discuss the Director's own performance.

Evaluation of Board Committees
The Charters for each of the Board Committees require that each Committee annually review its own performance.

Audit and Risk Management Committee

Review process	Completion of questionnaires by all Directors, some Executives, and the external auditors. The results were collated by the Company Secretary and discussed by the Committee at one of its scheduled meetings. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Safety, Sustainability and Corporate Responsibility Committee

Review process	Completion of questionnaires by all Directors and some Executives and senior managers. The results were collated by the Company Secretary and discussed by the Committee at one of its scheduled meetings. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

People and Performance Committee

Review process	Completion of questionnaires by all Directors, and some Executives. The results were collated by the Group Head of People and Culture and discussed by the Committee at one of its scheduled meetings. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Nominations Committee

Review process	The Committee set aside time at one of its meetings to consider how effective it had been during the year. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Principle 3: Promote ethical and responsible decision making

The Safety, Sustainability and Corporate Responsibility Committee assists the Board in enabling AGL to operate its businesses ethically, responsibly and sustainably.

The composition of the Committee changed during the year with Graeme Hunt replacing Les Hosking as a member in March 2013. The Committee currently comprises three non-executive and independent Directors – Sandra McPhee (Chair), Bruce Phillips and Graeme Hunt.

The Committee has a formal Charter that was most recently reviewed in June 2012. A copy of that Charter is available on AGL's website.

The Committee oversees and reviews:

> AGL's actions to meet its obligation to maintain the health and safety of its employees and contractors;

> the social, environmental and ethical effects of AGL's activities;

> initiatives to enhance AGL's sustainable business practices and reputation as a responsible corporate citizen;

> integration of safety, sustainability and corporate responsibility in the formulation of AGL's corporate strategy, risk management framework, and people and culture priorities; and

> AGL's compliance with all relevant legal obligations on the matters within its responsibilities.

The Committee met four times during the year. Three of the meetings were held at AGL business unit operating sites.

Recommendation 3.1 – *Companies should establish a Code of Conduct*

AGL has a Code of Conduct that applies to AGL and its Directors, employees and contractors (all of which are referred to as "employees" in the Code).

The Code of Conduct sets out a number of overarching principles of ethical behaviour which are set out under the following headings:

Acting honestly and with integrity

Observing the law

Valuing and maintaining professionalism

Respecting confidentiality

Managing conflicts of interest

Looking after our employees

Looking after the community

Training about the Code of Conduct is part of the induction process for new AGL employees. It is also a requirement that AGL employees complete online refresher training about the Code of Conduct. During the year, more than 96 percent of AGL employees completed the online training module.

The Code of Conduct provides a mechanism to enable employees to report actual or suspected breaches, including an independently monitored Diversity Support Line telephone service to allow for anonymous reporting. An Ethics Panel oversees the application of the Code of Conduct in AGL, including investigating alleged breaches of the Code, monitoring compliance and recommending amendments to the Board. The Ethics Panel comprises the Company Secretary, Group Head of People and Culture, the Head of Legal, the Head of Group Audit, and Ms Susan Cunningham – an independent person who has expertise in managing employee grievances. The Ethics Panel met four times during the year.

AGL's Code of Conduct is available on AGL's website.

Compliance Policy

AGL's Compliance Policy sets out responsibilities for compliance with AGL's legal obligations. The Policy is published on AGL's website.

Recommendation 3.2 – *Companies should establish a policy concerning diversity*

AGL's Diversity and Inclusion Policy describes AGL's approach to diversity and inclusion and how these attributes are to be embedded in AGL workplaces. The Policy includes specific provisions regarding gender diversity and the positive correlation between increased representation of women on company boards and in senior management positions and the achievement of better financial performance, higher employee retention rates, and enhanced corporate image and reputation. The Policy is published on AGL's website.

AGL has established a Diversity & Inclusion Council to support the achievement of a diverse workforce and an inclusive workplace culture. The Council is chaired by Michael Fraser, AGL's CEO, and comprises eight other members drawn from senior leaders across AGL's business. Six of the members are women.

Recommendation 3.3 – *Companies should disclose the measurable objectives for achieving gender diversity and progress towards achieving those objectives*

The objectives for the year included a three-year goal to increase the representation of women in the most senior positions in the Company.

1 By June 2013, AGL will, in a consultation process with employees, identify and develop further initiatives to embed inclusive leadership and support workforce diversity.

Progress to date
In 2012, AGL conducted its first Diversity & Inclusion Census. Employees in all AGL workplaces, other than the newly acquired AGL Loy Yang power station and mine, were invited to participate in the Census. The bespoke, online survey was co-developed with independent survey company ORC International. Approximatey 75 percent of AGL employees responded to the survey. More than 370 individual employee comments were received. The Census has delivered insights into the diversity of AGL's workforce and AGL's progress in building an inclusive workplace culture which have supported the development and planning of the next phase of AGL's Diversity & Inclusion Strategy.

2 By June 2013, AGL will implement new programs to support employees who are parents.

Progress to date
During the last 12 months, AGL piloted new learning and development programs for employees who are parents. Run as a series of facilitated workshops over a five to six-month period, 12 mothers and 12 fathers received coaching, practical tools and support to help them successfully navigate their dual roles at work and at home. Participants have formed strong supportive networks with each other and continue to meet regularly. The Working Parents Programs are now offered on an ongoing basis and 32 employees who are parents are currently participating in programs in AGL's North Sydney and Melbourne offices.

3 AGL will increase the representation of women in its top 300 positions (top 15 percent of positions) to 38 percent by 30 June 2015.

Progress to date
This target was set in 2012. It aimed to increase the representation of women in a group that includes all of AGL's critical business roles and roles that are on the pathway to executive leadership, particularly in the operational businesses of Merchant Energy and Upstream Gas where the representation of women was less than 40 percent.

After 12 months and excluding the impact of the AGL Loy Yang acquisition, women represent 34 percent of the target group, an increase of 1 percentage point. In addition, AGL achieved a significant uplift in the representation of women in the top 8 percent of positions. Women now represent 28 percent of this group, an increase of four percentage points since 1 July 2012.

The Board has set new objectives for the year commencing 1 July 2013.

1 AGL will continue to build a culture of inclusion that will support all employees to contribute and achieve their potential.

> By June 2014, AGL will review and update policies, processes and training to reflect AGL's diversity and inclusion principles and objectives throughout the stages of the employee lifecycle.

> By June 2014, AGL will review and update policies, processes and training to support the inclusion of a range of diversity groups.

During the coming year, AGL will commence an end-to-end review of the recruitment and on-boarding process to identify opportunities to mitigate gender bias. AGL will also review employment policies for further opportunities for inclusion of Lesbian, Gay, Bisexual and Transgender (LGBT) employees and employees with disability.

2 AGL will continue to support employees seeking flexible work arrangements as well as the specific needs of our employees who are carers. By June 2014, AGL will identify and implement initiatives to remove barriers to flexible work in operational workplaces, where practicable.

3 AGL will continue to implement initiatives to increase the number of women in leadership positions. AGL will increase the percentage of female appointments to its Senior Leadership Pipeline to 50 percent by 30 June 2016.

This new three-year target includes AGL Loy Yang. It aims to resolve the challenges of the existing lag metric where progress in lifting the representation of women in the target group was effectively hidden by the acquisition of a large, male-dominated business (AGL Loy Yang). AGL will continue to track and report on the percentage of women in its Senior Leadership Pipeline but the target will be aligned to a lead indicator of performance, being the appointment rate of women to this group.

The target for each of AGL's businesses will be based on current gender diversity, female appointment rate and relative challenge to source and appoint qualified women.

Recommendation 3.4 – *Companies should disclose the proportion of women employees in the company, in senior executive positions, and on the Board*

	2013	2012
Females directors on the Board	25%	25%
Female employees in senior executive positions[1]	11%	11%
Female employees in Senior Leadership Pipeline[2]	34%	33%
Female employees in leadership positions[3]	36%	35%
Female employees in the company	45%	46%

1 Senior executive positions are direct reports of the CEO.
2 Senior Leadership Pipeline includes all roles that are graded Level 12 and above per AGL's Position Framework. As at 30 June 2013, this group represents the top 350 positions approximately in AGL.
3 Leadership positions are leaders of people and/or managers of specialist areas.

For comparison purposes, the representation of women in 2013 excludes the effect of the AGL Loy Yang business acquired by AGL on 29 June 2012 where women represent only six percent of the workforce. After including AGL Loy Yang, the percentage of female employees in the company is 37 percent, the percentage of females in leadership positions is 31 percent and the percentage of females in the Senior Leadership Pipeline is 32 percent.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – *The Board should establish an audit committee*
The Board has established an Audit and Risk Management Committee. Its primary function is to assist the Board to fulfil its responsibilities to provide shareholders with timely and reliable financial reports and to protect the interests of shareholders, customers, employees and the broader community through the effective identification, assessment, monitoring and management of risks.

Recommendation 4.2 – *The audit committee should be appropriately structured*
Under its Charter, the Audit and Risk Management Committee must have at least three members, all of whom must be independent non-executive Directors. The Charter also requires that all members have a working familiarity with basic accounting and finance practices and that at least one member have financial expertise. The Committee must also include members with an understanding of the industry in which AGL operates.

The Committee currently comprises five members – John Stanhope (Chair), Bruce Phillips, Les Hosking, Belinda Hutchinson and Sandra McPhee. John Stanhope has financial expertise as a qualified accountant. Bruce Phillips and Les Hosking have each enjoyed long careers in the energy industry. Belinda Hutchinson also has prior energy industry experience as a former Director of Energy Australia and Snowy Hydro Trading. She also has extensive experience in finance and risk management. Sandra McPhee has been an AGL Director since 2006. She has extensive experience in consumer oriented industries, so is familiar with the risks that affect a customer facing business.

Further details of the qualifications and experience of all Committee members are disclosed on pages 52 and 53 of this Annual Report.

The CEO, CFO, Company Secretary (who also has responsibility for AGL's Group Risk and Compliance function), Head of Group Audit and the external auditor attend Committee meetings at the discretion of the Committee. Other non-executive Directors may attend meetings.

The Committee meets privately with the external auditor on general matters concerning the external audit and other related matters, including the half year and full year financial reports. The Committee also meets privately with the Head of Group Audit.

The Company Secretary is the secretary to the Committee. Copies of the minutes of a meeting of the Committee are distributed to the Board for discussion at the next full Board meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

The Committee collectively, and its members individually, have access to internal and external resources, including access to advice from external consultants or specialists.

The Committee met five times during the year. Directors' attendances are set out on page 54 of this Annual Report.

Recommendation 4.3 – *The audit committee should have a formal charter*

The Committee operates under a formal Charter published on AGL's website. The Charter is required to be reviewed by the Committee and updated at least every two years. The Charter was most recently reviewed and updated in April 2012.

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee.

The Committee's primary responsibilities include:

> Monitoring the integrity of financial reporting;

> Monitoring and reviewing the external auditor's qualifications, performance and independence;

> Monitoring the effectiveness of risk management processes, including reviewing the adequacy of AGL's property, business interruption, and liability insurances;

> Monitoring the effectiveness of Group Audit;

> Monitoring legislative and regulatory compliance; and

> Monitoring the adequacy and completeness of internal controls.

Monitoring performance of the external auditor

AGL's Auditor Independence Policy contains details of the procedures for the selection and appointment of, and for reviewing the independence of, the external auditor.

During the year, the Committee conducted a tender process in relation to the provision of external audit services. Deloitte has been auditor of AGL or its predecessor, The Australian Gas Light Company, since 1996. Four accounting firms, including Deloitte, were invited to participate in the process. Each firm made a written submission and gave an oral presentation addressing a number of criteria including relevant industry experience, proposed audit methodology, and maintenance of auditor independence. After assessing the extent to which each firm satisfied all of the evaluation criteria, the Committee recommended to the Board that Deloitte be reappointed as external auditor. The Board accepted the Committee's recommendation and confirmed Deloitte's reappointment as external auditor.

Under the Auditor Independence Policy, the external auditor is precluded from providing any services that might threaten their independence, or conflict with their assurance and compliance role.

Reports on the provision of auditing and related services are provided to the Committee. The Directors have concluded that non-audit services provided did not compromise the external auditor's independence requirements under the Corporations Act.

AGL's Auditor Independence Policy is published on AGL's website.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – *Companies should establish continuous disclosure policies and ensure compliance with those policies*

Market Disclosure

AGL's Market Disclosure Policy describes AGL's continuous disclosure obligations and how they are managed by AGL. The Policy was reviewed during the year. It is published on AGL's website.

The Market Disclosure Committee comprises the CEO, the Company Secretary, the CFO and the Head of Capital Markets. It is responsible for monitoring compliance with the Market Disclosure Policy.

The Committee is also responsible for recommending changes to the Market Disclosure Policy.

Accountability

The Company Secretary reports to the Board quarterly on matters that were either notified or not notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available in the Media Centre on the AGL website.

All AGL Executives confirm in writing to the Board, on a quarterly basis, that matters which might need to be disclosed have been brought to the attention of the Continuous Disclosure Officer for review.

Financial market communications

Communication with the financial market is the responsibility of the CEO, CFO and Head of Capital Markets. Communication with the media is the responsibility of the CEO, the Company Secretary, and the Head of Corporate Communications. The Market Disclosure Policy covers briefings to institutional investors and stockbroking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review, as well as media briefings.

The substantive content of all market presentations about the half year and full year financial results, and all statements relating to AGL's future earnings performance, must be referred to and approved by the Board before they are disclosed to the market.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – *Companies should establish a shareholder communication policy*

AGL has not established a formal shareholder communications policy, but it does take appropriate measures to keep shareholders informed about its activities.

Electronic Communication

Shareholders have the option of electing to receive all shareholder communications, including dividend statements, by email. AGL provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the AGL website.

AGL's website allows shareholders to view all ASX and media releases since at least July 2009; various investor presentations; a copy of the most recent Annual Report and Annual Reports for at least the two previous financial years; and the notice of meeting and accompanying explanatory material for the most recent Annual General Meeting and the Annual General Meetings for at least the two previous financial years.

All announcements made to the ASX are available to shareholders via the AGL website under Media Centre/ASX and Media Releases. Shareholder meetings are webcast and analyst/media briefings in relation to half year and full year financial results and other significant events can be heard by teleconference.

Meetings
Notices of meeting sent to AGL's shareholders comply with the "Guidelines for notices of meeting" issued by the ASX in August 2007. Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practical.

The Chairman also encourages shareholders at the meeting to ask questions and make comments about AGL's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his discretion, may refer a question to another Director, the CEO or a member of the Executive Team.

Nominees for election or re-election as a Director are given an opportunity to briefly address the meeting.

AGL has adopted the practice of conducting a poll on each motion being considered at the meeting. Shareholders in attendance at the meeting are also given the opportunity to vote by a show of hands before the poll is conducted.

The external auditor attends AGL's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to AGL at least five business days before the day of the meeting. No questions were sent to the auditor in advance of the 2012 Annual General Meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by AGL and the independence of the auditor.

Principle 7: Recognise and manage risk

Recommendation 7.1 – *Companies should establish risk management policies for the oversight of material business risks*

Recommendation 7.2 – *Companies should establish risk management and internal control systems to manage material business risks and require management to report to the Board on the effectiveness of these systems and the effectiveness of the material business risks*

Risk Management Policies
AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. Details of AGL's main risks are set out on page 61 of this Annual Report.

AGL systematically examines all operational and financial activities to identify major risk exposures using an enterprise-wide risk program based on ISO31000, the international standard on risk management. This program is supported by AGL's Risk Management Policy.

AGL has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

> Compliance Policy;

> Market Disclosure Policy;

> Code of Conduct;

> Delegations of Authority Manual;

> Health, Safety and Environment Policy;

> Wholesale Energy Risk Management Policy;

> Treasury Policy; and

> Privacy Policy.

Roles and responsibilities
The Risk Management Policy, and the other policies listed above, describes the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board or to the Audit and Risk Management Committee (Committee), Executives, the business units and AGL's Group Audit function.

Board
The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that AGL has a sound system of risk management and internal control that is operating effectively. The Committee assists the Board in carrying out these responsibilities. Details of the operation of the Committee are included in the commentary on Principle 4.

Committee
The Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control. The Committee receives an annual presentation of AGL's material business risks and the controls in place to mitigate the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics.

The Committee has responsibility for approving the audit plan submitted annually by Group Audit. The audit plan is based on an assessment of AGL's main risk exposures.

Executive Team
The CEO has primary responsibility for designing, implementing and reporting on AGL's risk management framework. The Executive Team collectively has responsibility for promoting a risk management culture throughout AGL, including consistent application of the Risk Management Policy across AGL.

Business units
AGL's business units are responsible for maintaining effective internal controls, consistently applying the risk management framework, and reporting new or changed risk events.

Group Risk
Group Risk is responsible for supporting the businesses to identify and implement effective risk management processes, for reporting details of material business risks and risk controls to the Committee, and for recommending changes to the Risk Management Policy.

Group Audit
Group Audit provides assurance to the Committee on the effectiveness of AGL's risk management framework and on the adequacy and effectiveness of the system of internal controls.

Recommendation 7.3 – *CEO and CFO assurance on financial reporting risks*

The CEO and the CFO have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – *The Board should establish a remuneration committee*

Recommendation 8.2 – *The remuneration committee should be structured appropriately*

The Board has established a People and Performance Committee (equivalent to a remuneration committee). During the year, Max Ould ceased to be a member on his retirement as a non-executive Director, while Graeme Hunt and Les Hosking became members of the Committee. The Committee currently comprises four non-executive and independent Directors – Les Hosking (Chair), John Stanhope, Belinda Hutchinson and Graeme Hunt.

The Committee has a formal Charter that is required to be reviewed at least every two years. The Charter was most recently reviewed in August 2012. A copy of the Charter is available on AGL's website.

The Committee is responsible for:

> reviewing the performance and remuneration of senior management; and

> reviewing and ratifying AGL's remuneration and employment policies, procedures and programs.

These responsibilities include making recommendations to the Board in relation to:

> the remuneration of Directors

> the remuneration, recruitment, retention and termination policies applicable to AGL's senior management;

> guidelines for incentive plans, particularly as they relate to the Executives;

> the superannuation arrangements in place for AGL employees; and

> AGL employment policy matters.

In making recommendations to the Board in relation to remuneration and remuneration policies, the Committee also reviews the remuneration of female employees relative to the remuneration of male employees at all levels across AGL.

The CEO attends meetings of the Committee by invitation when required to report on and discuss senior management performance, remuneration and related matters, but is not present at meetings when his own performance or remuneration is discussed.

Recommendation 8.3 – *The Company should distinguish between non-executive Directors' remuneration and that of executive Directors and senior management*

AGL's remuneration structure distinguishes between non-executive Directors and that of the CEO and senior management. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report on pages 64 to 78 of this Annual Report.

AGL's Website

The following documents are published on the AGL website:

> Annual Report

> Sustainability Report

> Corporate Governance Statement

> Board Charter

> People and Performance Committee Charter

> Audit and Risk Management Committee Charter

> Safety, Sustainability and Corporate Responsibility Charter

> Nominations Committee Charter

> Code of Conduct

> Securities Dealing Policy

> Compliance Policy

> Auditor Independence Policy

> Market Disclosure Policy

> Risk Management Policy

> Health, Safety and Environment Policy

> Privacy Policy

> Diversity and Inclusion Policy

> Wholesale Energy Risk Management Policy (summarised)

The Directors present their Report together with the annual Financial Report of AGL Energy Limited (AGL) and its consolidated entities, being AGL and its controlled entities, for the year ended 30 June 2013, and the Independent Audit Report thereon.

AGL is the head entity of the AGL Energy Limited Group. Its shares are listed on ASX Limited under the code "AGK".

Directors

The Directors of AGL at any time during or since the end of the financial year are:

Non-executive Directors

> Jeremy Maycock

> Les Hosking

> Graeme Hunt (appointed 1 September 2012)

> Belinda Hutchinson

> Sandra McPhee

> Max Ould (retired 23 October 2012)

> Bruce Phillips

> John Stanhope

Executive Director

> Michael Fraser

Jeremy Maycock

BEng (Mech) (Hons), FAICD, FIPENZ

Age 61

Non-executive Director since October 2006 and Chairman since October 2010.

Independent: Yes.

Committees: Chair of the Nominations Committee.

Directorships: Chairman of Port of Brisbane Pty Ltd (commenced in November 2010), Director of Nuplex Limited (commenced in September 2011) and a Director of the Smith Family (commenced January 2013).

Experience: Previously Managing Director and Chief Executive Officer of CSR Limited (2007–2010), Managing Director and Chief Executive Officer of Hastie Group Limited (2003–2007), Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss-based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 40 years, with his early career being with Shell Oil in the UK and in New Zealand.

Michael Fraser

BCom, CPA, FTIA – Managing Director

Age 56

Managing Director and Chief Executive Officer since October 2007.

Independent: No.

Committees: Nil.

Directorships: Chairman of Clean Energy Council Limited (commenced in September 2011).

Experience: Previously Director of Queensland Gas Company Limited, Chairman of Elgas Limited and of ActewAGL, Director of the Australian Gas Association and the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCo) Participant's Advisory Committee and a Director of Uniting Care Ageing Board. He has more than 25 years of energy industry experience, including having established AGL as one of the country's largest energy retailers and led the rapid expansion of AGL's upstream energy interests in renewables, thermal power generation and upstream gas exploration and development.

Les Hosking

Age 68

Non-executive Director since November 2008.

Independent: Yes.

Committees: Chairman of the People and Performance Committee; member of the Audit and Risk Management Committee and the Nominations Committee.

Directorships: Chairman of Adelaide Brighton Limited (commenced as a Director in 2003), Director of Innovation Australia (commenced in 2003), Director of Australian Energy Market Operator (AEMO) (commenced in 2009) and Chair of The Carbon Market Institute (commenced in 2010).

Experience: Previously Director of Australian Energy Market Operator (Transition) Limited (AEMO), Managing Director and Chief Executive Officer of NEMMCo (2003–2008) and a non-executive Director of NEMMCo. He has over 30 years of experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry, and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (1985–2000).

Graeme Hunt
MBA, BMET

Age 56

Non-executive Director since September 2012.

Independent: Yes.

Committees: Member of the People and Performance Committee, the Safety, Sustainability and Corporate Responsibility Committee and the Nominations Committee.

Directorships: Managing Director of Transfield Services Limited.

Experience: Previously he was non-executive Director of Transfield Services Limited and Managing Director of G.P. Hunt Associates Pty Ltd. Prior to that, he was Chief Executive Officer of Lihir Gold Limited until it was acquired by Newcrest Mining Limited in 2010. He has held a number of senior executive positions at BHP Billiton Group (BHP), including President of BHP's Uranium and Olympic Dam Development (2007–2009), President of BHP's Global Aluminium business (2006–2007), and President of BHP's Global Iron Ore business (1999–2005). Mr Hunt brings to AGL extensive experience in establishing and operating large capital projects.

Belinda Hutchinson
AM, Bec, FCA, FAICD

Age 60

Non-executive Director since December 2010.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, People and Performance Committee, and the Nominations Committee.

Directorships: Chairman of QBE Insurance Limited (commenced in 2010), Director of St Vincent's Health Australia Limited (commenced in 2010), Director of the State Library of NSW Foundation (commenced in 1997), Chancellor of the University of Sydney (commenced 2013) and a member of the Salvation Army Australian Eastern Territorial Advisory Board (commenced in 2006).

Experience: Executive career included roles as Executive Director at Macquarie Group Limited (2002 to 2006), and Vice President of Citibank Limited (1981 to 2002). Previous appointments include Director of St Vincent's & Mater Health Sydney, Director of Coles Group Limited, Telstra Corporation Limited, TAB Limited, Energy Australia, Crane Group, Snowy Hydro Trading Limited, and member of the State Library of New South Wales Council.

Sandra McPhee
Dip Ed, FAICD

Age 67

Non-executive Director since October 2006.

Independent: Yes.

Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee; a member of the Audit and Risk Management Committee, and the Nominations Committee.

Directorships: Director of Westfield Retail Trust (commenced in 2010), Director of Fairfax Media (commenced in 2010), Director of Tourism Australia (commenced in 2009), Kathmandu Holdings Limited (commenced in 2009) and Vice President of The Art Gallery of New South Wales.

Experience: Extensive experience as a non-executive Director and Senior Executive in a number of consumer oriented industries including retail, aviation and tourism, most recently ten years with Qantas Airways Limited (retired in 2004). Previous non-executive appointments include Director of Australia Post, Coles Group Limited, Perpetual Limited, Primelife Corporation Limited, St Vincent's & Mater Health Sydney and CARE Australia.

Bruce Phillips
BSc (Hons) PESA, ASEG

Age 58

Non-executive Director since August 2007.

Independent: Yes.

Committees: Member of the Audit and Risk Management Committee, the Safety, Sustainability and Corporate Responsibility Committee, and the Nominations Committee.

Directorships: Chairman of Platinum Capital Limited (commenced as a Director in 2009), and Chairman of AWE Limited (commenced as a Director in 2009).

Experience: More than 30 years of technical, financial and managerial experience in the energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited (now AWE Limited). He also held prior positions of Director of Sunshine Gas Limited, Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities, General Manager of Petroleum Securities Australia Limited; and was an expert technical advisor to News Corporation Limited.

John Stanhope
BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI

Age 62

Non-executive Director since March 2009.

Independent: Yes.

Committees: Chair of the Audit and Risk Management Committee; a member of the People and Performance Committee, and the Nominations Committee.

Directorships: Director of The Bionics Institute of Australia (commenced in June 2012), Melbourne Jazz Limited (commenced in October 2009), RACV Ltd (commenced July 2013); and a member of the Council of Deakin University. Chairman of Australia Post (commenced November 2012).

Experience: Previously, a member of the Financial Reporting Council (ceased on 30 June 2012), a Director of Telstra Corporation Limited and Chief Financial Officer and Group Managing Director, Finance & Administration of Telstra. Prior to this he served as Director, Finance.

Directors' Interests

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the ASX in accordance with Section 205G of the Corporations Act, at the date of this Report is as follows:

AGL Energy Limited Ordinary Shares	
Jeremy Maycock	65,626
Michael Fraser	703,182
Les Hosking	2,334
Graeme Hunt	0
Belinda Hutchinson	7,630
Sandra McPhee	17,121
Bruce Phillips	33,834
John Stanhope	3,586

Jeremy Maycock holds 1,500 Subordinated Notes issued by AGL Energy Limited.

No options have been granted over any securities or interests of AGL or the consolidated entity.

Company Secretaries

Paul McWilliams was appointed Company Secretary of AGL Energy Limited on 25 August 2006. Paul's educational qualifications include Bachelor of Arts (Accounting) from the University of South Australia, Master of Applied Finance from Macquarie University and a Graduate Diploma in Applied Corporate Governance. He is a member of the Institute of Chartered Accountants of Australia, Chartered Secretaries Australia and the≈Institute of Chartered Secretaries and Administrators. Paul has had more than 36 years of experience across a variety of roles in the Australian Taxation Office, chartered accounting and listed public companies.

John Fitzgerald was appointed an additional Company Secretary on 25 August 2010. John's qualifications are a Bachelor of Arts and a Bachelor of Laws from the University of New South Wales and a Masters in Arts from the National University of Ireland (University College Dublin). John is admitted as a Solicitor of the Supreme Court of New South Wales and is AGL's General Counsel. John has been practising in projects, mining and energy law for approximately 17 years.

Directors' Meetings

The number of Directors' Meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of AGL during the financial year were:

	Regular Board Meetings		Special Board Meetings		Audit and Risk Management Committee		People and Performance Committee		Safety, Sustainability and Corporate Responsibility Committee		Nominations Committee	
Director's Name	A	B	A	B	A	B	A	B	A	B	A	B
Jeremy Maycock	14	15									2	2
Michael Fraser	14	15										
Les Hosking	15	15			5	5	2	2	3	3	2	2
Graeme Hunt	12	12					3	3	3	3	2	2
Belinda Hutchinson	15	15			5	5	5	5			2	2
Sandra McPhee	15	15			5	5			4	4	2	2
Max Ould	7	7					2	2				
Bruce Phillips	13	15			5	5			4	4	2	2
John Stanhope	15	15			5	5	5	5			2	2

A – number of meetings attended as a member

B – number of meetings held during the time the Director held office during the year

During the year, in aggregate, there were 18 occasions when the non-executive Directors also attended some of the meetings of committees, of which they were not members.

Directors also participated in informal meetings and telephone conferences. AGL makes extensive use of email between meetings to keep Directors informed of current developments; to provide relevant background and industry information; to dispose of routine matters and allow formal Board meetings to concentrate on more important matters. Periodically, Directors meet informally outside AGL to discuss matters of interest and travel to visit assets, operations or locations of particular relevance to AGL.

Operating and Financial Review

AGL's Operations

About AGL

AGL is one of Australia's leading integrated renewable energy companies. 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 and wind. AGL is Australia's largest private owner and operator of renewable energy assets.

Operating Segments

AGL's segment results are reported according to the internal management reporting structure at the reporting date.

The consolidated entity has four reportable operating segments:

> **Retail Energy** sells natural gas, electricity and energy-related products and services to residential and small business customers.

> **Merchant Energy** develops, operates and maintains power generation assets and manages the risks associated with the procurement and delivery of natural gas and electricity for its wholesale portfolio and for the Retail Energy segment. Merchant Energy also sells natural gas and electricity to business customers and provides energy efficiency and carbon management services.

> **Upstream Gas** invests in and operates gas exploration, development and production tenements and develops and operates gas storage facilities.

> **Energy Investments** includes equity accounted investments in the ActewAGL Retail Partnership and Diamantina Holding Company Pty Limited. The equity accounted investment in Great Energy Alliance Corporation Pty Limited (GEAC) was also included in this segment up until 29 June 2012, when AGL completed the acquisition of GEAC, increasing its ownership from 32.54% to 100%. GEAC owns the Loy Yang A power station and adjacent brown coal mine which are now reported in the Merchant Energy operating segment.

Operating Results

The consolidated profit after income tax attributable to Shareholders was $388.7 million compared with $114.9 million for the prior year. The Underlying Profit was $598.3 million, up 24.1% on the prior year underlying profit of $482.0 million.

Reconciliation of Underlying Profit to Statutory Profit

	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m
Profit after tax attributable to Shareholders	**388.7**	114.9
Adjust for the following after tax items		
Significant items	**289.6**	155.1
Changes in fair value of financial instruments	**(80.0)**	212.0
Underlying Profit after tax	**598.3**	482.0
	cents	cents
EPS on Statutory Profit	**70.7**	23.8
EPS on Underlying Profit	**108.8**	100.0

Underlying Profit and Operating EBIT are the Statutory Profit and Statutory EBIT respectively, adjusted for significant items and changes in the fair value of financial instruments. AGL believes that Underlying Profit and Operating EBIT provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

AGL believes Underlying Profit and Operating EBIT are useful as they:

> remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods; and

> remove changes in the fair value of financial instruments recognised in the income statement to remove the volatility caused by mismatches in valuing derivatives and the underlying asset differently.

Underlying Profit is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. AGL's policy for reporting Underlying Profit is consistent with this guidance and the Directors have had the consistency of the application of the policy reviewed by the external auditor of AGL.

The following table reconciles Statutory EBIT to Operating EBIT:

	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m
Statutory EBIT	**667.2**	201.4
Significant items	**494.1**	211.7
Change in fair value of financial instruments	**(114.3)**	304.6
Finance income included in Operating EBIT	**2.3**	12.7
Operating EBIT	**1,049.3**	730.4

Operating EBIT for the year ended 30 June 2013 was $1,049.3 million compared with $730.4 million for the prior year. The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory)		EBIT (Operating)	
	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m	Year ended 30 June 2013 $m	Year ended 30 June 2012 $m
Retail Energy	**355.5**	332.8	**355.5**	332.8
Merchant Energy	**882.1**	224.2	**869.3**	549.7
Upstream Gas	**(395.4)**	(35.2)	**0.0**	0.6
Energy Investments	**26.2**	(140.2)	**26.2**	24.5
Centrally managed expenses	**(201.2)**	(180.2)	**(201.7)**	(177.2)
EBIT	**667.2**	201.4	**1,049.3**	730.4
Depreciation and amortisation	**287.1**	173.9	**287.1**	173.9
EBITDA	**954.3**	375.3	**1,336.4**	904.3
Average funds employed	**9,853.4**	7,917.2	**9,853.4**	7,917.2
EBIT/Average funds employed	**6.8%**	2.5%	**10.6%**	9.2%

Operating EBIT/Average funds employed increased 1.4 percentage points (ppts) due to a $318.9 million, or 43.7%, increase in Operating EBIT, partially offset by an increase in average funds employed of $1,936.2 million or 24.5%, mainly as a result of the full year of ownership of GEAC.

Retail Energy:

Operating EBIT of $355.5 million was up 6.8% on the prior year. AGL added a net 43,459 customers during the year, including a net 69,314 in NSW. Market conditions have been challenging, with customer churn and discount offers reaching unprecedented levels. AGL withdrew from unsolicited door knocking in March 2013 and has focused on alternative sales channels and customer retention activities.

Despite adding an additional 61,834 electricity customers, electricity volumes fell 134 GWh compared with the prior year. These volume reductions were a result of consumers reducing consumption in response to large network distribution price increases and customer energy efficiency initiatives including rooftop solar.

Gas volumes were 0.5 PJ up on the prior year with increases in Victoria being largely offset by declines in New South Wales.

Merchant Energy:

Operating EBIT of $869.3 million was up 58.1% on the prior year due mainly to the inclusion of a full year of contribution from AGL Loy Yang following its acquisition on 29 June 2012. Other factors driving growth included:

> Higher revenue from Retail Energy as a result of higher customer tariffs and related transfer prices.

> Business customers increased margins due to increased electricity rates and higher gas volumes. Electricity volumes declined as overall demand declined with some customers coming off contract and lost to competitors.

> Inclusion of contribution from the Macarthur Wind Farm following its completion in February 2013.

> A net benefit from the introduction of a cost on carbon, including transitional assistance for AGL Loy Yang.

No development profits were recognised in the year compared with $43.0 million in the prior year.

AGL Loy Yang was integrated into the Merchant Energy business during the year. Its financial and operating performance was in line with the acquisition expectations.

Upstream Gas:

Operating EBIT decreased to $0.0 million compared with $0.6 million for the prior year. Operating EBIT from the Queensland/South Australia assets was up $0.5 million due to increased gas sales. Higher costs due to increased rig workover activity combined with lower gas sales resulted in the contribution from the NSW assets declining $1.8 million compared with the prior year.

AGL received Federal Government approval for Stage 1 of the Gloucester Gas Project, subject to satisfying 36 conditions and NSW Government development approval subject to satisfying 92 conditions . AGL is working on satisfying the conditions of the Federal and State government approvals.

Energy Investments:

Operating EBIT increased to $26.2 million compared with $24.5 million in the prior year. The prior year included a loss from the then equity accounted Loy Yang A results, which did not repeat in 2013. Contribution from the ActewAGL joint venture was slightly down on the previous year mainly due to lower electricity consumption.

Centrally Managed Expenses:

Centrally managed expenses increased by $24.5 million to $201.7 million. The main increase is due to the inclusion of general and administrative costs associated with AGL Loy Yang of $25.8 million. Excluding these costs, centrally managed costs were slightly down on the prior year.

Significant items

	Year ended 30 June 2013		Year ended 30 June 2012	
	Pre-tax $m	PAT $m	Pre-tax $m	PAT $m
Loy Yang acquisition	**(52.9)**	**(52.9)**	(175.9)	(174.3)
Impairment of Upstream Gas New South Wales assets	**(343.7)**	**(284.3)**	–	–
Impairment of other Upstream Gas assets	**(51.7)**	**(36.7)**	(35.8)	(26.6)
Impairment of Power Development assets	**(45.8)**	**(38.9)**	–	–
Tax items	**–**	**123.2**	–	45.8
Total significant items	**(494.1)**	**(289.6)**	(211.7)	(155.1)

Loy Yang A acquisition

On 29 June 2012, AGL completed the acquisition of the remaining 67.46% of shares and loan notes issued by Great Energy Alliance Corporation Pty Ltd (GEAC) that it did not already own. As a result of the acquisition AGL now owns the 2,210 MW Loy Yang A power station and adjacent brown coal mine.

AGL received external advice that GEAC was not land rich for the purposes of Section 71 of the Duties Act 2000 (Vic) at the time of the acquisition. On this basis, AGL lodged submissions with the Victorian State Revenue Office (SRO) claiming that there should be no liability for stamp duty in relation to the acquisition.

On 30 November 2012, the SRO responded to AGL's submission stating that it believed that GEAC was land rich and therefore stamp duty of approximately $82.0 million could be payable. This matter was disclosed as a contingent liability in the financial statements for the year ended 30 June 2012.

Following negotiation with the SRO, AGL advised the market on 29 May 2013 that a final amount of $52.9 million has now been paid in full settlement of stamp duty in relation to the acquisition of GEAC. In accordance with accounting standards, this amount has been expensed. This stamp duty payment is non-deductible for income tax purposes.

Impairment of Upstream Gas New South Wales (NSW) assets

During the year there has been significant change and uncertainty in government policy which has affected the value of AGL's Upstream Gas assets in NSW.

On 19 February 2013, the NSW Government announced its intention to amend the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (Mining SEPP) and subsequently issued a Planning White Paper calling for submissions by 28 June 2013. At the date of reporting, the NSW Government was still to release a final amended Mining SEPP.

The proposed changes include exclusion zones for coal seam gas exploration and development within two kilometres of residential areas and within certain critical industry cluster areas covering viticulture and equine activities.

Existing approved projects are not expected to be affected. For AGL, these are the approved and operating project at Camden and the approved project at Gloucester (Stage 1). Proposed but not approved AGL projects that are potentially affected are Camden (Camden North expansion), Hunter and Gloucester (Stages 2 and 3).

Based on the information available at the time of reporting, the expected effect of the proposed Mining SEPP changes on the reserves of AGL's NSW assets is set out in the following table:

	Reported as at 30 June 2012		Estimated reserves based on Mining SEPP changes	
AGL share of gas reserves (PJ)*	2P	3P	2P	3P
Camden	138	183	50	50
Hunter	134	257	0	0
Gloucester	635	790	454	565
Total	**907**	**1,230**	**504**	**615**

* Consistent with new ASX Listing Rules reporting requirements, gas reserves are now reported net of 'lease fuel', i.e. net of estimated own use fuel consumption upstream of the point of sale. Reserves as at 30 June 2012 have been restated accordingly for comparison purposes.

While the NSW Government is yet to finalise the Mining SEPP, it has been considered prudent to recognise a provision for impairment of the book value of these projects as follows:

	Book value before impairment	Impairment provision		Book value after impairment
	$m	Pre-tax $m	PAT $m	$m
Camden	**130.0**	**(44.4)**	**(31.1)**	**85.6**
Hunter	**202.8**	**(192.8)**	**(178.7)**	**10.0**
Gloucester	**454.0**	**(106.5)**	**(74.5)**	**347.5**
Total	**786.8**	**(343.7)**	**(284.3)**	**443.1**

Impairment of other Upstream Gas assets

AGL has a 50% joint venture interest in ATP 529P with the other 50% held by Galilee Energy Limited (GLL). During the year a parcel of approximately 16.1% of the shares in GLL was exchanged at less than the value of cash reserves held by GLL, indicating that the interest in the ATP 529P had no value. AGL conducted a carrying value review of its interests in ATP 529P. After allowing for technical and commercial uncertainty associated with the ongoing exploration program, AGL considers its interest in the joint venture has negligible value.

	Year ended 30 June 2013	
	Pre-tax $m	PAT $m
Galilee	**(49.9)**	**(34.9)**
Other	**(1.8)**	**(1.8)**
Total other Upstream Gas impairment	**(51.7)**	**(36.7)**

Impairment of Power Development assets

A review of the portfolio of power development projects has been conducted in the light of the supply and demand outlook for the National Electricity Market (NEM). This review has concluded that a number of projects were unlikely to be developed based upon the expected revenue streams and the costs to develop each project. As a result the previously capitalised costs of these projects have been written off resulting in an impairment charge of $45.8 million before tax and $38.9 million after tax. The following assets have been written off:

	Year ended 30 June 2013	
	Pre-tax $m	PAT $m
South Australian wind projects	**(12.1)**	**(11.0)**
Leafs Gully power station	**(8.6)**	**(7.6)**
Other renewable options	**(19.2)**	**(16.0)**
Other projects	**(5.9)**	**(4.3)**
Total Power Development write-offs	**(45.8)**	**(38.9)**

Tax items

Tax treatment of unbilled revenue:

> AGL accounts for unbilled revenue using an estimate of energy consumed until reporting date but not yet billed to customers. For taxation purposes, AGL has previously treated unbilled revenue as derived for income tax purposes only when a bill was issued to customers. This treatment gave rise to a deferred tax liability.

> AGL and the Australian Taxation Office (ATO) have agreed a revised approach whereby AGL's tax treatment will transition to the approach consistent with the accrual method used for accounting. This in-principle agreement will result in amended assessments in respect of AGL's 2008 to 2012 years of income of $41.3 million.

> The agreement reached with the ATO results in an income tax benefit of $176.6 million recorded as a significant item, arising from a reversal of the deferred tax liability, net of taxes paid and payable.

A deferred tax asset originally recognised at 30 June 2012 in relation to the Petroleum Resource Rent Tax (PRRT) Assessment Act 1987 has been de-recognised as at 30 June 2013. The deferred tax asset represented the difference between the PRRT starting tax base amount and the carrying value of the production permits to which the PRRT will apply. Due to the Mining SEPP changes discussed above and the associated reduction in the carrying value of the production permits there is no longer any deferred tax asset to recognise resulting in a charge to current year income tax expense of $53.4 million.

Financial Position and Operating Cash Flow

The consolidated entity's net assets as at 30 June 2013 were $7,339.0 million, an increase of $206.1 million on the prior year. The main movements in the net assets of the consolidated entity were:

> A decrease in working capital of $53.8 million

> The provision for impairment of Camden ($31.1 million after tax), Gloucester ($74.5 million after tax) and Hunter ($178.7 million after tax), the impairment of Galilee ($34.9 million after tax) and other Upstream Gas assets ($1.8 million after tax) and Power Development projects ($38.9 million after tax)

> Capital expenditure of $631.1 million including the Macarthur Wind Farm, Newcastle Gas Storage and Qenos co-generation facilities as well as Upstream Gas projects and stay-in-business capital expenditure

> Repayment of $1.3 billion of borrowings, reducing cash balances by an equivalent amount.

Operating cash flow before interest, tax and significant items grew from $750.7 million to $1,232.0 million, an improvement of 64.1%. The cash flow improvement was due to a 47.8% growth in EBITDA and improvements in working capital. The table below reconciles Operating EBITDA to Operating cash flow before interest, tax and significant items:

		Year ended 30 June 2013 $m		Year ended 30 June 2012 $m
Operating EBITDA		**1,336.4**		904.3
Equity accounted income (net of dividend received)		**(1.8)**		14.0
Accounting for onerous contracts		**(48.8)**		(20.9)
Working capital movements				
(Increase)/decrease in receivables	**(247.8)**		(197.0)	
(Increase)/decrease in inventories	**21.0**		(21.5)	
Increase/(decrease) in creditors	**22.4**		106.6	
Increase/(decrease) in carbon liability	**144.8**		–	
Net derivative premiums paid/roll-offs	**21.9**		(3.9)	
Net movement in GST recoverable/payable	**13.3**		(7.8)	
Other	**(29.4)**	**(53.8)**	(23.1)	(146.7)
Operating cash flow before interest, tax and significant items		**1,232.0**		750.7

Business acquisitions and disposals

There were no material acquisitions or disposals during the financial year ended 30 June 2013.

Funding

Total borrowings decreased from $4.3 billion to $3.1 billion, a reduction of 28%. The reduction was due to the repayment of $978.1 million of secured borrowings which were assumed through the acquisition of GEAC. During the year AGL also repurchased CPI bonds with an aggregate face value of $119.6 million which amounted to 34.2% of the bonds on issue.

Borrowings of $600 million are to be refinanced by July 2014.

Business strategies and prospects

AGL has a vertically integrated strategy whereby it owns or controls some of the sources of gas and electricity to supply its energy customers. This strategy provides access to multiple profit pools and assists to provide a natural hedge against energy price movements in the wholesale electricity and gas markets. Since listing in its current form in 2006, AGL has increased integration across its businesses, largely by increasing:

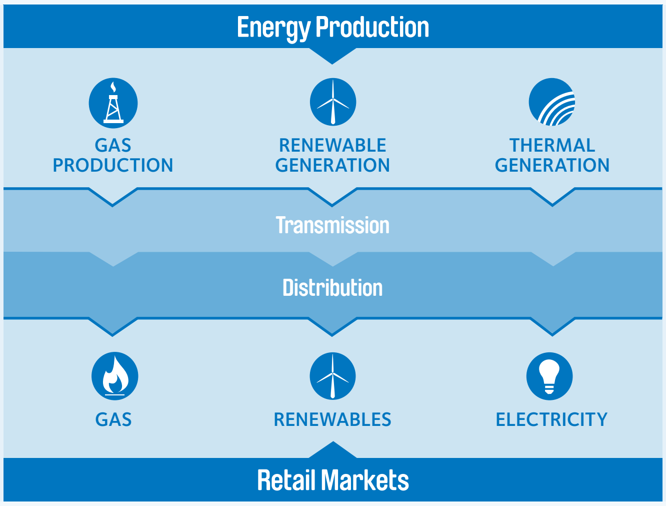
a) direct ownership of gas reserves over the medium term to meet a substantial proportion of its long-term demand for gas; and

b) owned or contracted electricity generation capacity, now at 5,847 MW.

Energy Production

Status

- > 5,847 MW of operating capacity including 1,720 MW of renewable generation
- > 20.5 TWh of self generation against sales of 30.0 TWh
- > 1,729 PJ of 2P gas reserves (including ATP 1103)
- > 13.0 PJ of self supply against sales of 201.1 PJ
- > Construction commenced on Newcastle Gas Storage facility
- > Silver Springs Gas Storage capacity of 35 PJ



Retail Markets

Status

- > 2.1 million electricity customers
- > 1.4 million gas customers
- > 1.7 million dual fuel accounts
- > 590,000 customers now online
- > Over 730,000 e-billing accounts
- > Over 400,000 customers linked to flybuys
- > Almost 600,000 customers have access to My AGL IQ®

Retail Energy

Consumer electricity demand has been declining in recent years for a number of reasons referred to in the Merchant Energy section below. Market competition is high with discounting and customer churn at significant levels. Retail Energy has implemented a number of strategies focused on improving customer engagement including exiting door knocking and building alternative sales channels, providing flexible billing options, delivering market leading online solutions such as My AGL IQ, and growing other revenue such as the AGL Solar and AGL Smarter Living businesses.

AGL has an ongoing strategy to materially grow its customer base in NSW by 30 June 2014. This has delivered net growth of over 290,000 customers since the project was initiated in January 2011, with NSW now AGL's largest market with over 717,000 customers.

On 15 July 2013, AGL announced its intention to acquire Australian Power and Gas Company Limited (APG) with the transaction expected to be completed by the end of October 2013. This acquisition will result in AGL increasing customer numbers by approximately 350,000.

Merchant Energy

Energy demand has weakened across the NEM due to a combination of increased prices, the high Australian dollar impacting manufacturing volumes, energy efficiency initiatives and increased rooftop solar generation. This low demand, coupled with excess supply, has resulted in low wholesale energy prices.

Carbon policy uncertainty is adversely affecting the electricity market. This has led to decreased liquidity in the forward market. Whilst the lowering or removal of a carbon price will result in a short-term EBIT reduction, the longer-term effect will be to significantly increase AGL's valuation of Loy Yang A.

The Large Renewable Energy Certificate (LREC) market continues to carry a bank of certificates until FY2016. AGL has sufficient LRECs to meet its consumer market and existing contracts for business customers for approximately five years under the existing Renewable Energy Target (RET).

There is an increasing level of political uncertainty regarding the RET, and whether the existing targets will be maintained. However, any potential changes to the RET are still likely to require significant further development of new renewable energy assets.

On 31 July 2013, AGL announced that two large-scale solar photovoltaic projects are set to proceed after achieving financial close in respect of funding agreements with the Australian Renewable Energy Agency (ARENA) and the NSW Government. The AGL solar projects will include a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill. The total project cost is approximately $450 million. ARENA will provide $166.7 million and the NSW Government will provide $64.9 million. Construction of the Nyngan project is expected to commence in January 2014, with completion scheduled by mid 2015. Construction of the Broken Hill project will start approximately six months later, in July 2014, and is scheduled to be completed around November 2015.

The outlook for the eastern Australian gas market is likely to be increased demand due to the commencement of LNG exports from Queensland (Qld), declining supply and increasing prices. A number of AGL's major gas supply contracts come to an end from 2017. AGL is well placed with a long gas position in Qld with supply contracts in place to 2027 that allow for additional sales of up to 40 PJ per annum from 2015 onwards. The NSW Government policy on coal seam gas (CSG) exploration (refer to the section on Significant Items above) will further restrict supply, which is expected to particularly affect AGL's ability to supply gas to Commercial and Industrial (C&I) users.

The NSW Government has announced its intention to privatise certain generation assets. AGL intends to review the assets for sale with any proposed acquisition required to exceed AGL's financial hurdle rates.

Upstream Gas

Security of supply

Eastern Australian gas demand is expected to increase substantially from 2014 onwards as LNG exports in Queensland come on stream. This coincides with the roll-off of the majority of AGL's long-term gas supply contracts. AGL intended to meet domestic demand from a combination of supply contracts and self supply sources including Camden, Gloucester and the Hunter projects.

However, the recent NSW Government proposed changes to the mining SEPP, if implemented, will preclude CSG projects from being developed in defined exclusion zones. The effect of these changes will be to increase AGL's reliance on gas supply contracts, which is expected to lead to a material increase in gas supply costs and potential shortages for C&I customers.

Gas Storage

Gas demand is heavily biased towards winter. Traditionally demand fluctuations ("swing gas") have been managed by gas producers. With the emergence of LNG exports opportunities are likely to emerge for producers to increase plant utilisation rates, with pressure on retailers to assume responsibility for managing peak demand as existing supply contracts roll off. Opportunities to manage this peak demand include recontracting of supply and establishment of gas storage.

In July 2012, AGL announced approval to build the Newcastle Gas Storage Facility which is expected to be operational from mid 2015. The facility will enable AGL to meet periods of peak demand for gas in NSW.

In 2011, AGL began injecting and storing gas at the Silver Springs reservoir in the Bowen Basin in central Queensland. AGL supplies gas storage services to third parties, with additional capacity allowing AGL to manage its gas supply during seasonal variations.

Investments

Diamantina Power Station

On 6 October 2011, AGL entered into a 50:50 joint venture with the APA Group to construct the Diamantina Power Station in Mt Isa. The power station consists of 242 MW CCGT and 60 MW OCGT (dual fuel) power stations and is due to become operational during FY2014.

Business risks and mitigations

AGL identifies major risk exposures using an enterprise-wide risk program based on ISO31000, the international standard on risk management. This program is supported by AGL's Risk Management Policy. AGL faces a wide variety of risks due to the nature of its operations and the regions in which it operates. In relation to each risk, AGL has in place actions to reduce the likelihood of the risk eventuating and/or to reduce, as far as practicable, the adverse consequences of the risk should it happen. Many of the risks are influenced by factors external to, and beyond the control of, AGL.

Details of AGL's main risks and related mitigation strategies are set out below:

Risk	Risk description	Potential consequence and mitigation strategies
Commodity Markets	Volumes of commodity demand and production are not as forecast resulting in adverse exposures to volatile market prices, e.g.: > Production failure from electricity generation assets; > Customer demand in electricity and gas varies to forecast; > Gas supply contracts not available at expected prices; > Electricity pool price spikes; > Renewable certificate supply mismatch to regulatory requirements.	Potential effects on gross margin growth to be mitigated by continuous development of strategies to manage long-term position and development of leading risk indicators.
Asset Risk	The risk of not safely, sustainably and predictably controlling an asset to operate in accordance with business requirements.	Potential effects on asset performance or value realisation to be mitigated by embedded Health, Safety and Environment (HS&E) action plans, focus on operational excellence, operational improvement plan and asset replacement program.
Energy Policy	The risk of failing to engage with federal, state and local governments and regulators to accurately forecast desired outcomes, to achieve and enable strategic initiatives and operations.	Potential earnings effects of unpredicted shifts in policy settings to be mitigated by active engagement with all levels of government.
Strategic Growth	The risk of failing to: > identify or respond effectively to changing market conditions (including market structure); and > achieve strategic growth objectives.	Potential earnings effects of changes in market conditions to be mitigated by ongoing focus on emerging markets and technologies, renewable energy policy and development pipeline, regulatory pricing changes and the identification of external trends.
Business IT Development, Service and Support	The risk that IT strategy, infrastructure, applications, service and support will not adequately deliver: > growth in business offerings and development opportunities for organisational sustainability and competitive advantage; and > increase in productivity and support improvements in existing operations.	Potential earnings effects of under-investment in IT to be mitigated by ongoing investment in digital solutions and analytical tools.
Community & Stakeholder Engagement	The risk of not effectively engaging and influencing stakeholders, (including local communities, politicians and media) in areas in which we plan to develop, build and operate upstream gas and power development projects.	Potential impediments to growth of upstream gas and power development projects to be mitigated by effective engagement of all stakeholders and a focus on operational excellence.
Decreasing Customer Profitability and Market Share	The risk of a continuing spiral of high discounting driven by high churn which in turn drives even higher discounting.	Potential earnings effects of loss of customer share to be mitigated by focus on retention of existing customers, growth of energy solutions business and remaining lowest cost Tier 1 retailer.
Regulatory Pricing	The risk of unfavourable pricing outcomes due to regulated pricing and failure to comply with legislative and licence obligations.	Potential earnings effects of unpredicted pricing outcomes mitigated by early engagement in changes to regulatory settings and a program of compliance.
Finance & Earnings	The risk of failing to maintain competitive operational and capital funding requirements to finance AGL's growth objectives to generate adequate returns to shareholders.	Potential effects on cost of funding to be mitigated by effective capital management and long-term funding strategy.
Employee Engagement & Performance	The risk of failing to attract and retain the best talent available to execute and support the objectives of the integrated strategy and develop a highly engaged workforce with a focus on performance and operational excellence.	Potential effects on strategy due to unavailability of talent, to be mitigated by focus on operational excellence, commitment to a strong HS&E culture and enhancing performance and leadership quality.
Governance	The risk that the governance structure: > is inconsistent with external legal, regulatory and stakeholder expectations; and > does not protect the business against financial and reputational damage.	Potential effects on reputation to be mitigated by adherence to ASX Corporate Governance principles, a robust compliance program, a fraud management program and sound contract management processes.

Commercial in confidence information

Further information about likely developments in the operations of AGL and its consolidated entity and the expected results of those operations in the future has been included in this Directors' Report except to the extent disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

The type of information not disclosed includes commercial in confidence information such as detailed operational plans and strategies that would provide third parties with a commercial advantage.

Dividends

The annual dividend for the year ended 30 June 2013 was 63.0 cents per share compared with 61.0 cents per share for the prior year.

The following dividends have been paid or declared by the Directors since 30 June 2012:

Final dividend of 32.0 cents per share (100% franked) paid on 27 September 2012

$174.9 million

Interim dividend of 30.0 cents per share (100% franked) paid on 4 April 2013

$165.3 million

Final dividend of 33.0 cents per share (100% franked) payable on 27 September 2013

$182.9 million

Environmental Regulation

AGL businesses are subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued at both Federal and State government levels. **Table 1** sets out environmental issues and non-compliances that were reported to regulators during the reporting period. Corrective actions have been implemented to address each of the issues listed. More information on the Group's environmental performance is published in AGL's Sustainability Performance Report 2013, available on the AGL website in late 2013.

Table 1 – Summary of AGL's Environmental Incidents and Non-Compliances

Site	Key Environment and Planning legislation	Comments
Rosalind Park Gas Plant, Camden Gas Project, NSW	Protection of the Environment Operations Act 1997	1. In July 2012, AGL notified the New South Wales Environment Protection Authority (EPA) that, due to a number of factors including technical problems, the Continuous Emissions Monitoring System at the plant was not operating between 2009 and July 2012, as required by the Environment Protection Licence (EPL). AGL has implemented remedial measures to address the non-compliance and will comply with the enforceable undertaking approved by the EPA on 8 August 2013. 2. In late 2012, AGL reported a minor breach related to exceedence of the EPL limit for emissions of nitrogen oxides (NOx) that occurred in September, November and December 2012. In March 2013, the EPA issued AGL a penalty infringement notice involving a $1,500 fine for this minor breach. 3. In February 2013, AGL reported an EPL non-compliance related to the selection of sampling positions for air emissions monitoring. 4. In July 2013, the EPA issued AGL a penalty infringement notice involving a $1,000 fine for failing to upload air quality monitoring reports to the company's website within 14 days of obtaining monitoring data. All required reports were uploaded as soon as this was brought to AGL's attention.
AGL Loy Yang, Vic	Environment Protection Act 1970	1. In May 2013, a licence limit breach occurred when water discharged offsite to Traralgon Creek was contaminated with fire service water due to a pipe blockage. The contamination caused the quality of the discharged water to exceed the site licence limit for turbidity and colour for approximately four hours. 2. In June 2013, high rainfall resulted in an exceedence of the site licence limit for turbidity for water discharged to Traralgon Creek. Review of water quality upstream of AGL's discharge point indicated AGL's discharge was equal to or less than ambient levels. 3. In June 2013, an ash pipeline failure resulted in a discharge offsite to the adjacent Loy Yang B property.

Site	Key Environment and Planning legislation	Comments
Torrens Island Power Station, SA	Environment Protection Act 1993	1. An internal review of water quality monitoring results of marine discharges from AGL Torrens detected elevated levels of some chemicals. These levels exceeded the criteria set out in the South Australian *Environment Protection (Water Quality) Policy 2003*. AGL submitted a precautionary notification of this exceedence to the South Australian EPA on 17 December 2012. An external expert review of results concluded the environmental impact of the marine discharge is likely to be 'trivial', as defined under the *Environment Protection Act 1993*. AGL's plan to achieve compliance with the policy was submitted to the EPA in May 2013. 2. In June 2013, AGL submitted a notification to the EPA relating to contamination in groundwater surrounding the site sewerage treatment plant. The cause and extent of contamination is being investigated.
Bogong Village Accommodation, Vic	Environment Protection Act 1970	In June 2013, routine monitoring of the Bogong Village wastewater treatment plant detected exceedence of the licence limit for E. Coli.
Silver Springs Oil and Gas, Qld	Environmental Protection Act 1994; and Queensland Petroleum and Gas (Production and Safety) Act 2004	1. In November 2012, a release of oil and water, estimated at 5kL (kilolitres), occurred on the Beechwood-Tinker pipeline. 2. Also in November 2012, a landholder reported that an oil release occurred on the Tinker pipeline. 3. In December 2012, a release of produced water, estimated at 10kL, occurred on the Beechwood-Taylor pipeline.
Moranbah Power Station, Qld	Environmental Protection Act 1994	Emission testing planned for October 2012 could not be completed in line with the timeframe specified in the Development Approval as engines had mechanical damage and were out of service. Monitoring was completed in November 2012 and results were submitted to the Queensland Department of Environment and Heritage Protection.

Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the AGL consolidated entity that occurred during the financial year other than those included in this Directors' Report.

Principal Activities

> Buying and selling of gas and electricity;

> Construction and/or operation of power generation and energy processing infrastructure;

> Development of natural gas production and storage facilities; and

> Exploration, extraction, production and sale of coal seam gas (CSG).

Proceedings on Behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the Court to bring proceedings on behalf of AGL or intervene in any proceedings to which AGL is a party for the purpose of taking responsibility on behalf of AGL for all or any part of those proceedings. AGL was not a party to any such proceedings during the year.

Events Subsequent to Balance Date

Apart from matters discussed elsewhere in this Directors' Report or the annual Financial Report, the Directors are not aware of any other matter or circumstance which has arisen since 30 June 2013 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in the future.

Non-Audit Services

Non-audit services have been provided during the year by the external auditor, Deloitte Touche Tohmatsu. Disclosure of the details of these services can be found in the AGL annual Financial Report Note 42.

The Board has a formal policy on the provision of auditing and related services. Specifically, the external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Semi-annual reports on the provision of auditing and related services are provided to the Board through the Audit and Risk Management Committee. Directors are satisfied that the provision of $107,000 of non-audit services by the external auditor is compatible with the general standard of independence for auditors.

The policy and procedures in place, and the review by the Audit and Risk Management Committee, enable Directors to conclude that non-audit services provided did not compromise the external auditor's independence requirements of the Corporations Act. There is also in place an agreed rotation policy for the senior auditor of Deloitte Touche Tohmatsu. The external auditor annually provides a letter to the Company Secretary on its independence within the meaning of relevant legislation and professional standards. No officers of AGL were partners or directors of Deloitte Touche Tohmatsu during this reporting period.

Indemnification and Insurance of Officers and Auditors

AGL's constitution indemnifies, to the extent permitted by law, officers of the consolidated entity when acting in their capacity in respect of:

> liability to third parties (other than related entities) when acting in good faith; and

> costs and expenses of successfully defending legal proceedings and ancillary matters.

The Directors named earlier in this Report and the Company Secretaries, Paul McWilliams and John Fitzgerald, have the benefit of the indemnity, together with any other person concerned in or who takes part in the management of the consolidated entity.

During the year AGL paid premiums in respect of contracts insuring all Directors of AGL as listed earlier, all Directors of related bodies corporate of AGL, secretaries and other officers of the consolidated entity against liabilities incurred in their capacity as Director or Officer, as the case may be, of the consolidated entity.

The contract prohibits disclosure of the nature of the liabilities and the amount of premium paid and the Corporations Act does not require disclosure of the information.

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 307C of the Corporations Act in relation to the audit for the financial year is on page 89 of the Concise Financial Report.

Rounding

AGL is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

Remuneration Report

AGL seeks to maintain and grow its business by attracting and retaining the best possible people to align with driving increased shareholder value. It is important to be able to promote and recognise the excellence we demand by rewarding all of our Executives appropriately.

The Directors present the Remuneration Report for AGL Energy Limited and its consolidated entities for the year ended 30 June 2013 in line with Section 300A of the Corporations Act.

This report covers the remuneration and benefits of AGL's Key Management Personnel (KMP).

We have structured the report into nine sections:

1. Our remuneration policy
2. Our remuneration framework
3. Linking remuneration to performance
4. Remuneration mix
5. Key Management Personnel
6. Remuneration disclosures: KMP
7. Terms of Executive contracts
8. Non-executive Directors
9. Five-year financial performance

Key points for the year ended 30 June 2013

Total Fixed Remuneration (TFR)	
No increase in TFR for the CEO and senior management.	The Board accepted management's recommendation that there be no increase in TFR for the CEO and senior management of AGL for the 2013/14 financial year.
Short-term incentive (STI)	
STI payout for CEO was 60% of maximum	The STI payment represents very good progress in achieving a number of AGL's strategic targets, including the integration of Loy Yang, achievement of an Underlying Profit outcome for 2012/13 within our market guidance, improved customer service metrics as well as lagging safety indicators. On the other hand regard was had to one-off significant items in the accounts.
STI clawback – CEO	Mr Fraser has advised AGL that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will be subject to clawback.
Long-term incentive (LTI)	
Mixed LTI outcomes for notional bank accounts in 2013 (40% of "banked" SPRs vested to Executives and were converted into AGL shares)	AGL's performance against the relevant performance hurdles was mixed and resulted in the following outcomes for the year: > No Share Performance Rights (SPRs) being deposited into the Total Shareholder Return notional bank account; and > SPRs being deposited into the EBIT/Funds Employed notional bank account.
Total Remuneration Package	
CEO's total remuneration down by $0.475m	The CEO's total remuneration for the year decreased from $6.3 million to $5.8 million which primarily reflects a reduction in the STI payment.
Non-executive Directors	
No increase in non-executive Directors' remuneration	The Board resolved that there would be no increase in non-executive Director fees for the 2013/14 financial year.
Non-executive Director remuneration	Total fees paid to non-executive Directors in the year were $1.78 million, $0.72 million below the approved maximum aggregate to non-executive Directors' remuneration. The total fees paid represent a 7.2% increase over the previous year.

During the year ended 30 June 2013, the Board reviewed its executive remuneration framework. It benchmarked its framework against industry best practice, analysed remuneration trends and considered proposed government legislative changes. The Board met with its external advisor to discuss remuneration and governance issues.

Following this review the Board has concluded that AGL's overall approach to remuneration remains appropriate, however, there were some opportunities for improvement identified that would provide greater alignment with the interests of shareholders. These include introducing a clawback component in the STI arrangements of Direct Reports of the CEO in the event of a material misstatement of financial accounts or gross misconduct. In addition, Mr Fraser has advised that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will also be subject to clawback.

Abbreviations used in this report

Board:	AGL Board of Directors
Committee:	People and Performance Committee of the Board
EBIT:	Earnings before interest and tax
KMP:	Key management personnel (those Executives who have authority and responsibility for planning, directing and controlling the activities of AGL, either directly or indirectly)
Executive:	Executives other than the CEO who are KMP
LTI:	Long-term incentive
PDR:	Performance and development review
SGC:	Superannuation guarantee charge
SPR:	Share performance right
STI:	Short-term incentive
TFR:	Total fixed remuneration
TSR:	Total shareholder return
VWAP:	Volume weighted average price

1. Our remuneration policy

The key principle underpinning our remuneration policy is to promote and recognise excellence in a way that is fair to all stakeholders.

Our remuneration policy is designed to promote excellent performance while meeting these goals:

> align the interests of shareholders, employees, customers and the community with AGL's objectives and values
> attract and retain key talent
> keep employees committed and motivated by providing fair remuneration and other benefits to all employees
> meet long-term people needs through effective talent management and succession planning
> meet AGL's commitment to a diverse and inclusive workplace
> promote AGL as an employer of choice
> comply with relevant legislation and corporate governance principles.

The remuneration policy is reviewed and ratified annually by the Board's People and Performance Committee.

External Advisors

The People and Performance Committee (Committee) retained PricewaterhouseCoopers (PwC) as their independent remuneration advisor throughout the year. PwC's role in this regard was to provide independent remuneration advice to the Committee and Board, as and when required.

Share Plan participation

AGL actively promotes employee participation in Share Plans.

AGL offers its employees participation in the following Share Plans:

> AGL Long-Term Incentive Plan (LTIP): Executives are granted Share Performance Rights (SPRs) that vest when specified applicable performance conditions are met.
> AGL Share Reward Plan: eligible employees are granted up to $1,000 worth of AGL shares each year subject to AGL meeting specific performance hurdles. Shares awarded under the Plan must be held for at least three years or until the employee ceases employment. (Note, participants in the Share Reward Plan are not eligible to participate in the LTIP described above).
> AGL Share Purchase Plan: the Plan Trustee acquires AGL shares on-market at market price during permitted trading periods generally for Directors and employees who have salary-sacrificed a portion of their pre-tax salary.

The number of employees participating in the Share Reward Plan and Share Purchase Plan is 1,560 (out of 2,175 eligible employees) and the number of AGL shares held is 553,054.

2. Our remuneration framework

The remuneration of our Executives is composed of three elements: Total Fixed Remuneration, which is fixed; and Short-Term and Long-Term Incentives, both of which are variable (at risk).

The CEO and Executives are remunerated by a combination of fixed remuneration and short and long-term incentives. Executive remuneration therefore has three elements:

> total fixed remuneration (TFR)
> short-term incentive (STI) payments
> long-term incentive (LTI) payments.

The mix varies for individual roles and is determined by comparison with market remuneration practice, taking into account the complexity of the business and the industry.

A rigorous approach to establishing remuneration levels for each Executive is informed, in part, by relevant market remuneration data information sourced from Hay Group, an independent external organisation. Hay Group provided three remuneration market survey samples for Executives, as well as three remuneration market survey samples for the CEO which were considered when reviewing the remuneration of the Executives and the CEO. These market survey samples were:

> A large survey sample containing executive positions in ASX Industrial & Service organisations was utilised for Executives. For the CEO, only CEO positions in ASX Industrial & Service organisations were reviewed. This remuneration benchmark is useful because it is large, and hence, less volatile year-on-year. As such it is more likely to track indicative market trends over time in a more stable way.
> For Executives a smaller survey sample drawn from the same Industrial & Service organisations, but only containing positions that represent a close functional match to each executive position was utilised. This sample has the advantage of higher perceived relevance when used in conjunction with the larger sample because it assists in identifying market differentials for various positions. However, due to the smaller sample size, it is potentially more volatile from year-to-year.
> For both the CEO and executive positions, a specialist survey sourced from disclosed market remuneration data for the previous 12 months for ASX-listed entities ranked 10 to 50 by market capitalisation. These entities are chosen by size as they are 20 either side of AGL's market capitalisation. This sample, when used in conjunction with the other two surveys, assists in identifying remuneration differentials due to the market capitalisation of the organisation.
> For the CEO's position, a further specialist survey was sourced from disclosed market remuneration data for the previous 12 months for ASX-listed entities with a market capitalisation of between $5 billion and $10 billion. These entities are chosen because they are each side of AGL's market capitalisation of $8 billion. This sample, when used in conjunction with the other two CEO surveys, assists in identifying remuneration differentials due to the market capitalisation of the organisation.

Total Fixed Remuneration (TFR)

TFR is specified in the Executive's Service Agreement and is in line with market rates. TFR is reviewed regularly.

TFR is the non-variable component of an Executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying super fund on the Executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. The amount of TFR is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance, expertise, skills and experience.

3. Linking remuneration to performance

Remuneration is linked to performance to attract and retain high calibre executives by motivating them to achieve performance goals which are aligned to AGL's interests.

The two remaining elements of executive remuneration, STI and LTI, are directly linked to the performance of both the Executive and the company.

Short-Term Incentive (STI)

STI varies from year-to-year, based on performance.

STI payments are based on the achievement of individual performance targets set at the start of the financial year. STI payments are designed to motivate Executives to achieve AGL's overall performance objectives.

STI payments align individual performance with business outcomes in the areas of financial performance, customers, people management and strategic growth and innovation.

Executives are eligible to be considered for an STI payment when they have performed satisfactorily in their role, met performance objectives and demonstrated AGL's values, throughout the year. This is assessed annually using the Performance and Development Review (PDR) process (which is used for all employees throughout AGL).

The PDR is used to measure the actual level of achievement of each objective in the financial year. No STI is payable for any objective where a minimum level of performance has not been reached. This performance management process links the amount of STI paid with AGL's overall performance as well as an individual's performance during the year, and gives superior rewards for outstanding performance.

The maximum STI potential entitlement varies between 50% and 100% of TFR for Executives including the CEO.

In the year ended 30 June 2013, 157 employees participated in the STI plan.

How STI works

> Varies annually based on individual performance against specified targets.

> Can be paid in cash or as a contribution to a complying superannuation fund.

STI is payable:

> To Executives employed at the end of the financial year.

> At the discretion of the Board in other exceptional circumstances.

How STI was linked to performance this year

The actual level of STI paid to each Executive is determined at the end of the financial year based on the Executive's achievement of specified performance objectives in the following categories:

> Financial

> Customer

> People Management

> Strategic Growth and Innovation.

The performance objectives are established at the beginning of the financial year. The weighting given to each category varies for each Executive depending on their role. Typically, the weightings for KMP might be:

> Financial 40%

> Customers and Strategic 40%

> People Management 20%.

For the CEO for 2012/13 the performance objective weightings were:

> Financial 50%

> Customers, Strategic and People Management 50% in total.

Results against objectives common to all Executives are detailed in the table below. Performance against other objectives specific to each Executive's key area of responsibility is also included.

AGL Executives' performance objectives for 2012/13

Common objectives	What	Result
Financial results	All Executives had an objective related to AGL's Underlying Profit for 2012/13 as well as individual business unit operating expenses.	AGL's Underlying Profit was a 24% improvement over 2011/12 and was within our market guidance. Some Executives' STI payments were impacted by the one-off significant items in the accounts.
Safety performance	Completing specific plans to continue improving AGL's safety leadership and culture (including targets with respect to injury rates).	100% of all specific safety action plans for 2012/13 were completed. Further, lagging safety indicators improved across AGL, however, some individual business units missed their targets and therefore some Executives' STI payments reflected this outcome. Overall AGL's Lost Time Injury Frequency Rate for 2012/13 was 3.2 compared to 5.0 for 2011/12 and the Total Injury Frequency Rate (TIFR) for 2012/13 was 5.9 compared to 8.5 for 2011/12.
Customer satisfaction	All Executives had an objective to improve AGL's overall customer satisfaction, as measured against our competitors.	AGL outperformed key competitors across a range of customer service and satisfaction measures.
Employee engagement	Specific initiatives are developed each year to build employee engagement and AGL invites all employees to take part in an engagement survey. All Executives had targets with respect to employee engagement.	Numerous initiatives to promote engagement were successfully implemented across the business. The overall 2013 survey result for employee engagement at AGL was 77% compared to a result of 70% in 2011/12 (the 2011/12 result has been adjusted from the disclosed result in last year's Annual Report due to a change methodology following a change in service provider). The 10% improvement in 12 months is seen as significant based on external benchmarks.

Specific individual objectives for Executives	What	Result
Executive's area of responsibility	Each Executive also has performance objectives related to their specific area of responsibility for AGL's business in the categories of: > Financial > Customer > People management > Strategic growth and innovation	Individual Executives generally achieved their specific individual key objectives for 2012/13.

The details of actual STI received for the year ended 30 June 2013 for KMP are set out in the remuneration table in section 6, on page 72.

Long-Term Incentive (LTI)

A LTI is designed to drive performance over longer time frames to create sustainable shareholder value.

AGL's LTI Plan has been in operation since 2009. AGL had an 'Old' LTI Plan which had its final testing against its performance hurdle in September 2012 and is no longer in operation.

AGL's LTI plan consists of Share Performance Rights (SPRs), which vest (i.e. convert into AGL shares owned by the relevant Executive) over time if specific applicable performance hurdles are met.

A SPR:

> is an entitlement to one fully-paid ordinary share in AGL;
> does not carry dividend or voting rights; and
> is adjusted for the effect of any bonus issues, rights issues, and reconstructions and reorganisations of the capital of AGL.

Participants are restricted from entering into any derivative or other financial product in relation to the SPRs to protect against an economic exposure to price movements in AGL shares.

LTI allocations are determined based on market practice, so that AGL remains competitive in remuneration against its comparator group.

The maximum LTI notional allocation of SPRs varies between 40% and 100% of TFR for Executives including the CEO.

In the year ended 30 June 2013, 22 employees participated in the LTI plan.

How the LTI plan works

> Participants are notionally granted SPRs, at the start of the financial year, that are banked at the end of the financial year if applicable performance hurdles are met.
> SPRs are banked in notional share bank accounts kept for each participant – a separate notional share bank account is kept for each performance hurdle.
> If applicable performance hurdles are not met then a clawback of previously banked SPRs occurs via a deduction of SPRs from the participant's relevant bank account.
> After each year's banking (which may be positive or negative) 40% of any positive balance of SPRs in a participant's relevant bank account vest and are converted to fully paid AGL shares at no cost to the participant. Any remaining positive balance of SPRs in the participant's bank accounts is carried forward to the following year and may vest or be clawed back in future years.
> If the balance of a participant's bank account is negative, this negative balance rolls forward to the following year.
> If a participant ceases employment before the expiry of the vesting period as a result of total and permanent disablement, redundancy, retirement, death or any other exceptional circumstances determined by the Board from time to time, any positive balance of SPRs in a participant's bank account will vest or any negative balance is eliminated.
> If a participant ceases employment before the expiry of the vesting period in other circumstances, any positive balance is forfeited or any negative balance is eliminated.
> The Board has no discretion to waive performance hurdles for the vesting of SPRs in the LTI plan.

How LTI performance hurdles are set and performance is measured

The hurdles used to determine whether SPRs are banked are selected on the basis that rewards correspond with returns that shareholders receive.

LTI is measured according to two hurdles: annual Total Shareholder Return (TSR) and annual growth in EBIT/Funds Employed (i.e. EBIT divided by Funds Employed) calculated as set out below.

> TSR takes into account dividends, changes in share price and capital returns.
> EBIT/Funds Employed measures the return AGL is getting from its funds invested. EBIT is calculated before the impact of significant items and any contribution from Upstream Gas. Funds Employed are defined as Average Total Funds Employed, calculated on a monthly basis, adjusted to remove the impact of:

a) Derivatives balances (these balances are fair value adjustments and do not represent Funds Employed in the production of EBIT).

b) Tax balances (Funds Employed are pre-tax balances to make the calculation consistent with EBIT).

c) Funds Employed associated with Upstream Gas assets (currently these assets are intended for long-term value creation through proving up gas reserves). This adjustment will continue to be made until such time as the investments have matured to the point where EBIT is the most appropriate performance measure.

d) Growth capex in excess of $50 million until the completion date of the project. (Removing these assets until they commence EBIT production provides the correct driver for investing in the future).

AGL has chosen these hurdles because, in conjunction with the clawback mechanism:

> TSR rewards consistent performance in the generation of sustained shareholder value over the long term. It aligns the interests of shareholders and Executives with the achievement of AGL's strategic goals;
> EBIT/Funds Employed encourages the efficient use of capital in a capital intensive industry. This hurdle correctly focuses Executives on improving AGL's Return on Funds Employed. AGL has a consistent accounting policy which controls adjustments to EBIT, whereby we do not permit significant EBIT items (or indeed adjustments in carrying values) to influence the outcome of this calculation.

The calculation process is as follows:

1. At the commencement of the financial year, each participant receives an initial notional grant of the number of SPRs determined by multiplying their total fixed remuneration (TFR) by their long-term incentive opportunity (which is expressed as a percentage of TFR), and dividing the resulting number by the Volume Weighted Average Price at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June of the preceding financial year (see example below). Fractional entitlements are rounded up.

Example: Calculation of financial year 2013 (FY2013) notional grant of Share Performance Rights:

Total fixed remuneration (TFR) x **LTI opportunity (as a % of TFR)**

$15.03
(Volume Weighted Average Price at which AGL's shares traded on the ASX during the 30 calendar days up to and including 30 June 2012)

2. That notional grant is then split 50/50 between each performance hurdle – that is, half of the SPRs in the total notional grant are allocated to be tested against the TSR hurdle and the other half are allocated to be tested against the EBIT/Funds Employed hurdle, at the end of the financial year.

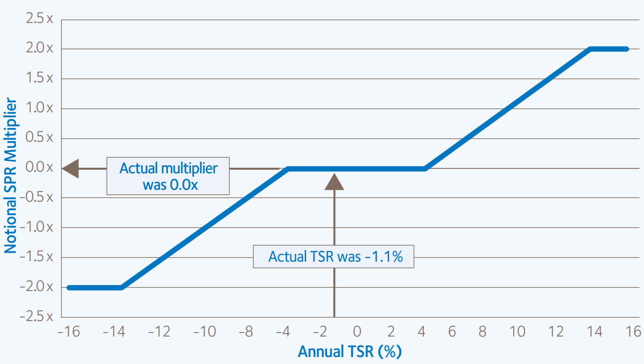
3. The final number of SPRs to be banked in each relevant bank account is then determined according to AGL's performance against the relevant hurdle as follows:

Hurdle 1: Annual TSR

Annual TSR	Number of SPRs banked for this hurdle
Equal to or greater than 14%	2 times SPRs notionally granted
Greater than 4% and less than 14%	Progressive on a straight-line basis from zero to 2 times SPRs notionally granted
Between 4% and minus 4%	Zero SPRs notionally granted
Less than minus 4% and greater than minus 14%	Progressive deduction on a straight-line basis from zero to minus 2 times SPRs notionally granted
Equal to or less than minus 14%	Minus 2 times SPRs notionally granted

The above table is presented in the chart below using actual FY2013 outcomes as an example.

Total Shareholder Return



The hurdle, detailed in the above table and chart, materially rewards management only when shareholders receive superior TSR. Conversely, management is either not rewarded, or is financially penalised, when TSR is insufficient or negative.

Management receives no reward until TSR reaches 4% (a reasonable dividend yield). Immaterial rewards commence at this point and progressively grow until a cap is reached at 14% TSR. If the cap is triggered, the following year's opening share price is set at a level that would have achieved a TSR of 14%.

The financial penalty for management commences when TSR is less than minus 4%. Similar to the upside potential, there is a floor on the financial penalty at minus 14%. If the floor is triggered, the following year's opening share price is set at a level that would have achieved a TSR of minus 14%.

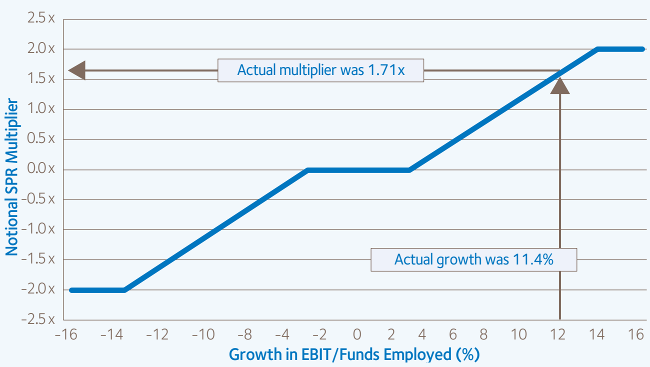
This cap and floor mechanism assists in controlling excessive reward or penalty to management, in any given year, where the significant increase or significant decrease in TSR was only temporary.

Hurdle 2: Annual growth in EBIT/Funds Employed

Annual growth in EBIT/Funds Employed	Number of SPRs banked for this hurdle
Equal to or greater than 13%	2 times SPRs notionally granted
Greater than 2% and less than 13%	Progressive on a straight-line basis from zero to 2 times SPRs notionally granted
Between 2% and minus 4%	Zero SPRs notionally granted
Less than minus 4% and greater than minus 15%	Progressive on a straight-line basis from zero to minus 2 times SPRs notionally granted
Equal to or less than minus 15%	Minus 2 times SPRs notionally granted

The above table is presented in the chart below using actual FY2013 outcomes as an example.

EBIT/Funds Employed



The hurdle, detailed in the above table and chart, rewards management when EBIT/Funds Employed grows. Conversely, management is either not rewarded, or is financially penalised, when growth in EBIT/Funds employed is insufficient or negative.

The hurdle also recognises that the industry structure is such that, all things being equal, additional working capital is required every year because AGL must pay increased network charges monthly but cannot recoup these increased charges for up to three months. This structure is beyond management's control and that is why rewards commence when growth reaches 2% but the financial penalty does not commence until there is a 4% deterioration in EBIT/Funds Employed.

As with TSR, there is the same cap and floor mechanism for EBIT/Funds Employed that assists in controlling excessive reward or penalty to management, in any given year, where the significant increase or significant decrease in EBIT/Funds Employed was only temporary. The cap and floor have been set at different rates to reflect the working capital issue highlighted above.

Note: SPRs banked under the LTI plan can be both positive and negative. SPRs can only vest if there is a pre-determined improvement on the previous year. Importantly however, if performance falls below a pre-determined level in any year, previously banked SPRs will be clawed back to the extent calculated under the performance hurdles.

This feature provides the opportunity to assess performance over multiple years and therefore supports the intent of the LTI plan to align shareholder and Executive interests over the long term.

4. After testing any notionally granted SPRs against the relevant performance hurdle the SPRs are deposited into (or deducted from) the relevant share bank account for each participant. At the end of every financial year 40% of any positive bank account balance is distributed to participants as AGL shares. The balance (if any) of each bank account is carried forward and may vest or be clawed back in future years. Any negative balance is also carried forward.

The below example shows how the LTIP worked in July 2013 for the CEO (using actual figures):

Calculation of SPR award to CEO Michael Fraser

Total Fixed Remuneration	$2,163,000
Notional LTI allocation (100% of TFR)	$2,163,000
VWAP of share price to 30 June 2012 to calculate notional grant of SPRs	$15.03
Number of SPRs notionally granted	143,913

2013 TSR metric outcome calculation

Opening VWAP share price – 30/6/2012	$15.03
Closing VWAP share price – 30/06/2013	$14.25
Dividends paid in 2013	$0.62
TSR for 2013 ((14.25+0.62)/15.03)–1x100	minus 1.1%
Award multiplier – based on TSR outcome between 4% and minus 4%	0.0

Hurdle 1: Annual TSR for FY2013

A	Michael Fraser SPRs notionally granted for this hurdle (50% of 143,913)	71,957
	TSR outcome	minus 1.1%
B	Award multiplier	0.0
C	Opening SPR bank balance (carried forward from the 2011/2012 financial year)	108,687
D	Incentive (A x B)	0
E	Available (C + D)	108,687
F	Annual distribution at 40% (E x 40%)	43,475
G	Closing bank balance of SPRs (E – F)	65,212

2013 EBIT/Funds Employed metric outcome calculation

EBIT/Funds employed – 30/6/2012	11.61%
EBIT/Funds employed – 30/6/2013	12.93%
Annual change in EBIT/Funds employed for 2013 ((12.93–11.61)/11.61)x100	11.4%
Award multiplier – based on EBIT/Funds Employed outcome above 2%	1.71

Hurdle 2: Annual growth in EBIT/Funds Employed for FY2013

A	Michael Fraser SPRs notionally granted for this hurdle (50% of 143,913)	71,956
	EBIT/Funds Employed outcome	11.4%
B	Award multiplier	1.71
C	Opening SPR bank balance (carried forward from the 2011/2012 financial year)	60,707
D	Incentive (A x B)	123,045
E	Available (C + D)	183,752
F	Annual distribution at 40% (E x 40%)	73,501
G	Closing bank balance of SPRs (E – F)	110,251

Old LTI plan

AGL had an "old" LTI scheme which ceased to operate in September 2012.

A balance of 4,019 SPRs remained in the plan following initial testing of the plan, against its performance hurdle, in September 2011. The balance of SPRs were tested in accordance with the plan rules in 2012 and 3,564 SPRs vested with the remainder lapsing. The plan ceased to operate entirely from September 2012.

The old LTI plan used relative TSR as the performance hurdle.

> Vesting was based on measurement of the performance hurdle, initially three years from the date of issue, or (to the extent that full vesting did not occur at that point) four years from the date of issue.

> Any SPRs that did not vest, after year four, automatically lapsed.

> The performance hurdle was relative TSR measured against a comparator group of the ASX100 companies as at 1 October 2008.

> The number of SPRs that vested was determined as follows:

AGL's TSR ranking relative to comparator group	Percentage of SPRs that vest
TSR below 40%	0%
TSR between 40% and 50%	Progressive vesting on a straight-line basis from 40% to 50%
TSR between 51% and 84%	Progressive vesting on a straight-line basis from >50% to <100%
TSR equal to or greater than 85%	100%

Vesting of SPRs commenced at the 40th percentile because independent analysis showed that the probability of vesting at the 50th percentile was quite low and in fact AGL had the lowest price volatility of ASX100 companies who used relative TSR as a performance hurdle. This low probability and higher risk presented limited incentive and retention benefit to Executives; reducing the effectiveness of the LTI as a genuine performance incentive.

Relative TSR performance was assessed by an independent third party provider for accuracy and independence of calculation.

CEO LTI allocation: 2012 – 2014

AGL obtained shareholder approval in 2011 to issue an LTI allocation to Mr Fraser with a face value equivalent of up to a maximum of 100% of his TFR (total fixed remuneration) in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

4. Remuneration mix

STI and LTI are together known as the 'variable' or 'at risk' element of an Executive's remuneration. This increases with the level of responsibility and/or criticality of the role.

The balance between fixed and variable remuneration is regularly reviewed for market relativity and competitiveness.

In respect of the 2012/13 financial year, the maximum remuneration mix within the Executive roles in AGL was as follows:

Maximum percentage of total target remuneration

	TFR	STI	LTI[1]
Chief Executive Officer	33.3%	33.3%	33.3%
Group General Managers and CFO	47% to 53%	26% to 29%	21% to 24%
Other Executives	55% to 65%	20% to 30%	5% to 20%

Note:

1 This percentage may increase over time for sustained outperformance against specified hurdles over a number of years (due to the impact of the LTI multiplier).

5. Key Management Personnel

AGL's Key Management Personnel are responsible for planning, directing and controlling AGL's activities.

Key Management Personnel (KMP) are the people who have authority and responsibility for planning, directing and controlling the activities of AGL. They are:

> the Managing Director, who is the Chief Executive Officer

> the Executives

> the non-executive Directors of the Board.

AGL's KMP during the financial year are listed below. Unless otherwise indicated, they were KMP for the entire period.

Name	Position	Tenure (if not full year)
Directors		
Jeremy Maycock	Chairman	
Les Hosking	Non-executive Director	
Graeme Hunt	Non-executive Director	Appointed 1 September 2012
Belinda Hutchinson	Non-executive Director	
Sandra McPhee	Non-executive Director	
Max Ould	Non-executive Director	Retired 23 October 2012
Bruce Phillips	Non-executive Director	
John Stanhope	Non-executive Director	
Managing Director and Chief Executive Officer		
Michael Fraser	Managing Director and Chief Executive Officer	
Executives		
Anthony Fowler	Group General Manager Merchant Energy	
Ken Hodgson	Group General Manager Retail Energy	Retired 14 February 2013
Stephen Mikkelsen	Chief Financial Officer	Ceased 13 November 2012
Stephen Mikkelsen	Group General Manager Retail Energy	Appointed 2 January 2013
Michael Moraza	Group General Manager Upstream Gas	
Brett Redman	Chief Financial Officer	Appointed 14 November 2012

6. Remuneration disclosures: KMP

Details of the KMPs' remuneration for the financial year are set out below.

Remuneration of Key Management Personnel for the year ended 30 June 2013 (Senior Executives)

	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share-Based Payments			
Executives	Cash Salary & Fees $	Short-Term Incentives[a] $	Non-Monetary Benefits[b] $	Other Short-Term Benefits $	Superannuation $	Retirement Benefits $	$	$	Share Performance Rights[c] $	Other[d] $	Total $	Value of Equity as a % of Total
Anthony Fowler	745,267	408,000	–	–	26,250[e]	–	–	–	413,196	–	1,592,713	25.9%
Michael Fraser	1,672,311	1,297,800	53,494	–	476,855	–	–	–	2,311,821	–	5,812,281	39.8%
Ken Hodgson[f]	503,395	281,250	–	–	12,584[e]	–	–	–	76,356	–	873,585	8.7%
Stephen Mikkelsen	837,616	396,000	–	–	16,470	–	–	–	460,033	–	1,710,119	26.9%
Michael Moraza	591,738	121,680	7,476	–	120,213	–	–	–	359,656	–	1,200,763	30.0%
Brett Redman	550,218	276,250	–	–	16,470	–	–	–	113,859	–	956,797	11.9%
Total	4,900,545	2,780,980	60,970	–	668,842	–	–	–	3,734,921	–	12,146,258	

(a) Earned in respect of 2012/2013 financial year and paid in September 2013.

(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.

(c) The fair value of LTI SPRs has been calculated using the Black-Scholes and Monte Carlo simulation methods.

(d) Value of shares acquired under the AGL Share Purchase Plan and other deferred share-based payments.

(e) Includes salary sacrifice contributions.

(f) Retired in February 2013.

All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

In addition to the above statutory disclosures required for remuneration, AGL provides the below table detailing the actual amounts received by Key Management Personnel for the year ended 30 June 2013.

Remuneration actually earned by Key Management Personnel for the year ended 30 June 2013

Executives	Fixed Annual Remuneration[a] $	Short-Term Incentives[b] $	Share Performance Rights[c] $	Total $
Anthony Fowler	771,517	408,000	261,400	1,440,917
Michael Fraser	2,202,660	1,297,800	1,768,244	5,268,704
Ken Hodgson[d]	515,979	281,250	726,149	1,523,378
Stephen Mikkelsen	854,086	396,000	308,623	1,558,709
Michael Moraza	719,427	121,680	265,533	1,106,640
Brett Redman	566,688	276,250	77,754	920,692
Total	5,630,357	2,780,980	3,407,703	11,819,040

(a) Fixed annual remuneration is the sum of cash salary, non-monetary benefits and superannuation as set out in the Remuneration of Key Management Personnel table.

(b) Earned in respect of 2012/2013 financial year and paid in September 2013.

(c) The value of SPRs is calculated based on the number of SPRs that vested during the year and the closing share price on the vesting date.

(d) Retired in February 2013.

Remuneration of Key Management Personnel for the year ended 30 June 2012 (Senior Executives)

	Short-Term Benefits				Post-Employment Benefits		Other Long-Term Benefits	Termination Benefits	Share-Based Payments			
Executives	**Cash Salary & Fees $**	**Short-Term Incentives[a] $**	**Non-Monetary Benefits[b] $**	**Other Short-Term Benefits $**	**Superannuation $**	**Retirement Benefits $**	**$**	**$**	**Share Performance Rights[c] $**	**Other[d] $**	**Total $**	**Value of Equity as a % of Total**
Anthony Fowler	646,712	441,000	8,713	–	38,755[e]	–	–	–	344,746	–	1,479,926	23.3%
Michael Fraser	1,609,417	1,976,000	34,339	–	457,250	–	–	–	2,209,095	–	6,286,101	35.1%
Ken Hodgson	687,485	475,200	–	–	29,515[e]	–	–	–	359,582	–	1,551,782	23.2%
Paul McWilliams	497,016	256,500	24,142	–	48,775[e]	–	–	–	170,427	256,500	1,253,360	34.1%
Stephen Mikkelsen	754,225	468,000	–	–	15,775	–	–	–	400,964	–	1,638,964	24.5%
Michael Moraza	565,308	292,500	–	–	98,727	–	–	–	333,699	–	1,290,234	25.9%
Total	4,760,163	3,909,200	67,194	–	688,798	–	–	–	3,818,513	256,500	13,500,368	

(a) Earned in respect of 2011/2012 financial year and paid in September 2012.

(b) Includes the value of benefits such as cars, representational spouse travel and entertainment and Fringe Benefits Tax.

(c) The fair value of LTI SPRs has been calculated using the Black-Scholes and Monte Carlo simulation methods.

(d) Value of shares acquired under the AGL Share Purchase Plan and other deferred share-based payments.

(e) Includes salary sacrifice contributions.

All executives are entitled to four weeks annual leave and long service leave based on statutory entitlements.

Remuneration of Key Management Personnel for the year ended 30 June 2013 (non-executive Directors)

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments			
Non-executive Directors	**Cash Salary & Fees $**	**Superannuation $**	**Share Performance Rights $**	**Other Share Plans[b] $**	**Total[a] $**	**Value of Equity as a percentage of Total**
Jeremy Maycock	451,029	16,470	–	5,000	472,499	1.1%
Les Hosking	199,279	16,470	–	–	215,749	0.0%
Graeme Hunt[c]	156,941	13,725	–	–	170,666	0.0%
Belinda Hutchinson	202,294	16,470	–	–	218,764	0.0%
Sandra McPhee	207,295	16,470	–	–	223,765	0.0%
Max Ould[d]	60,676	4,867	–	–	65,543	0.0%
Bruce Phillips	161,524	13,725	–	–	175,249	0.0%
John Stanhope	218,779	16,470	–	–	235,249	0.0%
Total	1,657,817	114,667	–	5,000	1,777,484	

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.

(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.

(c) Commenced as an AGL Director in September 2012.

(d) Ceased as an AGL Director in October 2012.

Remuneration of Key Management Personnel for the year ended 30 June 2012 (non-executive Directors)

	Short-Term Benefits	Post-Employment Benefits	Share-Based Payments			
Non-executive Directors	**Cash Salary & Fees $**	**Superannuation $**	**Share Performance Rights $**	**Other Share Plans[b] $**	**Total[a] $**	**Value of Equity as a percentage of Total**
Jeremy Maycock	381,225	33,775[c]	–	5,000	420,000	1.2%
Les Hosking	187,475	15,775	–	–	203,250	0.0%
Belinda Hutchinson	187,475	15,775	–	–	203,250	0.0%
Sandra McPhee	202,202	15,775	–	–	217,977	0.0%
Max Ould	179,475	15,775	–	–	195,250	0.0%
Bruce Phillips	187,475	15,775	–	–	203,250	0.0%
John Stanhope	199,960	15,775	–	–	215,735	0.0%
Total	1,525,287	128,425	–	5,000	1,658,712	

(a) No other benefits either short-term, long-term or termination were provided to non-executive Directors.

(b) Value of fees allocated to acquire shares under the AGL Share Purchase Plan.

(c) Includes salary sacrifice contributions.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2013

	Balance at 1 July 2012	SPRs Deposited (deducted) during the year[(a)]	SPRs notionally granted during the year	Fair value per SPR at grant date[(b)]	SPRs vested during the year[(c)]	SPRs forfeited during the year	Balance at 30 June 2013
Michael Fraser							
TSR share bank account	31,132	150,012	–	Various	(72,457)	–	108,687
EBIT/Funds Employed share bank account	(23,831)	125,010	–	Various	(40,472)	–	60,707
Notional grant 27-Aug-12	–	–	143,913	$13.89	–	–	143,913
Notional grant 22-Jun-12	151,528	(151,528)	–	$14.53	–	–	–
Old LTIP grant 27-Oct-08	2,232	–	–	$10.30	(1,986)	(246)	–
	161,061	123,494	143,913		(114,915)	(246)	313,307
Anthony Fowler							
TSR share bank account	663	25,242	–	Various	(10,362)	–	15,543
EBIT/Funds Employed share bank account	(4,719)	21,036	–	Various	(6,527)	–	9,790
Notional grant 27-Aug-12	–	–	26,614	$13.89	–	–	26,614
Notional grant 22-Jun-12	25,497	(25,497)	–	$14.53	–	–	–
Old LTIP grant 27-Oct-08	109	–	–	$10.30	(97)	(12)	–
	21,550	20,781	26,614		(16,986)	(12)	51,947
Ken Hodgson							
TSR share bank account	3,473	25,964	–	Various	(29,437)	–	–
EBIT/Funds Employed share bank account	(5,386)	21,636	–	Various	(16,250)	–	–
Notional grant 27-Aug-12	–	–	24,951	$13.89	–	(24,951)	–
Notional grant 22-Jun-12	26,226	(26,226)	–	$14.53	–	–	–
	24,313	21,374	24,951		(45,687)	(24,951)	–
Stephen Mikkelsen							
TSR share bank account	3,494	28,127	–	Various	(12,648)	–	18,973
EBIT/Funds Employed share bank account	(5,566)	23,440	–	Various	(7,150)	–	10,724
Notional grant 27-Aug-12	–	–	29,275	$13.89	–	–	29,275
Notional grant 22-Jun-12	28,411	(28,411)	–	$14.53	–	–	–
Old LTIP grant 27-Oct-08	290	–	–	$10.30	(258)	(32)	–
	26,629	23,156	29,275		(20,056)	(32)	58,972
Michael Moraza							
TSR share bank account	3,871	23,440	–	Various	(10,924)	–	16,387
EBIT/Funds Employed share bank account	(4,058)	19,533	–	Various	(6,190)	–	9,285
Notional grant 27-Aug-12	–	–	22,489	$13.89	–	–	22,489
Notional grant 22-Jun-12	23,677	(23,677)	–	$14.53	–	–	–
Old LTIP grant 27-Oct-08	159	–	–	$10.30	(141)	(15)	3
	23,649	19,296	22,489		(17,255)	(15)	48,164
Brett Redman							
TSR share bank account	589	7,429	–	Various	(3,207)	–	4,811
EBIT/Funds Employed share bank account	(1,777)	6,191	–	Various	(1,766)	–	2,648
Notional grant 27-Aug-12	–	–	7,196	$13.89	–	–	7,196
Notional grant 22-Jun-12	7,504	(7,504)	–	$14.53	–	–	–
Old LTIP grant 27-Oct-08	90	–	–	$10.30	(80)	(10)	–
	6,406	6,116	7,196		(5,053)	(10)	14,655

(a) After testing the SPRs notionally granted on 22 June 2012 against the relevant performance hurdle, the SPRs are deposited into (or deducted from) the relevant share bank account for each participant.

(b) Fair value of SPRs granted is determined using the Black-Scholes, Binomial and Monte Carlo simulation methods.

(c) SPRs vest at no cost to the recipient providing the relevant performance hurdles are satisfied.

Details of Share Performance Rights granted to Key Management Personnel as part of remuneration for the year ended 30 June 2012

	Balance at 1 July 2011	SPRs Deposited (deducted) during the year[(a)]	SPRs notionally granted during the year	SPRs adjustments granted during the year[(b)]	Fair value per SPR at grant date[(c)]	SPRs vested during the year[(d)]	SPRs forfeited during the year	Balance at 30 June 2012
Michael Fraser								
TSR share bank account	50,051	–	–	1,101	Various	(20,020)	–	31,132
EBIT/Funds Employed share bank account	18,164	(41,152)	–	(843)	Various	–	–	(23,831)
Notional grant 22-Jun-12	–	–	146,171	5,357	$14.53	–	–	151,528
Notional grant 20-Jun-11	137,175	(137,175)	–	–	$7.08	–	–	–
Old LTIP grant 27-Oct-08	107,639	–	–	79	$10.30	(105,486)	–	2,232
	313,029	(178,327)	146,171	5,694		(125,506)	–	161,061
Anthony Fowler								
TSR share bank account	1,066	–	–	23	Various	(426)	–	663
EBIT/Funds Employed share bank account	386	(4,938)	–	(167)	Various	–	–	(4,719)
Notional grant 22-Jun-12	–	–	24,596	901	$14.53	–	–	25,497
Notional grant 20-Jun-11	16,461	(16,461)	–	–	$7.08	–	–	–
Old LTIP grant 27-Oct-08	5,209	–	–	4	$10.30	(5,104)	–	109
	23,122	(21,399)	24,596	761		(5,530)	–	21,550
Ken Hodgson								
TSR share bank account	5,584	–	–	123	Various	(2,234)	–	3,473
EBIT/Funds Employed share bank account	2,026	(7,222)	–	(190)	Various	–	–	(5,386)
Notional grant 22-Jun-12	–	–	25,299	927	$14.53	–	–	26,226
Notional grant 20-Jun-11	24,075	(24,075)	–	–	$7.08	–	–	–
	31,685	(31,297)	25,299	860		(2,234)	–	24,313
Paul McWilliams								
TSR share bank account	1,256	–	–	28	Various	(502)	–	782
EBIT/Funds Employed share bank account	456	(2,263)	–	(66)	Various	–	–	(1,873)
Notional grant 22-Jun-12	–	–	12,017	440	$14.53	–	–	12,457
Notional grant 20-Jun-11	7,545	(7,545)	–	–	$7.08	–	–	–
Old LTIP grant 27-Oct-08	3,132	–	–	2	$10.30	(3,069)	–	65
	12,389	(9,808)	12,017	404		(3,571)	–	11,431
Stephen Mikkelsen								
TSR share bank account	5,617	–	–	124	Various	(2,247)	–	3,494
EBIT/Funds Employed share bank account	2,038	(7,407)	–	(197)	Various	–	–	(5,566)
Notional grant 22-Jun-12	–	–	27,407	1,004	$14.53	–	–	28,411
Notional grant 20-Jun-11	24,692	(24,692)	–	–	$7.08	–	–	–
Old LTIP grant 27-Oct-08	14,000	–	–	10	$10.30	(13,720)	–	290
	46,347	(32,099)	27,407	941		(15,967)	–	26,629
Michael Moraza								
TSR share bank account	6,223	–	–	137	Various	(2,489)	–	3,871
EBIT/Funds Employed share bank account	2,258	(6,173)	–	(143)	Various	–	–	(4,058)
Notional grant 22-Jun-12	–	–	22,840	837	$14.53	–	–	23,677
Notional grant 20-Jun-11	20,577	(20,577)	–	–	$7.08	–	–	–
Old LTIP grant 27-Oct-08	7,639	–	–	6	$10.30	(7,486)	–	159
	36,697	(26,750)	22,840	837		(9,975)	–	23,649

(a) After testing the SPRs notionally granted on 20 June 2011 against the relevant performance hurdle, the SPRs are deposited into (or deducted from) the relevant share bank account for each participant.

(b) Adjustment grants made to adjust for dilution to the number of SPRs notionally granted on 22 June 2012 and to unvested SPRs for prior years as a result of the rights issue allotment in June 2012.

(c) Fair value of SPRs granted is determined using the Black-Scholes and Monte Carlo simulation methods.

(d) SPRs vest at no cost to the recipient providing the relevant performance hurdles are satisfied.

7. Terms of Executive contracts

Executives' contracts specify their remuneration entitlements, benefits and awards.

All Executives have 'Service Agreements', or employment contracts, which specify the components of remuneration to which they are entitled. The Service Agreements provide for participation in the short and long-term incentives in accordance with the terms of their respective plans. The Board can vary the terms of these plans, although such variations cannot be applied retrospectively.

Details of contract duration, notice period for termination, and termination payments for Executives are provided in the table below.

Executive	Position	Contract duration	Termination notice period by AGL	Termination notice period by employee	Termination payments
Anthony Fowler	Group General Manager, Merchant Energy	No fixed term	3 months	6 months	9 months TFR
Stephen Mikkelsen	Group General Manager, Retail Energy	No fixed term	3 months[(a)]	6 months	9 months TFR
Michael Moraza	Group General Manager, Upstream Gas	No fixed term	3 months	6 months	9 months TFR
Brett Redman	Chief Financial Officer	No fixed term	3 months	6 months	9 months TFR

(a) AGL will provide six months' notice in circumstances of unsatisfactory performance.

The CEO

Details of Mr Fraser's appointment and the terms of his Service Agreement are set out below.

Terms of appointment

Mr Fraser was appointed Managing Director and CEO of AGL on 22 October 2007. His Service Agreement is open ended, with his appointment as Managing Director and CEO continuing until it is terminated.

Termination conditions

AGL may terminate Mr Fraser's appointment:

> by giving him 12 months' notice in writing at any time

or

> without notice in the event of any act which detrimentally affects AGL (such as dishonesty, fraud or serious or wilful misconduct in the discharge of his duties or unremedied, persistent, wilful or material breaches of the terms of his Service Agreement).

Mr Fraser may terminate his appointment:

> by giving AGL 12 months' notice in writing at any time

or

> by giving AGL three months' notice in writing if he ceases to hold the most senior management role within AGL or ceases to report directly to the Board, or if the scope of his responsibilities or authorities is materially diminished (Fundamental Change). This right of termination must be exercised within six months after the Fundamental Change occurs.

If Mr Fraser's appointment is terminated by either party giving a period of notice, AGL may at any time before the end of that period of notice pay Mr Fraser an amount equal to that proportion of his TFR at the time which corresponds to the period of notice which has been foregone.

If Mr Fraser's appointment is terminated by AGL with 12 months' notice before the date on which AGL pays STIs in respect of a financial year, Mr Fraser is eligible to be paid a STI in respect of that financial year as follows:

> if he is terminated as a result of unsatisfactory performance, a pro rata STI based on 50% of his STI opportunity (however Mr Fraser has advised AGL that he will not assert his entitlement to any payment of a short-term incentive if his employment is terminated in this circumstance);

> if he is terminated as a result of redundancy or total or permanent disablement, a pro rata STI based on 100% of his STI opportunity.

If Mr Fraser terminates his employment with AGL due to retirement or a Fundamental Change, a pro rata STI payment will be made based on 100% of his STI opportunity.

The circumstances in which the positive balances of SPRs banked to Mr Fraser's notional SPR bank accounts under the LTIP will vest, are as follows:

a) death;

b) total and permanent disablement;

c) termination of his employment by AGL without cause (either with or without notice) (however Mr Fraser has advised AGL that he will not assert his entitlement for any unvested SPRs to vest if his employment terminates in this circumstance);

d) termination of his employment with AGL by Mr Fraser giving three months' notice after the occurrence of a fundamental change (on the basis provided for in Mr Fraser's employment contract);

e) redundancy;

f) retirement; or

g) cessation of his employment with AGL in such other circumstances as the Board in its absolute discretion may determine.

All banked SPRs under the LTIP will lapse if Mr Fraser ceases employment with AGL for any other reason.

Long Service Leave/Annual Leave
On cessation of employment Mr Fraser is entitled to payment for:

> any unused annual leave entitlements;

> any unused long service leave entitlements calculated in accordance with the following formula:

up to 20 years employment, long service leave is calculated at 0.8666 weeks per year of service; and

from 20 years employment, long service leave is calculated at 1.3 weeks per year of service.

Remuneration
Mr Fraser's remuneration consists of the components set out below.

Total Fixed Remuneration
Mr Fraser's TFR, effective 1 September 2013, is $2,163,000 a year.

During each year of the term of his appointment, the Board commissions an independent review of his TFR for the following year and decides whether to increase it, taking into account such matters as external market relativities. The details of the market remuneration information considered are described in section 2 of this report.

Under no circumstances can Mr Fraser's TFR be reduced without his written consent.

Short-Term Incentive
Mr Fraser is eligible to receive a maximum STI payment for the year ending 30 June 2014 of $2,163,000.

Any STI will be determined in accordance with the STI Plan rules and is subject to the satisfactory completion by Mr Fraser of his performance objectives which relate to financial, customer, people management and strategic growth and innovation objectives.

For year ending 30 June 2013, one half of any STI will be paid in cash in September 2013, with payment of the balance deferred for 12 months. Mr Fraser has advised AGL that in the event of a material misstatement of the financial accounts or gross misconduct, his deferred STI will be subject to clawback.

Any deferred STI component is payable in the following circumstances:

a) death;
b) total and permanent disablement;
c) termination of his employment by AGL without cause (either with or without notice);
d) termination of his employment with AGL by Mr Fraser giving three months' notice after the occurrence of a fundamental change (on the basis provided for in Mr Fraser's employment contract);
e) redundancy;
f) retirement; or
g) cessation of his employment with AGL in such other circumstances as the Board in its absolute discretion may determine.

Otherwise the deferred STI component is forfeited.

Long-Term Incentive
AGL has obtained shareholder approval to issue the maximum number of Share Performance Rights available to Mr Fraser in respect of each of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014.

The CEO's LTI allocation was 100% of his TFR in accordance with contractual rights within the shareholder approved maximum allocation number of Share Performance Rights.

The Share Performance Rights granted to Mr Fraser under the LTI Plan will vest, subject to meeting the associated performance hurdles, at no cost to Mr Fraser.

Restraint
Mr Fraser must not, for a period of six months following termination of his appointment:

> be engaged or concerned in any capacity whatsoever, in any business which is similar to, or competitive with, AGL's business;

> solicit or entice, or attempt to solicit or entice, any Director, employee or client of AGL to leave AGL; or

> attempt to persuade any Director, employee or client of AGL with whom Mr Fraser had dealings with in the year preceding the termination of his appointment to discontinue their relationship with AGL or reduce the amount of business they do with AGL.

8. Non-executive Directors

Non-executive Directors do not receive performance-related payments.
Non-executive Directors receive a base fee. In addition, in recognition of the higher workloads and extra responsibilities of participating in a Board Committee, if applicable, they also receive a Committee fee. Chairing a Committee attracts a higher fee rate, but the Chairman of the Board receives no extra remuneration for participating in or chairing Committees.

The maximum aggregate remuneration payable to non-executive Directors is $2.5 million a year or such other amount as approved at a general meeting of shareholders.

Non-executive Directors' fees are determined by the Board based on advice from independent remuneration advisers, which includes market comparison of remuneration paid to non-executive Directors in a comparator group of similar sized companies as well as the ASX100.

Any changes to non-executive Directors' fees take effect from 1 January in the following year.

The market peer group used as a comparator group for the non-executive Directors is made up of companies who have a market capitalisation ranging from 20 companies below, to 20 companies above, the market capitalisation of AGL.

As the focus of the Board is the governance of and long-term strategic direction of AGL, there is no direct link between non-executive Director remuneration and AGL's short-term results.

The Board resolved that there would be no increase in non-executive Directors' fees for the 2013/14 financial year.

The fee structure for non-executive Directors, effective 1 January 2013, is as follows:

	Base Fee $	Audit and Risk Management Committee Fees $	Other Committee Fees $
Chairman of Board	505,000	–	–
Chairman of Committee	175,000	48,000	35,000
Director	175,000	24,000	17,000

Non-executive Directors may choose to receive fees as a combination of one or more of:

> **Directed superannuation contributions.** Subject to minimum contributions as required under SGC legislation, and maximum tax deductible contributions under the Income Tax Assessment Act, non-executive Directors may direct that some or all of their fees be paid as contributions to a complying superannuation fund of their choice.

> **AGL shares acquired under the AGL Share Purchase Plan.** The Plan Trustee acquires AGL shares on-market at market price during permitted trading periods. Details of the trading periods are included in the AGL Securities Dealing Policy which is available on AGL's website.

> **Cash.** The balance of fee entitlements is paid in cash to the non-executive Directors in equal monthly amounts over the year.

Non-executive Directors are permitted to vary the components of their fee entitlements at any time.

No options have been granted to non-executive Directors over any securities or interests of AGL or the consolidated entity.

The Board conducted an externally facilitated review of its own performance, the performance of individual Directors, and the performance of the Board Committees during the last year.

9. Five-year financial performance

The following table shows AGL's annual performance over the last five years.

Year ended 30 June	2009	2010	2011	2012	2013
Statutory Profit ($m)	1,596.1	356.1	558.7	114.9	388.7
Statutory EPS in cents[1]	346.6	76.8	118.5	23.8	70.7
Underlying Profit ($m)	378.8	428.9	431.1	482.0	598.3
Underlying EPS in cents[1]	82.3	92.5	91.4	100.0	108.8
Dividends in cents	54.0	59.0	60.0	61.0	63.0
Increase/(decrease) in share price(%)[1]	(5.9)	9.3	(0.3)	4.2	(2.0)
EBIT/Funds Employed (%)	9.7	9.4	8.9	9.2	10.6
Adjusted EBIT/Funds Employed (%)[2]	10.8	11.3	10.5	11.6	12.9
TSR(%)[2 & 3]	1.9	10.2	1.6	13.9	(1.1)

Notes:

1 FY2009, 2010 and 2011 restated for the bonus element of the one-for-six share rights issue completed in June 2012.

2 Used since FY2010 to calculate Executives' long-term incentives. See page 69 for details on calculation.

3 Based on June VWAP in each financial year.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 28th day of August 2013.

Jeremy Maycock
Chairman

Concise Financial Report

Contents

The concise financial statements are an extract from the full financial statements of AGL Energy Limited. The financial statements and specific disclosures included in the concise financial statements have been derived from the full financial statements of AGL Energy Limited, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

Further financial information can be obtained from AGL Energy Limited's full financial statements, AGL Financial Report 2013, a copy of which, together with a copy of the independent audit report, is available to all shareholders, and will be sent to shareholders without charge on request. Alternatively, you can access the AGL Financial Report 2013 via the internet by visiting agl.com.au and selecting 'Investor Centre' from the 'About AGL' menu.

Consolidated Statement of Profit or Loss

For the year ended 30 June 2013	Note	2013 $m	2012 $m
Continuing operations			
Revenue	4	**9,715.7**	7,455.6
Other income		**–**	2.9
Expenses		**(8,787.7)**	(7,100.0)
Share of profits of associates and jointly controlled entities accounted for using the equity method		**26.3**	16.8
Profit before net financing costs, depreciation and amortisation		**954.3**	375.3
Depreciation and amortisation		**(287.1)**	(173.9)
Profit before net financing costs		**667.2**	201.4
Finance income		**41.5**	45.4
Finance costs		**(244.7)**	(83.9)
Net financing costs		**(203.2)**	(38.5)
Profit before tax		**464.0**	162.9
Income tax expense		**(75.3)**	(48.0)
Profit for the year attributable to owners of AGL Energy Limited		**388.7**	114.9
Earnings per share			
Basic earnings per share		**70.7 cents**	23.8 cents
Diluted earnings per share		**70.6 cents**	23.8 cents

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013	2013 $m	2012 $m
Profit for the year	**388.7**	114.9
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit plans	**78.8**	(70.0)
Share of other comprehensive income of associates	**–**	(18.2)
Income tax relating to items that will not be reclassified subsequently	**(23.6)**	21.0
	55.2	(67.2)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges		
Gain in fair value of cash flow hedges	**40.2**	14.1
Reclassification adjustments transferred to profit or loss	**(82.8)**	115.9
Reclassification adjustments transferred to the initial carrying amounts of hedged items	**7.1**	40.3
Available-for-sale financial assets		
Loss on revaluation of available-for-sale financial assets	**(0.1)**	–
Share of other comprehensive income of associates	**–**	(38.4)
Reclassification adjustments of an associate transferred to profit or loss on acquisition of entity	**–**	36.3
Income tax relating to items that may be reclassified subsequently	**10.7**	(51.1)
	(24.9)	117.1
Other comprehensive income for the year, net of income tax	**30.3**	49.9
Total comprehensive income for the year attributable to owners of AGL Energy Limited	**419.0**	164.8

Consolidated Statement of Financial Position

As at 30 June 2013	2013 $m	2012 $m
Current assets		
Cash and cash equivalents	**281.0**	1,812.9
Trade and other receivables	**1,844.0**	1,531.4
Inventories	**133.0**	185.4
Other financial assets	**186.9**	295.6
Other assets	**391.1**	306.6
Total current assets	**2,836.0**	4,131.9
Non-current assets		
Trade and other receivables	**47.3**	–
Inventories	**29.2**	–
Investments accounted for using the equity method	**33.1**	31.6
Exploration and evaluation assets	**349.0**	654.0
Oil and gas assets	**495.1**	483.8
Property, plant and equipment	**5,331.6**	5,185.7
Intangible assets	**3,149.4**	3,172.0
Deferred tax assets	**729.2**	611.1
Other financial assets	**338.5**	431.6
Other assets	**27.4**	36.7
Total non-current assets	**10,529.8**	10,606.5
Total assets	**13,365.8**	14,738.4
Current liabilities		
Trade and other payables	**1,444.0**	1,158.4
Borrowings	**45.4**	616.0
Provisions	**115.0**	132.3
Current tax liabilities	**154.6**	11.0
Other financial liabilities	**432.0**	441.8
Other liabilities	**0.8**	250.3
Total current liabilities	**2,191.8**	2,609.8
Non-current liabilities		
Borrowings	**3,063.6**	3,696.0
Provisions	**249.7**	265.8
Deferred tax liabilities	**99.4**	349.0
Other financial liabilities	**264.3**	436.3
Other liabilities	**158.0**	248.6
Total non-current liabilities	**3,835.0**	4,995.7
Total liabilities	**6,026.8**	7,605.5
Net assets	**7,339.0**	7,132.9
Equity		
Issued capital	**5,353.6**	5,227.3
Reserves	**(1.9)**	22.0
Retained earnings	**1,987.3**	1,883.6
Total equity attributable to owners of AGL Energy Limited	**7,339.0**	7,132.9

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Attributable to owners of AGL Energy Limited						
	Issued capital $m	Investments revaluation reserve $m	Employee equity benefits reserve $m	Hedging reserve $m	Other reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2012	**5,227.3**	**–**	**2.6**	**19.4**	**–**	**1,883.6**	**7,132.9**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**388.7**	**388.7**
Other comprehensive income for the year, net of income tax	**–**	**(0.1)**	**–**	**(24.8)**	**–**	**55.2**	**30.3**
Total comprehensive income for the year	**–**	**(0.1)**	**–**	**(24.8)**	**–**	**443.9**	**419.0**
Transactions with owners in their capacity as owners:							
Issue of ordinary shares under AGL Dividend Reinvestment Plan	**126.3**	**–**	**–**	**–**	**–**	**–**	**126.3**
Payment of dividends	**–**	**–**	**–**	**–**	**–**	**(340.2)**	**(340.2)**
Share-based payments	**–**	**–**	**1.0**	**–**	**–**	**–**	**1.0**
Balance at 30 June 2013	**5,353.6**	**(0.1)**	**3.6**	**(5.4)**	**–**	**1,987.3**	**7,339.0**
Balance at 1 July 2011	4,244.6	–	0.6	(97.3)	(0.4)	2,194.0	6,341.5
Adjustment on correction of unbilled distribution liability, net of income tax	–	–	–	–	–	(79.9)	(79.9)
Restated total equity at 1 July 2011	4,244.6	–	0.6	(97.3)	(0.4)	2,114.1	6,261.6
Profit for the year	–	–	–	–	–	114.9	114.9
Other comprehensive income for the year, net of income tax	–	–	–	116.7	0.4	(67.2)	49.9
Total comprehensive income for the year	–	–	–	116.7	0.4	47.7	164.8
Transactions with owners in their capacity as owners:							
Issue of ordinary shares under AGL Dividend Reinvestment Plan	92.4	–	–	–	–	–	92.4
Issue of ordinary shares under the institutional and retail rights offers	905.3	–	–	–	–	–	905.3
Share issue transaction costs	(21.5)	–	–	–	–	–	(21.5)
Payment of dividends	–	–	–	–	–	(278.2)	(278.2)
Share-based payments	–	–	2.0	–	–	–	2.0
Income tax relating to transactions with owners	6.5	–	–	–	–	–	6.5
Balance at 30 June 2012	5,227.3	–	2.6	19.4	–	1,883.6	7,132.9

Consolidated Statement of Cash Flows

For the year ended 30 June 2013	2013 $m	2012 $m
Cash flows from operating activities		
Receipts from customers	**11,296.8**	8,780.3
Payments to suppliers and employees	**(10,434.2)**	(8,061.7)
Dividends received	**24.5**	26.7
Finance income received	**42.8**	24.0
Finance costs paid	**(257.0)**	(122.0)
Income taxes paid	**(71.1)**	(180.8)
Net cash provided by operating activities	**601.8**	466.5
Cash flows from investing activities		
Payments for property, plant and equipment	**(480.3)**	(673.3)
Payments for exploration and evaluation assets	**(40.9)**	(38.3)
Payments for oil and gas assets	**(49.2)**	(48.8)
Payments for interest acquired in a jointly controlled entity	**–**	(1.6)
Payments for investment securities	**(0.1)**	(0.1)
Payments for intangible assets	**(43.5)**	(42.9)
Payments for businesses and subsidiaries, net of cash acquired		
acquisitions in current period	**–**	217.5
acquisitions in prior period	**(33.1)**	–
Proceeds from sale of property, plant and equipment	**1.2**	133.4
Proceeds from sale of exploration and evaluation assets	**3.0**	5.4
Proceeds from sale of oil and gas assets	**–**	4.5
Loans advanced to related parties	**(72.1)**	(87.5)
Proceeds from repayment of related party loans	**165.4**	0.4
Net cash used in investing activities	**(549.6)**	(531.3)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	**–**	883.8
Purchase of shares on-market for equity based remuneration	**(6.1)**	(4.4)
Proceeds from borrowings	**285.0**	1,730.0
Repayment of borrowings	**(1,543.9)**	(1,299.0)
Payments for settlement of derivative financial instruments	**(105.2)**	–
Dividends paid	**(213.9)**	(185.8)
Net cash (used in)/provided by financing activities	**(1,584.1)**	1,124.6
Net (decrease)/increase in cash and cash equivalents	**(1,531.9)**	1,059.8
Cash and cash equivalents at the beginning of the financial year	**1,812.9**	753.1
Cash and cash equivalents at the end of the financial year	**281.0**	1,812.9

Note 1 – Basis of preparation

The concise financial statements have been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 *Concise Financial Reports*. The concise financial statements are an extract from the full financial statements. The concise financial statements and specific disclosures included in the concise financial statements have been derived from AGL Energy Limited's full financial statements, AGL Financial Report 2013.

All amounts are presented in Australian dollars.

Note 2 – Adoption of new and revised accounting standards

The consolidated entity has adopted the following new and revised Standards and Interpretations that are relevant to its operations and effective for the current reporting period.

> Amendments to AASB 101 *Presentation of Financial Statements* as a consequence of AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior years. However, the application of AASB 2011-9 has resulted in changes to the consolidated entity's presentation of, or disclosure in, its financial statements.

AASB 2011-9 introduces new terminology for the income statement. Under the amendments to AASB 101, the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Note 3 – Segment information

	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Other $m	Total $m
2013						
Revenue						
Total segment revenue	**4,951.6**	**6,888.8**	**83.9**	**–**	**0.4**	**11,924.7**
Inter-segment revenue	**(13.4)**	**(2,166.3)**	**(29.3)**	**–**	**–**	**(2,209.0)**
External revenue	**4,938.2**	**4,722.5**	**54.6**	**–**	**0.4**	**9,715.7**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**431.1**	**1,034.5**	**23.8**	**26.2**	**(179.2)**	**1,336.4**
Depreciation and amortisation	**(75.6)**	**(165.2)**	**(23.8)**	**–**	**(22.5)**	**(287.1)**
Operating EBIT	**355.5**	**869.3**	**–**	**26.2**	**(201.7)**	**1,049.3**
Net financing costs						**(205.5)**
Underlying profit before income tax						**843.8**
Income tax expense						**(245.5)**
Underlying profit						**598.3**
Segment assets	**3,664.6**	**6,874.1**	**1,156.5**	**29.4**	**124.2**	**11,848.8**
Segment liabilities	**419.1**	**1,321.3**	**119.0**	**–**	**108.1**	**1,967.5**
2012						
Revenue						
Total segment revenue	4,194.3	4,955.7	80.1	–	0.1	9,230.2
Inter-segment revenue	–	(1,743.1)	(31.5)	–	–	(1,774.6)
External revenue	4,194.3	3,212.6	48.6	–	0.1	7,455.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	391.9	628.5	20.6	24.5	(161.2)	904.3
Depreciation and amortisation	(59.1)	(78.8)	(20.0)	–	(16.0)	(173.9)
Operating EBIT	332.8	549.7	0.6	24.5	(177.2)	730.4
Net financing costs						(51.2)
Underlying profit before income tax						679.2
Income tax expense						(197.2)
Underlying profit						482.0
Segment assets	3,455.0	6,656.8	1,360.4	116.9	116.1	11,705.2
Segment liabilities	424.1	1,392.9	101.9	–	136.5	2,055.4

For the year ended 30 June 2013	2013 $m	2012 $m
Note 3 – Segment information (continued)		
Segment Operating EBIT reconciliation to the statement of profit or loss		
Reconciliation of segment Operating EBIT to profit before tax is as follows:		
Operating EBIT for reportable segments	**1,251.0**	907.6
Other	**(201.7)**	(177.2)
	1,049.3	730.4
Amounts excluded from underlying results:		
– gain/(loss) in fair value of financial instruments	**114.3**	(304.6)
– significant expense items	**(494.1)**	(211.7)
Finance income included in Operating EBIT	**(2.3)**	(12.7)
Finance income	**41.5**	45.4
Finance costs	**(244.7)**	(83.9)
Profit before tax	**464.0**	162.9
Segment assets reconciliation to the statement of financial position		
Reconciliation of segment assets to total assets is as follows:		
Segment assets for reportable segments	**11,724.6**	11,589.1
Other	**124.2**	116.1
	11,848.8	11,705.2
Cash and cash equivalents	**281.0**	1,812.9
Deferred tax assets	**729.2**	611.1
Derivative financial instruments	**506.8**	609.2
Total assets	**13,365.8**	14,738.4
Segment liabilities reconciliation to the statement of financial position		
Reconciliation of segment liabilities to total liabilities is as follows:		
Segment liabilities for reportable segments	**1,859.4**	1,918.9
Other	**108.1**	136.5
	1,967.5	2,055.4
Borrowings	**3,109.0**	4,312.0
Current tax liabilities	**154.6**	11.0
Deferred tax liabilities	**99.4**	349.0
Derivative financial instruments	**449.6**	625.4
Deferred and contingent consideration liabilities	**246.7**	252.7
Total liabilities	**6,026.8**	7,605.5

Note 4 – Revenue

Revenue from sale of goods	**9,562.7**	7,288.9
Revenue from rendering of services	**152.1**	165.1
Other revenue		
Royalties	**0.9**	1.6
	9,715.7	7,455.6

For the year ended 30 June 2013	2013 $m	2012 $m
Note 5 – Dividends		
Recognised amounts		
Final dividend		
Final dividend for 2012 of 32.0 cents per share, fully franked at 30%, paid 27 September 2012 (2012: Final dividend for 2011 of 31.0 cents per share, fully franked, paid 29 September 2011)	**174.9**	143.2
Interim dividend		
Interim dividend for 2013 of 30.0 cents per share, fully franked at 30%, paid 4 April 2013 (2012: Interim dividend for 2012 of 29.0 cents per share, fully franked, paid 5 April 2012)	**165.3**	135.0
Total dividends	**340.2**	278.2
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan	**(126.3)**	(92.4)
Dividends paid as per the statement of cash flows	**213.9**	185.8
Unrecognised amounts		
Since the end of the financial year, the Directors have declared a final dividend for 2013 of 33.0 cents per share, fully franked at 30%, (2012: 32.0 cents fully franked), payable 27 September 2013.	**182.9**	174.7

The financial effect of this dividend has not been recognised as a liability in these financial statements but will be brought to account in the 2014 financial year.

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at a 1.5% discount to the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on ASX during each of the 10 trading days commencing on 10 September 2013.

Note 6 – Subsequent events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods other than:

Australian Power and Gas Company Limited

On 15 July 2013, AGL announced it had entered into agreements for the outright acquisition of 19.9% of the issued shares of Australian Power and Gas Company Limited (APG), and that it intended to make an off-market takeover offer to acquire all of the issued shares of APG that it does not currently have an interest in at $0.52 cash per share. The offer places an implicit enterprise valuation on APG of $158.0 million.

On 8 August 2013, AGL issued the bidder statement inviting APG shareholders to accept a $0.52 cash per share offer from AGL.

On 23 August 2013, APG issued its target's statement with the Independent Directors of APG recommending acceptance of AGL's offer and stating that the Independent Expert has concluded that the offer of $0.52 cash per share is fair and reasonable to Shareholders not associated with AGL.

Solar projects

On 31 July 2013, AGL announced that two large-scale solar photovoltaic (PV) projects are set to proceed after achieving financial close in respect of funding agreements with the Australian Renewable Energy Agency (ARENA) and the NSW Government.

The AGL solar projects will include a 102 MW solar plant at Nyngan and a 53 MW solar plant at Broken Hill. The total project cost is approximately $450.0 million. To support AGL's delivery of the projects, ARENA will provide $166.7 million and the NSW Government will provide $64.9 million.

Final dividend

On 28 August 2013, the Directors of AGL resolved to pay a fully franked final dividend of 33.0 cents per share, amounting to $182.9 million. The record date for the final dividend is 6 September 2013 with payment to be made on 27 September 2013. Shares commenced trading ex-dividend on 2 September 2013.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at a 1.5% discount to the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on ASX during each of the 10 trading days commencing on 10 September 2013.

Directors' Declaration

For the year ended 30 June 2013

The Directors of AGL Energy Limited declare that:

(a) in their opinion, the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 *Concise Financial Reports*; and

(b) the attached financial statements and notes thereto have been derived from the full financial report of the company.

Signed in accordance with a resolution of the Directors

Jeremy Maycock
Chairman

Sydney, 11 September 2013

Auditor's Independence Declaration

To the Directors of AGL Energy Limited

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
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The Board of Directors
AGL Energy Limited
101 Miller Street
North Sydney NSW 2060

28 August 2013

Dear Board Members

AGL Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the audit of the financial statements of AGL Energy Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants

Independent Auditor's Report

To the Members of AGL Energy Limited

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
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Deloitte.

Report on the Concise Financial Report

We have audited the accompanying concise financial report of AGL Energy Limited which comprises the Consolidated Statement of Financial Position as at 30 June 2013, the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows for the year then ended, and related notes, derived from the audited financial report of AGL Energy Limited for the year ended 30 June 2013 as set out on pages 80 to 88. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of AGL Energy Limited for the year ended 30 June 2013. We expressed an unmodified audit opinion on that financial report in our report dated 28 August 2013. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports.*

The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AGL Energy Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the concise financial report of AGL Energy Limited for the year ended 30 June 2013 complies with Accounting Standard AASB 1039 *Concise Financial Reports.*

Deloitte.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the year ended 30 June 2013.

We have audited the Remuneration Report included in pages 64 to 78 of the Directors' Report for the year ended 30 June 2013. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of AGL Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 11 September 2013

Shareholding Information

The following information is provided regarding the Issued Capital of AGL as at 14 August 2013:

1. The Issued Capital consisted of 554,210,005 fully-paid ordinary shares.

2. There were 119,112 holders of these ordinary shares.

3. There were 2,650 holders of less than a marketable parcel of 35 shares.

4. The distribution of holders was:

	NO. OF HOLDERS	%
1 – 1,000	58,163	48.83
1,001 – 5,000	50,928	42.76
5,001 – 10,000	6,640	5.57
10,001 – 100,000	3,283	2.76
100,001 and over	98	0.08
	119,112	**100**

5. The location of holders was:

LOCATION	NO. OF HOLDERS	%	NO. OF SHARES	%
Australia	115,524	96.99	544,112,308	98.18
Hong Kong	44	0.04	152,719	0.03
New Zealand	2,595	2.18	8,807,812	1.59
United Kingdom	317	0.27	396,199	0.07
USA and Canada	460	0.38	393,107	0.07
Others	172	0.14	347,860	0.06
	119,112	**100**	**554,210,005**	**100**

6. The class of holders was:

CLASS OF HOLDER	NO. OF HOLDERS	%	NO. OF SHARES	%
Individuals	85,445	71.73	156,608,961	28.26
Companies and other	33,667	28.27	397,601,044	71.74
	119,112	**100**	**554,210,005**	**100**

7. The 20 largest holders held 54.22% of the Issued Capital:

TWENTY LARGEST HOLDERS AS AT 14 AUGUST 2013	FULLY-PAID ORDINARY SHARES	% OF TOTAL ISSUED SHARES
HSBC Custody Nominees (Australia) Limited	83,396,163	15.05
J P Morgan Nominees Australia Limited	80,461,465	14.52
National Nominees Limited	58,349,829	10.53
Citicorp Nominees Pty Limited	18,414,746	3.32
Cogent Nominees Pty Limited	9,484,432	1.71
Bond Street Custodians Limited	8,745,721	1.58
RBC Dexia Investor Services Australia Nominees Pty Limited	6,789,864	1.22
Australian Foundation Investment Company Limited	5,083,157	0.92
BT Portfolio Services Ltd	4,035,013	0.73
AMP Life Limited	3,379,729	0.61
UBS Wealth Management Australia Nominees Pty Ltd	3,224,679	0.58
Argo Investments Limited	3,159,316	0.57
Custodial Services Limited	3,061,024	0.55
Questor Financial Services Limited	2,801,538	0.51
Avanteos Investments Limited	2,348,996	0.42
Milton Corporation Limited	2,306,876	0.42
Navigator Australia Limited	1,898,937	0.34
Gwynvill Investments Pty Limited	1,263,150	0.23
BKI Investment Company Limited	1,141,000	0.21
Asgard Capital Management Ltd	1,123,076	0.20
	300,468,711	**54.22**

Subordinated Note Holding Information

The following information is provided regarding the Subordinated Notes of AGL as at 14 August 2013:

1. There were 6,500,000 Subordinated Notes.
2. There were 8,941 holders of these Subordinated Notes.
3. There were no holders of less than a marketable parcel of 5 Subordinated Notes.
4. The distribution of holders was:

	NO. OF HOLDERS	%
1 – 1,000	8,414	94.12
1,001 – 5,000	464	5.13
5,001 – 10,000	31	0.36
10,001 – 100,000	24	0.30
100,001 and over	8	0.09
	8,941	**100**

5. The location of holders was:

LOCATION	NO. OF HOLDERS	%	NO. OF NOTES	%
Australia	8,889	99.42	6,351,456	97.71
Malaysia	5	0.05	4,450	0.07
New Zealand	16	0.18	14,088	0.22
United Kingdom	7	0.08	14,760	0.23
United States	9	0.10	3,375	0.05
Others	15	0.17	111,871	1.72
	8,941	**100**	**6,500,000**	**100**

6. The class of holders was:

CLASS OF HOLDER	NO. OF HOLDERS	%	NO. OF NOTES	%
Individuals	3,605	40.32	1,386,372	21.33
Companies and other	5,336	59.68	5,113,628	78.67
	8,941	**100**	**6,500,000**	**100**

7. The 20 largest holders held 49.49% of the Subordinated Notes:

TWENTY LARGEST HOLDERS AS AT 14 AUGUST 2013	SUBORDINATED NOTES	% OF TOTAL NOTES
J P Morgan Nominees Australia Limited	659,589	10.15
National Nominees Limited	548,866	8.44
Bond Street Custodians Limited	350,365	5.39
Citicorp Nominees Pty Limited	302,655	4.66
BT Portfolio Services Ltd	218,758	3.37
HSBC Custody Nominees (Australia) Limited	186,224	2.86
Questor Financial Services Limited	123,958	1.91
Cogent Nominees Pty Limited	106,081	1.63
UBS Wealth Management Australia Nominees Pty Ltd	102,402	1.58
Navigator Australia Limited	96,696	1.49
Mr Ting-Tzu Kuo	90,000	1.38
Nulis Nominees (Australia) Limited	80,061	1.23
Share Direct Nominees Pty Limited	74,604	1.15
Avanteos Investments Limited	58,396	0.90
RBC Dexia Investor Services Australia Nominees Pty Limited	55,378	0.85
Bainpro Nominees Pty Ltd	54,040	0.83
UBS Nominees Pty Ltd	38,311	0.59
Australian Executor Trustees Limited	25,735	0.40
Asgard Capital Management Ltd	24,293	0.37
Sandhurst Trustees Ltd	20,406	0.31
	3,216,818	**49.49**

Investor Information

Website access

By visiting agl.com.au and selecting 'Investor Centre' from the 'About AGL' menu you can access AGL's online Investor Centre.

The Investor Centre provides you with easy access to important information about AGL's performance, including Annual Reports, investor presentations, share price graphs and general security holder information.

The Shareholder Services section in our Investor Centre also enables you to access and update your share and note holding information online including:

> Checking your holding balance

> Viewing, saving or printing interest payment summaries, transaction summaries and dividend statements for shareholders

> Updating or amending your bank account or DRP Instructions for shareholders

> Electing to receive communications electronically

> Downloading a variety of forms.

Our Share Registry, Link Market Services, also offers Share and Note holders the ability to register and create a portfolio view of their holdings. Registration is free and enables Share and Note holders to view and update multiple holdings in AGL (or other clients Link act as registry for) using a single login. To create a portfolio, please go to www.linkmarketservices.com.au

Share Registry

Share and Note holders with enquiries about their share and note holdings can also contact AGL's Share Registry as follows:

AGL Share Registry
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(Postal Address: Locked Bag A14,
Sydney South NSW 1235)

Telephone:	+61 1800 824 513 (free call within Australia)
Facsimile:	+61 02 9287 0309
Email:	aglenergy@linkmarketservices.com.au
Website:	www.linkmarketservices.com.au

When communicating with the Share Registry, it will assist if you can quote your current address together with your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

Final Share Dividend

The final dividend of 33 cents per share, 100 percent franked, will be paid on 27 September 2013. As the final dividend will only be paid via direct credit, Australian and New Zealand Shareholders need to nominate a bank, building society or credit union account within these jurisdictions. Payments are electronically credited on the dividend payment date and confirmed by a mailed or electronic payment advice. Payment instructions can either be lodged online or an appropriate form can be downloaded from the Share Registry's website.

Dividend Reinvestment Plan

AGL offers shareholders the opportunity to participate in the Dividend Reinvestment Plan. Shares are allotted under the Plan at a discount of up to five percent of a weighted average market price, free of transaction costs. The actual rate of discount, if any, will be determined by the Directors at the time each dividend is declared. A discount of 1.5 percent was applied to the 2013 interim dividend and the 2013 final dividend.

Subordinated Note Interest Payments

AGL makes interest payments quarterly in arrears in respect of the Subordinated Notes on or about the 8th of September, December, March and June of each year. Dates and payment rates are available at AGL's online Investor Centre.

Reporting to Shareholders

Changes to the Corporations Act mean that AGL need only provide shareholders with access to this Annual Report on AGL's website, unless they have specifically requested to be sent a printed or electronic copy. Shareholders seeking a copy of the Annual Report should subscribe online or contact the Share Registry. The Annual Report is also available on AGL's website.

Change of name, address or banking details

Shareholders who are Issuer Sponsored should advise the Share Registry immediately of a change of name, address or banking details for dividends electronically credited to a bank account. All such changes must be advised online or in writing and cannot be accepted by telephone. For a change of name, supporting documentation must accompany your written advice. Appropriate forms can also be downloaded from the Share Registry's website.

Shareholders who are CHESS Sponsored should instruct their sponsoring broker in writing to notify the Share Registry of any change.

Tax File Number (TFN)/Australian Business Number (ABN)

It is not compulsory to provide a TFN or ABN. However, AGL will be required to deduct tax at the top marginal rate from the unfranked portion of any dividend paid to shareholders who have not provided either a TFN/ABN or details of a relevant TFN exemption. TFN/ABN notification forms can be obtained by contacting the Share Registry, by lodging your details online or by downloading the appropriate form from the Share Registry's website.

Consolidation of shareholdings

Shareholders who wish to consolidate multiple shareholdings into a single shareholding should advise the Share Registry or their sponsoring broker, whichever is applicable, in writing.

Registered Office

AGL Energy Limited,
Level 22, 101 Miller Street,
North Sydney NSW 2060, Australia

Telephone	02 9921 2999 (within Australia)
	61 2 9921 2999 (international)

Company Secretary

Paul McWilliams
BA (Accounting), MApFin, GradDipACG, ACA, ACSA, ACIS

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Directory

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