AGL Energy Limited
ABN: 74 115 061 375

Level 22, 101 Miller St
North Sydney NSW 2060

Locked Bag 1837
St Leonards NSW 2065

T: 02 9921 2999
F: 02 9921 2552
www.agl.com.au

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ASX statement

27 October 2011

Attached is the Chairman's opening address and the Managing Director's presentation for the Annual General Meeting held today.

Paul McWilliams

Company Secretary

2011 ANNUAL GENERAL MEETING
CHAIRMAN'S OPENING REMARKS

Good morning Ladies and Gentlemen. Welcome to AGL's Annual General Meeting of Shareholders. My name is Jerry Maycock and I am your Chairman.

The necessary quorum is present and I have pleasure in declaring open the 2011 Annual General Meeting of AGL Energy Limited.

AGL's Board and 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.

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

We have also received questions from some shareholders about aspects of AGL's operations and financial performance. Most of the questions we received fell into two broad categories.

- Executive remuneration, which will be covered when we get to that part of the meeting which considers the Remuneration Report; and
- Community reactions to AGL's development projects, particularly those involving coal seam gas exploration and the construction of wind farms. I will comment on these matters in a few minutes.

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

AGL has recently published its 2011 Annual Report, which contains full information about the company's financial and operating performance during the year.

The reported profit after tax for the year was $558.7 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 $431.1 million, up only slightly on last year's result of $428.9 million.

The main reason for the flat result compared with 2010 was the unusual combination of weather events that occurred in eastern and southern Australia last summer which resulted in an unexpected increase in the cost of acquiring electricity from the wholesale electricity market. This reduced our underlying profit by approximately $32 million. Although this was a somewhat disappointing result for shareholders, the Board took comfort from the robustness of AGL's risk management policies and procedures. As we noted in the Annual Report, the cost of putting in place additional hedging cover would have far outweighed the occasional losses suffered when such unusual weather conditions occur. The result for the year was also affected by a much lower than expected contribution from our investment in the Loy Yang power station. AGL's share of earnings from Loy Yang fell by approximately $34 million due mainly to reduced wholesale electricity prices and lower generation output.

Michael Fraser will have more to say about AGL's financial and operating performance, and about our earnings expectations for 2012, when he speaks to you shortly.

By now, you should all have received the final dividend of 31 cents a share which was paid on 29 September 2011. When this is added to the interim dividend of 29 cents, the total dividend for the year was 60 cents – an increase of one cent on last year's dividend. Importantly for all Shareholders, the final dividend was fully franked. We anticipate that dividends will be fully franked for the foreseeable future.

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 1½% and without incurring any brokerage. Approximately 32% of shares participated in the plan for the final dividend. Over the year, the dividend reinvestment plan contributed approximately $90 million of new share capital, strengthening AGL's Balance Sheet and contributing to the funding of new growth projects.

AGL's financial position has been further strengthened by refinancing much of its long term debt. During the year, AGL raised $US300 million (approximately $A338 million) of new debt in the US private placement market at attractive rates and for terms of 12 and 15 years. More recently, the company has refinanced approximately $1 billion of bank debt on terms of 3 years and 5 years. These arrangements provide stability and strength to AGL at a time when world economies, and many companies, are still recovering from the global financial crisis. The strength of AGL's Balance Sheet and operating cash flows underpin the decision by Standard and Poor's ratings agency to reconfirm AGL's investment grade credit rating.

During the year, the company continued to make progress in achieving its strategic objectives. The 132MW Hallett 4 wind farm was commissioned in May. This is the third wind farm we now have in operation at Hallett in South Australia. Construction of a fourth wind farm at Hallett is well advanced. When completed later this year, the Hallett region will provide AGL with 350MW of wind farm capacity.

AGL also has two wind farm projects under development in western Victoria. Construction work on the Oaklands Hill wind farm is nearing completion, with commissioning expected early next year. We have also commenced construction of the Macarthur wind farm which, at 420MW, will be Australia's largest wind farm.

More recently, we have announced commitments to construct two new gas fired electricity generators. Michael Fraser will give you more detail about these in a few minutes.

In Upstream Gas, we continued our focus on proving up the availability of gas reserves in the permit areas we hold. AGL currently obtains most of the gas it needs under long term supply agreements. Gas available under these contracts will be adequate to meet AGL's needs until around 2016, when some of the contracts come to an end. Our objective is to find quantities of gas that can be extracted on commercially acceptable terms so that, as far as possible, we can replace contracted gas with gas that we produce for ourselves. AGL has large numbers of residential and commercial customers in Sydney and Newcastle. Much of our efforts have gone into finding gas close to these important markets. This year it was pleasing to be able to book our first reserves in the Hunter Valley. That brought to more than 1,000 petajoules the total volume of 2P gas reserves we have now booked from permit interests in New South Wales.

We have also started to increase our investment in gas storage facilities. Increasingly limited gas pipeline access in eastern Australia, and the introduction of short term gas trading markets, means that the ability to supply gas quickly to meet peak demand will become an important strategic asset. Michael Fraser will give you more details about our progress in this area when he speaks to you shortly.

AGL's strategy aims to build an appropriate degree of self reliance in supplying the gas and electricity required to meet the needs of our many customers. We seek to achieve this by developing our own reserves of gas and our own electricity generation assets. An important element of our strategy is a focus on renewable energy assets, particularly in view of the statutory requirement that, by 2020, energy retailers obtain at least 20 per cent of their energy from renewable sources.

Over the last few years, most of our growth projects have been in the development of our own upstream gas reserves and in the construction and operation of wind farms. As a result, many of our projects are located near regional communities.

As we note in the Annual Report, there has been some community opposition to some of our projects. In the Hunter Valley in New South Wales, many local residents have expressed concerns about the effects that exploring for coal seam gas might have on the already established agricultural, viticultural and tourism industries that are an important part of the regional identity. In western Victoria, some local residents have written to us with their concerns about whether wind turbines might cause adverse health effects.

This year, some of our shareholders have also asked questions about how AGL makes sure that its development projects do not threaten the health and wellbeing of local communities.

The Board takes a number of steps to satisfy itself that AGL's projects are operated in a way that safeguards the health and wellbeing of members of local communities, protects local environments, and meets all our legal and regulatory obligations.

The Directors do receive copies of letters sent to AGL from local residents or community groups so that we know what the issues of concern are in those communities. We also see copies of some of the responses to those letters.

We make sure that we have skilled and experienced project managers. We also make sure that all major contractors engaged by AGL have a track record of protecting local environs as they go about their construction works.

The Board also visits the project sites so that Directors can observe first hand that construction and development activities are conducted in a manner which is sensitive to the expectations of local communities.

The Board is also mindful of the findings of relevant scientific and medical studies, and government enquiries, into such matters as the effects of wind farms on public health outcomes. For example, the Board noted the findings and recommendations from the recent Senate Committee Inquiry into the social and economic impacts of rural wind farms. Amongst other things, the Senate Committee observed the conclusions of the National Health and Medical Research Council that there is currently no published scientific evidence to positively link wind turbines with adverse health effects. However, the Senate Committee recommended that further research work continue to be undertaken on this matter, with the results of that research to be published.

Another example is the report of the Energy and Climate Change Committee of the House of Commons in relation to shale gas activities in the United Kingdom.

Although it did not specifically relate to coal seam gas activities, that report concluded that hydraulic fracturing processes posed no direct risk to underground water aquifers. Any risks of contamination of water through a failure in the integrity of the well were found to be no different from those encountered when drilling for oil and gas from conventional gas reservoirs.

AGL has a strong track record in developing major energy infrastructure projects in regional Australia. The Bogong power station, which was completed in 2009, was built in a national park in the Victorian alps. The Hallett wind farms in South Australia have provided substantial economic benefits to the mid-north region of South Australia. All of these projects were developed in full co-operation with local communities and are projects that those communities have been proud to be associated with. Our objective is that AGL's future projects be held in the same regard.

The last matter on which I want to comment concerns the uncertain state of energy policy in Australia. A case in point is the introduction of a carbon tax. The legislation to introduce a price on carbon emissions has recently been passed by the Australian Parliament. However, the absence of bipartisan agreement on the principle of a carbon emissions scheme, and the uncertain political environment, means that companies such as AGL still do not have the certainty we need to invest with confidence in long term energy infrastructure assets which might be sensitive to a price on carbon.

Another example is in the area of regulated retail energy prices. In our view, the most effective way to provide consumers with the lowest cost energy and widest choice of energy markets is for State governments to remove regulated caps on retail energy prices. To date, only Victoria has fully removed regulated retail pricing. As a result, Victoria has the most competitive retail electricity market in the world.

My colleagues on the Board and I think your company has a bright future. AGL has a clear strategy and a strong Balance Sheet. It has a pipeline of growth projects and a skilled team led very capably by Michael Fraser. On behalf of the Board, I would like to thank all AGL employees for their hard work during 2011. I would also like to thank our shareholders for their continued support of the company.

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

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AGL

2011 Annual General Meeting

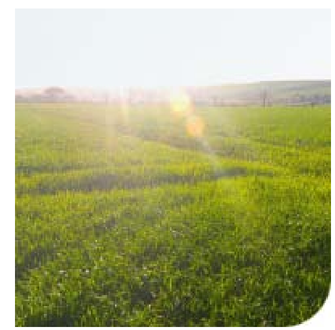
Michael Fraser, CEO & Managing Director | October 2011
AGL Energy Limited

FY11 Highlights

NSW organic growth strategy off to strong start.

› Revenue:	$7,072.5m	↑ 7.0%
› Statutory Profit:	$558.7m	↑ 56.9%
› Underlying Profit:	$431.1m	↑ 0.5%
› Underlying EPS:	94.4 cps	↓ 1.3%
› Dividends per share:	60.0 cps	↑ 1.7%

- BBB stable credit rating reaffirmed
- 96,000 NSW electricity customers contracted in Jan – June 2011
- Acquisition of Mosaic Oil NL completed October 2010
- Gas storage project at Silver Springs (Qld)
- Construction of wind farms progressing well
  - Macarthur (420 MW), Oaklands (67 MW) and Hallett 5 (52 MW)

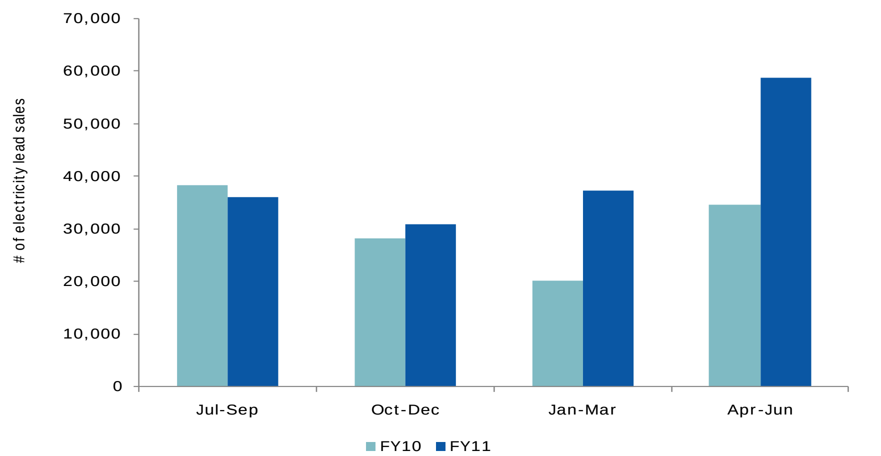


Retail Energy

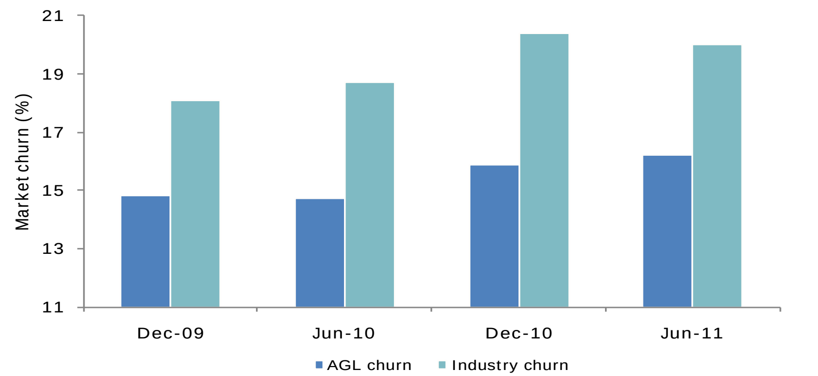
Performing well in highly competitive markets.

- Strong growth in NSW electricity customer base continues
  - On track to achieve 800,000 – 900,000 NSW electricity customers by June 2014
- Average cost to acquire NSW electricity customers $170 per customer
  - Significantly below prices paid in privatisation process
- AGL customer churn remains below industry levels
  - AGL's electricity customer churn declines in NSW

NSW Electricity Lead Sales FY11 vs. FY10



AGL customer churn much lower than industry

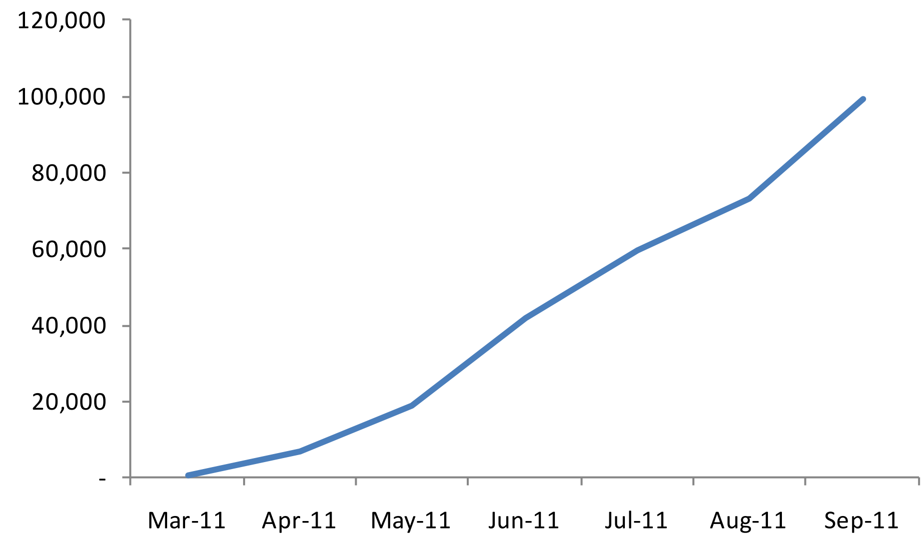


Retail Energy

AGL Energy Online improving the customer experience.

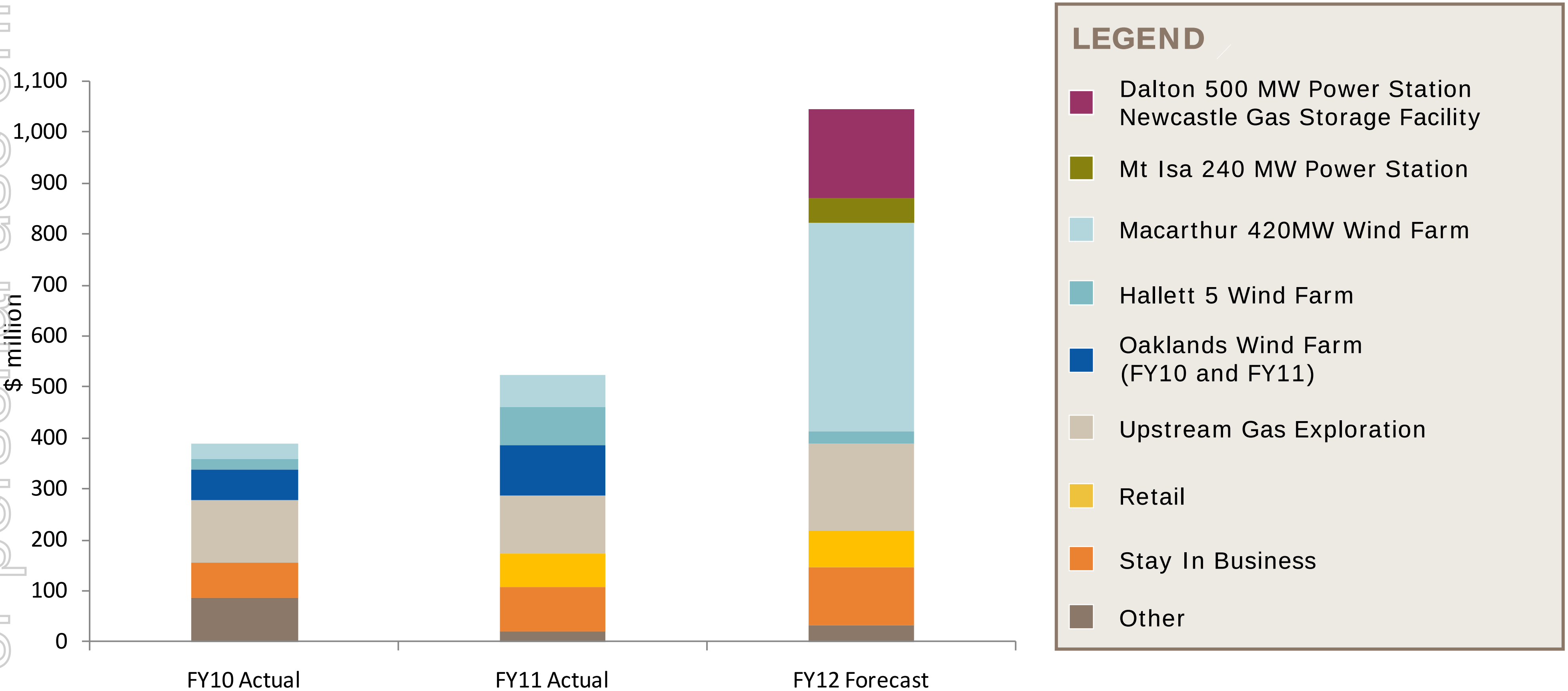
- AGL Energy Online launched in April 2011
  - Over 100,000 registrations to date
  - Significant improvement in customer experience and ability to self-manage accounts
  - Online options available to customers
    - Electronic billing
    - Updating account details
    - Direct debit registration
    - View account history
    - Sign-up to AGL offers
- Capacity to further reduce operating costs
- Enables greater focus on sales and service

AGL Energy Online - Customer Registrations



Capital Expenditure

Investing up to $1 billion for growth in 2012 financial year.



Carbon price proposed from 1 July 2012

Market-based mechanism will achieve lowest cost for consumers.

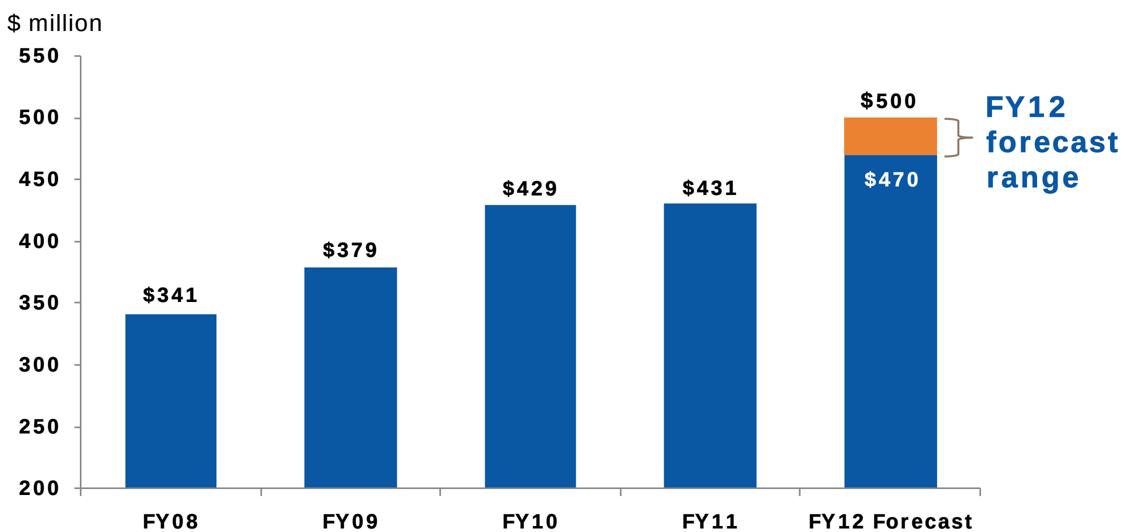
- Government committed to 1 July 2012 start date
  - Legislation passed in House of Representatives
- AGL well-positioned for a low carbon environment
  - Generation fleet average emissions intensity 58% below NEM
  - Pipeline of low-emission gas and renewable power development projects
  - Skilled resource base to assist customers – Energy Services
- Preparation underway to manage obligation
  - Emissions obligation anticipated approximately 10 million tonne
  - Australian Energy Market Agreement – States committed to full pass through of carbon costs
- Loy Yang A expected to receive transitional assistance over the first five years

Outlook 2012

Solid profit growth expected in 2012.

- Subject to normal market conditions 2012 Underlying Profit expected to be between $470m - $500m
  - Strong growth in Merchant Energy despite substantial reduction in wind farm development fees
  - Solid growth in Retail Energy
  - Dividends expected to be fully franked

Underlying Net Profit After Tax



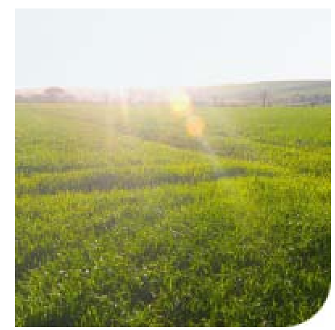


Image: Bogong Creek
Kiewa Hydro Scheme

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