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ASX statement

21 October 2010

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

AGL Energy Limited

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Chairman's Opening Remarks

10.30am on Thursday, 21 October 2010

2010 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 2010 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.

On behalf of the Board, may I thank those shareholders who have taken the time to send us questions. We have received a number of questions from shareholders. These questions fall into two broad categories which we will respond to during the course of the meeting.

- Executive remuneration. Max Ould will speak about incentives available to our senior managers when we get to consideration of the 2010 Remuneration Report.
- Dividends, particularly the reasons for the final dividend for 2010 being unfranked. I will comment on this shortly.

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

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 Jerry Maycock. Jerry is a member of the Audit and Risk Management Committee. We have also recently announced that Jerry will assume the role of Chairman following my retirement from the Board at the conclusion of this meeting. Jerry has had a long and successful career as a senior executive, and he has made a significant contribution to the Board since joining as a Director 4 years ago. All his fellow Directors agree that he is ideally suited to take on the role of Chairman, and we all wish him every success.

Seated next to Jerry is Max Ould. Max is Chair of the People and Performance Committee. He is also Chairman of Goodman Fielder Limited and a director of Foster's Group Limited.

John Stanhope is Chair of the Board Audit and Risk Management Committee. He is also a director of Telstra Corporation Limited, as well as being Telstra's Chief Financial Officer.

Les Hosking is a member of the Board Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee. He is also a director of Adelaide Brighton Limited, Innovation Australia, and the Australian Energy Market Operator.

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

Bruce Phillips is a member of the Audit and Risk Management Committee and the Safety, Sustainability and Corporate Responsibility Committee. Bruce is standing for re-election and I will have more to say about him when we get to the formal business of the meeting.

Finally, AGL's Managing Director, Michael Fraser, who will be addressing shareholders later in the meeting.

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

I would also like to briefly introduce our newest Director, Belinda Hutchinson, who will be joining the Board later in the year. Belinda is very well qualified to join the AGL Board. She has many years of experience as a senior executive in the finance industry. She is currently Chairman of QBE Insurance Group Limited, and has previously been a non-executive director of a number of companies including Energy Australia and Snowy Hydro Trading. We are delighted that someone with Belinda's knowledge of capital markets and the energy industry has agreed to join the Board.

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

AGL has recently published its 2010 Annual Report, which contains full information about the company's financial and operating performance during the year. A copy of the Annual Report was provided to each of you this morning when you registered your attendance at the meeting.

The reported profit after tax for the year was $356.1 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 $428.9 million, an increase of 13% on last year's result. Michael Fraser will have more to say about the financial and operating performance of the company, and about our earnings expectations for 2011, when he speaks to you shortly.

By now, you should all have received the final dividend of 30 cents a share which was paid on 30 September 2010. When this is added to the interim dividend of 29 cents, the total dividend for the year was 59 cents – an increase of five cents on last year's dividend.

The final dividend was unfranked, and this has prompted a number of Shareholders to ask – why? The main reason is that your company, AGL, expects to receive a large refund of income tax of approximately $89 million in this financial year. The tax refund arises from recent amendments to the income tax law, which has changed the basis on which AGL prepared its tax return for the tax year following the merger/demerger transaction with Alinta Limited in October 2006.

To be able to pay franked dividends, AGL must first have a sufficient pool of franking credits. Franking credits are created from the payment of Australian income tax. The effect of the large tax refund is that it will deplete AGL's pool of franking credits in the current financial year (2011). Consequently, both dividends payable in this financial year – the final dividend for 2010 and the interim dividend for 2011 – will be unfranked.

This is a paradoxical result. Your company will receive almost $90 million, but shareholders will lose the franking. The Board appreciates that our Shareholders have a preference for franked dividends. We intend to resume paying franked dividends as soon as we are able to.

AGL's strategic direction is clear and long term. The company seeks secure long term upstream sources of electricity and gas for efficient and reliable supply to our more than three and a quarter million customers. We observed a number of milestones during the year as we continued to develop this strategy.

The 140MW Bogong hydro power station was formally opened by the Victorian Premier in November last year.

In May, we commissioned the Hallett 2 wind farm in South Australia. During the year we also commenced construction of the Hallett 4 wind farm and announced our commitment to construct the 52MW Hallett 5 wind farm. When all the wind farms at Hallett have been completed, we will have more than 400MW of wind farm capacity there, representing a total investment of around $1 billion in the mid-north of South Australia.

We have also committed to the construction of new wind farms in western Victoria. In July last year we announced we would construct a 63MW wind farm at Oaklands Hill. More recently, we announced we would be building the largest wind farm in the southern hemisphere, the 420MW Macarthur wind farm which we will construct in a joint venture with Meridian Energy – New Zealand's largest energy company – at a total cost of $1 billion.

During the year we entered into long-term contracts to sell renewable energy to the Victorian desalination plant, the Adelaide desalination plant and the Melbourne Water Corporation. These three contracts will make AGL Australia's largest retailer of renewable energy and underpin AGL's significant investments in renewable energy assets over recent years.

Legislation requiring that, by 2020, 20 per cent of Australia's energy be from renewable energy sources is now in place. AGL - and other energy companies – will need to continue to make substantial investment in new renewable energy assets if the 20 per cent target is to be met by 2020. Much of that investment will be in wind farms until other technologies such as solar and geothermal become scaleable and cost competitive.

AGL took early action to acquire development rights for a number of sites which have good quality reliable wind and are situated close to the electricity transmission system so we are well placed to make ongoing investments in new renewable energy assets which we expect will deliver significant value in the future.

AGL's vertically integrated strategy includes as an objective an expansion in the amount of gas reserves that we own directly. This is to reduce our reliance on long-term supply contracts for a commodity which is likely to become increasingly subject to international demand in the years ahead. During 2010, we have been very successful in working toward that objective with our gas reserves at 30 June standing at 1,578 petajoules, an increase of 43% over the year. Michael Fraser will shortly talk to you about further increases in our gas reserves since 30 June.

The ability to store gas will become an increasingly important part of managing gas supply so that it can be delivered to market as and when required. Since 30 June, we have also recently completed the acquisition of Mosaic Oil NL. Mosaic is a small oil and gas producer Queensland. Among its assets is a depleted gas field in the Surat Basin, close to areas where AGL has its own gas interests. The acquisition will allow AGL the opportunity to reuse the depleted gas field for a commercial gas storage project. We have already entered into a contract to supply gas storage services to BG Group for a period of up to seven years to support the development of their LNG project in Queensland. In the longer term, the gas storage capability will give AGL flexibility over the use of its entire gas portfolio.

Improving service levels and responsiveness to customers requirements is a top priority for AGL and the executive team has devoted a lot of time and energy to this objective. Progress this year has been good. In our Retail Energy business, we have started to realise a number of the benefits we expected from the new SAP billing system. We have improved customer response times, reduced operating costs, and, in the markets, we are obtaining growth in both customer numbers and profitability.

AGL has a clear strategy which has been in place for many years. The progress made this year toward achieving our strategic goals is reflected in the strong operating results. It has been supported by continued improvements to our remuneration policies to align compensation of senior staff with improvements in returns from the company's assets.

The Board believes that a critical element of being a successful company is to make all our managers – throughout the company – behave like owners of the company. The best way to make our managers act like owners of the company is to actually make them part owners of the company by promoting greater levels of share ownership. Employee share ownership is, we believe, the most effective way to align the interests of employees with the interests of Shareholders. A taxation regime which supports employee share ownership by allowing tax to be deferred until shares have been sold is a key element of promoting this alignment of interests.

It is therefore unfortunate that the Federal Government has recently changed the rules applying to the taxation of employee share plans. The new tax rules have substantially eliminated the circumstances in which employees can defer the payment of tax. This was done because of concerns the government had that a relatively small number of senior executives were using the old tax rules to engage in tax avoidance. However, the measures introduced to tackle this problem went much further than just protecting the integrity of the tax payment system. The new rules now act as a significant disincentive against employees acquiring greater share interests in the companies they work for. In our opinion, these changes are not in Australia's economic interests. At the least, changes should be required from next year's tax summit.

AGL is a very well managed company in very sound condition. There are opportunities ahead, and AGL has a team that is working diligently together with the Board. On behalf of the Board, I would like to thank all AGL employees for their hard work during 2010.

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

Image: Bogong Creek
Kiewa Hydro Scheme

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2010 Annual General Meeting

Michael Fraser | Managing Director & CEO | 21 October 2010 | AGL Energy Limited

FY10 Highlights

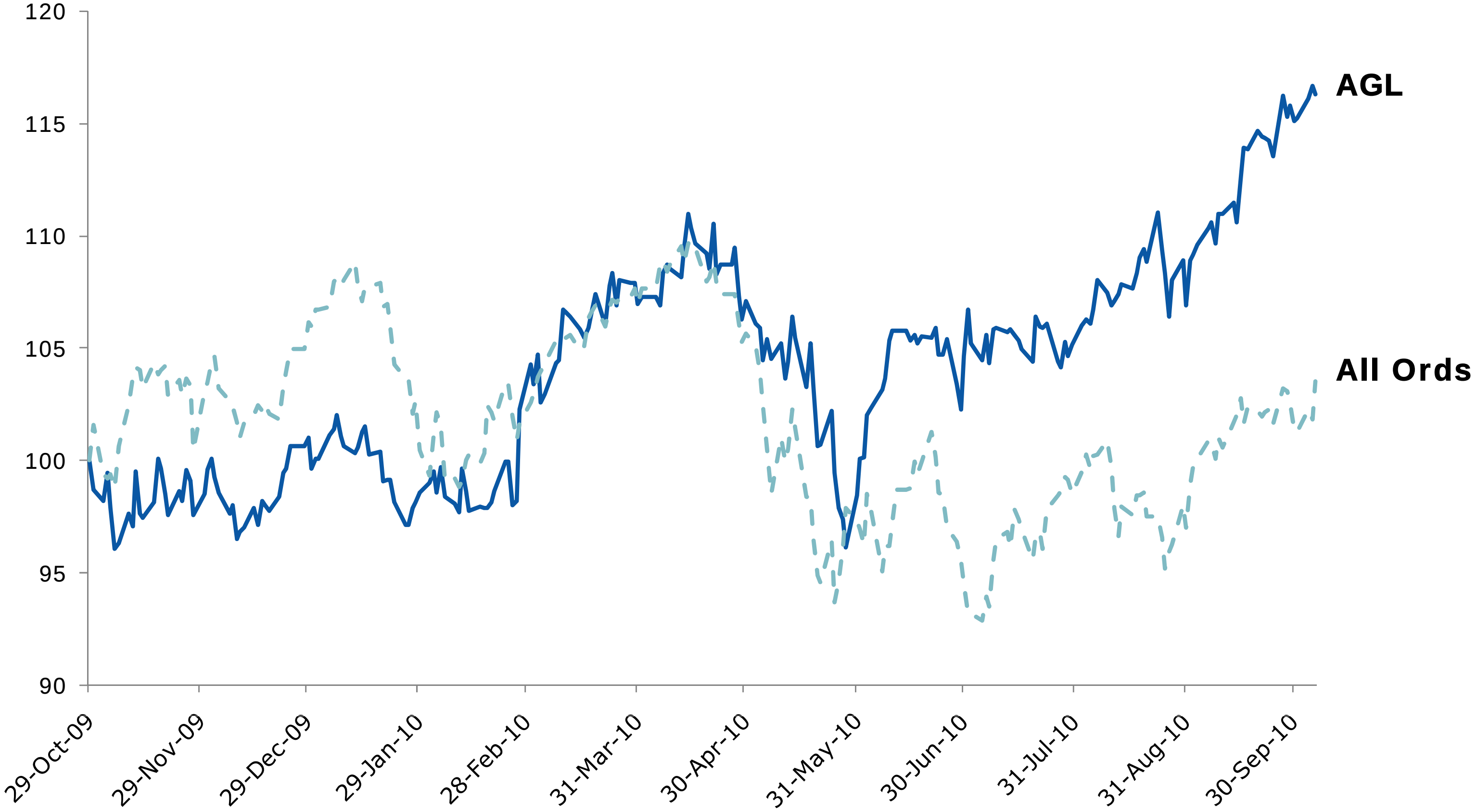
Retail underpins strong result.

› Underlying Profit:	$428.9m	↑ 13.2%
› Statutory Profit:	$356.1m	↓ 77.7%
› Underlying EPS:	95.6 cps	↑ 12.5%
› DPS: (Franking - Interim 100%, Final Nil)	59.0 cps	↑ 9.3%
› Underlying Cash Flow (before tax) per share:	140.4 cps	↑ 22.9%
› Gloucester/Camden 2P gas reserves		↑ 49.9%
› Strong result from Retail Energy		↑ 19.5%

- Continued growth in customer numbers and margins
- Safety and employee engagement continue to improve

Share price performance (12 months)

Significant outperformance.



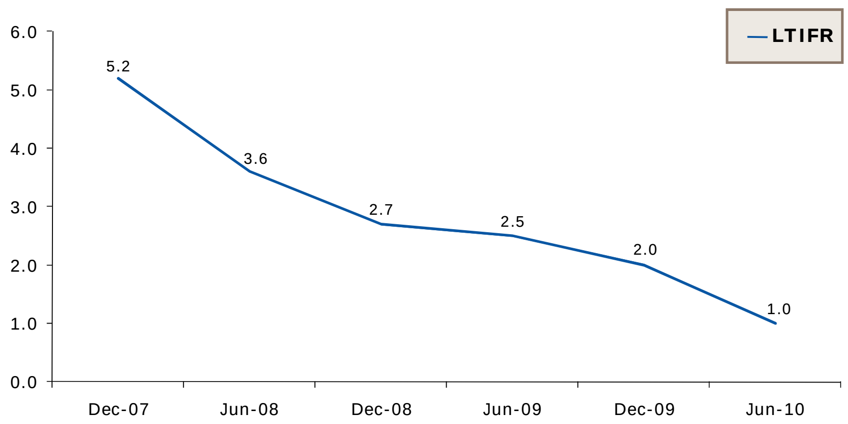
People & Safety

Continued improvement in safety performance and engagement.

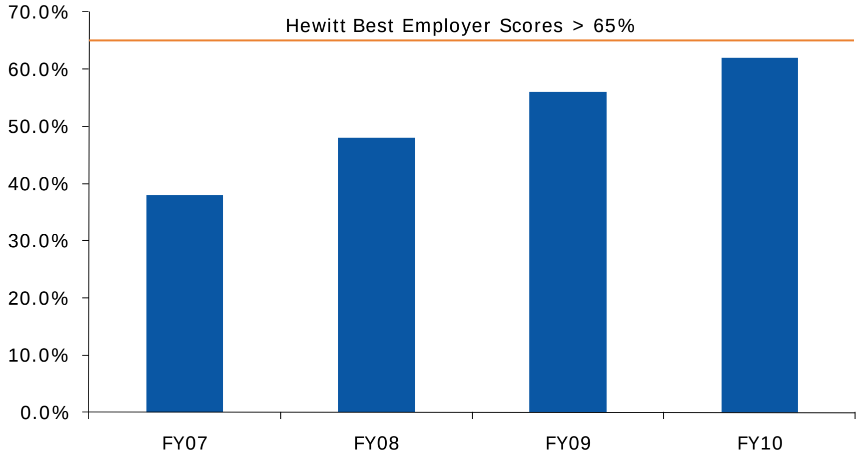
Delivering on our three people initiatives:

1. Attract, retain and develop talent
2. Enable a high performance culture
3. Continued improvement in safety performance

Lost Time Injury Frequency Rate



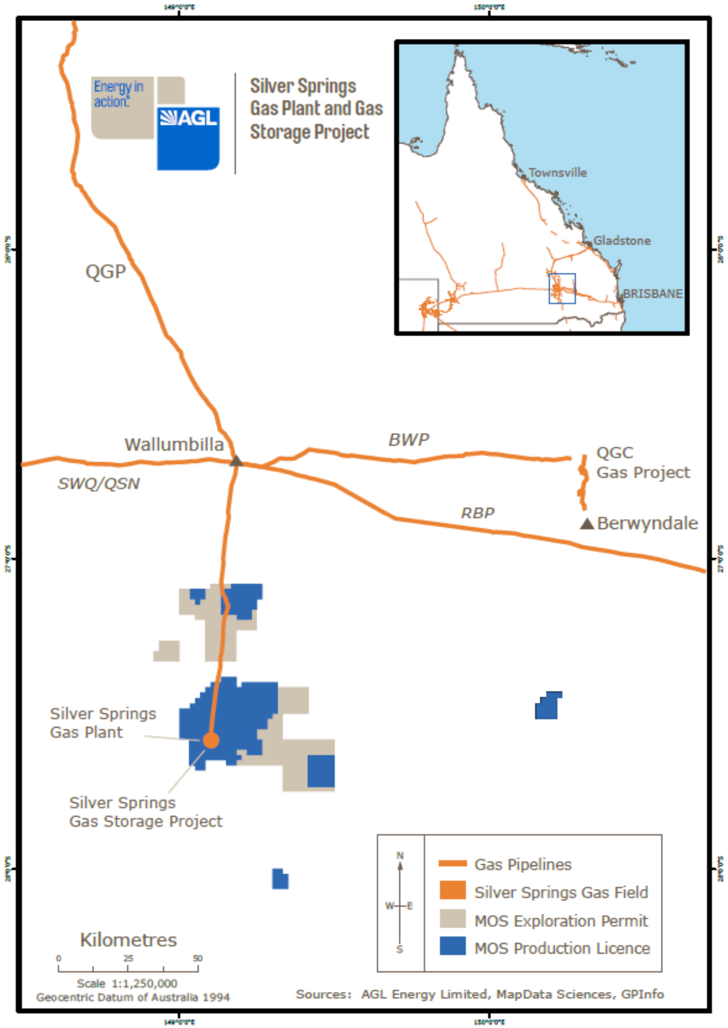
Employee Engagement



Acquisition of Mosaic Oil NL

Building AGL's Upstream Gas business.

- Mosaic successfully acquired via Scheme of Arrangement
  - 80% opted for AGL shares
- Estimated reserves/resources[1]
  - 2P reserves of 188 PJ gas
  - 4.7 mmboe liquids
- Gas storage facility to be developed at Silver Springs
  - Initial storage capacity of up to 35 PJ
  - Underpinned by QGC/BG contract
  - Operational mid-2011



1. Mosaic Independent Expert's Report

Upstream Gas – Emerging value creation

Hunter – Encouraging new gas discovery.

- Initial Hunter gas reserves booked at 142 PJ 2P and 271 PJ 3P
- 2P reserves at Gloucester increased by 58% at mid-year
- This calendar year, AGL's total 2P CSG reserves entitlement has increased by 31%

AGL share of CSG reserves	As at 30 Sep 10		As at 30 Jun 10		As at 31 Dec 09	
PJ	**2P**	**3P**	**2P**	**3P**	**2P**	**3P**
Gloucester (100%)	**669**	**832**	669	832	423	630
Moranbah (50%)	**499**	**1,020**	501	1,022	506	1,027
Camden (100%)	**153**	**199**	154	201	126	170
Hunter (100%)	**142**	**271**	-	-	-	-
Spring Gully (various, small)	**8**	**10**	8	10	7	9
Sub-Total	**1,471**	**2,332**	**1,332**	**2,065**	**1,062**	**1,836**
ATP 364P back-in rights (50%)*	**246**	**1,307**	246	1,307	246	1,307
Total	**1,717**	**3,639**	**1,578**	**3,372**	**1,308**	**3,143**

* Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

Renewable Energy: Legislative certainty

Significant investment opportunities in renewable energy.

› Dominant technology expected to be wind

› Committed to Macarthur in August 2010

Renewable generation (wind)

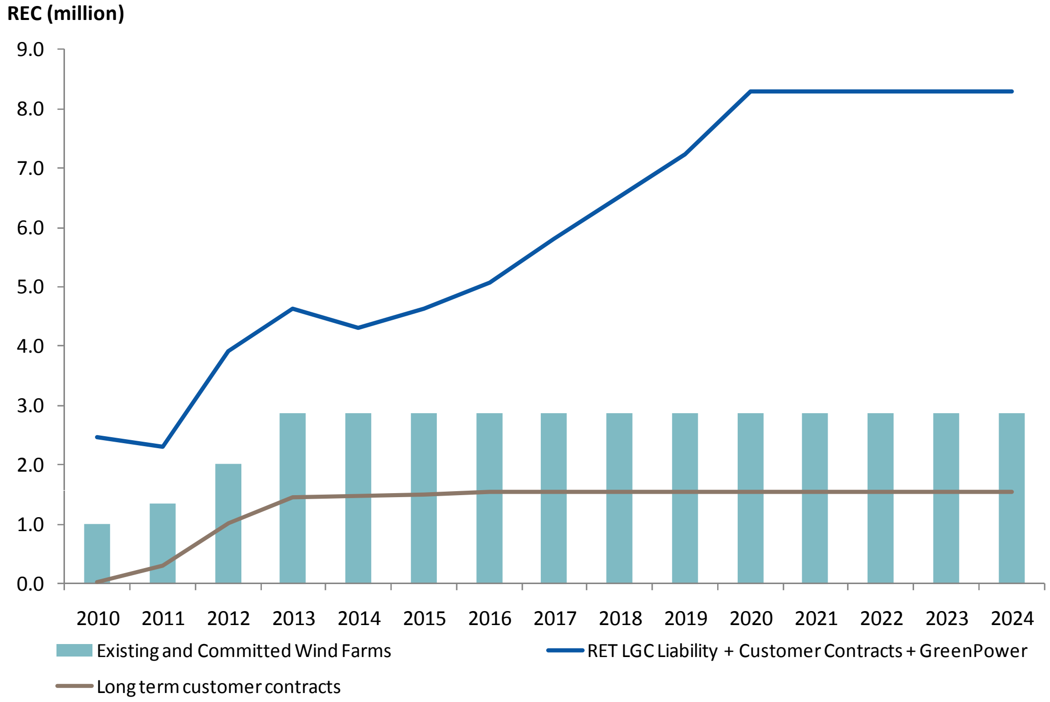
› Under construction

» Hallett 4	132 MW
» Oaklands Hill	67 MW
» Hallett 5	52 MW
» Macarthur	420 MW
» **Total**	**671 MW**

› Pipeline

» Barn Hill, SA	150 MW
» Hallett 3, SA	99 MW
» Coopers Gap, Qld	300 MW
» Other Projects	1,200 MW
» **Total**	**1,749 MW**

AGL's RET Liability



NSW Electricity privatisation

Rigorous financial discipline to be applied.

- NSW privatisation timetable
  - Data rooms opened — 1 July 2010
  - Bids due — 15 November 2010
  - Successful bids expected to be announced — Late-2010
- Potential opportunity to increase scale in both Retail & Generation
- Only bid for assets if accretive to shareholders
- Current intention is that any raising is expected to be a rights issue
  - To favour existing shareholders
- Maintenance of BBB credit rating

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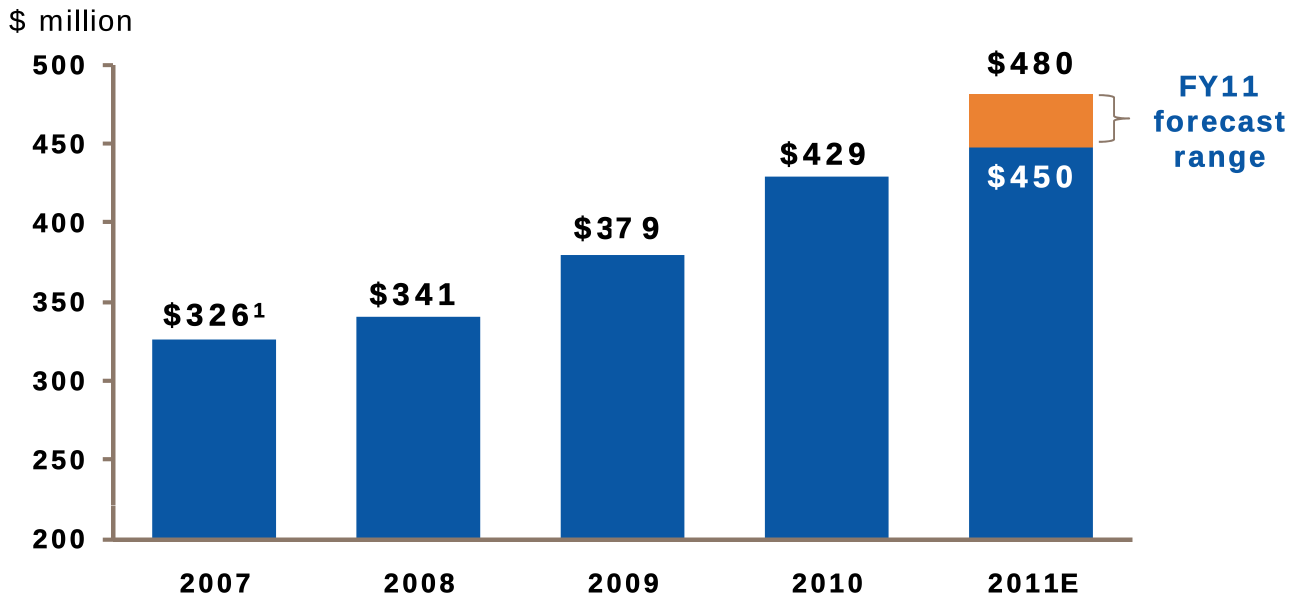
Outlook 2011

Solid profit growth expected to continue in 2011.

- 2011 Underlying profit expected to be between $450m - $480m
  - Earnings likely to be reasonably even split between 1H11 and 2H11

Underlying Net Profit After Tax



1. Proforma adjusted.



Image: Bogong Creek
Kiewa Hydro Scheme

2010 Annual General Meeting

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Further Information / Contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations, Financial Results, Annual Reports and Sustainability Reports is available from our website:
www.agl.com.au

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