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ASX Release

Rights Entitlement Offer – Retail Offer Booklet

25 August 2014

Attached is the Retail Offer Booklet in connection with AGL Energy Limited's pro rata renounceable entitlement offer.

Paul McWilliams

Company Secretary

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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.

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AGL Energy Limited Retail Entitlement Offer

AGL Energy Limited ABN 74 115 061 375

1 for 5 pro rata renounceable entitlement offer of AGL Energy Limited ordinary shares at an offer price of $11.00 per New Share.

Retail Entitlement Offer closes at 5.00pm (Sydney time) on Monday, 15 September 2014.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This Retail Offer Booklet requires your immediate attention. It is an important document which is accompanied by a personalised Entitlement and Acceptance Form and both should be read in their entirety. This Retail Offer Booklet is not a prospectus under the Corporations Act 2001 (Cth) (**Corporations Act**) and has not been lodged with the Australian Securities & Investments Commission (**ASIC**). Please call your stockbroker, accountant or other professional adviser or the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) if you have any questions.

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Important Notices

Defined terms used in these important notices have the meaning given in this Retail Offer Booklet.

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Future performance and forward looking statements

This Retail Offer Booklet 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', 'propose', 'should', 'could', 'may', 'predict', 'plan', 'will', 'believe', 'forecast', 'estimate', 'target', and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this Retail Offer Booklet involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of AGL Energy Limited (ABN 74 115 061 375) (**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 the AGL Investor Presentation included in Section 5 of this Retail Offer Booklet 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. Investors should consider the forward looking statements contained in this Retail Offer Booklet in light of those disclosures.

The forward looking statements are based on information available to AGL as at the date of this Retail Offer Booklet. 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.

Past performance

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

Jurisdictions

This Retail Offer Booklet, or any accompanying Australian Securities Exchange (**ASX**) announcements or the Entitlement and Acceptance Form, does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither this Retail Offer Booklet nor the Entitlement and Acceptance Form may be distributed or released in the United States. Neither the entitlements to purchase new ordinary shares in AGL (**New Shares**) pursuant to the offer described in this Retail Offer Booklet (**Entitlements**) nor the New Shares have been, nor will be, registered under the *US Securities Act* of 1933, as amended (**US Securities Act**), or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws. In the Retail Entitlement Offer, the Entitlements and the New Shares will only be sold in 'offshore transactions' (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act.

Withholding tax

This Retail Offer Booklet refers to the potential payment of a Retail Premium to certain investors. AGL may be required to withhold Australian tax in relation to any Retail Premium that is paid to those investors under applicable laws. References to the payment of the Retail Premium in this Retail Offer Booklet should be read as payments net of any applicable withholding taxes. If you are an Australian tax resident shareholder, and you have not previously provided your Tax File Number (**TFN**) or Australian Business Number (**ABN**) to AGL, you may wish to do so prior to the close of the retail offer described in this Retail Offer Booklet (Retail Entitlement Offer) to ensure that any withholding tax is not deducted from any proceeds payable to you at the current rate of 49%. You are able to provide your TFN or ABN online with the AGL Share Registry at www.linkmarketservices.com.au.

Stamping Fees

AGL will pay to stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit valid applications bearing their broker's stamp from Eligible Retail Shareholders (as defined in Section 6.1) a stamping fee of an amount equal to 0.75% of the application monies (inclusive of GST) paid in respect of the valid application, subject to a minimum of $50 and a maximum of $250 per valid application.

Broker stamping fees will only be paid where a Broker Stamping Fee Claim Form and schedule is submitted to the Registry no later than 5.00pm (Sydney time) on 15 September 2014. The Broker Stamping Fee Claim Form and schedule is available from AGL's Share Registry on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) before 5.00pm on 15 September 2014 (**Offer Period**).

References to 'you', 'your Entitlement' and 'your Retail Entitlement'

In this Retail Offer Booklet, references to 'you' are references to Eligible Retail Shareholders and references to 'your Entitlement' or 'your Retail Entitlement' (or 'your Entitlement and Acceptance Form') are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders (as defined in Section 6.1).

Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Sydney time. Refer to the 'Key Dates' section of this Retail Offer Booklet for more details.

Currency

Unless otherwise stated, all dollar values in this Retail Offer Booklet are in Australian dollars (A$).

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Trading Entitlements and New Shares

AGL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by AGL or the AGL Share Registry or otherwise, or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

AGL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by AGL or the AGL Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your stockbroker, accountant or other professional adviser.

Refer to Section 6 for more details.

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Key Dates for the Retail Entitlement Offer

Event	Date
Announcement of the Entitlement Offer	Wednesday, 20 August 2014
Retail Entitlements commence trading on ASX on a deferred settlement basis	Monday, 25 August 2014
Record Date for eligibility in the Entitlement Offer (7.00pm, Sydney time)	Monday, 25 August 2014
Retail Entitlement Offer opens	Tuesday, 26 August 2014
Retail Offer Booklet despatched and Retail Entitlements allotted	Friday, 29 August 2014
Retail Entitlements commence trading on ASX on a normal settlement basis	Monday, 1 September 2014
Retail Entitlements trading on ASX ends	Monday, 8 September 2014
New shares under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Tuesday, 9 September 2014
Retail Entitlement Offer closes[1] (5.00pm, Sydney time)	Monday, 15 September 2014
Retail Shortfall Bookbuild	Thursday, 18 September 2014
Settlement of the Retail Entitlement Offer	Wednesday, 24 September 2014
Issue of New Shares under the Retail Entitlement Offer	Thursday, 25 September 2014
Despatch of holding statements for New Shares under the Retail Entitlement Offer	Thursday, 25 September 2014
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Friday, 26 September 2014
Retail Premium (if any) despatched	Monday, 29 September 2014

The timetable above is indicative only and may be subject to change. AGL, in conjunction with the Underwriters (as defined in Section 6.15), reserves the right to amend any or all of these dates and times without notice subject to the *Corporations Act 2001*, 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 Retail 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 of Entitlements and New Shares is subject to confirmation from ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted. Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer are encouraged to submit their Entitlement and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

Enquiries

If you have any questions, please call the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia), or consult your stockbroker, accountant or other professional adviser. The AGL Energy Limited Offer Information Line will be open from 8.30am to 5.30pm (Sydney time), Monday to Friday. Alternatively, you can access information about the Retail Entitlement Offer online at www.agl.com.au.

Note:

1 Eligible Retail Shareholders who wish to take up all or a part of their Entitlement must complete and return their personalised Entitlement and Acceptance Form with the requisite accompanying payment (**Application Monies**) OR pay their Application Monies via BPAY by following the instructions set out on the personalised Entitlement and Acceptance Form OR apply and pay online at www.agl.com.au in each case by no later than 5.00pm (Sydney time) on Monday, 15 September 2014. Eligible Retail Shareholders should refer to Section 2 for options available to them to deal with their Entitlement.

Letter from the Chairman

Monday, 25 August 2014

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Dear Shareholder,

On behalf of AGL, I am pleased to invite you to participate in a 1 for 5 fully underwritten pro rata accelerated renounceable entitlement offer of New Shares (with entitlement trading) at an offer price of $11.00 per New Share (**Offer Price**) to raise gross proceeds of approximately $1.2 billion (**Entitlement Offer**).

The proceeds of the Entitlement Offer will be used to fund part of the purchase price for the acquisition of the Macquarie Generation (**MacGen**) assets from the New South Wales (**NSW**) Government for consideration of $1,505 million as announced to ASX by AGL on 12 February 2014, and subsequently authorised by the Australian Competition Tribunal on 25 June 2014.

MacGen acquisition

The MacGen assets comprise:

- Bayswater (2,640 MW) and Liddell (2,000 MW) 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; and
- 104 Mt of low cost contracted coal and approximately 4.2 Mt opening coal stockpile.

This acquisition is entirely consistent with AGL's integrated strategy. MacGen is the largest electricity generator in NSW and has the lowest short run marginal cost of large baseload power stations in the State. The acquisition increases AGL's registered generation capacity to approximately 10,400 MW[2] and will result in AGL having the lowest cost large scale baseload generation in both Victoria and NSW.

In addition to enhancing AGL's vertical integration strategy, the acquisition is expected to be accretive to underlying EPS for the year ending 30 June 2015[3].

Entitlement Offer

Under the Entitlement Offer, eligible shareholders are entitled to acquire 1 New Share for every 5 existing AGL ordinary shares (**Shares**) held on the record date, being 7.00pm (Sydney time) on Monday 25 August 2014. The Board considers that the pro rata nature of the Entitlement Offer favours existing AGL shareholders in recognition of their continuing support.

The Offer Price of $11.00 per New Share represents a discount of 23% to the closing market price of Shares on 19 August 2014, the day before the Entitlement Offer was announced, and a 20% discount to the theoretical ex-rights price (**TERP**)[4].

New Shares issued under the Entitlement Offer will rank equally with existing Shares. The first dividend payable in respect of the New Shares will be the 2015 interim dividend expected to be declared as part of AGL's interim results announcement for the six months ending 31 December 2014. New Shares to be issued under the Offer will not be entitled to the 2014 final dividend announced on 20 August 2014.

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and the Retail Entitlement Offer. The Institutional Entitlement Offer and associated bookbuild have raised approximately $515 million in total.

Notes:

2 Includes approximately 150 MW of generation under construction including AGL Solar.

3 Please refer to the AGL Investor Presentation included in Section 4 of this Retail Offer Booklet for further information on the key underlying assumptions.

4 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 is adjusted for the 2014 final dividend of 33.0 cents per share.

The Retail Entitlement Offer and associated retail bookbuild (described below) is expected to raise approximately $717 million. This Retail Offer Booklet relates to the Retail Entitlement Offer and entitlements allotted under it (**Retail Entitlements**).

Accompanying this Retail Offer Booklet is your personalised Entitlement and Acceptance Form which contains details of your Entitlement. Your Entitlement may have value and it is important that you determine whether to take up, sell or do nothing in respect of your Entitlement (see Section 3).

The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Monday, 15 September 2014. To participate, you need to ensure that you have completed your application by paying Application Monies by Bpay®, or by lodging your Entitlement and Acceptance Form with your Application Monies paid by cheque, so that they are received before this time in the manner described in this Retail Offer Booklet.

If you do not wish to take up your Entitlement, you may sell all or part of your Entitlement on the ASX from Monday, 25 August 2014 to Monday, 8 September 2014 or transfer all or part of your Entitlement directly to another person. The assignment, transfer and exercise of Retail Entitlements is restricted to persons meeting certain eligibility criteria, as described in Section 6.1. If holders of Retail Entitlements at the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Retail Entitlements and, as a result, they may receive no value for them. If you choose to do nothing in respect of all or part of your Entitlement, part or all (as applicable) of your Entitlement will be offered for sale for your benefit through a bookbuild process on Thursday, 18 September 2014 (**Retail Shortfall Bookbuild**). In this case, you will receive any amount paid above the Offer Price in respect of the Retail Entitlements sold to investors in the Retail Shortfall Bookbuild (**Retail Premium**), less any applicable withholding tax.

It is the current intention of the AGL Directors who hold shares to participate in the Entitlement Offer.

Further Information

Further information on the Retail Entitlement Offer and AGL's business is detailed in this Retail Offer Booklet. You should carefully read this Retail Offer Booklet in its entirety and consult your financial adviser before making your investment decision. In particular, you should read and consider the 'Key Risks' section of the AGL Investor Presentation included in Section 4 of this Retail Offer Booklet which contains a summary of some of the key risks associated with an investment in AGL.

If you have any questions in respect of the Retail Entitlement Offer please call the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) at any time from 8.30am to 5.30pm (Sydney time) Monday to Friday.

On behalf of the AGL Board, I encourage you to consider this opportunity to participate in the continuing growth of AGL.

Yours faithfully,

Jeremy Maycock, Chairman
AGL Energy Limited

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Section 1:

IS THIS BOOKLET RELEVANT TO YOU?

1

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Section 1 Is this booklet relevant to you?

This Retail Offer Booklet is relevant to you if you are an Eligible Retail Shareholder.

In this Retail Offer Booklet, references to "you" are references to Eligible Retail Shareholders and references to "your Entitlement" or "your Retail Entitlement" (or "your Entitlement and Acceptance Form") are references to the Entitlement (or Entitlement and Acceptance Form) of Eligible Retail Shareholders.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (Sydney time) on Monday, 25 August 2014;
- have a registered address on the AGL share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds AGL ordinary shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Refer to Section 6.1 for further details.

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Section 2:

SUMMARY OF OPTIONS AVAILABLE TO YOU

2

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Section 2 Summary of options available to you

If you are an Eligible Retail Shareholder (as defined in Section 6.1) you may take any one of the following actions:

(a) Take up all or part of your Entitlement; or

(b) Sell all or part of your Entitlement:

  (1) on ASX; or

  (2) by transferring it directly to another person; or

(c) Do nothing and let all or part of your Entitlement be sold into the Retail Shortfall Bookbuild.

If you are a retail shareholder that is not an Eligible Retail Shareholder you are an Ineligible Retail Shareholder. Ineligible Retail Shareholders will receive the Retail Premium (if any), less any applicable withholding tax, for the sale of Entitlements by a nominee for their benefit through the Retail Shortfall Bookbuild.

Options available to you	Key considerations
Take up all or part of your Entitlement	> You may elect to purchase New Shares at the Offer Price (see Section 3.5.1 for instructions on how to take up your Entitlement). > The New Shares will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, starting with the 2015 interim dividend. New Shares to be issued under the Offer will not be entitled to the 2014 final dividend announced on 20 August 2014. > The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Monday, 15 September 2014. > If you only take up part of your Entitlement, you may choose to sell or transfer the balance (see Option 2 below) or you may do nothing and let that part be sold in the Retail Shortfall Bookbuild for your benefit (see Option 3 below). > Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as set out in their personalised Entitlement and Acceptance Form.
Sell or transfer all or part of your Entitlement	> If you do not wish to take up all or part of your Entitlement, you may be able to sell all or part of your Entitlement on ASX through your broker (see Section 3.5.2) or transfer your Entitlement directly to another person (see Section 3.5.3). > Retail Entitlements may be traded on ASX from Monday, 25 August 2014 to Monday, 8 September 2014 (ASX code: AGKRA). You may incur brokerage costs if you sell all or part of your Entitlement on ASX. > For Eligible Retail Shareholders who hold their existing Shares on capital account, the proceeds of any sale of your Entitlements should be treated as capital gains for Australian tax purposes (see Section 4.2). > If you sell your Entitlements in the Retail Entitlement trading period, you may receive a higher or lower amount than a shareholder who sells their Entitlements at a different time in the Retail Entitlement trading period or through the Retail Shortfall Bookbuild. > If you only sell or transfer part of your Entitlement, you may choose to take up the remainder (see Option 1 above) or you may do nothing and let that part be sold in the Retail Shortfall Bookbuild (see Option 3 below).

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Options available to you	Key considerations
Do nothing and let all or part of your Entitlement be sold through the Retail Shortfall Bookbuild	> To the extent you do not take up or do not sell all of your Entitlement on ASX (or via direct transfer), your Entitlements will be sold through the Retail Shortfall Bookbuild on Thursday, 18 September 2014 and you will receive any Retail Premium in respect of these Entitlements (see Section 3.5.4). There is no guarantee that there will be any Retail Premium. > The Australian Taxation Office (ATO) has stated in Taxation Ruling TR 2012/1 that in certain circumstances retail premiums will be taxed either as unfranked dividends (which may be subject to dividend withholding tax if you are not an Australian resident shareholder) or as ordinary income (and not as capital gains). The ATO's ruling does not apply to the Entitlements because, amongst other things, the Entitlements are tradeable on ASX. > AGL's tax adviser considers that any Retail Premium should be taxable in the hands of Eligible Retail Shareholders who hold their existing Shares on capital account as a capital gain (see Section 4.3). However, it is possible the ATO could seek to apply the tax treatment specified in Taxation Ruling TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild. > Accordingly, Eligible Retail Shareholders who propose to allow their Entitlements to be sold into the Retail Shortfall Bookbuild should consider instead selling their Entitlements on ASX, the tax treatment for which is more certain (see Section 4.2). > You will not incur brokerage costs on any Retail Premium received from the Retail Shortfall Bookbuild. > By letting your Entitlement be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to increases or decreases in the value of New Shares (or any value for that Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in AGL will also be diluted. > AGL may be required to withhold tax, if you are an Australian tax resident shareholder, and you have not previously provided your TFN or ABN to AGL. Accordingly, you may wish to do so prior to the close of the Retail Entitlement Offer to ensure that withholding tax is not deducted from any Retail Premium at the current rate of 49%. You are able to provide your TFN or ABN online with the AGL Share Registry at www.linkmarketservices.com.au.

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Section 3:

HOW TO APPLY

3

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3.1 Overview of the Entitlement Offer

Eligible shareholders are being offered the opportunity to purchase 1 New Share for every 5 existing Shares held as at 7.00pm (Sydney time) on Monday, 25 August 2014 (**Record Date**), at the Offer Price of $11.00 per New Share.

The Entitlement Offer is comprised of four components:

(a) **Institutional Entitlement Offer** – Eligible Institutional Shareholders (as defined in Section 6.2) were given the opportunity to take up all or part of their Entitlement. Entitlements under the Institutional Entitlement Offer (**Institutional Entitlements**) were renounceable and were not able to trade on ASX;

(b) **Institutional Shortfall Bookbuild** – Institutional Entitlements not taken up and Entitlements of ineligible institutional shareholders were sold through a bookbuild process on Friday, 22 August 2014 (**Institutional Shortfall Bookbuild**). The premium paid in respect of those Entitlements was $2.85 per Entitlement (**Institutional Premium**). Eligible institutional shareholders who elected not to take up all or part of their Institutional Entitlements, and ineligible institutional shareholders, will receive the Institutional Premium for each entitlement that was not taken up and that was sold into the Institutional Shortfall Bookbuild.

(c) **Retail Entitlement Offer** – Eligible Retail Shareholders (as defined in Section 6.1) will be allotted Retail Entitlements under the Retail Entitlement Offer (**Retail Entitlement**) which can be taken up in whole or in part, or traded on ASX (or transferred directly to another person) in whole or in part. This means that if you do not wish to take up all or part of your Entitlement you may sell on ASX or transfer all or part of your Entitlement in order to realise value from your Entitlement. You may incur brokerage costs if you sell your Entitlement on ASX; and

(d) **Retail Shortfall Bookbuild** – Retail Entitlements which are not taken up by the close of the Retail Entitlement Offer and Entitlements of Ineligible Retail Shareholders (as defined in Section 3.6) will be sold through the Retail Shortfall Bookbuild. Any Retail Premium will be remitted proportionally to holders of those Retail Entitlements at the close of the Retail Entitlement Offer, and to Ineligible Retail Shareholders. The Retail Premium, if any, is expected to be paid on or about Monday, 29 September 2014.

You have a number of decisions to make in respect of your Entitlement. These decisions may materially affect the value (if any) that may be received in respect of your Entitlement. You should read this Retail Offer Booklet carefully before making any decisions in relation to your Entitlement.

The Entitlement Offer is fully underwritten by the Underwriters. Further details on the Retail Entitlement Offer and Retail Shortfall Bookbuild are set out below.

3.2 The Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders are invited to apply for 1 New Share for every 5 existing Shares held as at the Record Date at the Offer Price of $11.00 per New Share.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer.

The Retail Entitlement Offer opens at 9.00am (Sydney time) Tuesday, 26 August 2014 and will close at 5.00pm (Sydney time) on Monday, 15 September 2014 .

3.3 Your Entitlement

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form and has been calculated as 1 New Share for every 5 existing Shares you held as at the Record Date. If the result is not a whole number, your Entitlement will be rounded up to the nearest whole number of New Shares.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have a separate Entitlement for each separate holding.

You can also view details of your Entitlement online at www.agl.com.au.

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, starting with the 2015 interim dividend. New Shares to be issued under the Offer will not be entitled to the 2014 final dividend announced on 20 August 2014.

See Sections 6.1 and 6.14 for information on restrictions on participation.

3.4 Consider the Retail Entitlement Offer carefully in light of your particular investment objectives and circumstances

The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This Retail Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Retail Entitlement Offer. As a result, it is important for you to read carefully and understand the information on AGL and the Retail Entitlement Offer made publicly available, prior to deciding whether to take up all or part of your Entitlement, sell or transfer all or part of your Entitlement or do nothing in respect of your Entitlement. In particular, please refer to this Retail Offer Booklet and other announcements made available at www.agl.com.au (including announcements which may be made by AGL after publication of this Retail Offer Booklet).

Please consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer. You should also refer to the 'Key risks' section of the AGL Investor Presentation included in Section 5 of this Retail Offer Booklet.

3.5 Options available to you

If you are an Eligible Retail Shareholder, you may take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Entitlement.

> Take up all or part of your Entitlement (see Section 3.5.1);

> Sell all or part of your Entitlement to persons meeting certain eligibility criteria;

  – on ASX (see Section 3.5.2); or

  – by transferring it directly to another person (see Section 3.5.3)

> Do nothing and let your Entitlement be sold through the Retail Shortfall Bookbuild (see Section 3.5.4)

Section 3 How to apply

3.5.1 If you wish to take up all or part of your Entitlement

If you wish to take up all or part of your Entitlement, please either:

(1) complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies;

(2) pay your Application Monies via Bpay® by following the instructions set out on the personalised Entitlement and Acceptance Form; or

(3) apply and pay online at www.agl.com.au,

in each case, by no later than 5.00pm (Sydney time) on Monday, 15 September 2014.

If you take up and pay for all or part of your Entitlement before the close of the Retail Entitlement Offer, it is expected that you will be issued New Shares on Thursday, 25 September 2014. AGL's decision on the number of New Shares to be issued to you will be final.

AGL also reserves the right (in its absolute discretion) to reduce the number of New Shares issued (or any Retail Premium paid to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders), if AGL believes their claims to be overstated or if they or their nominees fail to provide information to substantiate their claims to AGL's satisfaction (see Section 6.6).

Eligible Retail Shareholders are not able to apply for New Shares in excess of their Entitlement as set out in their personalised Entitlement and Acceptance Form.

3.5.2 If you wish to sell all or part of your Entitlement on ASX

If you wish to sell all or part of your Entitlement on ASX, you should instruct your stockbroker and provide details as requested from your personalised Entitlement and Acceptance Form or as accessed online at www.agl.com.au. Allow sufficient time for your instructions to be carried out by your stockbroker. Please note you may incur brokerage if you choose to sell your Entitlement on ASX.

Entitlement trading on ASX starts on a deferred settlement basis at 10.00am (Sydney time) on Monday, 25 August 2014 (ASX code: AGKRA) and ceases at 4.00pm (Sydney time) on Monday, 8 September 2014. There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact your ability to sell your Entitlement on ASX and the price you may be able to achieve.

This Retail Offer Booklet, along with your personalised Entitlement and Acceptance Form, will be despatched on Friday, 29 August 2014.

AGL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to you if you trade your Entitlement before the Retail Entitlements are allotted, or before you receive your personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by AGL or the AGL Share Registry or failure to maintain your updated details on the AGL share registry or otherwise.

If you wish to sell part of your Entitlement on ASX and let the balance be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to sell on ASX, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

Prices obtainable for Retail Entitlements may rise and fall over the Retail Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of AGL existing Shares relative to the Offer Price. If you sell your Entitlements in the Retail Entitlement trading period, you may receive a higher or lower amount than a shareholder who sells their Entitlements at a different time in the Retail Entitlement trading period or through the Retail Shortfall Bookbuild.

If you sell your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in AGL will also be diluted.

3.5.3 If you wish to transfer all or part of your Entitlement other than on ASX

If you wish to transfer all or part of your Entitlement other than on ASX, you must forward a completed Renunciation and Transfer Form to the AGL Share Registry in relation to the part of your Entitlement that you wish to transfer. If the transferee wishes to take up all or part of the Entitlement transferred to them, they must send their Application Monies together with the Entitlement and Acceptance Form related to the Entitlement transferred to them to the AGL Share Registry.

You can obtain a Renunciation and Transfer Form through the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 2 1800 824 513 (outside Australia) or from your stockbroker. The Renunciation and Transfer Form as well as the transferee's Application Monies and the Entitlement and Acceptance Form related to the Entitlement transferred to them must be received by the AGL Share Registry at the mail or hand delivery address in Section 3.9 no later than 5.00pm (Sydney time) on Monday, 15 September 2014.

If the AGL Share Registry receives both a completed Renunciation and Transfer Form and an application for New Shares in respect of the same Entitlement, the transfer will take priority over the application.

If you wish to transfer part of your Entitlement and allow the balance to be sold into the Retail Shortfall Bookbuild, follow the procedures above in respect of the part of your Entitlement you wish to transfer, and do nothing in respect of the balance. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild.

If you transfer your Entitlement, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up that Entitlement. Your percentage shareholding in AGL will also be diluted.

You may only transfer your Entitlement in this way to a purchaser whose address is in Australia or New Zealand, who is not in the United States and is not acting for the account or benefit of a person in the United States. Persons that are in the United States or that are acting for the account or benefit of a person in the United States will not be eligible to purchase, trade, take up or exercise Entitlements. You should inform any transferee of these restrictions.

See Sections 6.1 and 6.14 for more information on restrictions on participation.

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3.5.4 If you wish to let your Entitlement be sold through the Retail Shortfall Bookbuild

Any of your Entitlements which you do not take up, sell or transfer will be sold through the Retail Shortfall Bookbuild on Thursday, 18 September 2014 to Eligible Institutional Investors. You will receive the Retail Premium (if any) in respect of those Entitlements sold through the Retail Shortfall Bookbuild (see Section 3.7).

By allowing your Entitlement to be sold through the Retail Shortfall Bookbuild, you will forgo any exposure to increases or decreases in the value of the New Shares had you taken up your Entitlement (or any value for your Entitlement which may have been achieved through its sale on ASX or otherwise). Your percentage shareholding in AGL will also be diluted.

3.6 Ineligible Retail Shareholders

Ineligible Retail Shareholders will receive the Retail Premium (if any) for Entitlements that have been sold on their behalf into the Retail Shortfall Bookbuild.

3.7 Retail Shortfall Bookbuild

Retail Entitlements which are not taken up by close of the Retail Entitlement Offer, and Retail Entitlements of Ineligible Retail Shareholders, will be sold through the Retail Shortfall Bookbuild. Any Retail Premium (being any amount paid in respect of those Entitlements sold into the Retail Shortfall Bookbuild) will be remitted proportionally to such shareholders on or about Monday, 29 September 2014, net of any applicable withholding tax.

Retail Premium amounts, if any, will be paid in either Australian dollars or New Zealand dollars based on your nominated bank account. You will be paid by direct credit to the nominated bank account as noted on AGL's share register. The Retail Premium, if any, is expected to be paid on or about Monday, 29 September 2014.

The Retail Premium may be zero, in which case no payment will be made to holders of those Entitlements sold into the Retail Shortfall Bookbuild. The outcome of the Institutional Shortfall Bookbuild (including the Institutional Premium) is not an indication as to whether there will be a Retail Premium or what any Retail Premium may be.

The ability to sell Entitlements under the Retail Shortfall Bookbuild and the ability to obtain any Retail Premium will depend on various factors, including market conditions. If there is a Retail Premium, it may be less than, more than, or equal to the Institutional Premium or less than, more than or equal to any price or prices that Entitlements may be able to be sold on ASX or otherwise transferred. To the maximum extent permitted by law, AGL, the Underwriters and each of their respective related bodies corporate and affiliates, and each of their respective directors, officers, partners, employees, representatives and agents, disclaim all liability, including for negligence, for any failure to procure a Retail Premium under the Retail Shortfall Bookbuild, for any difference between the Retail Premium and the Institutional Premium and for any failure to obtain any particular exchange rate, or any movements in exchange rates, if exchanging the Retail Premium into New Zealand dollar funds. AGL reserves the right to issue Entitlements under the Retail Shortfall Bookbuild at its discretion.

You should note that if you sell or transfer all or part of your Entitlement or allow all or part of your Entitlement to be sold into the Retail Shortfall Bookbuild, then you will forgo any exposure to increases or decreased in the value of New Shares (or any value for that Entitlement which may have been achieved through its sale on ASX or otherwise) and your percentage shareholding in AGL will be diluted by your non-participation in the Retail Entitlement Offer.

3.8 Payment

You can pay in the following ways:

> by Bpay®; or

> by cheque.

Cash payments will not be accepted. Receipts for payment will not be issued.

AGL will treat you as applying for as many New Shares as your payment will pay for in full up to your Entitlement.

Any Application Monies received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

3.8.1 Payment by Bpay®

For payment by Bpay®, please follow the instructions on the personalised Entitlement and Acceptance Form or online at www.agl.com.au. You can only make payment via Bpay® if you are the holder of an account with an Australian financial institution that supports Bpay® transactions.

If you are paying by Bpay®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlement and Acceptance Form or accessed online at www.agl.com.au. If you have multiple holdings and consequently receive more than one personalised Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those holdings only use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

Please note that should you choose to pay by Bpay®:

> you do not need to submit your personalised Entitlement and Acceptance Form but are taken to make the declarations, representations and warranties on that Entitlement and Acceptance Form and in Section 3.10; and

> If you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your Bpay® payment is received by the AGL Share Registry by no later than 5.00pm (Sydney time) on Monday, 15 September 2014. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration in the timing of when you make payment.

3.8.2 Payment by cheque

For payment by cheque, you should complete your personalised Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque in Australian currency for the amount of the Application Monies, payable to 'AGL Retail Offer' and crossed 'Not Negotiable'.

Your cheque must be:

> for an amount equal to $11.00 multiplied by the number of New Shares that you are applying for; and

> in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident shareholders must arrange for payment to be made in Australian dollars.

Section 3 How to apply

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlement and Acceptance Form) and in Section 3.10. Alternatively, your application will not be accepted.

3.9 Mail or hand delivery

To participate in the Retail Entitlement Offer, your payment must be received no later than the close of the Retail Entitlement Offer, being 5.00pm (Sydney time) on Monday, 15 September 2014. If you make payment via cheque, you should mail or hand deliver your completed personalised Entitlement and Acceptance Form together with Application Monies to:

Mailing Address
AGL Energy Limited
C/– Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery Address
AGL Energy Limited
C/– Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(Please do not use this address for mailing purposes)

Personalised Entitlement and Acceptance Forms and Application Monies will not be accepted at AGL's registered or corporate offices, or other offices of the AGL Share Registry.

3.10 Representations by acceptance

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by Bpay®, you will be deemed to have represented to AGL that you are an Eligible Retail Shareholder and:

- acknowledge that you have read and understand this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet (including Section 6.4), and AGL's constitution;
- authorise AGL to register you as the holder(s) of New Shares allotted to you;
- declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- acknowledge that once AGL receives your personalised Entitlement and Acceptance Form or any payment of Application Monies via Bpay®, you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares specified in the personalised Entitlement and Acceptance Form, or for which you have submitted payment of any Application Monies via Bpay®, at the Offer Price per New Share;
- authorise AGL, the Underwriters, the AGL Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the AGL Share Registry upon using the contact details set out in your personalised Entitlement and Acceptance Form;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in AGL and is given in the context of AGL's past and ongoing continuous disclosure announcements to ASX;
- acknowledge the statement of risks in the 'Key Risks' section of the AGL Investor Presentation contained in Section 5 of this Retail Offer Booklet, and that investments in AGL are subject to risk;
- acknowledge that none of AGL, the Underwriters, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of AGL, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise AGL to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of AGL, the Underwriters and their respective related bodies corporate and affiliates) that you did not receive an invitation to participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an application for New Shares and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;

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- you understand and acknowledge that neither the Entitlements nor the New Shares have been, or will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws;
- you are subscribing for or purchasing the Entitlements or the New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the US Securities Act) in compliance with reliance on Regulation S under the US Securities Act;
- you have not and will not send this Retail Offer Booklet, the Entitlement and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Entitlement and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Retail Offer Booklet, the Entitlement and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person.

3.11 Representations by acquirers of Retail Entitlements

Investors who acquire Retail Entitlements on ASX or otherwise will, by acquiring those Retail Entitlements, and by applying to take up all or part of those Retail Entitlements, be deemed to agree to make and be subject to the representations, declarations, warranties and agreements in Section 3.10 above (with references to the personalised Entitlement and Acceptance Form to be read as including any other form provided or required to be provided to AGL, the AGL Share Registry or the person's stockbroker).

The Retail Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

Investors should note that if you purchase Retail Entitlements in a transaction on ASX or otherwise, in order to take up or exercise those Entitlements and subscribe for New Shares you:

- must be an Eligible Retail Shareholder (as defined in Section 6.1), a resident in Australia or New Zealand, or otherwise qualify as an 'Eligible Person'[5]; and
- must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Retail Entitlements or subscribe for New Shares.

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.

3.12 Enquiries

If you have not received or you have lost your personalised Entitlement and Acceptance Form, or have any questions, please contact the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia). The AGL Energy Limited Offer Information Line will be open from 8.30am to 5.30pm (Sydney time), Monday to Friday, until Monday, 15 September 2014. Alternatively, you can access information about the Retail Entitlement Offer online at www.agl.com.au. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

Note:

5 Certain investors in a limited number of foreign jurisdictions (other than the United States) may be Eligible Persons if they satisfy the requirements of that expression as set out in the 'Entitlement and Acceptance Form' in respect of the Entitlement Offer which is available at www.agl.com.au and to be released by AGL to ASX on www.asx.com.au.

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Section 4:

AUSTRALIAN TAXATION CONSIDERATIONS

4

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This section is a general summary of the Australian income tax, goods and services tax (GST) and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders.

The taxation implications of the Retail Entitlement Offer will vary depending upon your particular circumstances. Accordingly, you should seek and rely upon your own professional advice before concluding on the particular taxation treatment that will apply to you.

Neither AGL nor any of its officers or employees, nor its taxation and other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

The comments in this section deal only with the Australian taxation implications of the Retail Entitlement Offer if you:

> are a resident for Australian income tax purposes; and

> hold your Shares on capital account.

The comments do not apply to you if you:

> are not a resident for Australian income tax purposes; or

> hold your Shares as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading); or

> acquired the Shares in respect of which the Retail Entitlements are issued under any employee share scheme or where the New Shares are acquired pursuant to any employee share scheme; or

> acquired Retail Entitlements otherwise than because you are an Eligible Retail Shareholder (e.g. where the Retail Entitlements are acquired on ASX).

This taxation summary is necessarily general in nature and is based on the Australian tax legislation and administrative practice in force as at the date of this Retail Offer Booklet. It does not take into account any financial objectives, tax positions, or investment needs of Eligible Retail Shareholders. It is strongly recommended that each Eligible Retail Shareholder seek their own independent professional tax advice applicable to their particular circumstances.

4.1 Issue of Entitlements

The issue of the Entitlements should not, of itself, result in any amount being included in your assessable income.

4.2 Sale of Entitlements

If you sell your Entitlement on ASX or otherwise, you should derive a capital gain for capital gains tax (**CGT**) purposes equal to the sale proceeds less certain non-deductible costs of disposal.

Individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months prior to the date of sale, should be entitled to discount the amount of a capital gain resulting from the sale of the Entitlements (after the application of any current year or carry forward capital losses). The amount of this discount is 50% for individuals and trustees and 33⅓% for complying superannuation entities. This is referred to as the 'CGT discount'. The CGT discount is not available for companies that are not trustees. Trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries because of discount capital gains.

4.3 Entitlements sold into the Retail Shortfall Bookbuild

Any Entitlements not taken up by you will be sold into the Retail Shortfall Bookbuild and any Retail Premium you receive in respect of the Entitlements will be remitted as a cash payment to you.

The Commissioner of Taxation (**Commissioner**) has released Taxation Ruling TR 2012/1 'Retail Premiums paid to shareholders where share entitlements are not taken up or are not available' where the Commissioner ruled that certain retail premiums are assessable as either an unfranked dividend or as ordinary income, and not as capital gains. However, TR 2012/1 states that it does not apply to the share entitlements which are assignable by, tradeable by, or given to a nominee for disposal on behalf of, shareholders entitled to them.

As previously noted, the Entitlements issued by AGL are tradeable by Eligible Retail Shareholders on ASX. In addition, Entitlements which are not taken up by Eligible Retail Shareholders will be sold on their behalf via the Retail Shortfall Bookbuild.

Having regard to the manner in which the Retail Shortfall Bookbuild is to be conducted, AGL's taxation adviser considers that TR 2012/1 should not apply to the Entitlements and any Retail Premium received by Eligible Retail Shareholders should be treated as capital proceeds for the Entitlements sold on their behalf via the Retail Shortfall Bookbuild. Accordingly, in the view of AGL's taxation adviser:

> Eligible Retail Shareholders whose Entitlements are sold into the Retail Shortfall Bookbuild should derive a capital gain for CGT purposes equal to amount of the Retail Premium received; and

> Australia resident Eligible Retail Shareholders who are individuals, complying superannuation entities or trustees that have held their existing Shares for at least 12 months prior to the date of sale, should be entitled to the CGT discount (see Section 4.2 above) in respect of any capital gain resulting from the sale of the Entitlements into the Retail Shortfall Bookbuild (after the application of any current year or carry forward capital losses).

However, the Commissioner has not issued any public ruling or other guidance specific to the tax treatment of Retail Premiums received in the particular circumstances of the Retail Shortfall Bookbuild. Eligible Retail Shareholders need to be aware that the Commissioner may seek to apply the tax treatment specified in TR 2012/1 to Entitlements sold via the Retail Shortfall Bookbuild and treat the Retail Premium as assessable either as an unfranked dividend or as ordinary income and not as a capital gain. Eligible Retail Shareholders who are considering allowing their Entitlements to be sold into the Retail Shortfall Bookbuild should consider instead selling their Entitlements on ASX, the tax treatment for which is more certain (refer Section 4.2 above).

Given the uncertainty surrounding the tax treatment of Retail Premiums, AGL recommends that you seek your own tax advice if you propose to allow your Entitlements to be sold into the Retail Shortfall Bookbuild.

If you are an Australian tax resident shareholder, and you have not previously provided your TFN or ABN to AGL, you may wish to do so prior to the close of the Retail Entitlement Offer to ensure that withholding tax is not deducted from any Retail Premium payable to you at the current rate of 49%. You are able to provide your TFN or ABN online with the AGL Share Registry at www.linkmarketservices.com.au. When providing your details online, you will be required to enter your Security Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on your Issuer Sponsored/CHESS statements and other personal details such as your postcode.

Section 4 Australian Taxation Considerations

4.4 Exercise of Entitlements

Neither income tax nor a capital gains tax liability will arise for you on the exercise (i.e. taking up) of your Entitlements.

If you take up all or part of your Entitlement, you will acquire New Shares with a cost base for CGT purposes equal to the Offer Price payable by you for those New Shares plus certain non-deductible incidental costs you incur in acquiring them.

New Shares will be taken to have been acquired on the day you exercise the Entitlements.

4.5 Dividends on New Shares as a result of Entitlements taken up

Any future dividends or other distributions made in respect of New Shares will be subject to the same income taxation treatment as dividends or other distributions made on existing Shares held in the same circumstances.

4.6 Disposal of New Shares

The disposal of a New Share will constitute a disposal for CGT purposes.

On disposal of a New Share, you will make a net capital gain if the capital proceeds on disposal exceed the total cost base of the New Share. You will make a net capital loss if the capital proceeds are less than the total reduced cost base of the New Share. The cost base of New Shares is described above in Section 4.4.

Individuals, trustees or complying superannuation entities that have held New Shares for 12 months or more at the time of disposal should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

New Shares will be treated for the purposes of the capital gains tax discount as having been acquired when you exercise your Entitlement. Accordingly, in order to be eligible for the CGT discount, the New Shares must be held for at least 12 months after the date that you exercised your Entitlement.

If you make a capital loss, you can only use that loss to offset other capital gains from other sources; i.e. the capital loss cannot be used against taxable income on revenue account. However, if the capital loss cannot be used in a particular income year it can be carried forward to use in future income years, providing certain tests are satisfied.

4.7 Taxation of Financial Arrangements (TOFA)

The TOFA provisions operate to make assessable or deductible, gains or losses arising from certain 'financial arrangements' (importantly, the CGT discount is not available for any gain that is subject to the TOFA provisions).

The TOFA provisions should not apply on a mandatory basis for the following taxpayers:

- individuals;
- superannuation funds and 'managed investment schemes' if the value of their assets is less than $100 million; or
- other taxpayers whose aggregated turnover (having regard to the turnover of connected entity's or affiliates) is less than $100 million, the value of their assets is less than $300 million, and the value of their financial assets is less than $100 million.

Taxpayers who are not automatically subject to TOFA can elect to be subject to TOFA on a voluntary basis.

Shareholders who are subject to TOFA should obtain their own tax advice as the precise implications under TOFA (if any) will depend on their facts and circumstances and in particular what elections they may have made.

4.8 Other Australian taxes

No GST or stamp duty will be payable by you in respect of the issue, sale or taking up of Entitlements or the acquisition of New Shares.

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Section 5:

ASX ANNOUNCEMENTS

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Section 5

AGL Investor Presentation dated 20 August 2014

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Disclaimer

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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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.
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Transaction Overview

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Transaction summary

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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

- **Macquarie Generation Acquisition**
- 20 August 2014
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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.

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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

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

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

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Energy in action. Since 1837 AGL

Strategic Rationale

Energy in action. Since 1837 AGL

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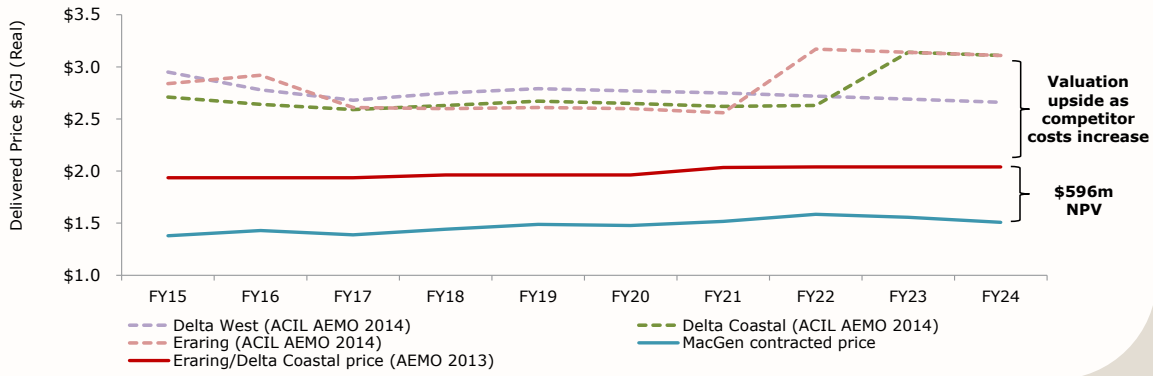
Long-term coal cost advantage

Highly competitive coal position relative to other NSW generators.

11

- 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.

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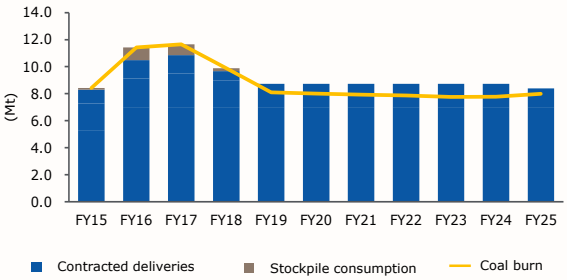
- Access to multiple, predominantly open-cut, low-cost fuel sources
- Flexibility to burn high ash coal from surrounding mines
- Long term relationships with three highly experienced suppliers and mine operators:
  - Glencore / Xstrata (Mangoola)
  - Peabody (Wilpinjong)
  - BHP (Mt Arthur)
- Strategic 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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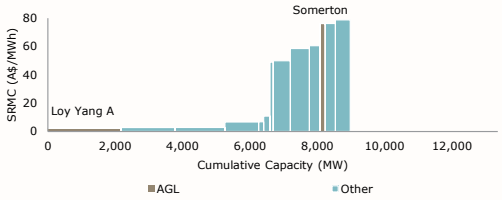
AGL's low cost position in NEM

Leading generation portfolio with low cost positions.

13

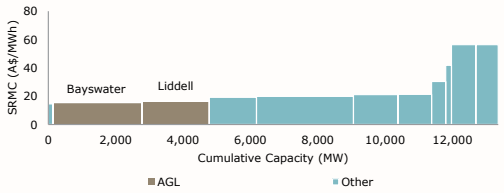
Lowest Cost Plant in VIC and NEM

VIC Thermal Merit Order (Ex. Carbon)



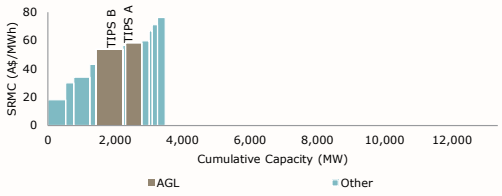
Lowest Cost Position of Scale in NSW, AGL's Largest Load Centre

NSW Thermal Merit Order (Ex. Carbon)



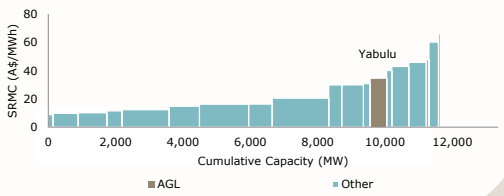
Significant Capacity Position in Peaky SA Market

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



QLD Large Scale Generation Owned by Government

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



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

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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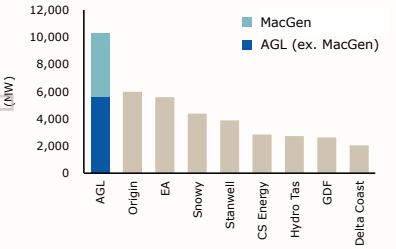
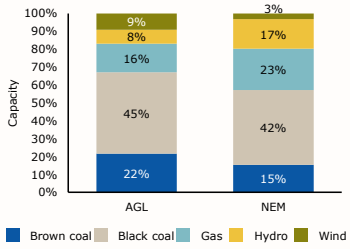
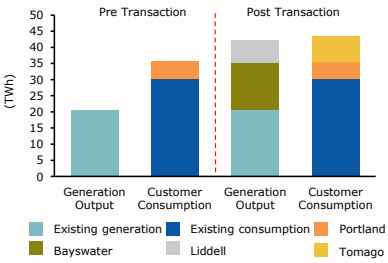
Largest Generator in the NEM[1]



Diversified Generation Mix[2]



Leading Hedge Position[3]



- Largest generation portfolio in the NEM
- Lowest cost position of major baseload generators in VIC and NSW
- Diversified fuel mix across renewables and fossil fuels
- Diversified mix across merit order – base, intermediate and peaking
- Conservatively assumed only 65-75%[4] of MacGen capacity hedged
- NEM wide self supply of ~100% of sales volume

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

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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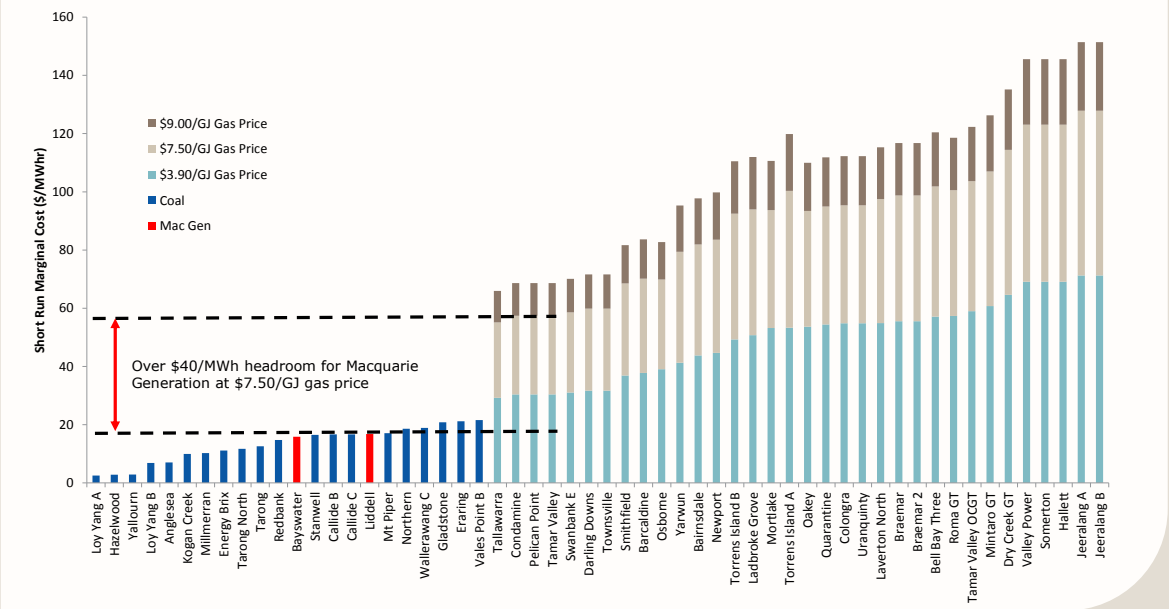
Rising gas price to alter generation cost stack[1]

15

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



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

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

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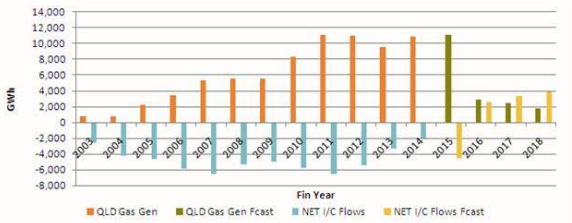
Declining gas generation to substantially impact supply.

- 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%**

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

1. AEMO market data from Infoserver
2. EnergyAustralia website

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Acquisition model demand assumptions

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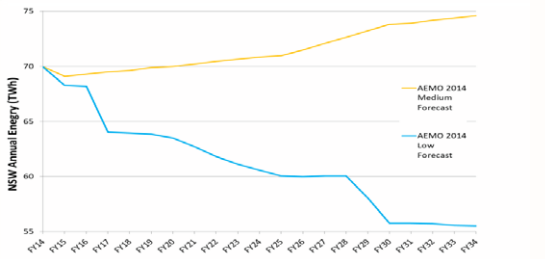
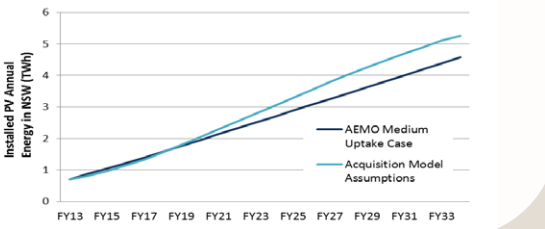
Assumes closure of Tomago smelter and strong solar PV uptake.

- 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

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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.

20

- 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.

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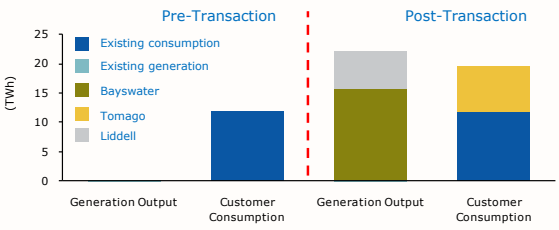
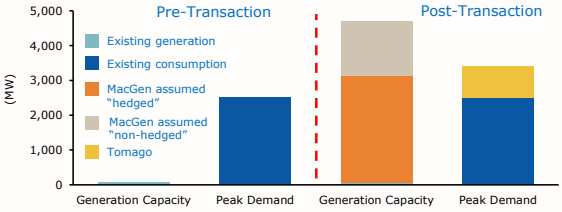
- Provides physical capacity in AGL's largest load centre
  - ~8.8 TWh p.a. and 820k customers
  - Plus ~2.4 TWh p.a. supplied to ActewAGL
- Negligible NSW generation capacity pre-transaction
  - Transaction reduces inter-regional risk
  - NSW position currently managed by Loy Yang A and third party 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]



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

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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Energy in action. Since 1837 AGL

Asset Overview

Energy in action. Since 1837 AGL

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Overview of MacGen

MacGen is one of the lowest cost generators in NSW.

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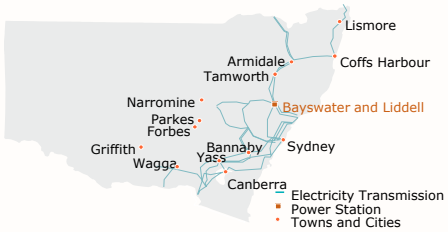
Overview

- 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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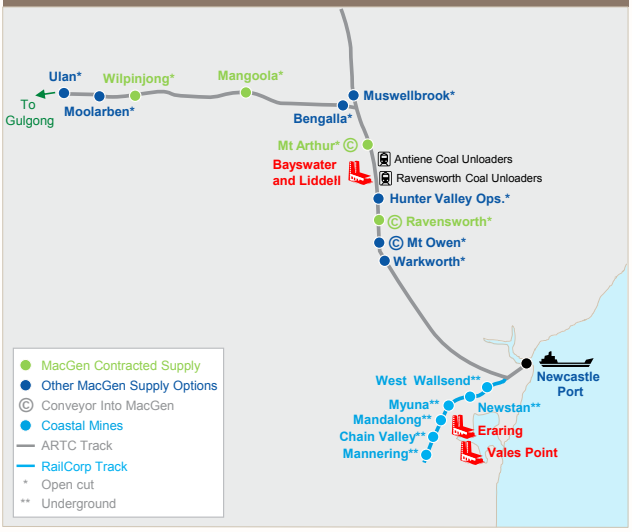
Well-located with significant coal infrastructure

MacGen has multiple and low cost recontracting options post 2025.

24

Hunter Valley Coal Supply Chain



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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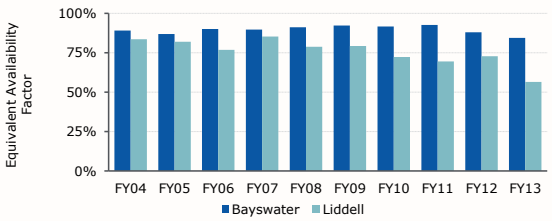
Operational performance improvement

Opportunity to improve plant availability.

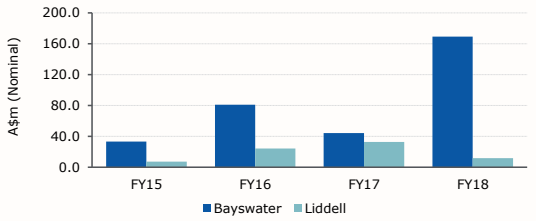
25

- 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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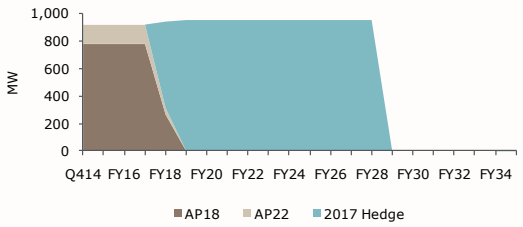
Tomago Overview

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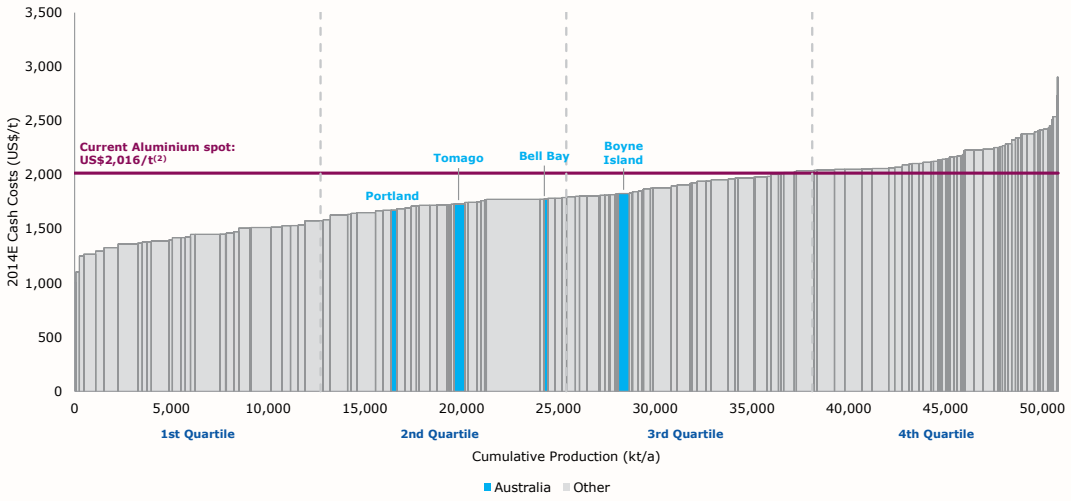
2014 Global Aluminium Cost Curve at A$:US$ 0.91[1]



- **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

Energy in action. Since 1837 AGL

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Transaction funding

Funding mix designed to maintain BBB credit rating.

29

- 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.

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- 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

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

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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.

36

- 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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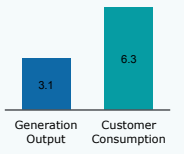
Leading integrated position in NEM

AGL now has further substantial low cost physical hedge positions.

38

SA Hedge Position (TWh)[1]

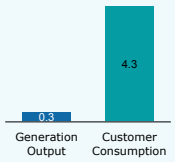
Well balanced position, with peak protection



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

QLD Hedge Position (TWh)[1, 3]

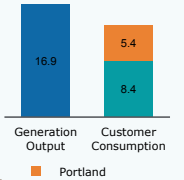
Retail cover largely procured from Govt. owned generation



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

VIC Hedge Position (TWh)[1, 3]

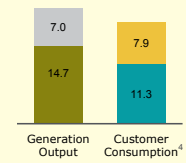
Material retail cover via Loy Yang



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

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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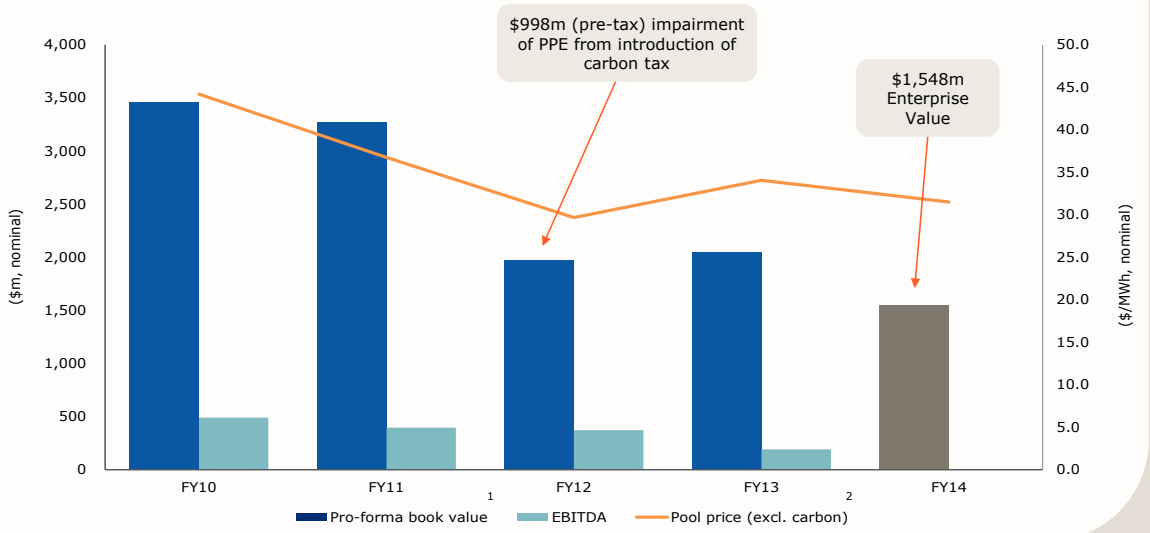
Evolution of MacGen valuation

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

39

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



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

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.

40

- 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

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

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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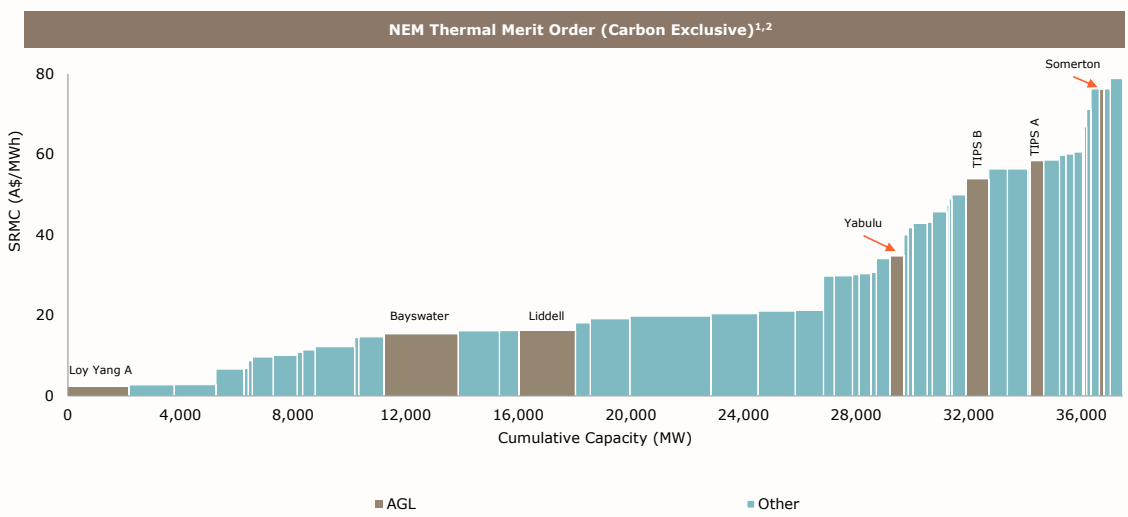
Low cost position in NEM

Leading generation portfolio with low cost positions across the NEM.

43



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

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.)

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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.)

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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.)

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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.

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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

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Foreign jurisdictions (contd.)

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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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Foreign jurisdictions (contd.)

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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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Foreign jurisdictions (contd.)

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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;

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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.

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Foreign jurisdictions (contd.)

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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.

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Foreign jurisdictions (contd.)

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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.

› Macquarie Generation Acquisition
› 20 August 2014
› AGL External

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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.

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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.

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

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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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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:

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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.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

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.

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Energy in action.®

ASX & Media Release

AGL successfully completes the institutional component of its 1 for 5 pro rata accelerated renouceable entitlement offer

25 August 2014

AGL Energy Limited (**AGL**) today announced the completion of the institutional component of its fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer (**Institutional Entitlement Offer**) with retail entitlements trading of new ordinary shares (**New Shares**) raising gross proceeds of approximately $515 million.

Summary of the Institutional Entitlement Offer

- **Institutional Entitlement Offer completed raising gross proceeds of approximately $515 million**
- **Approximately 95% take-up by eligible institutional shareholders**

Entitlements not taken up by eligible institutional shareholders and entitlements of ineligible institutional shareholders were sold and cleared in the institutional shortfall bookbuild at $2.85 per entitlement. The clearing price equates to a $2.85 premium to the offer price of $11.00, and a 6 cent premium to TERP of $13.79[1].

The close of the Institutional Entitlement Offer represents completion of the first stage of AGL's approximate $1,232 million equity raising, announced on Wednesday, 20 August 2014. Proceeds of the Entitlement Offer will be used to fund part of the $1,505 million purchase price of the Macquarie Generation assets.

Approximately 95% of the New Shares available under the Institutional Entitlement Offer were taken up, demonstrating strong demand from AGL's eligible institutional shareholders.

AGL CEO and Managing Director, Michael Fraser, said: "We are very pleased with the strong level of support received from our institutional shareholders in the Institutional Entitlement Offer. We now look forward to completing the retail component of the offer and completing the Macquarie Generation acquisition."

Approximately 2.3 million entitlements were available in the institutional shortfall bookbuild, which was completed on Friday, 22 August 2014. The bookbuild was well supported by shareholders and new investors with a clearing price of $2.85 per entitlement. Accordingly, the total amount to be paid by successful participants in the institutional shortfall bookbuild is $13.85 per New Share (being the offer price of $11.00 per share, plus $2.85 per entitlement). Eligible institutional shareholders who elected not to take up their entitlements, and ineligible institutional shareholders, will receive $2.85 for each entitlement not taken up and sold into the institutional shortfall bookbuild.

[1]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.

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New Shares taken up under the Institutional Entitlement Offer and following the institutional shortfall bookbuild are expected to be issued on Tuesday, 2 September 2014 and commence trading on ASX on the same day.

New Shares issued under the Institutional Entitlement Offer and Retail Entitlement Offer will rank equally with existing Shares from the date of allotment. New Shares to be issued under the Entitlement Offer will not be entitled to the FY14 fully franked final dividend of 33 cents per share announced on 20 August 2014.

Retail Entitlement Offer

The retail component of the entitlement offer (**Retail Entitlement Offer**) is expected to raise approximately $717 million. 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 able to subscribe for 1 New Share for every 5 existing AGL ordinary shares (**Entitlement**) held on the record date of 7.00pm (Sydney time) Friday, 25 August 2014, at the same offer price of $11.00 per share as the Institutional Entitlement Offer.

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 them 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 to Friday, 29 August 2014 on a deferred settlement basis and from Monday, 1 September 2014 to Monday, 8 September 2014 on a normal settlement basis.

Retail Entitlements that 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 agl.com.au from Monday, 25 August 2014.

The retail 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, on the register as at the record date. 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 on Wednesday, 20 August 2014. 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 of Entitlements. If holders of Entitlements after the end of the trading period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. 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.

AGL ordinary shares are expected to resume trading on the ASX from market open today on an ex-offer entitlement basis. AGL ordinary shares will commence trading ex-dividend of 33 cents per share on Tuesday, 2 September 2014.

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Further inquiries:

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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.

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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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Shareholder Enquiries

Eligible retail shareholders have been sent further details about the Entitlement Offer via a shareholder letter despatched on or around Thursday, 21 August 2014 and a retail offer booklet to be lodged with ASX on Monday, 25 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 agl.com.au.

Further information in relation to the Entitlement Offer described in this announcement is set out in an investor presentation which AGL has filed with the ASX on Wednesday, 20 August 2014. 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.

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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.

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Section 6:

IMPORTANT INFORMATION

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This Retail Offer Booklet (including the ASX announcements in Section 5) and enclosed personalised Entitlement and Acceptance Form (**Information**) have been prepared by AGL.

This Information is dated Monday, 25 August 2014 (other than the AGL Investor Presentation and the Offer Launch Announcement published on the ASX website on 20 August 2014). This Information remains subject to change without notice and AGL is not responsible for updating this Information.

There may be additional announcements made by AGL after the date of this Retail Offer Booklet and throughout the period that the Retail Entitlement Offer is open that may be relevant to your consideration of whether to take up, sell or do nothing in respect of your Entitlement. Therefore, it is prudent that you check whether any further announcements have been made by AGL (by visiting the ASX website at www.asx.com.au) before submitting your application to take up your Entitlement, or selling or transferring your Entitlement.

No party other than AGL has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

This Information is important and requires your immediate attention.

You should read this Information carefully and in its entirety before deciding how to deal with your Entitlement. In particular, you should consider the risk factors outlined in the 'Key Risks' section of the AGL Investor Presentation included in Section 5 of this Retail Offer Booklet, any of which could affect the operating and financial performance of AGL or the value of an investment in AGL.

You should consult your stockbroker, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

Trading of Entitlements and New Shares

It is expected that trading of Retail Entitlements on ASX will commence at 10.00am (Sydney time) on Monday, 25 August 2014 on a deferred settlement basis until 4.00pm (Sydney time) on Friday, 29 August 2014 (when those Entitlements are expected to be allotted) and from 10.00am (Sydney time) on Monday, 1 September 2014 until 4.00pm (Sydney time) on Monday, 8 September 2014 on a normal settlement basis. Following this, it is expected that trading on ASX of New Shares to be issued under the Retail Entitlement Offer will commence at 10.00am (Sydney time) on Tuesday, 9 September 2014 on a deferred settlement basis until 4.00pm (Sydney time) on Thursday, 25 September 2014 (when New Shares are expected to be issued) and thereafter on a normal settlement basis.

AGL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade Entitlements before they receive their personalised Entitlement and Acceptance Form, whether on the basis of confirmation of the allocation provided by AGL or the AGL Share Registry or otherwise or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

AGL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by AGL or the AGL Share Registry or otherwise or who otherwise trade or purport to trade Entitlements in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters, you should first consult with your stockbroker or other professional adviser.

6.1 Eligible Retail Shareholders

This Information contains an offer of New Shares to Eligible Retail Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC.

Eligible Retail Shareholders are those persons who:

> are registered as a holder of Shares as at the Record Date, being 7.00pm (Sydney time) on Monday, 25 August 2014;

> have a registered address on the AGL share register in Australia or New Zealand;

> are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds AGL ordinary shares for the account or benefit of such person in the United States);

> were not invited to participate (other than as nominee, in respect of other underlying holdings) under the Institutional Entitlement Offer, and were not treated as an ineligible institutional shareholder under the Institutional Entitlement Offer; and

> are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Retail Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders. AGL reserves the right to determine whether a shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by Bpay®, you will be taken to have represented and warranted that you satisfy each of the criteria listed above to be an Eligible Retail Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

AGL may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

AGL has decided that it is unreasonable to make offers under the Retail Entitlement Offer to shareholders who have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the cost of complying with the relevant legal and regulatory requirements in those places. AGL may (in its absolute discretion) extend the Retail Entitlement Offer to shareholders who have registered addresses outside Australia and New Zealand (except the United States) in accordance with applicable law.

6.2 Eligible Institutional Shareholders

Eligible Institutional Shareholders are institutional shareholders to whom the Underwriters made an offer on behalf of AGL under the Institutional Entitlement Offer.

Section 6 Important Information

6.3 Ranking of New Shares

New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally in all respects with existing Shares and will be entitled to dividends on the same basis as existing Shares, starting with the 2015 interim dividend. New Shares to be issued under the Offer will not be entitled to the 2014 final dividend announced on 20 August 2014. The rights and liabilities attaching to the New Shares are set out in AGL's constitution, a copy of which is available at www.agl.com.au.

6.4 Risks

The Investor Presentation details important factors and risks that could affect the financial and operating performance of AGL. You should refer to the 'Key Risks' section of the Investor Presentation released to ASX on 20 August 2014 which is included in Section 5 of this Retail Offer Booklet. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Entitlement.

6.5 Reconciliation, Top-Up Shares and the rights of AGL and the Underwriters

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more Shares than they ultimately did as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. In addition, where trustees of AGL's employee share plans hold shares on behalf of participants in those plans, the number of New Shares that are offered may need to increase to take account of the rounding referred to in Section 6.8. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that AGL may need to issue additional New Shares (**Top-Up Shares**) to ensure that the relevant investors receive their appropriate allocation of New Shares. The price at which these Top-Up Shares would be issued is not known.

AGL also reserves the right to reduce the size of an Entitlement or number of New Shares or the amount of the Institutional Premium or Retail Premium allocated to Eligible Institutional Shareholders or Eligible Retail Shareholders, or persons claiming to be Eligible Institutional Shareholders or Eligible Retail Shareholders or other applicable investors, if AGL believes in its complete discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims. In that case, AGL may, in its discretion, require the relevant shareholder to transfer excess New Shares to the Underwriters at the Offer Price per New Share. If necessary, the relevant shareholder may need to transfer existing Shares held by them or to purchase additional Shares on-market to meet this obligation. The relevant shareholder will bear any and all losses caused by subscribing for New Shares in excess of their Entitlement and any actions they are required to take in this regard.

Investors who sell Entitlements to which they are not entitled, or who do not hold sufficient Entitlements at the time required to deliver those Entitlements, may be required by AGL to otherwise acquire Entitlements or Shares to satisfy these obligations.

By applying under the Entitlement Offer, including pursuant to acquisitions of Entitlements, those doing so irrevocably acknowledge and agree to do the above as required by AGL in its absolute discretion. Those applying acknowledge that there is no time limit on the ability of AGL or the Underwriters to require any of the actions set out above.

6.6 Receipt of excess Retail Premium

If you receive a Retail Premium payment in excess of the Retail Premium payment to which you were actually entitled based on that part of your Entitlement under the Retail Entitlement Offer which remains held by you as at close of the Retail Entitlement Offer on 5.00pm (Sydney time) on Monday, 15 September 2014, then, in the absolute discretion of AGL, you may be required to repay AGL the excess Retail Premium.

By taking up or transferring your Entitlement, or accepting the payment to you of a Retail Premium, you irrevocably acknowledge and agree to repay any excess payment of the Retail Premium as set out above as required by AGL in its absolute discretion. In this case the amount required to be repaid will be net of any applicable withholding tax. You also acknowledge that there is no time limit on the ability of AGL to require repayment as set out above and that where AGL exercises its right to correct your Entitlement, you are treated as continuing to have taken up, transferred or not taken up any remaining part of the Entitlement.

6.7 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted.

6.8 Rounding of Entitlements

Where fractions arise in the calculation of an Entitlement, they will be rounded up to the nearest whole number of New Shares.

6.9 Trading of Retail Entitlements

Entitlements under the Retail Entitlement Offer are tradeable and can be sold or transferred. They are expected to be quoted on and tradeable on ASX from Monday, 25 August 2014 to Monday, 8 September 2014. You may sell your Entitlements (which you do not wish to take up or let be sold into the Retail Shortfall Bookbuild) in order to realise value which may attach to those Entitlements if sold at that time. If you let your Entitlement be sold into the Retail Shortfall Bookbuild, you have the opportunity to receive any Retail Premium (see Section 3.3). There is no guarantee that there will be a liquid market in traded Entitlements. A lack of liquidity may impact the ability to sell Entitlements on ASX and the price able to be achieved.

Prices obtainable for Retail Entitlements may rise and fall over the Retail Entitlement trading period and will depend on many factors including the demand for and supply of Entitlements on ASX and the value of AGL existing Shares relative to the Offer Price. If you sell your Entitlement, you may receive a higher or lower amount than a shareholder who sells their Entitlement at a different time in the Retail Entitlement trading period or through the Retail Shortfall Bookbuild.

If you decide not to take up all or part of your Entitlement, you should consider whether to sell all or part of your Entitlement or allow all or part of it to be sold into the Retail Shortfall Bookbuild. Information on how Entitlements may be sold or transferred is set out in Section 3 and information on Australian taxation considerations is set out in Section 4.

Institutional Entitlements under the Institutional Entitlement Offer were not quoted on or tradeable on ASX nor privately transferable.

The Retail Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States.

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Investors should note that if you purchase Retail Entitlements on ASX or otherwise, in order to take up or exercise those Retail Entitlements and subscribe for New Shares you:

- must be an Eligible Retail Shareholder, a resident in Australia or New Zealand, or otherwise qualify as an 'Eligible Person'[6]; and
- must not be in the United States or acting for the account or benefit of a person in the United States.

If you do not satisfy the above conditions, you will not be entitled to take up Retail Entitlements or subscribe for New Shares.

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, they may receive no value for them.

6.10 Notice to nominees and custodians

If AGL believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not sell or transfer Entitlements in respect of or purport to accept the Retail Entitlement Offer in respect of, Eligible Institutional Shareholders who were invited to participate in the Institutional Entitlement Offer (whether they accepted their Entitlement or not) and Institutional Shareholders who were treated as ineligible institutional shareholders under the Institutional Entitlement Offer.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to purchase or trade Retail Entitlements on ASX or otherwise, or take up or exercise Retail Entitlements purchased on ASX or otherwise and may receive no value for any such Entitlements held.

AGL is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary, including following acquisition of Entitlements on ASX or otherwise, complies with applicable foreign laws. AGL is not able to advise on foreign laws.

6.11 Not investment advice

This Retail Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. AGL is not licensed to provide financial product advice in respect of the New Shares. This Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with AGL's other periodic statements and continuous disclosure announcements lodged with ASX, which are available at www.agl.com.au.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Information, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant or other professional adviser or call the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Nominees and custodians may not distribute any part of this Retail Offer Booklet in the United States or in any other country outside Australia and New Zealand except (i) Australian and New Zealand nominees may send this Retail Offer Booklet and related offer documents to beneficial shareholders who are professional or institutional shareholders in other countries (other than the United States) listed in, and to the extent permitted under, the 'Foreign Jurisdictions' section of the AGL Investor Presentation included in Section 4 of this Retail Offer Booklet and (ii) to beneficial shareholders in other countries (other than the United States) where AGL may determine it is lawful and practical to make the Retail Entitlement Offer.

6.12 Quotation and trading

AGL has applied to the ASX for official quotation of the New Shares in accordance with the ASX Listing Rule requirements. If ASX does not grant quotation of the New Shares, AGL will repay all Application Monies (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence at 10.00am (Sydney time) on Friday, 26 September 2014.

6.13 Information availability

If you are in Australia or New Zealand, you can obtain a copy of this Retail Offer Booklet during the Entitlement Offer on AGL's Entitlement Offer website at www.agl.com.au or you can call the AGL Energy Limited Offer Information Line on 1800 824 513 (within Australia) or +61 1800 824 513 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

A replacement Entitlement and Acceptance Form can also be requested by calling the AGL Energy Limited Offer Information Line.

If you access the electronic version of this Retail Offer Booklet, you should ensure that you download and read the entire Retail Offer Booklet. The electronic version of this Retail Offer Booklet on the AGL Entitlement Offer website will not include an Entitlement and Acceptance Form.

Note:

6 Certain investors in a limited number of foreign jurisdictions (other than the United States) may be Eligible Persons if they satisfy the requirements of that expression as set out in the 'Entitlement Acceptance Form' in respect of the Entitlement Offer which is available at www.agl.com.au.

Section 6 Important Information

6.14 Foreign jurisdictions

This Information has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are submitting the personalised Entitlement and Acceptance Form or trading Entitlements is not in the United States and not acting for the account or benefit of a person in the United States.

This Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Information (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Information, you should observe such restrictions and should seek your own advice on such restrictions. See the foreign selling restrictions set out in the 'Foreign Jurisdictions' section of the AGL Investor Presentation included in Section 4 of this Retail Offer Booklet for more information.

Any non-compliance with these restrictions may contravene applicable securities laws.

6.14.1 New Zealand

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

This Retail Offer Booklet has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Retail Offer Booklet is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

6.14.2 United States

The Entitlements and New Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States. The Entitlements may not be purchased, traded, taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws. In the Retail Entitlement Offer, the Entitlements and the New Shares will be only sold in 'offshore transactions' (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act. Because of these legal restrictions, you must not distribute, release or send copies of this Retail Offer Booklet or any other material relating to the Retail Entitlement Offer to any person in the United States.

6.15 Underwriting of the Entitlement Offer

AGL has entered into an underwriting agreement (**Underwriting Agreement**) with Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832) (**Citi**), Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162) (**Deutsche Bank**) and Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795) (**Merrill Lynch**) (the **Underwriters**) who have agreed to manage and fully underwrite the Entitlement Offer. As is customary with these types of arrangements:

- AGL has agreed, subject to certain carve-outs, to indemnify the Underwriters, their affiliates and related bodies corporate, and each of their directors, officers, partners and employees against any losses they may suffer or incur in connection with the Entitlement Offer;
- AGL and the Underwriters have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer;
- the Underwriters may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where:
  - AGL is removed from the official list of ASX, its Shares are suspended from trading or quotation, or approval for quotation of the New Shares is not given by ASX;
  - there are material disruptions in financial or economic conditions in key markets, or hostilities commence or escalate in certain key countries;
  - there are certain delays in the timetable for the Entitlement Offer without the Underwriters' consent;
  - any of the offer documents (including this Retail Offer Booklet and all ASX announcements made in connection with the Entitlement Offer) omits information required by the Corporations Act or is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive, including where any statement about a future matter expressed in the offer documents is taken to be misleading in accordance with section 769 of the Corporations Act; or
  - AGL indicates that it does not intend to proceed with all or part of the Entitlement Offer.

The Underwriters will be paid an underwriting, offer management and arrangement fee of 1.5% (excluding GST) of the Institutional Entitlement Offer proceeds and 1.5% of the Retail Entitlement Offer proceeds for providing these services and will be reimbursed for certain expenses.

Separately, Bell Potter Securities Limited (ABN 25 006 390 772), Ord Minnett Limited (ABN 86 002 733 048) and Morgans Financial Limited (ABN 49 010 669 726) (the **Brokers to the Entitlement Offer**) will each be paid a fixed fee of A$50,000 (inclusive of GST). In addition, AGL will pay to stockbrokers (being those entities named as full service (advisory) brokers or non-advisory brokers on the ASX website) who submit valid applications bearing their broker's stamp from Eligible Retail Shareholders a stamping fee of an amount equal to 0.75% of the Application Monies (inclusive of GST) paid in respect of the valid application, subject to a minimum of $50 and a maximum of $250 per valid application.

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None of the Underwriters nor any of their respective related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents have authorised or caused the issue of this Information and they do not take any responsibility for this Information or any action taken by you on the basis of such information. To the maximum extent permitted by law, the Underwriters and each of their respective related bodies corporate and affiliates and each of their respective directors, officers, partners, employees, representatives or agents exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Information being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. None of the Underwriters nor any of their respective related bodies corporate and affiliates nor respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by the Underwriters or any of their respective related bodies corporate and affiliates or any of their respective directors, officers, partners, employees, representatives or agents in relation to the New Shares or the Entitlement Offer generally.

AGL will arrange for Entitlements which are not taken up by close of the Retail Entitlement Offer to be sold to eligible institutional investors. AGL has engaged the Underwriters to assist in selling Entitlements to subscribe for New Shares (including Entitlements that would have been issued to Ineligible Retail Shareholders had they been eligible to participate in the Retail Entitlement Offer), through the Retail Shortfall Bookbuild. However, it is important to note that Underwriters will be acting for and providing services to AGL in this process and will not be acting for or providing services to shareholders or any other investor. The engagement of the Underwriters by AGL is not intended to create any agency, fiduciary or other relationship between the Underwriters and the shareholders or any other investor.

6.16 ASIC modification

In order to conduct the Entitlement Offer in accordance with section 708AA of the Corporations Act, ASIC has granted AGL modification from certain provisions of the Corporations Act to permit terms of the offers to shareholders to differ in so far as Retail Entitlements can be taken up in whole or in part, or traded on ASX (or transferred directly to another person) in whole or in part, while Institutional Entitlements were able to be taken up in whole or in part (but not traded on ASX).

6.17 Governing law

This Information, the Retail Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in New South Wales, Australia. Each applicant for New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

6.18 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be relied on as having been authorised by AGL, or its related bodies corporate, in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, none of AGL, nor any other person, warrants or guarantees the future performance of AGL or any return on any investment made pursuant to this Information or its content.

6.19 Withdrawal of the Entitlement Offer

AGL reserves the right to withdraw all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case AGL will refund Application Monies in relation to New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, AGL may only be able to withdraw the Entitlement Offer with respect to New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to AGL will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to AGL.

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Section 6 Important Information

6.20 Privacy

As a shareholder, AGL and the AGL Share Registry have already collected certain personal information from you. If you apply for New Shares, AGL and the AGL Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the New Shares, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, AGL and the AGL Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your application for New Shares, the AGL Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation of the distribution of shareholder information and for handing of mail, or as otherwise under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information we may not be able to process your application. In most cases you can gain access to your personal information held by (or on behalf of) AGL or the AGL Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning or writing to AGL through the AGL Share Registry as follows:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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CORPORATE DIRECTORY

AGL Energy Limited

Registered Office
Level 22, 101 Miller Street
North Sydney NSW 2060
Australia
www.agl.com.au

AGL Energy Limited Offer Information Line

1800 824 513 (within Australia)
+61 1800 824 513 (outside Australia)
Open between 8.30am to 5.30pm (Sydney time)
Monday to Friday

AGL Share Registry

(ABN 54 083 214 537)
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
www.linkmarketservices.com.au

Underwriters to the Entitlement Offer

Citigroup Global Markets Australia Pty Limited

Level 40, 2 Park Street
Sydney NSW 2000

Deutsche Bank AG, Sydney Branch

Level 16, 126 Phillip Street
Sydney NSW 2000

Merrill Lynch Equities (Australia) Limited

Level 38, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Brokers to the Entitlement Offer

Bell Potter Securities Limited

Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Ord Minnett Limited

Level 8, NAB House
255 George Street
Sydney NSW 2000

Morgans Financial Limited

Level 29, 123 Eagle Street, Riverside Centre
Brisbane QLD 4000

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