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ASX release

25 May 2012

Attached are sample copies of letters to be mailed today to eligible and ineligible shareholders in relation to participation in the pro rata renounceable entitlement offer announced by AGL Energy Limited on 24 May 2012.



Paul McWilliams
Company Secretary

About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

Energy in
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25 May 2012



053 111111

SAM SAMPLE
123 SAMPLE ST
SAMPLETOWN NSW 9999



Dear Shareholder,

AGL ENERGY LIMITED \$900 MILLION PRO RATA RENOUNCEABLE ENTITLEMENT OFFER

NOTIFICATION TO ELIGIBLE RETAIL SHAREHOLDERS

On 24 May 2012, AGL Energy Limited (AGL) announced it is seeking to raise approximately \$900 million via a fully underwritten 1 for 6 pro rata renounceable entitlement offer of new AGL ordinary shares (New Shares), with retail entitlements trading for eligible retail shareholders (Entitlement Offer).

The offer price of \$11.60 per new share (Offer Price) represents:

- a 22.3% discount to last close; and
- a 19.7% discount to the theoretical ex-rights price (TERP).¹

Proceeds from the Entitlement Offer will be used to fund the acquisition of the 67.5% of Great Energy Alliance Corporation Pty Limited (GEAC) not currently owned by AGL, which was announced on 24 February 2012 (Acquisition), to allow partial repayment of existing GEAC bank loans and for general corporate purposes including renewable energy generation. GEAC is the owner of the 2,210 MW Loy Yang A power station and an adjacent brown coal mine which supplies all the coal required to meet the current and future operating requirements of the power station.

If you are an eligible shareholder, you will be able to purchase 1 New Shares for every 6 existing AGL ordinary shares held on the Record Date of 7.00pm (Sydney time) on Tuesday, 29 May 2012 (Entitlement). New Shares issued under the Entitlement Offer will be fully paid and rank equally in all respects with existing AGL ordinary shares from issue and will be entitled to dividends on the same basis as existing AGL ordinary shares, starting with the 2012 final dividend expected to be declared as part of AGL's full year results announcements for the financial year ending 30 June 2012. Fractional Entitlements will be rounded up to the nearest whole number of shares.

Following completion of the Entitlement Offer, AGL will have issued approximately 78 million New Shares resulting in total AGL ordinary shares on issue of approximately 546 million. The Entitlement Offer is fully underwritten by Citigroup Global Markets Australia Pty Limited (Citi) and Deutsche Bank AG, Sydney Branch (Deutsche Bank).

¹ The theoretical ex-rights price is the theoretical price at which AGL shares should trade immediately after the ex-date for the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which AGL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price.



The Entitlement Offer comprises an institutional entitlement offer and an offer to eligible retail shareholders (as described below, Eligible Retail Shareholders) to participate at the same Offer Price and offer ratio (Retail Entitlement Offer).

Eligible Retail Shareholders

Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing AGL ordinary shares as at 7.00pm (Sydney time) on Tuesday, 29 May 2012;
- have a registered address on the AGL share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds AGL ordinary shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the institutional entitlement offer, and were not treated as ineligible institutional shareholders under the institutional entitlement offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders are ineligible retail shareholders.

Retail Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer are set out in an offer booklet (Retail Offer Booklet), copies of which will be available on the Australian Securities Exchange (ASX) website www.asx.com.au and AGL's website at www.agl.com.au from Wednesday, 30 May 2012.

Eligible Retail Shareholders will be mailed a Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around Monday, 4 June 2012. You should read the Retail Offer Booklet carefully and in its entirety before deciding whether to participate in the Retail Entitlement Offer.

Action required by Eligible Retail Shareholders

Your Entitlement may have value and it is important you determine whether to take up or sell (in whole or in part) or do nothing in respect of your Entitlement. If you do nothing, you should ensure that you understand the tax consequences.

Take up an Entitlement: If you wish to take up all or part of your Entitlement, you will need to either:

1. complete and return the Entitlement and Acceptance Form together with the requisite application monies;
2. pay your application monies using BPAY by following the instructions set out on the Entitlement and Acceptance Form; or
3. apply and pay online at www.agl.com.au.

Application monies must be received by the AGL Share Registry by 5.00pm (Sydney time) on Tuesday, 19 June 2012.

Sell an Entitlement: There are a number of ways in which you can sell all or part of your Entitlement, each of which may result in different value for the Entitlement sold:

1. If you wish to sell all or part of your Entitlement on ASX, you should instruct your stockbroker personally and provide them with details they may request as set out on your Entitlement and Acceptance Form or as accessed online at www.agl.com.au. Entitlements can be sold on ASX from Tuesday, 29 May 2012 to Tuesday, 12 June 2012. Please note you may incur brokerage if you choose to sell your Entitlement on ASX.

2. If you wish to transfer all or part of your Entitlement other than on ASX, you will need to complete and return a Renunciation and Transfer Form (which can be obtained through the AGL Offer Information Line or your stockbroker). If the transferee wishes to take up all or part of the Entitlement transferred to them, they must send the Entitlement and Acceptance Form and their application monies to the AGL Share Registry by 5.00pm (Sydney time) on Tuesday, 19 June 2012. The purchaser's address must be in Australia or New Zealand (unless AGL otherwise agrees) and the purchaser must not be in the United States or acting for the account or benefit of a person in the United States.
3. If you wish to take up part of your Entitlement and sell the balance, you need to:
 - in respect of the part of your Entitlement you are taking up, either (i) complete and return the Entitlement and Acceptance Form with the requisite Application Monies, (ii) pay your application monies via BPAY by following the instructions set out on the Entitlement and Acceptance Form, or (iii) apply and pay online at www.agl.com.au; and
 - in respect of the part of your Entitlement to be sold, follow the procedures set out above (as relevant).

Eligible Retail Shareholders who sell their Entitlement before receiving confirmation of their Entitlement in the Entitlement and Acceptance Form do so at their own risk. You can ascertain your Entitlement by calling your stockbroker or the AGL Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) or by visiting our website www.agl.com.au.

Nominees must not take up Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States.

In order to exercise Entitlements, holders of Entitlements must meet certain eligibility criteria that will be set out in the Retail Offer Booklet. In particular, persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase Entitlements on ASX or exercise Entitlements purchased on ASX or transferred directly from another person. It is the responsibility of purchasers of Entitlements on ASX to inform themselves of the eligibility criteria for exercise of Entitlements. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to exercise their Entitlements, those Entitlements will be sold into the retail shortfall bookbuild and they may receive no value for them.

Do nothing: Entitlements not taken up, sold or transferred will be offered for sale in the retail shortfall bookbuild. You will receive any proceeds from the sale of your Entitlements, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to you.

The Australian Taxation Office (ATO) has stated in Taxation Ruling TR 2012/1 that in certain circumstances retail premiums will be taxed either as unfranked dividends or as ordinary income (and not as capital gains). The ATO's ruling does not apply to the Entitlements because, amongst other things, the Entitlements are tradeable on ASX. Please refer to section 5 of the Retail Offer Booklet for an outline of the Australian taxation consequences of your actions.

Timetable

Event	Date
Trading halt, Institutional Entitlement Offer opens	Thursday, 24 May 2012
Institutional Entitlement Offer closes	Friday, 25 May 2012
Institutional shortfall bookbuild	Monday, 28 May 2012
Existing shares recommence trading on ASX	Tuesday, 29 May 2012
Retail Entitlements commence trading on ASX on a deferred settlement basis	Tuesday, 29 May 2012
Record Date for eligibility in the Entitlement Offer (7.00pm Sydney time)	Tuesday, 29 May 2012
Retail Entitlement Offer opens	Wednesday, 30 May 2012
Retail offer booklet despatched and Retail Entitlements allotted	Monday, 4 June 2012
Retail Entitlements commence trading on ASX on a normal settlement basis	Tuesday, 5 June 2012
Settlement of the Institutional Entitlement Offer	Tuesday, 5 June 2012
Issue and quotation of new shares under the Institutional Entitlement Offer	Wednesday, 6 June 2012
Retail Entitlements trading on ASX ends	Tuesday, 12 June 2012
New Shares under Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Wednesday, 13 June 2012
Retail Entitlement Offer closes (5.00pm Sydney time)	Tuesday, 19 June 2012
Retail shortfall bookbuild	Friday, 22 June 2012
Settlement of the Retail Entitlement Offer	Thursday, 28 June 2012
Issue of New Shares under the Retail Entitlement Offer	Friday, 29 June 2012
Despatch of holding statements for New Shares under the Retail Entitlement Offer	Friday, 29 June 2012
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Monday, 2 July 2012
Retail premium (if any) despatched	Tuesday, 3 July 2012



The above timetable is indicative only and subject to change. All times represent Sydney time. AGL reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, AGL reserves the right to extend the closing date, to accept late applications either generally or in particular cases, and to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares and trading in retail Entitlements is subject to confirmation from ASX.

If you have any questions, please call the AGL Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia), or consult your stockbroker, accountant or other professional adviser. The AGL Offer Information Line will be open from 8:30am to 5:30pm (Sydney time), Monday to Friday. Alternatively, you can access information about the Retail Entitlement Offer online at www.agl.com.au.

The AGL Board is pleased to offer this opportunity to you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jeremy Maycock', written over a horizontal line.

Jeremy Maycock, Chairman
AGL Energy Limited

Important Information

Nothing contained in this letter constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements and the New Shares may not be offered or sold in the United States, unless they have been registered under the Securities Act, which none of AGL or the lead managers has any obligation to do or procure, or offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this letter nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed, in whole or in part, to persons in the United States.

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25 May 2012

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SAM SAMPLE
123 SAMPLE ST
SAMPLETOWN 9999
UNITED STATES OF AMERICA



Dear Shareholder,

AGL ENERGY LIMITED \$900 MILLION PRO RATA RENOUNCEABLE ENTITLEMENT OFFER

NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

On 24 May 2012, AGL Energy Limited (AGL) announced it is seeking to raise approximately \$900 million via a fully underwritten 1 for 6 pro rata renounceable entitlement offer of new AGL ordinary shares (New Shares), with retail entitlements trading for eligible retail shareholders (Entitlement Offer).

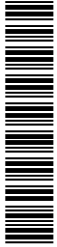
The proceeds from the Entitlement Offer will be used to fund the acquisition of the 67.5% of Great Energy Alliance Corporation Pty Limited (GEAC) not currently owned by AGL, which was announced on 24 February 2012, to allow partial repayment of existing GEAC bank loans and for general corporate purposes including renewable energy generation. GEAC is the owner of the 2,210 MW Loy Yang A power station and an adjacent brown coal mine which supplies all the coal required to meet the current and future operating requirements of the power station.

This letter is to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter.**

Following completion of the Entitlement Offer, AGL will have issued approximately 78 million New Shares resulting in total AGL ordinary shares on issue of approximately 546 million. The Entitlement Offer is fully underwritten by Citigroup Global Markets Australia Pty Limited (Citi) and Deutsche Bank AG, Sydney Branch (Deutsche Bank).

The Entitlement Offer consists of an institutional entitlement offer and an offer to eligible retail shareholders (as described below, Eligible Retail Shareholders) to participate at the same Offer Price and offer ratio (Retail Entitlement Offer).

An offer booklet in relation to the Retail Entitlement Offer was lodged with the ASX and will be despatched to Eligible Retail Shareholders on or around Monday, 4 June 2012 (Retail Offer Booklet).





Eligibility criteria

Eligible Retail Shareholders are shareholders who:

- a) are registered as a holder of existing AGL ordinary shares as at 7.00pm (Sydney Time) on the Record Date (Tuesday, 29 May 2012);
- b) have a registered address on the AGL share register in Australia or New Zealand;
- c) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds AGL ordinary shares for the account or benefit of such person in the United States);
- d) were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer and were not treated as ineligible institutional shareholders under the Institutional Entitlement Offer; and
- e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders are ineligible retail shareholders.

The restrictions upon eligibility under the Retail Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to AGL of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing AGL ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled.

AGL has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Australian Corporations Act (**Act**), that it would be unreasonable to make or extend offers under the Retail Entitlement Offer to ineligible retail shareholders.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Act, AGL wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer.

However, as the Entitlement Offer is renounceable, you may receive value for entitlements you would have received had you been eligible to participate in the Retail Entitlement Offer. Arrangements have been made for the entitlements of ineligible retail shareholders who did not participate in the Retail Entitlement Offer to be sold via a retail shortfall bookbuild on Friday, 22 June 2012 (Retail Shortfall Bookbuild), which is to be undertaken by the lead managers to the Entitlement Offer.

You will receive any amount paid in respect of entitlements sold in the Retail Shortfall Bookbuild, net of any applicable withholding tax. However, there is no guarantee that you will receive any value as a result of the Retail Shortfall Bookbuild.



For further information on the Entitlement Offer or if you believe that you are an Eligible Retail Shareholder, please contact the AGL Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of AGL, I thank you for your continued support.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jeremy Maycock', written over a horizontal line.

Jeremy Maycock, Chairman
AGL Energy Limited

Important Information

Nothing contained in this letter constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements and the New Shares may not be offered or sold in the United States, unless they have been registered under the Securities Act, which none of AGL or the lead managers has any obligation to do or procure, or offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this letter nor any other documents relating to the offer of entitlements or New Shares may be sent or distributed, in whole or in part, to persons in the United States.