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asx statement

8 November 2007

Attached is the Chairman's address as well as the Chairman and Managing Director's presentations for the Annual General Meeting to be held at 10.30am today.

A handwritten signature in black ink, appearing to read 'P. McWilliams', written over a faint circular stamp.

Paul McWilliams
Company Secretary

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AGL Energy Limited

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Chairman's Opening Remarks

Thursday 8 November 2007

10.30 am

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Good morning Ladies and Gentlemen. Welcome to AGL's Annual General Meeting of Shareholders. First, may I ask you to make sure your mobile phones are turned off until the meeting has concluded.

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

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

The Board of your company, and its senior management, are here to report to you today on the state of your company, its performance and accomplishments in the past year and the opportunities and challenges for the future.

I would also like to talk with you during this meeting about some recent events that have occurred subsequent to the close of the 2007 fiscal year.

I believe it is important that we use this opportunity to discuss the circumstances of the events of recent weeks and our plans for the future. Your directors are aware and acknowledge that the revised earnings guidance for the current fiscal year issued on 15 October, the subsequent change in CEO of the company, and the speculation and commentary that have surrounded those announcements, may have adversely affected the trust of shareholders in their Board and more broadly, market confidence in the company.

Please be assured that your Board is fully aware that there is a lot of hard work ahead to restore that trust and confidence in the company and we recognise that ongoing communications with shareholders and the market in an open, candid and transparent manner will be vital in achieving that aim.

I will return to these matters in more detail shortly.

Turning now to the 2007 Annual Report. You will all have received a copy and I also understand that there are spare copies available here today. In that document we have provided a comprehensive overview of operating and financial information of the company in a reader friendly format.

Some of you have also provided us with questions that you would like answered today. On behalf of the Board, may I say that we certainly appreciate the efforts of those who have taken the time to send us questions. I will try to address the main points that have been raised in your questions in my opening remarks this morning. Of course there will also be ample opportunity to ask questions from the floor during the course of this meeting.

We also encourage your continued feedback and you will have been given on registration a Shareholder Feedback Form. We would appreciate any comments you may give to us and will aim to improve the quality of the Annual Report and the information we provide to Shareholders. You can place your feedback forms in boxes provided at the exit from the hall.

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

Before we start the formal business of the Meeting, I would like to acknowledge the commitment and hard work put in by your directors over the past year.

We have a talented board of directors who take their responsibility to you – the owners – very seriously. They provide extensive and relevant experience and expertise derived from a range of industry sectors.

When I became Chairman of what was then The Australian Gas Light Company in 2004, the Board agreed on a process of renewal. In all, we have made five new appointments to the Board since I became Chairman in 2004 and this is despite the fact that during this time there was a 12 month period where, because of the Alinta transaction and subsequent demerger of AGL Energy, we were unable to approach potential new candidates for the Board.

The new thinking and fresh perspective brought by new directors is balanced by the knowledge and understanding of the company and its industry brought by the longstanding directors.

We will continue to seek to strengthen the Board in the years ahead, as appropriate, to reflect the changing structure of the company and the markets in which it now operates.

So let me now formally introduce your directors to you: First, the non-executive Directors; starting on my left is Graham Reaney.

Graham is Chairman of the Audit and Risk Management Committee of the Board and has played a very valuable role in a position that is very important in the functions of your company. He is also Chairman of PMP Limited and a director of St George Bank Limited.

Next to Graham is Charles Allen. Charles has made a substantial contribution to the Board since 1996 when he became a Director of what was then The Australian Gas Light Company.

Charles has indicated that he will be retiring early next year after the February meeting of the Board. He has stayed on the Board at the request of his colleagues to ensure that we continue to benefit from his particular expertise in upstream oil and gas while our newly appointed Board member Bruce Phillips, who has similar industry expertise, fully acquaints himself with the company's business.

I take this opportunity on behalf of all shareholders to thank Charles for his significant contribution to the Board and to the development of the company and I wish him the very best for the future.

Jerry Maycock is a member of the Audit and Risk Management Committee of the Board. Jerry was also appointed Managing Director of CSR Limited earlier this year.

Sandra McPhee is a member of the People and Performance Committee of the Board. She has also recently served as a director of Coles Group Limited and Perpetual Limited.

Carolyn Hewson is a member of the Audit and Risk Management Committee of the Board. She is also a director of Westpac Banking Corporation.

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Bruce Phillips was appointed to the Board in August this year and is standing for election today. I will say more about Bruce when the motion for his election is put to the meeting and I will also invite him to address the meeting at that time.

Max Ould is a member of the People and Performance Committee of the Board. Max is standing for re-election and will address shareholders later when this motion is put before the meeting.

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

We also have with us the AGL Executive Team. On the podium is the company secretary Paul McWilliams and Chief Financial Officer Stephen Mikkelsen. We also are joined by other members of the senior executive team who are seated here at the front of the hall.

AGL has good people - hard working, well skilled and dedicated to the growth and development of the company. I note that 75% of AGL people are also shareholders of the company. Your directors believe that this is an important way of aligning the interests of staff with the broader shareholder base. Indeed it is a particular strength of this company and of our culture that so many of those who work in the company are co-owners of the business and I am pleased to welcome those employee shareholders who have been able to join us here today.

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

As I said in my opening comments, this is the first Annual General Meeting of AGL Energy Limited, although the company can trace its origins back 170 years, making it one of the oldest companies in Australia.

As background to consideration of the 2007 financial performance, it is worth dwelling for a few moments on the development and transformation of the company that has occurred in particular in this most recent decade.

At the start of the 1998 financial year, The Australian Gas Light Company was principally a gas infrastructure company that also sold gas and electricity in NSW and the ACT. The transformation started in 1998 with the move to full ownership of the Solaris electricity distribution business in Melbourne. Over this time we have enjoyed much success in growing both our retail and upstream energy interests.

A number of transactions have transformed AGL into an integrated energy company – one that sells gas and electricity to customers throughout much of Australia, with substantial upstream ownership interests in a wide variety of electricity generation assets and proven gas reserves.

If you held a share in The Australian Gas Light Company on 1 July 1997, you will have seen the total value of the shares you now own in AGL Energy and other entities increase in value from \$7.80 to almost \$22 – even taking into account the recent fall in AGL's share price. In addition you will have received regular dividends, some special dividends and a capital return of 50 cents per share.

I think you would all agree that we have been on a clear growth path during this time and we remain absolutely committed to this integration strategy. Shortly I will invite Chief Executive Michael Fraser to address the meeting and outline how he will use these building blocks for the future development and growth of the company.

Now let me turn specifically to the results of the 2007 fiscal year.

The merger of AGL's infrastructure assets with Alinta was consummated and AGL Energy was spun off as a separate listed company in October 2006. Consistent with our strategy the company then purchased Powerdirect for \$1.2 billion, contracted to purchase Torrens Island Power Station for \$417 million and invested \$326 million to acquire a 28% interest in Queensland Gas Company Ltd.

These investments represent important steps as we continue to create a truly integrated energy company, capable of delivering improved returns to our shareholders on an ongoing basis.

The underlying profit for the year of \$326 million included profit before any acquisitions of \$320 million, directly comparable to the forecast of \$321 million in the Alinta transaction Scheme Booklet. Your directors believe this was a pleasing

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result, given the volatility of pricing in the National Electricity Market that prevailed at times during the year and the high level of corporate activity to which I have alluded.

Over the last three years, the company has also been planning the implementation of a wide ranging overhaul of its business processes, which will enable us to provide better services to our customers while reducing the costs.

The centrepiece of this work has been the Project Phoenix program which involves the full replacement of the IT systems used to manage and service the company's retail customers, through the development of a single customer management and billing system to replace multiple legacy systems. As a result of Project Phoenix, our customers will receive improved standards of service at a lower cost to the company.

The company has also continued to build on its significant presence in the renewables sector. We do this because we recognise that climate change is a critical issue facing the global community and that we have a role to play not just as a responsible corporate citizen but also in providing our customers with low emission energy alternatives. Further details of our activities in this area will be provided in the company's Annual Sustainability Report, to be released shortly.

By now, you should all have received the final dividend of 26 cents a share, 100 per cent franked, which was paid on 28 September 2007. When this is added to the interim dividend of 9.5 cents, the total ordinary dividend for the year was 35.5 cents, 100 per cent franked. Including the special dividend, the total dividend per share was 61 cents, 100 per cent franked.

I would like now to turn to events that have occurred more recently and subsequent to the close of the last financial year. I refer here in particular to the revised earnings guidance for the current year provided to the market on 15 October and the subsequent announcement of the Board's decision to appoint Michael Fraser as the company's new Managing Director and CEO in place of Paul Anthony.

As I noted earlier, your directors are acutely aware that the events of recent weeks may have dented the confidence and trust of shareholders in the Board and in the strategic direction of the company. We also recognise that the speculation, that

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often surrounds these sorts of events, is an unhelpful distraction for everyone associated with the company.

Let me assure you all that it is the absolute priority of this Board, our CEO Michael Fraser, and his management team to restore the confidence and trust of shareholders, and of the market, and to ensure that the market has a full and accurate understanding of the company's operations, its integrated energy strategy and its prospects for the future.

As you would all no doubt be aware, on 15 October the company revised its earnings guidance for the 2008 fiscal year from an expected range of \$380 to \$400 million net profit after tax, to a range of \$330 million to \$360 million. While it is obviously very disappointing to announce a reduction in profit forecasts, the process which was undertaken and which resulted in the announcement of 15 October, demonstrated that the company's underlying systems and processes are sound.

There has been a degree of speculation about the circumstances surrounding the revised earnings guidance, so I would like to take this opportunity to clarify for you and detail the steps that led to that announcement.

The operating results of the company for July and August were below expectations. However it would have been premature to have acted in response to these results alone. When it became apparent to the Board that results for September would also be down, it was clear that this was a trend that might affect the ability of the company to achieve its full year forecast results.

The Board, together with senior management, immediately conducted a detailed review of all relevant information before concluding that a reduction in earnings guidance was necessary. The company then acted quickly, and I believe entirely appropriately, to advise the market and communicate our revised expectations, which we did on 15 October.

What became apparent as a result of this process is that some of the assumptions upon which the company's original forecasts were based were overly optimistic. It is for this reason that we have initiated a review of business assumptions and operations. Michael Fraser will provide you with an update on progress in that review in his address to today's meeting.

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More recently the Board decided to appoint Michael Fraser as Managing Director and CEO of the company. Michael is an excellent choice to lead AGL through the next stage of its development and growth. He is widely respected in the industry and has a deep understanding and knowledge of AGL gained from his time with the company since joining in 1984. He is also well known and held in high regard by AGL people.

Let me to take the opportunity to clarify for you the circumstances around the departure of Paul Anthony. His appointment occurred at a time when the company was about to embark on major changes to its structure and operations. It was the view of the Board that we needed to appoint new leadership from outside the Company. We wanted a change agent and one who had specific and relevant industry and deregulated market experience. It was felt that it would be more appropriate and effective for such a person to come from outside the company.

Paul delivered on a range of strategic objectives and achieved many goals during his time as CEO. However, given the priorities for the company and taking into account the circumstances leading up to and surrounding the revised earnings guidance, the Board took the unanimous view that a change of leadership was required now, and that in Michael Fraser we have the right person for that position.

The change in CEO has led to press speculation and comment among some observers about the payment made to Paul upon his departure. There will be an opportunity for questions on remuneration when we reach the formal part of the meeting. However, I would say now that the company recruited Paul from the United Kingdom after an international executive search and, as a consequence, his remuneration and employment contract had to reflect the international market. Further, the payments made to Paul upon the cessation of his employment by the company are strictly in accordance with his entitlements under his contract of employment - no more and no less.

As will be apparent from Michael's address to you today, his elevation to the position of Managing Director and CEO does not signify any change in strategy. However there is a shift in focus to place greater emphasis on the core operations of the company. In addition to his in-depth knowledge of the company and of the markets

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in which we operate, Michael is a team builder and places great emphasis on empowering employees to perform at their very best.

He therefore represents a style of management that the Board believes is necessary and desirable for the next phase of AGL's development, while possessing the level of industry knowledge we consider to be vital given the changing nature of the industry and the markets in which we operate.

Turning now to the outlook for the current financial year.

The company has only recently updated the market with guidance for earnings and dividends for the current year. As will be noted by Michael in his address, the full review of business operations and assumptions is underway but not yet completed. As part of that review we have revisited the analysis and information underlying the revised earnings guidance. That part of the review is complete and we are not aware of any matters that would cause us to change the guidance provided to the market on 15 October.

The priorities of the company are to focus on execution of our strategy and to ensure that, as a company, we are in a position to take full advantage of the opportunities that we anticipate will present themselves in the future.

Let me reiterate that your Board shares the concerns that many of you no doubt hold concerning recent events and the impact on investor confidence in the company. We will ensure that the company learns from these events and we will be working hard to restore that trust and confidence.

Your company is well positioned. It has solid governance processes, a sound clear and established strategy and a great future. We have been able to move quickly and install a new CEO who we believe is ideally qualified to drive execution of the strategy and create substantial shareholder value.

It is now my pleasure to invite Michael Fraser to address the meeting.

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Annual General Meeting

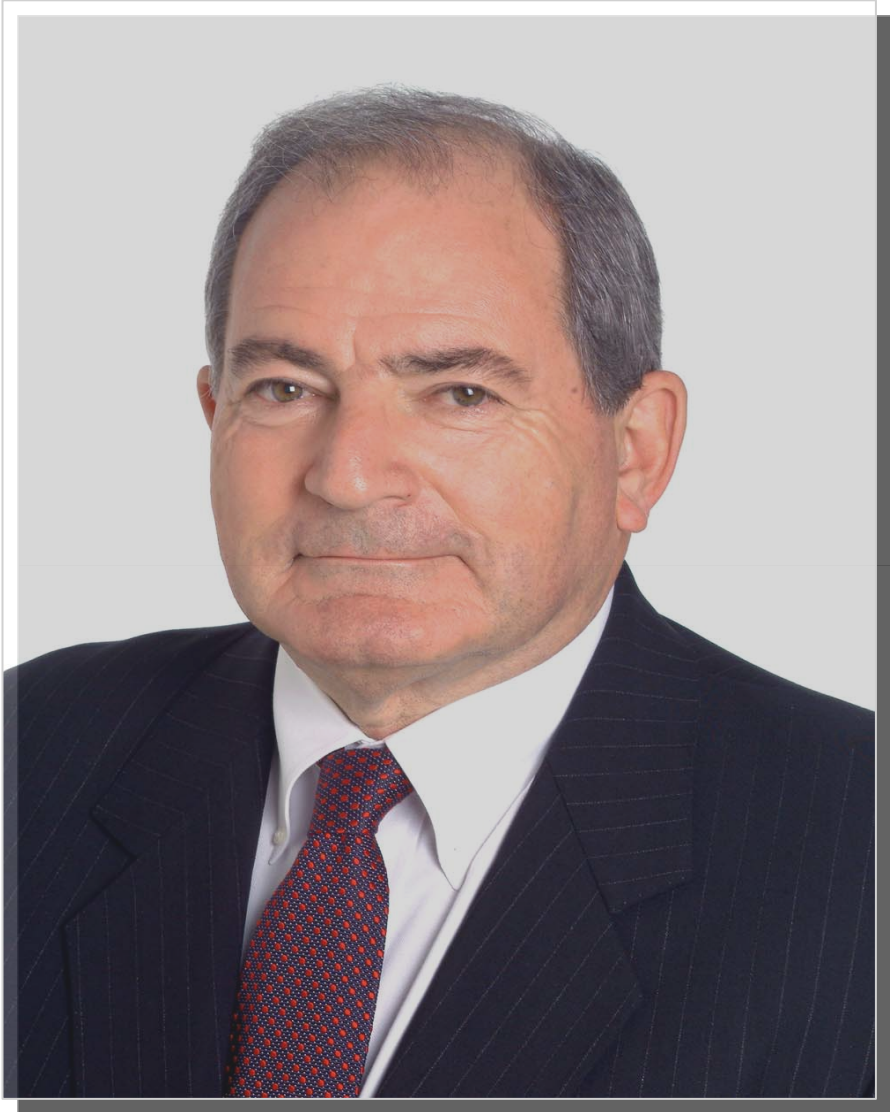
2007

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Mark Johnson – Chairman

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2007 Annual Report

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Director's Timeline

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Max Ould
commenced
01/01/04



David Craig
commenced
11/05/05



Jerry Maycock &
Sandra McPhee
commenced 09/10/06



Bruce Phillips
commenced
23/08/07

Jan – Jun
2004

Jul - Dec
2004

Jan - Jun
2005

Jul - Dec
2005

Jan – Jun
2006

Jul - Dec
2006

Jan – Jun
2007

Jul - Dec
2007

Tony Daniels
retired 18/10/05



David Craig & Sir Ron
Brierley retired 09/10/06



Charles Allen
retiring in 2008



Graham Reaney

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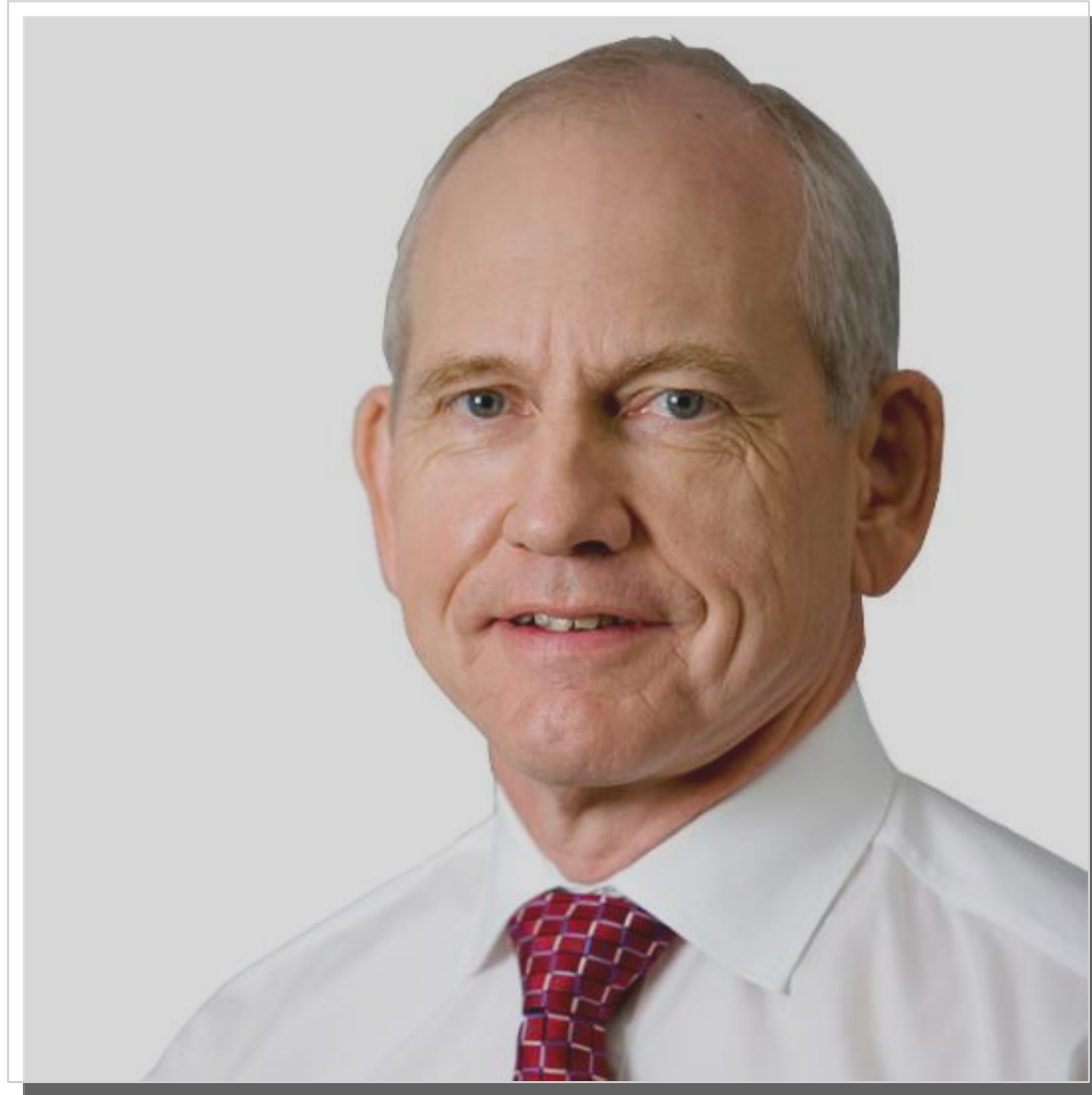
Charles Allen

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Jerry Maycock

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Sandra McPhee

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Carolyn Hewson

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Board succession – Bruce Phillips

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Max Ould

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Michael Fraser – Managing Director

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Annual General Meeting

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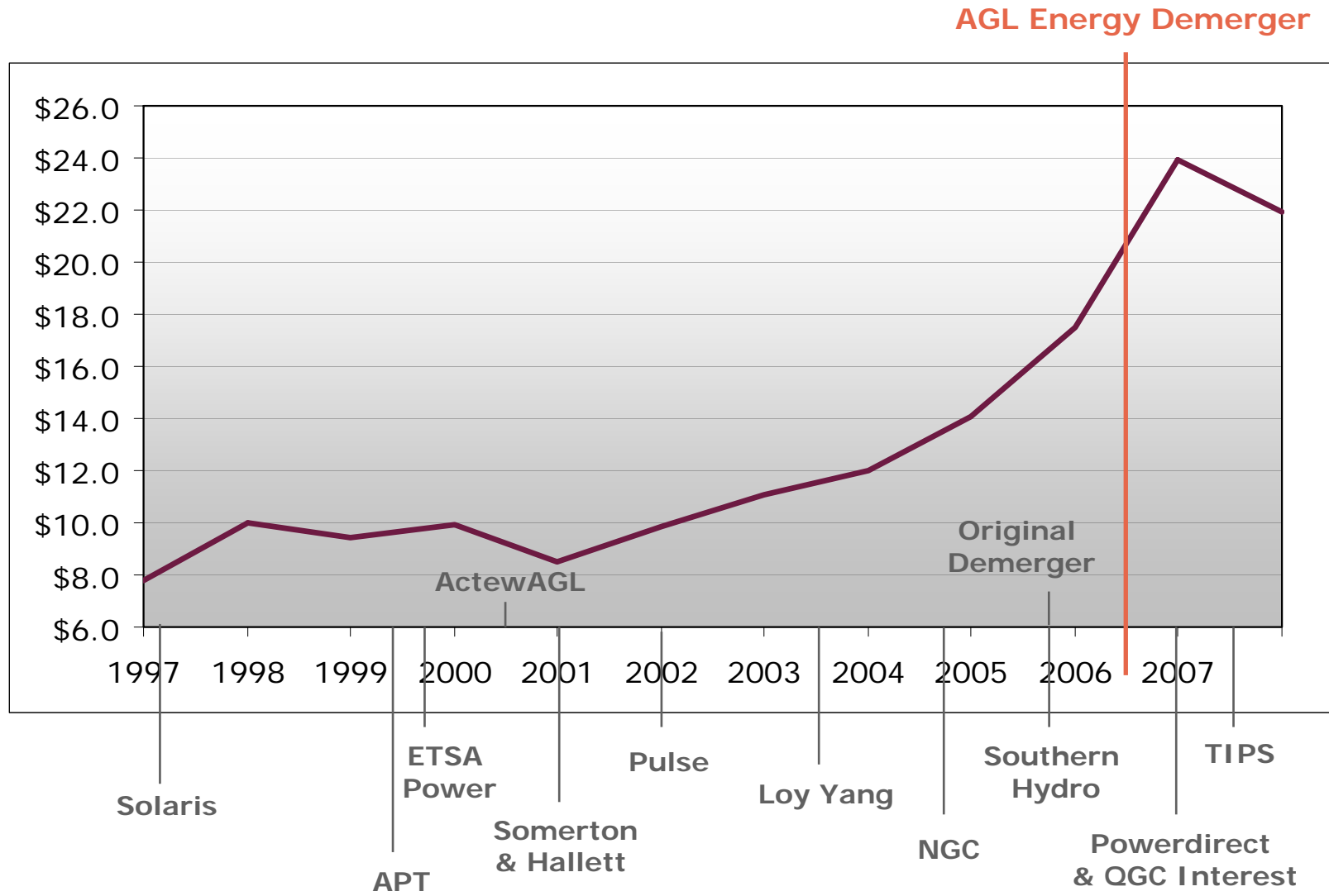


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Value to Shareholders

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Michael Fraser

Managing Director & Chief Executive Officer



8 November 2007



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2007 Performance Highlights

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Financial

- \$410.5m statutory Net Profit After Tax
- \$325.6m pro forma underlying Net Profit After Tax
- Total 2007 dividend of 35.5 cps, fully franked (9.5c interim & 26c final)

Operational & Strategic

- ~1400MW increase in owned and/or operated generation capacity¹
- ~1350PJ increase in new, contracted and equity gas reserves
- ~1.1million increase (net) in customer numbers following acquisitions²
- Commenced construction of 234.5 MW's of new hydro and wind generation projects
- Replacement of retail customer management and billing system (Project Phoenix) on schedule and budget

¹. Includes Torrens Island Power Station announced January 2007, settled July 2007

². Post balance date customer numbers to be reduced by ~577,000 following sale of AlintaAGL

2007 Performance Highlights

	30 June 2007
Statutory Profit after Tax	410.5m
Less: Fair value adjustment	(316.3m)
Plus: Adjust to reflect demerger on 1 July 2006	145.5m
Plus: Significant items	85.9m
Pro forma Profit after income tax	325.6m
Underlying basic EPS pre significant items	77.3c
Total dividends per share	Interim 9.5c & final 26.0c
Franking	100%

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Operations & Assumptions Review

A clear and consistent base to move forward

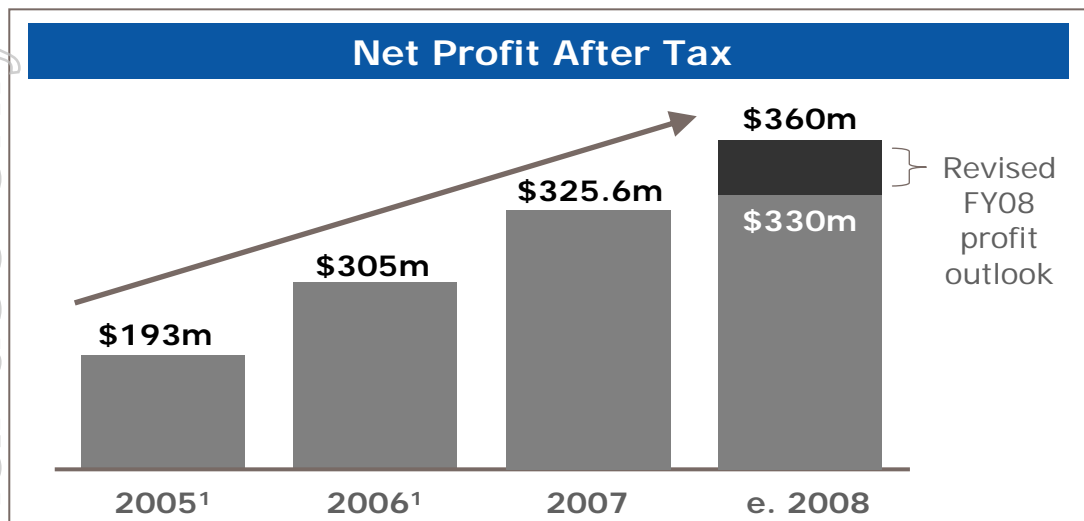
Scope	By Whom	Status
Re-confirmation of revised 2008 earnings guidance	Internally	Completed
Key assumptions driving future earnings	Internal / Ernst & Young	In progress
Load and Energy price forecasting systems	Internal / Ernst & Young	In progress
Financial forecasting systems and processes	Internal / Ernst & Young	In progress
Energy Risk Management systems and practices	Internal / Ernst & Young	In progress

Progress to Date

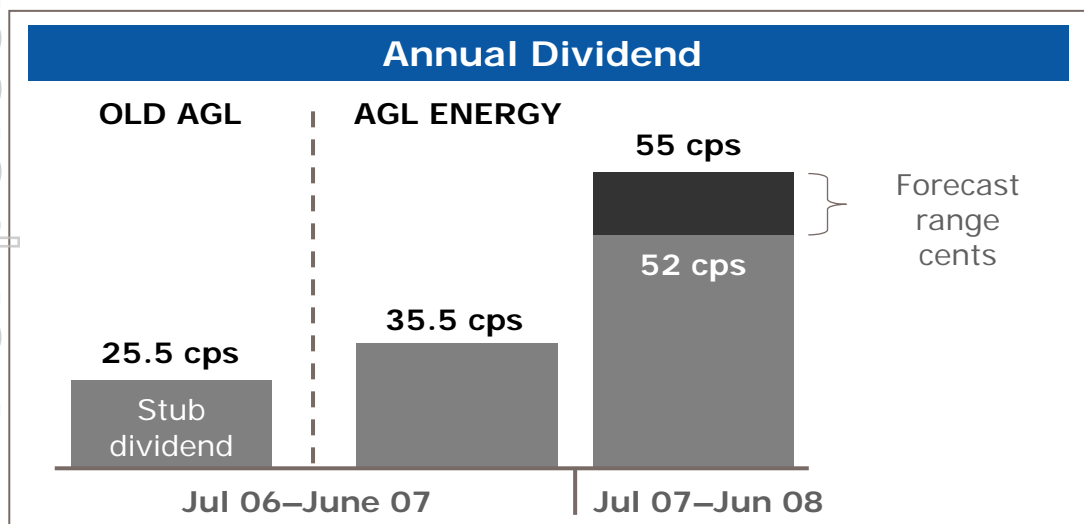
- Reconfirmation of revised earnings guidance for 2008: \$330m - \$360m NPAT
- Revised guidance results primarily from overly optimistic assumptions particularly with respect to revenues
- Hedge book performing well and in line with expectations
- No issues identified to date with respect to integrity of forecasting systems
- Review anticipated to be completed (and communicated to stakeholders) before end calendar year 2007

Earnings and Dividend Outlook

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- Revised 2008 earnings guidance of \$330m-\$360m (excluding any fair value movements)



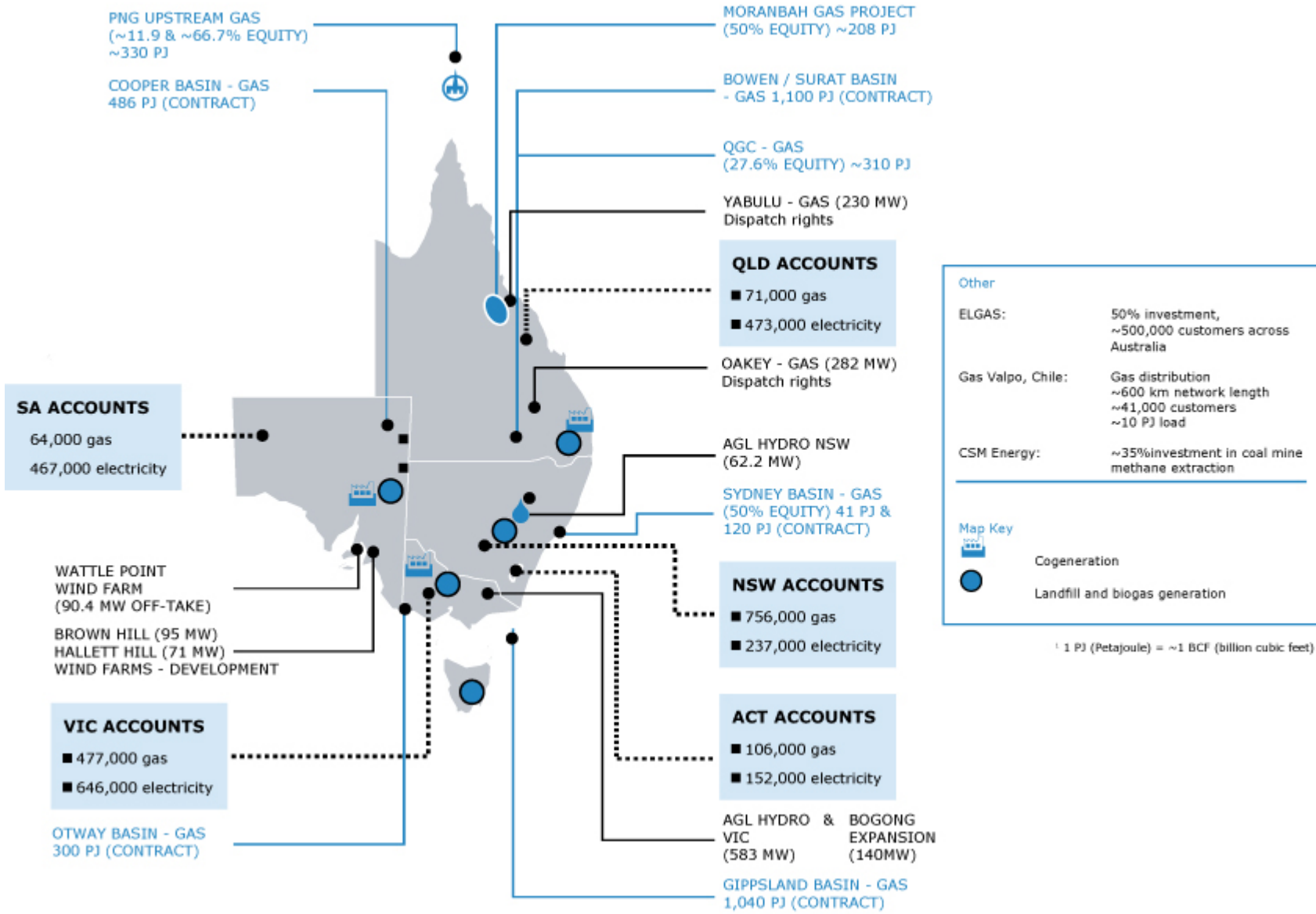
- 2008 forecast total (annual) dividend range of 52 to 55 cents per share, fully franked

1. Indicative pro forma AGL Energy Profit After Tax per Scheme Booklet dated 29 August 2006

An Integrated Energy Company

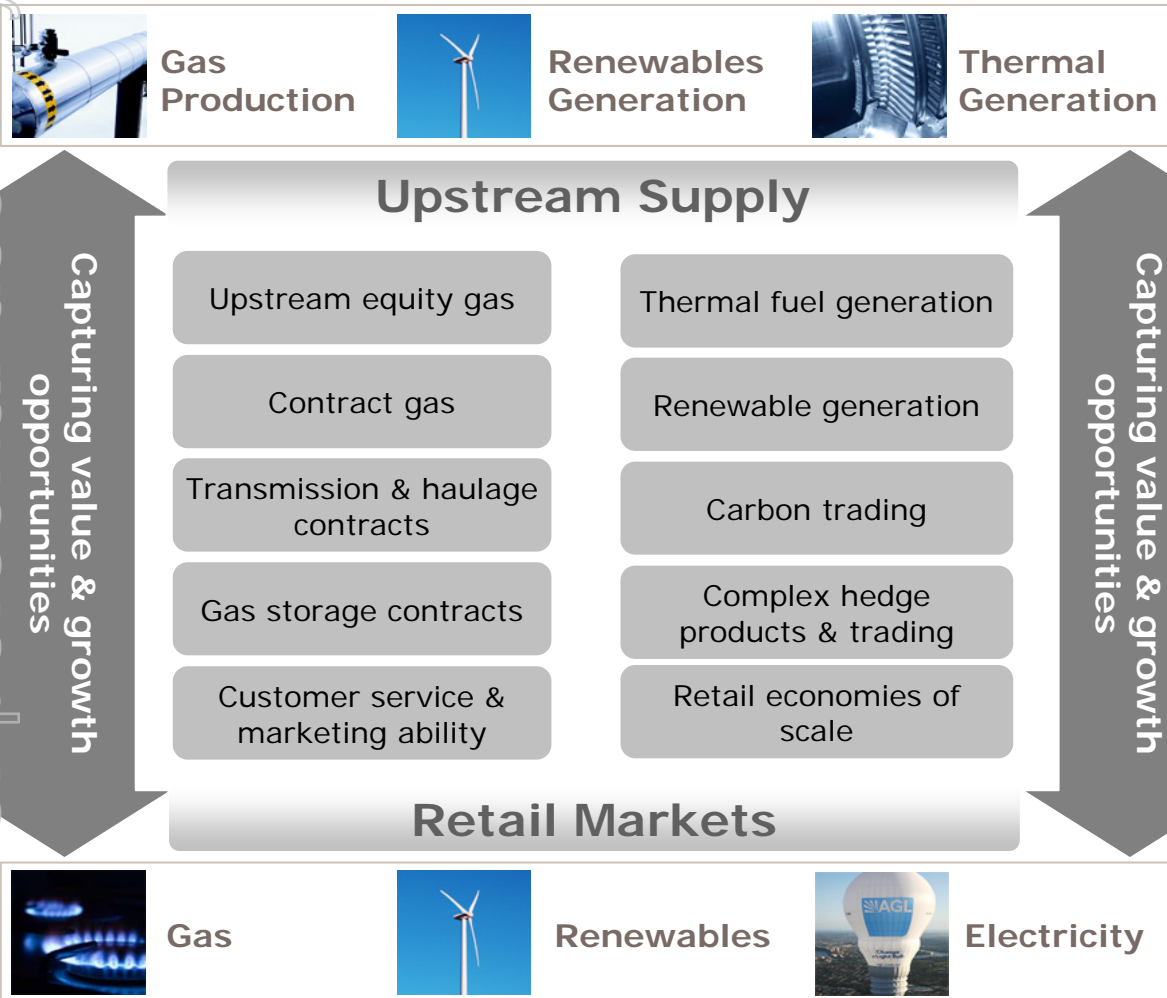
Building a sustainable future

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The Integrated Strategy

Building a world class customer focused energy company

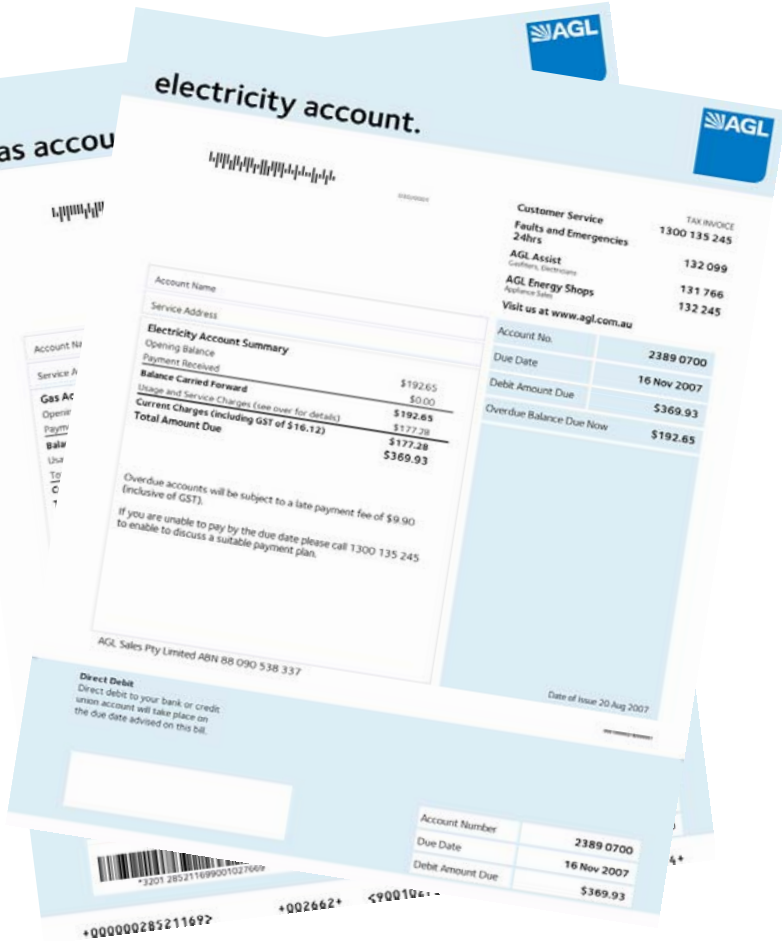


- Leverage leading retail position to capture value and growth opportunities
- Grow upstream gas and power generation portfolios
- Market leadership in renewables to benefit under a carbon constrained future
- Drive retail economies of scale and enhance customer service capability

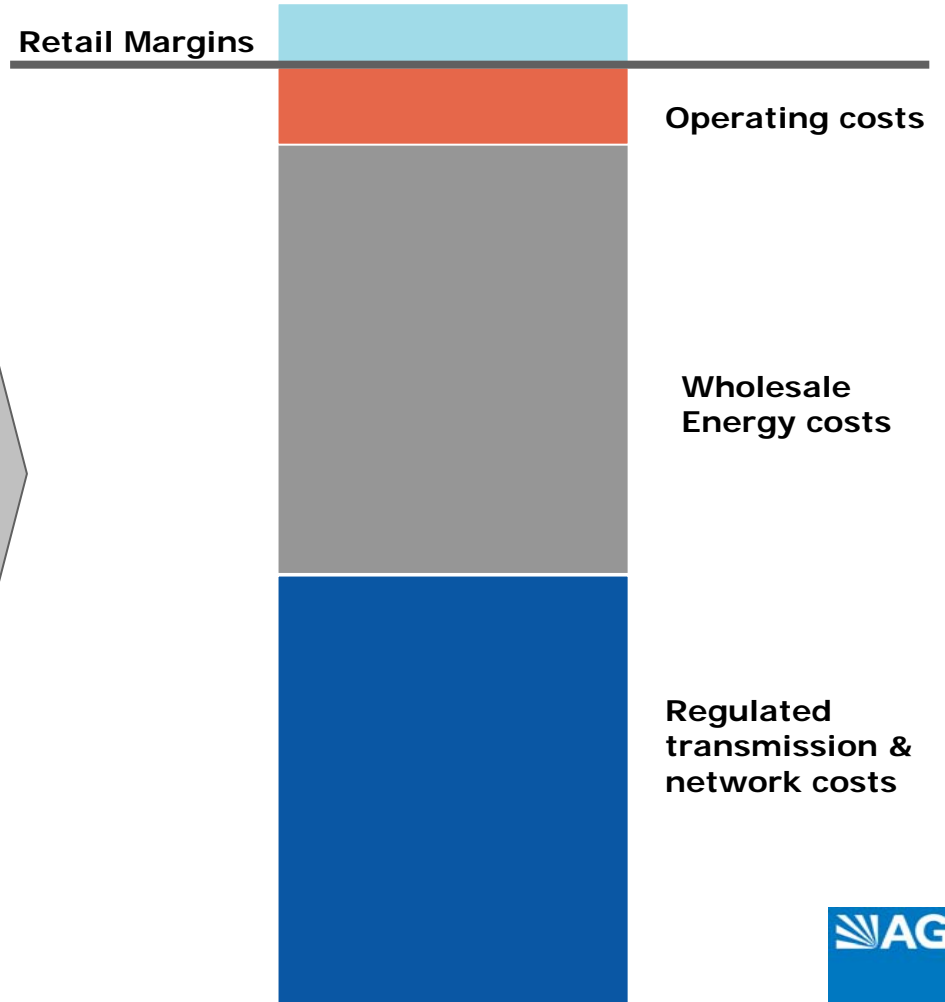
The Integrated Strategy

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Energy Sales



Indicative Costs & Retail Margins



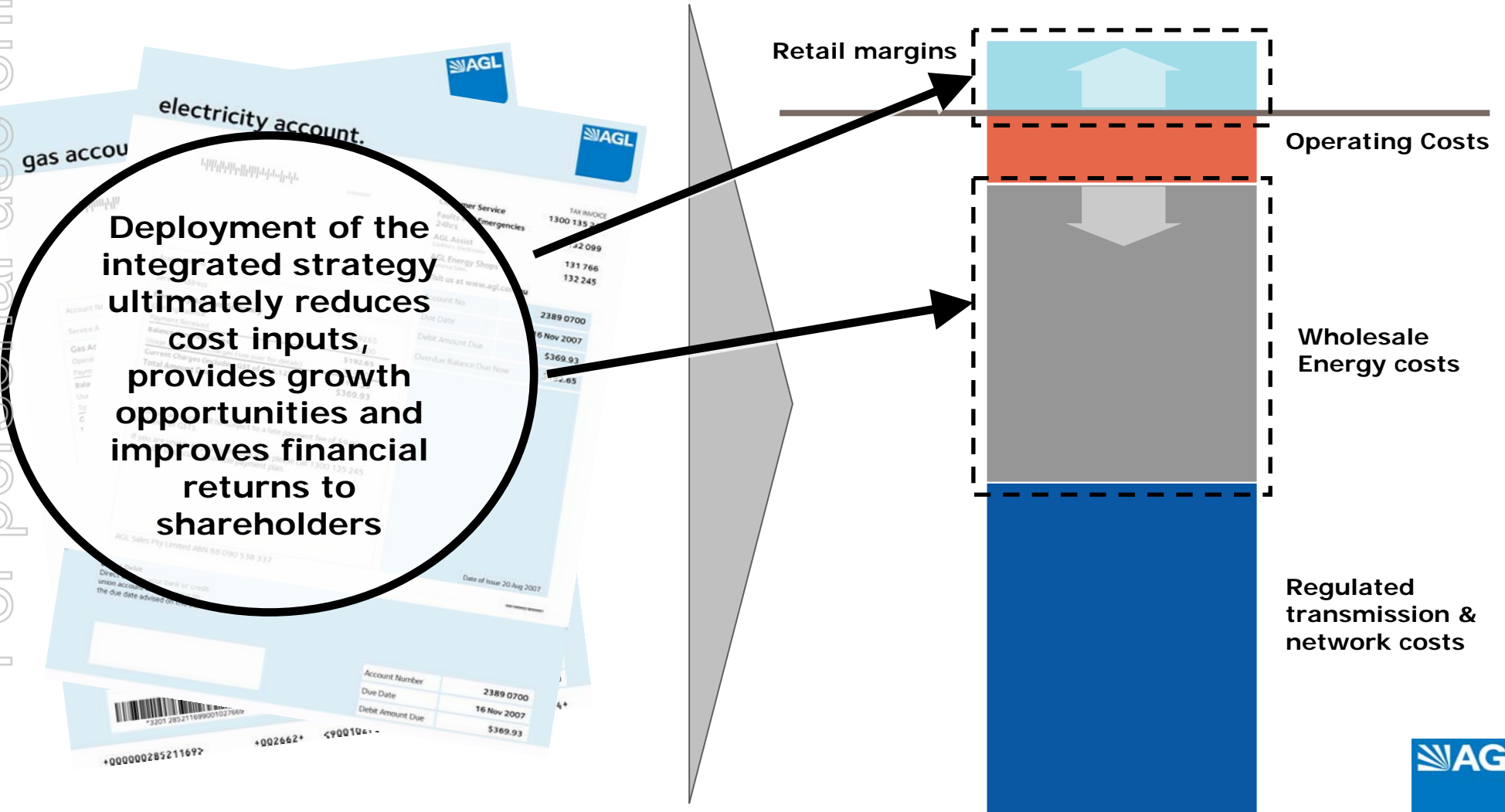
The Integrated Strategy

Driving returns and growth opportunities

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Energy Sales

Indicative Costs & Retail Margins



Delivering the Integrated Strategy

2007 initiatives – capturing value and growth opportunities



Developments

- 140MW Bogong Hydro expansion
- 95MW Brown Hill (Hallett) Wind Farm
- Facilitate build of Qld-NSW 'missing link' gas pipeline
- 71MW Hallett Hill Wind farm (post balance date)
- Project Phoenix / new customer management and billing system

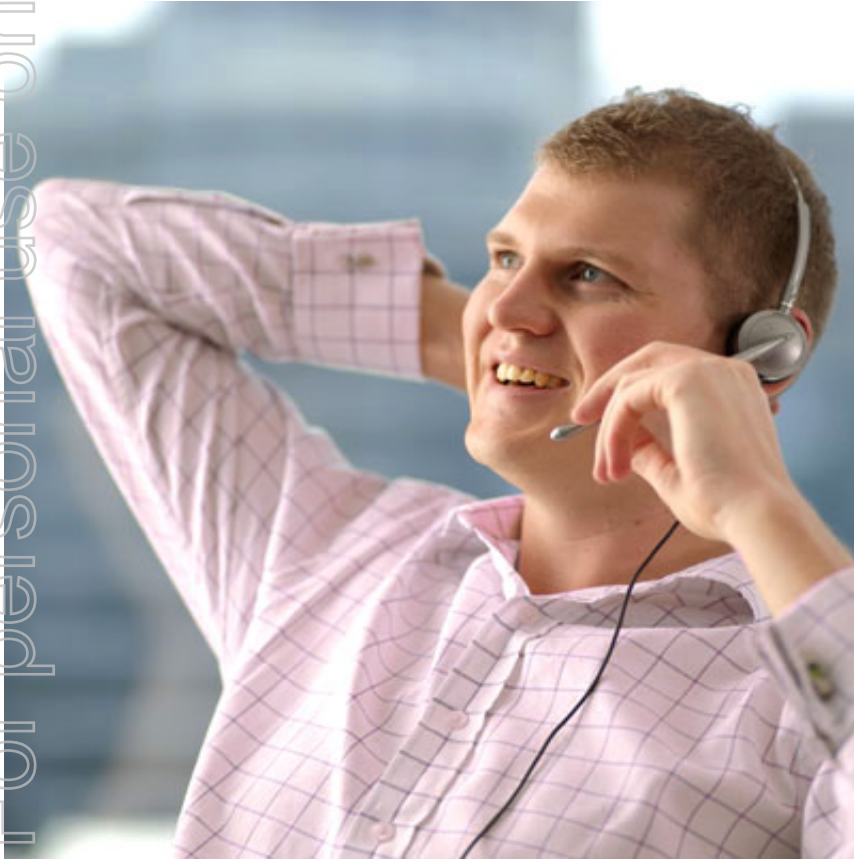
Acquisitions

- 1,280MW gas fired Torrens Island Power Station (settled post balance date)
- 27.6% stake in Queensland Gas Company (QGC)
- Sun Gas business (gas retailing)
- Powerdirect business (electricity retailing)
- 35% stake in CSM Energy (coal mine methane)

Project Phoenix

Delivering a world class, scalable customer management & billing system

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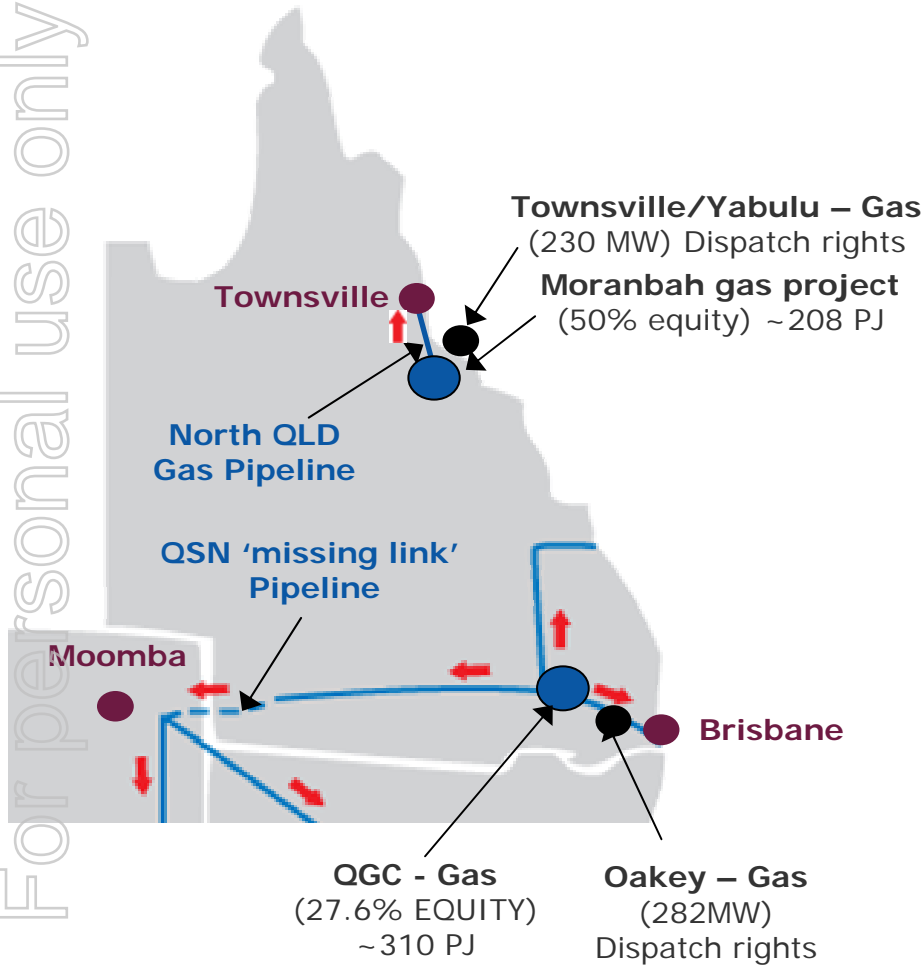
The Phoenix initiative is founded on imperatives to improve service standards, achieve cost leadership and establish a basis for future growth

- **Realise full synergy benefits** – consolidate disparate operations, functions and management layers
- **Drive out operating costs** – reengineer and increase process automation across sales and customer contact, billing, collections and market processes (e.g. transfers)
- **Reduce IT complexity and cost** – systematic replacement of legacy systems with an enterprise-wide future platform
- **Create the basis for differentiation** – target high-value customers and improve service delivery through greater customer insight and single view of the customer

Upstream gas

Building reserves and access to market

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• Moranbah (Arrow)

- 50% project interest for \$93m
- Joint Venture with Arrow Energy
- 18 PJ PA Production

• QGC

- Initial 27.6% equity stake for \$327m
- 740PJ, 20 year gas supply agreement to AGL

• Post balance date

- Qld-NSW 'missing link' pipeline – expedite commercialisation of QGC gas reserves
- Access to NSW and South Australian Markets
- 230MW dispatch rights over Townsville/Yabulu gas power station
- Gas Sales contracts – 50% interest
- North Queensland Gas Pipeline (to be on-sold)
 - 50% interest

Power generation

Physical plant to meet customer demand



Post balance date

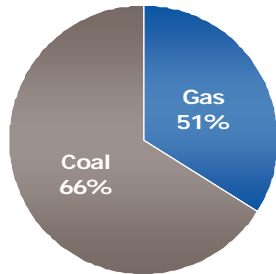
- Torrens Island Power Station (TIPS)
 - 1,280MW intermediate and peak plant acquired for \$417m
 - WUGS gas storage agreement
 - 300PJ, 10 year Gas Supply Agreement
- Oakey 282MW output/dispatch rights
 - Secured 7 year output and dispatch agreement strengthening Qld peak load management
- Townsville 230MW output/dispatch rights
 - Secured 18 year output and dispatch agreement further strengthening Qld base load management

Building a low emissions generation portfolio

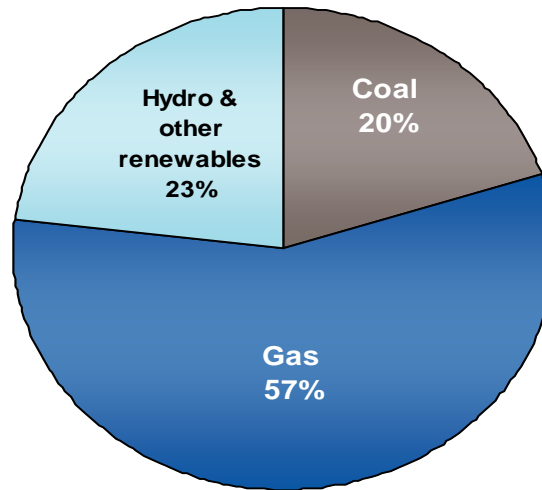
Well positioned for carbon constrained future

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2005 generation
~ 1,007 MW



2007 generation
(owned and/or operated)
~ 3,400 MW



Projects

Construction / committed

~ 140 MW Hydro
~ 170 MW Wind

Consideration / development

~ 12 MW Hydro
~ 330 MW Wind
~ 1,070 MW Gas

Market leadership in renewable energy

Over 1,000MW's - existing and under construction

Existing renewable portfolio (owned & operated)

- 645.5 MW Hydro
- 55 MW Cogeneration, Landfill, Biomass, Bagasse and solar
- 90.4 MW Wind (off-take)

Under construction

- 140 MW hydro
 - Bogong expansion
- 166 MW wind
 - Brown Hill (Hallett) 94.5MW
 - Hallett Hill 71MW

Potential Developments

- 330MW wind
- 12MW hydro

2007 achievements

- First utility outside North America to join Chicago Climate Exchange
- Ranked No.1 ASX50 company for climate change reporting by the Association of Chartered Certified Accountants Australia & New Zealand
- 2007 finalist for the Commonwealth Governments Greenhouse Challenge Plus Awards for Leadership



Annual General Meeting

2007

Michael Fraser

Managing Director & Chief Executive Officer



8 November 2007



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