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AGL

ASX statement

15 October 2008

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

Paul McWilliams

Company Secretary

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AGL Energy Limited

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Chairman's Opening Remarks

Wednesday, 15 October 2008
10.30am

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2008 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS

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

The necessary quorum is present and I have pleasure in declaring open the 2008 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.

AGL has recently published its 2008 Annual Report, which contains full information about the company's financial and operating performance during the year. A copy of the Annual Report was provided to each of you this morning when you registered your attendance at the meeting.

Some of you may not previously have received a printed copy. This year, we posted a copy of the Annual Report only to those shareholders who responded to the letter we sent to all shareholders in June and notified us that they wanted to continue receiving a printed copy of the Annual Report.

As you registered this morning, you should have been asked whether you would like to receive a printed copy of the Annual Report in future. If you missed that opportunity, but would like to receive an Annual Report in future, please let the representatives from Link located in the lobby know after you leave the meeting.

We will also shortly be releasing our 2008 Sustainability Report which will provide details of AGL's performance in managing our responsibilities to the environment, our customers, the community, and our employees. This will be our fifth annual Sustainability Report. It will be available on our website in November and I commend it to you.

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

First, directors fees. Many shareholders want a better explanation of why we are asking for an increase in the aggregate amount of fees available to pay Directors. I will address this when we get to the discussion on Resolution 5 later in the meeting.

Executive Remuneration. Max Ould, Chair of the People and Performance Committee, will provide more information on this when he discusses the content of the Remuneration Report.

Renewable energy. A number of shareholders have asked whether we are looking at alternatives other than wind farms. Michael Fraser will give you more information about the company's plans in this area when he speaks to you shortly.

Michael will also give you more information about the fourth category which relates to customer service. A number of shareholders have first hand experience of some of the difficulties we have had in providing our customers with the standard of service we would like to achieve.

The fifth category relates to the transaction between Alinta and Babcock & Brown. I will talk more about this in a few minutes.

A number of shareholders have asked about the impact of the global credit crisis on AGL. I will also speak about that.

I will briefly answer the remaining two questions now.

We have many shareholders who live in places other than Sydney. Several of these shareholders have asked whether we would consider rotating the location of the Annual General Meeting between cities – particularly Melbourne, where we have our next largest Shareholder base. This is something which the Board will consider. Even if we decide that it is impractical to hold the AGM in a city other than Sydney, we will certainly consider holding a shareholder information meeting in Melbourne.

Finally, some shareholders have indicated they are unhappy with aspects of our shareholder communication and, in particular, the options we offer shareholders to receive different types of communication from the company in either printed or electronic form. We have received a number of suggestions from shareholders about different communication options we could offer. We have already started talking to Link, our share registry, about making some improvements in this area.

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

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

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

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

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

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Graham is Chairman of the Audit and Risk Management Committee of the Board and is also a member of the People and Performance Committee. He is also Chairman of PMP Limited and a director of St George Bank Limited.

Jerry Maycock is a member of the Audit and Risk Management Committee. Jerry is standing for re-election as a director. I will say more about his experience and accomplishments a little later when this motion is put before the meeting. Jerry will also speak to the meeting at that time.

Sandra McPhee is a member of the People and Performance Committee and the Safety, Sustainability and Corporate Responsibility Committee. Sandra too is standing for re-election and you will hear more about her, and from her, when that motion is put before the meeting.

Next to Sandra is Carolyn Hewson. Carolyn has indicated that she will be retiring from the Board early in 2009. She has made a substantial contribution to the Board since 1996 when she became a director of what was then The Australian Gas Light Company. Carolyn has been a member of the Board Audit and Risk Management Committee for many years. She is also Chair of the Board Safety, Sustainability and Corporate Responsibility Committee, a Committee which the Board established earlier this year to provide greater oversight of issues which are becoming increasingly important to the company.

Carolyn had originally intended to leave the Board after completing three terms but, at the request of her fellow Directors, agreed to stay on the Board to ensure that we benefited from her experience while the company established itself following completion of the merger transaction with Alinta.

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

Bruce Phillips is a member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee. Bruce is also a director of Sunshine Gas Limited.

Max Ould is Chair of the People and Performance Committee. Max is also Chairman of Goodman Fielder Limited and a director of Pacific Brands Limited and Fosters Group Limited.

Finally, I am pleased to introduce to shareholders the 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.

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

At last year's AGM, I spoke to you about the circumstances of the revised earnings guidance we gave the market in October 2007, and the subsequent announcement of the Board's decision to appoint Michael Fraser as the company's new Managing Director and Chief Executive Officer in place of Paul Anthony.

We acknowledged that these events had damaged the confidence and trust of shareholders in the Board and in the strategic direction of the company. We also gave you an assurance that restoring the confidence and trust of shareholders, and of the market, in the company was the highest priority of the Board and our CEO Michael Fraser.

I believe that we have made considerable progress towards achieving those objectives. AGL's operations are in good shape and we are well positioned to continue executing our strategy as we strive to become a world class integrated energy company.

The reported profit after tax for the year was $229.0 million. After adjusting for significant items and the changes in fair value of derivatives included in the reported result, our underlying profit for the year was $355.5 million, in line with the revised earnings guidance we gave the market in October last year. Michael Fraser will have more to say about the financial and operating performance of the company, and about our earnings expectations for 2009, when he speaks to you shortly.

By now, you should all have received the final dividend of 27 cents a share, fully franked, which was paid on 26 September 2008. When this is added to the interim dividend of 26 cents, the total ordinary dividend for the year was 53 cents, fully franked. This too is in line with the guidance we gave the market last year.

The dividend reinvestment plan has been active through the year and has been well supported by shareholders. The plan offers shareholders the opportunity to acquire additional shares in AGL at a discount of 2 1/2% and without incurring any brokerage. Approximately 32% of shares participated in the plan for the final dividend.

We have taken a number of steps to strengthen our financial position. During the year, we refinanced approximately $550 million of long-term debt. The value of this in providing stability and strength to the company has become more evident in view of the global liquidity crisis that has emerged over recent months.

During the year, we also sold our interests in businesses in Western Australia and Chile, realising more than $600 million in cash. Two weeks ago, we announced the sale of our 50% interest in the Elgas LPG business, realising a further $220 million in cash.

We are in negotiation for the sale of our interests in oil and gas reserves in Papua New Guinea.

These measures have allowed us to reduce our total debt and will provide us with a stronger Balance Sheet to pursue new opportunities closely aligned to our strategy in our core markets. Many of these opportunities will come from completing our own development projects, particularly in building new renewable and gas fired generation assets.

We will also be seeking to expand our retail customer base and our direct interests in upstream gas reserves. Michael Fraser will have more to say about our plans in some of these areas when he speaks to you shortly.

While a primary focus for much of the year was on restoring market confidence in the integrity of our existing business operations, during the year we also continued to advance our strategy on a number of fronts. We completed the acquisition of the Torrens Island Power Station near Adelaide and commissioned the first stage of our Hallett Wind Farm projects in the mid-north of South Australia. We also acquired the gas merchant business of Enertrade in Queensland in a joint venture with Arrow Energy.

A central plank of our strategy is improving our retail business. With more than 3.2 million customer accounts, we are Australia's largest retailer of gas and electricity. Our ability to provide our customers with the appropriate level of service has been limited for many years by inadequacies in our multiple billing and customer service systems – which we inherited as we acquired new businesses.

We have previously told you that the company has been conducting 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 multiple legacy IT systems used to manage and service the company's retail customers, through the development of a single customer management and billing system.

During the year, the company completed two significant milestones in the implementation of Project Phoenix. In all, 1.6 million of our customers have now been successfully transferred on to the new SAP platform. We expect that most of the remaining customers will be transferred by Christmas. As a result of Project Phoenix, we expect to provide all our customers with improved standards of service at a lower cost to the company.

Shareholder Questions
I would now like to talk about two of the specific questions we received from Shareholders.

(1) Alinta / Babcock & Brown
The first concerns Alinta and Babcock & Brown.

A number of AGL shareholders are also now shareholders in various Babcock & Brown entities following the transaction in 2007 between Alinta, Babcock & Brown

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and Singapore Power. The values of the Babcock & Brown securities have declined over recent months and many shareholders have suffered because of that. Some shareholders have asked whether AGL had any involvement in Alinta's transaction with Babcock & Brown.

AGL originally proposed splitting its energy infrastructure assets from its retail and merchant energy assets in 2005. Our original plan did not involve Alinta at all. We negotiated a transaction with Alinta only after they had acquired approximately 20% of AGL and made a takeover bid for the company. A transaction with Alinta was ultimately recommended by the Board because it provided all AGL shareholders with increased value. Under that transaction, AGL shareholders received a combination of AGL shares and Alinta shares. At the time that transaction was completed, in October 2006, Alinta was a large, well regarded, listed public company. Although AGL shareholders received shares in Alinta, AGL itself had no shareholding in Alinta. Alinta was managed entirely independently of AGL.

Several months after it had completed the transaction with AGL, Alinta agreed another transaction with Babcock & Brown and Singapore Power. Under that transaction, Babcock & Brown acquired all the shares in Alinta. In exchange, Alinta shareholders – including those who had become shareholders only because of the earlier merger transaction with AGL – were able to choose to receive a combination of cash and securities in various Babcock & Brown entities.

AGL did not have any involvement in the transaction between Alinta and Babcock & Brown. The only information AGL had about the transaction was from public sources – newspaper reports and statements made by Alinta to the Australian Securities Exchange.

The AGL Board is strongly of the view that the transaction between AGL and Alinta created value for all our shareholders. Naturally, we are disappointed that some of our shareholders have suffered because the value of their Babcock & Brown securities has fallen. But we did not have involvement in, or any capacity to influence, the decisions subsequently made by the Alinta Board about other transactions it would later enter into.

<u>(2) Impact of global credit crisis</u>
The other question concerns the impact on AGL of the global credit crisis which has emerged over the last several months. Its main effects have been on the financial services sector, although some other companies which have had high levels of debt have also been seriously affected.

A consequence of the crisis has been an extreme tightening in the capital markets, so that even highly credit worthy companies are finding it hard to raise the money required to purchase or develop new assets. Some companies are finding that they have to sell assets, in very distressed markets, to maintain financial liquidity.

AGL is not immune from these impacts, but it is in solid shape to take advantage of opportunities that might arise from the uncertain times. The steps taken over the last year to refinance some of our debt, to activate the dividend reinvestment plan, and to sell non-core assets have added strength to our Balance Sheet.

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Our next major debt refinancing is not due until October next year but we intend to start the process early in 2009. We expect to complete the refinancing – although there may well be an increase in our borrowing margins.

AGL maintains a comprehensive program to insure against damage to its main operating assets and to provide continuity of earnings in the event of any major business interruption. Our insurance program is filled by several different underwriters, all of whom have long-term credit ratings of "A" or better.

The American Insurance Group – AIG – is one of our insurance underwriters. In the United States, the AIG parent company has experienced extreme financial distress requiring emergency assistance from the Federal Reserve. However, AIG's insurance of AGL's assets is provided principally through its Australian subsidiary company which is required to operate strictly in accordance with Australian prudential regulations, administered by APRA. These regulations require, amongst other things, that an insurance company maintain sufficient assets to meet its insurance liabilities.

We are confident that we have an effective insurance program supported by a range of good quality insurers.

Finally, I would like to take a few moments to talk about the impact of regulatory risk on the energy industry.

I have already mentioned the global credit crisis. This is just one of many factors causing risk and uncertainty. Over the last year, oil prices have reached all time highs; and we have seen the value of the Australian dollar fall from 98 cents against the US dollar to below 70 cents over a period of just four months.

In the energy industry, we don't know the details of the proposed privatisation of the New South Wales Government's electricity businesses. We have also seen a number of international companies pay large amounts of money to acquire interests in Australia's gas reserves.

We will shortly have an emissions trading scheme in Australia as part of measures the Federal Government has announced to combat the effects of climate change along with increased mandatory renewable targets. While we don't yet know the final details of the emissions trading scheme or the mandatory renewable targets, there is no doubt that these policy initiatives will result in higher energy costs throughout the Australian economy.

The energy markets in which AGL operates are heavily regulated. This includes regulatory caps on the prices that AGL can charge its customers for gas and electricity in many jurisdictions. Regulatory risk has always been an issue for AGL and it always receives a high level of attention from management.

But it is now more significant than ever before. Increasing energy prices – whether arising from increased wholesale or financing costs or from the costs of climate

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change - will have a material impact on cost structures for AGL and all energy retailers over the next few years.

It is crucial that governments and regulators recognise this. It is imperative that the regulators allow increases in the regulated prices of gas and electricity in line with the increased costs energy retailers will continue to face.

The energy industry requires long-term investment decisions. Governments have already signalled that these investments are most efficiently made by the private sector. But the private sector can only invest if it has confidence that governments and regulators will make decisions on a consistent and transparent basis, and take into account the best interests of Australians over the long-term.

None of us like the prospect of paying more for our energy, but short-term decisions to keep prices artificially low will prove to be more disruptive and more expensive over the long-term.

My colleagues on the Board and I think AGL has made considerable progress this year. The company is in very sound condition and the results are solid. The strategy is clear, there are opportunities ahead, and AGL has a team that is working diligently together. On behalf of the Board, I would like to thank all AGL employees for their hard work during 2008.

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

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2008
Annual General Meeting

Michael Fraser
Managing Director & CEO

AGL Energy Limited

15 October 2008

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AGL Energy Today.

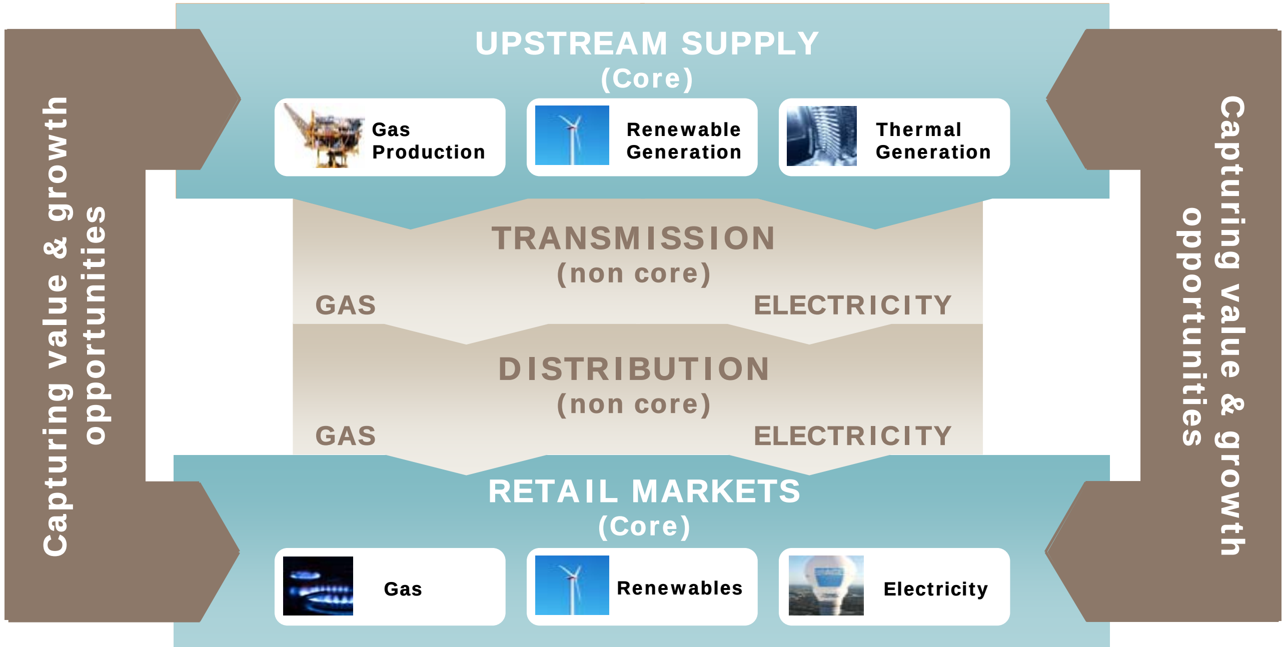
Australia's largest integrated renewable energy company.

- Australia's largest gas & electricity retailer
- Australia's largest privately owned & operated renewable generation portfolio
- Australia's largest contracted gas portfolio & emerging positions in new Coal Seam Gas (CSG) developments
- Substantial generation portfolio with diversity across geography, fuel type & generation mix
- A world class customer management & billing system (Phoenix SAP solution)
- Australia's largest portfolio of identified renewable generation development projects

The AGL Integrated Strategy.

Balancing risk between upstream supply and retail markets while providing access to multiple profit pools.

Upstream Gas:
- Equity gas
- Contract gas
- Transmission & haulage contracts
- Gas storage



Generation:
- Renewable generation
- Thermal generation
- Carbon solutions
- Hedge products & trading

Market Leadership:
- Economies of scale
- Customer service capability, sales & marketing capability
- Regulatory & risk management capability

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2008 Result Overview.

Delivering on guidance, delivering on strategy.

Financial

12 months to $m	30 June 2008	Change
Revenue	5,653.5	18%
Operating EBITDA	871.8	17%
Operating EBIT	703.2	22%
Underlying Net Profit After Tax	355.5	8%
Underlying basic Earnings Per Share (cents)	81.6	4%
Total dividends per share (fully franked)	53.0 cents	-

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2008 Result Overview.

Delivering on guidance, delivering on strategy.

Statutory to underlying profit reconciliation

12 months to $m	30 June 2008
Statutory profit after tax attributable to shareholders	**229.0**
Adjust for the following after tax items:	
Significant items	(62.6)
Changes in fair value of financial instruments	184.6
Pro-forma adjustments	4.5
Underlying Net Profit After Tax	**355.5**

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2008 Result Overview.

Delivering on guidance, delivering on strategy.

Operational

- Retail margin growth up 0.6 percentage points
- Retail customer account growth up 34,000
- Operating costs per customer reduced 4%
- Strong Merchant Energy contribution up 7.4%
- Growing contribution from Gas & Power Development up 18.8%
- Development projects on budget & schedule

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Strategic Priorities.

Delivering on guidance, delivering on strategy.

Capital management - strengthening the balance sheet.

Positioning AGL for a carbon constrained future.

Delivering Phoenix and building our retail capability.

Protecting and engaging our people.

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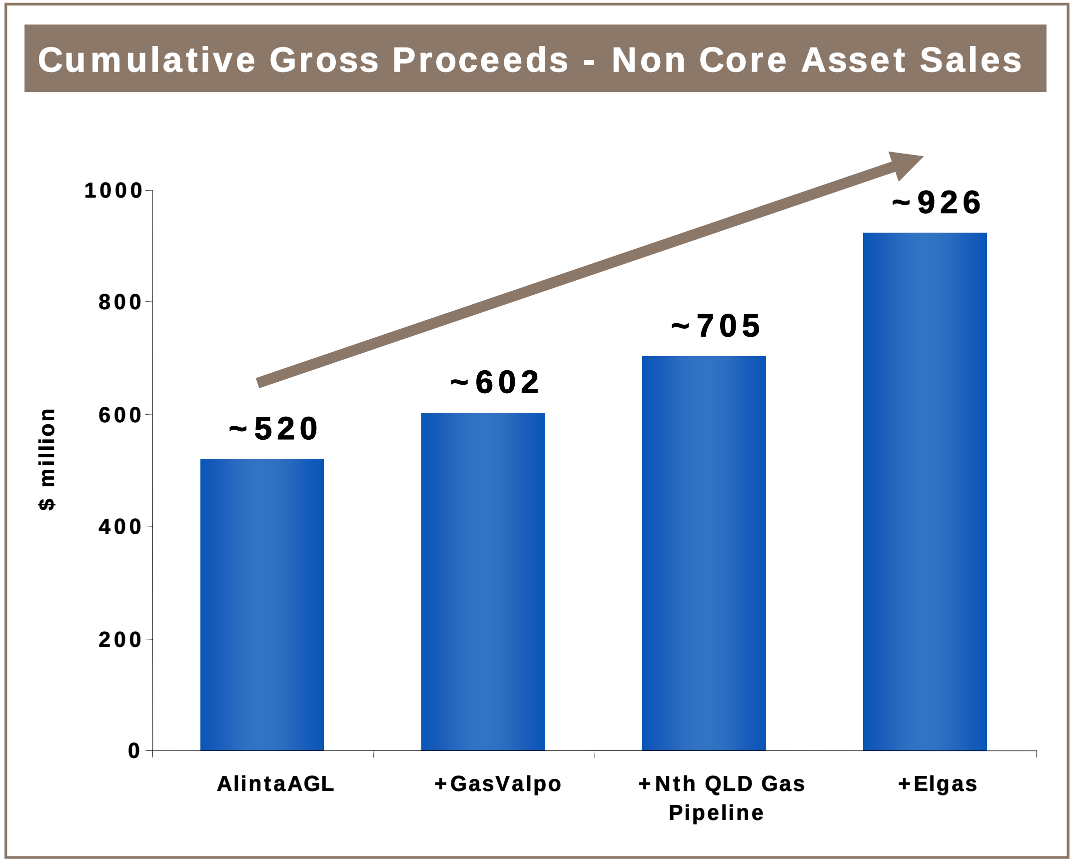
Capital Management – Strengthening Balance Sheet.

Non core asset sales delivering excellent outcomes in challenging market conditions.



- As part of AGL's capital management program, a non core asset sale process is nearing completion
- Assets disposed of are non core to the domestic integrated energy company strategy
- Sales to date:
  - AlintaAGL ~$520m
  - Gas Valpo ~$82m
  - Nth Qld Gas Pipeline ~$103m
  - Elgas ~$221m
- PNG sale process continues

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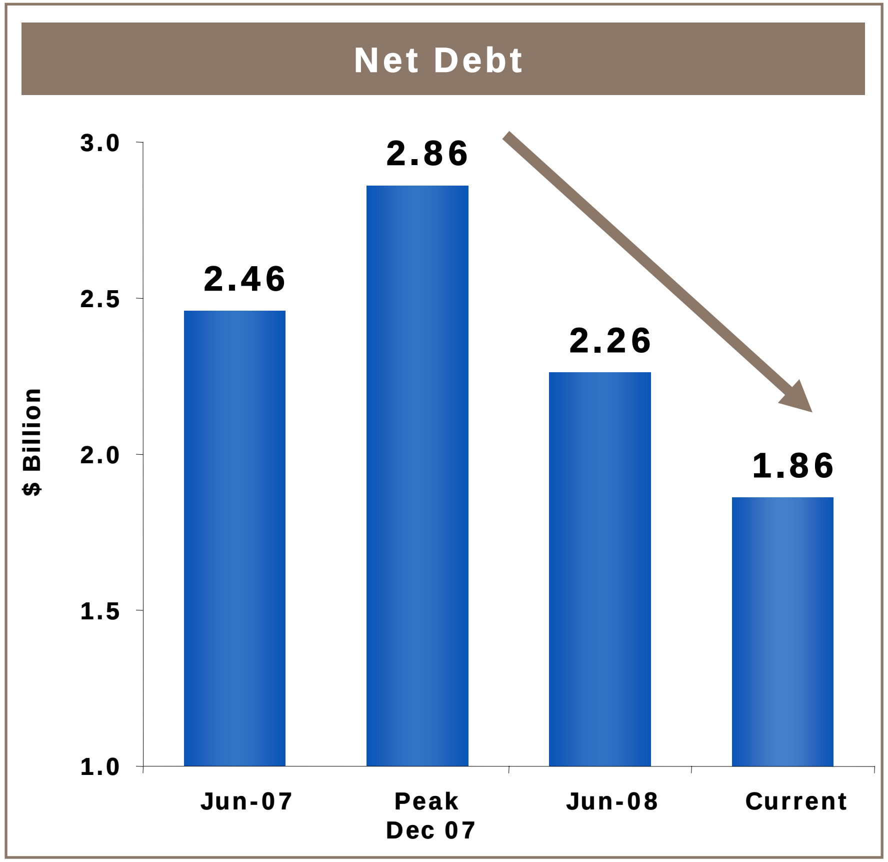
Capital Management – Strengthening Balance Sheet.

A balance sheet delivering flexibility and strength in challenging market conditions.



- AGL's capital management program aimed at retaining a BBB investment grade credit rating
- Net debt has been reduced by ~$1 billion since its peak in December 2007
- Successful completion of $550m debt refinancing program including $50m of over subscriptions
- ~$150 million raised under DRP's
- No debt maturities until October 2009
- Current gearing (net debt/net debt plus equity) a modest 26%
- Undrawn facilities & cash of ~$700m available
- Retain considerable balance sheet flexibility

Positioning for a Carbon Constrained Future

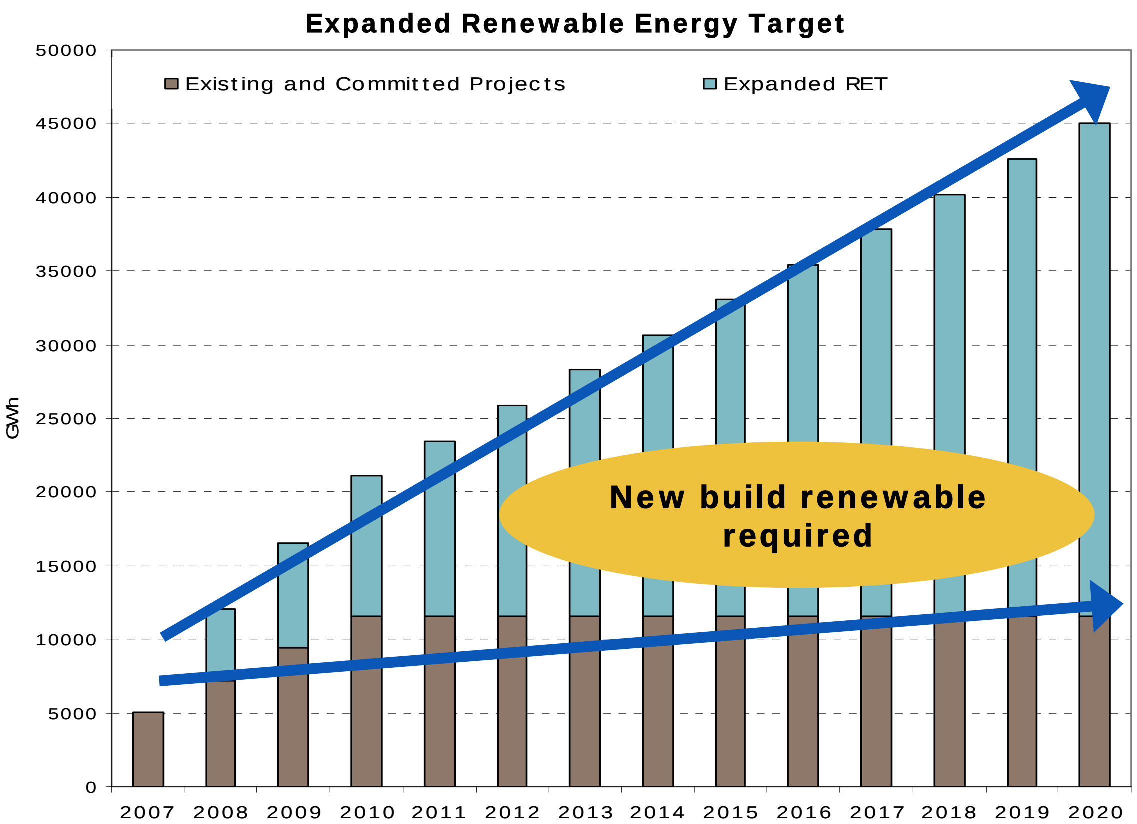
Proposed Government Legislation will drive significant industry change.

Expanded Renewable Energy Target:

- 20% of electricity to be sourced from renewables by 2020
- Wind to dominate target

Carbon Pollution Reduction Scheme:

- Carbon emissions to be priced for first time
- Will drive investment in low emitting plant & technology
- Displaces high emitting generation for low emitting generation



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Positioning for a Carbon Constrained Future.

Building a market leading renewable portfolio.

- Bogong hydro expansion (140MW) on budget and ahead of schedule
- Hallett 1 wind farm (95MW) commissioned and began operating May 2008
- Hallet 2 wind farm (71MW) construction commenced
- Hallet 3 (117MW), Hallett 4 (189MW) and Hallett 5 (53MW) wind farms in development
- Macarthur JV wind farm (330MW) deed completed
- Further 7 wind farm project development rights (totalling up to ~1100MW) secured in Queensland, NSW & South Australia
- Investment in Torrens Energy Geothermal Project

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Positioning for a Carbon Constrained Future.

Deep and diverse renewables & gas portfolio options.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION
Hydro	Bogong & Mackay Creek	150	Victorian Alps
Wind	Hallett 2, 3, 4 & 5	Total ~430	SA - Hallett
	Macarthur JV	330	VIC - West
	Crows Nest	150	QLD - Toowoomba
	Ben Lomond	150	NSW - Armidale
Geothermal	Torrens Energy	300	SA
Various	10 Projects totalling up to ~2000 MW		

	PROJECT	NOMINAL CAPACITY (MW) / OWNERSHIP	LOCATION
Gas Generation	Leaf's Gully	350	Appin, New South Wales
	South East Queensland	3 generators totalling ~1500 MW	Queensland
	North Queensland Peaker	350	Queensland
	Other	700	Various
Gas Upstream	Sydney Basin JV	AGL 50%	New South Wales
	Moranbah JV	AGL 50%	Queensland
	QGC equity	AGL 24.9%	Queensland
	Galilee Basin	Farm-in agreement to acquire 50%	Queensland

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Delivering Phoenix & Building Retail Capability.

On track to deliver industry leading service standards & cost leadership.

- **Capture full synergy benefits:**
  - » 2 of the 3 major customer migrations successfully completed
- **Reduce Information Technology complexity and cost:**
  - » Applications management outsourced, legacy systems retirement plan on track
- **Drive margin growth:**
  - » $25m operating benefits achieved to date, on track to deliver full $60m in FY2010
- **Create the basis for differentiation & improve customer service standards:**
  - » Demonstrating capability to differentiate, early improvements in service standards observed

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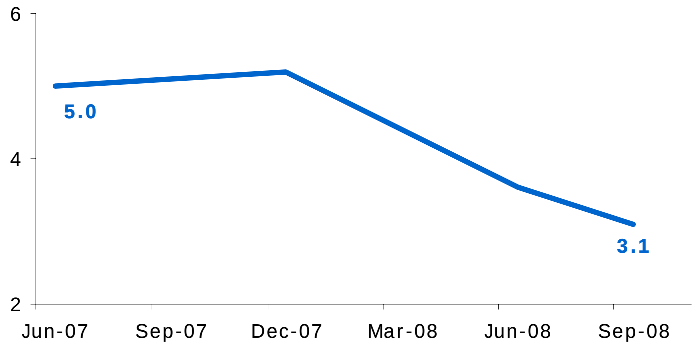
Protecting and Engaging Our People.

A process of continuous improvement.

- **Ongoing focus on delivering best practice Health Safety & Environment (HS&E) outcomes:**
  - » Safe & Sustainable a key AGL value, elevating focus across business
  - » Evolving business wide HS&E culture resulting in improved key metrics
- **Continued improvement in employee engagement:**
  - » Significant improvement over past 12 months as measured by independent, external survey
  - » A commitment to fair treatment of all employees
- **Responsible corporate citizen focus:**
  - » A range of voluntary options provided for employees to directly support community projects & welfare



Lost Time Injury Frequency Rate (LTIFR) Rolling Average

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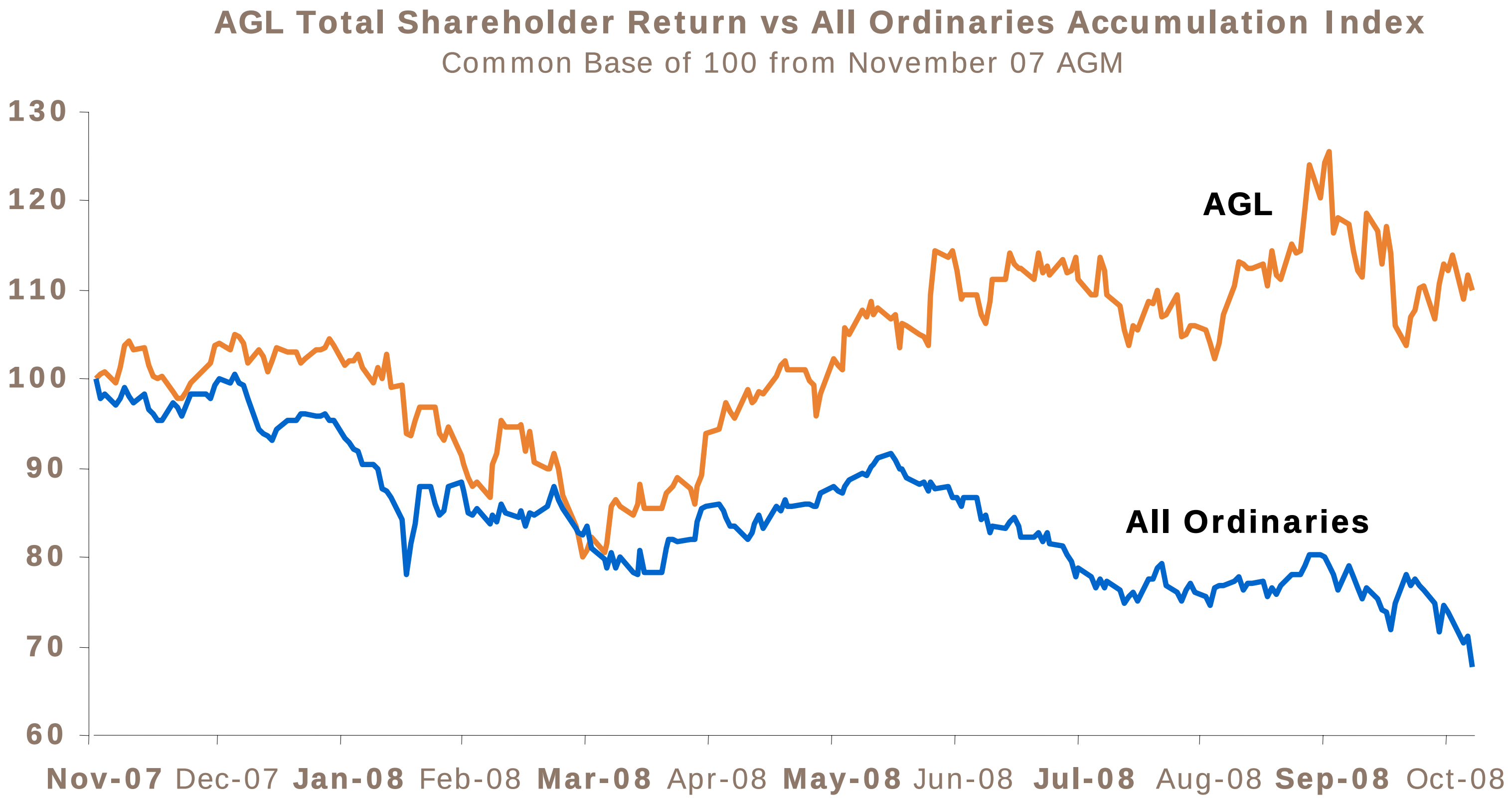
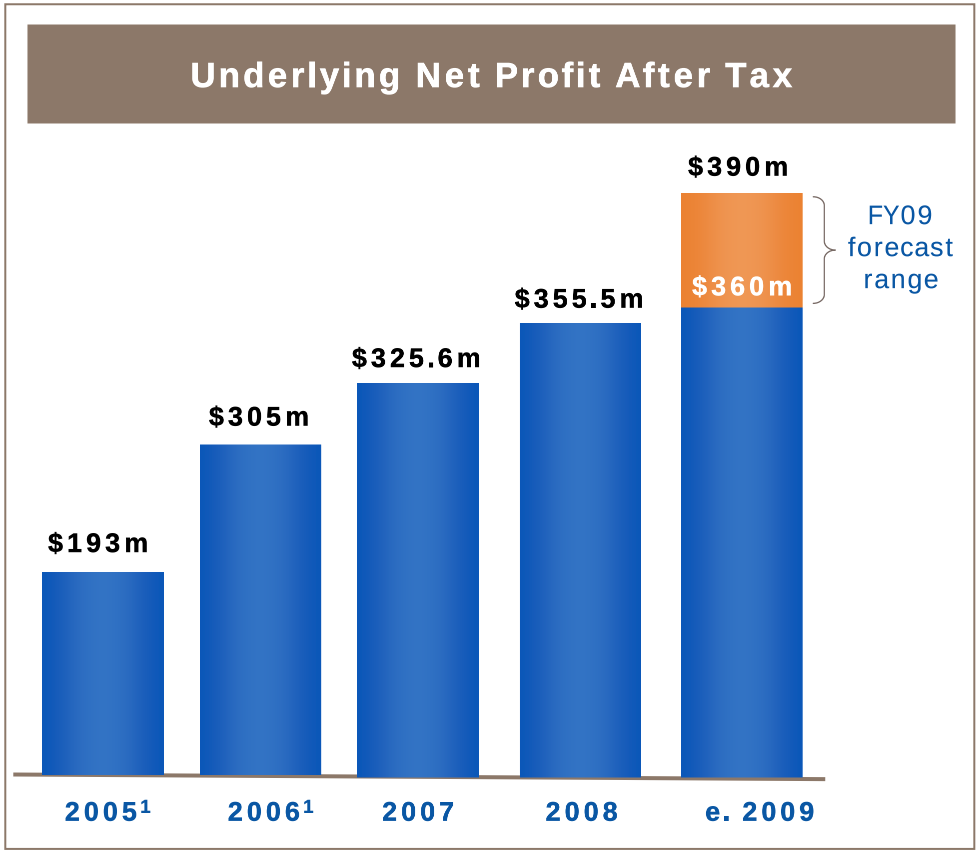
Shareholder Returns.

Solid out performance through volatile market conditions.

Shareholder Returns



Financial Outlook.



1. Indicative pro forma AGL Energy Profit After Tax per Scheme Booklet dated 29 August 2006
2. Excludes fair value adjustments to hedging contracts & customer amortisation charges but assumes ongoing depreciation of PNG asset

- Underlying FY2009 Net Profit After Tax (NPAT) guidance confirmed at $360m[2] to $390m[2]
- FY2009 Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) confirmed at $870m to $915m:
  - Guidance update to follow PNG sale process
  - A sale of PNG would impact EBITDA but not NPAT
- Solid 1st quarter FY2009:
  - Favourable performance of electricity hedge book & wholesale gas book
  - Favourable winter weather outcomes
  - Maintaining customer numbers in highly competitive market
- Dividend payout policy of ~60% of underlying NPAT, fully franked maintained

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2008
Annual General Meeting

Michael Fraser
Managing Director & CEO

AGL Energy Limited

15 October 2008

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