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Energy in action.®

175 YEARS SUPPORTING THE COMMUNITY

AGL

ASX Statement

AGL Annual General Meeting 2012

23 October 2012

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

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 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. 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.

2012 ANNUAL GENERAL MEETING
CHAIRMAN'S OPENING REMARKS

Good morning Ladies and Gentlemen. My name is Jerry Maycock and I am your Chairman.

Welcome to AGL's Annual General Meeting of Shareholders.

AGL has recently published its 2012 Annual Report, which contains full information about the company's financial and operating performance during the year.

The reported (or statutory) net profit for the year was $114.9 million. After adjusting for significant items and the changes in fair value of certain derivatives included in the reported result, our underlying profit for the year was $482.0 million, up almost 12 per cent on last year's result of $431.1 million. I might add that in 2011 the statutory profit of $558.7 million was 30% higher than the underlying profit and was up 56% on the statutory profit reported in 2010. We advised shareholders then, as in previous years, that underlying profit was a better measure of the Company's performance. This was only up 0.5% as opposed to the 56% increase in statutory profit. Whilst this can be confusing (and you may hear some criticism of our use of underlying profit), it is important to explain briefly why we do consistently use it together with the statutory figure calculated strictly in accordance with the accounting standards.

In the energy industry the variance between the two profit calculations can be enormous. Whilst AGL generates a reasonable proportion of its own energy supply, the balance is procured from the wholesale energy market. The price risk associated with those supplies in the future is usually managed by the use of products such as swaps and caps – generally known as derivatives. This is not speculative in nature but routine risk management. Electricity prices vary by the half hour and can be very volatile. Not surprisingly the market price for derivative contracts can also be volatile. Each year at balance date all the future gains or losses arising from the notional value of derivative contracts are calculated at that point in time based on the then market price and become embedded in our statutory profit number. In economic terms however, the time when the value of those derivatives really matters is when they mature and become embedded in our cost of goods sold, and this is essentially the basis on which underlying profit is calculated.

There are some other figures, so called 'significant items', which are also removed from statutory profit when calculating underlying profit, but these are non-recurring in nature. AGL publishes the basis of its underlying profit calculations clearly, calculates it consistently from year to year, and has the calculation reviewed by the eternal auditors as well.

Because we use underlying profit to drive some remuneration outcomes, we seek to ensure that over time the gains or losses resulting from significant items do not unfairly benefit or prejudice executive reward.

I also note that underlying profit is the base we use to establish AGL's dividend payout, and is the profitability measure that all professional analysts use when valuing the Company. The alignment of this measure with shareholder interests is therefore obvious.

Lastly, in monitoring the effectiveness of our use of shareholder funds it is encouraging that the ratio of earnings before interest and tax (EBIT) to shareholders' funds improved this year from 8.9% to 9.3%. Whilst still below our target, this is encouraging in an industry which is so capital intensive and has to make long term investment decisions.

Michael Fraser will say more about AGL's financial and operating performance, and about our earnings expectations for 2013, when he speaks to you shortly. Michael will also elaborate on the acquisition of Loy Yang A power station. Your board considers this transaction to be transformative for the company, from both strategic and value perspectives, as well as improving our risk profile.

By now, you should all have received the fully franked final dividend of 32 cents a share paid on 27 September 2012. When this is added to the interim dividend of 29 cents, the total dividend for the year was 61 cents. This was an increase of 1 cent on last year's dividend. However it should also be noted that the final dividend was paid on all the shares on issue at the record date, including the approximately 78 million new shares issued late in the financial year as part of the funding arrangements put in place to finance the acquisition of the Loy Yang A power station. The new shares participated in the final dividend even though Loy Yang was not acquired until 29 June 2012, and will only start contributing to AGL's earnings from 2013. This additional dividend therefore contributed to shareholder returns for the year.

The new shares were issued following a renounceable rights entitlement offer made to all our Shareholders. The Board quickly came to the conclusion that this was the best way to make sure we treated all Shareholders equally. This allowed us to offer the new shares at a substantial discount. Those shareholders who took up the offer received new AGL shares at an issue price of $11.60. Shareholders who chose not to accept the offer received a cash payment of $2.90 for each right they gave up. In both cases value was created for our existing shareholders.

Altogether, during a year of significant turbulence in international and local share markets, the total return for our shareholders was 13.9%, among the highest in the ASX100.

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 $1^{1}/_{2}$% and without incurring any brokerage costs. Approximately 35 per cent of shares participated in the plan for the final dividend. Over the year, the dividend reinvestment plan contributed approximately $100 million of new share capital, strengthening AGL's Balance Sheet and contributing to the funding of new growth projects.

In my annual report to you I wrote at some length on the topic of regulation and government policy in the energy industry, especially electricity. Over many years, we have called for a consistent and co-ordinated evolution of the National Electricity Market where competition replaces regulation as the driver of efficiency and productivity. This was the original intention of the NEM. Unfortunately, several of the States have never completed the process of deregulation, leaving us with a complex, overlapping and at times contradictory mix of Federal and State policies and regulations. Also, in some States, generation and distribution assets remain in public ownership. This means that governments in those States have a continued involvement in the regulation of a partly government and partly privately owned system, with all the attendant conflicts of interest.

Sharp increases in the price of electricity in recent years have raised the public profile of the industry. These have principally been driven by price increases from government owned network and transmission companies, yet it is consumers and energy Retailers like AGL who are bearing the consequences.

We understand the social impacts of price increases. AGL undertakes a good deal of applied economic and social research to formulate public policy positions in the overall interests of energy consumers and the energy industry. We have advocated consistently for policy responses such as smart meters and time of use pricing to address some of the root causes of the price increases such as the growth in peak demand. We have also proactively provided advice to our customers on how to be more energy efficient and we have a well-developed customer hardship program. However, in the long run, the best way for our customers to enjoy sustainably competitive prices in Australia is to complete the deregulation of retail prices, as was always envisaged in the National Electricity Market, and to use private ownership and competition to drive efficiency and productivity.

It is ironic that the recent ill-considered reactions of some regulators, such as those in Queensland and South Australia, to simply regulate down prices, will cause significant long term cost increases for consumers, damage competition and innovation and make the National Electricity Market an unviable investment proposition for new generation of all forms including renewables.

When these regulatory responses are added to the current policy uncertainty around the future of carbon pricing and the 2020 renewable energy target, no-one should be surprised to see new investment in the NEM evaporate, with all of the consequences that would follow.

We would go so far as to say that the continued regulation of retail prices and overlapping State and Federal regulatory structures creates a real risk of systemic failure of the National Electricity Market.

On a happier note, on 7 September, AGL celebrated the 175th anniversary of the formation of The Australian Gas Light Company, which was incorporated under an Act of Parliament for the purpose of "lighting with gas the Town of Sydney". Much has changed since 1837. Australia has developed from an unexplored colony populated mainly by convicts to a modern, multicultural democracy rich in proven resources and confident of its place in the world. The AGL of today is also unrecognisable from the AGL of 1837. Like Australia, AGL has had to deal with its fair share of ups and downs. There have been times when the very existence of the company was threatened by changing technology or by parlous financial circumstances. But the company survived, and thrived, due to a great deal of hard work, ingenuity, and perseverance. These are qualities the AGL of today also has in great abundance and allow us to approach the future with confidence.

Notwithstanding the short term challenges, your Board remains optimistic about the Company's prospects. 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 2012. I would also like to thank our Shareholders for their continued support of the company.

2012 Annual General Meeting

Michael Fraser, Managing Director and CEO | October 2012

AGL Energy Limited

FY12 Highlights

Loy Yang acquisition strengthens platform.

Revenue:	$7,455.6m	↑ 5.4%
Statutory Profit:	$114.9m	↓ 79.4%
Underlying Profit:	$482.0m	↑ 11.8%
Underlying EPS:	100.0 cps	↑ 9.4%
Dividends per share:	61.0 cps	↑ 1.7%

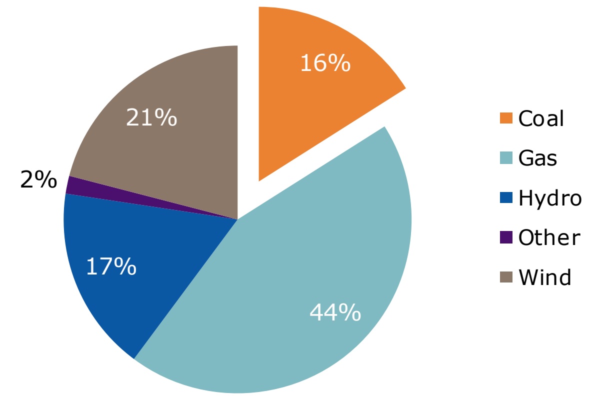
- Acquisition of Loy Yang A completed June 2012
- 180,000 net growth in customer numbers across all markets
- Sale of Hallett 5 wind farm completed May 2012
- Won right to Federal/State funding for 159 MW Solar Flagships project
- Final development approval for Newcastle gas storage facility

Loy Yang A

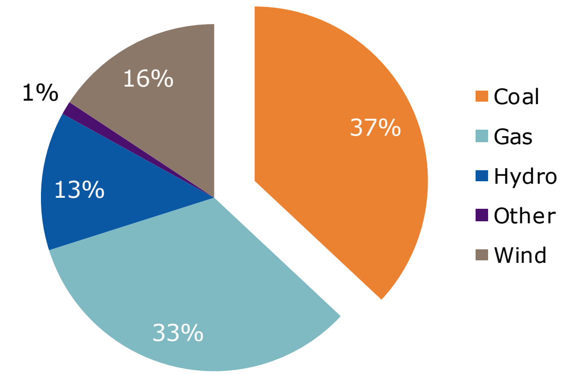
Integration of Loy Yang A is progressing well.

- Acquisition successfully completed on 29 June 2012
  - 2,210 MW Loy Yang A power station
  - Adjacent coal mine with ~2.5 billion tonnes of coal reserves
- Transition team overseeing integration process
  - Power station and mine operations, electricity dispatch and marketing functions integrated into Merchant Energy
  - Ongoing integration of all remaining functions
- Will be reported within Merchant Energy
- Strong FY12 operational performance
  - Availability factor of 96.9%
  - Capacity factor of 88.3%
  - Mine supplied 30.2 million tonnes of coal to Loy Yang A and Loy Yang B

AGL generation capacity before acquisition[1]



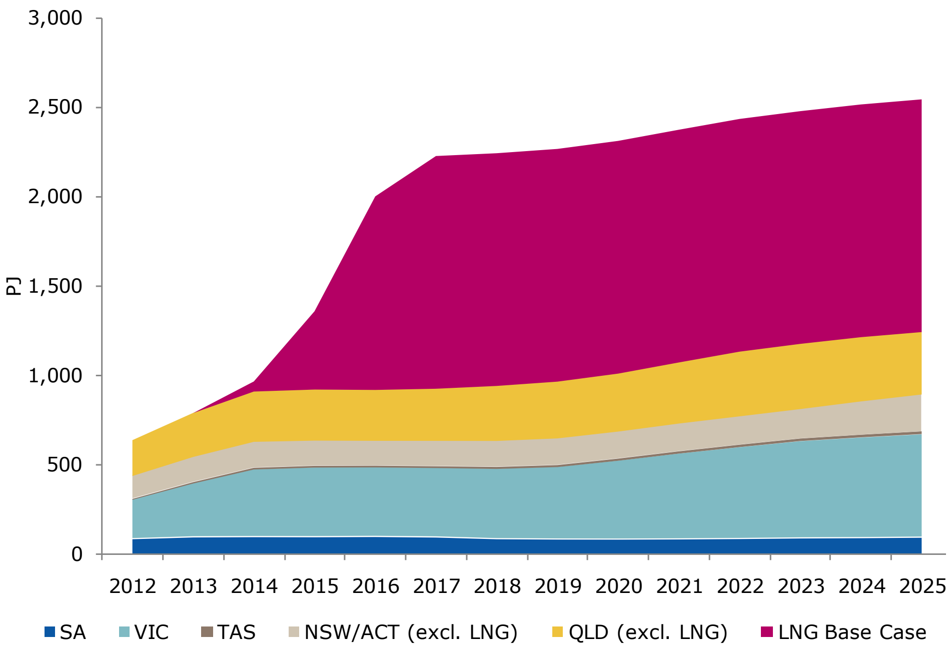
AGL generation capacity after acquisition[1]



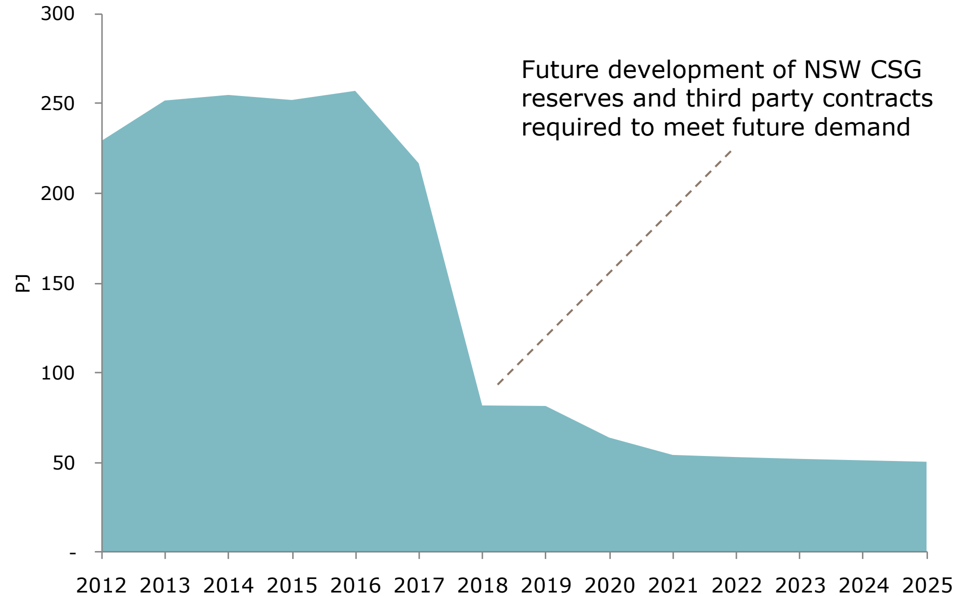
New domestic gas supplies must be developed

LNG export ramp up coincides with termination of domestic contracts.

Eastern Australia Gas Demand



AGL Long-term Gas Supply Contracts



New CSG regulations for New South Wales

More rigorous framework and greater certainty for CSG development.

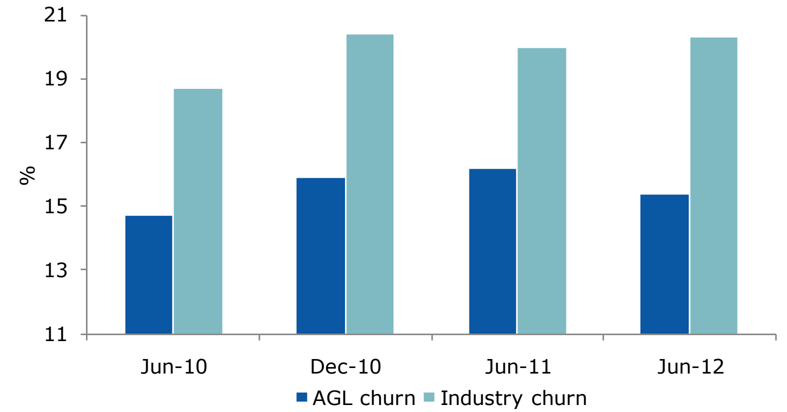
- Provides pathway to develop AGL's CSG assets
- Package of Strategic Regional Land Use Plans include
  - New England North West and Upper Hunter Plans
  - Gateway process which applies to developments on strategic agricultural land
  - CSG codes of practice for well integrity and fracturing
  - Policies on groundwater and aquifers
- Also announced
  - NSW Land and Water Commissioner
  - PEL renewals with new conditions and increased consultation
  - Environmental impact assessment guidelines for exploration activities
  - Regional community funds
  - Agricultural Impact Statements

AGL continues to lead Australia's retail energy markets

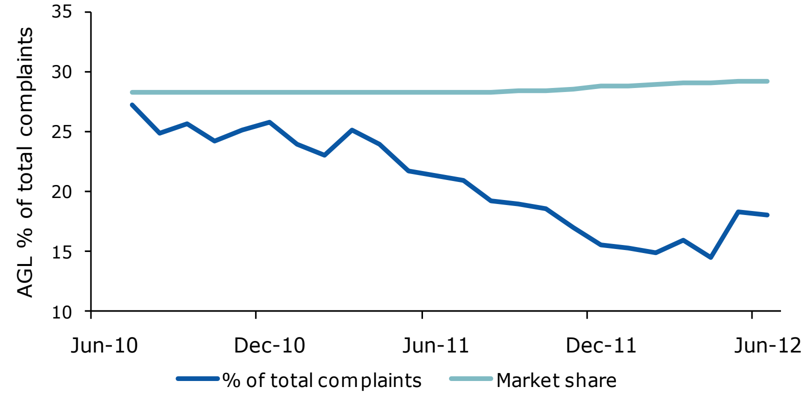
Continued emphasis on customer engagement delivers positive outcomes.

- Transformation of customer service operating model
  - Improvement in all satisfaction measures
  - Improvement in First Call Resolution, Average Speed of Answer and Handle Time
  - Simplified transactions and improved experience
- Ombudsman complaints significantly below AGL's market share
- AGL widens gap in national churn from 3.8 ppts to 4.9 ppts below industry average (15.4% vs. 20.3%)
- AGL Energy Online customer registrations now over 300,000
- Paperless billing now over 300,000 accounts
- Growth of 180,000 customers

AGL churn much lower than industry



Share of Ombudsman complaints below market share



Regulatory pricing

Regulatory decisions sends clear signal not to invest in additional generation.

- Adoption of short-run pricing is incompatible with long-term sustainable industry and market participant's cost structure
- QCA 2012 Final Determination and ESCOA Draft Determination for 2013-14 (to reduce allowable wholesale electricity component by $27.20/MWh) reduce FY13 underlying profit after tax by ~$45 million
- NSW Regulatory Pricing
  - Proposal to incorporate 75% LRMC floor and 25% market price
- AGL ceasing door-knocking activities in Queensland and South Australia along with reductions in other marketing activity and discounts

1. Assuming constant volume
2. Based on Draft Determination and assuming constant volume

Macarthur wind farm

Completion expected early 2013.

- Largest wind farm in the southern hemisphere
  - 420 MW capacity and expected 1,250 GWh per annum output
  - EPC contractor – Vestas Leighton consortium
  - Joint venture with Meridian Energy
- First project in Australia to utilise the 3 MW V112 turbine
- 124 of 140 turbines installed as at 30 September 2012
  - Construction on-schedule with completion expected in third quarter FY13
  - AGL share of capex expected to be in line with investment case, $492 million
- First electricity exported 30 September 2012

Macarthur Wind Farm under construction

Newcastle gas storage facility

Cost-competitive storage to manage winter peaks from 2015.

- NSW and Commonwealth approvals in place
- Major EPC contractor selected
  - Chicago Bridge & Iron (CBI), globally experienced
  - Major cost components covered under turn-key EPC contract
  - EPC activities underway
- Total capex ~$310 million
- Site works commenced September 2012
- Available to manage portfolio by winter 2015
- Managing peak gas demand
  - Storage capacity 1.5 PJ
  - Peak supply rate 120 TJ per day, 5 TJ per hour

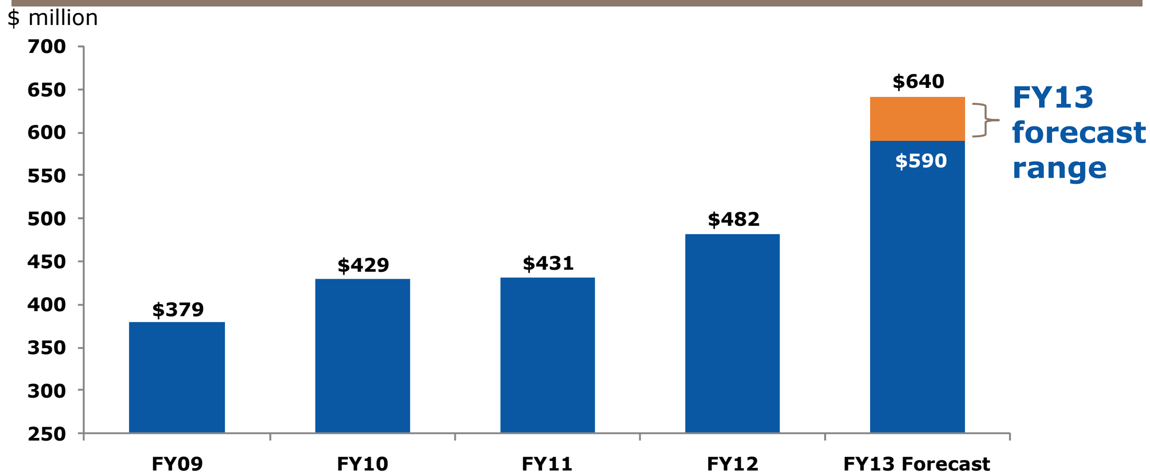
A similar facility in the USA (photo courtesy of CBI)

Outlook

Solid profit growth expected in 2013.

- 2013 underlying net profit after tax is expected to be between $590m - $640m[1]
  - Incremental contribution from Loy Yang acquisition
  - Benefit from carbon uplift for renewable portfolio
  - Partially offset by absence of wind farm development fees and continued soft demand
  - Assumes current draft SA regulatory decision is confirmed
  - Recovery of carbon liability to skew earnings to 2H2013 (~45:55 split)
  - Retail earnings to be even more heavily skewed to second half (~65-70%)

Underlying Net Profit After Tax



1. Subject to normal market conditions