AGL Energy Subordinated Notes

Prospectus for the issue of AGL Energy Subordinated Notes to be listed on ASX

AGL Energy Limited (ABN 74 115 061 375)

Arranger
Deutsche Bank

Joint Lead Managers
ANZ Securities
Commonwealth Bank
Deutsche Bank
National Australia Bank

Co-managers
Morgan Stanley Smith Barney
Ord Minnett
Westpac Institutional Bank

Energy in action.®

AGL

Important Notices

Lodgement and listing

This Prospectus is issued by AGL Energy Limited (ABN 74 115 061 375) (**AGL or Issuer**). It is an invitation to apply for AGL Energy Subordinated Notes (the Notes) to raise approximately $650 million, with the ability to raise more or less (**Offer**).

This Prospectus is dated 28 February 2012 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. This Prospectus expires on the date which is 13 months after 28 February 2012 (**Expiry Date**) and no Notes will be issued on the basis of this Prospectus after the Expiry Date.

AGL will apply for quotation of the Notes on ASX Limited (**ASX**) within seven days following the lodgement of this Prospectus with ASIC. If ASX does not grant permission for the Notes to be quoted within three months after the date of this Prospectus (or any longer period permitted by law), the Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

Neither ASIC nor ASX takes responsibility for the contents of this Prospectus or the merits of the investment to which it relates. This Prospectus is important and requires your immediate attention.

Not financial product advice

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your particular objectives, financial situation or needs as an investor. You should carefully read the whole of this Prospectus and consider all of the risk factors that could affect the performance of the Notes or AGL in light of your own particular objectives, financial situation and needs before deciding whether to invest in the Notes. If you have any questions, you should contact your financial or other professional adviser for advice before deciding whether to invest in the Notes. Some of the risk factors that you should consider are set out in Section 6 of this Prospectus. There may be additional risk factors in addition to these that should be considered in light of your personal circumstances.

Exposure period

The Corporations Act prohibits AGL from processing applications in the seven day period after the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable the Prospectus to be examined by market participants prior to the commencement of the Offer. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

No representations other than this Prospectus

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by AGL in connection with the Offer.

Restrictions on distribution

This Prospectus does not constitute an offer of the Notes or invitation to apply for the Notes in any place in which, or to any person to whom, it would not be lawful to make such offer or invitation. For details of the selling restrictions that apply to the Notes in foreign jurisdictions, see Section 9.7.

Electronic Prospectus

An electronic version of this Prospectus may be viewed and downloaded from AGL's website at www.agl.com.au. The electronic version of this Prospectus is only available online to persons resident in Australia. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus. Eligible Shareholders and Eligible Customers within Australia having received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a paper copy of the Prospectus, free of charge, by contacting AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia). Applications for the Notes by Eligible Shareholders and Eligible Customers may only be made online, using the Application Form accompanying the electronic version of this Prospectus as downloaded in its entirety from www.agl.com.au. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

Financial amounts

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements. Forward looking statements should be read in conjunction with risk factors as set out in Section 6, and other information contained in this Prospectus.

Unless otherwise indicated forward looking statements relate to the beliefs, expectations or intentions of AGL (and no other person) as at the date of this Prospectus.

Disclaimer

Neither AGL nor any other person warrants or guarantees the future performance of AGL, or (without limiting AGL's contractual obligations to make payments on the Notes in accordance with their terms of issue (**Terms of Issue** or **Terms**)) any return on any investment made pursuant to this Prospectus.

Privacy

Please read the privacy statement located at Section 9.10 of this Prospectus. By submitting the Application Form accompanying this Prospectus, you consent to the matters outlined in that statement.

Photographs and diagrams

Some of the assets depicted in photographs and diagrams in this Prospectus may not be assets of AGL or products or services sold by AGL. Diagrams in this Prospectus are illustrative only and may not be drawn to scale.

Defined terms and glossary

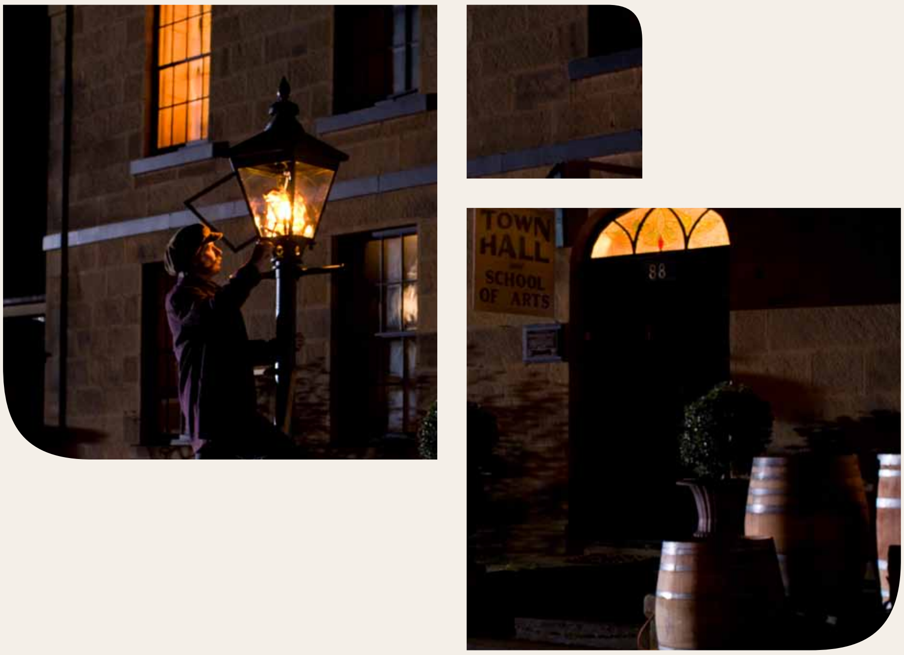
Some words and expressions used in this Prospectus have defined meanings, which are in the glossary in Appendix B. Certain definitions specific to the Notes are contained in Section 12 of the Terms in Appendix A.

A reference to time in this Prospectus is to Sydney time unless otherwise stated.

Questions

If you have questions in relation to the Offer, please contact your financial or other professional adviser. If you have questions in relation to how to complete the Application Form, please call AGL on the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia).

Contents



Key Dates

Key dates for the Offer	Date
Lodgement of this Prospectus with ASIC	28 February 2012
Bookbuild to determine the Margin	6 March 2012
Announcement of Margin and lodgement of the Replacement Prospectus with ASIC	7 March 2012
Opening Date of the Offer	7 March 2012
Closing Date for Shareholder Offer and Customer Offer	30 March 2012
Closing Date for Broker Firm Offer	3 April 2012
Issue of the Notes	4 April 2012
The Notes are expected to commence trading on ASX on a deferred settlement basis	5 April 2012
Holding Statements dispatched	11 April 2012
The Notes are expected to commence trading on ASX on a normal basis	12 April 2012

Key dates for AGL Energy Subordinated Notes	Date
First Interest Payment Date[1]	8 June 2012
Step-up Date and First Optional Redemption Date	8 June 2019
Maturity Date	8 June 2039

Dates may change

The key dates for the Offer are indicative only and may change without notice.

AGL and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late applications, whether generally or in particular cases, or withdrawing the Offer at any time before the Notes are issued.

You are encouraged to apply as soon as possible after the Opening Date.

Note:

1 Interest payments are scheduled to be paid quarterly in arrears on the Interest Payment Dates being each 8 March, 8 June, 8 September and 8 December each year, commencing on 8 June 2012 until the Maturity Date. Outstanding Interest is also payable on any early Redemption Date. If any Interest Payment Date is not a Business Day, then the Interest Payment Date will occur on the next Business Day. Refer to Section 2.2 for further information.

28 February 2012

Dear Investor,

On behalf of the Board, I am pleased to offer you the opportunity to invest in AGL Energy Subordinated Notes (**Notes**).

The Notes are dated, subordinated, cumulative, unsecured notes issued by AGL Energy Limited (**AGL**) and are proposed to be quoted on ASX. The Notes offer investors quarterly interest payments unless deferred, comprising a variable market rate plus a fixed margin, and will mature on 8 June 2039, unless redeemed earlier. AGL may redeem the Notes from 8 June 2019, or earlier in certain circumstances. If AGL does not redeem the Notes by 8 June 2019, the margin will increase by 25 basis points (i.e. 0.25%) per annum. The key features of the Notes are set out in Section 2 of this Prospectus.

AGL intends to raise approximately $650 million through the issue of the Notes. AGL intends to use the proceeds 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 and for general corporate purposes.

The minimum investment is $5,000. The Shareholder Offer and Customer Offer are scheduled to close on 30 March 2012, with key dates summarised on page 2. The offer may close early so if you wish to apply for the Notes you are encouraged to consider submitting your application as soon as possible after the opening date on 7 March 2012.

Full details of this opportunity, including the Terms of Issue and the risks associated with the investment, are set out in this Prospectus. Please read it carefully before deciding whether to invest in the Notes.

If you have any questions about the offer please call the **AGL Energy Subordinated Notes Offer Information Line** on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) (Monday to Friday – 8:30am to 5:30pm AEST). If you are uncertain whether the Notes are a suitable investment for you, you should consult your financial or other professional adviser.

On behalf of the Board, I invite you to consider this new investment opportunity.

Yours sincerely,

Jeremy Maycock, Chairman
AGL Energy Limited

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Section 1

Investment overview

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Section 1. Investment overview

This section provides a summary of information that is key to a decision to invest in the Notes. This is a summary only. Investors should read this entire Prospectus carefully. The Terms of the Notes are set out in Appendix A.

If you are unclear in relation to any aspect of the Offer, or if you are uncertain whether the Notes are a suitable investment for you, you should consult your financial or other professional adviser.

1.1 Key features of the Offer

Topic	Summary	Further information
Who is the issuer?	> AGL Energy Limited.	Section 4
What are the Notes?	> The Notes are dated, subordinated, cumulative, unsecured notes issued by AGL, which will mature on 8 June 2039 (the **Maturity Date**) unless redeemed before that date.	Section 2
What are the key Offer details?	> Offer size is $650 million, with the ability to raise more or less. > AGL intends to reserve approximately $50 million for Allocations under the Shareholder Offer and the Customer Offer. > Issue Price is $100 per Note. This is also the Face Value.	Section 3.1
What is the purpose of the Offer?	> AGL intends to use the proceeds 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 and for general corporate purposes.	Section 3.2
Listing	> AGL will apply for the Notes to be quoted on ASX, and they are expected to trade under the code "AGKHA".	Section 3.7
Important matters to be aware of	> AGL may choose to redeem the Notes on or after 8 June 2019 and, in certain circumstances, before that date. The Notes will generally be redeemed for their Face Value (plus any Outstanding Interest), which may be less than their market value at that time. > AGL is not obliged to redeem the Notes prior to their Maturity Date, and Holders have no rights to request early redemption of the Notes except in very limited circumstances. Holders may seek to sell the Notes on ASX but there is no guarantee they will be able to do so at an acceptable price, or at all. This may particularly be the case if the Notes remain outstanding for a long period and AGL's financial position or performance, or broader economic or market conditions, materially deteriorate. Further, while AGL does not have the right to defer interest payments on the Notes at its discretion, in certain circumstances interest payments on the Notes are deferred mandatorily. Deferred Interest Payments are cumulative. > The Notes are not convertible into Ordinary Shares and Holders have no rights to vote with holders of Ordinary Shares. > If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in the Notes or not, you should seek professional guidance from your financial or other professional adviser before deciding whether to invest.	Section 2 and Section 6

1.2 Key features of AGL Energy Subordinated Notes

Topic	Summary	Further information
Interest payments	> Floating interest rate equal to the sum of the Market Rate plus the Margin. > The Market Rate is the 3 month Bank Bill Rate determined on the first day of each Interest Period. > The Margin is to be determined under the Bookbuild and is expected to be in the range of 3.40% to 3.60% per annum. > Interest is to be paid quarterly in arrears unless deferred. > Interest is to be paid in cash. > Interest payments will not have any franking credits attached to them.	Section 2.2
Interest Payment Dates	> Interest Payments Dates are on 8 March, 8 June, 8 September and 8 December each year, commencing on 8 June 2012, until the Maturity Date. Outstanding Interest is also payable on any early Redemption Date.	Section 2.2

Topic	Summary	Further information
Deferral of interest	> Interest payments on the Notes will be mandatorily deferred if the Mandatory Deferral Condition exists. The Mandatory Deferral Condition exists if AGL's Interest Cover Ratio is less than the Minimum Level (being 3.0 times) in relation to a Testing Date, or if AGL's Leverage Ratio is above the Maximum Level (being 4.0 times) in relation to two consecutive Testing Dates. Once it commences, the Mandatory Deferral Condition continues to exist until the next Testing Date in relation to which: – the Interest Cover Ratio is at or above the Minimum Level; and – if the deferral was initially triggered by the Leverage Ratio exceeding the Maximum Level, or the Leverage Ratio has exceeded the Maximum Level in relation to any two consecutive Testing Dates from (and including) the Testing Date on which the deferral was initially triggered, the Leverage Ratio is at or below the Maximum Level and was at or below the Maximum Level in relation to the immediately preceding Testing Date. The 'Testing Date' for these purposes is the date on which the Issuer first releases to the public its audited full year consolidated financial statements in respect of a reporting period ended on 30 June in any year or its reviewed consolidated interim financial statements in respect of a reporting period ended on 31 December in any year. AGL will not be subject to dividend or other restrictions if deferral of interest occurs. > AGL does not have discretion to defer interest payments on the Notes and must pay interest in all other circumstances. > AGL considers there to be strong commercial reasons for it to maintain its Interest Cover Ratio well above the Minimum Level and its Leverage Ratio well below the Maximum Level as the company has a number of material energy supply and procurement contracts within its portfolio, which contain credit support clauses that are triggered if AGL's credit profile deteriorates materially. > If AGL's credit profile deteriorates materially such that it risks having an Interest Cover Ratio below the Minimum Level or a Leverage Ratio above the Maximum Level, AGL intends, to the extent it can at the relevant time, to take one or more measures to support these financial ratios and restore its credit profile. These measures may include asset sales, equity issuance, discontinuation of certain businesses, suspension of ordinary dividends and/or other changes to AGL's financial policies.	Section 2.2 and Section 5.5
Maturity Date	> 8 June 2039 (approximately 27 years after the Issue Date).	Section 2.3
First Optional Redemption Date and Step-up Date	> 8 June 2019 (approximately seven years after the Issue Date). > If the Notes are not redeemed on this date, the Margin will increase by 25 basis points (i.e. 0.25%) per annum (this is referred to as the Step-up Margin).	Section 2.2 and Section 2.3
AGL's early redemption rights	> AGL may redeem Notes on the First Optional Redemption Date or any Interest Payment Date thereafter. > In addition, AGL may also redeem the Notes prior to the Maturity Date where: – a Change of Control Event occurs; – a Capital Event occurs; – an Accounting Event occurs; – a Tax Event occurs; or – the aggregate principal amount of the Notes outstanding is less than 20% of the aggregate principal amount of the Notes originally issued.	Section 2.3
Holder's redemption rights	> Holders of the Notes have no right to require redemption prior to the Maturity Date except where there is a Change of Control Event. However, if an Event of Default occurs the Trustee may declare the Notes immediately due and payable. Subject to certain grace periods and exceptions, an Event of Default occurs if the Issuer fails to pay interest on the Notes when due (other than as a result of a mandatory deferral of interest) or if AGL is wound up.	Section 2.3 and Section 2.7.3
Unsecured	> Repayment is not secured by a mortgage, charge or other security over any asset.	Section 2.4
Ranking	> The Notes rank ahead of AGL's Ordinary Shares but, subject to limited exceptions, behind all of its other obligations.	Section 2.4

Section 1. Investment overview continued

1.3 Comparison between Ordinary Shares, AGL Energy Subordinated Notes and other notes or bonds issued by AGL

There are differences between Ordinary Shares, AGL Energy Subordinated Notes and other notes or bonds that have been or may be issued by AGL. You should consider these differences in light of your particular objectives, financial situation and needs before deciding to invest in the Notes.

The following comparison is a summary only, and does not encompass all of AGL's existing or potential funding sources. For further information about AGL's funding sources and capital management strategy, refer to Section 4.3.

Topic	Ordinary Shares	AGL Energy Subordinated Notes	Other notes or bonds
Legal form	Shares	Debt obligation	Debt obligation
Security	Not applicable	Unsecured	Typically unsecured
Ranking in a winding-up of AGL[2]	Rank behind all other securities and obligations	Rank ahead of Ordinary Shares, generally equally with Parity Creditors and Parity Shares and behind all other claims on AGL (including subordinated claims). AGL does not currently have any Parity Creditors or Parity Shares	Typically rank ahead of all subordinated creditors and all classes of shares. Subordinated notes or bonds may also be issued on terms such that they rank ahead of the Notes but behind other creditors of AGL
Term	Not applicable	Approximately 27 years	Typically 3 to 15 years
Equity credit[3]	100%	100% until 8 June 2019 0% from 8 June 2019 until redemption	0%
Call date(s)	Not applicable	From year seven (8 June 2019) (or earlier in certain circumstances)	Typically none. Longer dated instruments may have call or prepayment rights subject to payment of a make-whole amount
Payments	Dividends, payable at the absolute discretion of the Board	Interest payments, payable on a compulsory basis unless a Mandatory Deferral Condition subsists	Interest payments, typically payable on a compulsory basis with no provision for deferral
Payment amounts	Based on AGL's level of profitability and the Board's prevailing dividend policy (though ultimately at the absolute discretion of the Board)	Based on a floating interest rate equal to the sum of the Bank Bill Rate plus the Margin	Typically based on a floating or fixed interest rate
Payment accumulation	None	Any Deferred Interest Payments are cumulative and compounding	Any unpaid interest payments are typically cumulative and compounding
Participation in AGL's profits in a winding-up	Yes	No	No
Rights to be repaid at end of term	Not applicable	Yes	Yes
Voting rights at a general meeting of AGL shareholders	Yes	No	No
Transferability	Yes, quoted on ASX	Yes, expected to be quoted on ASX	Yes, although typically not quoted on ASX
Liquidity	Market capitalisation of $6.4 billion as at 24 February 2012. Likely to be more liquid than the Notes and other notes or bonds	Offer size of $650 million, with the ability to raise more or less. Likely to be less liquid than Ordinary Shares and it is possible that no liquid market may develop	Likely to be less liquid than Ordinary Shares and it is possible that no liquid market may develop

Notes:

2 See Section 2.4 for an illustration of the ranking of AGL's obligations in respect of its existing securities.

3 Percentage of equity credit ascribed by the Rating Agency in its quantitative assessment of the credit profile of AGL (see Section 2.1.6).

1.4 About AGL

Topic	Summary
Overview	> AGL is one of Australia's leading integrated energy utility companies. > Listed on ASX and an S&P/ASX 50 company by market capitalisation (approximately $6.4 billion as at 24 February 2012). > Operations include retail and merchant energy businesses, electricity generation assets and an upstream gas portfolio. > Has one of Australia's largest retail energy and dual fuel customer bases and a diverse electricity generation portfolio, including base, peaking and intermediate electricity generation plants, spread across traditional thermal electricity generation as well as renewable sources including hydro, wind, landfill gas and biomass. > Further information about AGL is detailed in Section 4.
Leading Australian energy company	> Australia's largest private owner, operator and developer of renewable energy and second largest energy retailer. > 3,246 MW merchant electricity generation capacity across a range of gas-fired, hydro, wind, biomass and cogeneration power stations and facilities. > 2,176 petajoules of 2P gas reserves as at 31 December 2011.
Largest private owner, operator and developer of renewable electricity generation assets	> Leading player in hydro and wind: – 795 MW of hydro assets; and – developer and off-taker of 929 MW of wind assets (including assets currently under construction). > Ongoing developments in other renewable energy, comprising solar, geothermal, biomass, bagasse and landfill gas. > Construction currently progressing on the Macarthur wind farm (420 MW), the Hallett 5 wind farm (52 MW) and the Oaklands Hill wind farm (67 MW). > Development pipeline includes 700 MW of ready-to-develop wind projects and 1,200 MW of wind and solar projects undergoing feasibility assessment.
Strong competitive position underpinned by increasing vertical integration	> AGL has significant market shares in both electricity and gas in the markets in which it operates (New South Wales, Victoria, South Australia and Queensland). > Increasing control and capacity in electricity generation and gas reserves enhances AGL's capability to self-supply and retain more of the margin opportunity. > Access to multiple profit pools provides diversity of income sources and balances risk between volatile wholesale electricity prices and consumer demand.
Strong balance sheet and stable, defensive earnings	> Stable earnings profile, underpinned by large and diversified retail customer base and vertical integration. > Conservative gearing levels as at 31 December 2011 (see Section 5.5 for further information on AGL's Leverage Ratio and Interest Cover Ratio). > No refinancing required until the financial year ending 30 June 2015.
Attractive growth pipeline and prospects	> Upstream growth prospects include possible increased ownership in the Loy Yang A power station and adjacent coal mine, as well as the construction of Dalton power station and Newcastle gas storage facility. > Organic growth strategy (targeting to increase New South Wales electricity customer base from over 551,000 electricity customers as at 31 December 2011 to 800,000–900,000 by 30 June 2014) drives additional expansion opportunities.
Experienced management team	> Senior management team with extensive energy industry experience, including having led the development of AGL's market leading renewables platform, AGL's increasing vertical integration and the expansion of its upstream energy interests. > Continue to drive shareholder returns through demonstrated disciplined approach and prudent capital management and investment return hurdles.

Section 1. Investment overview continued

1.5 Key risks associated with AGL

Topic	Summary	Further information
Electricity market	> Risk of significant financial loss arising from exposure to volatility and variability in the wholesale electricity market.	Section 6.2.1
Gas market	> 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 market prices.	Section 6.2.2
Environmental markets	> Risk of significant financial loss arising from exposure to volatility and variability in existing and emerging environmental markets or from not meeting mandatory liabilities.	Section 6.2.3
Regulatory environment	> Risk of fines or loss of licences due to failure to comply with regulatory requirements, and of loss arising from exposure to regulated pricing.	Section 6.2.4
Energy policy	> 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.	Section 6.2.5
Operating in a competitive environment	> AGL operates in a highly competitive environment and is exposed to the risk of loss of customers if it fails to maintain competitive products and services.	Section 6.2.6
Authorisations and permits	> Risk of failure to procure the necessary authorisation for ongoing gas and power development projects.	Section 6.2.7
Risks associated with increased ownership of Loy Yang A and adjacent coal mine	> Risk of failure to complete the GEAC Acquisition[4], or of GEAC to perform, in line with the acquisition assumptions. In particular, statements on the impact of the GEAC Acquisition on AGL are based on those assumptions. > Key risks are detailed more fully in Section 6.3.	Section 6.3
Other	> There are a number of other risks that AGL faces, which are discussed in more detail in Section 6.	Section 6.2 and Section 6.3

Note:

4 On 24 February 2012, AGL announced that it had entered into conditional agreements to acquire the remaining shares in, and loan notes issued by, GEAC and the shares in LYMH. GEAC is the owner of the 2,200 MW Loy Yang A power station and adjacent coal mine.

1.6 Key risks associated with AGL Energy Subordinated Notes

Topic	Summary	Further information
Changes in Interest Rate	> The Interest Rate is calculated by reference to the Bank Bill Rate, which is influenced by a number of factors and may fluctuate over time. > The Interest Rate may become less attractive compared to rates of return available on other securities.	Section 6.1.8
Risks related to the market generally	> The market price of the Notes may fluctuate and trade below the Issue Price. > The market for the Notes is likely to be less liquid than the market for AGL's Ordinary Shares. > The Notes may not have an established or liquid trading market when issued and one may never develop. > Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all.	Section 6.1.1 and Section 6.1.2
The Notes are subordinated obligations	> In a winding-up the Notes will rank ahead of AGL's Ordinary Shares but (subject to very limited exceptions) behind all other claims on AGL. > There may be a shortfall of funds to pay all amounts ranking senior to or equally with the Notes in a winding-up of AGL. This would result in Holders not receiving any payment if claims ranking senior to the Notes were not satisfied in full, or otherwise not receiving a full repayment of principal and interest that may be due but unpaid at that time.	Section 2.4 and Section 6.1.3
Interest payments may be deferred	> There are circumstances in which interest payments must be deferred for up to five years and accordingly, it is possible that interest payments will not be paid when scheduled. > Deferral of interest payments, if it occurs, will occur mandatorily and can be expected to have an adverse effect on the market price of the Notes. AGL will not be subject to dividend or other restrictions if this occurs. > If AGL's credit profile deteriorates materially, this may increase the expectation that interest payments will be deferred which may have an adverse effect on the market price of the Notes.	Section 2.2.7 to Section 2.2.9 and Section 6.1.4
The Notes are long-dated and might not be redeemed until 8 June 2039	> The Notes will mature on 8 June 2039 (the **Maturity Date**). Although AGL may redeem the Notes from 8 June 2019, and in certain circumstances prior to such date, AGL is under no obligation to do so except in very limited circumstances.	Section 2.3, Section 6.1.5 and Section 6.1.7
AGL may redeem the Notes early under certain circumstances	> AGL may redeem the Notes from 8 June 2019 and in certain circumstances prior to such date. > The Redemption Amount may be less than the current market value of the Notes at the time of redemption. > Timing of redemption of the Notes may not accord with a Holder's preferences in light of its individual financial circumstances or tax position.	Section 2.3 and Section 6.1.6
No restrictive covenants	> AGL may enter into arrangements in the future, such as borrowing or issuing senior or equal ranking securities, changing its capital structure or entering into significant new transactions, which may adversely affect the ranking of the Notes in a winding-up of AGL or otherwise adversely affect the risk profile of the Notes.	Section 6.1.9 and Section 6.1.12
Other	> There are a number of other risks associated with investing in the Notes, which are discussed in more detail in Section 6.	Section 6

Section 1. Investment overview continued

1.7 Further information about the Offer

Topic	Summary	Further information
When is the Offer Period?	> The key dates, including details of the Offer Period, are set out on page 2. Further details are included in Section 3.	Key dates, Section 3
Is there a minimum amount to be raised?	> AGL is seeking to raise approximately $650 million through the Offer of the Notes, with the ability to raise more or less. > AGL intends to reserve approximately $50 million for Allocations under the Shareholder Offer and the Customer Offer.	Section 3.1
Is the Offer underwritten?	> The Offer is not underwritten by the Joint Lead Managers, although the Joint Lead Managers have agreed, under the OMA, to provide settlement support for the obligations of confirmed Applicants under the Bookbuild (see Section 9.4 for further details on the terms of the OMA).	Section 9.4
What is the pro forma balance sheet of AGL following the Offer?	> Refer to Section 5.3. > For information about the impact on AGL's balance sheet of completing both the Offer and the GEAC Acquisition see section 5.6	Section 5.3
How is the Offer structured and who can apply?	> The Offer comprises: – a Broker Firm Offer made to Australian resident retail clients (or high net worth clients in certain other permitted jurisdictions) of Syndicate Brokers (**Broker Firm Applicants**); – a Shareholder Offer made to Eligible Shareholders (**Shareholder Applicants**); – a Customer Offer made to Eligible Customers (**Customer Applicants**); and – an Institutional Offer made to certain Institutional Investors.	Section 3.3
Who is an Eligible Shareholder?	> A registered holder of Ordinary Shares shown on AGL's share register at 7:00pm AEST on 24 February 2012 with an address in Australia.	Section 3.5
Who is an Eligible Customer?	> A customer of AGL or any of its subsidiaries at 7:00pm AEST on 24 February 2012 with an address in Australia.	Section 3.5
How can I apply?	> Broker Firm Applicants should contact their Syndicate Broker for instructions on how to apply. > Shareholder Applicants and Customer Applicants should complete an electronic Application Form and pay the application monies by BPAY®.	Section 3.5
What is the Allocation policy?	> The Allocation policy for Broker Firm Applicants (within the relevant Syndicate Broker's overall Allocation) will be determined by the relevant Syndicate Broker. > Allocations for the Shareholder Offer and Customer Offer will be determined by AGL in consultation with the Joint Lead Managers after the Closing Date of the Shareholder Offer and Customer Offer. > AGL may scale back applications from Shareholder Applicants and Customer Applicants. Any scale back will be announced on ASX on the day the Notes commence trading on a deferred settlement basis – expected to be 5 April 2012.	Section 3.6
Is there a minimum application size?	> Your Application must be for a minimum of 50 Notes ($5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of ten Notes – that is, for incremental multiples of $1,000.	Section 3.5
Is brokerage, commission or stamp duty payable?	> No brokerage, commission or stamp duty is payable by you on your Application. You may be required to pay brokerage if you sell your Notes on ASX after the Notes have been quoted on ASX.	Section 3.5.3

Topic	Summary	Further information
What are the tax implications of investing in the Notes?	> A general description of the Australian taxation consequences of investing in the Notes is set out in Section 7. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.	Section 7
When will I receive confirmation that my application has been successful?	> If you are an applicant in the Shareholder Offer or Customer Offer you may visit www.agl.com.au to confirm your Allocation of Notes after the Issue Date. > Broker Firm Applicants should contact their Syndicate Broker to enquire about their Allocation.	Section 3.8
When will the Notes be issued?	> AGL expects that the Notes will be issued on 4 April 2012.	Key dates
When will the Notes begin trading?	> AGL expects that the Notes will begin trading on ASX on 5 April 2012 on a deferred settlement basis, and on 12 April 2012 on a normal settlement basis.	Section 3.8
When will Holding Statements be dispatched?	> AGL expects that Holding Statements will be dispatched by 11 April 2012.	Section 3.9
Where can I find more information about this Prospectus or the Offer?	> If you have any questions in relation to the Offer, you may call the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) (Monday to Friday – 8:30am to 5:30pm AEST). > If you are a Broker Firm Applicant, you should contact your Syndicate Broker for more information.	

Section 1. Investment overview continued

1.8 What you need to do

Topic	Summary
Read this Prospectus in full	> If you are considering applying for the Notes under the Offer, this document is important and should be read in its entirety.
Determine if you are eligible to apply	> The Offer is being made to: – Australian resident retail clients (or high net worth clients in certain other permitted jurisdictions) of Syndicate Brokers who are invited to apply under the Broker Firm Offer; – Eligible Shareholders, who may apply under the Shareholder Offer; – Eligible Customers, who may apply under the Customer Offer; and – certain Institutional Investors.
Consider and consult	> Consider all risks and other information about the Notes in light of your particular objectives, financial situation and needs. > Consult with your financial or other professional adviser if you are uncertain as to whether you should apply for the Notes.
Complete the Application Form	> If you have decided to apply for the Notes, you need to apply pursuant to an Application Form attached to or accompanying this Prospectus, including in the case of any online Application Form. The Prospectus and Application Forms will be available during the Offer Period. > The application process varies depending on whether you participate in the Broker Firm Offer, Shareholder Offer, Customer Offer or Institutional Offer – see Section 3 for more details.
Submit your Application Form	> If you are a Shareholder Applicant or a Customer Applicant, your Application (including payment by BPAY®) must be received by the Registry no later than the Closing Date for the Shareholder Offer and the Customer Offer, which is expected to be 5:00pm AEST on 30 March 2012. You must submit your Application online by following the instructions at www.agl.com.au and completing a BPAY® payment. > If you are a Broker Firm Applicant, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer, which is expected to be 10:00am AEST on 3 April 2012. Please contact your Syndicate Broker for their instructions on how to submit your Application. > The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date. > For more information on applying for the Notes – see Section 3. If you have any questions about the Offer or how to apply for the Notes as a Shareholder Applicant or Customer Applicant, please visit AGL's website at www.agl.com.au or call the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) (8:30am to 5:30pm AEST) during the Offer Period or contact your financial or other professional adviser.

2

About AGL Energy Subordinated Notes

Section 2. About AGL Energy Subordinated Notes

Outlined below are answers to some key questions about the Notes. This Section should be read in conjunction with the rest of this Prospectus.

2.1 General

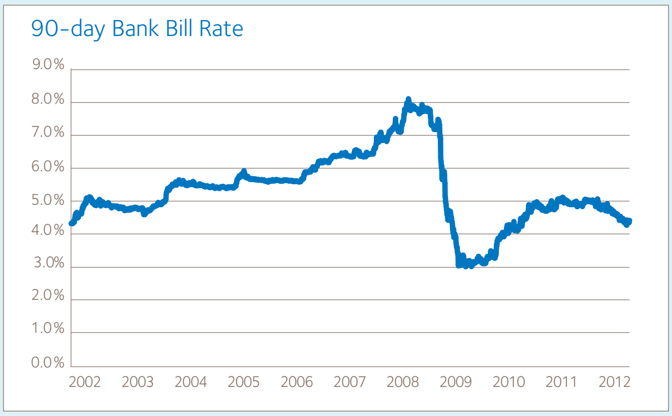
Topic	Summary	For more information
2.1.1 What is the Offer?	> AGL is seeking to raise approximately $650 million through the Offer of the Notes with the ability to raise more or less. > AGL intends to reserve approximately $50 million for Allocations under the Shareholder Offer and the Customer Offer.	Section 3.1
2.1.2 What are the Notes?	> The Notes are dated, subordinated, cumulative, unsecured notes which will mature on 8 June 2039 unless redeemed before that date. > The Notes entitle Holders to receive floating rate, deferrable, cumulative interest payments payable quarterly in arrears unless deferred. > The Notes are not convertible into Ordinary Shares or any other securities.	Appendix A
2.1.3 Who is the Issuer?	> AGL Energy Limited is the Issuer of the Notes. The Issuer's address is Level 22, 101 Miller St, North Sydney, New South Wales 2060. > AGL Energy Limited is an integrated energy utilities business with interests in retail energy, merchant energy, upstream gas and energy investments.	Section 4 to Section 6 and Section 8
2.1.4 What am I required to pay?	> The Notes will be offered at an Issue Price of $100 per Note. This is also the Face Value of each Note. > Applications must be for a minimum of 50 Notes ($5,000). > If your application is for more than 50 Notes, then you must apply in incremental multiples of ten Notes – that is, incremental multiples of $1,000.	Section 3.5.1
2.1.5 Why is AGL issuing the Notes?	> The Offer of the Notes forms part of AGL's ongoing capital management strategy. > AGL intends to use the proceeds 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 and for general corporate purposes. > AGL expects the Notes to be ascribed a High Equity Content classification for quantitative purposes from the Rating Agency until 8 June 2019 (the First Optional Redemption Date). > AGL also expects that the Notes will provide some qualitative support in the Rating Agency's assessment of the credit profile of AGL until redemption, but expects that support will be minimal. > AGL believes that hybrid securities that are ascribed equity credit such as the Notes are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward.	Section 3.2
2.1.6 What is High Equity Content?	> AGL expects the Rating Agency to ascribe a High Equity Content classification to the Notes. This determines the amount of equity credit ascribed to the Notes by the Rating Agency and provides an indication of the extent to which the Rating Agency treats an instrument as partially or wholly as equity rather than entirely as debt, when evaluating the quantitative aspects of the credit profile of AGL. > Under the Rating Agency's methodology, instruments that are assigned a High Equity Content classification are treated entirely as equity in the Rating Agency's assessment of the credit profile of AGL. > In AGL's financial statements, the Notes will be classified as debt.	

Topic	Summary	For more information
2.1.7 What is the term and maturity of the Notes?	> Approximately 27 years (maturing on 8 June 2039), unless redeemed before that date. The circumstances in which AGL may redeem the Notes before 8 June 2039 are described in Section 2.3. > In particular, AGL may elect to redeem the Notes at its option on 8 June 2019 or on any quarterly Interest Payment Date thereafter. > You may not request redemption of the Notes before the Maturity Date unless there is a Change of Control Event. However, if an Event of Default occurs the Trustee may declare the Notes to be immediately due and payable. > The Notes are described as "dated" because they have a maturity date (8 June 2039).	Clauses 4, 5 and 12 of the Terms Section 2.3
2.1.8 Will the Notes be quoted on ASX?	> AGL will apply for the Notes to be quoted on ASX and the Notes are expected to trade under the ASX code "AGKHA".	Section 3.7 and Section 3.8
2.1.9 Will the Notes be rated?	> The Notes will not be rated.	
2.1.10 What are the key dates of the Offer?	> The Offer opens on 7 March 2012. > The Shareholder Offer and Customer Offer close at 5:00pm on 30 March 2012. > The Broker Firm Offer closes at 10:00am on 3 April 2012. > The Notes issued under the Offer will be allotted on 4 April 2012. > The Notes are expected to commence deferred settlement trading on ASX on 5 April 2012 and normal settlement trading on 12 April 2012. > These dates are indicative and may be varied.	Key dates
2.1.11 Are there any circumstances where the Offer will not proceed?	> The Offer is subject to quotation approval by ASX. > AGL reserves the right, subject to the Corporations Act and the Listing Rules, to withdraw the Offer at any time without prior notice. > If the Offer does not proceed for any reason, all Application Payments will be refunded (without interest) to Applicants as soon as practicable.	Section 3

2.2 Interest payments

Topic	Summary	For more information
2.2.1 What are interest payments?	> Interest payments are quarterly, floating rate payments in respect of each Note. > Interest payments on the Notes will be calculated as a percentage of the Face Value.	Clause 3 of the Terms
2.2.2 Will interest payments be franked?	> Interest payments will not have any franking credits attached to them.	Section 7
2.2.3 Will interest payments be subject to deductions for tax?	> AGL may deduct from any interest or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. Subject to Holders providing their applicable tax details, under current tax law payments on the Notes should generally not be subject to deduction on account of Australian tax.	Clause 6.4 of the Terms and Section 7

Section 2. About AGL Energy Subordinated Notes continued

Topic	Summary	For more information
2.2.4 How will the Interest Rate be determined?	> The Interest Rate for each Interest Period will be set on the first Business Day for each Interest Period as follows: Interest Rate = Bank Bill Rate + Margin where: – Bank Bill Rate means the 3 month Bank Bill Rate on the first Business Day of the Interest Period; and – Margin will be a rate determined following the Bookbuild and is expected to be in the range of 3.40% to 3.60% per annum. If the Notes are not redeemed on 8 June 2019, the Margin will increase by 25 basis points (i.e. 0.25%) per annum from that date (this is referred to as the Step-up Margin). – As an example, assuming the 3 month Bank Bill Rate on the first Business Day of the Interest Period is the same as it was on 24 February 2012 (which was 4.42% per annum) and the Margin is 3.40% per annum, the Illustrative Interest Rate would be: – Bank Bill Rate 4.42% per annum. – plus Margin 3.40% per annum. – Illustrative Interest Rate: 7.82% per annum.	Clause 3.2 of the Terms
2.2.5 What is the Bank Bill Rate?	> The Bank Bill Rate is a benchmark interest rate for the Australian money market commonly used by major Australian financial institutions to lend short-term cash to each other over a 90-day period. This rate changes to reflect the supply and demand within the cash market. > The graph below illustrates the movement in the Bank Bill Rate over the past ten years. The rate on 24 February 2012 was 4.42% per annum.  > The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and subsequent Interest Periods may be higher or lower than the rates in the above graph.	
2.2.6 When are interest payments scheduled to be paid?	> Quarterly payments are scheduled to be paid on 8 March, 8 June, 8 September and 8 December each year with the first Interest Payment Date scheduled to be on 8 June 2012. > If any of these dates is not a Business Day, then the Interest Payment Date will be the next Business Day. > Interest payments are paid to persons who are Holders on the relevant Record Date for the interest payment (or, if paid on redemption, on the Redemption Date).	Clauses 3.3 and 6 of the Terms

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>2.2.7 How will interest payments be calculated for each Interest Period?</td><td>> Interest payments scheduled to be paid on each Interest Payment Date will be calculated using the following formula:

Face Value x Interest Rate x N/365

where:
– Face Value means $100 per Note;
– Interest Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.2.4 above; and
– N means the number of days in the Interest Period calculated as set out in the Terms.

> As an example, if the Interest Rate for an Interest Period was 7.82% per annum, then the interest payment on each Note for that Interest Period (if the Interest Period was for 91 days[4]) would be calculated as follows:
<table>
<tr><td>Illustrative Interest Rate</td><td>7.82% per annum</td></tr>
<tr><td>Multiplied by the Face Value</td><td>x $100.00</td></tr>
<tr><td>Multiplied by the number of days in the Interest Period</td><td>x 91</td></tr>
<tr><td>Divided by 365</td><td>÷ 365</td></tr>
<tr><td>Illustrative interest payment for the Interest Period per Note</td><td>$1.95</td></tr>
</table>
> The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual interest payment for any Interest Period. Actual interest payments may be higher or lower than in this example.

> The Interest Rate for the first Interest Period will be set on the Issue Date.</td><td>Clause 3.3 of the Terms</td></tr>
<tr><td>2.2.8 Under what circumstances will interest payments be deferred?</td><td>> AGL must make interest payments quarterly unless a Mandatory Deferral Condition exists, in which case interest payments are deferred.</td><td>Clause 3.4 of the Terms</td></tr>
<tr><td>2.2.9 What is a Mandatory Deferral Condition?</td><td>> A Mandatory Deferral Condition will exist if AGL's Interest Cover Ratio in relation to a Testing Date is less than the Minimum Level (being 3.0 times), or if AGL's Leverage Ratio in relation to two consecutive Testing Dates is above the Maximum Level (being 4.0 times). The Mandatory Deferral Condition will continue to exist until the next Testing Date in relation to which:

– the Interest Cover Ratio is at or above the Minimum Level; and
– if the deferral was initially triggered by the Leverage Ratio exceeding the Maximum Level, or if the Leverage Ratio has exceeded the Maximum Level in relation to any two consecutive Testing Dates from (and including) the Testing Date on which the deferral was initially triggered, the Leverage Ratio is at or below the Maximum Level and was at or below the Maximum Level on the immediately preceding Testing Date.

For details on how the ratios are calculated, see Section 5.5.

> AGL considers there are strong commercial reasons for AGL to maintain its Interest Cover Ratio well above the Minimum Level and its Leverage Ratio well below the Maximum Level as the company has a number of material energy supply and procurement contracts within its portfolio, which contain credit support clauses that are triggered if AGL's credit profile deteriorates materially.

> If AGL's credit profile deteriorates materially such that it risks having an Interest Cover Ratio below the Minimum Level or a Leverage Ratio above the Maximum Level, AGL intends, to the extent it can at the relevant time, to take one or more measures to support these financial ratios and restore its credit profile. These measures may include asset sales, equity issuance, discontinuation of certain businesses, suspension of ordinary dividends and/or other changes to AGL's financial policies.</td><td>Clauses 3.4 and 12 of the Terms and Section 5.5</td></tr>
</table>

Note:

5 Interest Periods will generally have approximately 90-92 days. The first Interest Period is an exception as it starts on the Issue Date and runs to (but excludes) 8 June 2012 and so is expected to consist of 65 days.

Section 2. About AGL Energy Subordinated Notes continued

Topic	Summary	For more information
2.2.10 What are the consequences of a Mandatory Deferral Condition occurring?	> If a Mandatory Deferral Condition exists 16 Business Days prior to an Interest Payment Date, interest payments for that Interest Payment Date will automatically be deferred. > No restrictions will be imposed upon AGL as a result of a Mandatory Deferral Condition occurring. In particular, AGL will not be prevented from paying dividends on Ordinary Shares.	Clause 3.4 of the Terms
2.2.11 Are Deferred Interest Payments cumulative?	> Interest payments on the Notes are cumulative. Unpaid interest payments will accumulate and compound at the applicable Interest Rate until all unpaid interest payments have been paid. > Any Deferred Interest Payments will be paid to the persons who are Holders on the Record Date for the ultimate date for payment of the Deferred Interest Payments (or, if paid on redemption, on the Redemption Date).	Clauses 3.5 and 6.2 of the Terms
2.2.12 When will Deferred Interest Payments be paid?	> AGL must pay all outstanding Deferred Interest Payments if: – the Mandatory Deferral Condition ceases to subsist (see Section 2.2.9); – five years has passed from the date on which the longest outstanding Deferred Interest Payment was initially deferred; – the Notes are redeemed either on the Maturity Date or on any earlier Redemption Date; or – the Trustee declares the Notes to be due and payable as a result of an Event of Default.	Clause 3.4 of the Terms

2.3 Redemption

Topic	Summary	For more information
2.3.1 When can my Notes be redeemed early?	> AGL may at its option redeem all the Notes on 8 June 2019 (the First Optional Redemption Date) or any Interest Payment Date thereafter. > AGL may also at its option redeem all the Notes on the occurrence of: – a Change of Control Event; – a Capital Event; – an Accounting Event; – a Tax Event; or – if the aggregate Face Value of the Notes outstanding is less than 20% of the aggregate Face Value of the Notes originally issued.	Clause 4 of the Terms
2.3.2 What will happen on the First Optional Redemption Date?	> AGL may, but is not obliged to, redeem the Notes on 8 June 2019 (the First Optional Redemption Date). At this time, AGL can either: – redeem the Notes, in which case Holders will receive the Redemption Amount; or – elect not to redeem the Notes in which case the Step-up Margin will apply. > AGL expects that, if the Notes remain on issue after the First Optional Redemption Date, they will cease to be ascribed a High Equity Content classification by the Rating Agency after that date and will be classified entirely as a debt instrument by the Rating Agency. > AGL also expects that the Notes will provide some qualitative support in the Rating Agency's assessment of the credit profile of AGL until redemption, but expects that support will be minimal. > AGL will consider a broad range of factors when evaluating the role of the Notes in its ongoing capital management strategy, including whether to redeem the Notes on the First Optional Redemption Date or at any other time prior to the Maturity Date. Such factors may include the level of equity credit support provided by the Notes, as well as AGL's financial position, operational performance, funding requirements and access to capital in the financial markets from time to time.	Clause 4.2 of the Terms

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>2.3.3 What will I receive at redemption?</td><td>> Holders are entitled to receive on redemption of a Note the sum of:
– 100% of the Face Value of the Note being redeemed (i.e. $100 per Note) in all cases except where the Notes are being redeemed before the First Optional Redemption Date pursuant to the occurrence of a Capital Event or an Accounting Event, in which case Holders will receive 101% of the Face Value of the Note being redeemed (i.e. $101 per Note); plus
– all Outstanding Interest in respect of that Note.
The aggregate of those amounts is called the Redemption Amount.
> Refer to Section 2.4.3 for information on what may be received in a winding-up of AGL.</td><td>Clauses 4.1, 4.2 and 12 of the Terms</td></tr>
<tr><td>2.3.4 When is the Maturity Date?</td><td>> The Maturity Date is 8 June 2039.
> AGL must redeem the Notes on this date unless they have already been redeemed or purchased and cancelled.</td><td>Clauses 4.1 and 12 of the Terms</td></tr>
<tr><td>2.3.5 Can I request redemption of my Notes before the Maturity Date?</td><td>> No, you cannot request redemption of the Notes before the Maturity Date except if there is an occurrence of a Change of Control Event. However, if an Event of Default occurs the Trustee may declare the Notes immediately due and payable.</td><td>Clauses 4.3, 5.1 and 5.2 of the Terms</td></tr>
<tr><td>2.3.6 What is a Change of Control Event, Capital Event, Accounting Event or Tax Event?</td><td>> These events, which give AGL the right to redeem the Notes early are defined in the Terms. A summary is as follows:
– a Change of Control Event will occur in certain circumstances where, in summary, AGL becomes or will become a subsidiary of another person as a result of a takeover bid or scheme of arrangement or another person (or a person and their associates) otherwise come to hold legally or beneficially more than 50% of the voting shares in the capital of AGL (such other person or person together with its associates being a Relevant Person). However, a Change of Control Event will not have occurred if the persons holding, directly or indirectly, more than 50% of the voting shares of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control Event were, persons who held, directly or indirectly, more than 50% of the voting shares of AGL;
– a Capital Event will occur if the Notes will no longer be eligible for the same category of equity credit from the Rating Agency as was initially attributed to the Notes at the time of issue, as a result of a change in the Rating Agency's assessment criteria. Equity credit is explained in Section 2.1.6;
– an Accounting Event will occur if there is a change in current accounting principles and practices after the Issue Date and the Rating Agency confirms publicly or in writing to the Issuer that, as a result of this change, the Mandatory Deferral Condition will no longer satisfy its criteria for the Notes to receive the same equity credit as they received at the time of issue; and
– a Tax Event will occur, in summary, if the Issuer receives an opinion from a legal or tax adviser that any interest payment would not or will cease to be deductible for tax purposes as a result of a change in law, interpretation or practice.</td><td>Clause 12 of the Terms</td></tr>
<tr><td>2.3.7 Can AGL buy the Notes on ASX?</td><td>> AGL or a related body corporate of AGL may at any time on or after the fifth anniversary of the Issue Date purchase the Notes in any manner and at any price. Subject to any applicable laws and ASX Listing Rules, such acquired Notes may be surrendered for cancellation, held or resold.</td><td>Clause 4.5 of the Terms</td></tr>
</table>

Section 2. About AGL Energy Subordinated Notes continued

2.4 Security and ranking

Topic	Summary	For more information
2.4.1 The Notes are described as “unsecured”. What does this mean?	> Repayment of the Face Value (or other money owing in respect of the Notes) is not secured by a mortgage, charge or other security over any of AGL’s assets.	Clause 2 of the Terms
2.4.2 The Notes are described as “subordinated”. What does this mean?	> The Notes will, in the winding-up of AGL, rank behind the rights and claims of all creditors (including other subordinated creditors) of AGL other than other unsecured, subordinated creditors whose claims are expressed to rank equally with the Notes (**Parity Creditors**). > AGL may also issue preference shares on terms which rank equally with the Notes for payment in a winding-up (**Parity Shares**). > However, the Notes will rank senior to the rights and claims of holders of Ordinary Shares for payments in a winding-up.	Clause 2 of the Terms
2.4.3 What will Holders receive in a winding-up?	> Holders are entitled to be paid the Redemption Amount on an equal ranking basis with Parity Creditors and the holders of Parity Shares, after all creditors ranking in priority to Holders have been paid in full. > If there is a shortfall of funds in a winding-up, Holders will not receive the Redemption Amount at all or in full.	Clause 2 of the Terms
2.4.4 Illustration of ranking of AGL’s obligations in respect of existing debt instruments and equity upon a liquidation	The table below illustrates how the Notes would rank upon a liquidation of AGL against AGL’s obligations in respect of existing debt instruments and equity. This is a simplified capital structure and does not specifically identify every type of security issued or which may be issued by AGL or every potential claim against AGL in a liquidation.	Section 5.3

	Type	Existing debt and equity[1]	Amount drawn[2]
Higher ranking	Debt	Bank loans and facilities and other notes and bonds	$1,138 million
↕	Hybrids	AGL Energy Subordinated Notes	$650 million
Lower ranking	Equity	Ordinary shares	$6,400 million[3]

1 1. As at 28 February 2012, AGL had no shares on issue other than Ordinary Shares. There are no restrictions on the amount of securities, guarantees or other liabilities which AGL may issue or incur and which rank (legally or in effect) senior to, or equally with, the rights and claims of Holders in respect of the Notes. Any such security, guarantee or other liability will rank ahead of the Notes, unless it is unsecured, subordinated and expressed to rank equally with the Notes. Liabilities preferred by law, such as employee entitlements, would rank higher than the Notes. For further information on the amount of trade and other payables, and other liabilities of AGL as at 31 December 2011 which would rank ahead of the Notes in the case of a winding-up of AGL (if then existing), see Section 5.3.

2. Amount determined as at 31 December 2011, adjusted to include the items set out in Section 5.3 (including $650 million to be raised under this Offer).

3. Total pro forma equity attributable to owners of AGL Energy Limited (see Section 5.3).

2.5 Taxation

Topic	Summary	For more information
2.5.1 What are the taxation implications for Holders?	> Payments of interest on the Notes will not be franked and should generally not be subject to withholding or deduction on account of Australian tax provided the Holder provides AGL with their applicable tax details. > The taxation implications for Holders depend on Holders' individual circumstances. > A general description of the Australian taxation consequences of investing in the Notes is set out in Section 7. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.	Section 7

2.6 Fees and costs

Topic	Summary	For more information
2.6.1 Who pays the fees and costs of the Offer?	> An Applicant is only required to pay an Issue Price of $100 per Note. > All fees and costs of the Offer will be paid by AGL.	Section 3.1 and Section 8.4

2.7 Other

Topic	Summary	For more information
2.7.1 Can AGL issue further Notes or other instruments?	> AGL reserves the right to issue further Notes or other instruments which rank behind, equally with or ahead of the Notes. > The Notes do not provide Holders with any right to subscribe for any new securities in AGL, to participate in any bonus issues of shares in AGL or to participate in the profits or property of the Issuer, except by receiving payments of principal and interest provided for in the Terms.	Clauses 1.7 and 7 of the Terms
2.7.2 What voting rights do the Notes have at meetings of holders of Ordinary Shares?	> Holders have no voting rights at meetings of shareholders of AGL.	Clause 1.7 of the Terms
2.7.3 What is an Event of Default?	> An Event of Default will occur where: – AGL fails to pay an amount that has become due and payable under the Notes within 30 days of its due date; or – an order is made or a resolution is passed for the winding-up of AGL other than an order appealed or permanently stayed within 30 days or a resolution for a solvent reorganisation. > Mandatory deferral of an interest payment in accordance with the Terms will not be an Event of Default.	Clauses 3.4(c) and 5.1 of the Terms

Section 2. About AGL Energy Subordinated Notes continued

Topic	Summary	For more information
2.7.4 What will happen if an Event of Default occurs?	> If an Event of Default occurs, the Trustee may notify AGL that the Redemption Amount on the Notes is immediately due and payable and institute proceedings for the winding-up of AGL, prove in the winding-up of AGL, or claim in the liquidation of AGL, for the amount payable under the Terms. > The obligations of the Trustee to take this or other action to enforce the Notes are limited as provided in the Trust Deed. > Generally, only the Trustee (and not a Holder) has the right to enforce any right or remedy under or in respect of the Notes. Holders may take action available to the Trustee to enforce a right or remedy under or in respect of the Notes in certain circumstances where the Trustee has become bound to take that action but has failed to do so. > An Event of Default may also trigger cross-default provisions in AGL's other contracts and debt facilities.	Clause 5.2 of the Terms Section 9.3
2.7.5 Can AGL amend the Terms of the Notes?	> Subject to complying with all applicable laws and the Terms, AGL may amend the Terms or the Trust Deed without the consent of Holders if the amendment is, in the opinion of the Trustee: – of a formal, technical or minor nature; – made to cure any ambiguity or correct any manifest error; – made to increase the Maximum Level or reduce the Minimum Level; – necessary or expedient in connection with the listing on any stock exchange or offering in any place of the Notes; – necessary to comply with any law or the Listing Rules; or – is not otherwise, and is not likely to become (taken as a whole and in conjunction with all other amendments to be made contemporaneously with that amendment), materially prejudicial to the interests of Holders generally. > AGL may also amend the Terms or the Trust Deed if the amendment is approved by a resolution of Holders.	Clause 9 of the Terms

3

Details of the Offer

Section 3. Details of the Offer

3.1 The Offer

The Offer is for the issue of AGL Energy Subordinated Notes with a Face Value of $100 each to raise approximately $650 million through the Offer of the Notes with the ability to raise more or less. The issue price is $100 per Note. AGL intends to reserve approximately $50 million for Allocations under the Shareholder Offer and the Customer Offer.

All the Notes issued will be allotted under and subject to the disclosures made in this Prospectus.

AGL reserves the right, subject to the Corporations Act and the Listing Rules, to close the Offer early, to extend the latest date for receipt of Application Forms either generally or in particular cases, or to delay or withdraw the Offer at any time without prior notice, in which case all Application Payments for the Notes which have not been issued will be refunded (without interest) as soon as practicable.

3.2 Use of Offer proceeds

AGL intends to use the proceeds 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 and for general corporate purposes.

Refer to Section 4.2.4 and Section 4.2.5 for more information about this increased ownership in Loy Yang A power station, and adjacent coal mine, and other projects being undertaken by AGL.

If the Offer does not proceed or if the Offer raises proceeds of less than $650 million, AGL has a range of potential funding sources available to it to continue to fund the transactions and the projects referred to above. These include, but are not limited to, funds generated from its current business operations, existing or new corporate facilities, debt or equity issuance, underwriting of its dividend reinvestment plan or other capital raising alternatives.

If AGL's proposed increase in its ownership interest in the Loy Yang A power station, and adjacent coal mine, does not proceed either during the Offer, or subsequent to the Offer, AGL retains the flexibility to use the net proceeds to fund other development projects, consistent with AGL's integrated strategy, that are expected to commence over the next two to three years.

3.3 Structure of the Offer

The Offer comprises:

> a Broker Firm Offer made to Australian resident retail clients (or high net worth clients in certain other permitted jurisdictions) of Syndicate Brokers (Broker Firm Applicants);

> a Shareholder Offer made to Eligible Shareholders with a registered address in Australia (Shareholder Applicants);

> a Customer Offer made to Eligible Customers with a registered address in Australia (Customer Applicants); and

> an Institutional Offer made to certain Institutional Investors invited to participate in the Bookbuild by the Joint Lead Managers.

No general public offer of Notes will be made under the Offer. The allocation of Notes between the Broker Firm Offer, the Shareholder Offer, the Customer Offer and the Institutional Offer will be determined by agreement between AGL and the Arranger, in consultation with the other Joint Lead Managers. See Section 3.6.3 for further information on the Allocation policy in respect of each component of the Offer.

3.4 Obtaining a Prospectus and Application Form

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at www.agl.com.au. Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.agl.com.au and may be available through your Syndicate Broker.

This Prospectus is available to you electronically only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia. If you access this Prospectus electronically, you must download the entire Prospectus.

Eligible Shareholders and Eligible Customers within Australia who have received a copy of the Prospectus in its electronic form may, during the Offer Period, request a paper copy of the Prospectus, free of charge, by contacting the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia). However, Eligible Shareholders and Eligible Customers should note that Applications under the Shareholder Offer and Customer Offer can only be made by completing the online Application Form and making a BPAY® payment in respect of the required Application Payment.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

3.5 Applying for AGL Energy Subordinated Notes

3.5.1 Overview

	Institutional Offer	Broker Firm Offer	Shareholder Offer	Customer Offer
Who can apply for the Notes?	**Certain Institutional Investors** – that is, Institutional Investors who were invited by the Joint Lead Managers to bid for the Notes in the Bookbuild, who are not Shareholder Applicants, Customer Applicants or Broker Firm Applicants and who are applying through the Institutional Offer.[6]	**Broker Firm Applicant** – that is, an Australian resident retail client (or high net worth clients in certain other permitted jurisdictions) of a Syndicate Broker invited by the Syndicate Broker to participate through the Broker Firm Offer.	**Eligible Shareholder** – that is, a holder of Ordinary Shares shown on the Register at 7:00pm AEST on 24 February 2012 with an address in Australia applying through the Shareholder Offer.	**Eligible Customer** – that is, a customer of AGL or one of its subsidiaries at 7:00pm AEST on 24 February 2012 with an address in Australia applying through the Customer Offer.
How many Notes can you apply for?	Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.	Your Application must be for a minimum of 50 Notes ($5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of ten Notes – that is, for incremental multiples of at least $1,000. Your Syndicate Broker will inform you of your Allocation.	Your Application must be for a minimum of 50 Notes ($5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of ten Notes – that is, for incremental multiples of at least $1,000. AGL under the Shareholder Offer reserves the right to reject any Application, or to allocate any Shareholder Applicant a lesser number of Notes than that applied for.	Your Application must be for a minimum of 50 Notes ($5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of ten Notes – that is, for incremental multiples of at least $1,000. AGL under the Customer Offer reserves the right to reject any Application, or to allocate any Customer Applicant a lesser number of Notes than that applied for.
When to apply[7]	The Bookbuild will be conducted on 6 March 2012.	Applications will only be accepted during the Offer Period, which is expected to commence on 7 March 2012. The Closing Date[8] for the Broker Firm Offer is 10:00am AEST on 3 April 2012. Your completed Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.	Applications will only be accepted during the Offer Period, which is expected to commence on 7 March 2012. The Closing Date[7] for the Shareholder Offer is 5:00pm AEST on 30 March 2012. Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.	Applications will only be accepted during the Offer Period, which is expected to commence on 7 March 2012. The Closing Date[7] for the Customer Offer is 5:00pm AEST on 30 March 2012. Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.

Notes:

6 AGL Energy Subordinated Notes may be offered in a jurisdiction outside Australia under the Institutional Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 9.7.

7 The key dates for the Offer are indicative only and may change without notice. AGL and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before the Notes are issued.

8 The Shareholder Offer and Customer Offer have a different Closing Date to the Broker Firm Offer to allow sufficient time for the processing of Applications received under the Shareholder Offer and Customer Offer.

Section 3. Details of the Offer continued

	Institutional Offer	Broker Firm Offer	Shareholder Offer	Customer Offer
How do I apply?	Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.	There are Application Forms in the back of this Prospectus that may be used by Broker Firm Applicants. General instructions on how to complete the Application Form are set out on the Application Form. You must contact your Syndicate Broker for their specific instructions on how to submit the Application Form and your Application Payment to your Syndicate Broker. You must NOT return your Application Form to the Registry or to AGL. Your Syndicate Broker will act as your agent in processing your Application Form and providing your Application details and Application Payment to AGL.	You can apply online at www.agl.com.au. Instructions on how to complete your Application are provided online. If you are an Eligible Shareholder, you will be asked to provide your SRN or HIN which can be found on your Holding Statement or payment advice. You will be required to pay for the Notes using BPAY® – see Section 3.5.2.	You can apply online at www.agl.com.au. Instructions on how to complete your Application are provided online. If you are an Eligible Customer, you will be asked to provide your customer account number which can be found on your energy bill issued by AGL or any of its subsidiaries. You will be required to pay for the Notes using BPAY® – see Section 3.5.2.

3.5.2 How to pay

Overview	
Shareholder Offer and Customer Offer	You must apply using an online Application Form at www.agl.com.au and complete your Application by making a BPAY® payment. Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by AGL. Using the BPAY® details provided, you need to: > access your participating BPAY® financial institution either through telephone banking or internet banking; > select BPAY® and follow the prompts; > enter the biller code supplied; > enter the unique Customer Reference Number supplied for each Application; > enter the total amount to be paid which corresponds to the number of the Notes you wish to apply for under each Application (that is, a minimum of $5,000 – 50 Notes, and incremental multiples of $1,000 – ten Notes). Note that your financial institution may apply limits on your use of BPAY® and that you should enquire about the limits that apply in your own personal situation; > select the account you wish your payment to be made from; > schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and > record your BPAY® receipt number and date paid. Retain these details for your records. BPAY® payments must be made from an Australian dollar account of an Australian financial institution. **Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date for the Shareholder Offer and Customer Offer, which is expected to be 5:00pm AEST on 30 March 2012.**
Broker Firm Offer	> You must contact your Syndicate Broker for information on how to submit the Application Form and your Application Payment to your Syndicate Broker. Depending on the arrangements you have with your Syndicate Broker, you may be able to apply for the Notes under the Broker Firm Offer using an online application and payment facility. > Your Syndicate Broker must have received your completed Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – which is 10:00am AEST on 3 April 2012.

3.5.3 Brokerage and stamp duty

No brokerage, commission or stamp duty is payable by you on applications. You may be required to pay brokerage if you sell your Notes on ASX after the Notes have been quoted on ASX.

3.5.4 Application Payments held on trust

All Application Payments received by AGL before the Notes are issued will be held by AGL on trust in an account established solely for the purpose of depositing Application Payments received. After the Notes are issued to successful Applicants, the Application Payments held on trust and referable to the Notes issued to successful Applicants will be payable to AGL.

Any interest that accrues on Application Payments prior to the issue of the Notes will be, and will remain, the property of AGL.

3.5.5 Refunds

If you are not allotted any Notes or you are allotted fewer Notes than the number that you applied and paid for as a result of a scale back, all or some of your application monies (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

If the Offer does not proceed for any reason, all applicants will have their application monies refunded (without interest) as soon as practicable.

3.6 Bookbuild and Allocation policy

3.6.1 Bookbuild

The Bookbuild is a process that is conducted by the Arranger and Joint Lead Managers in consultation with AGL before the Opening Date to determine the Margin and firm Allocations of the Notes to Bookbuild participants. In this process, the Bookbuild participants are invited to lodge bids for a number of the Notes. On the basis of those bids, the Arranger and AGL will, by mutual agreement and in consultation with the Joint Lead Managers, determine the Margin and the firm Allocations to Syndicate Brokers and Institutional Investors. The Bookbuild will be conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by AGL and the Joint Lead Managers in the Offer Management Agreement – see Section 9.4.

3.6.2 Settlement

Each Joint Lead Managers has agreed with AGL to bid into the Bookbuild on a broker firm basis. This means that each Joint Lead Manager is responsible for ensuring that payment is made for all the Notes allocated to it or at its direction.

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances – see Section 9.4. If the Offer Management Agreement is terminated, Bookbuild participants can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement – see Section 9.4.

3.6.3 Allocation policy

Allocations	
Institutional Offer	> Allocations to Institutional Investors will be agreed between the Arranger and AGL in consultation with the Joint Lead Managers.
Broker Firm Offer	> Allocations to Syndicate Brokers will be agreed between the Arranger and AGL in consultation with the Joint Lead Managers. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.
Shareholder Offer and Customer Offer	> Allocations between applicants in the Shareholder Offer and the Customer Offer will be determined by AGL (at its discretion) after the Closing Date. > AGL (at its discretion) reserves the right to scale back applications from Shareholder Applicants and Customer Applicants. Any scale back will be announced on ASX on the day the Notes commence trading on a deferred settlement basis – expected to be 5 April 2011. > AGL (at its discretion) reserves the right to: – allocate to any Shareholder Applicant or Customer Applicant all Notes for which they have applied; – reject any application by a Shareholder Applicant or a Customer Applicant; or – allocate to any Shareholder Applicant or Customer Applicant a lesser number of the Notes than that applied for, including less than the minimum application of the Notes or none at all.

Section 3. Details of the Offer continued

3.7 ASX quotation

AGL will apply for quotation of the Notes on ASX within seven days following the lodgement of this Prospectus with ASIC. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote the Notes is not to be taken as an indication of the merits of the Notes offered for subscription.

If ASX does not grant permission for the Notes to be quoted within three months after the date of this Prospectus (or any longer period permitted by law), the Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

3.8 Trading on ASX

Subject to quotation being granted, AGL expects that the Notes will commence trading on ASX on a deferred settlement basis on 5 April 2012 under the ASX code "AGKHA". Trading on a deferred settlement basis will continue until AGL has advised ASX that Holding Statements have been dispatched to successful Applicants. Normal settlement trading is expected to commence on or about 12 April 2012.

You are responsible for confirming your Noteholding before trading in the Notes. If you are a successful Applicant and you sell your Notes before you receive your Holding Statement, you do so at your own risk. AGL, the Joint Lead Managers and the Registry disclaim all liability if you sell Notes before receiving your Holding Statement.

If you are an applicant in the Shareholder Offer or Customer Offer you may visit www.agl.com.au or call the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) (Monday to Friday – 8:30am to 5:30pm AEST) to confirm your Allocation of Notes after the Issue Date. Broker Firm Applicants should contact their Syndicate Broker to enquire about their Allocation.

3.9 CHESS and issuer sponsored holdings

AGL will apply to ASX for the Notes to participate in the Securities Clearing House Electronic Sub-register System known as CHESS. Under CHESS, AGL will not issue certificates to Holders. After the allotment of the Notes, successful Applicants will receive a Holding Statement that sets out the number of Notes allocated to that Applicant.

The statement will also provide details of the Applicants holder identification number (**HIN**) (for the Notes held on CHESS) or shareholder reference number (**SRN**) (for the Notes held on the Issuer sponsored sub-register). Holders will be required to quote a HIN or SRN, as applicable, in all dealings with a stockbroker or the Registry.

Further CHESS statements will be provided to Holders which reflect any changes in the number of the Notes held by them during a particular month. Additional statements may be requested at any time, although AGL reserves the right to charge a fee.

AGL expects that Holding Statements will be dispatched to successful Applicants by 11 April 2012. If you sell your Notes before you receive your Holding Statement, you do so at your own risk.

3.10 Foreign jurisdictions

This Prospectus does not constitute an offer of the Notes or invitation in any place in which, or to any person to whom, it would not be lawful to make such offer or invitation. For details of the selling restrictions that apply to the Notes in foreign jurisdictions, see Section 9.7.

3.11 Other information relevant to your Application

3.11.1 Provision of bank account details for interest payments

AGL will pay your interest payments directly into an Australian dollar account of an Australian or New Zealand financial institution nominated by you. AGL will not issue cheques to pay your interest payments.

If you are an Eligible Shareholder and you are allocated the Notes under the Shareholder Offer, your interest payments will be paid to you into the same account nominated by you for the payment of dividends on your Ordinary Shares. If you want your Interest paid into a different account, you will need to provide these details to the Registry.

If you are an Eligible Customer and you are allocated the Notes under the Customer Offer, when you are sent your Holding Statement you will also be advised to go to AGL's website at www.agl.com.au to update your details including your Australian dollar financial institution account details.

If you do not provide your relevant details to the Registry, or the transfer of any interest payment does not complete, a notice will be sent to your email address, or if no email address has been supplied, will be posted to the address notified by you advising you of the amount of the interest. In that case the funds will be held in a special purpose account maintained by AGL as a non-interest bearing deposit or paid by AGL under legislation relating to unclaimed monies.

3.11.2 Provision of Tax File Number or Australian Business Number for Australian tax residents

If you are issued any Notes, when you are sent your Holding Statement you will also be advised to go to AGL's website www.agl.com.au to update your details including your Tax File Number (**TFN**) or Australian Business Number (**ABN**), or alternatively call the Registry to obtain a copy of a form in relation to the provision of your TFN or ABN.

The collection and quotation of TFNs and ABNs is authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act.

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, AGL may be required to withhold Australian tax at the maximum personal marginal tax rate plus the Medicare levy on the amount of any interest payment unless you provide one of the following:

> TFN;

> TFN exemption number (if applicable); or

> ABN (if the Notes are held in the course of an enterprise carried on by you).

3.11.3 Provision of personal information

The information about you included on an Application Form is used for the purposes of processing the Application and, if it is successful, to administer your Notes holding and may be used for other purposes as required by applicable law. For information about the acknowledgements and privacy statement in relation to personal information that you provide by completing an Application Form, see the Important Notices section at the front of this Prospectus and on the Application Form.

3.12 Enquiries

You should read the whole of this Prospectus and consider all of the risk factors that could affect the performance of the Notes, AGL and other information concerning the Notes in light of your own particular objectives, financial situation and needs (including financial and taxation issues) before deciding whether or not to invest in the Notes. Some of the risk factors that should be considered are set out in Section 6.

3.12.1 Shareholder Applicants and Customer Applicants

You can call the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) (Monday to Friday – 8:30am to 5:30pm AEST) if you:

> have further questions on how to apply for the Notes;

> require assistance to complete your Application Form; or

> have any questions about the Offer.

3.12.2 Broker Firm Applicants

If you have any further questions about the Offer or your Broker Firm Application, please call your Syndicate Broker.

If you are unclear in relation to any matter, or uncertain if the Notes are a suitable investment, you should seek professional advice from your financial or other professional adviser before deciding whether to invest.

Section 3. Details of the Offer continued

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4

About AGL

Section 4. About AGL

4.1 AGL's business model and strategy

AGL is a leading Australian integrated energy utility company.

Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. It sells electricity and natural gas to 3.4 million customers and 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 listed on ASX and is an S&P/ASX 50 company by market capitalisation (approximately $6.4 billion as at 24 February 2012). In the year to 30 June 2011, AGL's total sales volume of electricity and gas to customers was 32,764 GWh and 216.2 PJ respectively.

The Australian Gas Light Company was formed by Royal Charter in 1837 under "An Act for lighting with Gas the Town of Sydney in the Colony of New South Wales". It has subsequently built an extensive energy business across most Australian States. The Australian Gas Light Company incorporated AGL as a wholly owned subsidiary on 30 June 2005. Following the merger of The Australian Gas Light Company and Alinta Limited and subsequent demerger of AGL in October 2006, AGL Energy Limited listed on ASX as a separate entity, trading on ASX under the code AGK. As a consequence of the demerger, the electricity and gas distribution assets of The Australian Gas Light Company were transferred to Alinta Limited and The Australian Gas Light Company ceased to be part of the AGL group of companies.

AGL has a vertically integrated strategy whereby it sources gas and electricity to supply its energy customers. This strategy provides access to multiple profit pools and assists to provide a natural hedge against energy price movements in the wholesale electricity and gas markets. Since listing in 2006, AGL has increased integration across its businesses, largely by increasing:

> direct ownership of gas reserves over the medium term to meet a substantial proportion of its long-term demand for gas; and

> owned or contracted electricity generation capacity of more than 4,000 MW. As part of this, AGL is seeking to significantly expand its renewable energy assets.

AGL is pursuing an organic growth strategy to increase its New South Wales electricity customer base to 800,000–900,000 by 30 June 2014. It is on track to meet this, having grown to over 551,000 electricity customers as at 31 December 2011 compared with 417,000 as at 31 December 2010.

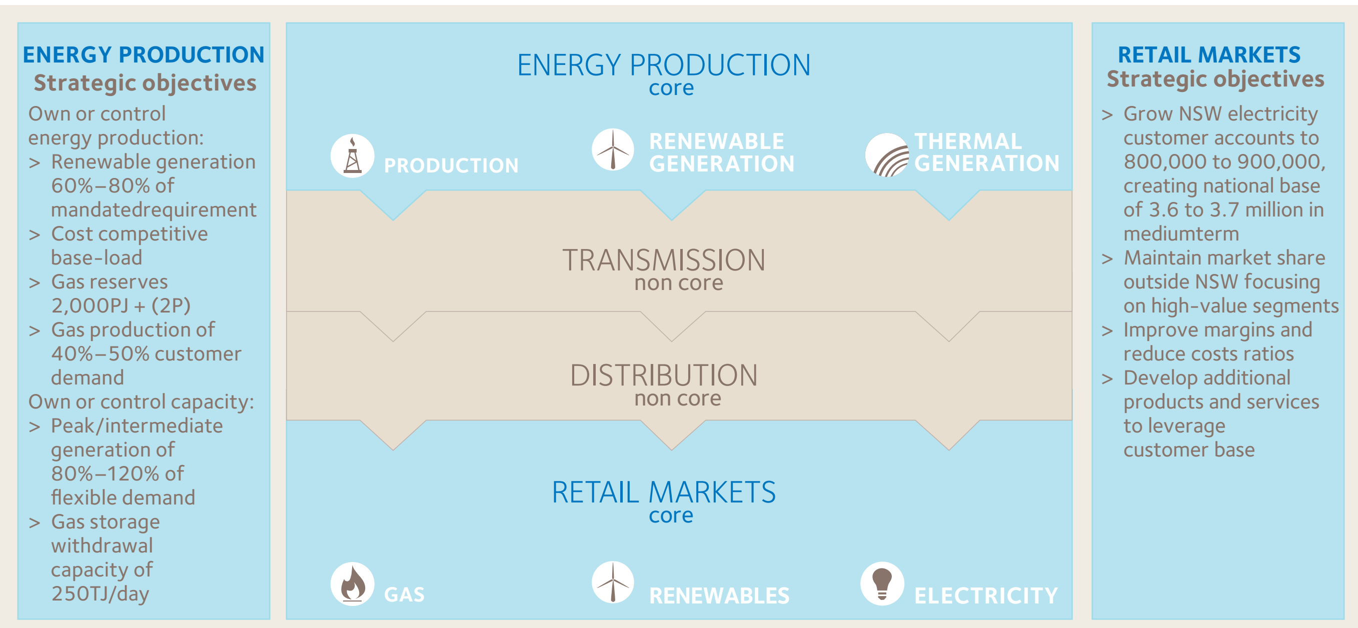
Vertically integrated supplier to energy markets

Australia has a competitive energy market, with some aspects of the retail market being regulated by Federal and State governments. AGL focuses its activities on upstream energy supply (electricity generation and gas production) and energy retailing (selling gas and electricity).

Figure 4.1a below highlights the sectors in which AGL focuses its activities.

Through its Upstream Gas and Merchant Energy business units, AGL develops gas supply assets and thermal and renewable (including wind and hydro) electricity generation assets and supplies this electricity and gas to its Retail Energy business unit and large customers within Merchant Energy. AGL has no interests in the monopoly transmission and distribution sectors.

Figure 4.1a



Benefits of the integrated business model

AGL supplies electricity and gas to a range of wholesale and retail customers. It also generates electricity and it has significant gas reserves. The benefit of this vertically integrated strategy – generating electricity and sourcing gas for its own customers – is that it provides access to multiple profit pools and balances risk between volatile wholesale electricity prices and customers' demand for energy. In other words, it provides a partial natural hedge for the Retail Energy business. This assists it to manage the risks associated with procuring wholesale electricity during extreme price events in the wholesale electricity market. AGL's Merchant Energy business also procures hedge cover through contracts with third parties to manage its exposure to the wholesale electricity market.

The following diagram highlights the benefits of this vertically integrated business model:

Develop gas reserves	Develop wind farms to self supply	Build (mainly peak) generation	Match supply and demand across portfolio	Self supply customer demand to retain all margin
Lock in low cost contracts	Lock in low cost RECs on market	Lock in low cost contracts	Increase size of portfolio	Contract out to take advantage of others balance sheets
GAS PRICES	RENEWABLE PRICES	ELECTRICITY PRICE	NEM VOLATILITY	GROWTH OPTIONS

4.2 AGL's business and principal activities

AGL operates four business units:

Retail Energy	> Australia's second largest gas and electricity retailer by customer numbers. > Responsible for the marketing and sale of gas, electricity and energy related customer services such as solar and energy products.
Merchant Energy	> Australia's largest private owner, operator and developer of renewable electricity generation assets. > Responsible for developing, operating and maintaining AGL's electricity generation assets. > Manages the risks associated with the procurement and delivery of gas and electricity for AGL's wholesale and retail energy portfolios. > Manages the relationship with AGL's business customers providing energy and energy efficiency advice and broader carbon management services. > Procures renewable energy including renewable energy projects.
Upstream Gas	> Responsible for the exploration, production, development and operation of AGL's gas assets.
Energy Investments	> Responsible for holding AGL's investment interests, including GEAC and ActewAGL.

These are described in more detail below.

Section 4. About AGL continued

4.2.1 Retail Energy

AGL has the second largest retail customer base in Australia, with more than 3.4 million customer accounts[9] – 2.0 million electricity customer accounts and 1.4 million gas customer accounts. AGL is Australia's largest gas retailer.

AGL's customers are located across New South Wales, Queensland, South Australia and Victoria. AGL's market share across these markets is illustrated in Figure 4.2.1a. In the Australian Capital Territory, AGL also holds a 50% interest in ActewAGL's retail gas and electricity business, which offers electricity, natural gas, water and wastewater services to its customers. Customer accounts by state and customer growth, not including those held through ActewAGL, are detailed in the table below:

Retail Energy – Customer accounts (in '000s)

	Gas			Electricity			Total		
	31 Dec 2010	31 Dec 2011	Growth	31 Dec 2010	31 Dec 2011	Growth	31 Dec 2010	31 Dec 2011	Growth
New South Wales	717	716	(1)	423	557	134	1,140	1,273	133
Queensland	75	74	(1)	362	355	(7)	437	428	(9)
South Australia	102	108	6	475	464	(11)	577	572	(5)
Victoria	474	483	9	646	637	(9)	1,120	1,120	0
Total accounts (net)	**1,368**	**1,381**	**13**	**1,906**	**2,013**	**108**	**3,274**	**3,394**	**118**
Dual fuel accounts							**1,431**	**1,550**	**119**

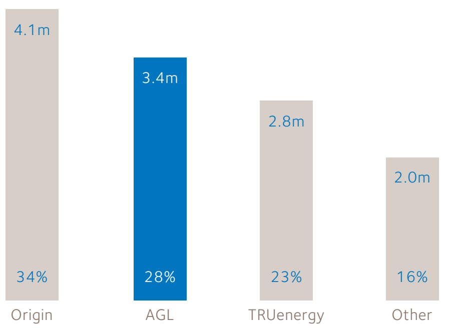
The above table includes 21,099 customer accounts classified by AGL as commercial and industrial at 31 December 2011 (20,638 at 30 June 2011).

Retail Energy sources its energy from AGL's Merchant Energy business. Over the past three years, Retail Energy has improved its gross margin per customer as shown in Figure 4.2.1b.

Furthermore, AGL is achieving margin improvements by leveraging its upstream strategy and achieving retail economies of scale through an information technology service platform capable of supporting four to five million customers. Following the implementation of a new billing system in 2009, AGL's focus in 2010 was to improve service levels, or 'customer experience', to improve operational efficiency and to increase customer numbers. During FY2011 Retail Energy commenced a project to grow AGL's total New South Wales electricity customer base from its level of 417,000 as at 31 December 2010 to between 800,000 and 900,000 customers by 30 June 2014.

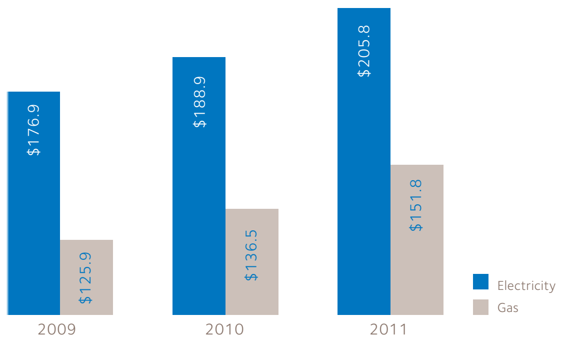
AGL is a leading green energy retailer due to its ability to leverage its position as Australia's largest private owner and operator of renewable energy assets to provide a "green" retail market offering. The Government-administered GreenPower™ program enables retailers to provide customers with electricity that is sourced from renewable energy. During the 12 months to 31 December 2010, AGL's sales of GreenPower™ accredited electricity was 188,472 MWh. In addition, AGL has significant new commercial and industrial contracts in place to retail over one TWh of renewable energy annually.

Figure 4.2.1a
Electricity and gas retail customers and market share in Australia



Source: UBS Report, Australian Utilities Structure 2011 (June 2011)

Figure 4.2.1b
Consumer Gross Margin per customer for year ending June



Note:

9 Retail customers accounts of 3.4 million does not include AGL's 50% share in ActewAGL.

4.2.2 Merchant Energy

Merchant Energy manages AGL's electricity generation assets and wholesale energy sourcing portfolio. It also manages energy sales to AGL's business customers, to other retailers and provides energy efficiency services.

The four main business units include:

> **Energy Portfolio Management** – manages the procurement and hedging of AGL's wholesale electricity and gas requirements, commercial management of the electricity generation portfolio and wholesale pricing to support AGL's retail business.

> **Business Customers** – manages AGL's industrial and commercial gas and electricity customers. The business provides a face to face sales and customer service model in Queensland, New South Wales, Victoria and South Australia. It also provides customers with expertise in energy efficiency, utilisation, project management, development and operation of customer based assets.

> **Power Development** – manages the development and construction of new wind, water and gas fired electricity generation assets.

> **Merchant Operations** – manages the physical operation and maintenance of AGL's electricity generation plants. Ensuring that these plants are available when electricity generation is required is a key activity of the business unit, which also maintains the assets and strives to deliver operating efficiencies across the growing asset portfolio. Further detail on the portfolio is included below.

AGL has a diverse electricity generation portfolio, including baseload, intermediate and peaking electricity generation plants spread across traditional thermal electricity generation as well as electricity generation from renewable sources (including hydro, wind, landfill gas and biomass). As at 31 December 2011, AGL's electricity generation portfolio comprised more than 3,900 MW of net operating capacity (based on owned or contracted interest):

Location	Power stations	Fuel	Net capacity (MW)	Stake	Comments
South Australia	Torrens Island	Gas	1,280	100%	
Victoria	Loy Yang Power[10]	Coal	709	32.5%	Equity interest only
Victoria	AGL Hydro	Hydro	733	100%	
Queensland	Oakey	Gas	282	100%	Dispatch rights only
Victoria	Somerton	Gas	150	100%	
South Australia	Hallett 4	Wind	132	100%	Offtake rights only
Queensland	Yabulu	Gas	121	50%	Dispatch rights only
South Australia	Hallett 1	Wind	95	100%	Offtake rights only
South Australia	Wattle Point	Wind	91	100%	Offtake rights only
South Australia	Hallett 2	Wind	71	100%	Offtake rights only
Victoria	Oaklands Hill	Wind	67	100%	Offtake rights only
New South Wales	AGL Hydro	Hydro	62	100%	
Queensland	Moranbah	Gas	12	100%	
Various	Other	Biomass & Cogen	101		

AGL's intermediate and peaking electricity generation plants are typically run at times of higher prices, helping to provide a natural hedge for the Retail Energy business against both ongoing energy price volatility and extreme pricing events in the wholesale market. AGL has a medium term target of owning and/or operating peak/intermediate electricity generation to cover 80% to 120% of flexible demand.

Note:

10 On 24 February 2012, AGL 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.

Section 4. About AGL continued

4.2.3 Upstream Gas

AGL currently obtains the majority of its gas from contracts with third party suppliers and continues to be a significant purchaser of gas in the wholesale market. However, AGL is increasing its direct ownership of gas reserves with interests in natural coal seam gas and conventional gas developments. AGL is building a diversified domestic gas portfolio to ensure it has longevity and flexibility. AGL is targeting ownership of around 2,000 PJ of 2P gas reserves (excluding ATP 1103) for domestic supply, with gas production covering 40% to 50% of demand and internal use in power stations (approximately 210 PJ per annum). The table below summarises AGL's 2P and 3P gas reserves.

	31 December 2011		30 June 2011	
AGL share of gas reserves (PJ)	**2P**	**3P**	2P	3P
Gloucester (100%)	**669**	**832**	669	832
Moranbah (50%)	**379**	**866**	370	700
Camden (100%)	**145**	**192**	148	195
Hunter (100%)	**142**	**271**	142	271
Silver Springs (various)	**65**	**137**	65	137
Spring Gully (various)	**8**	**10**	8	10
Sub-Total	**1,408**	**2,308**	1,402	2,145
ATP 1103 back-in rights (50%)[11]	**768**	**1,660**	687	1,495
Total	**2,176**	**3,968**	2,089	3,640

AGL also has potentially prospective acreage at Galilee in Queensland for which there are currently no reserves booked.

The information on gas reserves above and elsewhere in this prospectus was compiled by Andrew Falkner, a full-time employee of AGL, who is qualified in accordance with ASX Listing Rule 5.11, and has consented to the form and context in which this information appears.

Note:

11 Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 (previously designated ATP 364P) as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

4.2.4 Energy Investments

ActewAGL

ActewAGL is a 50/50 partnership between AGL and Actew Corporation, an Australian Capital Territory government-owned enterprise. ActewAGL offers electricity, natural gas, water and wastewater services to customers. ActewAGL was established in 2000 and was the first utility joint venture in Australia between a listed public company and a government-owned enterprise.

Loy Yang Power

AGL has a 32.5% share in Great Energy Alliance Corporation Pty Limited (**GEAC**), which owns Australia's largest power station, the 2,200 MW Loy Yang A coal-fired power station in Victoria, together with an adjacent coal mine.

On 24 February 2012, AGL 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, GEAC and shares in LYMH.

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 coal-fired electricity generation assistance payment, of approximately $220–$250 million.

AGL anticipates that the acquisition will be accretive to underlying earnings per share for the financial year ending 30 June 2013. Please see section 5.7 for further details and in particular section 5.7.1 for the assumptions underlying this statement.

Acquisition of the Loy Yang A power station will increase AGL's owned or controlled electricity generation capacity to 6,000 MW[12], an increase of approximately 32 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.

AGL's valuation of GEAC has assumed future carbon prices largely consistent with the Federal Treasury models used in conjunction with the introduction of the Clean Energy Act.

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 for general corporate purposes.

To fund the transaction it is proposed to issue the following securities:

> $650 million subordinated notes; and

> $850 million Ordinary Shares under an Equity Offer.

4.2.5 Projects under construction and in development

AGL is actively pursuing an organic customer growth strategy in New South Wales. To support the expected growth in electricity load in New South Wales, AGL is planning construction of a 500 MW power station in Dalton.

To address gas infrastructure supply bottlenecks in New South Wales, the construction of a Newcastle gas storage facility will provide natural gas to AGL's customers in Newcastle and Sydney and provide additional security of supply during times of peak gas use, particularly in the winter months.

Furthermore, AGL has a long term energy supply agreement with Xstrata Mount Isa Mines and a power purchase agreement with Ergon Energy Queensland, which underpins a 50/50 joint development with APA Group of the Diamantina power station, a 242 MW gas-fired power station in Mt Isa Queensland.

AGL also has several renewable energy projects in development and under construction, including Hallett 5 wind farm in South Australia (52 MW) and Macarthur wind farm in Victoria (420 MW).

Further projects under consideration include:

> Tarrone gas-fired power station in Victoria (600 MW);

> Leafs Gully gas-fired power station in New South Wales (360 MW);

> Barn Hill wind farm in South Australia (150 MW);

> Hallett 3 wind farm in South Australia (99 MW); and

> Coopers Gap wind farm in Queensland (350 MW).

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.

Note:

12 Includes generation under construction including Macarthur wind farm and Hallett 5 wind farm.

Section 4. About AGL continued

4.3 Debt structure and capital management

AGL sources its financing for operations and investments through bank funding, operating cash flow and by accessing the capital markets for equity and debt securities.

As at 31 December 2011 the company had outstanding debt of A$1.138 billion. This was comprised of A$750 million syndicated bank debt, US$300 million US private placement and A$50 million export credit agency financing.

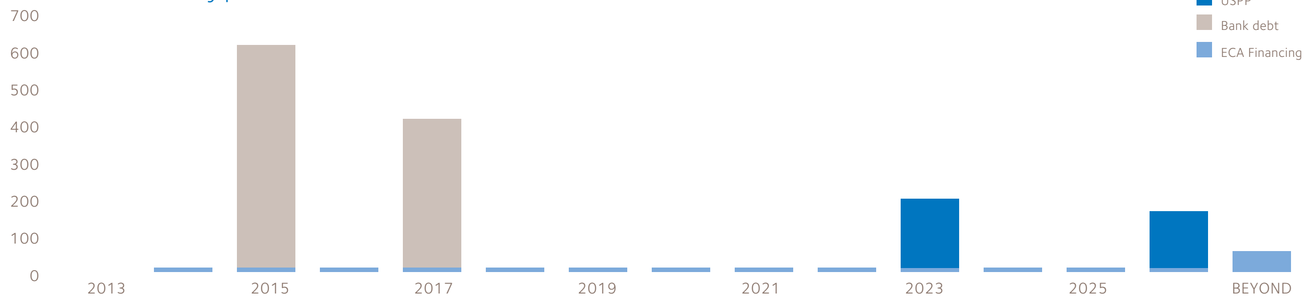
The bank debt is made up of a $600 million term facility due to mature in 2014 and $150 million drawn under a $400 million revolving credit facility that will mature in 2016. AGL has a $200 million export credit agency facility with the Danish Government export credit agency, entered into in July 2011, to partially fund the construction of AGL's share of the Macarthur wind farm. This is a 20 year facility that commences amortisation after the first two years. AGL's Adjusted Net Debt as at 31 December 2011 was $942 million.

AGL's policy is to maintain a strong, diversified capital base combined with a balanced longer-term maturity profile. Figure 4.3 shows AGL's current debt maturity profile by financial year. Following this Offer, AGL's debt maturity profile will include an additional amount in the 'Beyond' period in respect of total proceeds raised under the Offer.

AGL manages its funding position at all times and will seek to raise additional capital as required. There are strong commercial reasons for AGL to maintain its credit profile as the company has a number of material energy supply and procurement contracts within its portfolio, which contain credit support clauses that are triggered if AGL's credit profile deteriorates materially. In the event that AGL's financial position deteriorates such that it risks a downgrade in its credit rating, the company intends, to the extent it can at the relevant time, to take one or more measures to restore its credit profile. These measures may include asset sales, equity issuance, discontinuation of certain businesses, suspension of ordinary dividends and/or other changes to AGL's other financial policies.

Figure 4.3

Current debt maturity profile



Financial information

5

Section 5. Financial information

5.1 Introduction

The summary consolidated financial information has been derived from the audited financial statements of AGL and its controlled entities for the years ended 30 June 2010 and 30 June 2011 and the reviewed financial statements for the half years ended 31 December 2010 and 31 December 2011. The historical financial information presented has, except as otherwise noted, been prepared in accordance with the measurement and recognition requirements, but not the disclosure requirements, of the Australian Accounting Standards and other mandatory reporting requirements in Australia. The following information should be read together with the other information contained in this Prospectus, including the investment risks in Section 6 to understand the basis, assumptions and limitations underlying the historical and Pro forma Financial Information presented.

More detailed financial information about AGL is available in AGL's Annual Reports for the years ended 30 June 2010 and 30 June 2011 and half year financial reports for the six months ended 31 December 2010 and 31 December 2011. A copy of these reports can be downloaded from AGL's website at www.agl.com.au.

AGL has lodged its consolidated financial statements for the years ended 30 June 2010 and 30 June 2011 with ASIC and the information in those documents is incorporated by reference into this Prospectus. These consolidated financial statements can be obtained from www.agl.com.au during the Offer Period and after the Issue Date. AGL will provide a copy of these consolidated financial statements free of charge to potential investors during the period until the Issue Date and thereafter to Holders of the Notes.

Pro forma Financial Information has been presented in this section reflecting the impact of the Offer on AGL's consolidated financial position on a stand-alone basis and also in Section 5.6 in respect of the combined impact of the Offer and AGL's proposed acquisition of the remaining 67.46% of GEAC and assumed repayment of $1,128.9 million of GEAC project level debt (**GEAC Acquisition**), to be funded by way of an equity raising, on AGL's consolidated financial position.

Investors should note that past performance is not a reliable indicator of future performance.

5.2 Consolidated income statement

The following table sets out AGL's consolidated income statement for the half years ended 31 December 2010 and 31 December 2011 and the years ended 30 June 2010 and 30 June 2011.

	Half year ended 31 December		Year ended 30 June	
($m)	AGL reported 2011	AGL reported 2010	AGL reported 2011	AGL reported 2010
Revenue	3,615.3	3,488.0	7,072.5	6,610.7
Other income	–	–	–	6.4
Expenses	(3,360.5)	(3,061.2)	(6,139.0)	(6,136.9)
Share of profits of associates and jointly controlled entities accounted for using the equity method	10.9	6.7	33.6	70.7
Profit before net financing costs, depreciation and amortisation	265.7	433.5	967.1	550.9
Depreciation and amortisation	(84.3)	(71.9)	(148.0)	(137.5)
Profit before net financing costs	181.4	361.6	819.1	413.4
Finance income	19.8	20.6	47.9	38.1
Finance costs	(37.3)	(37.1)	(73.4)	(73.9)
Profit before tax	163.9	345.1	793.6	377.6
Income tax expense	(46.9)	(105.5)	(234.9)	(21.5)
Statutory profit attributable to owners of AGL Energy Limited	**117.0**	**239.6**	**558.7**	**356.1**
Reconciliation of statutory profit to underlying profit				
Statutory profit attributable to owners of AGL Energy Limited	**117.0**	**239.6**	**558.7**	**356.1**
Merger and acquisition related costs	–	12.3	13.1	4.4
Redundancy, termination and restructuring costs	–	4.5	19.7	7.8
Impairment of non-current assets	–	–	–	15.2
Phoenix change program costs	–	–	–	8.2
Tax consolidation adjustment[1]	–	–	(5.5)	(85.5)
Changes in fair value of financial instruments[2]	115.9	(30.2)	(154.9)	122.7
Underlying profit attributable to owners of AGL Energy Limited	**232.9**	**226.2**	**431.1**	**428.9**

Source: AGL Energy Limited Appendix 4D for the half year ended 31 December 2011 and AGL Energy Limited Annual Report for the year ended 30 June 2011.

1 As a result of retrospective changes to the tax consolidation legislation enacted in June 2010, AGL recognised a tax benefit of $5.5 million in 2011 and $85.5 million in 2010 relating to tax deductions which were available for the tax value allocated to certain derivative assets in place at the time of the merger/demerger transaction with Alinta Limited in October 2006.

2 Reflects the change in fair value of financial instruments that are effective economic hedges but do not qualify for hedge accounting.

Underlying Profit is the Statutory Profit adjusted for significant items and changes in fair value of financial instruments. AGL believes that Underlying Profit provides a better understanding of its financial performance and allows for more relevant comparison of financial performance between financial periods.

Underlying Profit has been presented with reference to the Australian Securities and Investment 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.

However, it is a matter for the judgement of the Directors as to which items ought to be excluded for the purposes of computing Underlying Profit.

5.3 Consolidated statement of financial position and pro forma consolidated statement of financial position

The following table presents AGL’s consolidated statement of financial position as at 30 June 2010, 31 December 2010, 30 June 2011 and 31 December 2011, as well as the pro forma consolidated statement of financial position as at 31 December 2011 which is presented on the assumption that the following pro forma adjustments had occurred as at 31 December 2011 (**Pro forma Offer Adjustments**):

> $650 million raised from the issue of the Notes less transaction costs of $18.5 million, recognised within non-current borrowings. The Pro forma Offer Adjustments are based on the assumption that gross proceeds of $650 million are raised from the Offer. However, as noted in Section 3.1, AGL has the ability to raise more or less than $650 million under the Offer. If AGL raises more or less than $650 million, the actual amounts raised under the Offer will differ from those shown in the Pro forma Offer Adjustments.

As at ($m)	AGL reported[1] 30 June 2010	AGL reported[1] 31 December 2010	AGL reported[1] 30 June 2011	AGL reported[1] 31 December 2011	Pro forma Offer Adjustments	Pro forma AGL Post-Offer Balance Sheet 31 December 2011
Current assets						
Cash and cash equivalents	480.4	467.5	753.1	200.3	631.5	831.8
Other current assets	1,728.1	1,950.6	1,977.3	2,058.9	–	2,058.9
Total current assets	**2,208.5**	**2,418.1**	**2,730.4**	**2,259.2**	**631.5**	**2,890.7**
Non-current assets						
Investments accounted for using the equity method	200.8	284.1	240.7	179.6	–	179.6
Exploration and evaluation assets	607.5	683.6	658.0	675.2	–	675.2
Oil and gas assets	333.4	392.7	461.4	474.5	–	474.5
Property, plant and equipment	2,056.2	2,198.6	2,281.5	2,502.9	–	2,502.9
Intangible assets	3,149.0	3,139.6	3,137.2	3,158.3	–	3,158.3
Other non-current assets	135.5	136.9	186.5	157.3	–	157.3
Total non-current assets	**6,482.4**	**6,835.5**	**6,965.3**	**7,147.8**	**–**	**7,147.8**
Total assets	**8,690.9**	**9,253.6**	**9,695.7**	**9,407.0**	**631.5**	**10,038.5**
Current liabilities						
Trade and other payables	859.6	784.7	853.1	687.2	–	687.2
Borrowings	–	886.7	886.7	–	–	–
Other financial liabilities	582.0	575.9	440.7	346.1	–	346.1
Other current liabilities	111.8	135.1	276.6	260.9	–	260.9
Total current liabilities	**1,553.4**	**2,382.4**	**2,457.1**	**1,294.2**	**–**	**1,294.2**
Non-current liabilities						
Borrowings	900.8	297.7	284.5	1,135.7	631.5	1,767.2
Other financial liabilities	42.1	128.2	94.1	61.0	–	61.0
Other non-current liabilities	394.7	373.3	518.5	516.2	–	516.2
Total non-current liabilities	**1,337.6**	**799.2**	**897.1**	**1,712.9**	**631.5**	**2,344.4**
Total liabilities	**2,891.0**	**3,181.6**	**3,354.2**	**3,007.1**	**631.5**	**3,638.6**
Net assets	**5,799.9**	**6,072.0**	**6,341.5**	**6,399.9**	**–**	**6,399.9**
Equity						
Issued capital	4,066.7	4,201.0	4,244.6	4,291.4	–	4,291.4
Reserves	(159.4)	(146.6)	(97.1)	(14.8)	–	(14.8)
Retained earnings	1,892.6	2,017.6	2,194.0	2,123.3	–	2,123.3
Total equity attributable to owners of AGL Energy Limited	**5,799.9**	**6,072.0**	**6,341.5**	**6,399.9**	**–**	**6,399.9**

1. Source : AGL Energy Limited Appendix 4D for the half year ended 31 December 2011 and AGL Energy Limited Annual Report for the year ended 30 June 2011.

Section 5. Financial information continued

5.4 Consolidated statement of cash flows

The following table sets out AGL's consolidated statement of cash flows for the half years ended 31 December 2010 and 31 December 2011 and the years ended 30 June 2010 and 30 June 2011.

	Half year ended 31 December		Year ended 30 June	
($m)	AGL reported 2011	AGL reported 2010	AGL reported 2011	AGL reported 2010
Cash flows from operating activities				
Receipts from customers	4,368.1	4,022.3	8,205.0	7,610.7
Payments to suppliers and employees	(4,195.6)	(3,911.6)	(7,620.0)	(7,014.5)
Dividends received	14.7	15.6	24.3	26.6
Finance income received	16.1	10.7	37.9	37.5
Finance costs paid	(53.9)	(36.0)	(77.2)	(81.3)
Income taxes paid	(121.6)	(75.0)	(0.7)	(189.0)
Net cash provided by operating activities	**27.8**	**26.0**	**569.3**	**390.0**
Cash flows from investing activities				
Payments for property, plant and equipment	(289.9)	(204.3)	(474.3)	(241.6)
Payments for exploration and evaluation assets	(23.7)	(21.1)	(38.7)	(43.1)
Payments for oil and gas assets	(29.8)	(24.0)	(50.7)	(46.6)
Payments for interest acquired in a jointly controlled entity	(1.6)	–	–	–
Payments for investment securities	(0.1)	–	–	(0.2)
Payments for intangible assets	(21.8)	–	(15.6)	–
Payments for businesses and subsidiaries, net of cash acquired	(10.8)	(5.1)	(5.1)	(9.0)
Proceeds from sale of property, plant and equipment	0.2	–	0.1	1.5
Proceeds from sale of exploration and evaluation assets	9.0	–	0.9	–
Proceeds from sale of oil and gas assets	0.1	–	163.9	239.0
Loans advanced to related parties	(25.1)	(0.1)	–	(1.5)
Proceeds from repayment of related party loans	0.2	–	0.2	9.8
Net cash used in investing activities	**(393.3)**	**(254.6)**	**(419.3)**	**(91.7)**
Cash flows from financing activities				
On-market share purchases	(4.4)	(6.0)	(6.1)	(2.4)
Proceeds from borrowings	930.0	338.4	337.8	0.9
Repayment of borrowings	(1,016.5)	–	(2.5)	(220.0)
Dividends paid	(96.4)	(116.7)	(206.5)	(219.5)
Net cash (used in)/provided by financing activities	**(187.3)**	**215.7**	**122.7**	**(441.0)**
Net decrease in cash and cash equivalents	(552.8)	(12.9)	272.7	(142.7)
Cash and cash equivalents at the beginning of the period	753.1	480.4	480.4	623.1
Cash and cash equivalents at the end of the period	**200.3**	**467.5**	**753.1**	**480.4**

Source: AGL Energy Limited Appendix 4D for the half year ended 31 December 2011 and AGL Energy Limited Annual Report for the year ended 30 June 2011.

5.5 Financial ratios

This Section contains two of AGL's key financial ratios which are relevant to an investment in the Notes. The Leverage Ratio and Interest Cover Ratio will be tested six monthly to determine whether or not a Mandatory Deferral Condition exists. The calculation of the ratios does not take account of the Notes or interest on the Notes or of other instruments to the extent they are ascribed equity credit by the Rating Agency.

The Leverage Ratio and Interest Cover Ratio presented in Sections 5.5.1 and 5.5.2 have been calculated using AGL's historic results and financial position for the year ended 30 June 2010, half year ended 31 December 2010, year ended 30 June 2011 and half year ended 31 December 2011. Pro forma adjustments in respect of the Offer and the GEAC Acquisition have been reflected in the calculation and presentation of these ratios in Section 5.5.3.

5.5.1 Leverage Ratio

(Relevant Net Debt (divided by two)/Operating EBITDA)

The Leverage Ratio provides an indication of the number of years it would take AGL to pay off its existing debt (excluding the Notes or other instruments ascribed equity credit by the Rating Agency) if net debt and EBITDA were held constant (ignoring factors of interest and taxes). It therefore provides important information about AGL's ability to repay its existing debt and capacity to take on additional debt obligations. A high Leverage Ratio may indicate that AGL may not be able to service its debt and could place downward pressure on AGL's credit profile.

The Leverage Ratio is calculated as Relevant Net Debt (divided by two) to Operating EBITDA for the relevant six month period. The table below shows the Leverage Ratio for the six months ended 30 June 2010 and 2011 and 31 December 2010 and 2011.

Six Months ended ($m)	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010
Operating EBITDA	438.9	388.5	416.0	363.9
Adjusted Net Debt	942.2	481.5	770.8	420.4
Relevant Net Debt	942.2	481.5	770.8	420.4
Relevant Net Debt (divided by two)	471.1	240.8	385.4	210.2
Leverage Ratio (times)	**1.1**	**0.6**	**0.9**	**0.6**

The Relevant Net Debt (divided by two)/Statutory EBITDA for the six months ended 31 December 2011 was 1.8 times.

AGL's Statutory EBITDA contains a number of items that do not portray the ongoing performance of the business. Operating EBITDA excludes the impact of these items to better illustrate the performance of AGL's business. Relevant Net Debt is Adjusted Net Debt adjusted to reflect the extent to which AGL's debt is ascribed equity credit categorisation by the Rating Agency.

5.5.2 Interest Cover Ratio

(Operating EBITDA/Relevant Net Interest Paid)

The Interest Cover Ratio provides an indication of AGL's ability to meet its interest payments (other than interest payments on the Notes or other instruments ascribed equity credit by the Rating Agency) from earnings. It therefore provides important information about AGL's ability to meet its interest payments from operating cash flows and the risks associated with AGL's level of borrowings. A low Interest Cover Ratio may indicate that AGL could face difficulties in servicing the interest payable on its debt (including the interest payable on debt instruments like the Notes) if earnings decrease or interest rates increase.

The Interest Cover Ratio is calculated as Operating EBITDA for the relevant six month period divided by Relevant Net Interest Paid for the relevant six month period.

The table below shows the Interest Cover Ratio for the six months ended 30 June 2010 and 2011 and 31 December 2010 and 2011.

Six Months ended ($m)	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010
Operating EBITDA	438.9	388.5	416.0	363.9
Interest paid	42.2	40.2	37.2	34.9
Interest received	(14.0)	(21.0)	(15.0)	(14.7)
Relevant Net Interest Paid	28.2	19.2	22.2	20.2
Interest Cover Ratio (times)	**15.6**	**20.2**	**18.7**	**18.0**

Statutory EBITDA/Relevant Net Interest Paid for the six months ended 31 December 2011 was 9.4 times.

AGL's Statutory EBITDA contains a number of items that do not portray the performance of the ongoing business, several of which are significant non-cash expenses. Operating EBITDA excludes the impact of these items to better illustrate the performance of AGL's ongoing business. Relevant Net Interest Paid is Net Interest Paid adjusted to reflect the extent to which AGL's debt is ascribed equity credit categorisation by the Rating Agency.

Section 5. Financial information continued

5.5.3 Pro forma ratios assuming AGL acquires 100% of GEAC

This Section provides a pro forma analysis at 31 December 2011 of the Leverage Ratio and Interest Cover Ratio in the event AGL is successful in increasing its ownership in the Loy Yang power station, and adjacent coal mine, from 32.54% to 100% and completes the assumed repayment of $1,128.9 million of GEAC project level debt.

The Pro forma AGL Combined Balance Sheet as at 31 December 2011 is available in Table 5.6.2. Based on this Pro forma AGL Combined Balance Sheet, the calculation of Relevant Net Debt is as follows:

($m)	
Current borrowings	82.7
Non-current borrowings	3,529.9
Other	6.8
Notes (net of transaction costs)	(631.5)
Cash and cash equivalents	(521.9)
Pro forma Relevant Net Debt	**2,466.0**

If GEAC had been acquired by AGL on 1 July 2011, the Operating EBITDA of the AGL consolidated group for the six months ended 31 December 2011 would have included the Operating EBITDA of GEAC for this period. The Pro forma Operating EBITDA of GEAC has been derived from the unaudited management accounts of GEAC for the six months ended 31 December 2011.

The Pro forma Operating EBITDA of the AGL consolidated group for the six months ended 31 December 2011 would be:

($m)	
AGL Operating EBITDA	438.9
Add: Pro forma GEAC Operating EBITDA	159.7
Add: Share of GEAC loss included in AGL Operating EBITDA	4.9
Pro forma Operating EBITDA	**603.5**

If the acquisition of GEAC had occurred on 31 December 2011, there would be no interest paid on the deferred payment[1] until the period commencing 1 January 2012. However for the purposes of the pro forma ratio calculation of Relevant Net Interest Paid below, it has been assumed that the acquisition took place on 1 July 2011, and hence six months of interest on the deferred payment has been included in the pro forma ratio calculation for the six months ended 31 December 2011.

If the acquisition of GEAC had occurred on 31 December 2011, there would be no interest paid on the restructured GEAC debt until the period commencing 1 January 2012. However for the purposes of the pro forma ratio calculation of Relevant Net Interest Paid below, it has been assumed the acquisition of GEAC (and repayment of $1,128.9 million of GEAC project level debt) took place on 1 July 2011, and hence six months of interest on the Pro forma Relevant Net Debt has been included in the pro forma ratio calculation for the six months ended 31 December 2011. This has been calculated assuming the AGL weighted average interest rate of 7.10%, as disclosed in AGL's Appendix 4D for the six months ended 31 December 2011.

Based on this calculated value, the Pro forma Relevant Net Interest Paid of the AGL consolidated group for the six months ended 31 December 2011 would be:

($m)	
Interest on Pro forma Relevant Net Debt (following GEAC debt restructure)	78.7
Add: Interest on deferred payment[1]	13.8
Pro forma Relevant Net Interest Paid	**92.5**

Using the pro forma numbers calculated above, the Pro forma Leverage Ratio (Pro forma Relevant Net Debt (divided by two)/Pro forma Operating EBITDA) would be 2.0 times and the Pro forma Interest Cover Ratio (Pro forma Operating EBITDA/Pro forma Relevant Net Interest Paid) would be 6.5 times.

1. Deferred payment represents the fair value of the deferred consideration payable to other GEAC shareholders included within Pro Forma Relevant Net Debt.

5.5.4 Sensitivity analysis on Leverage Ratio and Interest Cover Ratio

A Mandatory Deferral Condition will occur if the Leverage Ratio is above the Maximum Level (being 4.0 times) in relation to two consecutive Testing Dates or the Interest Cover Ratio is below the Minimum Level (being 3.0 times) in relation to one Testing Date.

The Mandatory Deferral Condition will continue to exist until the next Testing Date in relation to which:

> the Interest Cover Ratio is at or above the Minimum Level; and

> if the deferral was initially triggered due to the Leverage Ratio being above the Maximum Level or the Leverage Ratio has exceeded the Maximum Level in relation to any two consecutive Testing Dates from (and including) the Testing Date on which the deferral was initially triggered, the Leverage Ratio is at or below the Maximum Level and was at or below the Maximum Level on the immediately preceding Testing Date.

The table below shows the changes in Operating EBITDA and Relevant Net Debt set out earlier in this Section which would have been required to cause the Leverage Ratio to increase to the Maximum Level at the relevant points in time.

Six Months ended ($m)	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010
Required decline in Operating EBITDA (without any changes in Relevant Net Debt) ($m)	321.1	328.3	319.7	311.4
Required decline in Operating EBITDA (without any changes in Relevant Net Debt) (%)	73%	85%	77%	86%
Required increase in Relevant Net Debt (without any changes in Operating EBITDA) ($m)	2,569	2,627	2,557	2,491
Required increase in Relevant Net Debt (without any changes in Operating EBITDA) (%)	273%	545%	332%	592%

The table below shows the changes in Operating EBITDA and Relevant Net Interest Paid set out earlier in this Section which would have been required to cause the Interest Cover Ratio to decline to the Minimum Level at the relevant points in time.

Six Months ended ($m)	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010
Required decline in Operating EBITDA (without any changes in Relevant Net Interest Paid) ($m)	354.3	330.9	349.4	303.3
Required decline in Operating EBITDA (without any changes in Relevant Net Interest Paid) (%)	81%	85%	84%	83%
Required increase in Relevant Net Interest Paid (without any changes in Operating EBITDA) ($m)	118.1	110.3	116.5	101.1
Required increase in Relevant Net Interest Paid (without any changes in Operating EBITDA) (%)	419%	574%	525%	500%

The calculation of the Pro forma Leverage Ratio and the Pro forma Interest Cover Ratio (assuming AGL acquires 100% of GEAC) are shown in Section 5.5.3. The Pro forma Interest Cover Ratio is based on an assumed weighted average interest rate of 7.10% (being AGL's weighted average interest rate for the six months ending 31 December 2011, as disclosed in the Appendix 4D for the six months ended 31 December 2011) for the remaining Pro forma Relevant Net Debt. The assumed average weighted interest rate would need to increase to 16.9% for the Pro forma Interest Cover Ratio to fall to 3.0 times.

While the Notes remain outstanding, AGL will determine the Leverage Ratio and Interest Cover Ratio in relation to each Testing Date and make that Leverage Ratio and Interest Cover Ratio available by releasing it to ASX.

Further, if AGL's credit profile deteriorates materially such that it risks having a Leverage Ratio above the Maximum Level or an Interest Cover Ratio below the Minimum Level, AGL intends, to the extent that it can at the relevant time, to take one or more measures to support these financial ratios and restore its credit profile. These measures may include asset sales, equity issuance, discontinuation of certain businesses, suspension of ordinary dividends and/or other changes to AGL's financial policies.

5.6 GEAC Acquisition

This Section contains Pro forma Financial Information of the combined businesses of AGL and GEAC and comprises:

> The statement of financial position of AGL as at 31 December 2011 reflecting the impact of the Pro forma Offer Adjustments (**Pro forma AGL Post-Offer Balance Sheet**) as set out in Section 5.3;

> The acquisition balance sheet of GEAC as at 31 December 2011 (**Pro forma Acquisition Balance Sheet**);

> The pro forma adjustments to reflect the acquisition of GEAC by AGL (**Pro forma Acquisition Adjustments**) as described in Section 5.6.3(a);

> The pro forma adjustments to reflect the impact of raising $850 million under the Equity Offer (**Pro forma AGL Equity Offer Adjustments**) as described in Section 5.6.3(b);

> The pro forma adjustments to reflect the assumed repayment of $1,128.9 million of GEAC's project level debt by AGL (**Pro forma Debt Restructure Adjustments**) as described in Section 5.6.3(c); and

Section 5. Financial information continued

> The statement of financial position of AGL as at 31 December 2011 reflecting the impact of the:

- Pro forma Offer Adjustments;
- Pro forma Acquisition Balance Sheet;
- Pro forma Acquisition Adjustments;
- Pro forma AGL Equity Offer Adjustments; and
- Pro forma Debt Restructure Adjustments,

collectively the '**Pro forma AGL Combined Balance Sheet**'.

The pro forma financial information included in this section has been prepared to provide investors with an indication of the potential impact of the GEAC Acquisition (including the post-acquisition partial repayment of GEAC's debt) and raising $850 million under an Equity Offer on the financial position of AGL, subsequent to the issue of the Notes.

The Pro forma Financial Information does not illustrate the financial position that would have been in place had the GEAC Acquisition or the Offer not occurred at 31 December 2011, nor does it illustrate the financial position that will be in place upon completion of the acquisition principally because:

> the assets and liabilities of GEAC to be acquired will be those in existence as at the date of transaction completion, which is expected to occur in June 2012; and

> the determination of the fair value of the assets, liabilities and contingent liabilities acquired, including intangible assets, will need to be finalised. As discussed in Section 5.6.2 the valuation of assets can be a complex and time consuming exercise that will need to be completed by AGL post transaction.

The Pro forma Financial Information outlined in this section has been reviewed by the Investigating Accountants. AGL has lodged the Investigating Accountants' report with ASIC and the information in that report is incorporated by reference into this Prospectus. The Investigating Accountants' report can be obtained from www.agl.com.au during the Offer Period. AGL will provide a copy of the Investigating Accountants' report free of charge to potential investors during the period until the Issue Date and thereafter to Holders of the Notes.

5.6.1 Basis of preparation

The AGL consolidated statement of financial position included within the Pro forma Financial Information has been prepared in accordance with the measurement and recognition principles of Australian Accounting Standards. The Pro forma AGL Combined Balance Sheet incorporates the Pro forma Adjustments as described in Section 5.6.3. The Pro forma Financial Information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards and the Corporations Act.

The Pro forma AGL Combined Balance Sheet has been prepared using the same accounting policies as disclosed in AGL's Annual Report for the year ended 30 June 2011. A copy of this report can be downloaded from www.agl.com.au.

5.6.2 Pro forma AGL Combined Balance Sheet

Table 5.6.2 sets out the Pro forma AGL Post-Offer Balance Sheet, the Pro forma Acquisition Balance Sheet, the Pro forma Acquisition Adjustments, the Pro forma AGL Equity Offer Adjustments, the Pro forma Debt Restructure Adjustments and the Pro forma AGL Combined Balance Sheet.

The Pro forma AGL Combined Balance Sheet has been prepared as follows:

> The Pro forma AGL Post-Offer Balance Sheet has been extracted from Section 5.3 above.

> The Pro forma Acquisition Balance Sheet is unaudited and has been compiled by AGL management based on the limited unaudited financial information available to AGL during due diligence. Provisional fair values of GEAC net assets at 31 December 2011 have been used for the purpose of preparing the Pro forma Acquisition Balance Sheet. Under the Australian Accounting Standard AASB 3 (Business Combinations), all of the GEAC identifiable assets, liabilities and contingent liabilities, including intangible assets, will need to be identified and recorded at fair value at the date of transaction completion. A formal analysis of the fair value of the net assets acquired will be performed following completion of the transaction (if it proceeds). The purchase price will then be allocated to the fair value of these assets, liabilities, and contingent liabilities with any residual allocated to goodwill. The identification and valuation of such assets can be a complex and time-consuming process that may require specialist skills and detailed information about the businesses acquired, which currently is not available to AGL. In addition, each of the identifiable intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is not amortised under Australian Accounting Standards. The identification and valuation process will therefore be undertaken following completion of the GEAC Acquisition (if it proceeds).

> The final determination of the fair value of assets, liabilities and contingent liabilities acquired may significantly vary the carrying value of the assets and liabilities acquired. Any adjustment to these fair values will likely have an equal and opposite impact on any goodwill recorded on the acquisition of GEAC. Accordingly, any such adjustments will likely have no impact on the aggregate net assets of AGL but could have an impact on any potential amortisation charges in future financial periods and such amortisation charges will reduce future reported earnings.

> The Pro forma AGL Equity Offer Adjustments were prepared by AGL management based on an assumed raising of $850 million under an Equity Offer and are based on the expectation that the cost of the acquisition will be funded by the Equity Offer.

> The Pro forma AGL Combined Balance Sheet is an aggregation of the Pro forma AGL Post-Offer Balance Sheet, the Pro forma Acquisition Balance Sheet, the Pro forma Acquisition Adjustments, the Pro forma AGL Equity Offer Adjustments and the Pro forma Debt Restructure Adjustments.

Table 5.6.2: Pro forma AGL Combined Balance Sheet as at 31 December 2011

As at 31 December 2011 ($m)	Pro forma AGL Post-Offer Balance Sheet	Pro forma Acquisition Balance Sheet	Pro forma Acquisition Adjustments	Pro forma AGL Equity Offer Adjustments	Pro forma Debt Restructure Adjustments	Pro forma AGL Combined Balance Sheet
Current assets						
Cash and cash equivalents	831.8	408.0	(300.0)	834.0	(1,251.9)	521.9
Other current assets	2,058.9	69.2	–	–	–	2,128.1
Total current assets	**2,890.7**	**477.2**	**(300.0)**	**834.0**	**(1,251.9)**	**2,650.0**
Non-current assets						
Investments accounted for using the equity method	179.6	–	(146.6)	–	–	33.0
Exploration and evaluation assets	675.2	–	–	–	–	675.2
Oil and gas assets	474.5	–	–	–	–	474.5
Property, plant and equipment	2,502.9	2,338.2	–	–	–	4,841.1
Intangible assets	3,158.3	–	–	–	–	3,158.3
Other financial assets	138.7	739.2	(120.5)	–	–	757.4
Deferred tax assets	–	668.4	–	–	–	668.4
Other non-current assets	18.6	26.6	–	–	–	45.2
Total non-current assets	**7,147.8**	**3,772.4**	**(267.1)**	**–**	**–**	**10,653.1**
Total assets	**10,038.5**	**4,249.6**	**(567.1)**	**834.0**	**(1,251.9)**	**13,303.1**
Current liabilities						
Trade and other payables	687.2	70.6	–	–	–	757.8
Borrowings	–	565.0	–	–	(482.3)	82.7
Other financial liabilities	346.1	–	–	–	–	346.1
Other current liabilities	260.9	537.9	–	–	–	798.8
Total current liabilities	**1,294.2**	**1,173.5**	**–**	**–**	**(482.3)**	**1,985.4**
Non-current liabilities						
Borrowings	1,767.2	2,371.3	38.0	–	(646.6)	3,529.9
Other financial liabilities	61.0	123.0	–	–	(123.0)	61.0
Other non-current liabilities	516.2	193.8	–	–	–	710.0
Total non-current liabilities	**2,344.4**	**2,688.1**	**38.0**	**–**	**(769.6)**	**4,300.9**
Total liabilities	**3,638.6**	**3,861.6**	**38.0**	**–**	**(1,251.9)**	**6,286.3**
Net assets	**6,399.9**	**388.0**[1]	**(605.1)**[1]	**834.0**	**–**	**7,016.8**
Equity						
Issued capital	4,291.4		–	834.0	–	5,125.4
Reserves	(14.8)		39.3	–	–	24.5
Retained earnings	2,123.3		(256.4)	–	–	1,866.9
Total equity attributable to owners of AGL Energy Limited	**6,399.9**		**(217.1)**[1]	**834.0**	**–**	**7,016.8**

1. The total of column "Pro forma Acquisition Balance Sheet" and "Pro forma Acquisition Adjustments" reflects the accounting entries required for the acquisition of GEAC. These have been separated here for clarity.

Section 5. Financial information continued

5.6.3 Description of Pro forma Adjustments

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

(a) Pro forma Acquisition Adjustments

The Pro forma Acquisition Adjustments assume the acquisition of the remaining 67.46% of GEAC as at 31 December 2011 for a purchase consideration of $448 million. In accordance with AASB 3 Business Combinations, the fair value of derivative contracts and loan notes held between AGL and GEAC have been extinguished on acquisition.

The adjustments reflect the derecognition of AGL's existing equity accounted investment in GEAC ($146.6 million) and the extinguishment of the loan note receivable from GEAC ($120.5 million) upon acquisition of the remaining equity in GEAC. The reduction in cash of $300 million reflects $100 million of transaction costs expensed upon acquisition and $200 million of cash consideration paid on completion. Borrowings have been increased by $38 million, being the net of a $210 million reduction reflecting the extinguishment of the loan note liability due to the other shareholders settled as part of the purchase consideration and a $248 million increase representing the fair value of the deferred purchase consideration liability.

The adjustment to retained earnings of $256.4 million reflects the remeasurement of AGL's existing 32.54% equity to fair value and the difference between that fair value and AGL's carrying value at the date of acquisition being recorded in the income statement, as well as the recycling of AGL's share of the GEAC hedge reserve of $39.3 million into retained earnings in accordance with the step acquisition accounting requirements of AASB 3.

(b) Pro forma AGL Equity Offer Adjustments

The equity offer is expected to raise gross proceeds of $850 million.

The payment of transaction costs directly related to the Equity Offer of $16.0 million (before tax) has been recorded as an offset against the amount of equity raised.

(c) Pro forma Debt Restructure Adjustments

The Pro forma Debt Restructure Adjustments assume that immediately following acquisition AGL will pay down $1,128.9 million of GEAC's debt plus out of the money swaps of $123 million.

5.7 Impact of GEAC Acquisition on earnings

AGL anticipates that the acquisition will be accretive to underlying earnings per share for the financial year ending 30 June 2013.

5.7.1 Underlying assumptions

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 as referred to in Section 5.2. The AGL Directors believe that Underlying EPS is a better measure to illustrate the underlying performance of the acquisition.

Key assumptions used to determine the impact of the GEAC 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 the sensitivity analysis in Section 5.5.4 and the risks identified in Section 6.

- The first full year of ownership of GEAC is 30 June 2013.
- Spot and contract wholesale electricity prices are materially the same as those 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 Notes.
- AGL raises approximately $850 million under an Equity Offer.
- The margins paid by GEAC on its borrowing following the acquisition will more closely reflect AGL credit risk.
- Depreciation is based on the property, plant & equipment balance per the Pro forma Acquisition Balance Sheet set out in Section 5.6.2.

Section 6

6

Risk factors

Section 6. Risk factors

Before applying for the Notes, you should consider whether the Notes are a suitable investment for you. You should be aware that there are risks associated with an investment in the Notes.

In particular you should note that there are risks that arise from the nature of the Notes and the Terms in Appendix A.

There are also a number of factors, specific to AGL and of a general nature, which may affect the future operating and financial performance of AGL, the ability of AGL to make interest payments on the Notes and to redeem the Notes and the market value of the Notes. Many of these risks are outside the control of the Directors, including the risk factors set out in this Section and other matters mentioned in this Prospectus.

Prospective investors should note that the risk factors set out below may not be exhaustive and should consider these risk factors in conjunction with other information disclosed in this Prospectus. Each of the risks set out below could, if they eventuate, adversely affect AGL's revenues, earnings or financial conditions and, as a result, the ability of AGL to meet its obligations under the Notes. Changes in variables affecting risk factors may offset each other to some extent or may be cumulative.

Prospective investors should carefully consider the factors in this section in order to appreciate the risks associated with an investment in the Notes. Prospective investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their financial adviser, accountant, lawyer or other professional adviser before deciding whether to invest.

6.1 Risks associated with the Notes

6.1.1 Market price

The market price of the Notes may fluctuate due to various factors, including investor perceptions, global economic conditions, changes to interest rates and credit margins, movements in the market price of Ordinary Shares or factors that may affect AGL's financial position and trading results and other factors beyond the control of AGL and its Directors. The Notes may trade at a market price below the Issue Price. As a result, Holders who wish to sell their Notes may be unable to do so at an acceptable price (if at all).

6.1.2 Liquidity

AGL will apply for the Notes to be listed on ASX. However, the Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Insufficient liquidity may have a severely adverse effect on the market price of the Notes which may trade at a market price below their Issue Price. Holders may be unable to sell their Notes easily or at an acceptable price. The extent of liquidity may also affect the volatility of the market price of the Notes.

6.1.3 The Notes are subordinated obligations

On a winding-up of AGL, all payments on the Notes rank behind the prior payment in full of all other claims (including subordinated claims) on AGL, except for certain limited claims which rank equally with or junior to the Notes. The Notes are liabilities of AGL itself and Holders will have no right to claim against any related bodies corporate of AGL.

AGL may incur further liabilities that will rank ahead of the Notes without the prior consent of Holders. These include liabilities which arise out of events that are not reflected on the balance sheet of AGL, including, without limitation, the issuance of guarantees. Claims made under such liabilities or guarantees will, in a winding-up of AGL, need to be paid in full before any obligations under the Notes may be satisfied.

There is a risk that there may be a shortfall of funds to pay all amounts ranking senior to and equally with the Notes if a winding-up of AGL occurs. This would result in Holders not receiving a full repayment, or potentially no repayment of principal, or any interest payments that may be due and unpaid at that time.

6.1.4 Interest payments may be deferred

There are circumstances in which interest payments must be deferred for up to five years and accordingly, it is possible that interest payments will not be paid when scheduled.

Interest deferral occurs if AGL's Interest Cover Ratio falls below the Minimum Level (being 3.0 times) in relation to a Testing Date, or if its Leverage Ratio is above the Maximum Level (being 4.0 times) in relation to two consecutive Testing Dates. Once deferral occurs all interest payments continue to be deferred until certain conditions are satisfied.

Although Deferred Interest Payments are cumulative and will themselves bear interest, deferral of interest payments will mean that Holders will not receive payment of an amount of interest when it would otherwise be due, which is disadvantageous to Holders from a cash flow timing perspective. As a result, the market price of the Notes may be lower and become more volatile than the market prices of other debt securities that are not subject to such payment deferral conditions.

Deferral of interest payments, if it occurs, will occur mandatorily and can be expected to have an adverse effect on the market price of the Notes. AGL will not be subject to dividend or other restrictions if this occurs.

If AGL's financial condition deteriorates such that its Interest Cover Ratio risks falling below the Minimum Level (being 3.0 times), or its Leverage Ratio risks being above the Maximum Level (being 4.0 times), this may increase the expectation that interest payments will be deferred which may have an adverse effect on the market price of the Notes.

Changes in accounting standards may also affect the manner in which the Interest Cover Ratio and the Leverage Ratio are calculated and so impact the risk that interest payments are deferred.

6.1.5 The Notes are long-dated securities

The Notes will mature on 8 June 2039 (the Maturity Date). AGL may redeem the Notes in certain circumstances prior to the Maturity Date, including from 8 June 2019 (the First Optional Redemption Date) when AGL expects the Notes will cease to be ascribed a High Equity Content classification for quantitative purposes by the Rating Agency. However, AGL is under no obligation to redeem the Notes before 8 June 2039 except in very limited circumstances. Therefore, Holders should be aware that they may be required to bear financial risks associated with an investment in long-dated securities.

6.1.6 AGL may redeem the Notes prior to the Maturity Date

The Notes may be redeemed at the option of AGL:

> on 8 June 2019; or

> on any Interest Payment Date thereafter; or

> upon the occurrence of a Change of Control Event, Tax Event, Capital Event or Accounting Event; or

> while the aggregate Face Value of all the Notes on issue is less than 20% of the aggregate Face Value of the Notes originally issued.

The Notes will be redeemed at their Face Value of $100 per Note (plus any Outstanding Interest) except where they are being redeemed before the First Optional Redemption Date due to the occurrence of a Capital Event or Accounting Event, in which case the Notes will be redeemed at $101 per Note (plus any Outstanding Interest).

There is a risk that the Redemption Amount may be less than the then current market value of the Notes or the timing of such redemption may not accord with a Holder's individual preferences having regard to its financial circumstances or tax position.

6.1.7 Limited rights for Holders to request redemption

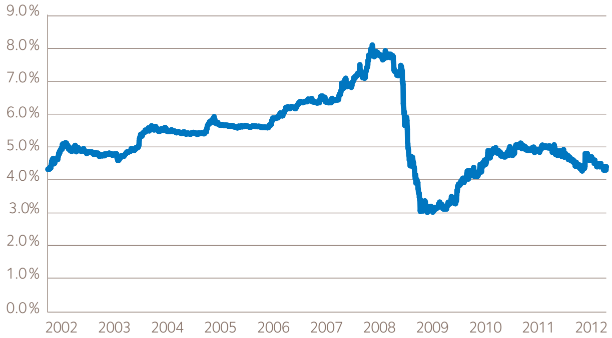
Holders are not able to request redemption of the Notes until the Maturity Date unless a Change of Control Event occurs (and AGL does not elect to redeem the Notes).

In addition, if an Event of Default occurs and is continuing, the Trustee may give notice to AGL to redeem all Notes. Subject to certain grace periods and exceptions, an Event of Default may occur where AGL fails to pay interest on the Notes (other than as a result of deferral of interest) or an order is made or a resolution is passed for the winding-up of AGL.

If any of these events occurs and AGL redeems the Notes, the Notes will be redeemed at $100 per Note (plus any Outstanding Interest).

In all other circumstances, if AGL does not otherwise redeem Notes before the Maturity Date, Holders can only realise their investment in the Notes prior to the Maturity Date by a sale on ASX or a private sale. There is a risk that the sale price on ASX or under private sale will be less than the Issue Price or market value of Notes.

Figure 6.1.8a: 90-day Bank Bill Rate



6.1.8 Changes in Interest Rate

The Interest Rate is calculated for each Interest Period by reference to the Bank Bill Rate, which is influenced by a number of factors and may fluctuate over time. The Interest Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate.

The range for the Bank Bill Rate over the last ten years is set out in Figure 6.1.8a. The movement in the Bank Bill Rate in the future may be greater or less than that shown in the graph. The graph should not be taken as an indication of future movements in the Bank Bill Rate.

As the Interest Rate fluctuates, there is a risk that it may become less attractive compared to the rates of return available on other comparable securities.

6.1.9 Future incurring of liabilities and future issuance of securities

There are no restrictions on AGL incurring any other debt obligations, whether subordinated or not or ranking ahead of, equally with or behind the Notes. There is a risk that the issue of any such securities or the incurrence of any such other debt obligations may reduce the amount (if any) recoverable by Holders in a winding-up of AGL, or may have an adverse impact on the market value of the Notes.

6.1.10 Amendments to the Terms

AGL may in certain circumstances modify or amend the Terms without the consent of Holders. AGL may also modify, cancel or amend the Terms if the modification, cancellation or amendment has been approved by a resolution of Holders. Generally a resolution approving an amendment can be passed by way of a Special Resolution (as defined in the Terms).

There is a risk that a modification or amendment to the Terms will occur which may not accord with the preferences of Holders.

6.1.11 Tax consequences for Holders

A general description of the Australian taxation consequences of investing in the Notes is set out in the summary by Greenwoods & Freehills to AGL in Section 7. That discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their individual tax position.

Holders should also be aware that future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in the Notes, or the holding and disposal of the Notes.

Section 6. Risk factors continued

6.1.12 Corporate actions and other transactions

The Terms do not provide Holders with any rights if AGL undertakes any transactions that may involve the restructure of AGL. Any such transactions would only give rise to rights for Holders if they constituted a Change of Control Event.

The Terms also do not restrict any other transactions that may be entered into by AGL or provide Holders with any rights if AGL undertakes transactions that may affect the risk profile of the Notes. Transactions that could be entered by AGL and could affect the risk profile of the Notes include asset acquisitions and disposals, and changes to AGL's capital structure (such as increasing AGL's level of borrowings or returning capital to shareholders). Such transactions may adversely affect the risk profile and market value of the Notes.

6.2 Risks associated with AGL

The future operating performance of AGL and the value of the investment in the Notes may also 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 profit margins and a deterioration in AGL's financial condition.

6.2.1 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 largely result from a failure to manage an appropriate and profitable balance between energy supply and demand. Components of this risk include:

> **Downturn in consumption** – Levels of energy usage may be adversely affected by a number of economic, social, environmental and specific industry 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 in response to high energy prices. 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, some of which may lead to a reduction in their energy consumption;

> **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 in full for its losses arising as a result;

> **Energy supply** – 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 due to machinery break down, fire, adverse weather, industrial relations disputes, natural disasters, catastrophic events 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 assets as well as managing electricity price risk via contracts. Wholesale electricity prices can vary significantly between half hour pricing intervals, and are influenced by many independent 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 to manage this exposure, however there is also 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.

6.2.2 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 market prices.

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 due to problems at the gas fields or processing plants, or at the pipelines connecting the gas fields to AGL's markets;

> **Forecasting risk and the ability to balance gas supply and demand and contract requirements;**

> **Development of upstream reserves** – changes in commodity prices as well as fiscal and other regulations could adversely affect the economic viability of reserves development and production. 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, which have price review clauses at regular intervals over the term of the contracts;

> **Non-compliance with regulation/operating rules and contractual 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; and

> **Counterparty risk and contract management (price, supply and haulage)** – 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 in full for its losses arising as a result.

6.2.3 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 liabilities.

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. In addition to the Clean Energy Act that is due to commence on 1 July 2012, there are many other state, national and international markets and obligations, the most material being:

> the Renewable Energy Target (**RET**);

> Large-scale Renewable Energy Target Scheme (**LRETS**);

> Small-scale Renewable Energy Scheme (**SRES**); and

> National Greenhouse & Energy Reporting (**NGER**).

6.2.4 Regulatory environment

AGL is required to comply with a number of regulatory obligations, predominantly of an operational nature, covering matters such as billings, disconnections and call centre performance. 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. AGL is also exposed to regulated pricing. The three main components to this risk are:

> compliance with legislative and licence obligations;

> AGL's influence over regulated pricing; and

> AGL's exposure to regulated pricing.

Given AGL's exposure to regulated pricing 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 (if 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.

6.2.5 Energy policy

AGL's financial performance could be affected by changes to legal, regulatory, fiscal or other policies adopted by various regulatory authorities. 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 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.

6.2.6 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.

6.2.7 Authorisations and permits

If AGL does not obtain the necessary permits and/or licenses for upstream gas and power development 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 current infrastructure development projects, including the Dalton power station, Newcastle gas storage facility and Diamantina power station. Various licences and approvals will be required for ongoing and future development of AGL's upstream investments in the Moranbah Gas Project joint venture, Silver Springs Project (including gas storage), Galilee exploration joint venture, Camden Gas Project, Hunter Valley exploration and Gloucester Gas Project.

6.2.8 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.

6.2.9 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.

6.2.10 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.

Section 6. Risk factors continued

6.2.11 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.

6.2.12 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. Even though the Notes will not be rated, such changes may adversely impact the market price and liquidity of the Notes. Further, 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 also affected if it fails to maintain its credit rating which may in turn affect AGL's ability to fulfil its obligations in respect of Notes.

6.3 Risks associated with proposed increased ownership of GEAC

The future operating performance of AGL and the value of the Notes may also be affected by risks relating to AGL's proposed increased ownership of GEAC and LYMH. Some of these risks are specific to GEAC while others relate to the general industry in which AGL and GEAC operate and economic conditions.

6.3.1 Industrial relations

Over the life of the plant, industrial relations disputes resulting in plant outages and/or a significant increase in labour costs will remain a risk.

6.3.2 Closure of Alcoa plant

In March 2010, Alcoa announced that it had entered into base-load electricity hedging agreements (EHAs) with Loy Yang A to power smelters at Point Henry (Geelong) and Portland. The contracts take effect in 2014 for Point Henry and 2016 for Portland out to 2036. Recent announcements by Alcoa suggest Point Henry may close and this could result in termination of the relevant EHA. Point Henry is the smaller of the two smelters representing 210 MW out of approximately 820 MW. It is expected that there would be a short term impact on Victorian market prices as 210 MW equates to less than 2% of Victoria's electricity generation capacity of 12,461 MW.

6.3.3 Carbon legislation amended or repealed

A change in the Federal government could result in the Clean Energy Act being amended or repealed. The longer the legislation remains enacted it is expected to become more embedded in the Australian business environment and less likely to be repealed. It is expected that the repeal of carbon legislation would be likely to result in an uplift in the value of GEAC. Another possible outcome is the lowering of the carbon price which would increase the economic value of GEAC.

6.3.4 Receipt of carbon assistance

Under the Clean Energy Act, GEAC is entitled to apply for coal-fired electricity generation assistance (cash payments and free carbon units) from the Commonwealth Government in respect of the first five years of the scheme. There is a risk that the Commonwealth Government does not pay the assistance or the amount is less than expected.

The transaction is conditional on GEAC having received or having an enforceable right to receive the first coal-fired electricity generation assistance payment of approximately $220–$250 million.

6.3.5 Access to fuel supplies and mine production

Coal mining operations may be restricted by increasing environmental regulations. Mine production may be adversely impacted by changes to operation costs and conditions, equipment failures, mine flooding and geological uncertainties. These risks could adversely impact GEAC's ability to generate electricity.

6.3.6 Energy supply

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 due to machinery breakdown, fire, adverse weather, industrial relations disputes, natural disasters, catastrophic events or other unplanned outages. AGL, through its 32.5% stake, is currently exposed to the risk of GEAC not being able to supply energy when required. An increase in the ownership of GEAC increases the magnitude of this potential risk.

6.3.7 Lack of expertise in running coal fired power stations

AGL does not have experience running a coal mine. TEPCO, who currently provides this expertise to GEAC, has agreed to provide technical services to AGL for an initial period of seven years.

6.3.8 Material drop in equity prices impacting AGL's ability to raise equity

There is a risk that a material drop in equity prices may impact AGL's ability to raise equity to fund the GEAC Acquisition.

The Sale Purchase Agreements (SPAs) to increase AGL's ownership in GEAC include a material adverse change clause allowing AGL to break off the transaction prior to the date of completion if:

> an incident occurs affecting the assets or operations of the business such as to cause loss of rated capacity of any one generating unit for a period reasonably likely to exceed 12 months or any other operating problem having an equivalent financial impact occurs;

> the S&P/ASX 200 closes for any three consecutive trading days at a level that is 15% or more below the level at market close on the last trading day immediately prior to the date of signing the SPAs; or

> a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom, Hong Kong or Singapore is declared by the relevant central banking authority, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries.

6.3.9 Removal of Federal Court undertakings

To comply with a series of undertakings given to the ACCC and the Federal Court of Australia at the time AGL acquired its stake in GEAC in 2004, the output from Loy Yang A is sold to the market via a separate trading company, Loy Yang Marketing Management Pty Ltd, which is owned by LYMH which is owned by all GEAC shareholders excluding AGL.

A condition precedent for the purchase of GEAC and LYMH to proceed is for the ACCC not to oppose the transaction and the Federal Court of Australia undertaking being discharged or varied to allow the acquisition to proceed. There is a risk that the ACCC opposes the transaction or that the Federal Court of Australia does not agree to the removal of these undertakings.

6.3.10 Incorrect acquisition assumptions

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

In particular, statements in this prospectus regarding the impact of the GEAC Acquisition on EPS and AGL's credit profile are based on certain assumptions including:

> the first full year of ownership of GEAC is 30 June 2013;

> spot and contract wholesale electricity prices are materially the same as those 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 Notes;

> AGL raises approximately $850 million under an Equity Offer;

> the margins paid by GEAC on its borrowing following the acquisition will more closely reflect AGL credit risk; and

> depreciation is consistent with the Pro forma Acquisition Balance Sheet in Section 5.6.2.

Section 6. Risk factors continued

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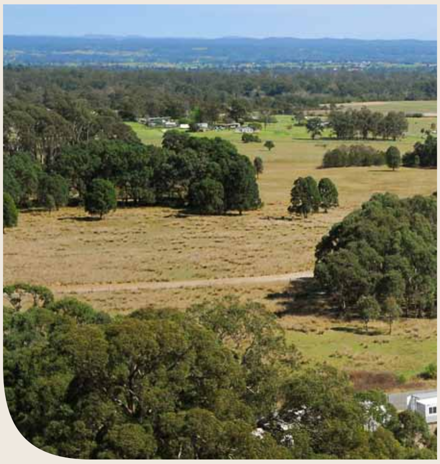
Taxation information



Section 7. Taxation information

Greenwoods & Freehills

The Directors
AGL Energy Limited
Level 22, 101 Miller Street
North Sydney, NSW, 2065

28 February 2012

Dear Directors

Australian taxation consequences of investing in Notes

1 Introduction

We have been instructed to provide a summary of the Australian income tax and goods and services tax ("**GST**") consequences for investors who acquire Notes proposed to be issued by AGL pursuant to the arrangements described in the Prospectus.

This letter only considers the Australian tax consequences for investors who hold Notes on capital account and who are not associates of AGL for tax law purposes ("**Holders**"). This letter does not consider the tax consequences for Holders who are in the business of dealing or trading in securities or who otherwise hold Notes on revenue account for tax purposes.

The following summary is necessarily general in nature and is not definitive. The Australian taxation consequences in relation to investing in Notes will vary according to each Holder's individual circumstances. Accordingly, Holders should seek their own independent tax advice.

This summary is based on the Australian taxation laws and the administrative practice of the Australian Taxation Office ("**ATO**") as at the date of the Prospectus.

Capitalised terms which are not defined in this letter have the meaning given to them in the Prospectus.

2 Interest payments

The Commissioner of Taxation ("**Commissioner**") has issued a private ruling to AGL in respect of the Notes. The ruling confirms that the Notes are not "equity interests" for income tax purposes, and that they are "financial arrangements" for the purposes of the taxation of financial arrangement ("**TOFA**") rules in Division 230 of the *Income Tax Assessment Act 1997* ("**ITAA 1997**"). For Holders, the main implication of this ruling is that interest payments on the Notes will not be frankable distributions.

2.1 Australian residents

Interest payments in respect of the Notes should be included in the assessable income of Australian resident Holders. The relevant income year in which interest payments should be included as assessable income will depend on whether or not the TOFA rules apply to the Holder. TOFA will generally not apply to:

- individuals;
- superannuation funds and managed investment schemes with assets worth less than $100m; or

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- other entities that have: (i) aggregated turnover of less than $100m; (ii) assets of less than $300m; and (iii) financial assets of less than $100m.

(a) *Holders not subject to TOFA*

Holders who are not subject to TOFA should generally include interest payments in their assessable income in the income years in which interest payments are received from AGL.

(b) *Holders subject to TOFA*

The default position for Holders that are subject to TOFA is that interest payments in respect of the Notes should be included in their assessable income on a compounding accruals basis over the scheduled life of the Notes. However, there are various elective regimes under TOFA that taxpayers can elect into, which, if they applied, would affect the tax treatment of the Notes.

The TOFA rules are complex. Holders who are subject to the TOFA rules should seek their own independent tax advice as to how the rules would apply to the Notes they hold.

2.2 Non-residents

It is intended that the Notes will be issued in a manner which will satisfy the requirements for the Australian withholding tax exemption in s.128F of the *Income Tax Assessment Act 1936* (“**ITAA 1936**”).

If the requirements in s.128F are satisfied, interest payments to a Holder who is a non-resident of Australia and who does not derive the interest in the course of carrying on a business through a permanent establishment in Australia will not be subject to Australian withholding tax or other income tax.

If a non-resident Holder does derive interest payments in the course of carrying on a business through a permanent establishment in Australia, then the interest payments will be included in that Holder’s assessable income for Australian tax purposes. Interest withholding tax will not apply to interest payments to such a Holder.

3 Disposal, redemption or transfer of Notes

3.1 Australian residents

(a) *Holders not subject to TOFA*

For Australian resident Holders who are not subject to TOFA, the Notes should be taxed as “traditional securities” and thus subject to the specific provisions in the ITAA 1936 relating to gains and losses arising from the disposal or redemption of traditional securities (s.26BB and s.70B).

If a Holder disposes of their Notes or their Notes are redeemed, and the proceeds of the disposal or redemption exceed their cost for the Notes, the resulting gain should generally be assessable income of the Holder in the income year in which the disposal or redemption occurs, pursuant to s.26BB. The gain will be taxable in the same way as ordinary income and will not be a capital gain. The Holder will not be entitled to apply the CGT discount in respect of the gain, or to offset any capital losses against the gain.

Conversely, if the proceeds of the disposal or redemption are less than the Holder’s cost for the Notes, the resulting loss should generally be deductible for the Holder in the income year in which the disposal or redemption occurs, pursuant to s.70B. However, such a loss will not be deductible if, broadly, the disposal or redemption occurs:

- otherwise than in the ordinary course of trading on a securities market; and
- because of a belief or apprehension that AGL is unable or unwilling to discharge its liability to pay amounts under the Notes.

For a Holder who acquires Notes under this Prospectus, the cost of a Note would generally be its issue price.

Section 7. Taxation information continued

Greenwoods & Freehills

The proceeds of disposal would generally be the gross amount received by the Holder in respect of the disposal of the Notes. However, if the Notes are redeemed by AGL, the proceeds of disposal would exclude any parts of the redemption amount paid to Holders that are referable to the final interest payment for the Notes and any deferred interest amounts. Those amounts should be included separately in the Holder's assessable income.

(b) *Holders subject to TOFA*

For Holders who are subject to TOFA, the TOFA rules may require a balancing adjustment to be made when a Holder disposes of the Notes or the Notes are redeemed. A balancing adjustment is an additional amount of assessable gain or deductible loss brought to account on the disposal or cessation of a financial arrangement to ensure that the correct overall amount of gain or loss is recognised in respect of a financial arrangement. The calculation of any balancing adjustment takes into account TOFA gains/losses previously recognised by the taxpayer.

However, such a TOFA balancing adjustment loss will not be deductible if, broadly, the disposal or redemption of the Notes occurs:

- otherwise than in the course of trading on a securities market; and
- because of a belief or apprehension that AGL is unable or unwilling to discharge its liability to pay amounts under the Notes.

3.2 Non-residents

(a) *Disposal of Notes otherwise than by redemption*

A gain realised by a non-resident Holder on the disposal of Notes should not be subject to Australian income tax unless the gain has an Australian source.

Even where such a gain has an Australian source, a Holder who is a resident of a country with which Australia has concluded a tax treaty should not be subject to Australian income tax on the gain unless the gain is attributable to a business carried on through a permanent establishment of the Holder in Australia.

The source of a gain on disposal of a security is a factual issue, and would be determined by weighing various factors including the location of the security, the place at which the contract to sell the security is concluded and the place at which the decision to sell the security is made. However, it should be noted that the Commissioner has previously taken the (non-binding) view that gains arising from the sale of securities listed on the Australian Securities Exchange may have an Australian source on the basis that the contracts for the sale of the securities are made in Australia on behalf of the seller. Non-resident Holders should seek independent tax advice in respect of the source of any gain realised on disposal or redemption of their Notes.

If a gain realised by a non-resident Holder is subject to Australian tax because it has an Australian source, it will be taxed as ordinary income and not as a capital gain. Depending on whether or not the non-resident Holder is subject to TOFA, either the rules relating to traditional securities or the TOFA rules will apply (as discussed in 3.1 above).

(b) *Redemption of Notes*

Subject to the matters discussed below in this section, the tax treatment of a non-resident Holder whose Notes are redeemed by AGL is the same as that outlined for a disposal of Notes in 3.2(a) above.

The difference is that, where the Notes of a non-resident Holder are redeemed by AGL, the proceeds of disposal would exclude any part of the redemption amount paid to the Holder that is referable to the final interest payment for the Notes and any deferred interest amounts. Such interest amounts would be treated for Australian tax purposes in the same manner as outlined in 2.2 above in respect of other interest payments.

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4 Goods and services tax

Neither the issue nor receipt of the Notes should give rise to a GST liability, on the basis that the supply of the Notes is either an input taxed financial supply or (in the case of non-resident subscribers) a GST-free supply. Furthermore, neither the payment of interest or the redemption amount for Notes, nor the disposal of Notes, should give rise to any GST liability.

Holders should seek their own independent advice as to whether any GST costs they incur in relation to acquiring the Notes would be recoverable.

5 Disclaimer

The information contained in this letter does not constitute financial product advice within the meaning of the Corporations Act. Greenwoods & Freehills Pty Ltd is not authorised to provide financial product advice under the Corporations Act. To the extent that this letter contains any information about a financial product within the meaning of the Corporations Act, tax is only one of the matters that must be considered when making a decision about the relevant financial product. A prospective investor should, before making any decision to invest in Notes, consider taking financial advice from a person who holds an Australian Financial Services Licence under the Corporations Act.

Greenwoods & Freehills Pty Ltd has not caused and takes no responsibility for the publication of any part of the Prospectus in which this letter appears, other than this letter itself.

Yours sincerely

Greenwoods & Freehills Pty Ltd

Section 7. Taxation information continued

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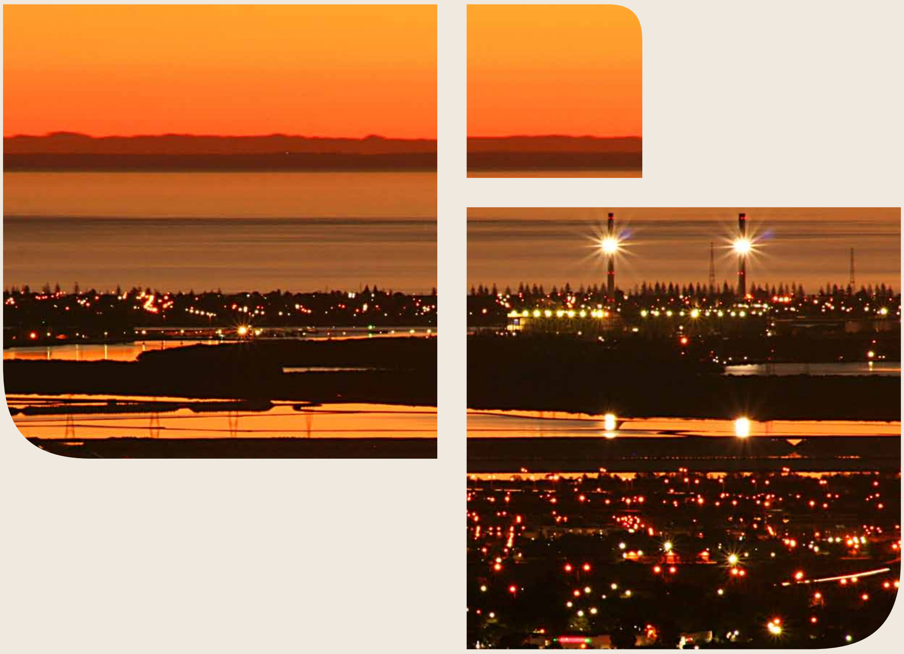
Section 8

8

Key people, interests and benefits



Section 8. Key people, interests and benefits

This section provides information about the Directors and key managers of AGL, the interests of people involved in the Offer and any benefits they may receive.

8.1 Board of Directors

The Directors bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

Directors

The Directors of AGL are:

Director/Position	Experience, qualifications and expertise
Jeremy Maycock BEng (Mech) (Hons), FAICD, FIPENZ Independent non-executive Director and Chairman	Age: 60 Term: Non-executive Director since October 2006 and Chairman since 21 October 2010. Independent: Yes. Committees: Chair of the Nominations Committee. Directorships: Chairman of Port of Brisbane Pty Ltd (commenced in 2010). Director of Nuplex Limited (commenced 1 September 2011). Member of the Advisory Council of the Australian School of Business (UNSW) (commenced in 2009). Experience: Previously Managing Director and Chief Executive Officer of CSR Limited (commenced in 2007 and retired in 2010), Managing Director and Chief Executive Officer of Hastie Group Limited (commenced in 2003 and retired in 2007), inaugural Chairman of Cement Australia Pty Limited, Chief Executive Officer of Swiss–based Holcim Ltd in New Zealand and Australia, and Holcim Senior Vice President for Southern ASEAN countries and Australasia. His commercial experience spans 37 years, with his early career being with Shell Oil in the UK and in New Zealand.
Michael Fraser BCom, CPA, FTIA Managing Director and Chief Executive Officer	Age: 54 Term: Managing Director and Chief Executive Officer since October 2007. Independent: No. Committees: Nil. Directorships: Chairman of Clean Energy Council since September 2011. Experience: Previously Director of Queensland Gas Company Limited (commenced in 2007 and retired in 2008), Chairman of Elgas Limited and of ActewAGL, Director of the Australian Gas Association and the Energy Retailers Association of Australia, Chairman of the National Electricity Market Management Company (NEMMCo) Participant's Advisory Committee and a Director of UnitingCare Ageing Board (commenced in 2004 and retired in 2008). He has more than 25 years' energy industry experience, including having established AGL as one of the country's largest energy retailers, and led the rapid expansion of AGL's upstream energy interests in renewables, thermal electricity generation and upstream gas exploration and development.
Les Hosking Independent non-executive Director	Age: 67 Term: Non-executive Director since November 2008. Independent: Yes. Committees: Member of the Audit and Risk Management Committee, the Safety, Sustainability and Corporate Responsibility Committee, and the Nominations Committee. Directorships: Director of Adelaide Brighton Limited (commenced in 2003), Innovation Australia (commenced in 2003), Australian Energy Market Operator (AEMO) (commenced in 2009) and Chair of The Carbon Market Institute (commenced in 2010). Experience: Previously Director of Australian Energy Market Operator (Transition) Limited (AEMO) (commenced in 2008 and retired in 2009), Managing Director and Chief Executive Officer of NEMMCo (commenced in 2003 and retired in 2008) and a non-executive Director of NEMMCo (commenced in 1996 and retired 2003). He has over 30 years experience in trading, broking and management in metals, soft commodities, energy and financial instrument derivatives in the global futures industry, and was Managing Director and Chief Executive Officer of the Sydney Futures Exchange (commenced in 1985 and retired in 2000).

Director/Position	Experience, qualifications and expertise
Sandra McPhee Dip Ed, FAICD Independent non-executive Director	Age 65 Term: Non-executive Director since October 2006. Independent: Yes. Committees: Chair of the Safety, Sustainability and Corporate Responsibility Committee, member of the People and Performance Committee, and the Nominations Committee. Directorships: Director of Westfield Retail Trust (commenced in 2010), Director of Fairfax Media (commenced in 2010), Director of Tourism Australia (commenced in 2009), Kathmandu Holdings Limited (commenced in 2009), and Vice President of The Art Gallery of New South Wales. Experience: Extensive experience as a non-executive Director and Senior Executive in a number of consumer oriented industries including retail, aviation and tourism, most recently ten years with Qantas Airways Limited from which she retired in 2004. Previous non-executive appointments include Director of Australia Post (commenced in 2001 and retired in 2009), Coles Group Limited (commenced in 2003 and retired in 2007), Perpetual Limited (commenced in 2004 and retired in 2007), Primelife Corporation Limited (commenced in 2003 and retired in 2005), St Vincent's & Mater Health Sydney and CARE Australia.
Max Ould BEc Independent non-executive Director	Age: 65 Term: Non-executive Director since February 2006. Independent: Yes. Committees: Chair of the People and Performance Committee, and member of the Nominations Committee. Directorships: Chairman of Goodman Fielder Limited (commenced as a Director in 2005) and Chairman of Treasury Wine Estates Limited (commenced in 2011). Experience: Previously Managing Director of National Foods Limited, Director of Foster's Group Limited (commenced in 2004 and resigned in 2011), Director of Pacific Brands Limited (commenced in 2004 and retired in October 2009) and of The Australian Gas Light Company (commenced in 2004 and retired in October 2006).
Bruce Phillips BSc (Hons), PESA, ASEG Independent non-executive Director	Age: 56 Term: Non-executive Director since August 2007. Independent: Yes. Committees: Member of the Audit and Risk Management Committee, the Safety, Sustainability and Corporate Responsibility Committee, and the Nominations Committee. Directorships: Chairman of Platinum Capital Limited (commenced as a Director in 2009), and Chairman of AWE Limited (commenced as a Director in 2009). Experience: An energy industry expert with more than 30 years of technical, financial and managerial experience in the energy sector. He founded and was Managing Director of Australian Worldwide Exploration Limited (now AWE Limited). He also held prior positions of Director of Sunshine Gas Limited (commenced in 2007 and resigned in 2008), Business Development Manager of Command Petroleum, Consulting Energy Advisor to Prudential-Bache Securities, General Manager of Petroleum Securities Australia Limited and was an expert technical advisor to News Corporation Limited.
John Stanhope BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM Independent non-executive Director	Age: 61 Term: Non-executive Director since March 2009. Independent: Yes. Committees: Chair of the Audit and Risk Management Committee, and member of the Nominations Committee. Directorships: Member of the Financial Reporting Council and a Board member of the Melbourne International Jazz Festival. Experience: Executive Director of Telstra Corporation Limited (commenced in 2009 and retired in 2011). Appointed as Chief Financial Officer and Group Managing Director, Finance & Administration of Telstra (commenced in 2003 and retired in 2011). In this role he was responsible for finance, treasury, risk management and assurance, investor relations, taxation and corporate security and investigations. In his previous role as Director, Finance, he contributed to T1 and T2, cost reduction programs, growth strategies, debt raising, capital management and organisation restructures.

Section 8. Key people, interests and benefits continued

Director/Position	Experience, qualifications and expertise
Belinda Hutchinson AM, BEc, FCA, FAICD Independent non-executive Director	Age: 58 Term: Non-executive Director since December 2010. Independent: Yes. Committees: Member of the Audit and Risk Management Committee, People and Performance Committee, and the Nominations Committee. Directorships: Chairman of QBE Insurance Limited (commenced in 2010), Director of St Vincent's Health Australia Limited (commenced in 2010), Director of the State Library of New South Wales Foundation (commenced in 1997), Deputy Chairman of Centre for Independent Studies (commenced in 2010) and a member of the Salvation Army Australian Eastern Territorial Advisory Board (commenced in 2006). Experience: Previous appointments include Director of St Vincent's & Mater Health Sydney (commenced in 2001 and retired in 2009), Director of Coles Group Limited (commenced in 2005 and retired in 2007), Telstra Corporation Limited (commenced in 2001 and retired in 2007), TAB Limited (commenced in 1997 and retired in 2004), Energy Australia (commenced in 1997 and retired in 2005), Crane Group (commenced in 1997 and retired in 2004), Snowy Hydro Trading Limited (commenced in 1997 and retired in 1999), and member of the State Library of New South Wales Council (commenced in 1997 and retired in 2006).

8.2 Management

AGL has an experienced management team with strong strategic, operational and financial management skills and a track record of successfully executing energy-related projects. AGL's senior management team is set out below.

Director/Position	Experience, qualifications and expertise
Michael Fraser BCom, CPA, FTIA Managing Director and Chief Executive Officer	Michael has more than 25 years' energy industry experience, including having established AGL as one of the country's largest energy retailers, and led the rapid expansion of AGL's upstream energy interests in renewables, thermal electricity generation and upstream gas exploration and development.
Stephen Mikkelsen CA, BBS Chief Financial Officer	Stephen has over 15 years' experience in senior financial positions in Australia's and New Zealand's electricity markets. Previously, he worked in treasury activities in banking and finance.
Paul McWilliams BA (Accounting), MApFin, GradDipACG, ACA, ACIS Group Head of Corporate Support Services and Company Secretary	Paul has more than 30 years' experience in a variety of roles in the Australian Taxation Office, chartered accounting firms and listed public companies. He has been with AGL for seven years and in his current role for the last five years.
Anthony Fowler BSc (Hons), MApFin, Harvard AMP, FFin Group General Manager Merchant Energy	Anthony has more than 15 years' experience in energy businesses in Australia and the US. He has been with AGL for eight years and in his current role for the past year. Previous roles at AGL include responsibility for AGL's wholesale electricity, gas and renewable portfolios and risk management.

Director/Position	Experience, qualifications and expertise
Michael Moraza BE (Chem. Eng), MBA Group General Manager Upstream Gas	Before joining AGL, Michael had a background in the upstream oil and gas industry working for Bridge Oil, later known as Parker and Parsley Australasia. Prior to that, Michael was with the Geneva-based SGS Group, providing services to the petroleum industry.
Prof. Paul Simshauser BEc, BCom, MCom (Acctg & Fin), PhD (Economics), CPA, FAICD, AFMA Acc. Dealer Chief Economist and Group Head of Corporate Affairs	Paul has worked in the energy industry for over 20 years, having held senior positions with Stanwell Corporation, NewGen Power and Babcock & Brown. He is also a Professor of Finance at Griffith University's Business School.
Ken Hodgson BEc Group General Manager Retail Energy	Ken joined AGL in 2008 and has overall responsibility for the growth and development of AGL's customer base. Prior to joining AGL, Ken spent five years with Westpac Banking Corporation as General Manager for Consumer Financial Services.
Owen Coppage Chief Information Officer	Owen has over 25 years' management and operations experience in high voltage transmission, distribution and hydro electricity generation. In 2007, Owen was appointed Chief Information Officer with responsibility for the transformation and simplification of the information technology function within AGL.
Jane Thomas BBus(Hons), LLB(Hons), Grad. Dip. Leg Prac, Masters Org. Coaching Group Head of People and Culture	Jane has more than 20 years' experience in human resources, organisational development and employee relations in large organisations including PepsiCo international, Westpac Banking Corporation and Philips. She is also a non-executive director of the Animal Welfare Board and a member of the Chief Executive Women Inc.

Section 8. Key people, interests and benefits continued

8.3 Interests and benefits

8.3.1 Directors and management

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director:

> has or had at any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of AGL, or in any property acquired or proposed to be acquired by AGL, or in the Notes Offer other than in their capacity as a holder of Ordinary Shares; and

> has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the formation or promotion of AGL or the Notes Offer.

As at the date of this Prospectus, the Directors of AGL and their associates had relevant interests in the numbers of Ordinary Shares and Share Performance Rights (**SPRs**) set out in the table below. SPRs are an entitlement to one fully-paid Ordinary Share in AGL.

Director	Ordinary Shares	SPRs
Jeremy Maycock	55,750	0
Michael Fraser	575,371	9,196
Les Hosking	2,000	0
Sandra McPhee	14,675	0
Max Ould	29,179	0
Bruce Phillips	29,000	0
John Stanhope	3,373	0
Belinda Hutchinson	6,540	0

No options have been granted over any securities.

AGL's constitution provides that the Directors will be entitled to remuneration out of the funds of AGL as determined by the Directors but the remuneration of non-executive Directors may not exceed in aggregate, in any year, the amount fixed by holders of Ordinary Shares in a general meeting for that purpose. The amount last fixed by holders of Ordinary Shares in a general meeting for that purpose was $2.0 million.

Each Director will be entitled to participate in the Notes Offer to the extent that the Directors hold Ordinary Shares at the Record Date.

8.3.2 Professionals

Deutsche Bank has acted as the Arranger for the Offer, and each of Deutsche Bank, ANZ Securities, Commonwealth Bank and National Australia Bank have acted as Joint Lead Managers for the Offer, in respect of which they will receive the fees described in Section 9.4.

Greenwood and Freehills has acted as AGL's Australian tax adviser in relation to the Offer and has prepared the taxation summary in Section 7. In respect of this work Greenwood and Freehills will be paid approximately $110,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to Greenwood and Freehills in accordance with its time-based charges.

Deloitte Touche Tohmatsu has acted as AGL's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, Deloitte Touche Tohmatsu will be paid approximately $200,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its time-based charges.

Freehills has acted as AGL's Australian legal adviser in relation to the Offer. In respect of this work, Freehills will be paid approximately $500,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to Freehills in accordance with its time-based charges.

Australian Executor Trustees Limited is acting as Trustee for Holders under the Trust Deed. In respect of this role, AGL has paid or agreed to pay an establishment fee of $5,000 and an ongoing fee of $35,000 per annum (excluding disbursements and GST).

Except as set out in this Prospectus, no:

> person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or interest of this Prospectus; or

> Joint Lead Manager or Co-Manager,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

> the formation or promotion of AGL;

> the Offer; or

> any property acquired or proposed to be acquired by AGL in connection with the formation or promotion of AGL or the Offer,

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of AGL or the Offer.

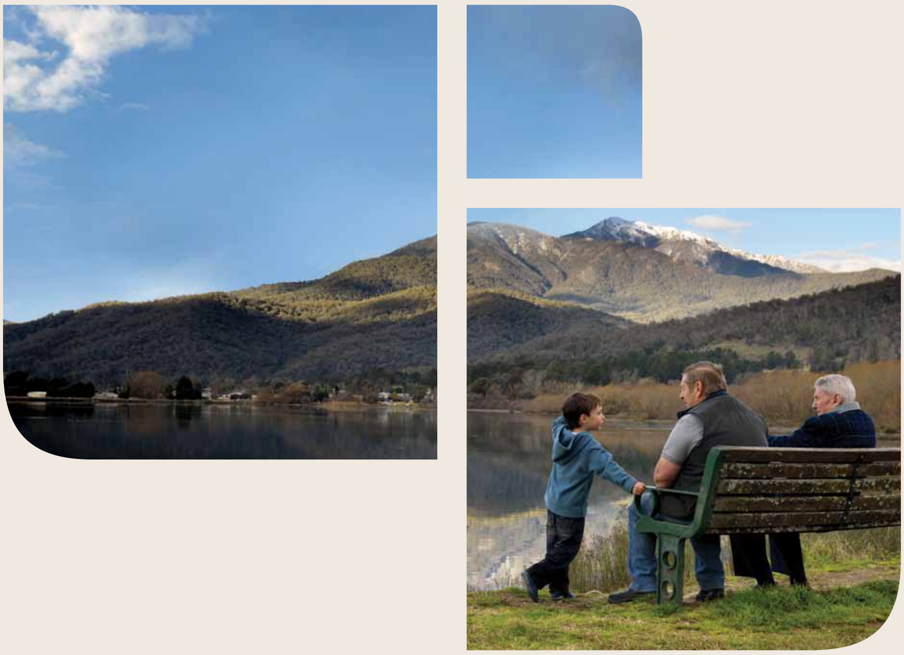
8.4 Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises $650 million, then the net proceeds of the Offer are expected to be $631 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be $18.5 million. All of these expenses have been, or will be, borne by AGL.

Section 9

Additional information

9



Section 9. Additional information

9.1 Reporting and disclosure obligations

AGL is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, AGL is required to continuously disclose to ASX any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of its quoted securities. AGL is also required to prepare and lodge with ASIC and ASX both yearly and half yearly financial statements accompanied by a Director's declaration and report and an audit or review report.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

9.2 Rights and liabilities attaching to the Notes

The rights and liabilities attaching to the Notes are set out in the Terms and the Trust Deed (which incorporates the Terms). The Terms are set out in full in Appendix A and the Trust Deed is summarised in Section 9.3. Rights and obligations attaching to the Notes may also arise under the Corporations Act and other laws.

9.3 Trust Deed

AGL entered into a Trust Deed with Australian Executor Trustees Limited (as the Trustee) on 28 February 2012 (Trust Deed). The Trust Deed is governed by New South Wales law and is the document which constitutes the Notes. The Terms are set out as a schedule to the Trust Deed. The full terms of the Trust Deed can be obtained from www.agl.com.au during the Offer Period and after the Issue Date. AGL has lodged the Trust Deed with ASIC and the information in the Trust Deed is incorporated by reference into this Prospectus. AGL will provide a copy of the Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to Holders of the Notes.

The Trustee has agreed to act as the trustee of the assets and rights held on trust for Holders (as described below) pursuant to the terms of the Trust Deed. The Notes are issued subject to the terms and conditions contained in the Trust Deed.

The interest payments on the Notes are obligations of AGL and are not guaranteed by the Trustee or any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related body corporate or any other entity. The obligation to redeem the Notes in accordance with their terms is a direct obligation of AGL. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related body corporate or any other entity guarantees the redemption of or repayment of the Face Value of the Notes.

The Trustee is not responsible for monitoring compliance by AGL of its obligations under the Trust Deed, taking steps to ascertain whether an Event of Default has occurred, or AGL's businesses except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including to:

> exercise reasonable diligence to ascertain whether:
  – the property of AGL that is or should be available will be sufficient to repay the amounts lent by Holders in respect of the Notes; and
  – AGL has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act, and

> unless the Trustee is satisfied the breach is not material, do everything in its power to ensure AGL remedies such a breach.

The Holders are taken to have notice of, and are bound by, all the provisions of the Trust Deed and the Terms.

The following is a summary only of the principal provisions of the Trust Deed.

9.3.1 Appointment of Trustee and declaration

The Trustee is appointed to hold on trust for Holders:

> the benefit of the Trust Deed;

> the right to enforce AGL's duty to repay the Notes;

> the right to enforce all other duties of AGL under the Terms, the provisions of the Trust Deed and Chapter 2L of the Corporations Act; and

> any other powers and property which the Trustee may receive or which may be vested in the Trustee.

9.3.2 Payments

AGL undertakes to pay all amounts due under the Notes to the Trustee. The Trustee directs AGL to pay such amounts to the Holders unless a winding-up of AGL has commenced. Payment to the Holders in accordance with the Terms satisfies AGL's obligation to pay this amount to the Trustee to the extent of the payment and payment to the Trustee satisfies AGL's obligation to pay any amount to the Holders.

The Trustee's entitlement to enforce AGL's obligations to make payments under the Notes is subordinated on equivalent terms to those set out in Clause 2 of the Terms.

The Trust Deed contains provisions entitling AGL to withhold payments in various circumstances, including where a Holder needs to obtain a governmental approval to be paid an amount, where AGL believes that a person other than the Holder has become entitled to be registered as Holder and receive the payment, and where the Holder has not provided sufficient account details to enable AGL to make a payment.

Amounts payable to the Trustee in respect of its remuneration, costs and various other amounts are not subordinated and will rank in priority to the payments due to the Holders.

9.3.3 AGL undertakings

AGL has undertaken to the Trustee that it will, amongst other things comply with its obligations under the Notes, the Trust Deed, and Chapter 2L and section 318 of the Corporations Act.

9.3.4 Trustee protections and limitation of liability

The Trust Deed contains various provisions which, subject to the Corporations Act, entitle the Trustee to make assumptions as to various matters, rely on information, statements and opinions provided to it and exercise various other discretions.

The Trustee is generally not liable to AGL, Holders or any other person, except where the Trustee acts fraudulently, negligently or wilfully defaults under the Trust Deed.

9.3.5 Enforcement by Trustee

The Trustee only is entitled to enforce the Trust Deed or the Terms, except in cases described in Section 9.3.6 below. The Trustee is not obliged to notify Holders of an Event of Default.

The Issuer is not liable in damages for breach of any provision of the Trust Deed other than in respect of the Trustee's remuneration and expenses which are due and payable or any other loss suffered by the Trustee in its personal capacity. This does not affect the Company's obligations or liabilities under or in respect of the Terms to pay the principal amount, interest, redemption amount or other amounts payable in respect of the Notes and costs and other amounts due to the Trustee.

9.3.6 Enforcement on direction by Holders

The Trustee is only obliged to take action in relation to an Event of Default or to otherwise enforce the Trust Deed where all the following conditions are met:

(a) the Trustee has been directed to take that action:

- (1) by a special resolution; or
- (2) in the case of the making of a declaration under Clause 5.2 of the Terms, in writing, by Holders who hold 20% or more of the Notes;

(b) the Trustee is indemnified to its reasonable satisfaction:

- (1) for all actions, proceedings, claims and demands to which the Trustee may render itself liable by taking such action;
- (2) in respect of all costs, charges, damages and expenses which the Trustee may thereby incur; and
- (3) in respect of the costs of all management time spent by employees or officers of the Trustee in relation to such action in the amount required under the Trust Deed; and

(c) the Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

9.3.7 Enforcement by Holder

A Holder is entitled to take any action that the Trustee could take in relation to an Event of Default or to otherwise enforce the Trust Deed if and only if the Trustee, having become bound to take that action, fails to do so within a reasonable period and that failure is continuing. Any such action may be taken by a Holder:

(a) in the name of the Trustee; and

(b) following the giving to the Trustee of an indemnity satisfactory to it,

but not otherwise. AGL may plead this restriction in bar to any proceedings brought against it that are not permitted.

9.3.8 Fees, expenses and indemnity

AGL must pay to the Trustee by way of remuneration for its services as trustee under the Trust Deed a fee or such other remuneration as may be agreed between AGL and the Trustee. AGL will also pay the Trustee's costs properly incurred in connection with the execution and performance of the Trust Deed as well as additional fees for any enforcement action that the Trustee takes in relation to the Trust Deed following default by any other party or any duties agreed by AGL to be outside the scope of the normal duties of the Trustee (and in the absence of agreement in relation to such additional fees, the Trustee will be entitled to charge AGL reasonable hourly rates for time spent by it).

9.3.9 Retirement and removal

The Trustee may retire by giving notice to AGL, which will not be effective until the last to occur of:

(a) the day which is 60 days after the date of the notice (or such shorter period as the Trustee and AGL may agree); and

(b) the day upon which the appointment of a new trustee becomes effective.

The Trustee may also be removed by AGL in various circumstances.

Any removal of the Trustee will only take effect upon the appointment of a new Trustee.

9.3.10 Meetings

Subject to the Corporations Act, the Trustee or AGL may at any time convene a meeting of Holders. AGL must convene such meeting on receipt of a direction in writing by Holders who hold 10% or more of the Notes.

A meeting of Holders has the power to:

(a) by Special Resolution, (as defined in the Terms) amongst other things, approve an amendment to the Terms or the Trust Deed or give any release or waiver in respect of anything done or omitted to be done by the Trustee or any breach or default by AGL; and

(b) by a Holder Resolution (as defined in the Terms), give directions to the Trustee as to the performance of its duties under the Trust Deed and the Terms and do anything for which a Special Resolution is not required.

A resolution passed at a meeting of Holders held in accordance with the Trust Deed is binding on all Holders whether or not they are present or voting at the meeting.

The Trust Deed may also be amended without the approval of Holders as described in the Terms.

Section 9. Additional information continued

9.3.11 Register

The Trust Deed contains arrangements relating to the maintenance of the Register of Holders. AGL and the Trustee may treat Holders as the absolute beneficial owners of Notes held by them and are not obliged to recognise any other person as having any right or interest in any Note whether or not they have notice of such right or interest.

9.4 Offer Management Agreement

9.4.1 Overview

AGL and the Joint Lead Managers signed an offer management agreement on 28 February 2012 (**OMA**). Under the OMA, AGL appointed Deutsche Bank as Arranger to the Offer and ANZ Securities, Commonwealth Bank, Deutsche Bank and National Australia Bank as Joint Lead Managers to the Offer. The following is a summary of the principal provisions of the OMA.

Under the OMA, the Joint Lead Managers have agreed to manage the Bookbuild for the Offer and to provide settlement support for the settlement obligations of confirmed applicants under the Bookbuild (comprising the Institutional Offer and the Broker Firm Offer).

9.4.2 Fees

The estimated aggregate fees payable by AGL to the Joint Lead Managers under the OMA are approximately $15.9 million (exclusive of GST). This figure is based on certain assumptions as to the allocations of Notes between the Shareholder Offer, Customer Offer, Broker Firm Offer and Institutional Offer. However, the actual amount payable will not be known until the allotment of the Notes.

In addition, AGL must pay or reimburse each Joint Lead Manager for all reasonable legal costs and out of pocket expenses incurred by the Joint Lead Managers (including travel, accommodation, marketing and printing expenses) in relation to the Offer.

9.4.3 Representations, warranties and undertakings

AGL gives various representations, warranties and undertakings to the Joint Lead Managers, including that the documents published by AGL in respect of the Offer (including this Prospectus) and all parts of the Offer comply in all material respects with all applicable laws, including the Corporations Act and the Listing Rules. AGL also undertakes that, with the exception of the Notes, it will not make, agree to make or announce any issue of any equal ranking, preference, subordinated debt or hybrid securities, during the period commencing on the date of the OMA and ending 60 days after completion of the Offer.

9.4.4 Indemnity

AGL agrees to indemnify the Joint Lead Managers and certain parties affiliated with them against all claims, demands, damages, losses, costs, expenses or liabilities incurred by them in connection with the Offer (subject to limited exclusions).

9.4.5 Termination events

Any Joint Lead Manager may terminate its obligations under the OMA, by giving notice in writing to AGL if any one or more of the following events occurs:

(a) a certificate is not given by AGL in accordance with the OMA;

(b) any statement contained in any document published by AGL in respect of the Offer is misleading or deceptive (including by omission and including without limitation, misleading representations within the meaning of section 728(2) of the Corporations Act;

(c) a step in the timetable for the Offer set out in the OMA is delayed for more than three Business Days without the prior written approval of the Joint Lead Managers;

(d) AGL is prevented or delayed from issuing and allotting the Notes within the time required by the timetable for the Offer set out in the OMA, the Listing Rules, ASX or ASIC, applicable laws, and order of a court of competent jurisdiction or a governmental agency;

(e) a supplementary prospectus is, in the reasonable opinion of the Joint Lead Managers, required under section 719 of the Corporations Act;

(f) approval to the official quotation of all of the Notes on ASX:

- (i) is refused; or
- (ii) is not granted on an unconditional basis, or conditional only on customary conditions which would not, in the reasonable opinion of the Joint Lead Managers, have a material adverse effect on the success of the Offer, on or before the date the Offer settles; or
- (iii) if granted, is subsequently withdrawn, qualified or suspended on or before the date the Offer settles;

(g) any of the following notifications are made:

- (i) ASIC issues an order under section 739 of the Corporations Act except where the order does not become public and is withdrawn within two Business Days after it is commenced or prior to the date the Offer settles, whichever is earlier;
- (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to a document published by AGL in respect of the Offer;
- (iii) ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 1989* (Cth) in relation to a document published by AGL in respect of the Offer except where such investigation or hearing does not become public and is withdrawn within two Business Days after it is commenced or prior to the date the Offer settles, whichever is earlier;
- (iv) any person gives a notice under section 733(3) of the Corporations Act or any person (other than a Joint Lead Manager) who has previously consented to the inclusion of its name in the Prospectus (or any supplementary prospectus) or to be named in the Prospectus withdraws that consent; or
- (v) any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (or any supplementary prospectus);

(h) AGL withdraws the Prospectus (or any supplementary prospectus) or the Offer;

(i) any of the All Ordinaries Index of ASX, the S&P/ASX 200 and the Dow Jones Industrial Average:

- (i) closes on three consecutive Business Days at a level that is 10% or more below the level of that index as at the close of business on the Business Day prior to the date of the OMA (**Starting Level**);

(ii) closes at a level that is 10% or more below the Starting Level at any time during the three Business Days prior to the date of the issue of the Notes; or

(iii) closes at a level that is 15% or more below the Starting Level on any day prior to the date of issue of the Notes; or

(j) any:

(i) credit rating assigned to AGL at the date of the OMA by any ratings agency is downgraded or withdrawn; or

(ii) rated debt or security of AGL has been or will be downgraded or the credit rating is withdrawn,

except to the extent already advised to AGL by the rating agency prior to the date of the OMA.

Any Joint Lead Manager may also terminate its obligations under the OMA if certain other events occur and that Joint Lead Manager has reasonable grounds to believe and does believe that the event or a series of events together:

(a) has or is likely to have a material adverse effect on:

(i) the outcome of the Offer or the performance of the secondary trading market of the Notes at any time during the 30 day period following the date the Notes commence trading on ASX;

(ii) the ability of the Joint Lead Manager to market or promote or settle the Offer; or

(iii) the condition, trading or financial position and performance, profits and losses, results, credit ratings, prospects, business or operations of AGL; or

(b) has given or could give rise to a contravention by that Joint Lead Manager of, or that Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law or regulation, or a liability of that Joint Lead Manager under any applicable law or regulation.

These events are as follows:

(i) hostilities not existing as at the date of the OMA commence (whether war has been declared or not) or a major act of terrorism or escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Russia or the People's Republic of China;

(ii) a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States or the European Union is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;

(iii) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the Notes;

(iv) any of the following occurs:

- a director of AGL is charged with an indictable offence;
- the commencement of legal proceedings against AGL or any director of AGL;
- any director of AGL is disqualified from managing a corporation under section 206A of the Corporations Act; or
- a penalty in an amount exceeding $100,000 is obtained against any director of AGL and is not set aside within seven days;

(v) a change in the Board of Directors of AGL or senior management occurs;

(vi) AGL fails to perform or observe any of its obligations or undertakings under the OMA;

(vii) a representation or warranty made by AGL to the Joint Lead Managers is not true or correct in any material respect;

(viii) any statement contained in any document published by AGL in respect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable laws;

(ix) trading of securities quoted on ASX, the London Stock Exchange or the New York Stock Exchange is suspended, or there is a material limitation in trading, for more than one Business Day on which that exchange is open for trading;

(x) an insolvency event occurs with respect to AGL or a related body corporate or there is an act or omission made which may result in AGL or a related body corporate becoming insolvent; or

(y) a statement in a certificate given by AGL under the OMA is untrue or incorrect or misleading or deceptive, or omits material information.

9.5 Replacement capital statement

AGL intends (without thereby assuming a legal obligation) that while the Notes are ascribed a level of equity credit by the Rating Agency, in the event it redeems Notes at AGL's option under Clause 4.2(a) of the Terms or purchases Notes under Clause 4.5 of the Terms AGL will redeem or repurchase Notes only to the extent the aggregate Face Value of Notes to be redeemed or repurchased does not exceed the net proceeds received by AGL or any subsidiary, during the 360 day period prior to such redemption or repurchase, from certain securities offerings. Such offerings must involve the sale or issuance by AGL or any subsidiary to third party purchasers of securities which are ascribed by the Rating Agency a level of equity credit that is equal to or greater than the equity credit the Rating Agency ascribed to Notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of Notes).

The intention described above does not apply where AGL believes that its credit profile is substantially the same or better than at the date of this prospectus, and AGL believes that its credit profile would not be materially adversely affected as a result of any such redemption.

Section 9. Additional information continued

9.6 Consents

Each of the parties referred to in the table below:

> has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;

> has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and

> does not authorise the issue of the Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting parties
Arranger	Deutsche Bank
Joint Lead Managers	ANZ Securities, Commonwealth Bank, Deutsche Bank and National Australia Bank
Co-Managers	Morgan Stanley Smith Barney, Ord Minnett and Westpac Institutional Bank
Legal Adviser	Freehills
Investigating Accountant and Auditor	Deloitte Touche Tohmatsu
Registrar	Link Market Services Limited
Trustee	Australian Executor Trustees Limited
Australian Tax Adviser	Greenwoods & Freehills

No rating agency, including Standard & Poor's, has made any statement in this Prospectus, nor any statement on which a statement made in this Prospectus is based, and does not cause or authorise the issue of the Prospectus and has not accepted any responsibility for any statements in or omissions from this Prospectus.

Deloitte Touche Tohmatsu has given, and not withdrawn before lodgement of the Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant and Auditor in the form and content in which it is named.

Greenwoods & Freehills has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian Tax Adviser and for the inclusion of the Australian taxation summary in the form and context in which it appears in Section 7 of this Prospectus. Greenwoods & Freehills does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus other than the reference to its name and the statements included in this Prospectus with its consent.

Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Registrar to AGL.

Neither the Trustee, nor any of its directors, employees, officers, affiliates, agents, advisors, intermediaries or related body corporate (each an **AET Related Person**) assumes any responsibility for the accuracy or completeness of any information contained in, and does not make any representation as to the truth and accuracy of the contents of, this Prospectus, and the Trustee has relied on AGL for the accuracy of the contents of this Prospectus. Neither the Trustee nor any AET Related Person makes any representation or warranty as to the performance of the Notes or the payment of interest or redemption of Notes.

9.7 Foreign selling restrictions

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in jurisdictions outside Australia, then you should seek advice on, and observe any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. AGL disclaims all liabilities to such persons.

This Prospectus or the Notes have not been and will not be, registered in any jurisdiction other than Australia. This Prospectus does not constitute an offer or invitation. The Offer and the possession or distribution of this Prospectus is further subject to the specific restrictions set out below.

9.7.1 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (**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 (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Notes have not been and will not be offered or sold in Hong Kong by means of any document, other than (i) to "professional investors" (as defined in the SFO) or (ii) in other circumstances that do not result in this document 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 Notes 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 Notes 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 Notes may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document 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 document, you should obtain independent professional advice.

9.7.2 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (New Zealand). The Notes are not being offered or sold within New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept the placement other than 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 the Company (**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 document.

9.7.3 Singapore

This document and any other materials relating to the Notes have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Notes, may not be issued, circulated or distributed, nor may the Notes 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 (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) a “relevant person” (as defined under section 275(2) of the SFA). If you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Notes being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Notes. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.7.4 United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

9.8 AGL legal proceedings

AGL and certain of AGL’s subsidiaries are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the consolidated entity comprised of AGL and AGL’s subsidiaries.

9.9 ASX relief

AGL has received in principle confirmation that ASX will classify the Notes as debt securities.

9.10 Privacy

If you apply for the Notes, you will provide personal information to AGL and the Registry. AGL and the Registry collect, hold and use your personal information to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Corporations and tax laws require some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all.

AGL may disclose your personal information for purposes related to your investment to its agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth) (**Privacy Act**):

> the Joint Lead Managers, to assess your Application;

> the Registry for on-going administration of the register; and

> the printers and the mailing house for the purposes of preparation and distribution of Holding Statements and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) AGL and Link Market Services Limited. You can request access to your personal information by contacting Link Market Services Limited as follows:

Link Market Services Limited
Level 12, 680 George Street
Sydney, New South Wales 2000
Tel: +61 2 8280 7111

If AGL’s or the Registry’s record of your personal information is incorrect or out of date, it is important that you contact the Registry so that your records can be corrected.

Section 9. Additional information continued

9.11 Availability of other documents

Copies of documents lodged with ASIC in relation to AGL may be obtained from, or inspected at, the offices of ASIC.

AGL will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Issue Date:

> the half yearly financial report for the six months ended 31 December 2011, being the half yearly financial report most recently lodged by AGL with ASIC;

> the annual financial report for the 12 months ended 30 June 2011, being the annual financial report most recently lodged by AGL with ASIC; and

> any continuous disclosure notices given to ASX by AGL after the lodgement of the annual financial report referred to above and before the date of lodgement of this Prospectus with ASIC.

The above information may be obtained from AGL's website at www.agl.com.au.

If you would like to receive a copy of any of these documents or publications, please contact the AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) at any time from 8:30am to 5:30pm AEST Monday to Friday during the Offer Period.

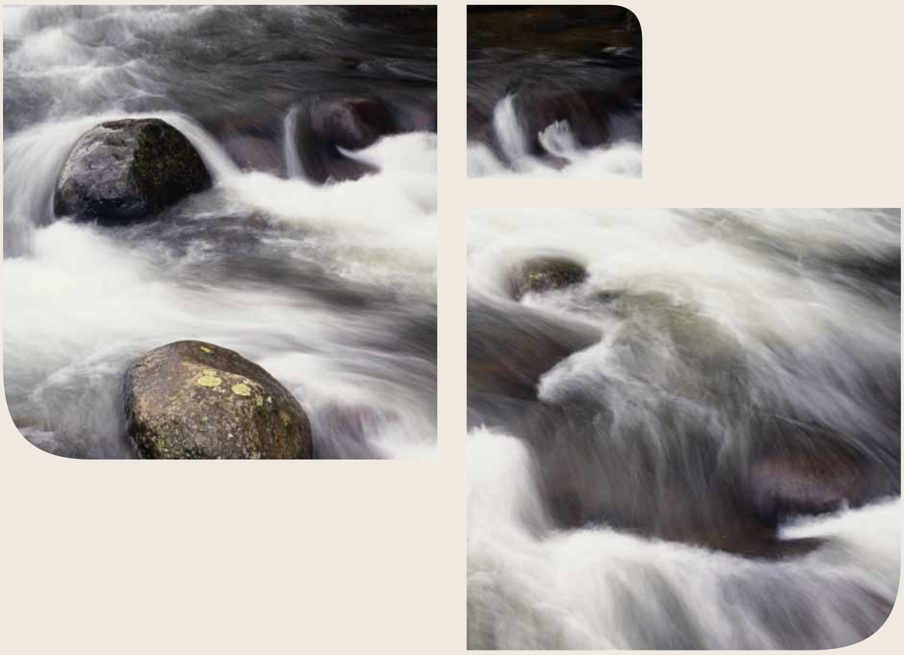
9.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

9.13 Directors' authorisations

Each Director has given and has not withdrawn his or her consent to the issue of this Prospectus and to its lodgement with ASIC.

Terms of Issue



Appendix A. Terms of Issue

1 Form, denomination and title

1.1 Form

The Notes are subordinated unsecured notes of the Issuer, constituted by the Trust Deed and issued in registered form by entry in the Register.

1.2 Denomination

Each Note is issued fully paid and with a principal amount of $100.

1.3 Title and transfer

Title to all Notes will be determined, and the Notes may be transferred, as provided in the Trust Deed. Except as provided in the Trust Deed or required by law, the Issuer will not recognise any person other than the registered Holder as having any title to, or interest in, a Note.

1.4 Quotation

The Issuer must use all reasonable endeavours and furnish any documents, information and undertakings as may be reasonably necessary in order to ensure that the Notes are, and remain until redeemed by the Issuer, quoted on ASX.

1.5 Evidence of holdings

The Issuer must provide to each Holder such statements of the holdings of the Notes of the Holder as the Issuer is required to give under the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules. Note certificates will not be issued unless the Issuer determines that certificates should be made available or are required to be made available by law.

1.6 Trust Deed

Holders are entitled to the benefit of, and are bound by the provisions of, the Trust Deed. The Trust Deed has been lodged with ASIC, and is available for inspection by Holders at the office of the Trustee.

1.7 No other rights

The Notes confer no rights on a Holder:

(a) to vote at any meeting of shareholders of the Issuer;

(b) to subscribe for new securities or to participate in any bonus issues of securities of the Issuer; or

(c) to otherwise participate in the profits or property of the Issuer, except as set out in these Terms of Issue or the Trust Deed.

2 Status and ranking

(a) The Notes are direct, unsecured debt obligations of the Issuer which rank equally without preference among themselves and are subordinated to other obligations of the Issuer in the manner specified in these Terms of Issue and the Trust Deed.

(b) In the event of the Issuer being wound up, the rights of the Holders to be repaid the principal amount of the Notes and to be paid any accrued but unpaid interest (including any Outstanding Interest) (**Noteholder Claims**), will rank:

  (1) junior to the rights and claims of all Senior Creditors of the Issuer;

  (2) equally with each other and with the rights and claims of any Parity Creditors and holders of Parity Shares of the Issuer; and

  (3) senior to the rights and claims of holders of the Issuer's shares other than Parity Shares.

(c) For the purposes of giving effect to clause 2(b), in any winding up of the Issuer the Noteholder Claims:

  (1) are subordinated and postponed and subject in right of payment to payment in full of the rights and claims of Senior Creditors of the Issuer, and may only be proved as a debt which is subject to and contingent upon prior payment in full of the rights and claims of Senior Creditors of the Issuer (including in respect of any entitlement of the Senior Creditors to interest on their claims in a winding up of the Issuer); and

  (2) are further limited as to the amount provable in the winding up to the extent necessary to ensure that (after the satisfaction of the Noteholder Claims, as so limited) the holders of the Parity Shares receive a distribution payable in respect of their rights and claims as holders of the Parity Shares equal to the amount that would be payable to them if the Parity Amount in respect of such shares was a debt provable in the winding up which ranked equally with the Noteholder Claims.

(d) A Holder may not set off any amounts owing by it to the Issuer against claims owing by the Issuer to the Holder in respect of the Notes except to the extent that the set off occurs by mandatory operation of law.

(e) Each Holder by subscribing for or acquiring the Notes irrevocably agrees:

  (1) that its claims in respect of the Notes are subject to the subordination provided for in this clause 2;

  (2) not (in its capacity as a Holder) to exercise any voting rights as a creditor in the winding up of the Issuer until after all Senior Creditors have been paid in full or otherwise in a manner to defeat the subordination contemplated by this clause 2; and

  (3) that the operation of this clause 2 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity or by the winding up of the Issuer.

(f) Nothing in this clause 2:

  (1) is intended to confer on any Senior Creditor any rights or any interest in any rights of the Holders; or

  (2) requires the consent of any Senior Creditor to any amendment of these Terms of Issue.

3 Interest

3.1 Interest

The Issuer must (subject to clause 3.4) pay interest on the principal amount of each Note from (and including) the Issue Date to (but excluding) its Redemption Date.

3.2 Interest rate

(a) The Issuer must (subject to clause 3.4) pay interest on each Note during each Interest Period at the Interest Rate for that Interest Period.

(b) The Interest Rate for each Interest Period is determined in accordance with the following formula:

Interest Rate = Market Rate + Margin

where:

Market Rate is the Bank Bill Rate on the first day of the Interest Period; and

Margin for an Interest Period commencing before the First Optional Redemption Date, the Initial Margin and for an Interest Period commencing on or after the First Optional Redemption Date, the Step-up Margin.

(c) The Issuer must determine the Interest Rate for an Interest Period as soon as practicable after the start of the Interest Period.

3.3 Interest payments

(a) Subject to clause 3.4, the Issuer must pay interest on each Note in respect of each Interest Period on the last day of the Interest Period.

(b) The amount of interest payable on each Note for an Interest Period is calculated according to the formula:

$$\textbf{Interest payment} = \frac{\textbf{Interest Rate} \times \$100 \times N}{365}$$

where:

Interest Rate is the Interest Rate for the Interest Period; and

N is the number of days in the Interest Period.

(c) The Issuer must determine the amount of interest to be paid on each Note for an Interest Period as soon as practicable after it determines the Interest Rate for the Interest Period and must promptly notify the Trustee and ASX of both those determinations. The notice must also specify that payment of interest is subject to the deferral condition in clause 3.4 of these Terms of Issue.

3.4 Deferral of interest payments

(a) If the Mandatory Deferral Condition subsists on the 16th Business Day prior to an Interest Payment Date, the interest which would otherwise be due and payable on a Note on that Interest Payment Date (including any Deferred Interest Payment arising from any prior operation of this clause 3.4(a)) is automatically deferred and does not become due and payable until the earliest of the following dates:

(1) the first Interest Payment Date falling at least 16 Business Days after the first day on which the Mandatory Deferral Condition is no longer subsisting;

(2) the date which is the fifth anniversary of the date on which any of the then outstanding Deferred Interest Payments was initially deferred;

(3) the date on which the Trustee serves a notice pursuant to clause 5.2(a) in respect of an Event of Default; and

(4) the Maturity Date or any earlier Redemption Date for the Note.

(b) If interest that would otherwise be due on an Interest Payment Date is deferred under this clause, the Issuer must notify the Trustee and ASX of that fact as soon as practicable and in any event not later than the 15th Business Day prior to the Interest Payment Date.

(c) The deferral of any interest payment under clause 3.4(a) will not constitute a default by the Issuer for any purpose.

3.5 Interest on Deferred Interest Payments

(a) The Issuer must pay interest on each Deferred Interest Payment from (and including) the Interest Payment Date on which the Deferred Interest Payment first arose to (but excluding) the date of actual payment.

(b) Interest payable on a Deferred Interest Payment under clause 3.5(a):

(1) accrues from time to time at the same rate as interest accrues on the principal amount of the Notes;

(2) compounds and is added to the Deferred Interest Payment (so as to thereafter itself bear interest under this clause) on each Interest Payment Date; and

(3) is payable at the same time as the Deferred Interest Payment.

3.6 Accrual and calculation of interest

(a) Interest on the Notes (including interest on Deferred Interest Amounts) accrues on a daily basis and is to be calculated on the basis of a 365 day year and the number of days elapsed.

(b) All calculations of interest will be rounded to four decimal places. Any fraction of a cent in the payment of any interest in respect of a Holder's aggregate holding of the Notes will be disregarded.

3.7 Issuer's determination final

The determination by the Issuer of all amounts, rates and dates required to be determined by it under these Terms of Issue is, in the absence of manifest error, final and binding on the Trustee, the Registrar and each Holder.

4 Redemption and purchase

4.1 Redemption on Maturity Date

The Issuer must redeem each Note on the Maturity Date at its principal amount plus any Outstanding Interest on the Note at that date unless:

(a) the Note has been previously redeemed; or

(b) the Note has been purchased by the Issuer and cancelled.

4.2 Early redemption at Issuer's election

(a) **(Early Redemption – Issuer's optional redemption)**

(1) The Issuer may on the First Optional Redemption Date or any Interest Payment Date thereafter redeem all (but not part) of the Notes at their principal amount plus any Outstanding Interest by giving not less than ten Business Days notice of such redemption to the Trustee, the Holders and ASX.

Appendix A. Terms of Issue continued

(2) The Issuer may give notice under this clause before the First Optional Redemption Date provided the redemption date specified in the notice falls on a Business Day on or after the First Optional Redemption Date.

(b) **(Early Redemption – Early Redemption Event)**

(1) If:

(A) a Change of Control Event occurs;

(B) a Capital Event occurs;

(C) an Accounting Event occurs; or

(D) a Tax Event occurs,

the Issuer may redeem all (but not some) of the Notes at any time before the Maturity Date for:

(E) unless paragraph (F) applies, the principal amount of the Notes plus any Outstanding Interest; or

(F) in the case of a redemption before the First Optional Redemption Date pursuant to paragraph (B) or (C) above, an amount equal to 101% of the principal amount of the Notes plus any Outstanding Interest.

(2) The Issuer may only redeem a Note under paragraph (b) if:

(A) the Issuer has given at least ten Business Days' (and no more than 45 Business Days') notice to the Trustee, the Holders and ASX;

(B) before the Issuer gives the notice under paragraph (D), the Trustee has received a certificate signed by two Directors of the Issuer that the event or circumstances constituting the relevant Early Redemption Event has or have occurred;

(C) the proposed Redemption Date nominated by the Issuer is an Interest Payment Date; and

(D) in the case of redemption under paragraph (C), the Redemption Date falls not later than the second Interest Payment Date falling after the later of:

- the date of publication of the first audited financial statements of the Issuer that have been prepared on the basis of the change to Current Accounting Practice that has given rise to the Accounting Event; and
- the date on which the Accounting Event occurred.

(c) **(Early Redemption – clean up option)**

(1) If at any time the aggregate principal amount of the Notes Outstanding is less than 20% of the aggregate principal amount of the Notes originally issued, the Issuer may redeem all (but not some) of the Notes that remain outstanding at any time before the Maturity Date at their principal amount plus any Outstanding Interest.

(2) The Issuer may only redeem a Note under paragraph (c) if:

(A) the Issuer has given at least ten Business Days' (and no more than 45 Business Days') notice to the Trustee, the Holders and ASX; and

(B) the proposed Redemption Date nominated by the Issuer is an Interest Payment Date.

(d) **(Effect of notice)**

Notice under this clause 4.2 is irrevocable and on the day specified in the notice the Issuer must redeem each Note at its principal amount plus all Outstanding Interest. The accidental or inadvertent failure to give notice to an individual Holder will not invalidate notice under this clause.

4.3 Early redemption at Holders' election – Change of Control Event

(a) If a Change of Control Event occurs, and the Issuer has not within 45 days after the occurrence of the Change of Control Event given notice under clause 4.2 electing to redeem the Notes, the Holder of a Note may require the Issuer to redeem all (but not some) of its Notes on the Change of Control Event Redemption Date at their principal amount plus any Outstanding Interest.

(b) On or before the first day of the Change of Control Event Redemption Period, if the Issuer has not given notice under clause 4.2 electing to redeem the Notes, the Issuer must give notice of the Change of Control Event to the Trustee, the Holders and ASX (a **Change of Control Event Notice**). The Change of Control Event Notice will contain a statement informing Holders of their right to require redemption of the Notes pursuant to this clause 4.3 and will also specify:

(1) the material facts constituting the Change of Control Event;

(2) the closing price of the Notes on the day that the Notes were trading on ASX immediately prior to the occurrence of the Change of Control Event;

(3) the form of the exercise notice (**Change of Control Event Redemption Exercise Notice**);

(4) the last day of the Change of Control Event Redemption Period; and

(5) such other information relating to the Change of Control Event as the Trustee may reasonably require.

(c) To exercise the right under paragraph (a), a Holder must deliver to the Registrar (as agent for the Issuer) a duly completed and signed Change of Control Event Redemption Exercise Notice, in the form attached to the Change of Control Event Notice (or, if the Issuer does not give a Change of Control Event Notice to the Trustee, the Holders and ASX as required under this clause 4.3 on or before the first day of the Change of Control Event Redemption Period, in such form containing sufficient details to enable the Issuer to redeem the Notes as may be approved by the Trustee) at any time in the Change of Control Event Redemption Period.

(d) A Change of Control Event Redemption Exercise Notice is irrevocable, and the Issuer must redeem all Notes the subject of the Change of Control Event Redemption Exercise Notice on the relevant Change of Control Event Redemption Date for their principal amount plus any Outstanding Interest.

4.4 Failure to redeem

If the Issuer fails to redeem the Notes when due, interest will continue to accrue on the Notes at the rate applicable to them on their Redemption Date and must be paid to the relevant Holders upon redemption of the Notes.

4.5 Purchase

(a) The Issuer and any of its Related Bodies Corporate may at any time on or after the fifth anniversary of the Issue Date purchase Notes in the open market or otherwise and at any price.

(b) Notes purchased under this clause 4.5 may be held, resold or cancelled at the discretion of the purchaser (and, if the Notes are to be cancelled, the Issuer), subject to compliance with any applicable law or requirement of ASX.

4.6 Cancellation

Notes redeemed, or purchased by the Issuer or a Related Body Corporate which the Issuer elects to cancel, will be cancelled by the Issuer and may not be resold.

5 Events of Default

5.1 Events of Default

Each of the following is an Event of Default in relation to the Notes (whether or not it is in the control of the Issuer):

(a) subject to clause 3.4, the Issuer fails to pay any principal or interest or other amounts due and payable in respect of the Notes or any of them in full within 30 days of its due date; or

(b) an order is made (other than an order successfully appealed or permanently stayed within 30 days) by a State or Federal Court in the Commonwealth of Australia or a resolution is passed by the shareholders of the Issuer for the winding up of the Issuer (other than for the purposes of the Solvent Reorganisation of the Issuer).

5.2 Consequences of an Event of Default

(a) If any Event of Default occurs which is continuing in relation to the Notes then the Trustee may by written notice to the Issuer declare the principal amount together with all Outstanding Interest applicable to each Note held by the Holders to be due and payable immediately or on such other date specified in the notice, or take any other action permitted by the Trust Deed.

(b) The Trustee is not bound to take any of the actions referred to in paragraph (a) to enforce the obligations of the Issuer in respect of the Notes or any other action pursuant to or in connection with the Trust Deed or the Notes unless:

  (1) it shall have been so directed by a Holder Resolution or so requested in writing by the Holders of at least one-fifth of the aggregate of the principal amount of all Notes Outstanding (ignoring any Notes held by the Issuer or any of its Related Bodies Corporate and not cancelled); and

  (2) it shall have been indemnified to its satisfaction (acting reasonably) in respect of all liabilities, costs, charges, damages and expenses (including any management time) which it may incur, as more fully set out in the Trust Deed.

5.3 Enforcement by Trustee, Holders

The rights of the Trustee and the Holders to take action against the Issuer to enforce the Notes or the Trust Deed are limited as provided in the Trust Deed.

5.4 Notification

The Issuer must promptly, after becoming aware of an Event of Default that is continuing, notify the Trustee and ASX of that Event of Default.

6 Payments

6.1 Payment of principal

Payments of principal in respect of a Note (together with all payments of interest due on redemption of the Note) will be made to the person registered at 10:00am on the Maturity Date or relevant Redemption Date (as applicable) as the Holder of that Note.

6.2 Payment of interest

Payments of interest in respect of a Note (other than payments of interest due on redemption of the Note) will be made to the person registered at the Record Date as the Holder of that Note.

6.3 Manner of payment

(a) Amounts payable to a Holder in respect of the Notes will be paid by direct credit to an account nominated by the Holder at an Australian financial institution by notice to the Registry not less than eight calendar days before the date for payment.

(b) Where a payment cannot be made in accordance with paragraph (a) because a Holder has not provided account details, or the Issuer determines that the account details are incorrect or the relevant account has been closed, the Issuer is under no obligation to make the relevant payment until correct account details have been provided.

(c) Where a payment cannot be made in accordance with paragraph (a) on the due date because a financial institution is not open for business (or is not open for business in the place where the account is kept) on that date, the Issuer is under no obligation to make the relevant payment until the payment can be made.

(d) The Holder is not entitled to any interest or other amount in respect of a delay in payment under paragraphs (b) or (c).

6.4 Payments net of deductions

(a) The Issuer may deduct from any interest or other amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount.

(b) The Issuer shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without unreasonable delay after it is received by the Issuer.

Appendix A. Terms of Issue continued

6.5 Payments generally

Payments in respect of the Notes will be made in accordance with the provisions relating to payment set out in clause 4.2 of the Trust Deed.

7 Further issues

The Issuer may from time to time, without the consent of the Holders, issue further notes under the Trust Deed on different terms so as to form part of a separate series of notes as the Notes, or issue any other bonds, notes, shares or any other form or type of securities, or incur or guarantee any indebtedness, upon such terms as it may think fit in its sole discretion.

8 Time limit for claims

A claim against the Issuer for a payment under the Notes is void unless made within five years after the date on which payment first became due.

9 Amendments

9.1 Amendments without consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer and Trustee may without the consent of the Holders, amend these Terms of Issue or the Trust Deed if the Trustee is of the opinion that such alterations are:

(a) of a formal or technical or minor nature;

(b) made to cure any ambiguity or correct any manifest error;

(c) made to increase the Maximum Level or reduce the Minimum Level;

(d) necessary or expedient for the purpose of enabling the Notes to be:

  (1) listed for quotation, or to retain quotation, on any stock exchange; or

  (2) offered for subscription or for sale under the laws for the time being in force in any place,

  and (in the case of each of paragraph (1) and (2) above) the Issuer has provided to the Trustee an opinion of independent legal advisers of recognised standing in New South Wales that such alteration is otherwise not materially prejudicial to the interests of Holders as a whole;

(e) necessary to comply with:

  (1) the provisions of any statute or the requirements of any statutory authority; or

  (2) the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Issuer may propose to seek a listing or quotation of the Notes,

  and (in the case of each of paragraph (1) and (2) above) the Issuer has provided to the Trustee an opinion of independent legal advisers of recognised standing in New South Wales that such alteration is otherwise not materially prejudicial to the interests of Holders as a whole; or

(f) not, and not likely to become, taken as a whole and in conjunction with all other amendments to be made contemporaneously with that amendment, materially prejudicial to the interests of Holders generally,

  and in any case, unless a Rating Agency Event has occurred, the Issuer confirms to the Trustee that it is satisfied that the amendments will not cause the Notes to cease to have a High Equity Content classification assigned to them by the Rating Agency.

9.2 Amendments with consent

At any time and from time to time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may with the approval of the Trustee amend these Terms of Issue or the Trust Deed if a Special Resolution is passed in favour of such alteration.

10 Notices

Notices under these Terms of Issue are to be given in accordance with the provisions of the Trust Deed.

11 Governing law and jurisdiction

11.1 Governing law

The Notes and these Terms of Issue are governed by the laws of New South Wales, Australia.

11.2 Submission to jurisdiction

The Issuer, the Trustee and each Holder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia in connection with matters concerning the Notes or these Terms of Issue. The Issuer, Trustee and each Holder waive any right they have to object to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

12 Definitions and interpretation

12.1 Defined Terms

The following defined terms apply in these Terms of Issue:

Accounting Event	occurs if there is a change in Current Accounting Practice after the Issue Date and the Rating Agency confirms publicly or in writing to the Issuer that as a result of the change the Mandatory Deferral Condition no longer satisfies the criteria for the Notes to receive a High Equity Content classification under the methodology applied by the Rating Agency.
Adjusted Net Debt	in relation to a Testing Date, total current and non-current interest bearing liabilities, adjusted to remove any fair value adjustments on borrowings in hedge relationships, less cash and cash equivalents, all as disclosed in the more recent of: 1 the audited full year consolidated financial statement of the Issuer (and its controlled entities) for the full year ended on the immediately prior 30 June; and 2 the reviewed consolidated interim financial statements of the Issuer (and its controlled entities) for the half year ended on the immediately prior 31 December, or, if not disclosed in the audited consolidated financial statements or reviewed consolidated interim financial statements of the Issuer (and its controlled entities), as otherwise publicly disclosed to Holders.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market it operates.
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX Settlement Operating Rules	the settlement operating rules of ASX Settlement from time to time.
Australian Tax Act	the *Income Tax Assessment Act 1936* (Cth) and, where applicable, the *Income Tax Assessment Act 1997* (Cth).
Bank Bill Rate	for the relevant Interest Period, the average mid rate for Bills having a tenor of three months as displayed on the "BBSW" page of the Reuters Monitor System on the first Business Day of the Interest Period. However, if the average mid rate is not displayed or the Issuer determines that there is an obvious error in that rate, **Bank Bill Rate** means the rate determined by the Issuer in good faith at approximately 10:30am on that day having regard, to the extent possible, to the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time (including any displayed on the "BBSY" or "BBSW" page of the Reuters Monitor System).
Bill	has the meaning it has in the *Bills of Exchange Act 1909* (Cth) and a reference to the acceptance of a Bill is to be interpreted in accordance with that Act.
Business Day	has the same meaning as in the Listing Rules, but where used in the definitions of "Bank Bill Rate", "Change of Control Event Redemption Date", "First Optional Redemption Date", "Interest Payment Date", "Maturity Date" and in clause 4.2(a)(2), excludes a day on which major trading banks are not open for business in Sydney.
Capital Event	occurs if the Notes cease to have High Equity Content as a result of a change occurring after the Issue Date in the methodology applied by the Rating Agency.
Change in Law	1 any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation; 2 any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or 3 any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known.

Appendix A. Terms of Issue continued

Change of Control Event	occurs if after the Issue Date: 1 any person makes a takeover bid (as defined in the Corporations Act) to acquire some or all of the Issuer's ordinary shares and the offer is, or becomes, unconditional and the offeror is in, or becomes in, the position to cast more than one half of the maximum number of votes that may be cast at a general meeting of the Issuer; 2 a court makes an order to approve a scheme of arrangement under Part 5.1 of the Corporations Act which, when implemented, will result in a person being in the position to cast more than one half of the maximum number of votes that may be cast at a general meeting of the Issuer; or 3 a person together with its associates (as defined in section 12 of the Corporations Act) acquires or comes to hold legally or beneficially more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer, (such other person or person together with its associates being a **Relevant Person**), provided that a Change of Control Event will not have occurred if the persons holding, directly or indirectly, more than 50% of the voting shares of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control Event were, persons who held, directly or indirectly, more than 50% of the voting shares of the Issuer.
Change of Control Event Redemption Date	the date which is 45 days after the expiry of the Change of Control Event Redemption Period or, if that date is not a Business Day, the next Business Day.
Change of Control Event Redemption Period	the period beginning on the date falling 45 days after the occurrence of the Change of Control Event and ending on the date which is 45 days from that date.
Corporations Act	*Corporations Act 2001* (Cth).
Credit Rating	in relation to the Issuer at any time, the issuer corporate credit rating granted by the Rating Agency or (if applicable) a Subsequent Ratings Agency at that time to the Issuer. For this purpose, "Subsequent Ratings Agency" means, where the Rating Agency is no longer assigning a corporate credit rating for the Issuer for any reason, a ratings agency identified by the Issuer, being of equivalent market standing and capable of assigning a corporate credit rating in respect of the Issuer.
Current Accounting Practice	at a relevant time, means accounting principles and practices applying by law and otherwise generally accepted in Australia at that time, consistently applied.
Deferred Interest Payment	at any time, any interest deferred under clause 3.4(a) which has not been paid at that time.
Director	a Director of the Issuer.
Early Redemption Date	means the date on which the Note is to be redeemed in accordance with clause 4.2.
Early Redemption Event	a Capital Event, Change of Control Event or Tax Event.
Event of Default	has the meaning in clause 5.1.
First Optional Redemption Date	8 June 2019, or, if that date is not a Business Day, the next Business Day.
High Equity Content	in relation to securities, a "high equity content" classification assigned to the securities by the Rating Agency in the sense used by the Rating Agency which is the same or a higher category of equity credit as was attributed to the Notes at the Issue Date.
Holder	in relation to any Note, a person whose name is for the time being registered in the Register as the holder of that Note.
Holder Resolution	1 a resolution passed at a meeting of Holders duly called and held under the Meeting Provisions: • by more than 50% of the persons voting on a show of hands (unless the second bullet point of this paragraph 1 applies); or • if a poll is duly demanded, then by a majority consisting of more than 50% of the votes cast; or 2 if the meeting is by postal ballot or written resolution, then by Holders representing (in aggregate) more than 50% of the principal amount of all of the outstanding Notes.

Initial Margin	the rate expressed as a percentage per annum determined by the Issuer on the basis of the bids made under the bookbuild process as described in the prospectus issued by the Issuer on or about 28 February 2012 in respect of the Notes.
Interest Cover Ratio	means, in relation to a Testing Date, the ratio of Operating EBITDA to Relevant Net Interest Paid.
Interest Payment Dates	in relation to a Note: 1 each 8 June, 8 September, 8 December and 8 March, commencing on 8 June 2012 and falling on or before the Redemption Date of the Note; and 2 the Maturity Date (unless earlier redeemed or cancelled in accordance with these Terms of Issue), or, if such date is not a Business Day, the following Business Day.
Interest Period	in respect of a Note: 1 the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date; and 2 thereafter, the period from (and including) each Interest Payment Date to (but excluding) the first to occur of: • the next Interest Payment Date; and • the Redemption Date in respect of that Note.
Interest Rate	for any Interest Period, the Interest Rate determined in accordance with clause 3.
Issue Date	the date of issue of the Notes.
Issuer	AGL Energy Limited (ABN 74 115 061 375).
Listing Rules	the listing rules of ASX, as amended or replaced from time to time.
Leverage Ratio	means, in relation to a Testing Date, the ratio of Relevant Net Debt (divided by two) to Operating EBITDA.
Mandatory Deferral Condition	starts to subsist on a Testing Date (the **Commencing Testing Date**) if: 1 the Interest Cover Ratio is less than the Minimum Level; or 2 the Leverage Ratio is above the Maximum Level and was above the Maximum Level on the immediately preceding Testing Date and continues to subsist until the next Testing Date (the **Ending Testing Date**) on which: 3 the Interest Cover Ratio is at or above the Minimum Level; and 4 if the Mandatory Deferral Condition commenced under paragraph 2, or the Leverage Ratio has exceeded the Maximum Level on any two consecutive Testing Dates on or after the Commencing Testing Date, the Leverage Ratio is at or below the Maximum Level and was at or below the Maximum Level on the immediately preceding Testing Date.
Maturity Date	8 June 2039, or, if that date is not a Business Day, the next Business Day.
Maximum Level	4.0 times.
Meeting Provisions	The provisions for meetings of the Holders set out in schedule 2 of the Trust Deed.
Minimum Level	3.0 times.
Net Interest Paid	in relation to a Testing Date, the amount of interest paid, less the amount of interest received, by the Issuer (and its controlled entities) for the more recent of: 1 the six month period ended on the immediately prior 30 June, as calculated by reference to the audited full year consolidated financial statement of the Issuer (and its controlled entities) for the full year ended on that date, less the equivalent items in the reviewed consolidated interim financial statements of the Issuer (and its controlled entities) for the half year ended on the prior 31 December; and 2 the six month period ended on the immediately prior 31 December, as reported in the reviewed consolidated interim financial statements of the Issuer (and its controlled entities) for that period, or, if not disclosed in the audited full year consolidated financial statement or reviewed consolidated interim financial statements of the Issuer (and its controlled entities), as otherwise publicly disclosed to Holders.
Noteholder Claims	has the meaning in clause 2(b).
Notes	the redeemable subordinated notes issued or to be issued by the Issuer on these Terms of Issue.
Offshore Associate	an associate (as defined in section 128F of the Australian Tax Act) of the Issuer that is either: 1 a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or 2 a resident of Australia that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.

Appendix A. Terms of Issue continued

Operating EBITDA	in relation to a Testing Date, the underlying earnings before interest, tax, depreciation and amortisation of the Issuer (and its controlled entities) for the more recent of: 1 the six month period ended on the immediately prior 30 June, as calculated by reference to the note setting out the underlying results for the Issuer (and its controlled entities) contained within the audited full year consolidated financial statement of the Issuer (and its controlled entities) for the full year ended on that date, less the equivalent item in the reviewed consolidated interim financial statements of the Issuer (and its controlled entities) for the half year ended on the prior 31 December; and 2 the six month period ended on the immediately prior 31 December, as reported in the notes setting out the underlying results for the Issuer (and its controlled entities) contained within the reviewed consolidated interim financial statements of the Issuer (and its controlled entities) for that period, or, if not disclosed in the audited full year consolidated financial statement or reviewed consolidated interim financial statements of the Issuer, as otherwise publicly disclosed to Holders.
Outstanding	in relation to a Note means the Note has not been redeemed or re-purchased and cancelled.
Outstanding Interest	in relation to a Note at any time, the aggregate of: 1 any Deferred Interest Payment in respect of that Note at that time; and 2 any other accrued and unpaid interest in respect of that Note at that time (including any interest accrued or compounded under clause 3.5).
Parity Amount	in respect of a share is a reference to the maximum amount the holder of such a share would be entitled to receive (whether by way of return of capital, participation in any profits or surplus, payment of any debt due to the holder in its capacity as a member or otherwise) in respect of such share assuming the Issuer had sufficient assets to satisfy that entitlement after satisfaction of all claims ranking in priority to it.
Parity Creditors	any unsecured, subordinated creditor of the Issuer whose claim is expressed to rank equally with the Issuer's obligations under the Notes.
Parity Shares	preference shares in the capital of the Issuer that are expressed to rank equally with the Notes for return of capital.
Rating Agency	Standard & Poor's (Australia) Pty Limited (ABN 62 007 324 852) or its successors.
Rating Agency Event	1 receipt by the Issuer of advice in writing from the Rating Agency that as a result of a change in the methodology applied by the Rating Agency the Notes no longer satisfy the criteria for receiving a High Equity Content classification from the Rating Agency; or 2 the Issuer ceasing to hold a Credit Rating.
Record Date	means for payment of interest: 1 the date which is eight calendar days before the Interest Payment Date upon which such interest actually falls due for payment; or 2 such other date as is determined by the Directors in their absolute discretion and communicated to ASX not less than seven Business Days before the specified Record Date, or in either case such other date as may be required by ASX.
Redemption Date	in respect of any Note, the date for redemption of that Note in accordance with the Terms of Issue, including any Early Redemption Date or the First Optional Redemption Date.
Register	the register of Holders (established and maintained in accordance with the Trust Deed) and, where appropriate, includes: 1 a sub-register conducted by or for the Issuer pursuant to the Corporations Act, the Listing Rules or ASX Settlement Operating Rules; and 2 any branch register.
Registrar	Link Market Services Limited (ABN 54 083 214 537) in its capacity as registrar of the Notes or such other person appointed by the Issuer to maintain the Register on the Issuer's behalf from time to time.
Related Body Corporate	has the meaning given to it in the Corporations Act.

Relevant Net Debt	Adjusted Net Debt: 1 less 100% of the outstanding balance of Notes; and 2 less the Relevant Percentage of the outstanding balance of each other Relevant Security (if any), in each case as expressed in Australian dollars on the same basis and for the same balance date as applies to the determination of Adjusted Net Debt and, if not disclosed in the audited full year consolidated financial statement or reviewed consolidated interim financial statements of the Issuer (and its controlled entities), as otherwise publicly disclosed to Holders.
Relevant Net Interest Paid	Net Interest Paid: 1 less 100% of the interest paid on the Notes; and 2 less the Relevant Percentage of the interest paid on each other Relevant Security, in each case for the same period and determined on the same basis as applies to the determination of Net Interest Paid and, if not disclosed in the audited full year consolidated financial statement or reviewed consolidated interim financial statements of the Issuer (and its controlled entities), as otherwise publicly disclosed to Holders.
Relevant Percentage	means at any time, the percentage of equity credit attributed by the Rating Agency to a Relevant Security at that time.
Relevant Security	means shares in the capital of, or any indebtedness in the form of or represented by notes, bonds, debentures or other securities issued by, the Issuer (or any of its controlled entities) other than the Notes that: 1 is included in Adjusted Net Debt; and 2 has been attributed with equity credit by the Rating Agency.
Senior Creditor	all creditors (including subordinated creditors) of the Issuer other than the Trustee (in respect of the principal of and interest on the Notes), the Holders, any Parity Creditors and the holders of the Issuer's shares.
Solvent Reorganisation	with respect to the Issuer, a solvent winding-up, deregistration, dissolution, scheme of arrangement or other reorganisation of the Issuer solely for the purposes of a consolidation, amalgamation, merger or reconstruction, the terms of which have been approved by the shareholders of the Issuer or by a court of competent jurisdiction, under which the continuing or resulting corporation effectively assumes the obligations of the Issuer under the Notes and the Trust Deed.
Special Resolution	1 a resolution passed at a meeting of the Holders duly called and held under the Meeting Provisions: • by at least 75% of the persons voting on a show of hands (unless the second bullet point of this paragraph 1 applies); or • if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or 2 a resolution passed by postal ballot or written resolution by Holders representing (in aggregate) at least 75% of the principal amount of all of the outstanding Notes.
Step-up Margin	the Initial Margin plus an additional 0.25% per annum.
Tax	means any tax, levy, impost, deduction, charge or withholding or duty (including stamp duty and transaction duty) imposed by any authority together with any related interest, penalties and expenses in connection with them.
Tax Event	occurs where, on or after the Issue Date, the Issuer receives an opinion of a nationally recognised legal counsel or other tax adviser in a relevant tax jurisdiction, experienced in such matters that, as a result of a Change in Law after the Issue Date, payment of interest would no longer, or within 90 calendar days of the date of that opinion will no longer, be fully deductible (or the entitlement to make such deduction shall be materially reduced) by the Issuer for the purposes of the Issuer's Australian tax purposes or the tax purposes of any other relevant tax jurisdiction.
Testing Date	any date on which the Issuer first releases to the public its audited full year consolidated financial statement in respect of a reporting period ended on 30 June or its reviewed consolidated interim financial statements in respect of a reporting period ended on 31 December of any given year.
Terms of Issue	these terms and conditions of issue.
Trust Deed	the Trust Deed dated on or about 28 February 2011 between the Issuer and the Trustee as amended from time to time.
Trustee	Australian Executor Trustees Limited (ABN 84 007 869 794).

Appendix A. Terms of Issue continued

12.2 Interpretation

In these Terms of Issue, except where the context otherwise requires:

(a) the singular includes the plural and vice versa, and a gender includes other genders;

(b) another grammatical form of a defined word or expression has a corresponding meaning;

(c) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

(d) a reference to $ or dollars is to Australian currency;

(e) a reference to time is to Sydney, Australia time;

(f) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;

(g) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(i) a reference to ASIC, ASX Settlement or ASX or another body:

(1) where that body ceases to exist; or

(2) where its powers or functions are transferred to another body,

is a reference to the applicable body which replaces it or which substantially succeeds to its powers or functions;

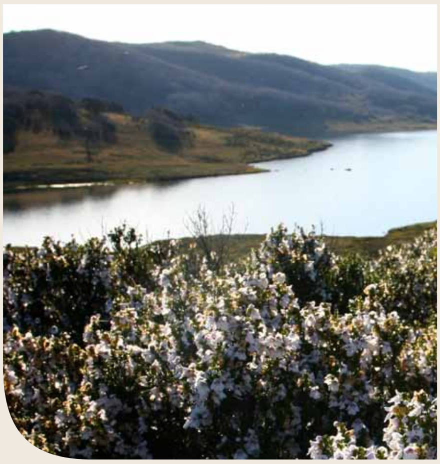
(j) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;

(k) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally; and

(l) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

Glossary

B



Appendix B. Glossary

2P	the sum of Proved plus Probable Reserves, where Probable Reserves are those reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable (2P) Reserves.
3P	the sum of Proved plus Probable plus Possible Reserves, where Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario.
ABN	Australian Business Number.
ACCC	the Australian Competition & Consumer Commission.
Accounting Event	has the meaning given in the Terms.
Adjusted Net Debt	has the meaning given in the Terms.
AEMO	Australian Energy Market Operator.
AEST	Australian Eastern Standard Time.
AGL	AGL Energy Limited (ABN 74 115 061 375).
AGL Energy Subordinated Notes	the subordinated unsecured notes to be issued by AGL under this Prospectus on the terms and conditions set out in Appendix A.
Allocation	the number of Notes allocated under this Prospectus to: – Eligible Shareholders and Eligible Customers at the end of the Offer Period; – Syndicate Brokers and Institutional Investors through the Bookbuild; and – Broker Firm Applicants by their relevant Syndicate Brokers.
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111).
Applicant	a person who makes an Application.
Application	a valid application for the Notes made under this Prospectus by using the applicable Application Form to apply for a specified number of Notes.
Application Form	the application form attached or accompanying the Prospectus (including the electronic from provided by an online application facility).
Application Payment	payment which is to accompany the Application Form.
Arranger	Deutsche Bank.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market it operates.
ASX Settlement Operating Rules	has the meaning given in the Terms.
Australian Accounting Standards	the Australian International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.
Bank Bill Rate	has the meaning given in the Terms.
Board	the board of directors of AGL.
Bookbuild	the process described in Section 3.6.1 to determine the Margin.
Broker Firm Applicant	an Australian resident retail client (or high net worth clients in certain other permitted jurisdictions) of a Syndicate Broker invited to participate through their Broker Firm Offer.
Broker Firm Offer	the Offer of the Notes under this Prospectus to Australian resident retail clients or high net worth clients in certain other permitted jurisdictions of Syndicate Brokers who are resident in Australia and have received a firm Allocation from their Syndicate Broker.
Business Day	has the meaning given in the Terms.

Capital Event	has the meaning given in the Terms.
Change of Control Event	has the meaning given in the Terms.
CHESS	the Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.
Clean Energy Act	*Clean Energy Act 2011* (Cth).
Closing Date	the last date by which applications must be lodged for the Offer, being: > 5:00pm on 30 March 2012 for the Shareholder Offer and Customer Offer (unless varied); and > 10:00am on 3 April 2012 for the Broker Firm Offer (unless varied).
Co-Managers	Morgan Stanley Smith Barney, Ord Minnett and Westpac Institutional Bank.
Commonwealth Bank	Commonwealth Bank of Australia (ABN 48 123 123 124).
Corporations Act	*Corporations Act 2001* (Cth).
Customer Applicant	an Eligible Customer who applies under the Customer Offer.
Customer Offer	the invitation to Eligible Customers who are resident in Australia to apply for the Notes under this Prospectus.
Deferred Interest Payments	has the meaning in the Terms.
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162).
Directors	the directors of AGL.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Eligible Customer	a customer of AGL or any of its subsidiaries at 7:00pm AEST on 24 February 2012 with an address in Australia.
Eligible Shareholder	a registered holder of Ordinary Shares shown on the Register at 7:00pm AEST on 24 February 2012 with an address in Australia.
EPS	earnings per share.
Equity Offer	a pro rata renounceable rights entitlement offer or offers of Ordinary Shares to raise $850 million.
Event of Default	has the meaning given in the Terms.
Exposure Period	the seven day period (as may be extended by a further seven days by ASIC) after the date the Prospectus is lodged with ASIC during which the Corporations Act prohibits the processing of applications for the Notes.
Face Value	the principal value of each Note, being $100.
First Optional Redemption Date	has the meaning given in the Terms.
GEAC	Great Energy Alliance Corporation Pty Limited (ABN 69 105 266 028).
GEAC Acquisition	AGL's proposed acquisition to acquire 100% of GEAC and to repay $1,128.9 million of GEAC's project level debt.
GJ	gigajoule.
GreenPower™	GreenPower Accredited Renewable Energy program, a government accreditation program (joint initiative of the Australian Capital Territory, New South Wales, South Australia, Queensland, Victoria and Western Australia governments) for renewable energy.
Gross Margin	sales revenue less cost of sales.
GST	the goods and services tax levied under the GST Act.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
GWh	gigawatt hour.
High Equity Content	see Section 2.1.6.

Appendix B. Glossary continued

high net worth clients	clients of Syndicate Brokers in Hong Kong, New Zealand and Singapore to whom Notes are able to be offered in compliance with the Offer Management Agreement and the selling restrictions set out in Section 9.7.
HIN	a Holder Identification Number for the Notes (when issued) held on the CHESS sub-register.
Holder	in relation to any Note, a person whose name is for the time being registered in the Register as the holder of that Note.
Holding Statements	a statement issued to Holders by the Registry which sets out details of the Notes issued to them under the Offer.
Institutional Investor	an investor to whom offers or invitations in respect of the Notes can be made without the need for a lodged prospectus (or other formality, other than a formality which AGL is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who has been invited by the Joint Lead Managers to bid for the Notes in the Bookbuild.
Institutional Offer	the invitation by the Joint Lead Managers to certain Institutional Investors to bid for the Notes in the Bookbuild.
Interest Cover Ratio	has the meaning given in the Terms.
Interest Payment Date	has the meaning given in the Terms.
Interest Period	has the meaning given in the Terms.
Interest Rate	has the meaning given in the Terms.
Investigating Accountants	Deloitte Touche Tohmatsu.
Issue Date	the date of issue of the Notes, expected to be 4 April 2012.
Issue Price	the issue price for the Notes under this Prospectus, being $100 per Note.
Issuer	AGL Energy Limited (ABN 74 115 061 375).
Joint Lead Managers	ANZ Securities, Commonwealth Bank, Deutsche Bank and National Australia Bank.
Leverage Ratio	has the meaning given in the Terms.
Listing Rules	the listing rules of ASX, as amended or replaced from time to time.
LRETS	Large-scale Renewable Energy Target Scheme.
LYMH	Loy Yang Marketing Holdings Pty Limited (ACN 105 758 316).
Mandatory Deferral Condition	has the meaning given in the Terms.
Margin	the margin to be determined under the Bookbuild, as may be increased pursuant to the Terms.
Market Rate	has the meaning given in Clause 3.2 of the Terms.
Maturity Date	has the meaning given in the Terms.
Maximum Level	has the meaning given in the Terms.
Minimum Level	has the meaning given in the Terms.
Morgan Stanley Smith Barney	Morgan Stanley Smith Barney (ABN 19 009 145 555).
MW	megawatt.
MWh	megawatt hour.
National Australia Bank	National Australia Bank Limited (ABN 12 004 044 937).
Net Debt	total current and non-current interest bearing liabilities only, less cash and cash equivalents.
Net Interest Paid	has the meaning given in the Terms.
NGER	National Greenhouse & Energy Reporting.

Notes	the subordinated unsecured notes to be issued by AGL under this Prospectus on the terms and conditions set out in Appendix A.
Offer	the offer by AGL of Notes under this Prospectus to raise approximately $650 million and any oversubscriptions which may be accepted.
Offer Period	the period from the Opening Date to the Closing Date.
OMA	the Offer Management Agreement dated 28 February 2012 between AGL and the Joint Lead Managers (See Section 9.4).
Opening Date	the day the Offer opens, being 7 March 2012, unless varied.
Operating EBITDA	has the meaning given in the Terms.
Ord Minnett	Ord Minnett Limited (ABN 86 002 733 048).
Ordinary Share	a fully paid ordinary share in the capital of AGL.
Outstanding Interest	has the meaning given in the Terms.
Parity Creditors	has the meaning given in the Terms.
Parity Shares	has the meaning given in the Terms.
PJ	petajoule.
Privacy Act	*Privacy Act 1988* (Cth).
Pro forma Acquisition Adjustments	the pro forma adjustments to reflect the acquisition of GEAC by AGL.
Pro forma Acquisition Balance Sheet	the acquisition balance sheet of GEAC as at 31 December 2011.
Pro forma Adjustments	the Pro forma Acquisition Adjustments, Pro forma AGL Equity Offer Adjustments and Pro forma Debt Restructure Adjustments.
Pro forma AGL Combined Balance Sheet	the balance sheet of AGL as at 31 December 2011 reflecting the impact of the: > Pro forma Offer Adjustments; > Pro forma Acquisition Balance Sheet; > Pro forma Acquisition Adjustments; > Pro forma AGL Equity Offer Adjustments; and > Pro forma Debt Restructure Adjustments.
Pro forma AGL Equity Offer Adjustments	the pro forma adjustments to reflect the impact of raising $850 million under the Equity Offer.
Pro forma AGL Post-Offer Balance Sheet	the Balance Sheet of AGL as at 31 December 2011 reflecting the impact of the Pro Forma Offer Adjustments.
Pro forma Debt Restructure Adjustments	the pro forma adjustments to reflect the assumed repayment of $1,128.9 million of GEAC's project level debt by AGL.
Pro forma Financial Information	Information prepared to provide investors with an indication of the potential impact of the GEAC Acquisition (including the proposed partial repayment of GEAC debt) and issue of equity under the Equity Offer on the financial position of AGL, subsequent to the issue of the AGL Energy Subordinated Notes.
Pro forma Offer Adjustments	$650 million raised from the issue of the Notes less transaction costs of $18.5 million, recognised within non-current interest bearing liabilities.
Prospectus	this document (including the electronic form of this Prospectus), as supplemented or replaced.
Rating Agency	Standard & Poor's (Australia) Pty Limited (ABN 62 007 324 852), or its successors.
REC	Renewable Energy Certificates.
Record Date	has the meaning given in the Terms.
Redemption Amount	the amount due on redemption of a Note, being the principal amount (or, some cases, 101% of the principal amount) of the Note plus any Outstanding Interest on the Note at the Redemption Date.

Appendix B. Glossary continued

Redemption Date	the date on which a Note is to be redeemed, as specified in the Terms.
Register	has the meaning given in the Terms.
Registrar	has the meaning given in the Terms.
Registry	Link Market Services Limited (ABN 54 083 214 537) or any other registry that AGL appoints to maintain the Register.
Relevant Net Debt	has the meaning given in the Terms.
Relevant Net Interest Paid	has the meaning given in the Terms.
Replacement Prospectus	the replacement prospectus that is expected to be lodged with ASIC on 7 March 2012 that will replace this Prospectus.
reserves	the estimates of reserves, as prepared in accordance with the definitions and guidelines set out in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers.
RET	Renewable Energy Target.
Shareholder Applicant	an Eligible Shareholder who applies under the Shareholder Offer.
Shareholder Offer	the invitation to Eligible Shareholders to apply for the Notes under this Prospectus.
Special Resolution	has the meaning given in the Terms.
SPRs	Share Performance Rights, which are an entitlement to one fully-paid Ordinary Share in AGL
SRES	Small-scale Renewable Energy Scheme.
SRN	Securityholder Reference Number for the Notes (when issued) held on any Issuer sponsored sub-register.
Statutory EBITDA	earnings before interest, tax, depreciation and amortisation as calculated from the AGL consolidated financial statements.
Statutory Profit	earnings after tax as disclosed in the income statement of the AGL consolidated financial statements.
Step-up Date	8 June 2019.
Step-up Margin	has the meaning given in the Terms.
Syndicate Broker	a Joint Lead Manager, Co-Manager or any other participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild (including any affiliate of the Joint Lead Managers).
Tax Event	has the meaning given in the Terms.
TEPCO	Tokyo Electric Power Company.
Terms or Terms of Issue	the terms and conditions of the Notes as set out in Appendix A.
Testing Date	has the meaning given in the Terms.
TFN	Tax File Number.
Trust Deed	the deed dated 28 February 2012 between AGL and the Trustee in relation to the Notes (see Section 9.3).
Trustee	Australian Executor Trustees Limited (ABN 84 007 869 794).
TWh	terawatt hour
Underlying EPS	EPS, as calculated on an adjusted basis to reflect the impact of acquisition accounting and one-off items by adding back to reported EPS the non-recurring significant items and fair value movements.
Underlying Profit	Statutory Profit, excluding items which, in the view of the Directors, do not reflect the performance of AGL's ongoing business.
Westpac Institutional Bank	Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141).

Application Forms

Appendix C. Application Forms

Application Forms will be available when the Offer opens which is expected to be on 7 March 2012.

Corporate directory

Issuer

AGL Energy Limited
Level 22, 101 Miller Street
North Sydney NSW 2060

Auditor

Deloitte Touche Tohmatsu Limited
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

Legal Adviser

Freehills
MLC Centre
19 Martin Place
Sydney NSW 2000

Tax Adviser

Greenwoods & Freehills
MLC Centre
19 Martin Place
Sydney NSW 2000

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Trustee

Australian Executor Trustees Limited
Level 22, 207 Kent Street
Sydney NSW 2000

Arranger and Joint Lead Manager

Deutsche Bank
Level 16, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Joint Lead Managers

ANZ Securities
Level 9, 833 Collins Street
Docklands VIC 3008

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

National Australia Bank
Level 25, 255 George Street
Sydney NSW 2000

Co-Managers

Westpac Institutional Bank
Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

Morgan Stanley Smith Barney
Level 14, 120 Collins Street
Melbourne VIC 3000

Ord Minnett
Level 8, NAB House
255 George Street
Sydney NSW 2000

How to contact us

AGL Energy Subordinated Notes Offer Information Line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia), Monday to Friday – 8:30am to 5:30pm AEST

Website

www.agl.com.au

abtprecinct.com.au

AGL