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ASX and Media release

AGL to acquire Loy Yang A Power Station and adjacent coal mine

24 February 2012

AGL Energy Limited (AGL) today announced that it had entered into conditional agreements to increase its ownership interest in the Loy Yang A power station, and adjacent coal mine, from 32.54 per cent to 100 per cent.

The transaction will proceed by way of acquisition of the remaining shares in, and loan notes issued by, Great Energy Alliance Corporation Pty Limited (GEAC). GEAC is the owner of the 2,200MW Loy Yang A power station and a brown coal mine which supplies all the coal required to meet the current and future operating requirements of the power station.

The total consideration for the acquisition is $448 million.

Based on the terms of the agreed transaction, the enterprise value of GEAC is $3.1 billion.

The transaction is expected to complete in mid-2012 and is conditional on:

- ACCC approval and removal of current Federal Court undertakings which limit AGL's ownership of GEAC to a maximum of 35 per cent; and
- GEAC having received, or having an enforceable right to receive, the first carbon assistance payment from the Federal Government.

AGL anticipates that the acquisition will be accretive to underlying earnings per share[1] from FY2013.

Loy Yang A Power Station

Loy Yang A power station is Victoria's largest power station, producing 30 per cent of the State's electricity requirement. Currently it has approximately 550 employees and up to 500 on-site contractors. It is one of the lowest cost generators in the National Electricity Market and will remain so even with the introduction of a price on carbon emissions.

Acquisition of the Loy Yang A power station will increase AGL's owned or controlled generation capacity to 6,000MW[2], an increase of approximately 33 per cent. The additional scale and portfolio diversification it provides will improve AGL's risk management capability.

The adjacent coal mine means that fuel supply costs are substantially locked in for the remainder of the power station's operating life. High levels of operating reliability, coupled with low fuel costs and more than $1 billion of free carbon permits, will produce substantial future operating cash flows.

Transaction metrics

After allowing for a conservative valuation of the coal mine, the power station will be acquired at a value of approximately $741 million, or $337 per kilowatt for full ownership. This compares favourably with other recent industry transactions, including the gentrader contracts entered into late last year under the New South Wales electricity privatisation process.

AGL's valuation has assumed future carbon prices largely consistent with the Federal Treasury models used in conjunction with the introduction of the Clean Energy Future Act. Shareholder value will further increase to the extent actual carbon prices are below those modelled by Federal Treasury or if the Clean Energy Future Act were to be repealed by a future government.

Transaction costs, including stamp duty, are expected to total approximately $100 million. On acquisition, these will be treated as a significant item in AGL's financial statements. Accounting for the acquisition will result in fair value adjustments to the book values of AGL's existing interest in GEAC shares and loan notes, and AGL's share of GEAC's hedge reserves. The combined effect of these adjustments is expected to be a loss of $156 million which, on completion, will also be recognised as a significant item in AGL's financial statements.

Funding

AGL will issue securities totalling $1,500 million to fund the purchase of the GEAC shares and loan notes, to allow partial repayment of existing GEAC bank loans, and to provide funds for general corporate purposes.

The new securities are expected to comprise:

- A high equity credit subordinated note issue of $650 million. The prospectus for the notes is expected to be lodged with ASIC next week. The notes, which it is anticipated will be listed on the Australian Securities Exchange, are expected to be issued in early April 2012.
- An $850 million pro rata renounceable rights entitlement offer to AGL shareholders. This component of the proposed fund raising will not occur until later this year. Full details of the terms and conditions of the offer to shareholders will be made available at that time.

AGL will enter into negotiations with GEAC's bank lenders to agree an orderly timetable for repayment and/or refinancing of GEAC's bank loans.

AGL anticipates that Standard and Poor's will reaffirm AGL's stable BBB long-term credit rating following completion of the proposed issues of securities.

[1] Adjusted for the effect on Underlying earnings per share of new shares issued following the pro rata rights entitlement offer to AGL shareholders.

[2] Includes generation under construction, including Macarthur and Hallett 5 wind farms.

A webcast and conference call will be held today.

Webcast via: www.agl.com.au
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About AGL

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

Energy in action.®

Loy Yang A Acquisition

Michael Fraser, Managing Director and CEO
Stephen Mikkelsen, Chief Financial Officer | 24 February 2012

Disclaimer

This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in the United States or any other jurisdiction. Securities may not be offered or sold in the United States absent registration under the Securities Act of 1933 or an applicable exemption from registration.

The information in this presentation is an overview and does not contain all information necessary to an investment decision. It does not take into account the investment objectives, financial situation or particular needs of any particular investor. AGL Energy Limited ("AGL") makes no recommendation to investors regarding the suitability of an investment in its securities, and the recipient of this presentation must make its own assessment and/or seek independent advice on financial, legal, tax and other matters, including the merits and risks involved.

This presentation contains certain "forward looking statements". These forward looking statements are based on the beliefs of AGL's management as well as assumptions made by and information currently available to AGL's management, and speak only as of the date of this presentation. AGL can give no assurance that the forward looking statements in this presentation will not materially differ from actual results, and the inclusion of forward looking statements in the presentation should not be regarded as a representation by AGL or any other person that they will be achieved. The forward looking statements are by their nature subject to significant risks, uncertainties and contingencies, many of which are outside of AGL's control and are not reliably predictable. Should one or more of these risks, uncertainties or contingencies materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those contemplated in any forward-looking statements.

Actual results may materially vary from any forecasts (where applicable) in this presentation. In particular, statements on the impact of the GEAC acquisition on EPS are based on certain assumptions including: the first full year of ownership of GEAC is 30 June 2013; spot electricity prices are materially the same as that implied by recent forward curves; generation volumes and plant availability are consistent with prior years and there are no material unplanned plant outages; a price on carbon of $23.00 per tonne commences on 1 July 2012; transition assistance of approximately $240 million is received from the Federal Government before 30 June 2012; AGL raises approximately $650 million of subordinated Notes; AGL raises approximately $850 million in a pro-rata rights entitlement offer; the margins paid by GEAC on its borrowing following the acquisition will more closely reflect AGL credit risk; depreciation is consistent with the assumed acquisition balance sheet. 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.

In addition, some of the financial data included in this presentation are "non-GAAP" financial measures under Regulation G under the Securities Exchange Act of 1934. Certain of these measures may not be comparable to similarly titled measures of other companies.

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Transaction Overview

Transaction Summary

AGL to acquire full ownership of Loy Yang A (LYA) and adjacent coal mine.

- Accretive to Underlying EPS from FY13 and substantial future cash flows for AGL
- Control of one of the lowest cost generators in Australia adding substantial scale, diversity and improved risk management capability to AGL's business
- Net enterprise value of $3.1 billion for Great Energy Alliance Corporation (GEAC)
  - Coal mine conservatively valued at $2.4 billion
  - 2,200 MW power station valued at $741 million representing $337/kW for full ownership
- AGL will acquire the remaining 67.5% equity in GEAC for $448 million
  - As at 31 December 2011 acquisition accounting and transaction costs would result in a "significant item" expense of approximately $260 million
- Transaction completion expected in mid-2012, subject to:
  - ACCC approval and removal of Federal Court undertakings
  - Confirmation of the first tranche of the Federal Government's transitional carbon assistance ~$240 million cash

Acquisition Rationale

Delivers full ownership of high-quality generation asset, a substantial long-term fuel resource and earnings and cashflow accretion.

Substantial generation capacity	› AGL will have one of the largest and most competitive generation portfolios in Australia › Control of one of the lowest cost baseload generators in Australia (including cost of carbon) › Increases AGL controlled generation capacity by ~33% to 6,000 MW[1] › Adds scale and diversity to AGL's generation portfolio; improved risk management capability › 7 year extension of TEPCO technical services agreement
Long term dedicated fuel resource	› Fuel supply costs substantially locked in for life of power station › No fuel transportation costs › Estimated mine life of 50 years at current usage › No recontracting risk and future optionality
EPS accretive	› Transaction expected to be accretive to Underlying EPS from FY13
Cashflow positive	› LYA will generate substantial cashflows from highly reliable generation with minimal fuel costs and over $1 billion of free carbon permits over the next 5 years › Substantially enhances AGL's capacity to internally fund its growth, including renewable generation

1. Includes ~ 560 MW of generation under construction including the Macarthur and Hallett 5 wind farms.

Deal Metrics

Attractively priced coal and full ownership of baseload generation capacity.

Value of Power Station	$m	$/kW
Enterprise value	3,126	1,421
Net value of coal supply	(2,385)	
Net value of power station	741	337

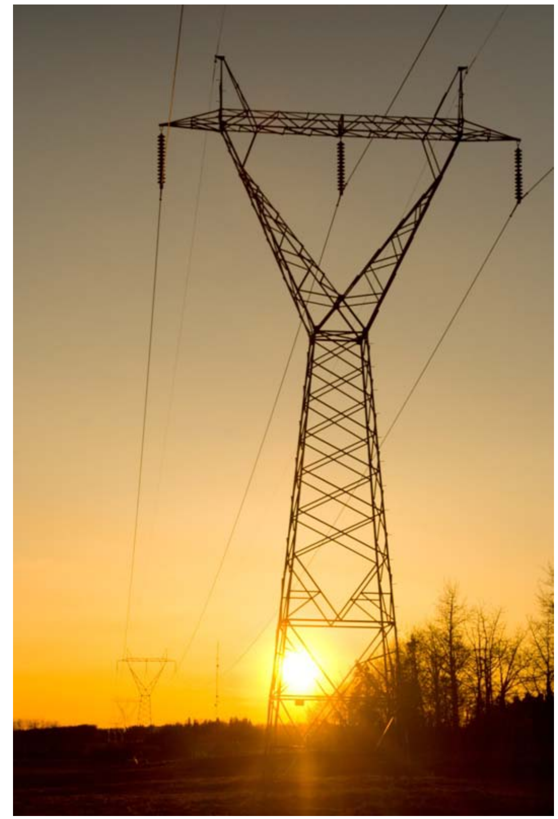
	Units	Brown Coal	Black Coal	Value Differen-tial
Value of Fuel Supply				
Expected generation to 2036[1]	TWh	372	372	
Coal required for expected generation	Mt	480	178	
Coal cost	$/t	6.0	45.0[2]	
Pre-carbon value of coal supply (NPV at AGL cost of capital)	**$m**	**(1,422)**	**(3,964)**	**2,542**
Cost of Carbon (Excl. Alcoa)				
Expected generation to 2036[1]	TWh	372	372	
Alcoa generation[3]	TWh	(157)	(157)	
Generation subject to carbon	TWh	215	215	
Carbon intensity	tCO2/MWh	1.25	0.92[4]	
Gross carbon permits requirement	m	269	198	
Free carbon permits	m	(40)	-	
Net carbon permit requirement	m	229	198	
Carbon price[5]	$/t	23.0	23.0	
Incremental carbon cost for brown coal vs. black coal (NPV at AGL cost of capital)	**$m**	**(3,730)**	**(3,333)**	**(397)**
Cash carbon assistance	**$m**	**240**	**-**	**240**
Net value of LYA coal supply				2,385

1. Term of analysis based on life of the Alcoa contract.
2. Represents ex-mine cost of $31.0/t plus delivery to NSW coastal generators and royalty costs.
3. Alcoa required to provide permits to Loy Yang A covering full carbon impact of relevant fuel burn.
4. Based on the average sent-out carbon intensities of NSW black coal power stations (excluding Redbank) per ACIL Tasman, Calculation of energy costs for the 2011-12 BRCI, December 2010.
5. Escalated at Federal Treasury price path to 2025 (price starts at $23/t and escalates at CPI+5%) and then flat real.

Valuation Upside

Conservative valuation approach.

- Very substantial coal resource provides long-term optionality
  - TEPCO is developing expertise in brown coal technology and has retained an option to jointly develop 600 million tonnes of excess coal
- Only minimal synergy benefits with AGL's existing operations assumed
- Acquisition metrics assume Federal Treasury modelling of future carbon prices up to 2025 and then flat real
  - Carbon prices below those assumed would add further value
- Repeal of carbon legislation by a future government would add substantial long term value



Another step in AGL's Integrated Strategy

Acquisition will add scale and improve risk management capabilities.

› Significantly increases AGL's owned and operated generation portfolio

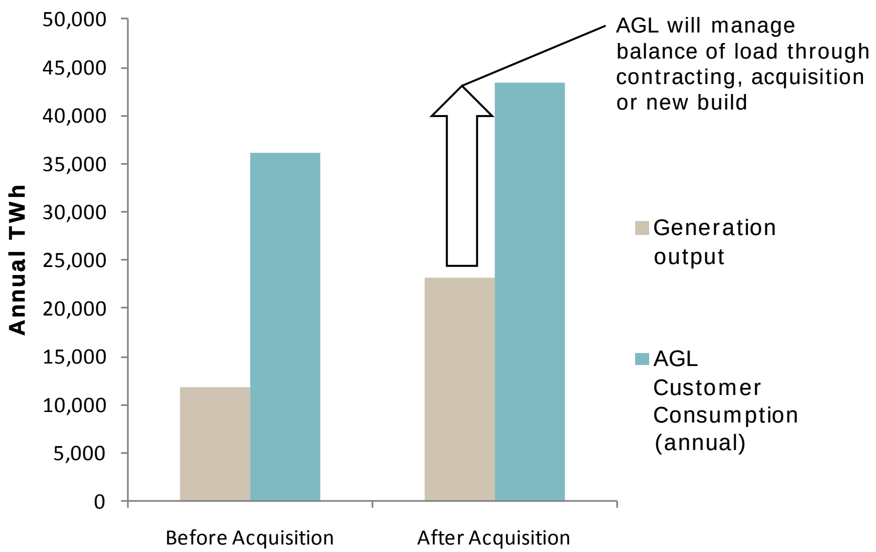
› Provides ownership of one of the lowest cost generators in NEM (before and after introduction of carbon)

› Locks in highly competitive fuel source against backdrop of rising black coal and gas costs

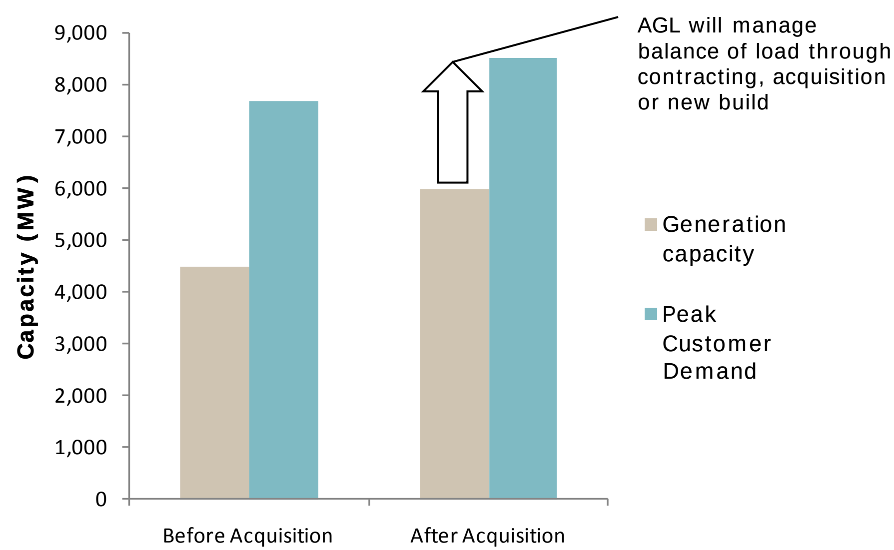
› Improves diversity of generation portfolio

› Significantly improves coverage of retail load with owned and controlled generation

AGL Generation Output Profile – FY11*



AGL Capacity Profile – FY11*



Source: Generators and Scheduled Loads, AEMO, January 2012 and AGL estimates.
1. Includes ACTEWAGL.
2. Before Acquisition includes 32.5% ownership of Loy Yang A.
3. After Acquisition includes 823 MW load from Alcoa. Contract commences 2014 and ramps to 823 MW by 2016.
4. Includes ~560 MW of generation under construction including the Macarthur and Hallett 5 wind farms.

Transaction Funding

Additional equity requirement is less than one-third of the enterprise value.

- AGL will fund the transaction to maintain its BBB credit rating
- Management expects that upon completion of funding AGL's BBB rating will be reaffirmed
- LYA requires $1.5 billion funding:
  - $650 million high equity credit hybrid
  - $850 million equity

Transaction Funding	$ million
Enterprise value	3,126
Plus: Transaction costs	100
Less: Existing AGL share	(150)
Cash transitional carbon assistance	(240)
Net funding required	**2,836**
Hybrid	650
Equity	850
Retained and restructured debt	1,336
Total funding sources	**2,836**

Hybrid Issue

AGL to launch $650 million high equity credit subordinated note issue.

- 27-year final maturity with a call date at Year 7
- Quarterly floating rate coupons
  - Step up of 25 bps at Year 7
- $50 million reserved for Shareholder/Customer Offers
- Prospectus expected to be lodged week commencing 27 February
- To be listed on ASX
- Mandatory coupon deferral triggered by interest coverage and leverage ratio based covenants
  - Set at levels to provide significant headroom
- Any deferred coupons are cumulative and compounding payable no later than 5 years from the date of initial deferral
- Provides 100% equity credit for rating agency purposes until the call date in Year 7

Accounting on acquisition

Fair value adjustments on acquisition to be booked as significant items.

- Selling shareholders receive $448 million made up of:
  - $200 million up front cash payments
  - 15 year deferred payment streams

- Equity (100%) value of $598 million made up of:
  - $150 million for AGL's existing 32.5% equity as per acquisition accounting
  - $448 million for other shareholder equity 67.5%

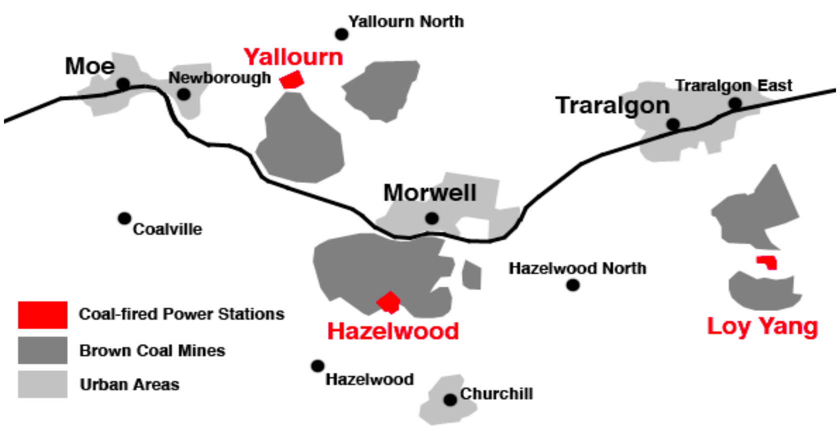
- As at 31 December 2011 acquisition accounting would result in a significant item loss of $256 million made up of:
  - $117 million from fair valuing AGL's existing 32.5% equity
  - $39 million GEAC interest rate swap hedge reserve previously equity accounted
  - $100 million transaction costs being mainly stamp duty

Overview of LYA and Adjacent Coal Mine

Overview of Loy Yang A

Largest and least carbon intensive brown coal power plant in Australia.

- Victoria's largest power station, producing 30% of the state's electricity
- Employs approximately 550 staff and up to 500 contractors during major outages
- TEPCO currently provide technical support and managerial services to LYA. TEPCO will continue to provide these services for at least a further 7 years



Plant Specifications	
Capacity	• 2,200 MW
Location	• Traralgon, Victoria
No. of Units	• 1 ABB (Alstom) & 3 Kraftwerk Union (Siemens)
Commercial Operations Start	• Jul 1984 – Mar 1988
Fuel Source	• Adjacent and integrated mine
O&M	• Maintained in accordance with whole-of-life plans cascading into 5 year, 1 year and 3 month asset maintenance plans
Generation (2010)	• 15,637 GWh sent-out
Availability Factor (2010)	• 93.9%
Carbon Intensity	• 1.28 tCO_2/MWh (at MEL Node) • 1.25 tCO_2/MWh (sent-out)

Overview of Coal Resource

Loy Yang mine provides a secure and low cost mine mouth fuel source.

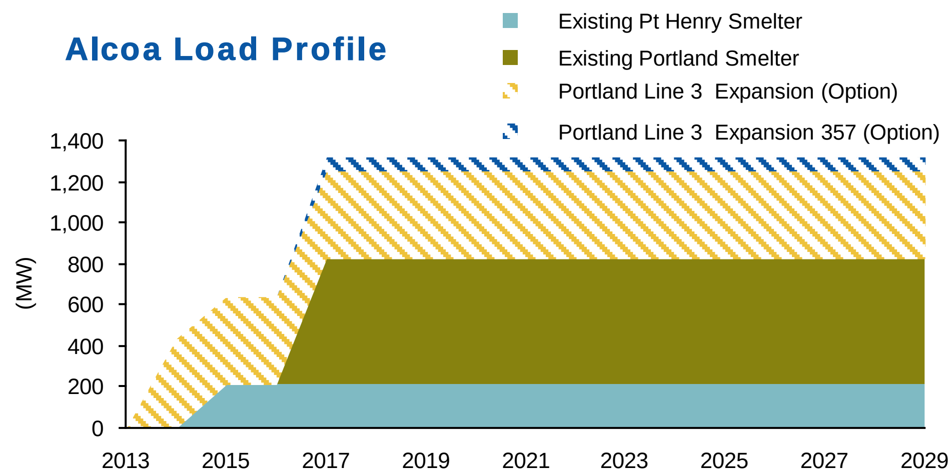
- Largest brown coal mine in Australia
- Coal supply from the mine fully satisfies requirements of LYA for the life of the power station and beyond
- Significant strategic benefits of ownership
  - Control of fuel source
  - No haulage requirement; only cost is cash cost to mine
  - Full flexibility on managing generation levels
  - No re-contracting risk
  - Full control and visibility over mine capex program

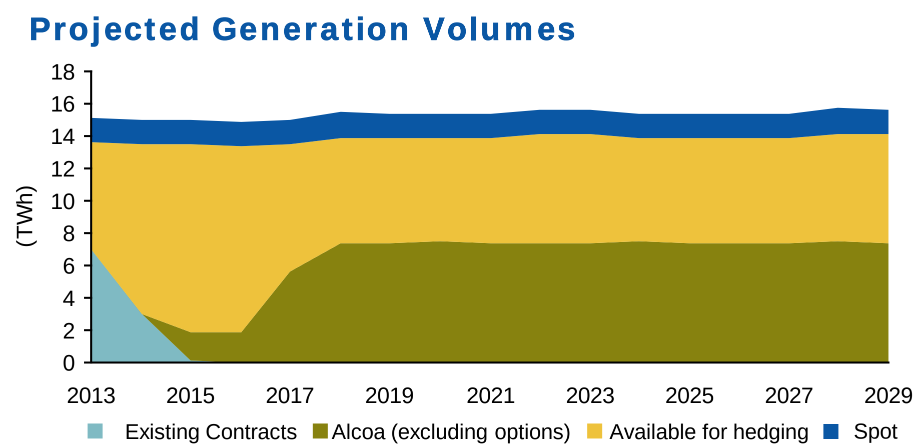
Loy Yang Mine	
Mine Type	› Open-cut configuration › Vertically integrated with LYA & LYB power stations
Annual Extraction	› 30-32 million tonnes with a 20 hour coal bunker capacity
Mining Licence Area	› 4,558 ha
Exploration Licence Area	› 1,670 ha
Estimated Mine Life	› 50 years (at current usage)

Alcoa Agreement

22-year agreement with Alcoa.

- LYA has entered into a long-term supply agreement with Alcoa
  - Commences in 2014 and concludes in 2036
  - Point Henry represents ~10% of LYA output Portland represents ~37%
  - Alcoa has an option to increase their load, to a total of 76% of LYA output
  - Fixed ex carbon price with contractual carbon arrangements between the parties
  - Marubeni and CITIC hold minority positions in Portland smelter
- On a net basis adds ~1,150 MW baseload to AGL's generation portfolio (once Alcoa contract commences, and excluding Alcoa expansion options)





Source: AGL estimate.

Transitional Carbon Assistance

LYA to receive more than $1.25 billion in transitional carbon assistance.

- LYA transitional carbon assistance will be paid over 5 years and totals more than $1.25 billion. Key elements of the assistance include:
  - ~$240 million in cash prior to 30 June 2012
  - 40 million free carbon permits with a value of more than $1 billion
- Carbon liability for Alcoa supply agreement rests with Alcoa
- Alcoa receives carbon cost assistance under Emissions Intensive Trade Exposed (EITE) program

LYA Transitional Carbon Assistance

	2012	2013	2014	2015	2016	2017
Cash	$240m	-	-	-	-	-
Free Permits	-	-	10m	10m	10m	10m
Permit Price[1]		$23/t	$24/t	$25t	$27/t	$29/t
Total Compensation	$240m	-	$240m	$250m	$270m	$290m

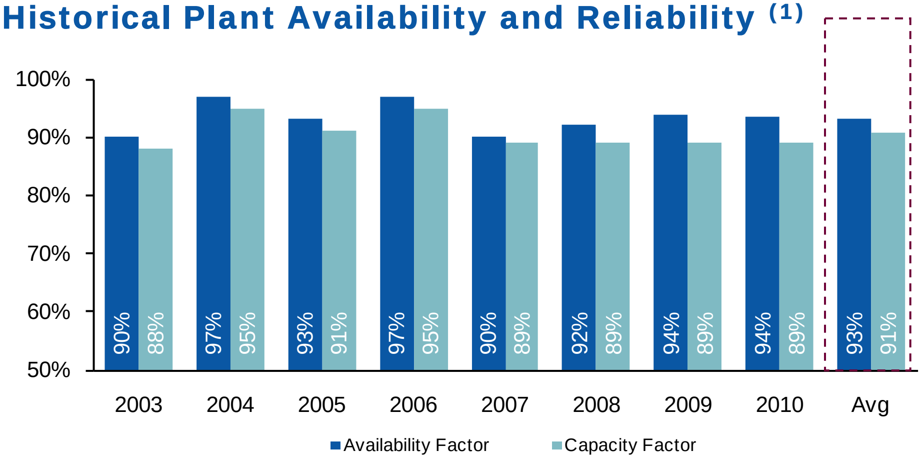
Note 1: Price assumed in Federal Treasury modelling.

LYA Operational Performance

Strong operational track record delivering high levels of utilisation.

- Availability Factors consistently above 90%
- Equivalent Forced Outage Factors below 2.5% reflect industry best practice
- Employs a whole-of-life maintenance program supporting forecast high availability and reliability levels
- One of the highest capacity factors of major coal fired power stations in NSW and VIC

Historical Plant Availability and Reliability [1]



Note 1: Availability Factor per LYA Annual Report. Note, capacity factor is based on energy generated.

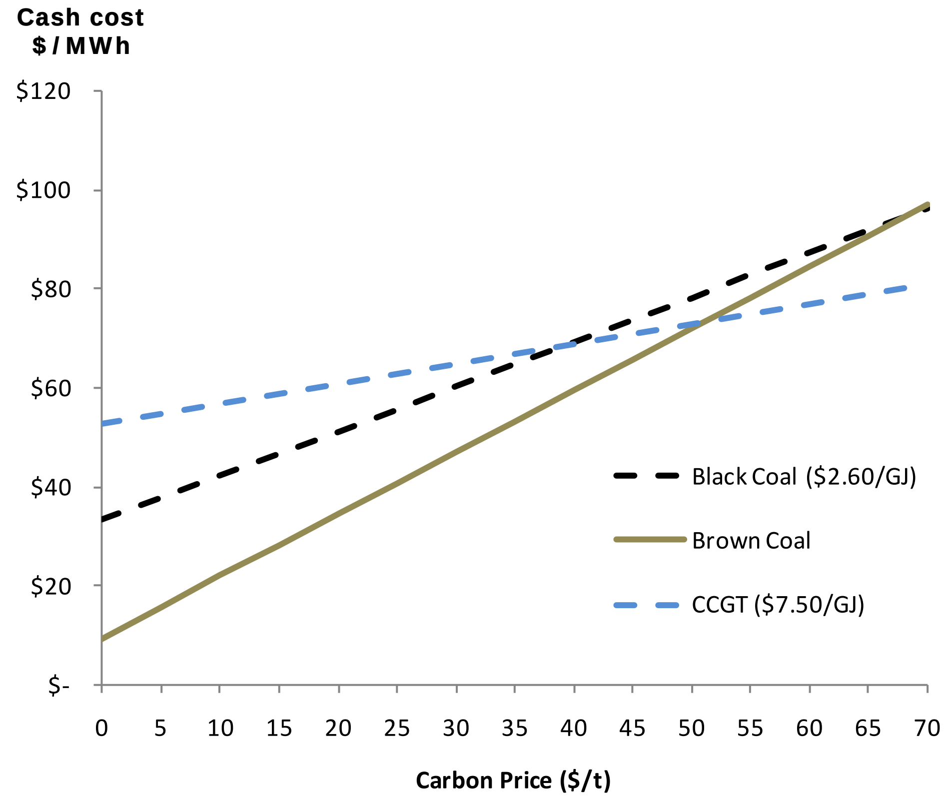
Industry Dynamics

LYA to remain a highly competitive electricity generator.

- Wholesale electricity prices at a low point in the commodity cycle
- Gas and black coal prices expected to rise on the back of export pricing pressures
- LNG projects to drive increased gas prices
  - $6 - $9 per GJ + transportation costs
- Roll-off of legacy contracts to see upward pressure on black coal prices
  - $2.50-$2.70 per GJ delivered
- Brown coal will remain one of Australia's least expensive fuel sources
  - LYA is at the bottom of the cost curve

» Against a backdrop of rising fuel prices, LYA to generate positive cash returns at carbon prices exceeding $50/tonne

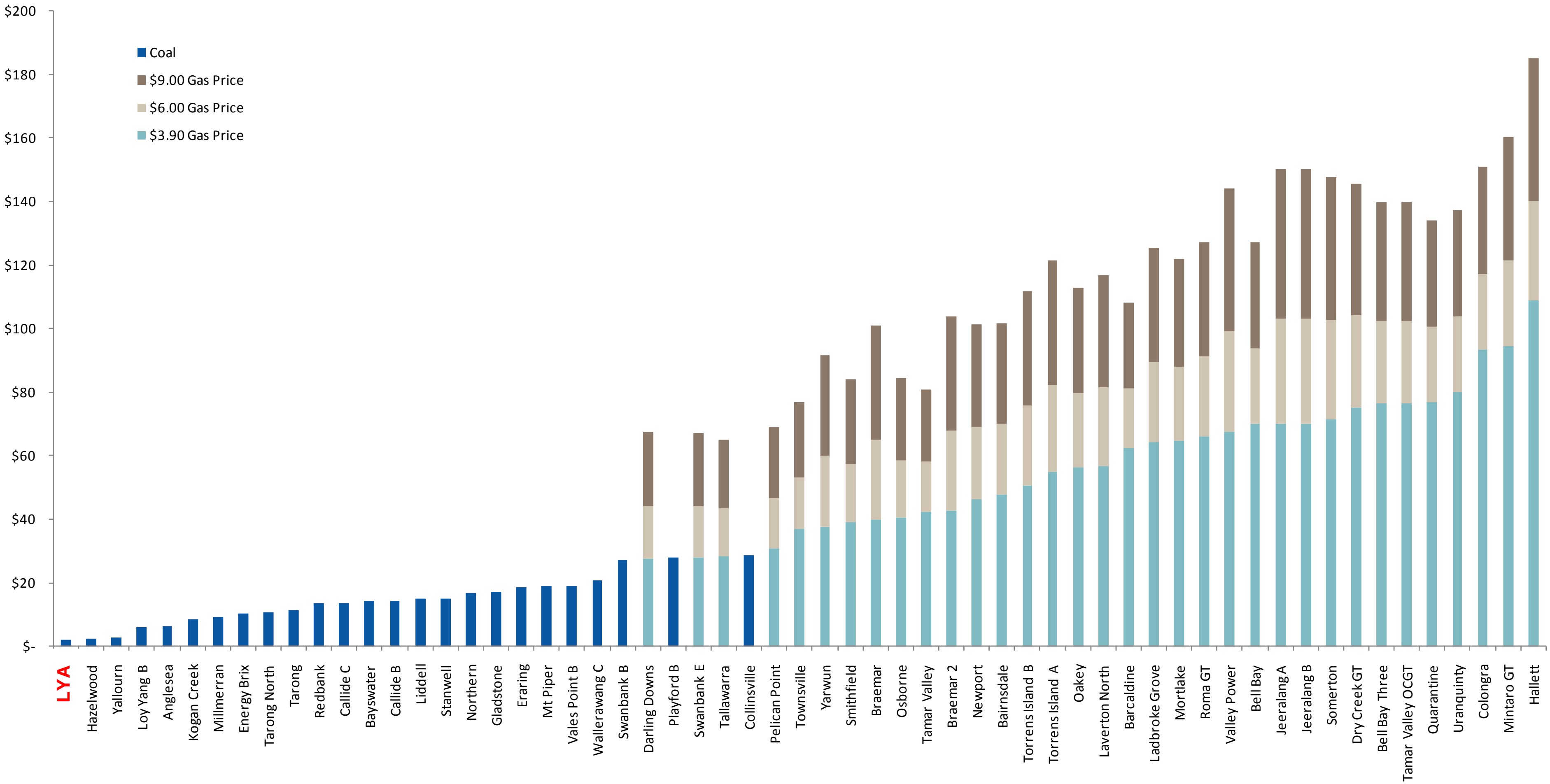
SRMC versus Carbon price



Source: Fuel resource, new entry and generation costs in the NEM 2009, ACIL Tasman estimates, AGL estimates.

SRMC of Thermal Plant in the NEM (excluding carbon)

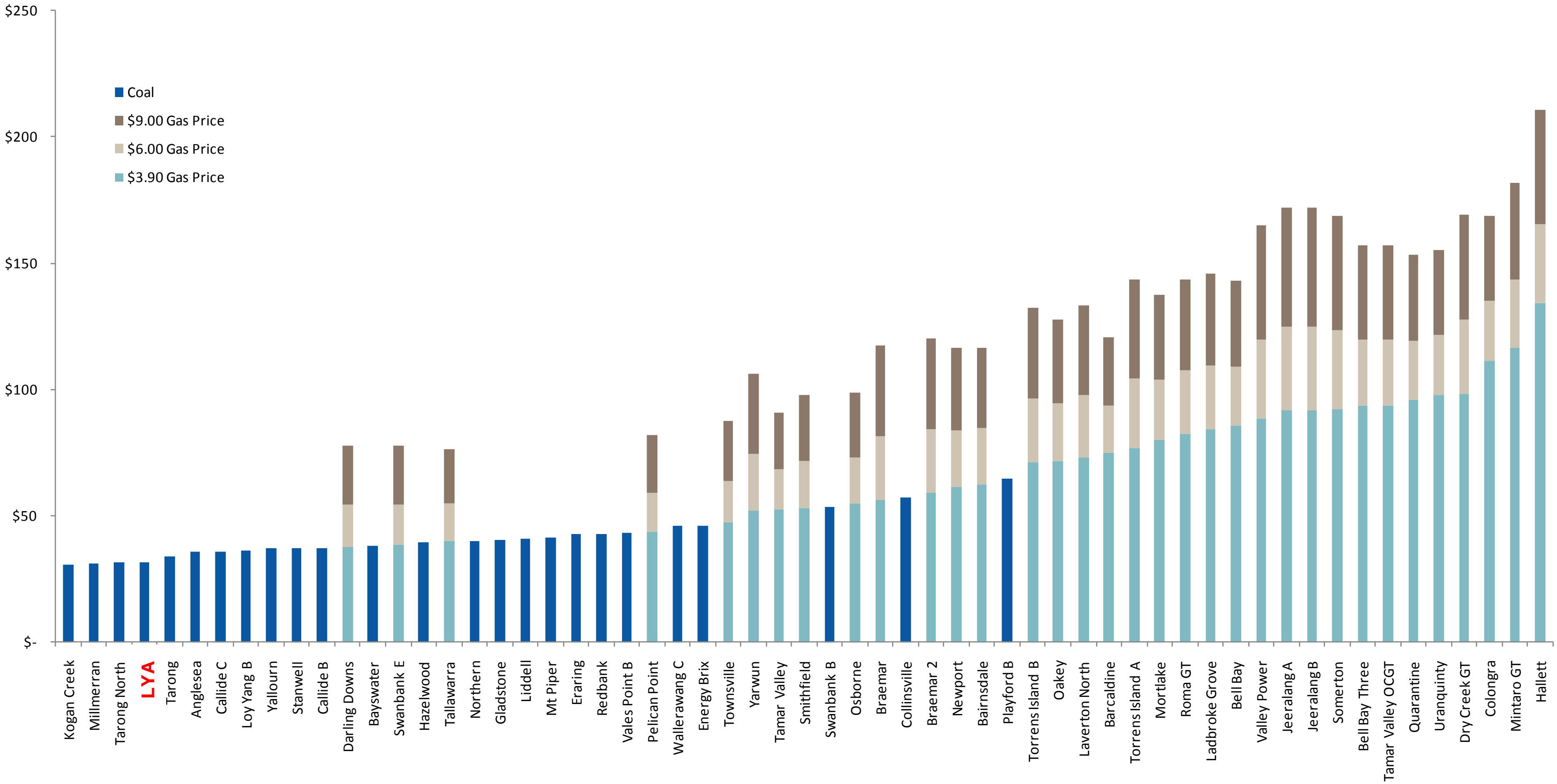
Prior to the introduction of Carbon, LYA has the lowest SRMC in the NEM.



Source: Carbon Intensity, Thermal Efficiency and Fuel Cost as per 2009/2010 ACIL Tasman estimates.

SRMC of Thermal Plant in the NEM (including carbon)

Including carbon costs LYA remains one of Australia's lowest cost generators.



Source: Carbon Intensity, Thermal Efficiency and Fuel Cost as per 2009/2010 ACIL Tasman estimates.

AGL's Integrated Strategy

AGL’s Integrated Strategy

Acquisition of LYA is a significant step in AGL’s growth.

› AGL’s integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and our customers’ demand for energy

› Ownership of LYA will significantly increase AGL’s supply portfolio and provide a substantial reduction in its risk profile

Energy Production

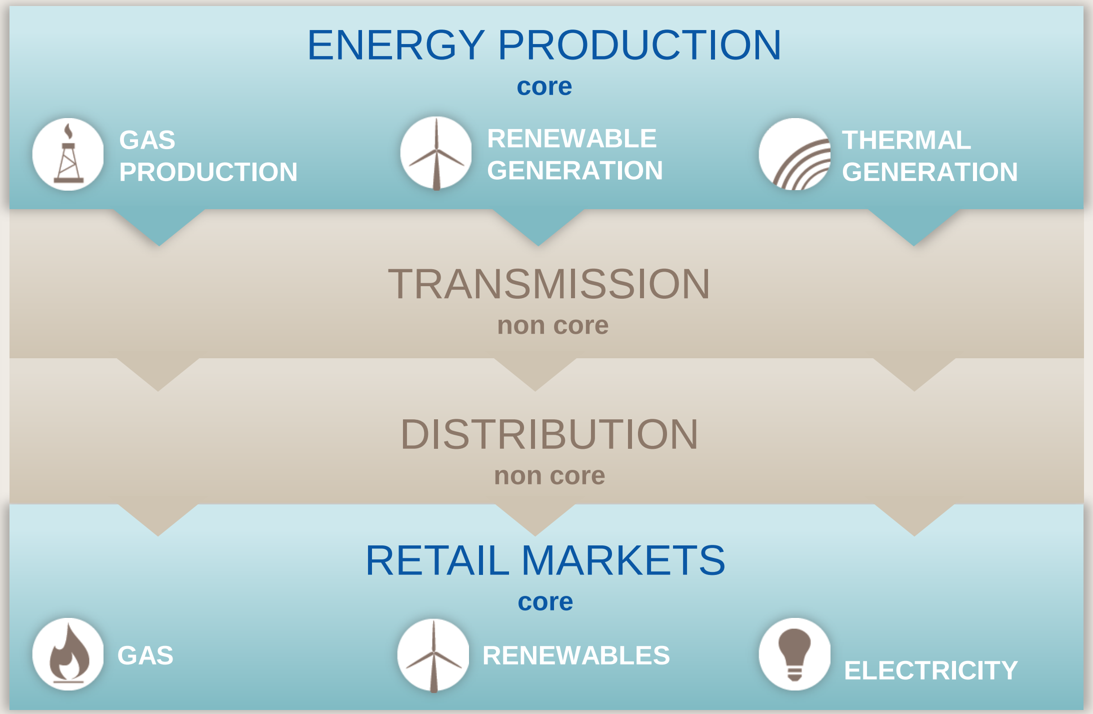
Strategic Objectives

Own or control energy production:

- Renewable generation 60-80% of mandated requirement
- Cost competitive base-load
- Gas reserves 2,000PJ + (2P)
- Gas production of 40%-50% customer demand

Own or control capacity:

- Peak / intermediate generation of 80% - 120% of flexible demand
- Gas storage withdrawal capacity of 250TJ/day



Retail Markets

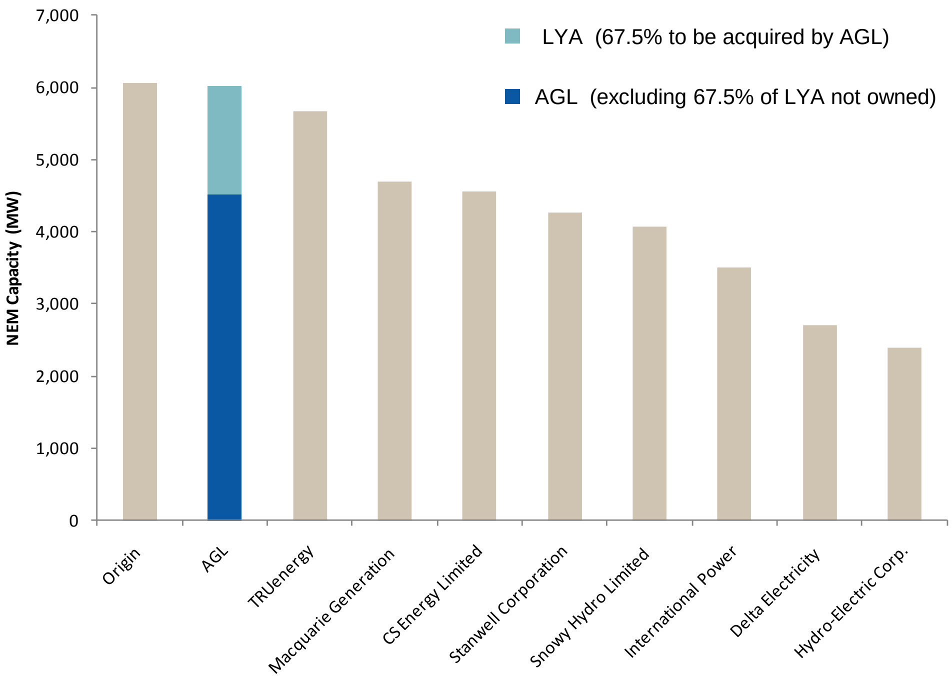
Strategic Objectives

- Grow NSW electricity customer accounts to 800,000 to 900,000, creating national base of 3.6 to 3.7 million in medium term
- Maintain market share outside NSW focusing on high-value segments
- Improve margins and reduce costs ratios
- Develop additional products and services to leverage customer base

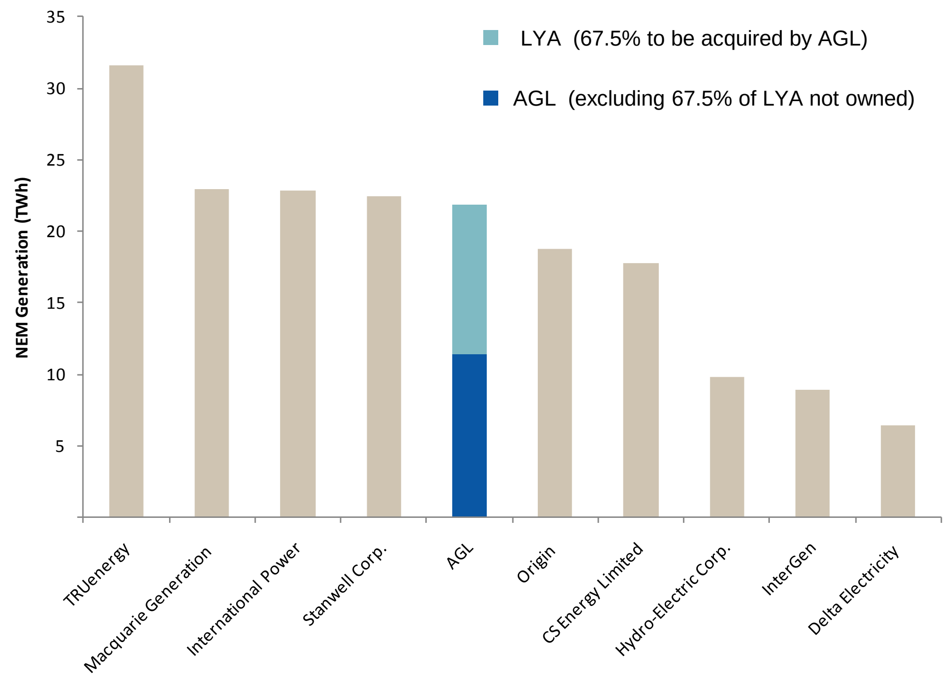
AGL Generation Portfolio

LYA acquisition will increase existing AGL generation capacity by 33% to ~6,000 MW[1] providing scale and flexibility to AGL's portfolio.

NEM Capacity by Participant[1]



NEM Generation Output by Participant[1]

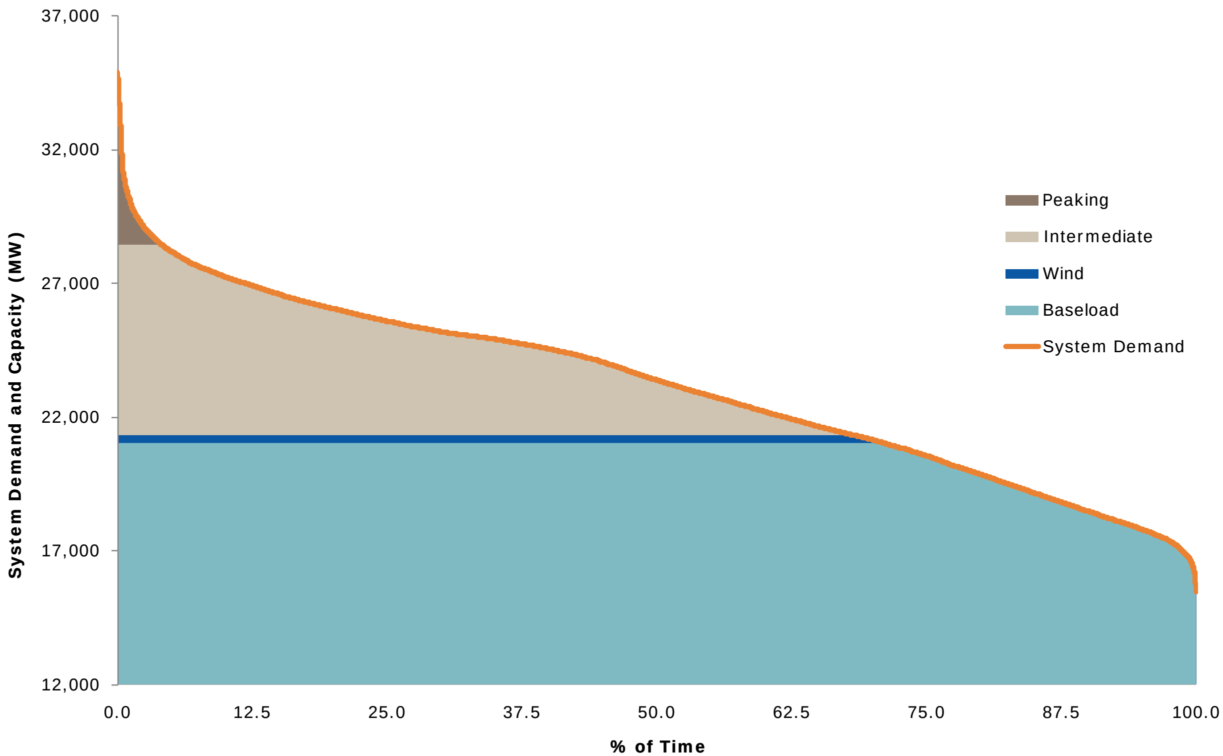


Source: AEMO: Generators and Scheduled Loads, January 2012.
1. AGL includes ~560 MW of generation under construction including the Macarthur and Hallett 5 wind farms.

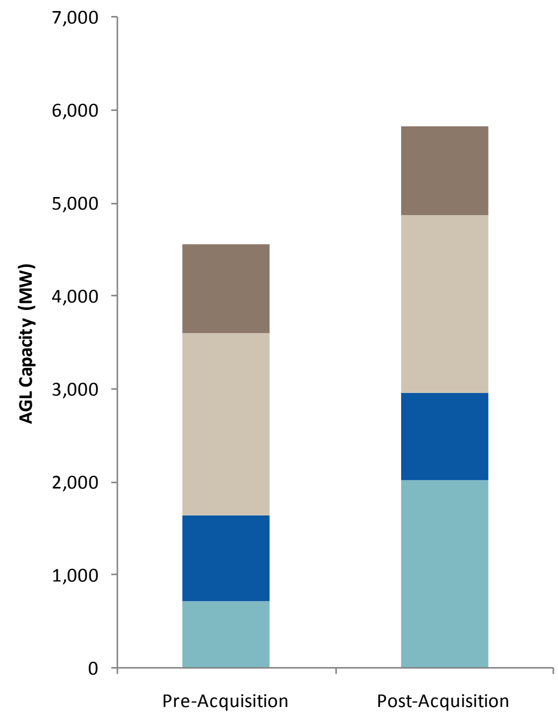
AGL Generation Portfolio

Acquisition increases AGL baseload generation to better match customer demand profile.

NEM Generation – 12 months ended 30 June 2011 [1]



AGL Generation Portfolio [2]

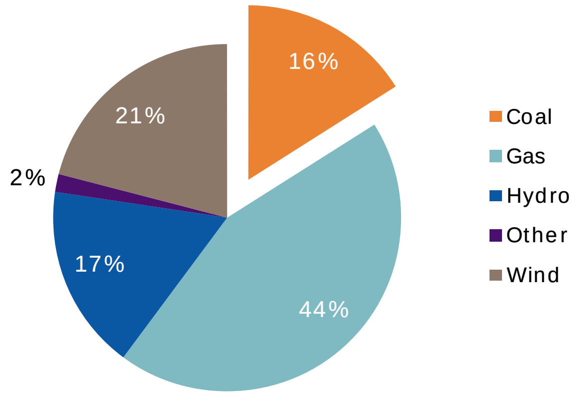


1. Source: AEMO data.
2. Source: AGL estimate: includes ~560 MW of generation under construction including the Macarthur and Hallett 5 wind farms.

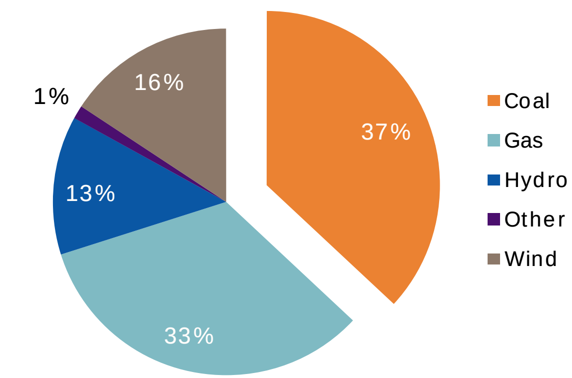
AGL Generation Portfolio by Fuel

Acquisition moves AGL carbon intensity slightly above NEM average.

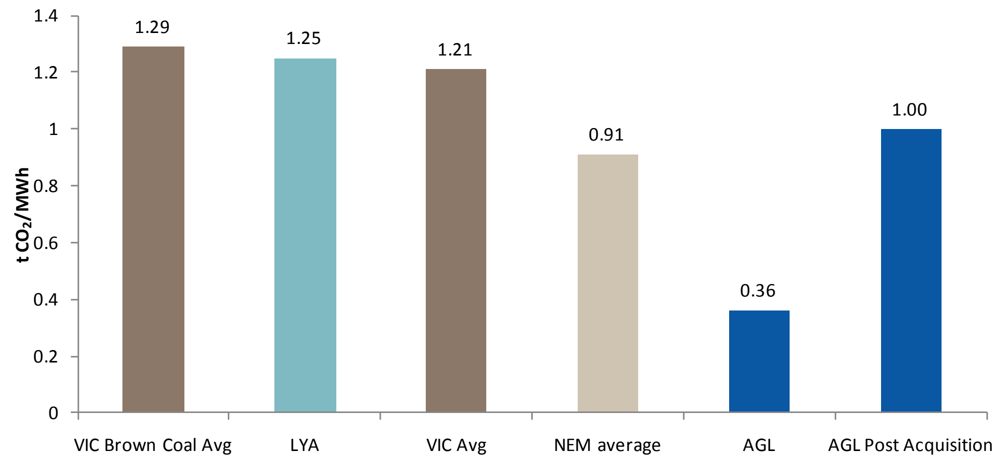
AGL generation capacity before acquisition[1]



AGL generation capacity after acquisition[1]



Relative carbon intensity (sent out)[2]



- LYA carbon intensity of 1.25 is the lowest of the major Victorian brown coal power stations
- AGL carbon intensity pre acquisition is 0.36, increasing to 1.00 post acquisition

1. Source: AGL Generation per Generators and Scheduled Loads, AEMO, January 2012. AGL includes ~560 MW of generation under construction including the Macarthur and Hallett 5 wind farms.

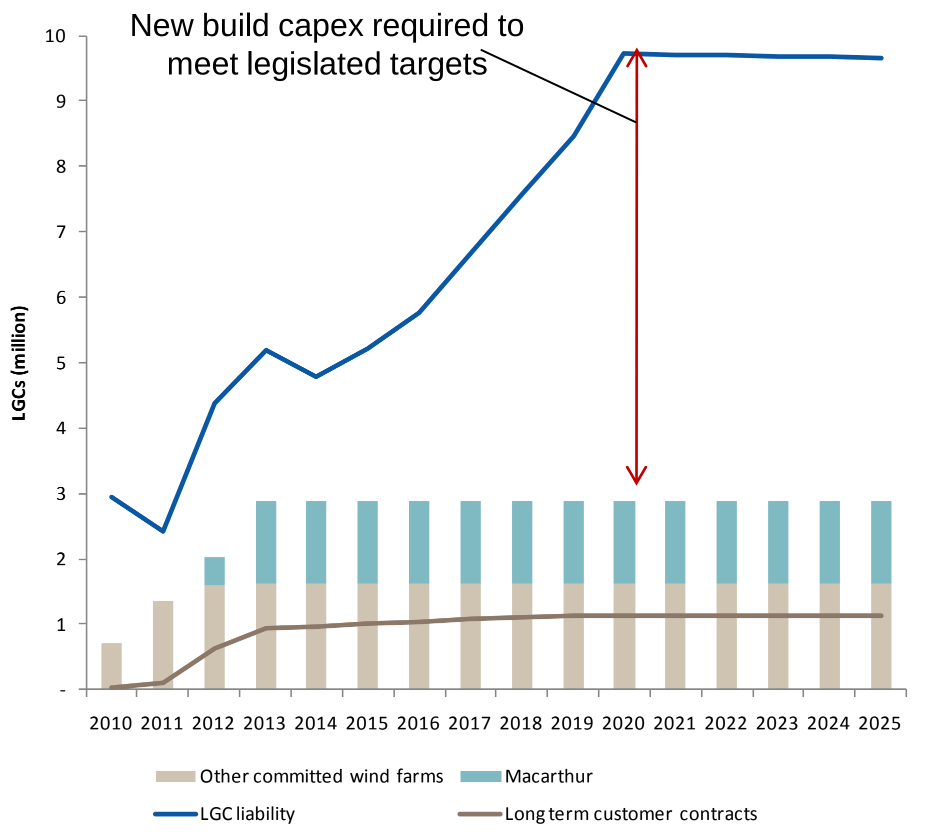
2. Source: Carbon intensity per AEMO documents for period July 2011 to October 2011. AGL carbon intensity per AGL estimate as at 30 June 2011 which excludes all generation under construction.

LYA cash flows enhance AGL's ability to fund growth

LYA cash flows to support build-out of renewable pipeline.

- LYA is expected to generate significant incremental operating cash flows
- AGL's Large-scale Generation Certificates (LGC) liability requires capital expenditure on new renewable generation of $4-5 billion
  - AGL plans to self-supply 60-80% of this investment
- LYA acquisition will significantly enhance AGL's ability to fund renewable and other growth projects from internally generated sources
- New build generation for balance of decade expected to be dominated by renewables and gas peaking plant

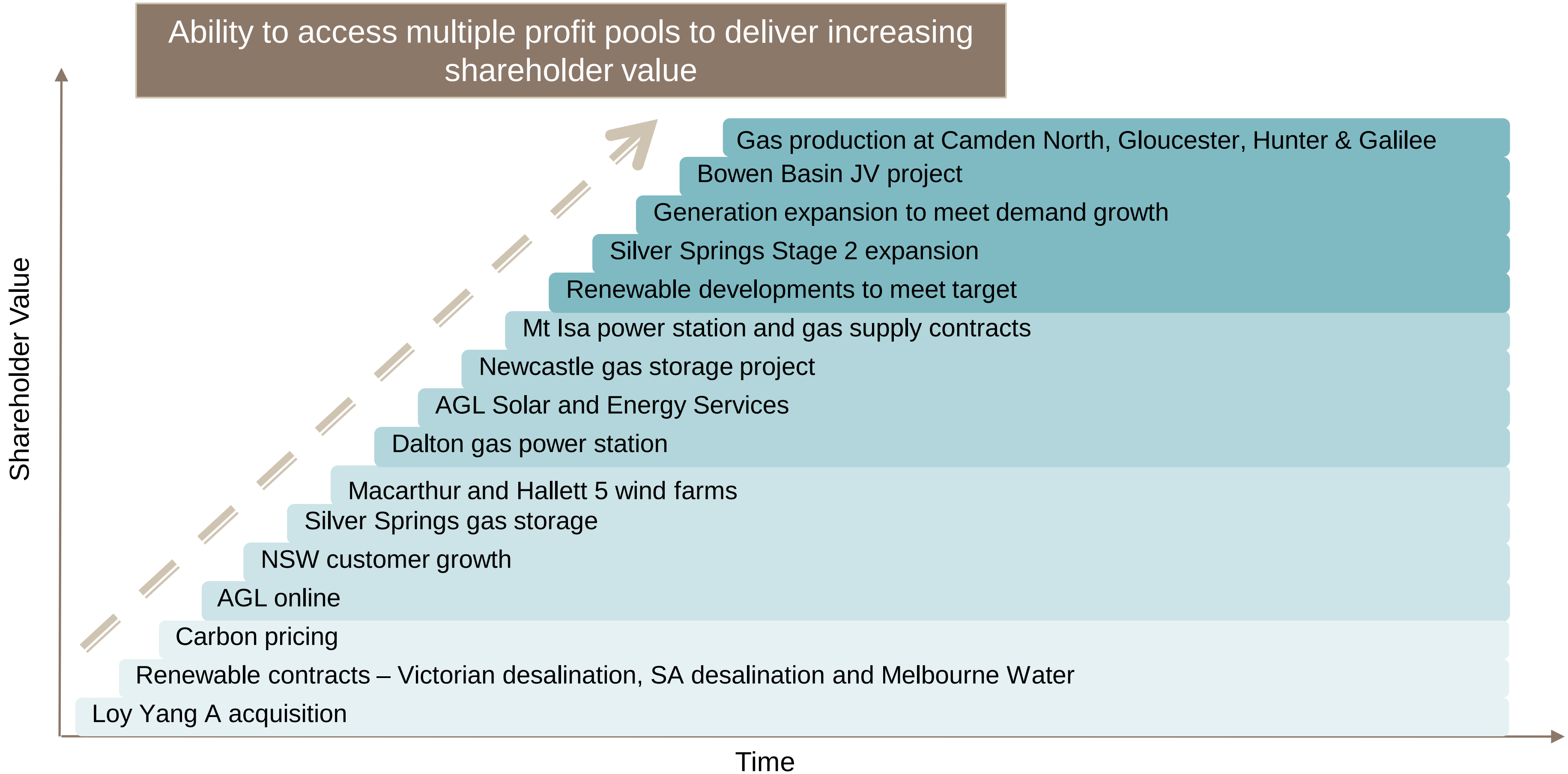
AGL LGC Liability



Source: AGL estimate.

AGL Growth Pipelines

AGL's integrated strategy and focus on long term shareholder value has created significant growth pipelines.



Conditions Precedent

Conditions Precedent

Acquisition is dependent on confirmation of transitional carbon assistance, ACCC approval and removal of Federal Court Undertakings.

- Confirmation of the first tranche of the Federal Government's transitional carbon assistance
- ACCC approval and removal of Federal Court Undertakings
  - In 2004, AGL gave an undertaking to the Federal Court that a separate entity would control the contracting, marketing and dispatch of LYA generation, and that it would not increase its interest in LYA above 35%
  - Following this undertaking, the other GEAC investors created Loy Yang Marketing Management Company (LYMMCO). AGL has no equity or management participation in LYMMCO
  - An initial review of AGL's market position and recent decisions by the ACCC, as part of the NSW electricity privatisation, suggest it should be possible to address concerns the ACCC may have, and then request a removal of the Federal Court undertakings
  - An economic consulting firm has been engaged to assist AGL in responding to any issues of concern to the ACCC
  - AGL is confident that these requirements can be addressed

Summary

Summary

LYA acquisition represents a significant step in AGL's integrated strategy.

› Accretive to Underlying EPS from FY13 and substantial future cash flows for AGL

› 2,200 MW of generation capacity providing substantial increased coverage of AGL's retail load

› Delivers full ownership of one of the lowest cost baseload generators in Australia

› AGL will have one of the largest and most competitive generation portfolios in Australia; improved risk management capability

› Large, low-cost fuel resource with long-term optionality

› Strong cashflows to support future growth, including renewable generation