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ASX & Media Release

AGL acquires Macquarie Generation assets

AGL announces $1,232 million 1 for 5 pro rata accelerated renounceable entitlement offer

20 August 2014

AGL Energy Limited (**AGL**) announced today that it had concluded an agreement with the New South Wales (**NSW**) Government to acquire the Macquarie Generation assets (**MacGen**) for a consideration of $1,505 million[1] and that it is seeking to raise approximately $1,232 million from a fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer with retail entitlements trading (**Entitlement Offer**).

The key details of the Entitlement Offer are:

- Fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer with retail entitlements trading to raise approximately $1,232 million
- Offer price of $11.00 per new share
- Institutional Entitlement Offer is accelerated
- Retail entitlements may be traded on ASX from Monday, 25 August 2014 to Monday, 8 September 2014
- New shares will not be entitled to the FY14 final dividend of 33 cents per share announced today with the FY14 financial results.

The offer price of $11.00 per new share represents:

- a 23.3% discount to last close[2]; and
- a 20.2% discount to the theoretical ex-rights price (**TERP**)[3].

The proceeds of the Entitlement Offer will be used to fund part of the $1,505 million purchase price of the MacGen assets. The balance of the consideration will be funded by bank debt. AGL anticipates that, upon completion of funding, its credit rating will be reaffirmed.

MacGen assets

The MacGen power stations give AGL ownership of the lowest cost, large-scale baseload generators in NSW and increase AGL's registered generation capacity by approximately 82 percent to more than 10,400 MW. This brings AGL's share of generating capacity in the National Electricity Market to approximately 21 percent and adds to AGL's diverse portfolio of renewable and thermal generation assets.

AGL's CEO and Managing Director, Michael Fraser said: "We're delighted that we can finally proceed with the acquisition of MacGen.

"With Loy Yang in Victoria and MacGen in New South Wales, AGL will now generate electricity from two of the lowest cost baseload generators in the National Electricity Market."

The acquisition is expected to be accretive to underlying EPS for the year ending 30 June 2015[4] and to generate substantial future cash flows for AGL.

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Entitlement Offer

The Entitlement Offer comprises an accelerated institutional entitlement offer and a retail entitlement offer that includes the ability to trade retail entitlements on the ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new AGL ordinary share (**New Shares**) for every 5 existing AGL ordinary shares (**Entitlement**) held as at 7.00pm (Sydney time) on Monday, 25 August 2014 (**Record Date**).

New Shares issued under the Entitlement Offer will rank equally with existing Shares from the date of allotment. The first dividend payable in respect of the New Shares will be the interim dividend for FY15 which is expected to be announced in February 2015. New Shares to be issued under the Entitlement Offer will not be entitled to the FY14 final dividend of 33 cents per share announced on 20 August 2014.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional entitlement offer which will take place from Wednesday, 20 August 2014 to Thursday, 21 August 2014 (**Institutional Entitlement Offer**).

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement.

Institutional entitlements cannot be traded on the ASX. Institutional entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Friday, 22 August 2014 (**Institutional Shortfall Bookbuild**). Any proceeds from the sale of institutional Entitlements under the Institutional Shortfall Bookbuild will be remitted proportionally to those institutional shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those institutional shareholders.

AGL shares have been placed in trading halt whilst the Institutional Entitlement Offer and Institutional Shortfall Bookbuild is undertaken.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer (**Retail Entitlement Offer**). The Retail Entitlement Offer will open on Tuesday, 26 August 2014 and close at 5.00pm (Sydney time) on Monday, 15 September 2014.

Eligible retail shareholders will be allotted Entitlements which can be traded on the ASX. If they do not wish to take up all or part of their Entitlements, they can seek to sell all or part of their Entitlements on the ASX or by transferring it directly to another person to realise value for those Entitlements ahead of the Retail Shortfall Bookbuild. Retail Entitlements can be traded on the ASX from Monday, 25 August 2014 (on a deferred settlement basis) to Monday, 8 September 2014.

Retail Entitlements which are not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and Entitlements that would otherwise have been offered to ineligible retail shareholders will be sold through the Retail Shortfall Bookbuild on Thursday, 18 September 2014 (**Retail Shortfall Bookbuild**). Any proceeds from the sale of Entitlements under the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and an accompanying personalised entitlement and acceptance form which are expected to be despatched on Friday, 29 August 2014. Copies of the retail offer booklet will be available on the ASX website and our website at www.agl.com.au from Monday, 25 August 2014.

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The Entitlements may only be exercised by eligible retail shareholders, persons with a registered address in Australia or New Zealand and certain categories of investors in Canada (Ontario and Quebec), Denmark, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, Norway, Singapore, Sweden, Switzerland and the United Kingdom. In addition, Entitlements may only be purchased by persons meeting certain eligibility criteria that are set out in the Appendix to the investor presentation which AGL has filed with the ASX today. 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 or trade Entitlements on the ASX or exercise Entitlements purchased on the ASX or transferred directly from another person.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise. 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. If holders are not able to take up their Entitlements, those Entitlements will be sold into the retail shortfall bookbuild and holders may receive no value for them.

Notes:

1. Includes stamp duty but not other transaction costs of $43 million.
2. As at close Tuesday, 19 August 2014 adjusted for the FY14 final dividend of 33 cents.
3. TERP is the theoretical price at which AGL Shares should trade immediately after the ex-date for the Entitlement Offer. TERP 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 TERP. TERP is calculated by reference to AGL's closing price on 19 August 2014 and excludes the FY14 final dividend of 33 cents per share announced on 20 August 2014.
4. EPS accretion in FY15 is based on the following key assumptions:
   - MacGen is acquired in September 2014;
   - Spot and contract wholesale prices are materially the same as those implied by the forward curves;
   - Generation volumes and plant availability are consistent with prior years and there are no material unplanned plant outages;
   - A zero carbon price;
   - AGL raises approximately $1.2 billion under the Offer; and
   - AGL raises approximately $350 million of debt.
   - Based on a Theoretical Ex-Rights Price (TERP) adjusted EPS calculation

Further inquiries:

Investors

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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 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 taking action toward creating a sustainable energy future for our investors, communities and customers.

About MacGen

MacGen is the largest producer of electricity in New South Wales. The assets include the Bayswater (2,640 MW) and Liddell (2,000 MW) black coal fired power stations, Hunter Valley Gas Turbines (50 MW), Bayswater B and Tomago development sites, Liddell solar farm, extensive coal handling infrastructure comprising rail unloaders and conveyor systems, 104 million tonnes of contracted coal and approximately 4.2 million tonne coal stockpile. MacGen employs approximately 660 people (full time equivalent).

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Indicative Timetable

Institutional Entitlement Offer	Date - 2014
Announcement of Entitlement Offer and trading halt	Wednesday, 20 August
Institutional Entitlement Offer opens	Wednesday, 20 August
Institutional Entitlement Offer closes	Thursday, 21 August
Institutional shortfall bookbuild	Friday, 22 August
Trading halt lifted	Monday, 25 August
Record date for eligibility in the Institutional Entitlement Offer	7:00pm Monday, 25 August
Settlement of the Institutional Entitlement Offer	Monday, 1 September
Issue and quotation of New Shares under the Institutional Entitlement Offer	Tuesday, 2 September

Retail Entitlement Offer	Date - 2014
Record date for eligibility in the Retail Entitlement Offer	7:00pm Monday, 25 August
Retail Entitlements commence trading on ASX on a deferred settlement basis	Monday, 25 August
Retail Entitlement Offer opens	Tuesday, 26 August
Retail Offer Booklet despatched	Friday, 29 August
Retail Entitlements allotted	Friday, 29 August
Retail Entitlements commence trading on ASX on a normal settlement basis	Monday, 1 September
Retail Entitlements trading on ASX ends	Monday, 8 September
New Shares under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Tuesday, 9 September
Retail Entitlement Offer closes	5:00pm Monday, 15 September
Retail shortfall bookbuild (after market close)	Thursday, 18 September
Settlement of the Retail Entitlement Offer	Wednesday, 24 September
Issue of New Shares under the Retail Entitlement Offer	Thursday, 25 September
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Friday, 26 September
Retail premium (if any) despatched	Monday, 29 September

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 of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases), and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation and trading of Entitlements and New Shares is subject to confirmation from the ASX.

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Shareholder Enquiries

Eligible retail shareholders will be sent further details about the Entitlement Offer via a shareholder letter to be despatched on or around Thursday, 21 August 2014 and a retail offer booklet to be lodged with ASX on Friday 29 August 2014 and despatched on or around Friday, 29 August 2014.

Retail shareholders who have questions relating to the Retail Entitlement Offer should call the AGL Offer Information line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday or go to our website www.agl.com.au.

Further information in relation to the MacGen acquisition and Entitlement Offer described in this announcement is set out in an investor presentation which AGL has filed with the ASX today. The investor presentation contains important information including key risks, key assumptions relating to certain forward looking information in this announcement and foreign selling restrictions with respect to the Entitlement Offer.

Important Information

Nothing contained in this announcement 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.

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This announcement 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, or will be, registered under the U.S. Securities Act of 1933 (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, or are 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 announcement nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed to persons in the United States.

This announcement contains forward-looking statements, which can usually be identified by the use of words such as such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AGL, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this announcement. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are based on information available to AGL as of the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules) AGL undertake no obligation to update these forward-looking statements.

Macquarie Generation Acquisition

Michael Fraser
CEO & Managing Director

Brett Redman
Chief Financial Officer

20 August 2014

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This investor presentation (**Presentation**) has been prepared by AGL Energy Limited (ABN 74 115 061 375) (**AGL**). This Presentation has been prepared in relation to a pro-rata accelerated renounceable entitlement offer of new AGL ordinary shares (with retail rights trading) (**New Shares**), to be made to:

- eligible institutional shareholders of AGL (**Institutional Entitlement Offer**); and
- eligible retail shareholders of AGL (**Retail Entitlement Offer**),

under section 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) as modified by Australian Securities and Investments Commission (**ASIC**) relief obtained in relation to the entitlement offer (together, the **Entitlement Offer**).

Summary information

This Presentation contains summary information about AGL and its activities which is current as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in AGL or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act.

The historical information in this Presentation is, or is based upon, information that has been released to the Australian Securities Exchange (**ASX**). This Presentation should be read in conjunction with AGL's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

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Refer to slide 74 for information on restrictions on eligibility criteria to take up or exercise entitlements in the Retail Entitlement Offer.

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Cooling off rights do not apply to the acquisition of AGL shares.

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An investment in AGL shares is subject to known and unknown risks, some of which are beyond the control of AGL. AGL does not guarantee any particular rate of return or the performance of AGL. Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

Financial data
All dollar values are in Australian dollars (A$ or AUD) unless otherwise stated. Investors should note that this Presentation contains pro forma financial information. In particular, a pro forma balance sheet has been prepared by adjusting the audited balance sheet of AGL as at 30 June 2014 to reflect the impact of the acquisition of the assets of Macquarie Generation (**MacGen**) and the Entitlement Offer. The pro forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of AGL's views on its future financial condition and/or performance.
Investors should also note that this Presentation does not include financial statements of MacGen. While this Presentation includes a pro forma balance sheet of AGL as at 30 June 2014 to reflect the impact of the acquisition of MacGen and the Entitlement Offer, the pro forma financial information has been prepared by AGL in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and other mandatory reporting requirements in Australia. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.
Investors should be aware that certain financial data included in this Presentation are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include EBITDA, Underlying NPAT and Underlying EPS. The disclosure of such non-GAAP financial measures in the manner included in the Presentation may not be permissible in a registration statement under the U.S. Securities Act. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although AGL believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non- GAAP financial measures included in this Presentation.

Future performance
This Presentation contains certain 'forward looking statements'. Forward looking statements can generally be identified by the use of forward looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' 'outlook', 'guidance' and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, coal and gas

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resources and reserves, acquisition of MacGen assets, coal and gas costs, future carbon prices, estimated mine life, the outcome and effects of the Entitlement Offer and the use of proceeds.

The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of AGL, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the 'Key Risks' section of this Presentation for a summary of certain general and AGL specific risk factors that may affect AGL. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures. The forward looking statements are based on information available to AGL as at the date of this Presentation. Except as required by law or regulation (including the ASX Listing Rules), AGL undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Past performance

Investors should note that past performance, including past share price performance, of AGL cannot be relied upon as an indicator of (and provides no guidance as to) future AGL performance including future share price performance.

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None of the underwriters, nor any of their or AGL's respective advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents, have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, except to the extent referred to in this Presentation, none of them makes or purports to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

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Statements made in this Presentation are made only as the date of this Presentation. The information in this Presentation remains subject to change without notice. AGL reserves the right to withdraw the Entitlement Offer or vary the timetable for the Entitlement Offer without notice.

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Transaction Overview

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Transaction summary

Acquisition accretive to Underlying EPS in FY15.

- AGL to acquire the assets of Macquarie Generation ("MacGen") comprising:
  - Bayswater (2,640 MW) and Liddell (2,000 MW) coal fired power stations
  - Hunter Valley Gas Turbines (50 MW), Bayswater B and Tomago development sites, Liddell solar farm
  - Extensive coal handling infrastructure comprising rail unloaders and conveyor systems
  - 104 Mt of low cost contracted coal and 4.2 Mt opening coal stockpile
- Purchase price of $1,505 million[1]
  - Coal cost advantage valued at ~$768 million, an increase of ~$160 million since January 2014
  - Bayswater valued at $780 million representing $295 / KW
  - Liddell valued at $0 representing a "free" option
- Transaction will be funded to maintain AGL's BBB credit rating
  - $1,232 million equity – fully underwritten accelerated renounceable entitlement offer launched today
  - $350 million debt facility
- Modelled return exceeds AGL's cost of capital and exceeds investment hurdle rate
  - Investment payback of ~9 years
- Conservative modelling assumptions include:
  - Tomago shutting in 2017 and as a result Liddell also shutting in 2017
  - RET assumed to remain at 41 TWh but timeframe extended
- Immediately accretive to Underlying EPS[2] in FY15 despite current low wholesale electricity prices
- Expected to generate substantial future cash flows for AGL

1. Purchase price including $90m stamp duty but not other transaction costs of $43m
2. TERP adjustment, refer to slide 76 for key underlying assumptions

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Transaction rationale

Compelling value proposition for low cost generation assets.

Strategy	› Acquisition entirely consistent with AGL's integrated strategy
Compelling Value Proposition	› Conservative valuation approach › Modelled return exceeds both AGL's cost of capital and investment IRR hurdle of 12%[1] › Delivers substantial future cash flows › Immediately accretive to Underlying EPS[2] in FY15 despite current low wholesale prices
Long Term Low Cost Coal Contracts	› Secure and low cost fuel supply in place to 2025 at a weighted average delivered contracted price of ~$33/t (real Jun-14) › Central Hunter Valley location and significant existing delivery infrastructure provides competitive advantage in coal procurement
Lowest Cost Thermal Plant	› Lowest SRMC[3] of major base-load generators in NSW » ~35-45% lower than the next two lowest major base-load generators
Improved Risk Management	› Adds scale and diversity to AGL's generation portfolio › Increases AGL generation to ~100% of sales volume › NSW represents AGL's largest retail electricity load centre » Largely self supplied in NSW (replaces ~$500 million p.a. in purchases) › Highly flexible Bayswater units improve risk management capability
Performance Improvement	› Potential opportunity to enhance availability and reliability at both plants

1. Post tax
2. Refer to slide 76 for key underlying assumptions
3. Short Run Marginal Cost of generation

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Strategic Rationale

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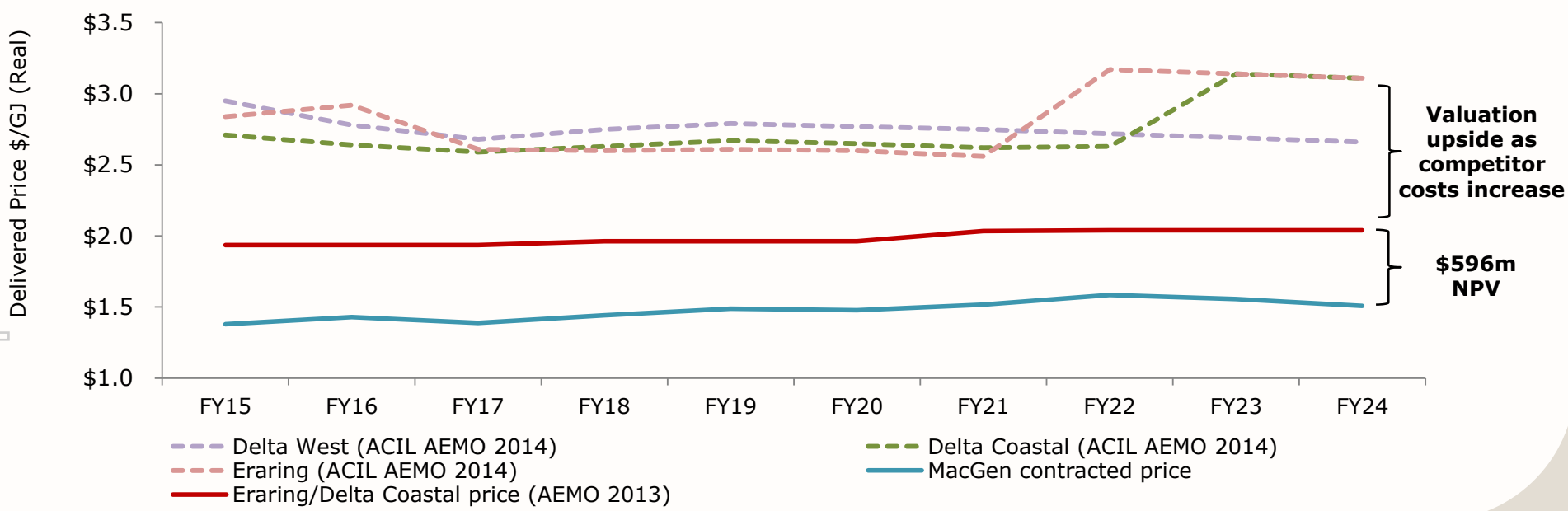
Long-term coal cost advantage

Highly competitive coal position relative to other NSW generators.

- Value of MacGen's fuel position conservatively estimated at $768 million including $596 million in coal contracts:
  - Substantially contracted until 2025 with low cost coal
  - Lowest SRMC position amongst major NSW base-load generators
  - AEMO/ACIL forecasts of NSW coal generator fuel costs have increased $0.50-$1.00/GJ since 2013[1]

NSW Generator Fuel Costs[2,3]



1. Compared to costs in AEMO 2013 Planning Studies - Existing Generator Technical Data Summary as at 23 May 2014
2. AEMO 2013 Planning Studies - Existing Generator Technical Data Summary
3. ACIL Allen 2014 Fuel and Technology Cost Review prepared for AEMO, medium scenario

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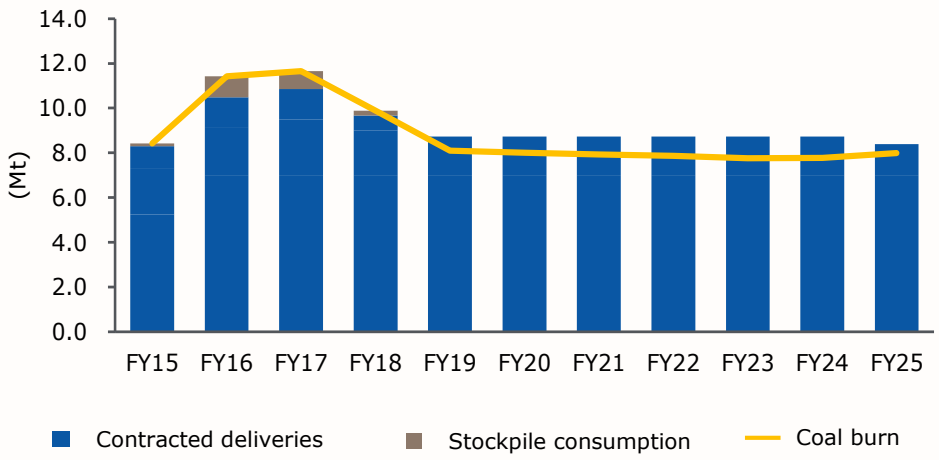
Long-term, low cost coal contracts

Low cost coal contracted to 2025.

- Access to multiple, predominantly open-cut, low-cost fuel sources
- Flexibility to burn high ash coal from surrounding mines
- Long term relationships with three highly experienced suppliers and mine operators:
  - Glencore / Xstrata (Mangoola)
  - Peabody (Wilpinjong)
  - BHP (Mt Arthur)
- Strategic coal handling infrastructure accrues benefits to both Bayswater and Liddell
- Hunter Valley location, rail constraints & distance to the coast work to MacGen's advantage for non-export Hunter Valley product
- Annual coal burn substantially contracted to 2025
- Includes optionality to flex volumes
- MacGen contracted coal book not exposed to export netback type pricing

MacGen Contracted Coal Volumes[1]



1. FY2015 represents 3 quarters from 1-Oct-2014 to 30-Jun-2015

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AGL's low cost position in NEM

Leading generation portfolio with low cost positions.

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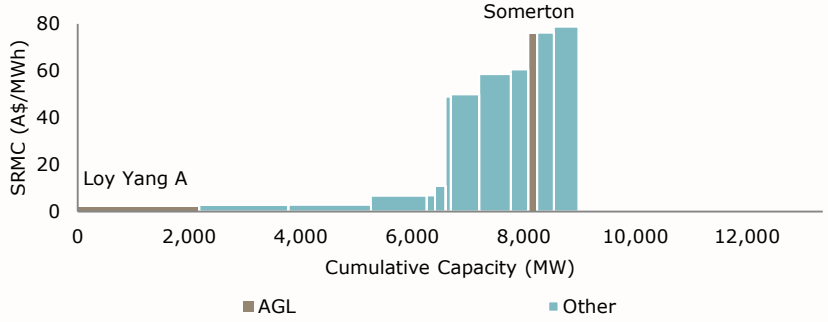
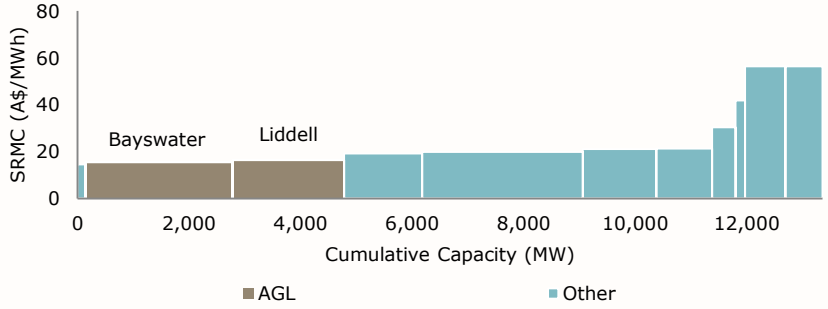
Lowest Cost Plant in VIC and NEM

VIC Thermal Merit Order (Ex. Carbon)



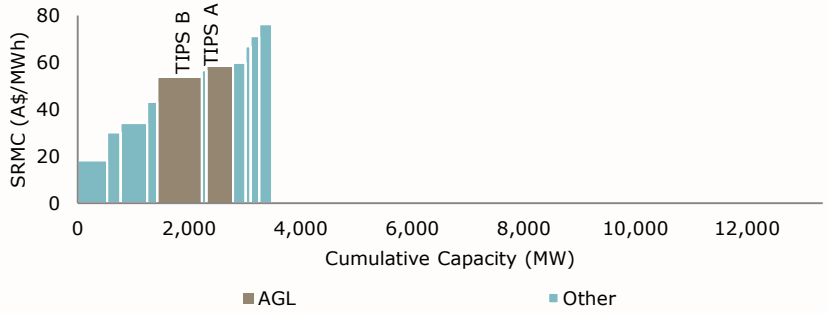
Lowest Cost Position of Scale in NSW, AGL's Largest Load Centre

NSW Thermal Merit Order (Ex. Carbon)



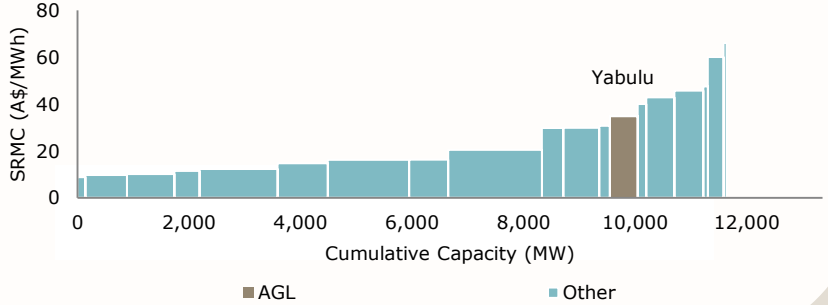
Significant Capacity Position in Peaky SA Market

SA Thermal Merit Order (Ex. Carbon)[1]



QLD Large Scale Generation Owned by Government

QLD Thermal Merit Order (Ex. Carbon)[2]



Source: AEMO 2013 Planning Studies – Existing Generator Technical Data Summary as at 23 May 2014. Real June 2013

1. Excludes plants with SRMC > $350/MWh including Angaston, Snuggery and Port Lincoln
2. Excludes plants with SRMC > $350/MWh including Mt Stuart and Mackay

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Leading integrated position in NEM

AGL will be the largest generator, well diversified across fuel sources.

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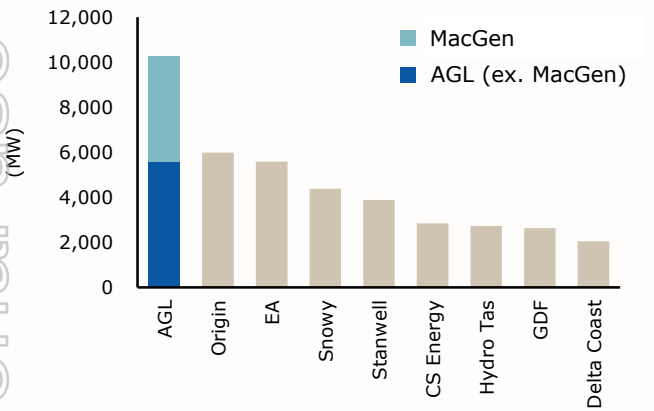
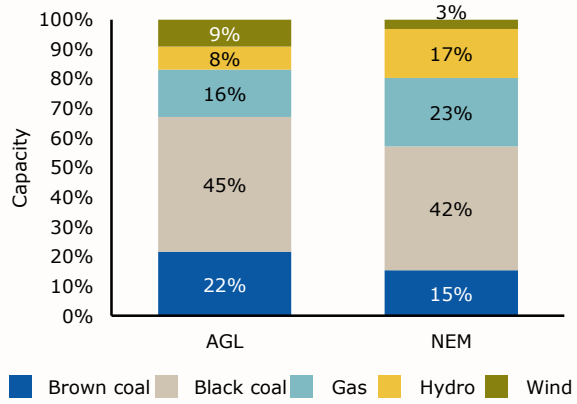
Largest Generator in the NEM[1]



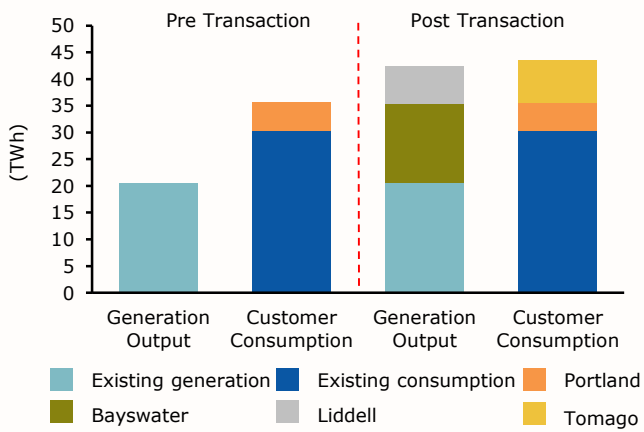
- Largest generation portfolio in the NEM
- Lowest cost position of major baseload generators in VIC and NSW

Diversified Generation Mix[2]



- Diversified fuel mix across renewables and fossil fuels
- Diversified mix across merit order – base, intermediate and peaking

Leading Hedge Position[3]



- Conservatively assumed only 65-75%[4] of MacGen capacity hedged
- NEM wide self supply of ~100% of sales volume

1. AEMO planning information as at 8 August 2014. Adjusted for Mitsui acquisition of 28% stake in certain GDF assets. Capacity ownership includes rights to long term offtake
2. AEMO planning information as at 8 August 2014 and company presentations
3. Company presentations and NSW Government dataroom. AGL customer consumption includes ActewAGL WESA volume of 2.4TWh
4. Assumes MacGen hedging strategy of N-3 (N is the number of generating units)

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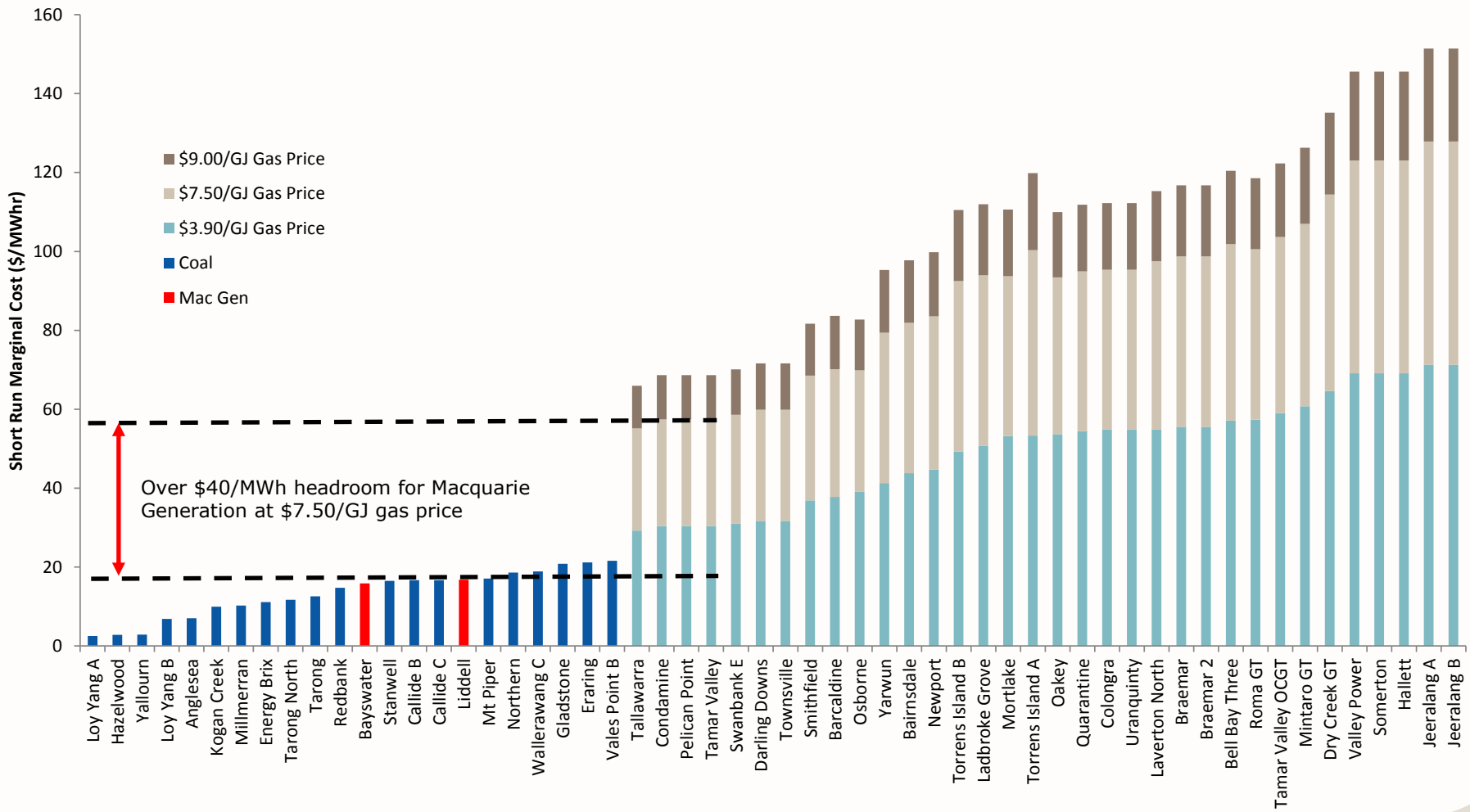
Rising gas price to alter generation cost stack[1]

Significant headroom emerging between coal and gas-fired generation[2,3].



Source: Carbon Intensity, Thermal Efficiency and Fuel Cost as per 2013 NTNDP Planning Assumptions

1. Short run marginal cost ($/MWh) of thermal plant in the National Electricity Market
2. Reflects differential long-term gas prices between States
3. AGL estimates

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NSW supply/demand balance set to improve

Declining gas generation to substantially impact supply.

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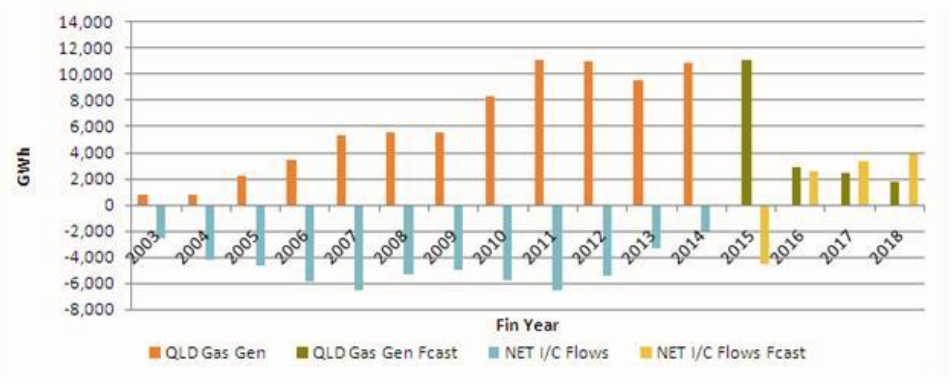
- NSW expected to shift from net importer to net exporter to Queensland
  - Increased demand in Queensland from LNG projects (~850 MW)
  - Reduction in ramp gas availability for Queensland generation as LNG projects commissioned
  - Queensland generators to significantly reduce gas generation output as fuel supply diverts to LNG projects and gas costs increase to LNG net-back (7 - 8 TWh pa)
  - NSW – Queensland Inter-connector flows to reverse from 200 MW into NSW to 300 MW exported. Net 500 MW swing in NSW generation output
- NSW supply withdrawals
  - Wallerawang unit 7 decommissioned, unit 8 mothballed in 2014[2] (total of 1,000 MW)
  - Reductions in NSW gas generation output expected as NEM wide gas price increases impact NEM gas generation fleet (~5800 MW baseload/intermediate gas generation in NEM)

QLD Gas Generation and Net QLD-NSW Interconnector Flows[1]



Gas Generation – Capacity and Capacity Factors FY14

Gas Generator	Max Cap (MW)	GWh	CF in FY14 (%)
Swanbank E	385	2,327	69.0%
Braemar 1	519	1,639	36.1%
Braemar 2	519	1,243	27.3%
Condamine	144	613	48.6%
Darling Downs	663	3,327	57.3%
Barcaldine	37	3	0.9%
Oakey	342	58	1.9%
Roma	84	68	9.2%
Yarwun	180	1,317	83.5%
Yabulu	258	271	12.0%
Tallawarra	460	3,280	81.4%
Smithfield	175	959	62.6%
Colongra	724	14	0.2%
Uranquinty	664	231	4.0%
Total	**5,154**	**15,350**	**34.0%**

1. AEMO market data from Infoserver
2. EnergyAustralia website

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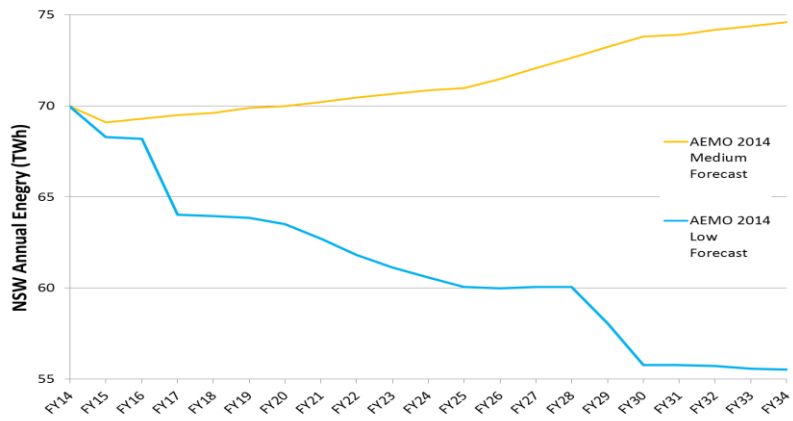
Acquisition model demand assumptions

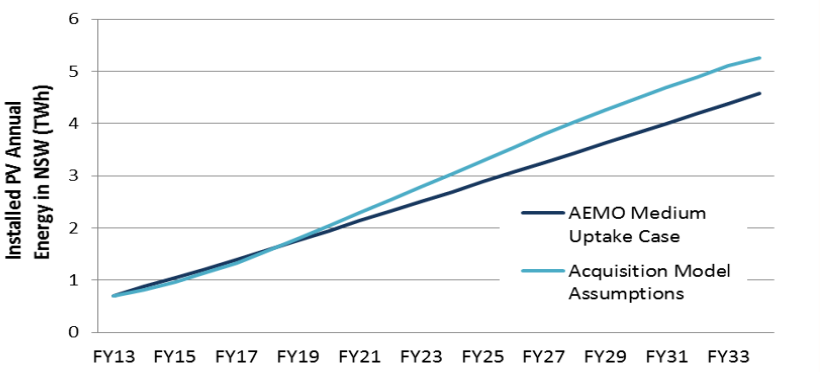
Assumes closure of Tomago smelter and strong solar PV uptake.

- Acquisition model demand assumptions are between AEMO 2014 medium and low forecasts
- Assumes Tomago aluminum smelter will cease operations in 2017 (8 TWh p.a.)
- Point Henry closure as announced (1.8 TWh p.a.)
- AEMO assumes 9.6% p.a. growth in NSW versus acquisition model at 10.6% p.a. for Solar PV growth
- Acquisition model energy efficiency assumptions similar to AEMO 2014 medium forecast
- RET assumed to remain at 41 TWh p.a. but timeframe extended
- Revised AEMO 2014 low forecast
  - Assumes 50% reduction in smelter loads
- Acquisition model assumes substantial reduction in gas fired generation output

NSW AEMO Demand (including impact of Solar PV) Projections[1]



Residential solar PV Uptake Projections[1]



1. AEMO's National Electricity Forecasting Report 2013 and 2014

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Compelling valuation and deal metrics

Long term coal contracts provide cost advantage in NSW.

- Purchase price includes significant value embedded within MacGen's:
  - Long-term, low cost coal contracts
  - Large existing coal stockpile and coal infrastructure
  - Strategic location in the Hunter Valley
- $160 million increase in the value of coal contracts since January 2014

Enterprise Value[1]	$m	1,548
Value of coal cost advantage		
Current contracted coal volume	Mt	104
Weighted average MacGen coal cost	$/t	32.6[2]
AEMO estimate of Eraring/Delta Coastal coal cost	$/t	41.0[2,3]
NPV of coal cost advantage	**$m**	**596**
Value of Acquired Stockpile		
Stockpile acquired	Mt	4.2
AEMO estimate of Eraring/Delta Coastal coal cost	$/t	41.0[2,3]
Value of acquired stockpile	**$m**	**172**
Value of MacGen fuel position	**$m**	**768**

	$m
Enterprise Value[1]	1,548
Value of MacGen coal cost advantage and stockpile	(768)
Adjusted enterprise value	**780**

Value allocated to

	$m	MW	$/KW
Bayswater	780	2,640	295
Liddell	0	2,000	0

1. Purchase price of $1,505m including $90m stamp duty, plus other transaction costs of $43m
2. Real 30 June 2014
3. Based on the rounded average of Eraring Energy and Delta Coastal fuel costs for FY2014 per the AEMO 2013 Planning Studies – Existing Generator Technical Data Summary as at 23 May 2014. Assumes average specific energy content of 21.5 GJ/t

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Valuation upside

Conservative valuation approach.

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- Tomago
  - Modelling assumes Tomago smelter shuts in 2017
  - Tomago is second quartile on global cost curve[1] and EBITDA positive at spot aluminium price[2]
  - Upside if Tomago continues beyond 2017
- Liddell
  - Capex plan includes all spending needed to enable Liddell plant to reach technical life of 2022
  - Modelled return assumes that Tomago shutting results in economic shut down of Liddell in 2017
  - Upside if Liddell can operate economically beyond 2017
- Renewable Energy Target (RET)
  - No reduction in RET target of 41 TWh assumed – some delay in implementation
  - Upside if RET scaled back to 20% of latest demand forecasts
- Coal
  - Whole of market modeling assumes competitor coal contracts are lower than 2014 AEMO/ACIL fuel and technology review
  - Upside to the extent cost of new coal contracts are higher, pushing up competitor marginal costs
- Other conservative assumptions
  - Negligible synergy benefits assumed
  - Demand forecast between latest AEMO low demand and medium demand cases
  - Plant availability stabilised following capex spend of ~$404 million over first 4 years

1. Based on WoodMac estimates
2. Calculation based upon CSR FY14 investor presentation (14 May 2014) and latest aluminium spot price as per slide 27

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Wholesale electricity markets

Futures market thinly traded.

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- Electricity forward curve for FY2014/15-16/17 has dropped from February 2014 to August by ~$4 MWh
  - Effect for MacGen is partially offset by lower coal cost
- EPS accretion statement and valuation is based upon observable forward curve until Q4 2017
- Wholesale electricity prices are expected to rise as coal prices for other NSW generators increase and gas fuel costs increase
- Sydney Futures Exchange is thinly traded beyond Calendar Year 2015
  - Calendar Year 2016 trades only represent approx 10% of total market volumes[1]
- Combined AGL/MacGen position is largely hedged in early years
  - Only approximately 6 TWh in FY15 and 7 TWh in FY16 exposed to market prices
  - There has been significant counter-party interest in large hedging contracts with MacGen

1. Calculated as total volume of Calendar Year 2016 swap and cap volume traded on ASX24 as a percentage of NSW sent-out load in Financial Year 2013/14

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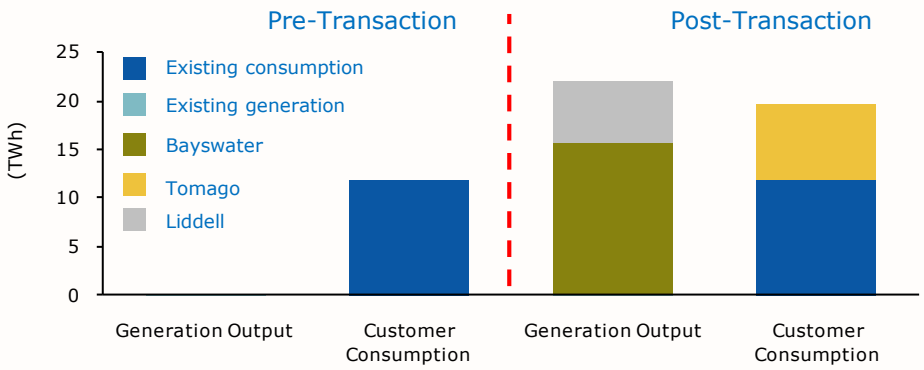
Improved risk management

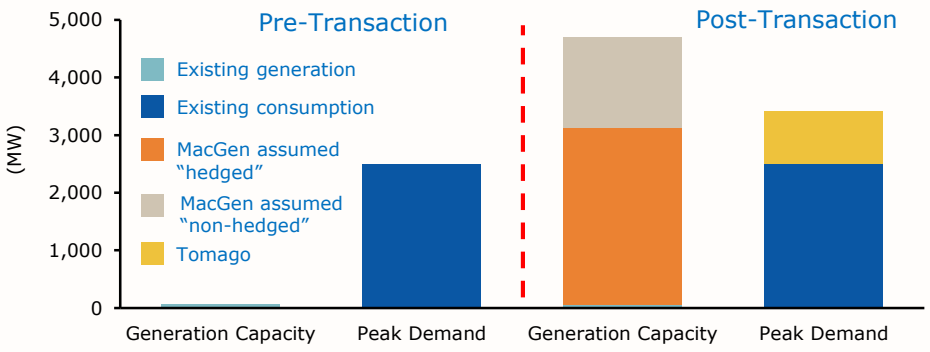
Low cost physical generation in NSW provides more balanced hedging.

- Provides physical capacity in AGL's largest load centre
  - ~8.8 TWh p.a. and 820k customers
  - Plus ~2.4 TWh p.a. supplied to ActewAGL
- Negligible NSW generation capacity pre-transaction
  - Transaction reduces inter-regional risk
  - NSW position currently managed by Loy Yang A and third party contracts
- Reduces requirement for buying hedges in NSW
  - Face value of hedges ~$500m p.a.
- Long generation in NSW, however broader portfolio capable of accommodating MacGen output
  - Conservatively assumed only 65-75%[3] of MacGen capacity hedged

NSW Generation Output Profile[1]



NSW Capacity Profile[2]



1. Company presentations and NSW Government dataroom. AGL customer consumption includes ActewAGL WESA volume of 2.3 TWh
2. AEMO planning information as at 8 August 2014 and company presentations
3. Assumes MacGen hedging strategy of N-3 (N is the number of generating units)

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Asset Overview

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Overview of MacGen

MacGen is one of the lowest cost generators in NSW.

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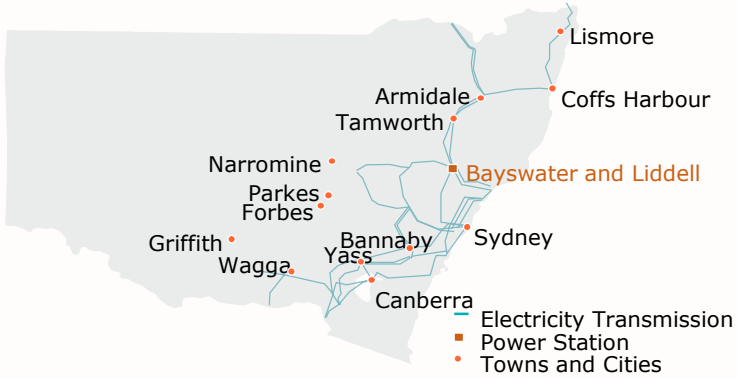
Overview

- MacGen comprises two black coal fired power stations, located in the NSW Hunter Valley
  - Bayswater (2,640 MW)
  - Liddell (2,000 MW)
  - Coal is delivered via rail unloader and conveyor
  - Coal contracts in place with local mines to cover substantially all coal needs to 2025
  - Annual water entitlements exceed 130% of typical use with ample onsite storage
- MacGen package of assets also includes:
  - Hunter Valley Gas Turbines (2 x 25 MW oil-fired gas turbines) predominantly used for "Black Start" services
  - Bayswater B and Tomago development sites
  - Liddell solar farm
- MacGen employs ~660 FTE [1]

Location



Key Metrics

	Bayswater	Liddell
Nameplate Capacity	2,640 MW	2,000 MW
Commissioned	1985–1986	1971-1973
End of Technical Life	2035	2022
Fuel Type	Black Coal	Black Coal
% installed capacity in NSW	17%	13%
% installed capacity in NEM	6%	5%
Coal Consumption	c. 8.0 Mtpa	c. 3.0 Mtpa

1. CEO Monthly Business Review June 2014

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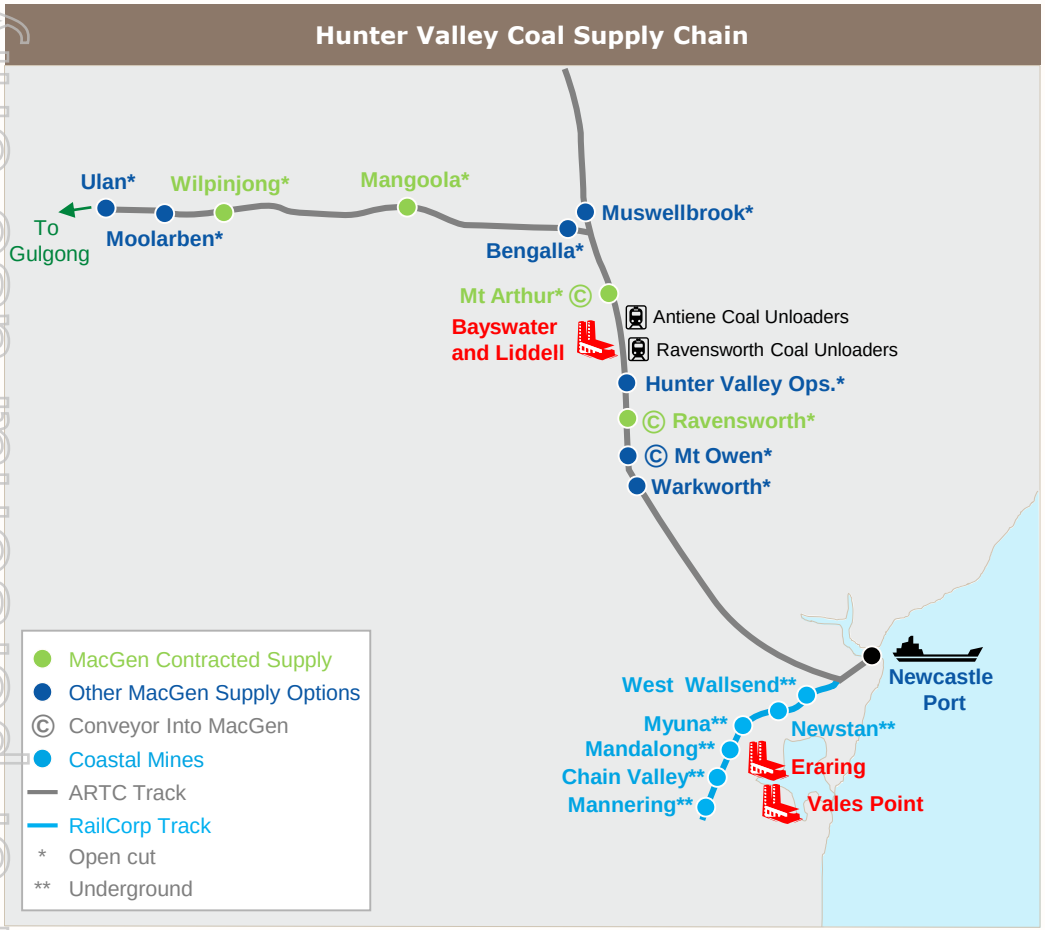
Well-located with significant coal infrastructure

MacGen has multiple and low cost recontracting options post 2025.



MacGen:

- Access to multiple, low cost coal supply sources - not captive to any mine / supplier
- Significant coal delivery infrastructure
  - Antiene (15 Mtpa) and Ravensworth (8 Mtpa) rail unloaders
  - 3 conveyors
- Direct connection to ARTC network

Coastal generators:

- Source coal from underground mines
- Large scale rail deliveries likely to require substantial rail-loop and coal unloader upgrades

Source: Wood Mackenzie (WM) and NSW Government dataroom

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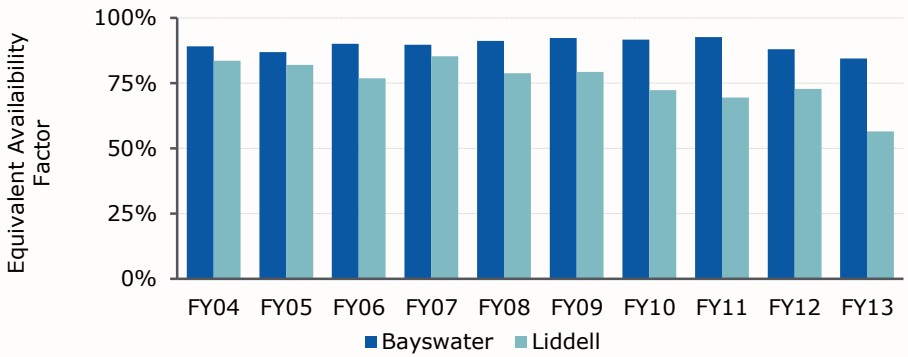
Operational performance improvement

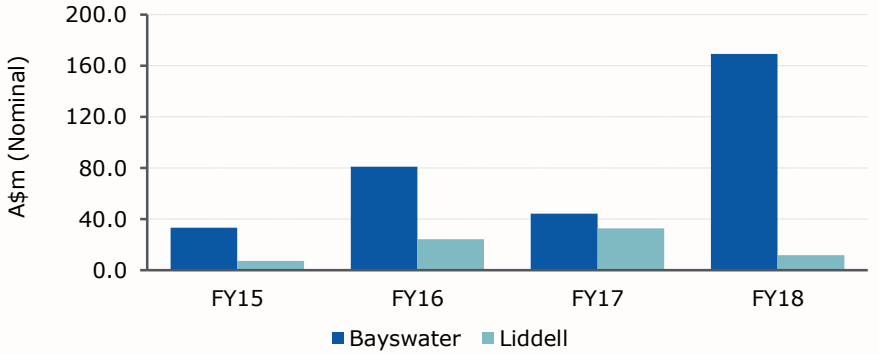
Opportunity to improve plant availability.

- AGL has developed a whole of life technical strategy which is focused on:
  - Securing the long term future of Bayswater until at least 2035
  - Managing Liddell's asset life through optimising its capital program
- Reverse deteriorating availability trend at both plants since 2007
  - Inadequate maintenance budgets given introduction of low cost high ash coal
  - Liddell has experienced several major generator failures
- Revised maintenance plan and increased capex
  - $328 million of capex in first 4 years at Bayswater targeting boilers and turbines on all units and major control system upgrade
  - $76 million of capex in first 4 years at Liddell enabling the plant to run to the end of its technical life in 2022

MacGen Historical Availability[1]



Expected Near Term Capital Program[2,3]



Source: NSW Government dataroom and AGL forecasts
1. Macquarie Generation annual reports
2. FY2015 represents 3 quarters from 1-Oct-2014 to 30-Jun-2015
3. FY2018 includes 6 months of Liddell power station

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Tomago aluminium smelter

Electricity contracts in place until 2028.

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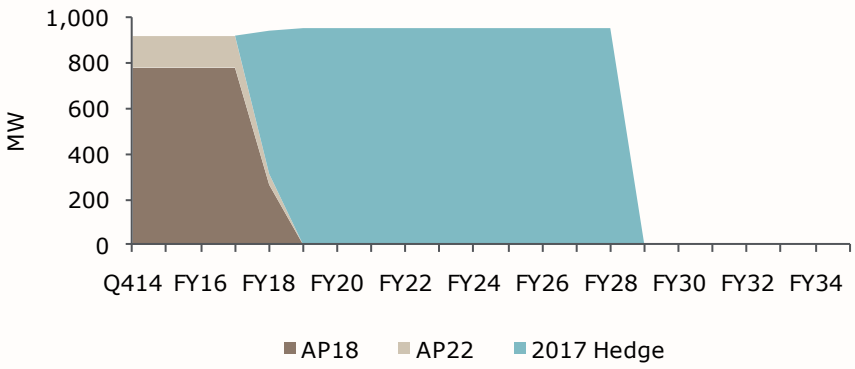
Tomago Overview

- Efficient producer with cost in global second quartile[1]
- Aluminium production of 542kt in FY13[2]
- CSR's FY14 EBITDA of $402/t[3] on share of production
- Assumed that Tomago closes in 2017[4]

Contract Overview

- MacGen is party to three contracts with Tomago:
  - AP18 and AP22 are in effect until November 2017
  - 2017 Hedge commences in November 2017 at significantly higher price
    - CSR estimates cash costs will increase by A$230/t[5]
- Baseload volume over life of contracts is ~900 MW
- Tomago ownership: Pacific Aluminium 51.55%; Gove Aluminium[6] 36.05%; Hydro Aluminium 12.40%

Tomago Load Profile



1. Source: WM. Cost curves for year ending 31 Dec 2014 based on Q2 2014 data . Assumes A$:US$ FX rate of 0.91
2. NSW Government dataroom
3. CSR FY14 investor presentation (14 May 2014), includes CSR hedges
4. AGL acquisition assumption
5. CSR 1H14 investor presentation (dated 13 November 2013)
6. Gove Aluminium ownership: CSR (70%) and AMP (30%)

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Tomago aluminium smelter

Tomago attractive cost relative to other smelters globally.

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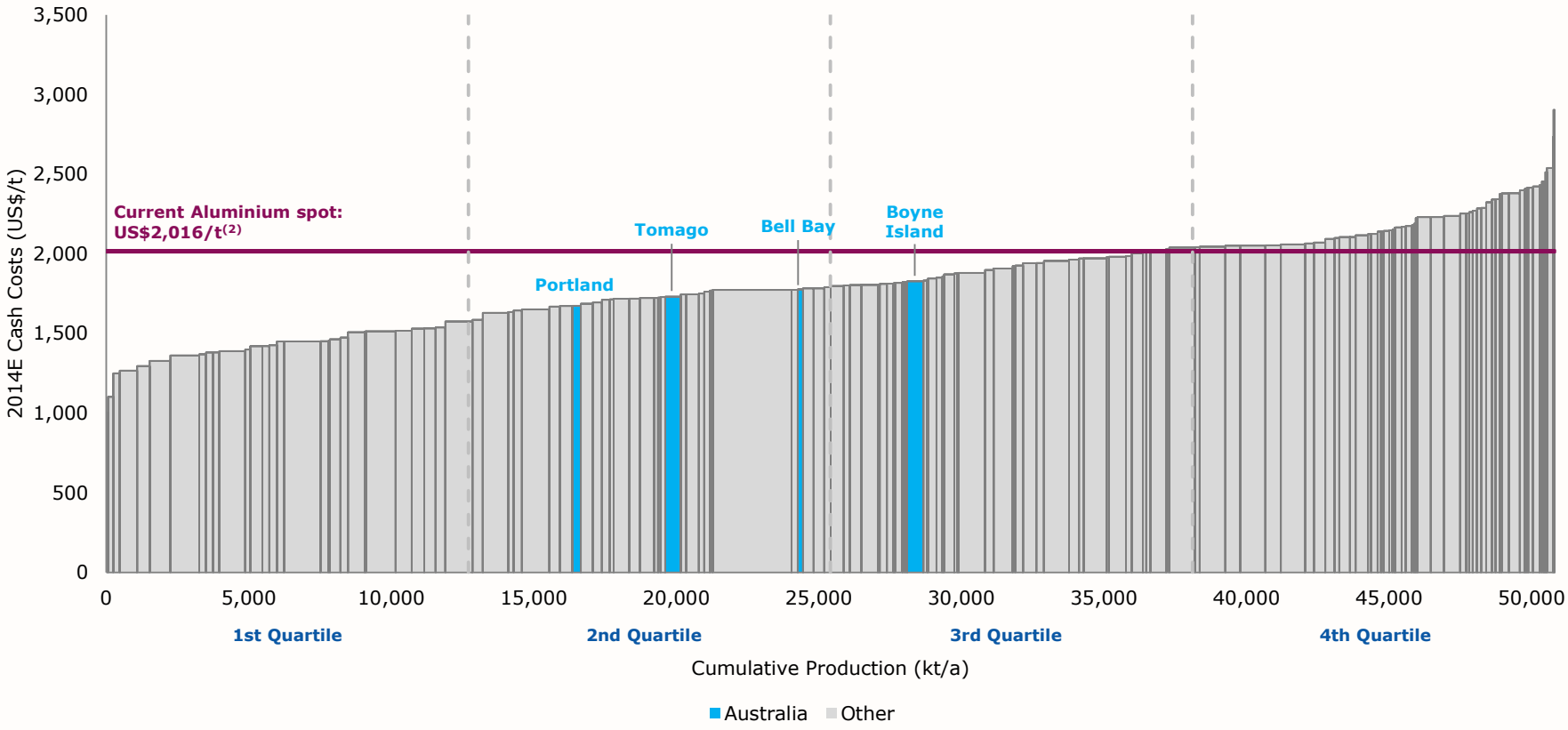
2014 Global Aluminium Cost Curve at A$:US$ 0.91[1]



- **Macquarie Generation Acquisition**
- 20 August 2014
- AGL External

Source: WM, IRESS
Cash cost curves for year ending 31 December 2014 based on latest Q2 2014 data
1. A$:US$ FX rate assumed in WM data
2. Aluminium 3-mth spot price as at 23 July 2014

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Transaction Funding and Financial Impacts

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Transaction funding

Funding mix designed to maintain BBB credit rating.

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- Acquisition funding of $1,582 million:
  - $1,232 million equity
  - $350 million debt
  - Funding mix of 22:78 Debt:Equity strengthens credit metrics
- Fully underwritten accelerated renounceable entitlement offer launched today
  - New shares issued will rank equally in all respects with existing shares from the date of allotment but will not be entitled to the current final dividend of 33.0 cents per share
- AGL expects that upon completion of funding AGL's BBB rating will be reaffirmed

Sources ($m)		Uses ($m)	
Entitlement Offer	1,232	Acquisition of Assets	1,505
Debt	350	Transaction costs	43
		Additional liquidity	34
Total sources	**1,582**	**Total uses**	**1,582**

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Pro forma combined Balance Sheet

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($m)	AGL Reported 30 June 2014[1]	Pro forma Acquisition Balance Sheet[2]	Pro forma Acquisition Adjustments[2,3]	Pro forma funding for acquisition	Pro forma Combined Balance Sheet
Current assets					
Cash and cash equivalents	456	-	(1,528)	1,528	456
Other financial assets	114	57	(41)	-	130
Other current assets	2,682	379	(2)	-	3,059
Total current assets	**3,252**	**436**	**(1,571)**	**1,528**	**3,645**
Non-current assets					
Property, plant & equipment	5,694	1,412	-	-	7,106
Intangible assets	3,248	10	-	-	3,258
Other financial assets	484	37	-	-	521
Other non-current assets	1,297	65	(12)	-	1,350
Total non-current assets	**10,723**	**1,524**	**(12)**	**-**	**12,235**
Total assets	**13,975**	**1,960**	**(1,583)**	**1,528**	**15,880**
Current liabilities					
Trade and other payables	1,258	58	(2)	-	1,314
Borrowings	45	-	-	-	45
Other financial liabilities	477	25	(41)	-	461
Other current liabilities	227	48	-	105	380
Total current liabilities	**2,007**	**131**	**(43)**	**105**	**2,200**
Non-current liabilities					
Borrowings	3,669	-	-	204	3,873
Other financial liabilities	280	135	-	-	415
Other non-current liabilities	431	279	(7)	-	703
Total non-current liabilities	**4,380**	**414**	**(7)**	**204**	**4,991**
Total liabilities	**6,387**	**545**	**(50)**	**309**	**7,191**
Net assets	**7,588**	**1,415**	**(1,533)**	**1,219**	**8,689**
Equity					
Issued capital	5,437	-	-	1,219	6,656
Reserves	(99)	-	29	-	(70)
Non-controlling interests	1	-	-	-	1
Retained earnings	2,249	-	(147)	-	2,102
Total equity	**7,588**	**-**	**(118)**	**1,219**	**8,689**

1. Source: AGL Energy Limited Financial Report for the year ended 30 June 2014
2. The total of column "Pro forma Acquisition Balance Sheet" and "Pro forma Acquisition Adjustments" reflects the proposed accounting entries required for the acquisition of MacGen. These have been shown separately here for clarity
3. Further description of the material pro forma adjustments are set out on slide 78

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Accounting on acquisition

$156 million to be booked as significant items in FY15.

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- Enterprise value of $1,548 million made up of:
  - $1,505 million purchase price[1]
  - $43 million transaction costs:
    - $23 million before tax of advisory fees
    - $20 million before tax of funding costs

- Acquisition accounting will result in a post-tax significant item of $156 million made up of:
  - $90 million stamp duty (non deductable)
  - $16 million after tax of advisory fees
  - $41 million after tax for elimination of derivative contracts between MacGen and AGL
  - $9 million (estimated) of post-tax integration costs expected to be incurred post acquisition and included in significant items

1. Purchase price including $90m stamp

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Underlying Profit[1] outlook

Transaction expected to be accretive to Underlying EPS.

- MacGen acquisition is expected to be accretive to Underlying EPS for FY15[2,3] and to generate substantial future operating cashflows
  - Transaction completion early September 2014
  - For the period ending 30 June 2015, MacGen is then expected to contribute:
    - Underlying Profit including funding costs of ~$75 million
    - Underlying operating cash flow before interest and tax of ~$150 million
    - Based on current market wholesale electricity prices[4]
- FY15 Guidance to be provided at Annual General Meeting on 23 October 2014
- Progressive dividend policy is expected to be maintained[5]
  - FY15 dividends on the expanded share capital expected to be fully franked

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1. Refer to slide 76 for definition of Underlying Profit
2. Assuming normal trading conditions
3. TERP adjustmed, refer to slide 76 for key underlying assumptions
4. Refer to slide 76 for key underlying assumptions
5. Dividends are determined by the Board on a semi annual basis. Assumes normal course of business

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Entitlement offer overview

Offer Size	> 1 for 5 pro-rata accelerated renounceable entitlement offer[1] with retail rights trading to raise approximately $1,232 million > Approximately 112 million new AGL ordinary shares to be issued (c.20% of issued capital)
Offer Price	> $11.00 per new share » 23.3% discount to last closing price[2] of $14.68 per share » 20.2% discount to the TERP[3]
Institutional Entitlement Offer	> Institutional Entitlement Offer open from 20 August 2014 to 21 August 2014 > Entitlements not taken up and entitlements of ineligible institutional shareholders will be placed into the Institutional Bookbuild to be conducted on 22 August 2014
Retail Entitlement Offer	> Retail Entitlement Offer open from 26 August 2014 to 15 September 2014 > Retail entitlements trade on the ASX from 25 August 2014 to 8 September 2014[4] > Entitlements not taken up and entitlements of ineligible retail shareholders will be placed into the Retail Bookbuild to be conducted on 18 September 2014
Dividends	> New shares issued will rank equally in all respects with existing shares from the date of allotment but will not be entitled to the current final dividend of 33.0 cents per share
Record date	> 7.00pm (Sydney time) on 25 August 2014

1. Fractional Entitlements will be rounded up to the nearest whole number of shares
2. As at close Tuesday, 19 August 2014 adjusted for the FY14 final dividend of 33.0 cents
3. The Theoretical Ex-Rights Price (TERP) 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 entitlement offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP price adjusted for the FY14 final dividend of 33.0 cents per share
4. Refer to slide 74 for information on restrictions on eligibility criteria to exercise entitlements

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Offer timetable

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Event	Date
Trading halt, Institutional Entitlement Offer opens	Wed, 20 August 2014
Institutional Entitlement Offer closes	Thu, 21 August 2014
Institutional shortfall bookbuild	Fri, 22 August 2014
Existing shares recommence trading on ASX	Mon, 25 August 2014
Retail Entitlements commence trading on deferred settlement basis	Mon, 25 August 2014
Record Date	7pm Mon, 25 August 2014
Retail Entitlement Offer opens	Tue, 26 August 2014
Retail Offer Booklet despatched and Retail Entitlements allotted	Fri, 29 August 2014
Retail Entitlements commence trading on normal settlement basis	Mon, 1 September 2014
Settlement of the Institutional Entitlement Offer	Mon, 1 September 2014
Issue and quotation of new shares under the Institutional Entitlement Offer	Tue, 2 September 2014
Retail Entitlements trading on ASX ends	Mon, 8 September 2014
Retail Entitlement Offer closes	5pm Mon, 15 September 2014
Retail shortfall bookbuild	Thu, 18 September 2014
Settlement of the Retail Entitlement Offer	Wed, 24 September 2014
Issue of new shares under the Retail Entitlement Offer	Thu, 25 September 2014
New shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Fri, 26 September 2014

The above timetable is indicative only and subject to change. All references to Sydney time. AGL reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

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Conclusion

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Summary

MacGen acquisition is another major step in AGL's strategy.

- Delivers ownership of the two lowest cost large scale baseload generators in New South Wales
- AGL will have the largest and most competitive generation portfolio in Australia
  - Increases AGL registered generation capacity to ~10,400 MW[1]
- Improved risk management capability
- Conservative valuation approach adopted
- Extensive due diligence process undertaken
- AGL's experience and track record on asset integration and operational expertise will be applied to MacGen
  - Opportunity to improve availability and reliability at both Bayswater and Liddell
- Retains strong balance sheet post-completion of funding initiatives
- Expected strong cashflows to support future capital expenditure and dividends

Acquisition immediately accretive to Underlying EPS in FY15[2]

1. Includes ~150 MW of generation under construction including AGL Solar
2. Refer to slide 76 for key underlying assumptions

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Supporting slides

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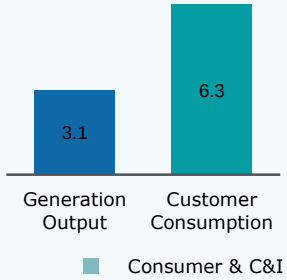
Leading integrated position in NEM

AGL now has further substantial low cost physical hedge positions.

SA Hedge Position (TWh)[1]

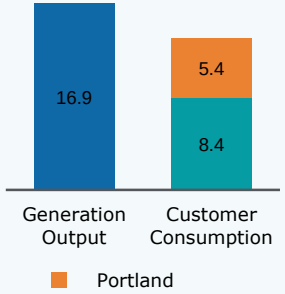
Well balanced position, with peak protection



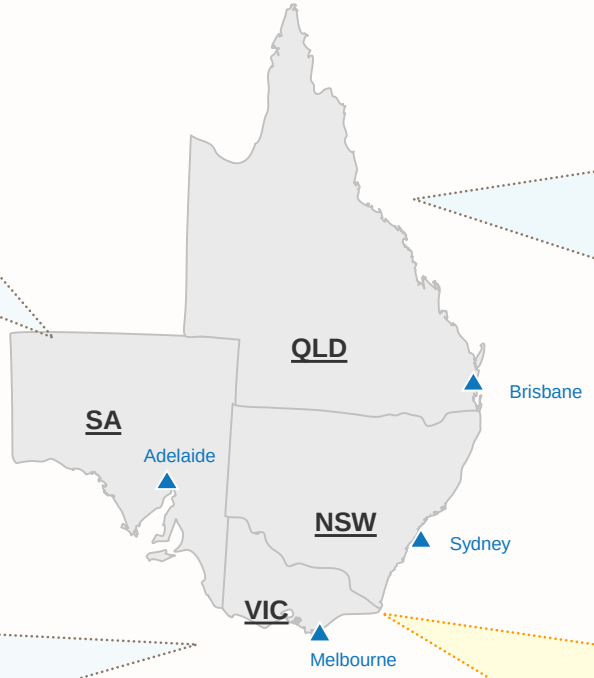
- Retail Market Share: 50.8%[2]
- Substantial gas capacity position balanced with renewable portfolio

VIC Hedge Position (TWh)[1, 3]

Material retail cover via Loy Yang

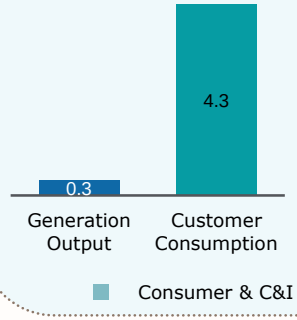


- Retail Market Share: 24.5%[2]
- Loy Yang A provides lowest cost physical hedge in the market



QLD Hedge Position (TWh)[1, 3]

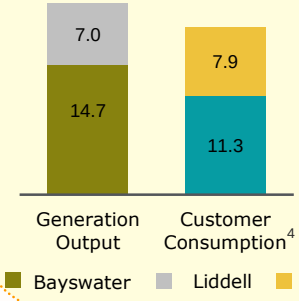
Retail cover largely procured from Govt. owned generation



- Retail Market Share: 28.5%[2]
- Well positioned to participate in future privatisation

NSW Hedge Position (TWh)[1, 3]

MacGen covers AGL's load in NSW



- Retail Market Share: 24.1%[2]
- MacGen provides substantial load cover at low cost
- Less reliance on interregional energy from VIC

Source: Company reports and NSW Government dataroom

1. Generation output represents annual output for financial year end 2014 inclusive of APG
2. Retail market shares based on electricity customer numbers as at June 2014 inclusive of APG. Queensland Retail market share based on South East Queensland market
3. QLD, VIC and NSW customer consumption inclusive of APG
4. NSW customer consumption includes ActewAGL WESA volume of 2.4 TWh

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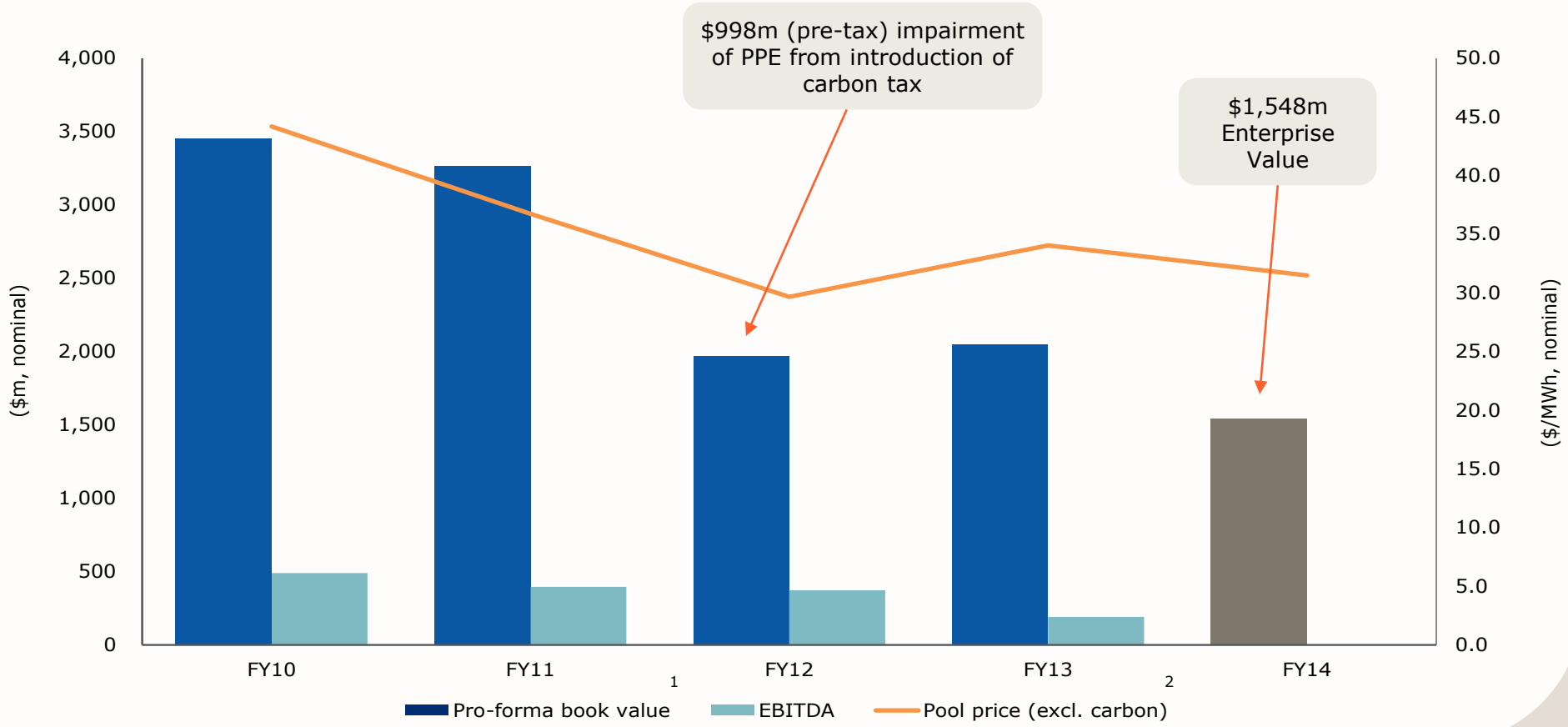
Evolution of MacGen valuation

MacGen impaired PPE by $998m following introduction of carbon tax.

- AGL is acquiring MacGen at a cost of $1,548 million
- Value written down by ~$1.8 billion in the preceding five years



Source: Macquarie Generation financial statements and AEMO

1. Book value pro-forma for effect of transaction. Adjustments include removal of cash and debt balance, tax balances, carbon tax balances, insurance, dividends provisions and other current assets
2. FY14 pool price adjusted for carbon based on a carbon price of $24.15/t and a NSW ACI of 0.86047

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Water entitlements provide security of supply

Significant water entitlements and storage capacity.

- MacGen has significant water entitlements and storage capacity
  - Annual water consumption of 61 GL
  - Max annual entitlements of 106 GL
  - Total storage capacity of 1,251 GL
- Water allocations in excess of 130% of typical use[1] plus on/offsite storage
  - Designed to facilitate 80% capacity factor which is materially above historical levels
  - Operated successfully through 2000 to 2007 drought
- Storage levels currently 90% or greater
  - Onsite stored volumes equivalent to ~3 years' usage[2]

MacGen Annual Water Entitlements

Name	Annual Entitlement (GL)
Major Utility Access License	36
Supplementary Access License	36 (subject to flows)
Barnard River Scheme	30 (max.)
Other	4
Max. annual entitlement	106

Significant Storage Capacity

Name	Location	Capacity (GL)
Glenbawn	Offsite	750
Glennies Creek	Offsite	283
Lake Liddell	Onsite	150
Plashett Dam	Onsite	64
Freshwater Dam	Onsite	4
Total		1,251

1. Based on capacity factors of 80% and 70% for Bayswater and Liddell respectively
2. After factoring potential issues to access offsite storage

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Tribunal conditions

Return metrics not affected.

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- Application to Tribunal: AGL requested that the Tribunal authorise the transaction subject to certain conditions (Conditions)
- Tribunal's Judgment: States that the Conditions had "not been critical" to the Tribunal reaching its view but were accepted as providing further additional comfort to address concerns expressed by some smaller retailers
- Summary of Conditions:
  - Offer: AGL must offer, or enter into, a prescribed quantity of ETF or OTC hedge contracts (directly with a Retailer or via a broker) for a period of 6.5 years commencing 6 months after completion;
  - Quantity: Prescribed quantity begins at 250 MW (in each trading interval), rising to 500 MW (in each trading interval) after the first 26 weeks;
  - Recipient of Offers**:** NSW retailers (other than AGL, EA or Origin)
  - Price: If directly approached by a retailer, price must be no more than the higher of:
    - $0.75 above (in $/MWh) the most recent trading day's clearing price for the equivalent ETF product before the day the offer was made; and
    - the price of the last trade on the futures exchange for which AGL was not a party.
- Outcome:
  - Minimal effect on forecast financial return
  - Offering generation capacity to third parties is assumed in investment base case

1. A copy of the Undertakings is available at www.judgments.fedcourt.gov.au/judgments/Judgments/tribunals

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Industrial relations

EBA in place for next three years.

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- EBA operating until December 2016
  - Covers ~90% of employees
  - 3.5% annual wage increase
  - Four year employment guarantees and protection under sale transaction
- MacGen has historically enjoyed a stable and consultative engagement framework with all unions
- AGL already manages a large EBA workforce

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Low cost position in NEM

Leading generation portfolio with low cost positions across the NEM.

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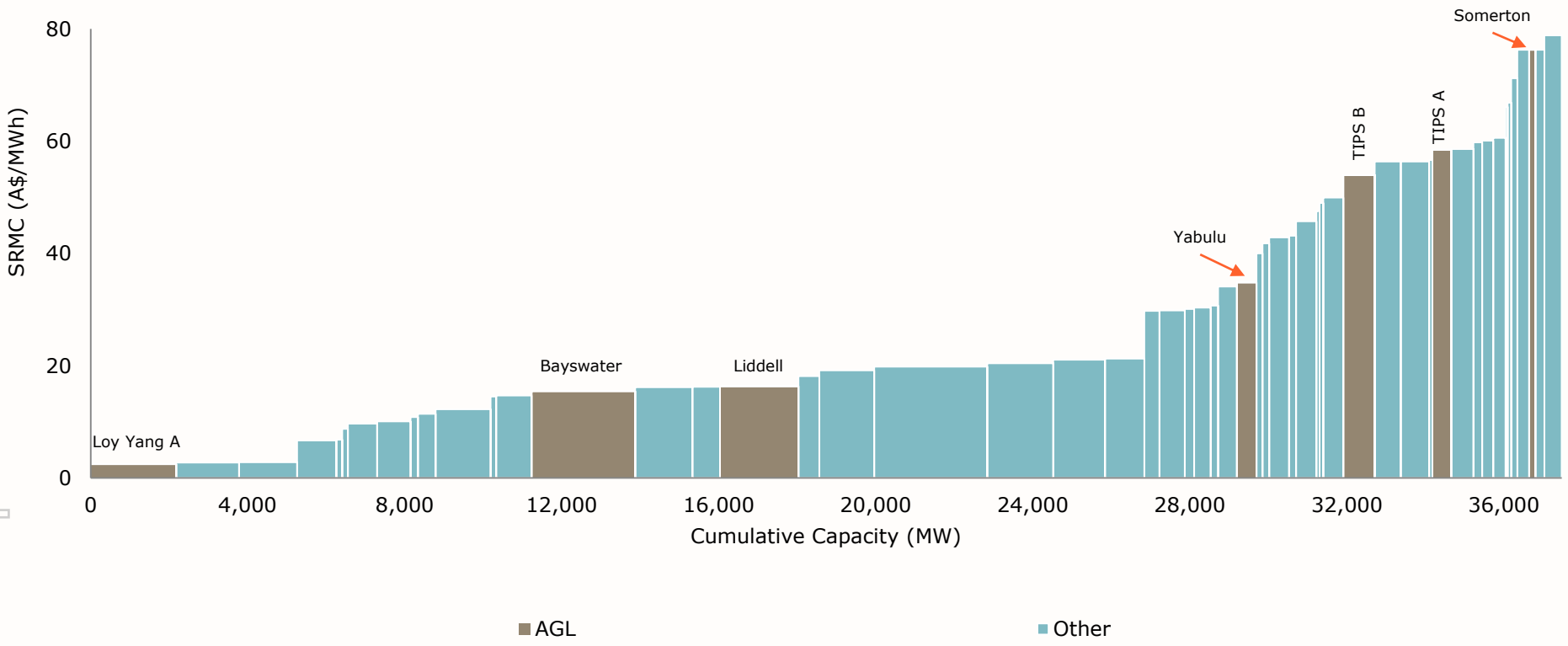
NEM Thermal Merit Order (Carbon Exclusive)[1,2]



1. Source: AEMO 2013 Planning Studies – Existing Generator technical Data Summary as at 23 May 2014. Real June 2013
2. Excludes plants with SRMC > $350/MWh including Angaston, Snuggery, Port Lincoln, Mt Stuart and Mackay

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Key Risks

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Key risks

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1.0 Introduction

Investors should be aware that there are risks associated with an investment in AGL.

Some of the principal factors which may, either individually or in combination, affect the future operating performance of AGL are set out below. Some are specific to an investment in AGL, the New Shares and the proposed acquisition of MacGen, whilst others are of a more general nature.

The summary of risks below is not exhaustive, and this Presentation does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties that AGL is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of AGL, the New Shares and/or MacGen.

It is important for Shareholders and investors, before taking up the Entitlement Offer or investing in AGL, to read and understand the entire Presentation and to carefully consider these risks and uncertainties. You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest.

2.0 Risks Associated with AGL

The future operating performance of AGL and the value of the investment in the New Shares may be affected by risks relating to AGL's business. Some of these risks are specific to AGL while others relate to the general industry in which AGL operates and economic conditions. Where practicable, AGL seeks to implement risk mitigation strategies to minimise the exposure to some of the risks outlined, although there can be no assurance that such arrangements will fully protect AGL from such risks. Failure to effectively mitigate these risks could result in a reduction in AGL's profits and deterioration in AGL's financial position.

2.1 Electricity market

AGL is exposed to the risk of significant financial loss arising from exposure to volatility and variability in the wholesale electricity market.

Underperformance in the wholesale electricity market would be most likely to result from a failure to manage an appropriate and profitable balance between energy supply and demand. Components of this risk include:

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Key risks (cont.)

Downturn in consumption – Levels of energy usage may be adversely affected by a number of economic, social, environmental, regulatory and industry specific conditions outside AGL's control. Levels of energy usage may also be affected by future technological developments allowing customers to better manage their energy needs, or by customers reducing energy consumption or generating energy themselves. A general economic downturn may reduce the business activity and energy usage of some customers. Industrial customers may be sensitive to factors specific to their own industry, which may lead to a reduction in their energy consumption or even closure of their operations;

Credit risk – AGL's financial performance is partially dependent on counterparties to contracts satisfying their contractual obligations (whether financial or otherwise). There is a risk that AGL's counterparties may be unable to meet their obligations and there is no guarantee of AGL being able to obtain damages sufficient to compensate it for its losses arising as a result;

Energy supply and operating risk – AGL partially relies on electricity generated from electricity generation assets that it owns or controls to manage the wholesale cost of electricity. There is a risk that some of these assets may not be available for use when required or unable to export electricity generated due to machinery break down, fire, adverse weather, industrial relations disputes, natural disasters, catastrophic events, transmission failures or other unplanned outages; and

Price risk – AGL operates in wholesale electricity markets and as such has direct and indirect exposure to wholesale electricity prices. AGL generates electricity from owned and controlled assets as well as managing electricity price risk via hedging contracts and other risk management instruments. Wholesale electricity prices can vary significantly between half hour pricing intervals, and can be influenced by many independent and interdependent factors, including electricity generation costs, weather, customer demand and behaviour, competitive behaviour of retailers and generators, availability of supply, actions of the market operator, and interpretation of the market rules by the market operator as well as by changes in market rules. AGL's Merchant Energy business also procures additional hedge cover through contracts with third parties and other risk management instruments to manage this exposure, but there is the risk that the hedges may not be effective or may not provide a balanced position with respect to AGL's exposure to price risks, whether because of unexpected events (including weather events or loss or reduction of electricity interconnections between states), unavailability of hedges (at all or on acceptable pricing and terms), error (whether forecasting, hedging or trading), or other reasons.

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Key risks (cont.)

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2.2 Gas market

AGL is exposed to the risk of significant financial loss arising from exposure to physical wholesale gas markets (including risks of failure to receive and/or failure to supply) as well as exposure to the spot market for gas. AGL has a substantial gas portfolio requirement – for its customers, and for its own electricity generation requirements. Some of the risks associated with this portfolio are:

The inability to supply gas to meet market and own requirements – there is a risk that natural gas supplies may be interrupted unexpectedly and without prior warning for an indeterminate period due to problems at the gas fields or processing plants, or at the pipelines connecting the gas fields to AGL's markets;

Development of upstream reserves – changes in commodity prices as well as fiscal and other laws or regulations could adversely affect the economic viability of reserves development and production for both AGL (in respect of its own upstream development and production) and the counterparties from whom AGL purchases gas. Other risks include undeveloped reserves and resources not proceeding to development or developed reserves not being ultimately recovered, production volume and operating cost uncertainty, operational integrity of sub-surface equipment and surface processing, storage and pipeline infrastructure, and end-of-life remediation costs that exceed what has been provided for;

Price risk – AGL is exposed to pricing risk through its long term gas supply arrangements, some of which have price review clauses at regular intervals over the term of the contracts. Price rises may not be able to be fully passed on to customers, including because of contractual restrictions and regulation of the price of gas sold to some residential and small commercial and industrial customers. AGL's Merchant Energy business also procures additional hedge cover through contracts with third parties and other risk management instruments to manage this exposure, but there is the risk that the hedges may not be effective or may not provide a balanced position with respect to AGL's exposure to price risks, whether because of unexpected events (including weather events), unavailability of hedges at all or on acceptable pricing, forecasting, hedging or trading error, or other reasons;

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Key risks (cont.)

Compliance risk and contractual and other requirements in complex wholesale gas market operations – the price of gas sold to some residential and small commercial and industrial customers is fixed by regulation whereas AGL sources gas to fulfil customer demand either through highly regulated upstream gas development projects or through unregulated, competitive wholesale contractual arrangements. As such, there is a risk that AGL is unable to pass-through all costs associated with delivering gas to the end consumer; and

Credit risk – AGL's financial performance is partially dependent on counterparties to contracts satisfying their contractual obligations (whether financial or otherwise). There is a risk that AGL's counterparties may be unable to meet their obligations and there is no guarantee of AGL being able to obtain damages sufficient to compensate it for its losses arising as a result.

2.3 Environmental markets

AGL is exposed to the risk of significant financial loss arising from exposure to volatility and variability in existing and emerging environmental markets or from not meeting mandatory obligations. AGL is required to comply with a range of regulations intended to reduce carbon emissions and increase the proportion of renewable electricity generation. In general, the costs of complying with climate change regulations, including the renewable energy target, are recovered from customers. However, there is a risk that retail price regulation, market forces and contract terms limit the ability of AGL to fully pass these costs through to customers. There are many other state, national and international markets and obligations, the most material being:

- the Renewable Energy Target (RET), including the:
  - Large-Scale Renewable Energy Target Scheme (LRETS);
  - Small-Scale Renewable Energy Scheme (SRES);
- National Greenhouse & Energy Reporting (NGER); and
- the Energy Efficiency Opportunity (EEO) program.

There is currently a review of the Renewable Energy Target being conducted by a panel appointed by the Commonwealth Government. Furthermore, the Climate Change Authority is required to conduct a statutory review of the policy before the end of 2014. These reviews may result in changes to the policy being recommended and possibly adopted by the Commonwealth Parliament. Legislation is currently before Commonwealth Parliament which would retrospectively repeal the EEO Program as at 30 June 2014.

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Key risks (cont.)

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2.4 Regulatory environment

AGL is required to comply with a number of regulatory obligations, covering matters such as billings, disconnections, marketing practices, customer hardship and call centre performance, as well as regulation in relation to its generation, merchant energy and upstream gas and other operations. There is a risk that AGL may fail to comply with its regulatory obligations which, in extreme circumstances, could lead to the imposition of fines and penalties or the loss of operating licences, or that compliance may lead to a reduction in AGL's profits or a deterioration in AGL's financial position. The main components to this risk are:

- compliance with legislative and licence obligations; and
- AGL's exposure to regulated pricing.

AGL is exposed to regulated retail pricing in New South Wales (gas only) and Queensland (electricity only) which directly affects a portion of AGL's customer base. Price regulation of NSW retail electricity prices were removed from 1 July 2014. While retail electricity and gas prices have been deregulated in Victoria (2009) and South Australia (2013), there is a risk of re-regulation if competition is deemed to be ineffective. The Queensland Government has announced that it intends to remove the regulation of retail electricity prices effective 1 July 2015 in south east Queensland where AGL operates.

Given AGL's exposure to regulated pricing in the remaining regulated markets and the risk that it may not be able to influence regulated pricing decisions, AGL may not be in a position to fully respond in a timely manner (or at all) to movements in pricing in wholesale electricity and gas markets. There is a risk that AGL's potential revenues are limited or reduced or that its costs are increased as a result of regulatory pricing or compliance with its regulatory obligations.

2.5 Energy policy

AGL's financial performance could be affected by changes to legal, regulatory, fiscal or other policies adopted by various regulatory authorities, including climate change policies and policies relating to the development and ongoing production of upstream gas reserves. Future changes in such policies or laws are unpredictable and are beyond AGL's control. Changes in law or regulatory policy could adversely affect one or more of AGL's businesses and could require AGL to incur substantial costs to ensure compliance. AGL's ability and capacity to influence and respond to policy and regulation is therefore a key

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Key risks (cont.)

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risk that is dependent on AGL's ability to:

- influence, and adapt to, energy and related policy;
- secure licences and permits required for growth projects; and
- influence market design.

2.6 Operating in a competitive market

AGL's retail activities are in fully contestable markets, where customers are able to choose from a number of alternative retailers. The level of customer "churn", when customers switch between retailers, may be affected by a range of factors including the marketing activities of AGL and other retailers, customer service experience and electricity prices. There is also a risk of new competitors entering into the market which may further increase AGL's exposure to customer churn or to additional advertising and other costs of customer retention and acquisition.

2.7 Authorisations and permits

If AGL does not obtain the necessary permits and/or licences for upstream gas and power projects, there is a risk that the assets will not be built or will be materially delayed, and existing assets will be impaired. There are a number of authorisations and permits that will be required for infrastructure development projects that are in AGL's current project development pipeline, including the AGL Solar project. Various licences and approvals will be required for ongoing and future development of AGL's upstream gas and power investments.

2.8 Development risk

AGL undertakes investments in projects for the construction or expansion of plant, facilities and infrastructure, including the development of thermal power stations, wind farms, solar photovoltaic projects, gas production and storage facilities, and hydro-electric power stations. There is a risk that projects are delayed, cost more than intended or do not perform as planned. There is also a risk that AGL does not effectively engage with and influence stakeholders (including local communities, politicians and media) in relation to plans to develop, build and operate power development and upstream gas projects. These risks may lead to lower returns on investment, reduced profitability, and output which is delayed or lower than originally planned.

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Key risks (cont.)

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2.9 Refinancing

AGL's existing debt tranches will need to be refinanced on their respective maturity dates. AGL may incur increased borrowing costs, or may even be unable to refinance with new debt if its credit profile has deteriorated materially, or if there are reductions in debt market liquidity at or around the time that AGL needs to refinance its various debt tranches. Whether this occurs will depend on numerous factors, some of which are outside AGL's control, such as the prevailing economic, political and capital market conditions and credit availability.

2.10 Other financing risks

Other risks in relation to AGL's debt financing include exposure to adverse movements in market interest rates. Although AGL has interest rate swap contracts and other hedging instruments in place, these may not provide a complete hedge. AGL is also obliged to adhere to covenants in its debt facilities, including financial undertakings. If AGL's performance is materially below expectations, there is a risk that it may not comply with its borrowing covenants which may result in it being required to repay its debt facilities earlier than their scheduled maturities.

2.11 Information technology

AGL is exposed to the risk of financial loss if its information technology strategy, infrastructure, applications, service and support do not deliver adequately and in accordance with expectations.

2.12 Litigation and legal matters

AGL is exposed to the risk of claims by gas and electricity users, native title claims, tenure disputes, environmental and occupational health and safety claims, industrial disputes and third party losses resulting from transmission disruptions, amongst other claims. AGL is not currently a party to any litigation the outcome of which is likely to have a material adverse effect on its business or financial position.

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Key risks (cont.)

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2.13 Taxation

Taxation positions which AGL has adopted may not be accepted by the relevant taxation authorities. AGL is subject to regular tax risk reviews and audits by the Australian Taxation Office as part of their regular review of big business. The Commonwealth, or (where applicable) State, Territory or foreign governments, may alter tax regimes applying to AGL or their interpretation and administration in ways which could adversely impact AGL's financial position.

2.14 Control

AGL has a number of investments in which it does not have a controlling interest which means that AGL cannot exercise full control of those investments.

2.15 Change in credit rating

AGL has obtained a credit rating from a rating agency which could be reviewed, suspended or downgraded. The rating agency could also change the methodology by which it rates AGL. AGL's cost of funds, margins, access to capital markets, access to the national electricity markets and other aspects of its performance (including requirements to provide credit support under material contracts) may be affected if it fails to maintain its credit rating.

2.16 Acquisitions

AGL regularly examines new acquisition opportunities, where the acquisitions would complement or enhance AGL's existing operations. When and whether acquisitions are made will depend on a number of factors, including availability of opportunities and the attractiveness of those opportunities, market conditions, funding requirements and integration issues. There can be no assurance that AGL will successfully identify, acquire and integrate such businesses. Furthermore, there is no guarantee that any acquisition will perform as expected or that AGL will be able to realise expected synergies.

Acquisitions may also expose AGL to unanticipated business risks and liabilities. The process of integrating new businesses into AGL's existing operation may result in unforeseen operating difficulties and may require significant management, financial or personnel resources that would otherwise be available for on-going development or expansion of existing operations. If any of these occur, it may have a material adverse impact on AGL's financial position and performance.

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Key risks (cont.)

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2.17 Environmental issues

Failure to conduct AGL's activities in accordance with strict controls and processes may cause harm to the environment. Damage to the environment may give rise to significant monetary damages, suspension of operating activities and reputational harm. Actual or perceived environmental harm from AGL's activities may also damage AGL's relationship with various external stakeholders including impacted communities, organisations and governments. Each of these risks may restrict the ability of AGL to operate its activities or pursue development opportunities.

3.0 Risks Associated with the Proposed MacGen Acquisition

The future operating performance of AGL and the value of the New Shares may also be affected by risks relating to AGL's proposed acquisition of MacGen. Some of these risks are specific to MacGen while others relate to the general industry in which AGL and MacGen operate and economic conditions.

3.1 Plant performance and capital expenditure

Given AGL's substantial electricity customer base and relative lack of electricity generation capacity in New South Wales, the MacGen acquisition will significantly increase AGL's physical hedging capacity where it has previously relied on contractual hedging capacity in conjunction with the rest of its physical portfolio inter-state. However the acquisition will also increase AGL's exposure to operating risks in relation to electricity generation. There is a risk that some of these assets may not be available for use when required or unable to export electricity generated due to machinery break down, fire, adverse weather, industrial relations disputes, natural disasters, catastrophic events, transmission failures or other unplanned outages. In recent years, there has been a deteriorating availability trend at both Bayswater and Liddell, with Liddell experiencing several major generator failures. AGL has budgeted for substantial capital expenditure in the first 4 years of ownership to stabilise plant reliability, but greater or earlier expenditure than that budgeted for may be required to achieve this objective.

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Key risks (cont.)

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3.2 Access to coal

To the extent that MacGen requires coal in excess of the volumes already contracted for or stockpiled, it is exposed to the risk of financial loss arising from an inability to access coal in the required volumes and quality and from volatility in the price at which it can procure that coal. Coal pricing is a function of a number of factors including volume, quality, transportation (distance and mode) as well as domestic and export market supply and demand dynamics for thermal coal. Coal mining operations may be restricted by increasing environmental regulations. Mine production may be adversely impacted by changes to operational costs and conditions, equipment failures, mine flooding and geological uncertainties. Whilst AGL is exposed to these risks, MacGen's coal requirements to produce the assumed levels of forecast generation are substantially contracted to 2025. MacGen's ability to access coal also depends on arrangements for the delivery of coal in a timely manner, including arrangements in relation to rolling stock and coal handling infrastructure. These risks could adversely impact MacGen's ability to generate electricity if an interruption to coal supplies continued until stockpiles were exhausted.

3.3 Environmental risks

The MacGen acquisition brings with it certain environmental risks related to the past development and operation of the power stations, including risks associated with soil and groundwater contamination and the risk of dust diseases caused by exposure to asbestos. These risks are at both power stations but are more evident at Liddell, which was commissioned in 1973, than Bayswater which was commissioned in 1986. These risks are mitigated by the terms of the agreement for the purchase of MacGen. Under that agreement, AGL has the benefit of an indemnity for losses arising from pre-completion contamination liabilities identified before completion or under baseline studies in the first 12 months after completion of the purchase. However, AGL potentially has a residual exposure to the extent that the indemnity does not fully cover AGL's loss in respect of a claim against AGL, including in relation to consequential loss and loss of profits. AGL also has the benefit of an indemnity from the State of New South Wales in relation to dust disease claims relating to the period prior to completion and such claims will also be excluded from the acquisition.

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Key risks (cont.)

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3.4 Shift in NSW wholesale electricity risk profile from financial market risk to operational performance risk

At present, AGL substantially mitigates its risk of cost of NSW wholesale electricity supply via a variety of financial products mainly financial derivatives. Upon acquisition, AGL will over time significantly reduce its position in NSW financial derivatives and other similar products and instead rely primarily on the physical generation of MacGen to cover its wholesale electricity position in NSW. In effect, this is a reduction in financial market risk and a corresponding increase in operational performance risk.

3.5 Long term exposure to NSW wholesale electricity prices

Until now, AGL has primarily purchased wholesale electricity in the NSW market through a combination of pool purchases and financial products. Historically over the long term, the rise and fall of wholesale prices have simply been passed on to customers at a retail price level, with limited impact on AGL. The acquisition of MacGen will now mean that AGL substantially self supplies its NSW wholesale electricity needs from owned generation. As a result, to the extent that changes in NSW wholesale prices become reflected in NSW retail prices or to the extent AGL's retail customer demand does not match AGL's physical generation, AGL will be directly exposed to changes in wholesale prices.

3.6 Industrial relations

In acquiring MacGen AGL will take on a significant workforce that is predominantly subject to enterprise bargaining agreements. Over the life of the Bayswater and Liddell plants, industrial relations disputes with the potential to result in significant plant outages and/or a significant increase in labour costs may occur. An enterprise bargaining agreement is in place in relation to each plant until December 2016.

3.7 Carbon legislation

The Federal Government is currently developing policies which may require electricity generators to pay a penalty for emissions above a historical baseline. While there continues to be uncertainty around these initiatives, it is possible that new carbon reduction regulations may impose unexpected costs on coal-fired electricity generators. Furthermore, in the event of greater global emphasis on greenhouse gas emission reductions, there remains the possibility that new policies will be implemented which may impose costs on coal-fired generators.

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Key risks (cont.)

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3.8 Tomago aluminium smelter

MacGen currently holds contracts for approximately 900 MW with the Tomago Aluminium smelter. Tomago Aluminium Corporation has foreshadowed the possibility of the early renegotiation of contracts for the supply of electricity from MacGen to the Tomago Aluminium smelter or its closure post 2017. If the Tomago Aluminium smelter renegotiates terms of the contracts, reduces its production volumes or closes, this may have an adverse effect on AGL's financial position or performance.

3.9 Availability of water

MacGen has various water entitlements which are able to be reviewed in certain circumstances. AGL may suffer financial loss if MacGen's existing water entitlements are reduced or rescinded. MacGen's dependency on water for the operation of Bayswater and Liddell means that its operations are exposed to drought risk. This risk is mitigated to some extent by MacGen's extensive water entitlements combined with its strategic water storage and pumping infrastructure.

3.10 Limited expertise in running coal fired power stations

AGL has limited experience running coal fired power stations, and that experience is principally with Loy Yang A, which uses brown coal mined on site rather than black coal sourced from third parties and transported to the power station as is the case with MacGen. AGL has a Merchant Operations engineering group consisting of approximately 80 engineers with a range of relevant experience. As part of the transaction, approximately 660 employees currently operating the Bayswater and Liddell power stations will transfer to AGL. AGL will utilise the expertise of these employees, as well as those from AGL Loy Yang, to implement its asset management strategy which is designed to optimise the performance of both MacGen plants.

3.11 Incorrect acquisition assumptions

There is a risk that the proposed acquisition may not be completed or that MacGen will fail to perform in line with the acquisition assumptions.

If the acquisition of MacGen is not completed, AGL retains the flexibility to use the net proceeds to fund future acquisitions and other development projects (consistent with AGL's integrated strategy) that are expected to commence over the next 2 – 3 years or for general corporate purposes, or to return capital to shareholders.

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Key risks (cont.)

In particular, statements in this Presentation regarding the impact of the proposed acquisition on AGL's EPS, credit profile and more generally are based on certain assumptions including:

- MacGen is acquired in September 2014;
- AEMO low to medium demand cases with spot and contract wholesale electricity prices based on recent forward curves observed in the market and longer term pricing based on AGL's in-house modelling;
- the RET trajectory and the rate of uptake of residential solar PV;
- material increases in capital expenditure over and above that planned by MacGen under State ownership to underpin assumed levels of generation, plant availability, achievement of the technical lives of the plants and end of life remediation costs;
- coal price assumptions are based on existing contractual terms with assumptions regarding escalation of relevant indices, beyond the term of current coal contracts, based on independent market forecasts;
- zero carbon price;
- wage, materials and general inflation rates and interest rates;
- funding of the acquisition as set out on slide 29;
- depreciation is consistent with the Pro forma Acquisition Balance Sheet shown on slide 30; and
- performance of the Tomago contract.

If the above assumptions are not met then the impact of the MacGen acquisition on EPS and AGL's credit profile may differ from that shown in this presentation, potentially adversely.

Some of the information regarding MacGen has been derived from information made available by or on behalf of the vendor. Although AGL has conducted reasonable levels of due diligence, AGL has not verified the accuracy and completeness of all information provided to it. To the extent that any of this information is incomplete, inaccurate or misleading, there is a risk that the future financial performance of AGL may differ from AGL's expectations, potentially adversely.

Further, if the MacGen purchase agreement or other MacGen material contracts are determined not to operate consistently with AGL's understanding, there is a risk that the future financial performance of AGL may differ from AGL's expectations, potentially adversely including writing down the carrying value of assets.

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Key risks (cont.)

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4.0 Risk associated with the New Shares

4.1 Risk of dividends not being paid

The payment of dividends by AGL is announced at the time of release of AGL's half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of AGL's business. While AGL has a stated dividend policy, circumstances may arise where AGL is required to reduce or cease paying dividends for a period of time.

4.2 Investment in Equity Capital

There are general risks associated with investments in equity capital. The trading price of shares in AGL may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price. Generally applicable factors which may affect the market price of shares include:

- general movements in Australian and international stock markets;
- investor sentiment;
- Australian and international economic conditions and outlook;
- changes in interest rates and the rate of inflation;
- changes in government regulation and policies;
- announcement of new technologies; and
- geo-political instability, including international hostilities and acts of terrorism.

No assurances can be given that the New Shares will trade at or above the Offer Price. None of AGL, its Board or any other person guarantees the market performance of the New Shares.

Key risks (cont.)

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4.3 Risks associated with renouncing rights under the Offer

Prices obtainable for retail entitlements may rise and fall over the entitlement trading period. If you sell your entitlements at one stage in the retail entitlement trading period, you may receive a higher or lower price than a shareholder who sells their entitlements at a different stage in the retail entitlement trading period or through the retail shortfall bookbuild.

If you are a shareholder and renounce your entitlement by doing nothing under the entitlement offer, there is no guarantee that any value will be received for your renounced entitlement through the bookbuild process.

The ability to sell entitlements under a bookbuild and the ability to obtain any value for them will be dependent upon various factors, including market conditions. Further, the bookbuild price may not be the highest price available, but will be determined having regard to a number of factors, including having binding and bona fide offers which, in the reasonable opinion of the underwriters, will, if accepted, result in allocations acceptable to them and AGL to clear the entire book.

To the maximum extent permitted by law, AGL, the underwriters and any of their respective related bodies corporate, affiliates, directors, officers, employees or advisers, will not be liable, including for negligence, for any failure to procure any proceeds for entitlements offered under the bookbuild.

There is no guarantee that there will be a viable market during, or on any particular day in, the retail entitlement trading period, on which to sell retail entitlements on ASX.

You should note that if you sell, or do not take up, all or part of your entitlement, then your percentage shareholding in AGL will be diluted by not participating to the full extent in the entitlement offer and you will not be exposed to future increases or decreases in AGL's share price in respect of the new shares which would have been issued to you had you taken up all of your entitlement.

The tax consequences from selling entitlements or from doing nothing may be different. Before selling entitlements or choosing to do nothing in respect of entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in the retail offer booklet which will provide further information on potential taxation implications for Australian shareholders.

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Foreign Jurisdictions & Restrictions on Eligibility Criteria

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Foreign jurisdictions

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This Presentation does not constitute an offer of entitlements or New Shares of AGL in any jurisdiction in which it would be unlawful. Entitlements and New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

Canada (Provinces of Ontario and Quebec ONLY)

This Presentation constitutes an offering of entitlements and New Shares in Canada only in the Provinces of Ontario and Quebec (and not in any other province or territory of Canada). The entitlements and New Shares are only being offered in Canada to those persons to whom they may be lawfully distributed in the Provinces of Ontario and Quebec, and only by persons permitted to sell such entitlements and New Shares. **No entitlements will be distributed in Canada or to any person resident in Canada until such time as that person requests receipt of the entitlements.** By requesting receipt of any entitlements or by purchasing any New Shares otherwise than pursuant to the exercise of an entitlement, the requesting person or the purchaser shall be deemed to represent and warrant to AGL and any dealers participating in the distribution that it:

a) is resident or located in one of the Provinces of Ontario or Quebec, and not in any other province or territory of Canada;

b) is an "accredited investor" as defined in National Instrument 45-106 *Prospectus and Registration Exemptions* ("NI 45-106") and, if relying on subsection (m) of the definition of that term, is not a person created or being used solely to purchase or hold securities as an accredited investor;

c) is a "Canadian permitted client" as defined in national Instrument 31-103 *Registration Requirements and Exemptions* ("NI 31-103"), or as otherwise interpreted and applied by the Canadian Securities Administrators;

d) acknowledges that its name and other specified information, including the number of entitlements it has requested receiving, and the number of any New Shares it has purchased otherwise than pursuant to the exercise of entitlements, may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable laws, and it consents to the disclosure of that information;

e) acknowledges, if resident or located in Ontario, that it has been advised that the information referred to in paragraph (d) above is being collected indirectly by the Ontario Securities Commission under the authority granted to it in securities legislation for the purposes of the administration and enforcement of the securities legislation of Ontario, that it has authorized such indirect collection of such personal information, and that questions about such indirect collection of personal information should be directed to the Ontario Securities Commission's Administrative Support Clerk, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8 or to the following telephone number: (416) 593-3684; and

Foreign jurisdictions (contd.)

f) is either acquiring the entitlements or New Shares as principal for its own account, or is deemed to be acquiring them as principal by applicable law.

This Presentation is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in any province or territory of Canada.

No securities commission or similar authority in Canada has reviewed or in any way passed upon this Presentation, the merits of the entitlements or New Shares or the offering of entitlements or New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in any province or territory of Canada with respect to the offering of entitlements or New Shares or the resale of such securities. Any person in the Provinces of Ontario or Quebec lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, the entitlements and any New Shares offered and sold in Canada, whether pursuant to an exercise of entitlements or otherwise, will be subject to resale restrictions under Canadian securities laws and any resale of such securities must be made in accordance with, or pursuant to an exemption from, or in a transaction not subject to, the prospectus requirements of those laws. In addition, on order to comply with the dealer registration requirements of Canadian securities laws, any resale of such securities must be made either by a person not required to register as a dealer under applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements. These Canadian resale restrictions may in some circumstances apply to resales made outside of Canada. Persons in Canada are advised to seek Canadian legal advice prior to making any resales.

AGL, and the directors and officers of AGL, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon AGL or its directors or officers. All or a substantial portion of the assets of AGL and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against AGL or such persons in Canada or to enforce a judgment obtained in Canadian courts against AGL or such persons outside Canada. In addition, any dealers participating in the distribution of entitlements or the distribution of New Shares otherwise than pursuant to the exercise of entitlements: (i) are not or may not be registered as securities dealers in the Provinces of Ontario or Quebec, or, if they are so registered, may not be relying upon their registration status; (ii) all or substantially all of the assets of such dealers may be situated outside of Canada; and (iii) there may be difficulty enforcing legal rights against such dealers for these reasons.

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Foreign jurisdictions (contd.)

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Any financial information contained in this Presentation has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this Presentation are in Australian dollars.

Statutory rights of action for damages or rescission in Ontario

Rule 45-501 under the *Securities Act* (Ontario) provides that when an offering memorandum, such as this Presentation, is delivered to an investor to whom securities are distributed in reliance upon the "accredited investor" prospectus exemption in Section 2.3 of NI 45-106, the right of action referred to in Section 130.1 of the *Securities Act* (Ontario) ("Section 130.1") is applicable unless the prospective purchaser is:

a) a Canadian financial institution, meaning either:
   1) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act;
   2) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;

c) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada),

d) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or

e) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1 provides purchasers who purchase securities offered by an offering memorandum with a statutory right of action against the issuer of securities and any selling securityholder for rescission or damages in the event that the offering memorandum or any amendment to it contains a "misrepresentation", without regard to whether the purchaser relied on the "misrepresentation". "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made.

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In the event that this Presentation, together with any amendment, is delivered to a prospective purchaser of securities in connection with a trade made in reliance on Section 2.3 of NI 45-106, and this Presentation contains a misrepresentation which was a misrepresentation at the time of purchase of the securities, the purchaser will have a statutory right of action against the AGL for damages or, while still the owner of the securities, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

a) no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or in the case of any other action, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action;
b) the defendant will not be liable if it proves that the purchaser purchased the Securities with knowledge of the misrepresentation;
c) the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon;
d) in no case will the amount recoverable exceed the price at which the Securities were offered to the purchaser; and
e) the statutory right of action for rescission or damages is in addition to and does not derogate from any other rights or remedies the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and you should refer to the complete text of those provisions.

Certain Canadian income tax considerations. Prospective purchasers of the entitlements or the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the entitlements or the New Shares as any discussion of taxation related matters in this Presentation is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this Presentation, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the entitlements or the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

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Denmark

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (Prospectus Directive), as amended and implemented in Member States of the European Economic Area (each, a Relevant Member State), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or any other institutional investor whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who is, on request treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, MiFID); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

Germany

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (Prospectus Directive), as amended and implemented in Member States of the European Economic Area (each, a Relevant Member State), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any person or entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;

Foreign jurisdictions (contd.)

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- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, MiFID); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID unless they have requested to be treated as non-professional clients.

Netherlands

The Entitlements and New Shares may not be offered or sold to individuals or legal entities in The Netherlands other than to qualified investors as defined in the Dutch Financial Supervision Act (Wet op net financiële toezicht).

France

This Presentation is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Presentation and any other offering material relating to the entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) persons providing investment management services to third parties; (ii) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non- qualified investors (cercle restreint d'investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, of the French Monetary and Financial Code and any implementing regulation.

Foreign jurisdictions (contd.)

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that (i) no prospectus has been submitted to the approval of the AMF; (ii) the investors, participating in the present offer pursuant to Articles L. 411-2-II-2° of the French Monetary and Financial Code can only participate to the offer on their own account and under the conditions set out in Articles D.411-1, D.744-1, D754-1 and D. 764-1 of the French Monetary and Financial Code; and (iii) the entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: This Presentation has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this Presentation or to permit the distribution of this Presentation or any documents issued in connection with it. Accordingly, the entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than (i) to "professional investors" (as defined in the SFO or any rules made under that ordinance) or (ii) in other circumstances that do not result in this Presentation being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the entitlements or the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to entitlements and New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

No person allotted entitlements or New Shares may sell, or offer to sell, such entitlements or shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such entitlements or shares.

The contents of this Presentation have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this Presentation, you should obtain independent professional advice.

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Foreign jurisdictions (contd.)

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Ireland

The information in this Presentation does not constitute a prospectus under any Irish laws or regulations and this Presentation has not been filed with or approved by any Irish regulatory authority as it has not been prepared for the purpose of an offer of securities to the public in Ireland or an admission to trading within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) (the "Prospectus Regulations"). If, notwithstanding the foregoing, an offer of securities to the public is made in Ireland, such an offer will only be made to qualified investors as defined in Regulation 2(1) of the Prospectus Regulations.

Italy

No prospectus or offering document in connection with the entitlements and the New Shares has been registered with the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and offering of the entitlements and the New Shares in the Republic of Italy has not been authorized.

Accordingly, the entitlements and the New Shares cannot be and will not be offered, directly or indirectly, to the public in Italy and nor copy of this information neither any offering material relating to the entitlements or the New Shares may be distributed, in any manner whatsoever, in Italy and the entitlements and the New Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998 ("Decree No. 58"), other than:

- to qualified investors, as defined in Article 100 of Decree no.58 by reference to Article 26, paragraph 1, letter d), CONSOB Regulation no. 16190 of October 29, 2007 as amended ("Qualified Investors"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999 ("Regulation No. 11971") as amended.

Any offer, sale, transfer or delivery of the entitlements and the New Shares or distribution of any offer document relating to the entitlements and the New Shares in Italy under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Foreign jurisdictions (contd.)

Any subsequent distribution of the entitlements and/or the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971 as amended, unless an exception from those rules applies. Any person acquiring the entitlements and/or the New Shares assumes all responsibility to ensure that the offer or resale of the entitlements and/or the New Shares be carried out in compliance with all applicable Italian laws and regulations. Failure to comply with such rules may result in the sale of such entitlements or New Shares being declared null and void and in the liability of the entity transferring the entitlements or New Shares for any damages suffered by the investors.

Japan

The entitlements and New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the entitlements and New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires the entitlements and New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of the entitlements and New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This Presentation has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand).

The entitlements and New Shares in the entitlement offer are not being offered to the public in New Zealand other than to existing shareholders of AGL with registered addresses in New Zealand to whom the offer of entitlements and New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

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Foreign jurisdictions (contd.)

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Other than in the entitlement offer, entitlements and New Shares may be offered and sold in New Zealand only to:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ$500,000 for securities of AGL ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this Presentation.

Norway

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (Prospectus Directive), as amended and implemented in Norway in the Securities Trading Act, from the requirement to produce a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in Norway except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Norway:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, MiFID) as implemented in Norway in the Securities Trading Act; or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID as implemented in Norway in the Securities Trading Act.

Foreign jurisdictions (contd.)

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Singapore

This Presentation and any other materials relating to the entitlements and the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Presentation and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of entitlements or New Shares, may not be issued, circulated or distributed, nor may the entitlements or New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Presentation has been given to you on the basis that you are (i) an existing holder of AGL's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Presentation immediately. You may not forward or circulate this Presentation to any other person in Singapore.

There are on-sale restrictions in Singapore that may be applicable to investors who acquire entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the entitlements or the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of entitlements or New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Foreign jurisdictions (contd.)

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Switzerland

The entitlements and the New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This Presentation has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Presentation nor any other offering or marketing material relating to the entitlements or the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Presentation nor any other offering or marketing material relating to the entitlements, the New Shares or AGL have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Presentation will not be filed with, and the offer of entitlements or New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA) and the offer of entitlements or New Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of entitlements or New Shares.

This Presentation is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this Presentation nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000 ("FSMA")) has been published or is intended to be published in respect of the entitlements or the New Shares. This Presentation is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the entitlements and the New Shares may not be offered or sold in the United Kingdom by means of this Presentation, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Presentation should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the entitlements or the New Shares has only been communicated or caused to be

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Foreign jurisdictions (contd.)

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communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply.

In the United Kingdom, this Presentation is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Presentation relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Presentation or any of its contents.

United States

Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Entitlements and New Shares are not being offered to persons in the United States, except to persons that are either (A) "qualified institutional buyers" ("QIBs"), as such term is defined in Rule 144A under the U.S. Securities Act, acting for their own account or for the account or benefit of other QIBs or (B) a dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (as defined in Rule 902(k) under the U.S. Securities Act) for which they have, and are exercising, investment discretion. Neither the entitlements nor the New Shares may be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Other jurisdictions

The entitlements and the New Shares may not be offered or sold in any other jurisdiction, except to persons to whom such offer, sale or distribution is permitted under applicable law.

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Restrictions on eligibility criteria

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Restrictions on Eligibility Criteria to Exercise Retail Entitlements

The retail entitlements may only be exercised by eligible shareholders, persons with addresses in Australia or New Zealand and certain categories of investors in Canada, Denmark France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, Norway, Singapore, Sweden, Switzerland and the United Kingdom. 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 take up or exercise entitlements purchased on ASX. It is the responsibility of purchasers of entitlements to inform themselves of the eligibility criteria for exercise. 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 take up their entitlements, those entitlements will be sold into the retail shortfall bookbuild and holders may receive no value for them. Further details on restrictions on eligibility criteria to exercise retail entitlements will be included in the retail offer booklet to be lodged with ASX on or about 29 August 2014.

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Key Assumptions

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Key assumptions

Effect of MacGen acquisition on earnings.

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Underlying Profit is the Statutory Profit adjusted for significant items and changes in fair value of financial instruments. Underlying Profit has been presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. AGL's policy for reporting Underlying Profit is consistent with this guidance and the Directors have had the consistency of the application of the policy reviewed by the auditors of AGL. Statutory Profit contains a number of items that do not portray the ongoing performance of the business. Underlying Profit excludes the impact of these items to provide a better understanding of business performance.

To reflect the impact of acquisition accounting and one-off items, the EPS impact has been calculated on an adjusted basis (**Underlying EPS**). Underlying EPS is calculated by adding back to reported EPS the non-recurring significant items and fair value movement. The Directors believe that Underlying EPS is a better measure to illustrate the underlying performance of the acquisition, and allows for more relevant comparison of financial performance between financial periods.

Key assumptions used to determine the impact of the MacGen Acquisition on EPS are set out in the bullet points below. This information is intended to assist investors in assessing, where relevant, the reasonableness and likelihood of the assumptions occurring and is not a representation that the assumptions will occur. Potential investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing this information, and that this may have a positive or negative impact on AGL's financial performance. Investors are advised to review the key assumptions in this section in conjunction with section on Key Risks commencing on slide 44:

- MacGen is acquired in September 2014;
- Spot and contract wholesale prices are materially the same as those implied by the forward curves;
- Generation volumes and plant availability are consistent with prior years and there are no material unplanned plant outages;
- A zero carbon price;
- AGL raises approximately $1,232 million under an Equity Offer;
- AGL raises approximately $350 million of debt;
- Based upon a Theoretical Ex-Rights Price (TERP) adjusted EPS calculation; and
- Depreciation is based upon the property, plant and equipment balance per the Pro forma Acquisition Balance Sheet set out on slide 30.

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Pro forma Adjustments

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Pro forma adjustments

The Pro forma Adjustments in preparation of the Pro forma AGL Combined Balance Sheet, are summarised below:

(a) Pro forma Acquisition Adjustments

The Pro Forma Acquisition Adjustments assume a purchase consideration of $1,505 million. In accordance with AASB 3 Business Combinations, the fair value of derivative contracts held between AGL and MacGen has been eliminated and the associated hedge reserve of $29 million after tax has been recycled to the income statement.

The adjustment to retained earnings of $147 million reflects the post tax impact of the elimination of the hedge contracts, including the recycled hedge reserve as discussed above as well as the significant items on acquisition as detailed in slide 31.

(b) Pro forma Funding Adjustments

The equity offer is expected to raise gross proceeds of $1,232 million.

Transaction costs directly attributable to the Equity Offer of $19 million (before tax) have been offset against the equity raised.

The debt issuance is expected to raise gross proceeds of $350 million.

Transaction costs directly attributable to the Debt Issuance of $1 million (before tax) have been offset against the debt raised.

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