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ASX Release

AGL Entitlement Offer – letters to shareholders

21 August 2014

Attached are sample copies of letters to be mailed today to eligible and ineligible shareholders in relation to participation in the pro rata accelerated renounceable entitlement offer announced by AGL Energy Limited on 20 August 2014.

A handwritten signature in blue ink, appearing to read 'Paul McWilliams'.

Paul McWilliams
Company Secretary

Further inquiries:

Investors

John Hobson, Head of Capital Markets
Direct: +61 2 9921 2789
Mobile: +61 (0) 488 002 460
email: john.hobson@agl.com.au

Media

Karen Winsbury, Head of Corporate
Communications
Direct: +61 3 8633 6388
Mobile: +61 (0) 408 465 479
e-mail: kwinsbury@agl.com.au

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.

21 August 2014



AGL ENERGY LIMITED \$1,232 MILLION PRO RATA ACCELERATED RENOUNCEABLE ENTITLEMENT OFFER

Dear Shareholder,

On 20 August 2014, AGL Energy Limited ("AGL") announced a fully underwritten pro rata accelerated renounceable entitlement offer of new AGL ordinary shares ("New Shares") (with retail entitlements trading) to raise approximately \$1,232 million ("Entitlement Offer").

The Entitlement Offer and use of proceeds

The proceeds from 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 the Australian Securities Exchange ("ASX") by AGL on 12 February 2014, and subsequently authorised by the Australian Competition Tribunal on 25 June 2014. The MacGen assets comprise the Bayswater (2,640 MW) and Liddell (2,000 MW) power stations, the 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 NSW. The acquisition increases AGL's registered generation capacity to approximately 10,400 MW¹ and will result in AGL having the lowest cost baseload generation in both Victoria and NSW.

If you are an eligible shareholder, you will be able to subscribe for 1 New Share for every 5 existing AGL ordinary shares held on the Record Date of 7.00pm (Sydney time) on 25 August 2014 ("Entitlement"). The offer price is \$11.00 per New Share ("Offer Price").

New Shares issued under the Entitlement Offer will rank equally with existing AGL ordinary shares from issue. 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 announcements for the six months ending 31 December 2014. New shares will not be entitled to the 2014 final dividend of 33 cents per share announced on 20 August 2014.

The Entitlement Offer comprises an institutional entitlement offer and an offer to eligible retail shareholders (as described below, "Eligible Retail Shareholders") to participate at the same Offer Price and offer ratio ("Retail Entitlement Offer"). The Entitlement Offer is being made in accordance with section 708AA of the Australian Corporations Act 2001 (Cth) ("Act") (as modified by Australian Securities and Investments Commission Class Order 08/35 and other relief), meaning that no prospectus needs to be prepared.

Eligible Retail Shareholders

Eligible Retail Shareholders are those persons who:

- > are registered as a holder of existing AGL ordinary shares as at 7.00pm (Sydney time) on 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 persons hold AGL ordinary shares for the account or benefit of a person in the United States);
- > were not invited to participate (other than as nominee, in respect of other underlying holdings) in the institutional entitlement offer, and were not treated as ineligible institutional shareholders under the institutional entitlement offer; and
- > are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

¹ Includes approximately 150 MW of generation under construction including AGL Solar.

Retail Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer are set out in an offer booklet ("Retail Offer Booklet"), copies of which will be available on the ASX website www.asx.com.au and AGL's website at www.agl.com.au from 25 August 2014.

Eligible Retail Shareholders will be mailed a Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around 29 August 2014. You should read the Retail Offer Booklet carefully and in its entirety before deciding whether to participate in the Retail Entitlement Offer.

Action required by Eligible Retail Shareholders

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

Take up an Entitlement

If you wish to take up all or part of your Entitlement, you will need to complete and return the personalised Entitlement and Acceptance Form together with the requisite Application Monies (as defined in the Retail Offer Booklet), or alternatively pay your Application Monies using BPAY®, in each case by following the instructions set out on the personalised Entitlement and Acceptance Form. Application and Application Monies must be received by the AGL Share Registry by 5.00pm (Sydney time) on 15 September 2014.

Sell an Entitlement

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

1. If you wish to sell all of your Entitlement on ASX, you should instruct your stockbroker personally and provide them with details they request as set out on your personalised Entitlement and Acceptance Form. Entitlements can be sold on ASX from 25 August 2014 to 8 September 2014.
2. If you wish to take up part of your Entitlement and sell the balance on ASX, you need to:
 - > in respect of the part of your Entitlement you are taking up, complete and return the personalised Entitlement and Acceptance Form with the requisite Application Monies (or pay your Application Monies via BPAY® by following the instructions set out on the Entitlement and Acceptance Form); and
 - > in respect of Entitlements to be sold on ASX, you should instruct your stockbroker personally and provide them with details they request as set out on your personalised Entitlement and Acceptance Form.

3. If you wish to transfer all or part of your Entitlement other than on ASX, you will need to complete and return a Renunciation and Transfer Form (which can be obtained through the AGL Offer Information Line or your stockbroker) together with the Entitlement and Acceptance Form and the transferee's Application Monies to the AGL Share Registry by 5.00pm (Sydney time) on 15 September 2014. The purchaser's address must be in Australia or New Zealand (unless AGL otherwise agrees) and the purchaser must not be in the United States or acting for the account or benefit of a person in the United States.

Please note you may incur brokerage if you choose to sell your Entitlement on ASX. Eligible Retail Shareholders who sell their Entitlement before receiving confirmation of their Entitlement in the Entitlement and Acceptance Form do so at their own risk. You can ascertain your correct Entitlement by calling your stockbroker or 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.

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

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

Do nothing

If your Entitlements are not taken up, sold or transferred, you will be taken to have authorised the sale of those Entitlements in the retail shortfall bookbuild. These Entitlements will be offered for sale, for your benefit, in the retail shortfall bookbuild on 18 September 2014. Accordingly, if you do not take up all of your Entitlements, you will receive any proceeds in excess of the Offer Price in respect of your Entitlements, net of any applicable withholding tax. However, there is no guarantee that you will receive any proceeds as a result of the retail shortfall bookbuild.

The tax consequences of selling your Entitlement or from doing nothing may be different. Before selling your Entitlement or choosing to do nothing in respect of your Entitlement, you should seek your own tax advice (and you may wish to refer to the tax disclosures contained in the Retail Offer Booklet which will provide information on potential taxation implications for Australian resident shareholders).

Key Dates for Eligible Retail Shareholders

Announcement of the Entitlement Offer	Wednesday, 20 August 2014
Retail Entitlements trading on ASX begins (deferred settlement)	Monday, 25 August 2014
Record Date for eligibility in the Entitlement Offer	7.00pm, 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 trading on ASX begins (normal settlement)	Monday, 1 September 2014
Retail Entitlements trading on ASX ends	Monday, 8 September 2014
Retail Entitlement Offer closes	5.00pm, 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 proceeds (if any) despatched to shareholders	Monday, 29 September 2014

The above timetable is indicative only and subject to change. All times are references to Sydney time.

AGL reserves the right to amend any or all of these events, dates and times without notice subject to the Act, 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.

For further information on the Entitlement Offer, please 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, and read the Retail Offer Booklet when available. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

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

Yours faithfully

Jeremy Maycock, Chairman
AGL Energy Limited




**NOT FOR DISTRIBUTION OR
RELEASE IN THE UNITED STATES.**

Important Information

This letter is issued by AGL Energy Limited (ABN 74 115 061 375). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in AGL in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of AGL ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be issued to, purchased or traded by, or taken up or exercised by, and the New Shares may not be offered or sold to persons in the United States, unless they have been registered under the Securities Act, which none of AGL or the lead managers has any obligation to do or procure, or offered

and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Entitlements and the New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of persons in the United States, in each case in 'offshore transactions' (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S under the Securities Act.

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

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on AGL's current expectations, estimates and projections about the industry in which AGL operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are

subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of AGL, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. AGL cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of AGL only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made. AGL will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Retail Offer Booklet, and if you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

21 August 2014



AGL ENERGY LIMITED \$1,232 MILLION PRO RATA ACCELERATED RENOUNCEABLE ENTITLEMENT OFFER

NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

Dear Shareholder,

On 20 August 2014, AGL Energy Limited ("AGL") announced a fully underwritten pro rata accelerated renounceable entitlement offer of new AGL ordinary shares ("New Shares"), with retail entitlements trading to raise approximately \$1,232 million ("Entitlement Offer"). The offer price is \$11.00 per New Share ("Offer Price").

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

The Entitlement Offer and use of proceeds

The Entitlement Offer consists of an institutional entitlement offer and an offer to eligible retail shareholders (as described below, "Eligible Retail Shareholders") to participate at the same Offer Price and offer ratio ("Retail Entitlement Offer"). The Entitlement Offer is being made in accordance with section 708AA of the Australian Corporations Act 2001 (Cth) ("Act") (as modified by Australian Securities and Investments Commission Class Order 08/35 and other relief), meaning that no prospectus needs to be prepared.

The proceeds from 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 the Australian Securities Exchange ("ASX") by AGL on 12 February 2014, and subsequently authorised by the Australian Competition

Tribunal on 25 June 2014. The MacGen assets comprise the Bayswater (2,640 MW) and Liddell (2,000 MW) power stations, the 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.

Details of the Entitlement Offer

The Entitlement Offer is being made to eligible shareholders on the basis of 1 New Share for every 5 existing AGL ordinary shares held on the Record Date of 7.00pm (Sydney time) on 25 August 2014 ("Entitlement").

An offer booklet in relation to the Retail Entitlement Offer will be lodged with the ASX and will be despatched to Eligible Retail Shareholders on or around 29 August 2014 ("Retail Offer Booklet").

Eligibility criteria

"Eligible Retail Shareholders" are those persons who:

- are registered as a holder of existing AGL ordinary shares as at 7.00pm (Sydney Time) on the Record Date (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 persons hold AGL ordinary shares for the account or benefit of a person in the United States);

- d. were not invited to participate (other than as nominee, in respect of other underlying holdings) in the institutional entitlement offer and were not treated as ineligible institutional shareholders under the institutional entitlement offer; and
- e. are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders and who did not participate in the institutional entitlement offer and were not treated as ineligible institutional shareholders under the institutional entitlement offer are "Ineligible Retail Shareholders".

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

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

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

However, as the Entitlement Offer is renounceable, you may receive value for Entitlements you would have received had you been eligible to participate in the Retail Entitlement Offer. Arrangements have been made for the Entitlements that would otherwise have been offered to Ineligible Retail Shareholders to be sold, for their benefit, via a retail shortfall bookbuild on or about 18 September 2014 ("Retail Shortfall Bookbuild"). This is to be undertaken by the underwriters to the Entitlement Offer, Citigroup Global Markets Australia Pty Limited, Deutsche Bank AG, Sydney Branch and Merrill Lynch Equities (Australia) Limited.

You will receive any proceeds in excess of the Offer Price in respect of each Entitlement sold in the Retail Shortfall Bookbuild that you would have received under the Retail Entitlement Offer if you

were eligible to participate, net of any applicable withholding tax. However, there is no guarantee that you will receive any value as a result of the Retail Shortfall Bookbuild.

The retail Entitlements will be tradeable on ASX. The assignment, transfer and exercise of retail Entitlements trading on ASX will be restricted to persons meeting certain eligibility criteria. In particular, persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase or trade Entitlements on ASX or take up or exercise Entitlements purchased on ASX or transferred from another person. If holders at the end of the trading period do not meet the eligibility criteria, they will not be able to take up or exercise the Entitlements and, as a result, they may receive no value for them.

You are not required to do anything in response to this letter.

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

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

Yours faithfully,

Jeremy Maycock, Chairman
AGL Energy Limited



Important Information

This letter is issued by AGL Energy Limited (ABN 74 115 061 375). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in AGL in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of AGL ordinary shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or the securities laws of any state or other jurisdiction of the United States.

Accordingly, the Entitlements may not be issued to, purchased or traded by, or taken up or exercised by, and the New Shares may not be offered or sold to persons in the United States, unless they have been registered under the Securities Act, which none of AGL or the lead managers has any obligation to do or procure, or offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Entitlements and the New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of persons in the United States, in each case in 'offshore transactions' (as defined in Rule 902(h) under the Securities Act) in reliance on Regulation S under the Securities Act.

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

The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

