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ASX & Media Release

Market Update

2 May 2013

Later today, AGL's Managing Director, Michael Fraser will make a presentation to fund managers at the Macquarie Australia conference 2013.

A copy of that presentation is attached.

Further inquiries:

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About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

175 YEARS
SUPPORTING THE COMMUNITY

AGL

Macquarie Australia Conference

Michael Fraser, CEO & Managing Director | 2 May 2013

Disclaimer and important information

The information in this presentation:

- Is not an offer or recommendation to purchase or subscribe for securities in AGL Energy Limited or to retain any securities currently held.
- Does not take into account the potential and current individual investment objectives or the financial situation of investors.
- Was prepared with due care and attention and is current at the date of the presentation.

Actual results may materially vary from any forecasts (where applicable) in this presentation.

Before making or varying any investment in securities in AGL Energy Limited, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.

Statutory Profit and Underlying Profit

Statutory Profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with the International Financial Reporting Standards.

Underlying Profit is the Statutory Profit adjusted for significant items and changes in fair value of financial instruments.

Underlying Profit has been presented with reference to the Australian Securities and 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 external auditors of AGL.

Recent Highlights

Solid profit growth and strong cash flow

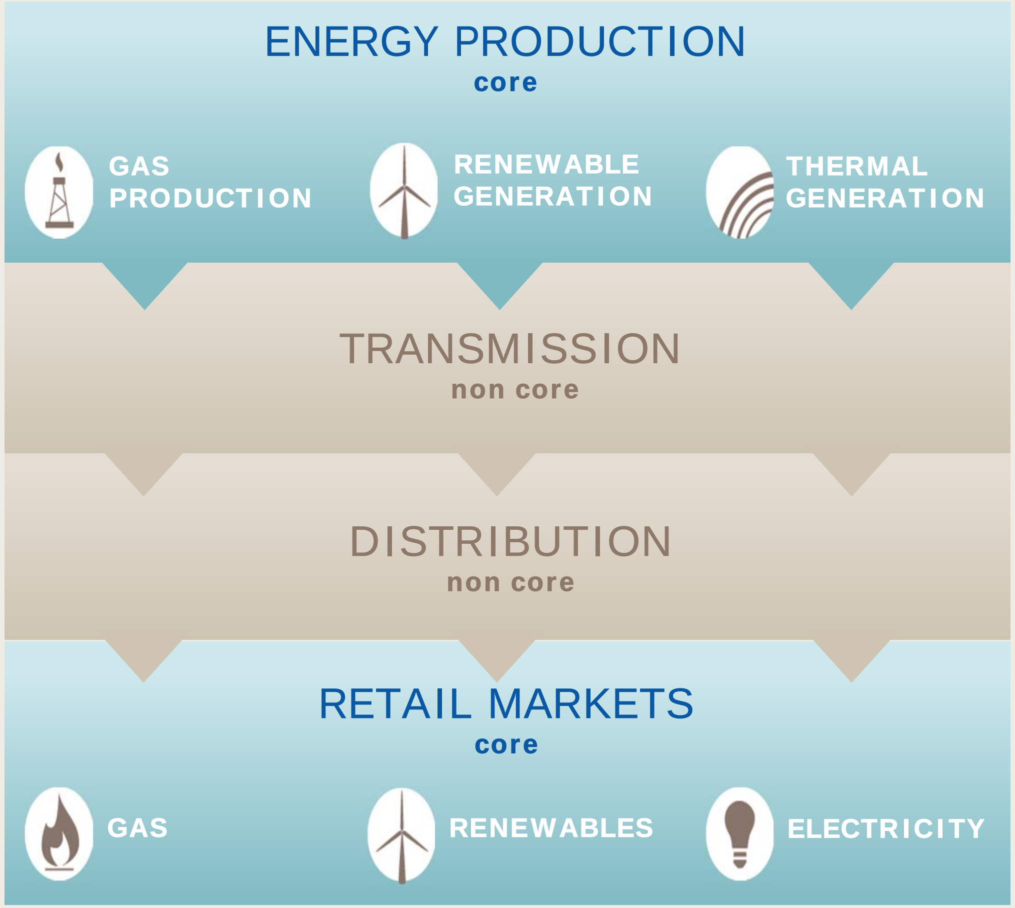
- 1H FY13 Underlying Profit up 20% to $279.4 million
  - Underlying Operating Cash Flow before interest and tax up $492.4 million
  - Merchant Operating EBIT up +82%
- Loy Yang A acquisition successfully integrated
- NSW represents AGL's largest electricity base with over 700,000 customers
  - Net growth over 275,000 since 1 January 2011
- Strong balance sheet and no debt refinancing until July 2014
- Macarthur wind farm (420 MW) commenced generating September 2012
- SA government deregulates electricity pricing from 1 February 2013
- Gloucester gas project receives Federal approval February 2013

Integrated Strategy

Delivering growth and diversity of earnings

Energy Production
Status

- 5,825 MW of operating capacity including 1,720 MW of renewable generation
- 10.2 TWh of self generation against sales of 15.7 TWh in H1
- 2,231 PJ of 2P gas reserves (including ATP 1103)
- 6.2 PJ of self production against sales of 80.1 PJ in H1
- Construction commenced on Newcastle gas storage
- Silver Springs gas storage capacity of 30 PJ with 30 TJ/day withdrawal capacity



Retail Markets
Status

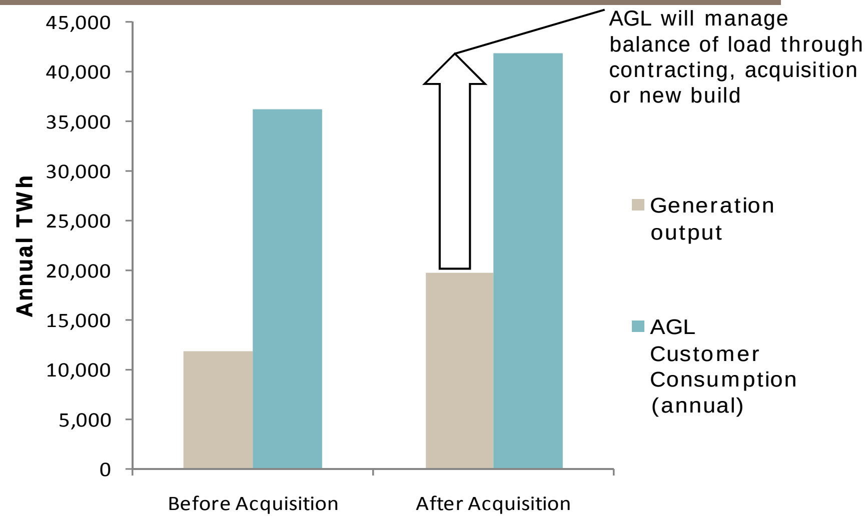
- 2.1 million electricity customers
- 1.4 million gas customers
- 1.7 million dual fuel customers
- 440,000 customers now online
- Over 500,000 e-billing accounts
- Over 350,000 customers linked to flybuys
- My Energy IQ launched
- AGL Smarter Living stores launched November 2012

Integrated strategy

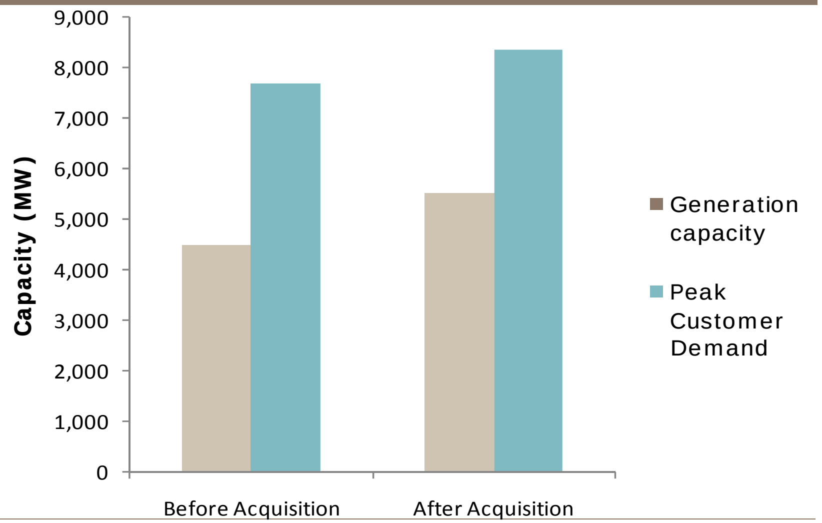
Loy Yang acquisition: Low cost generator providing scale benefits

- Improved coverage of retail load with owned and controlled generation
- Secured highly competitive fuel source against backdrop of rising energy costs
- Significantly increases AGL's owned and operated generation portfolio
- Provides ownership of one of the lowest cost generators in NEM
  - Inclusive or exclusive of carbon
- Acquisition metrics favourable to NSW privatisation

AGL Generation Output Profile



AGL Capacity Profile

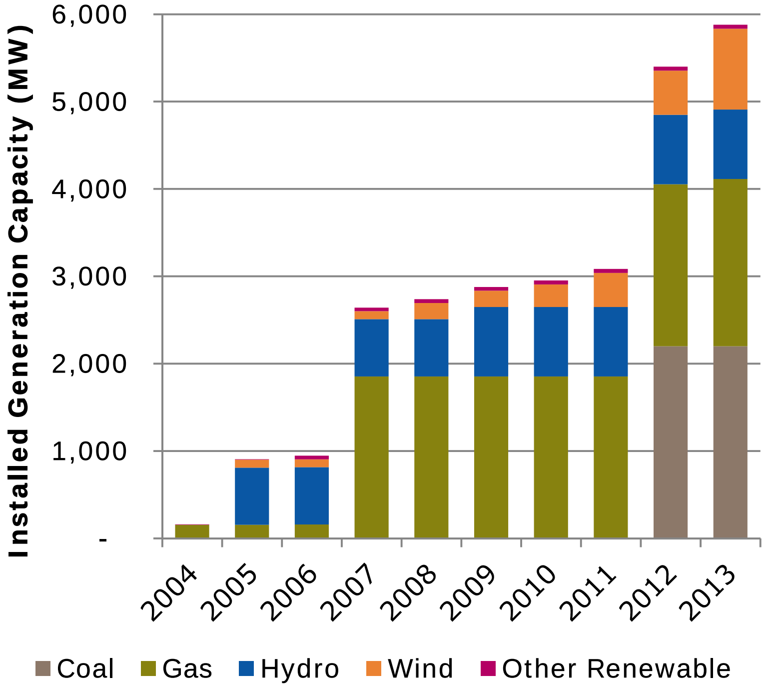


Source: AEMO, AGL estimates

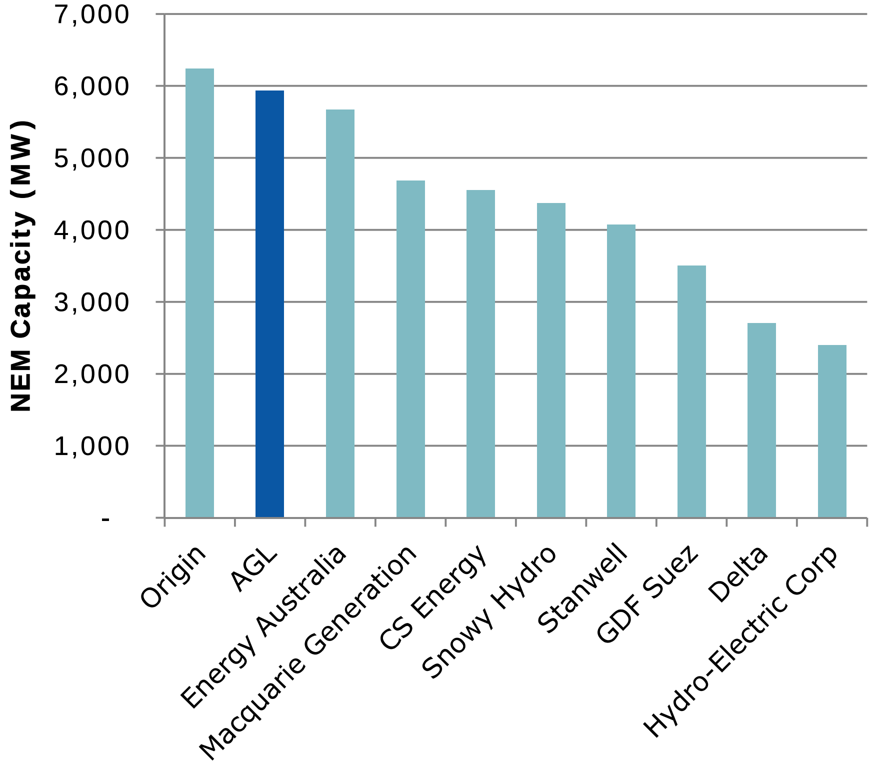
Merchant Energy: Generation portfolio

Large and diverse generation portfolio developed over a decade

AGL Electricity Generation Portfolio



NEM Capacity by Participant



Macarthur wind farm

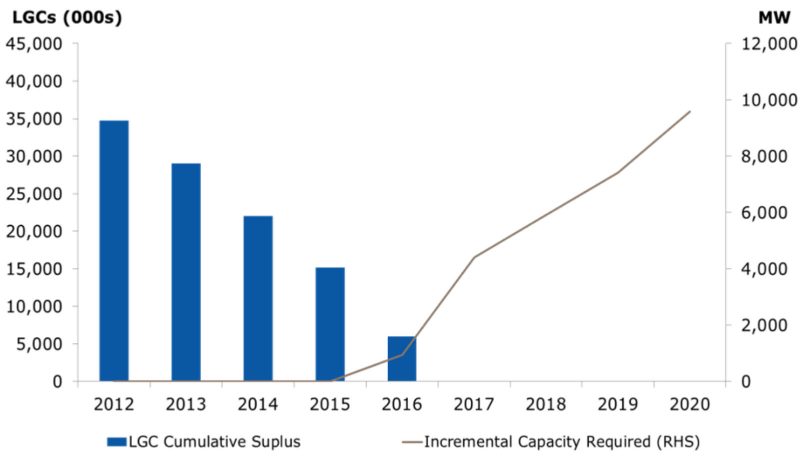
$1 billion project delivered on time and on budget

- Largest wind farm in southern hemisphere at 420 MW
  - 140 Vestas 112 - 3.0 MW wind turbines
  - Located 290km west of Melbourne
  - Capacity factor 35%
- 50:50 joint venture with Meridian Energy
  - 25-year PPA gives AGL access to all the energy and Large-Scale Generation Certificates (LGCs)
- Increases AGL's renewable capacity to 1,720 MW
- AGL project operator

Renewable Energy Target: LGCs

- LGC market continues to be over-banked until 2015/2016
- 2012 review of RET resulted in no changes to the target
- Next review due by end of 2014
- Under the current scheme to avoid shortfall the market requires:
  - ~950 MW of new renewable generation by 2016
  - ~9,600 MW of new renewable generation by 2020
- LGC price continues to be supressed by the oversupply

LRET Market



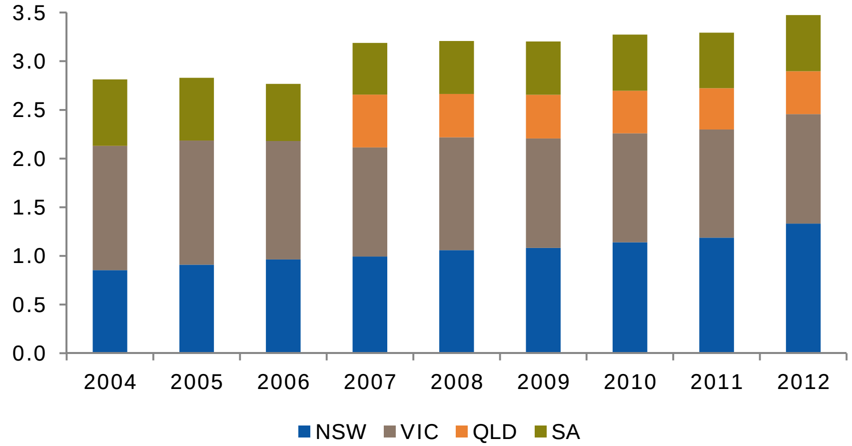
LGC Spot Prices ($)

Retail Energy: Customer base

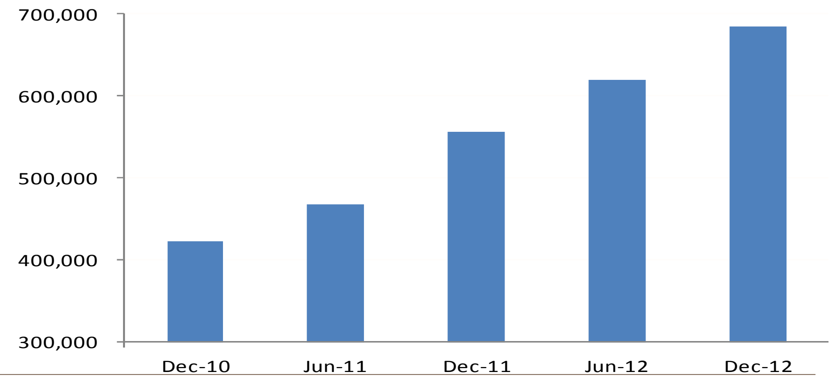
Strong market positions progressively built across NEM

- Customer growth achieved via a combination of acquisition and organic growth
  - Organic growth strategy has provided greater shareholder returns than participation in NSW privatisation process
- AGL's net NSW electricity customer growth is over 275,000 since 1 January 2011
- Leveraged off strength of brand in NSW with 175 years of history and multiple acquisition channels
- NSW acquisition strategy supported by access to non-aligned generators and soft wholesale market conditions

AGL customer numbers (million)



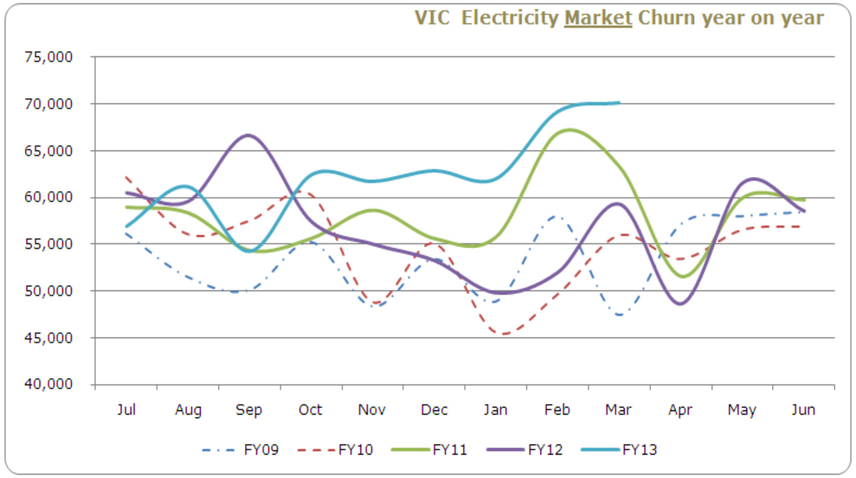
NSW electricity customer numbers

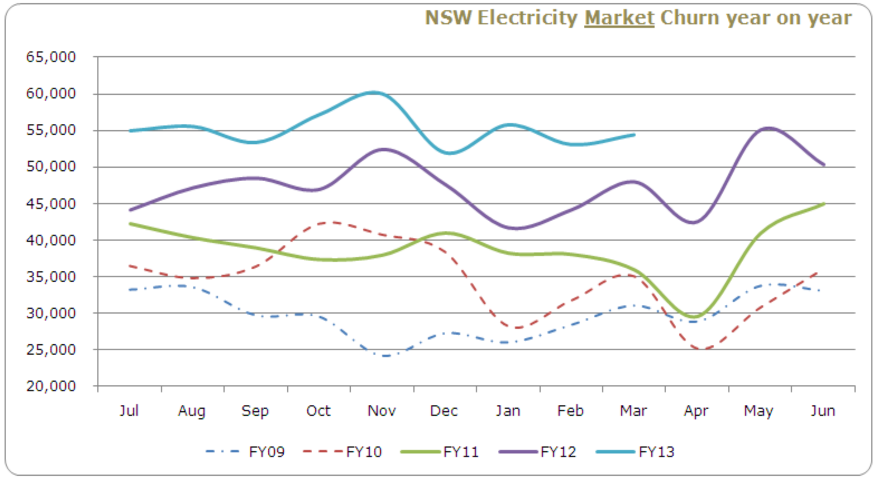


Retail Energy: Churn volumes unprecedented

Victoria and NSW competition intense and discount driven

- › AGL withdraws from doorknocking
  - » AGL remains focused on protecting brand and customer experience
  - » Potential impact on customer acquisition in 2H
- › Competition intensifies in Q4
  - › Origin understood to have substantially increased doorknocking activity
- › AGL has increased retention activity to counter heavy competitor discounting
  - » Emphasis on retention of high value customers





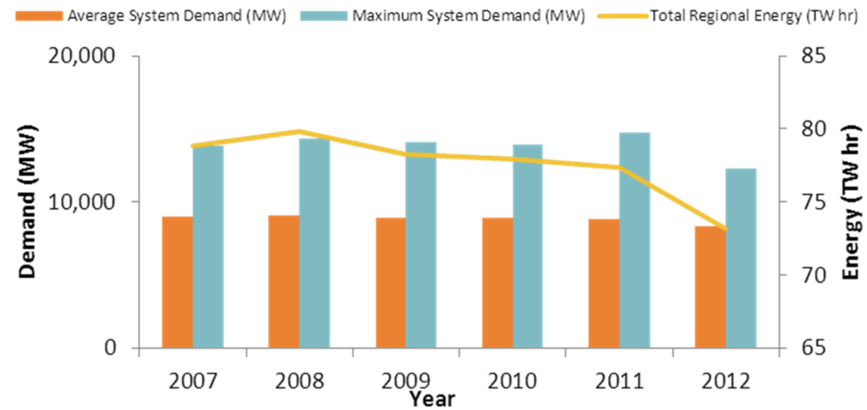
Source: AGL

Electricity demand weakens across economy

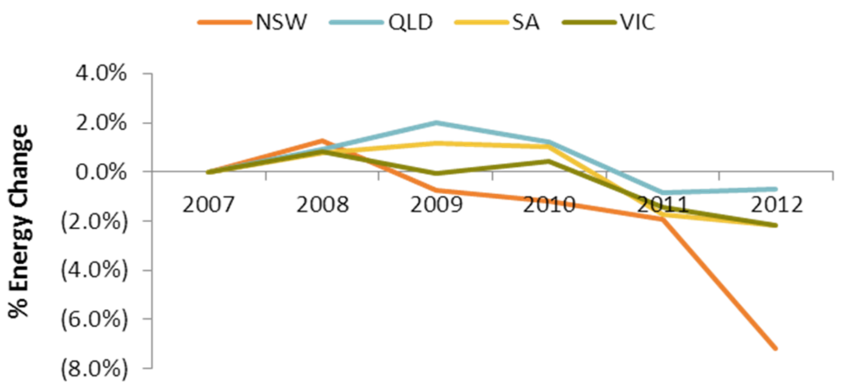
NSW leads fall in demand

- NEM electricity demand weak reflecting:
  - Large network/distribution price rises
  - Effect of GFC and high A$ on manufacturing
  - Solar penetration (~2,500 MW installed)
- NSW shows largest demand decline over past 4 years
  - Kurri Kurri smelter shut in 2012 (2.6 TWh)
- AEMO 2012 demand forecast for NSW declined by 10%

NSW Electricity Demand (2007-2012)



NEM Electricity Demand (2007-2012)

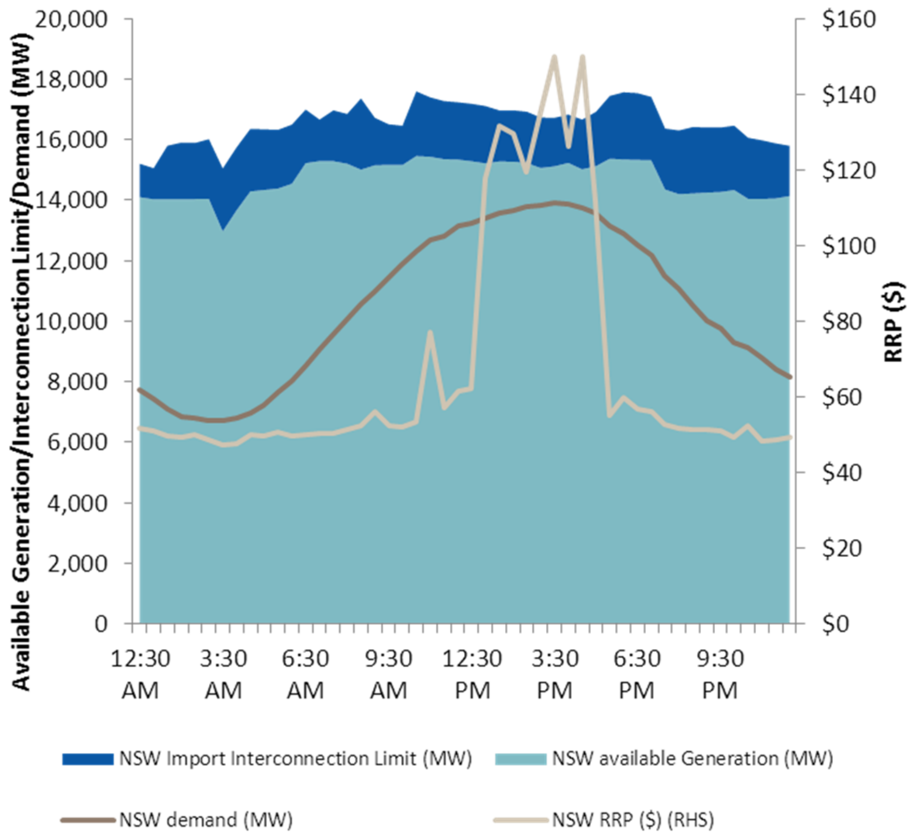


NSW generation privatisation

Surplus NSW capacity caps value of baseload generation

- NSW generators significantly under-utilised
  - Response to declining demand, benign wholesale electricity prices and no carbon compensation
- Over summer period no NSW wholesale electricity price >$300
- Currently NSW forward prices (ex-carbon) at historic lows
- Installed capacity in NSW is ~16,000 MW
  - ~24% of capacity out of service[1]
- Value of NSW generation assets for sale questionable given:
  - NSW demand outlook, surplus capacity and forward curve

Surplus NSW capacity on Record Temperature Day 18 January 2013



1. As at 29 April 2013

Regulatory pricing

Competition provides foundation for NSW deregulation

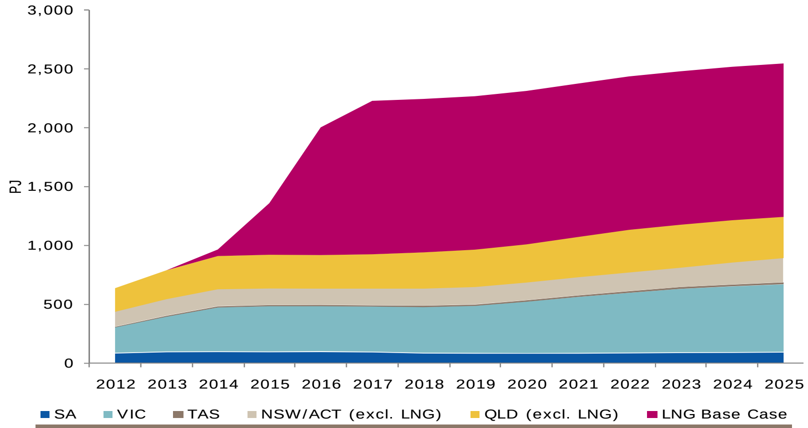
- SA government implemented price deregulation effective 1 February 2013
  - 2 year price guarantee to government will reduce Retail EBIT by $30-$35 million on a full year basis
  - Long term benefits for consumers and industry
- NSW electricity pricing Draft Determination released 23 April 2013
  - Neutral outcome
  - Effect of lower wholesale electricity price offset by higher allowable operating and acquisition costs
- NSW gas pricing Draft Determination
  - 9.2% increase in gas price driven largely by network and increased retail margin
  - WEC to be reviewed next year to reflect re-negotiation of gas supply contracts
- QCA 2013/14 Draft Determination continues market-based approach for energy
  - Short-run pricing approach reduces FY2013 by $60 million EBIT
  - Pass-through of draft network tariff increase of 23% in south-east Queensland
  - Increase in 2013/14 energy cost does not reflect retailers' long-term energy costs
  - Reduction in retail competition expected to settle at historic lows

Wholesale gas supply

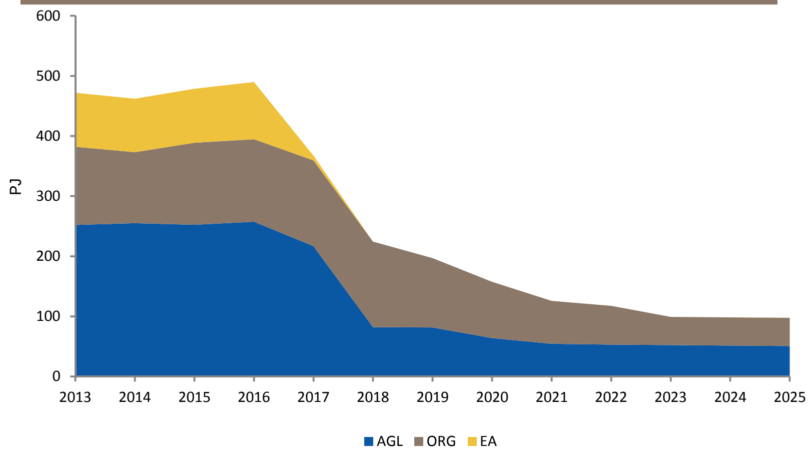
Gas retailers collectively face drop off in contracted supply

- Gladstone LNG exports increase to ~1,500 PJ/a
  - » Coincides with roll off of east coast domestic supply contracts
- LNG projects seeking 'wedge' gas in 2014 to 2020
- LNG projects already affecting the outlook for gas prices
- All 3 major gas retailers see domestic supply contracts fall around 2017
- New production sources, particularly in southern markets, required to satisfy demand

Eastern Australia Gas Demand



Eastern Australia Contracted Supply



Source: AGL and ACIL Tasman

NSW gas policy reversal

Likely asset impairment and future gas supply impacts

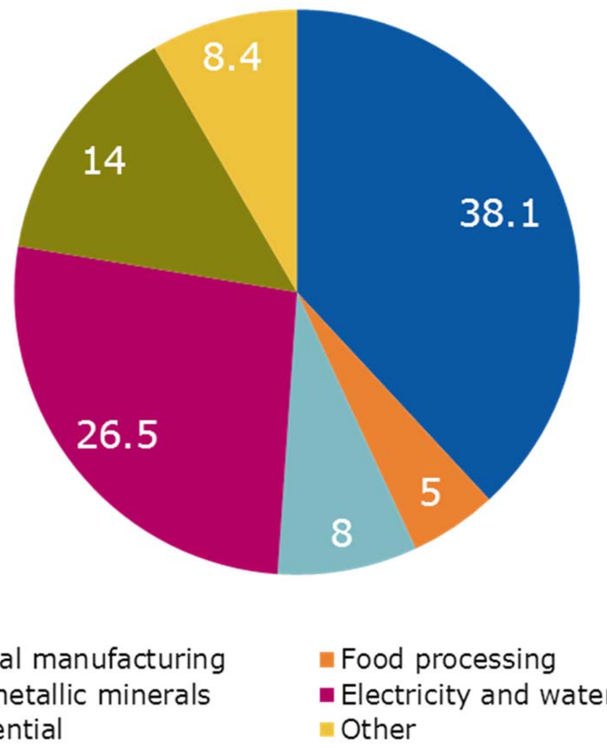
- Book value of Camden (including the northern expansion) and Hunter gas projects of $325 million may be substantially impaired once rule changes finalised
- Development of Gloucester Stage 1 not impacted by proposed policy
  - Latter stages of Gloucester may be affected
- Arbitrary exclusion zones particularly around industry clusters will sterilise substantial resources
- Proposed policy will put further upward pressure on future energy prices
- Industries most at risk are food processing, brick, cement, chemical and metal manufacturers
- Policy expected to be finalised in the near future

NSW gas consumption

Manufacturing sector at risk of gas price surge

- NSW businesses face potential significant increases in the cost of delivered gas
  - Assuming ability to secure gas supplies
- Industries most at risk are food processing, brick, cement, chemical and metal manufacturers
  - Potential to further exacerbate NSW subdued economic growth and threaten employment

NSW Gas Consumption by Sector (%)



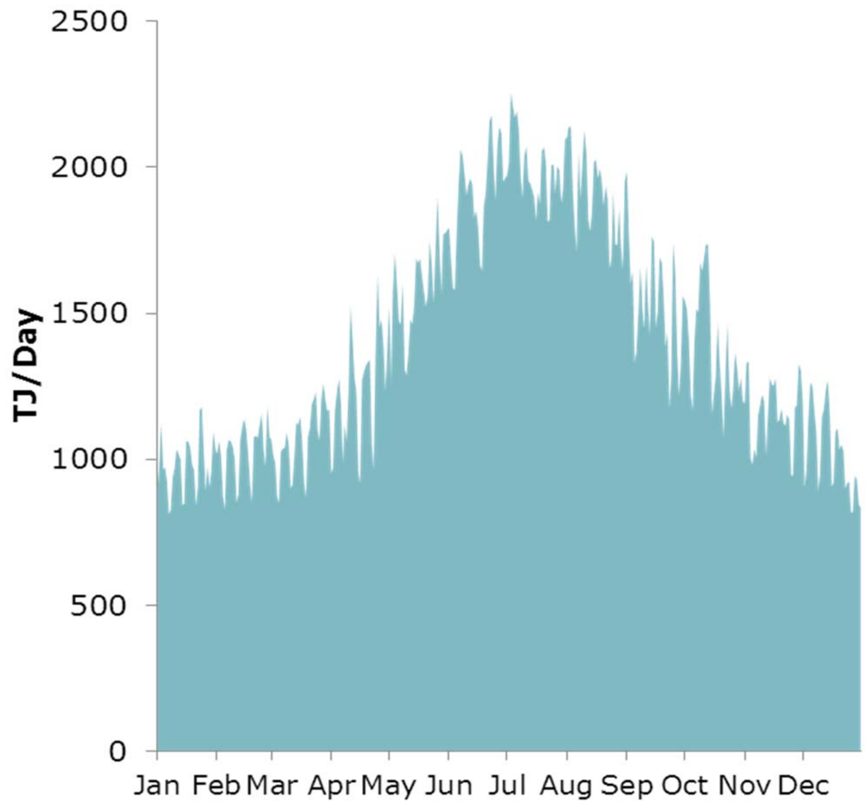
Source: BREE 2012 Australian Energy Statistics

Peak gas

Future supply contracts likely to feature reduced swing gas

- Load shape heavily biased to winter peak
- Victoria's winter peak at 1,280 TJ/day is 55% of east coast peak demand
- Producers looking to reduce swing gas post 2017 as contracts roll off
- Pressure on gas retailers to manage load swing
- AGL is building Newcastle Gas Storage facility and Silver Springs to help manage this emerging trend
  - Substantial future investment by industry may be required to meet peak demands

East Coast Demand Profile

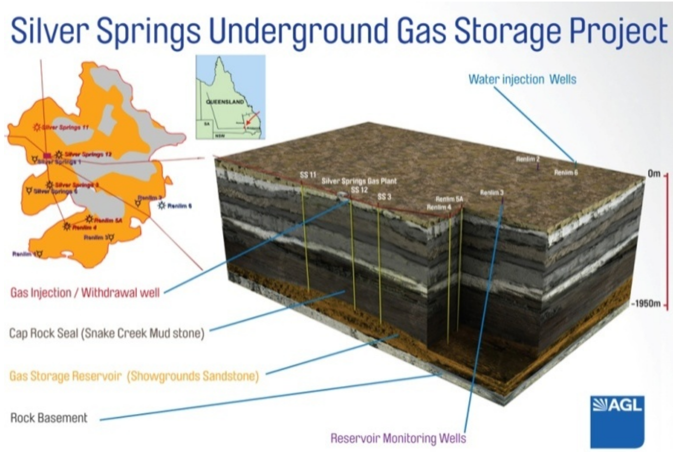


Gas storage

Well progressed in developing capability to manage peak loads

Silver Springs underground gas storage

- First 7 years underpinned by QGC gas storage services agreement
- Commenced injection August 2011
- Injection/withdrawal design capacity 30 TJ per day
- Withdrawal to commence by Q2 2014



Schematic of Silver Springs underground gas storage

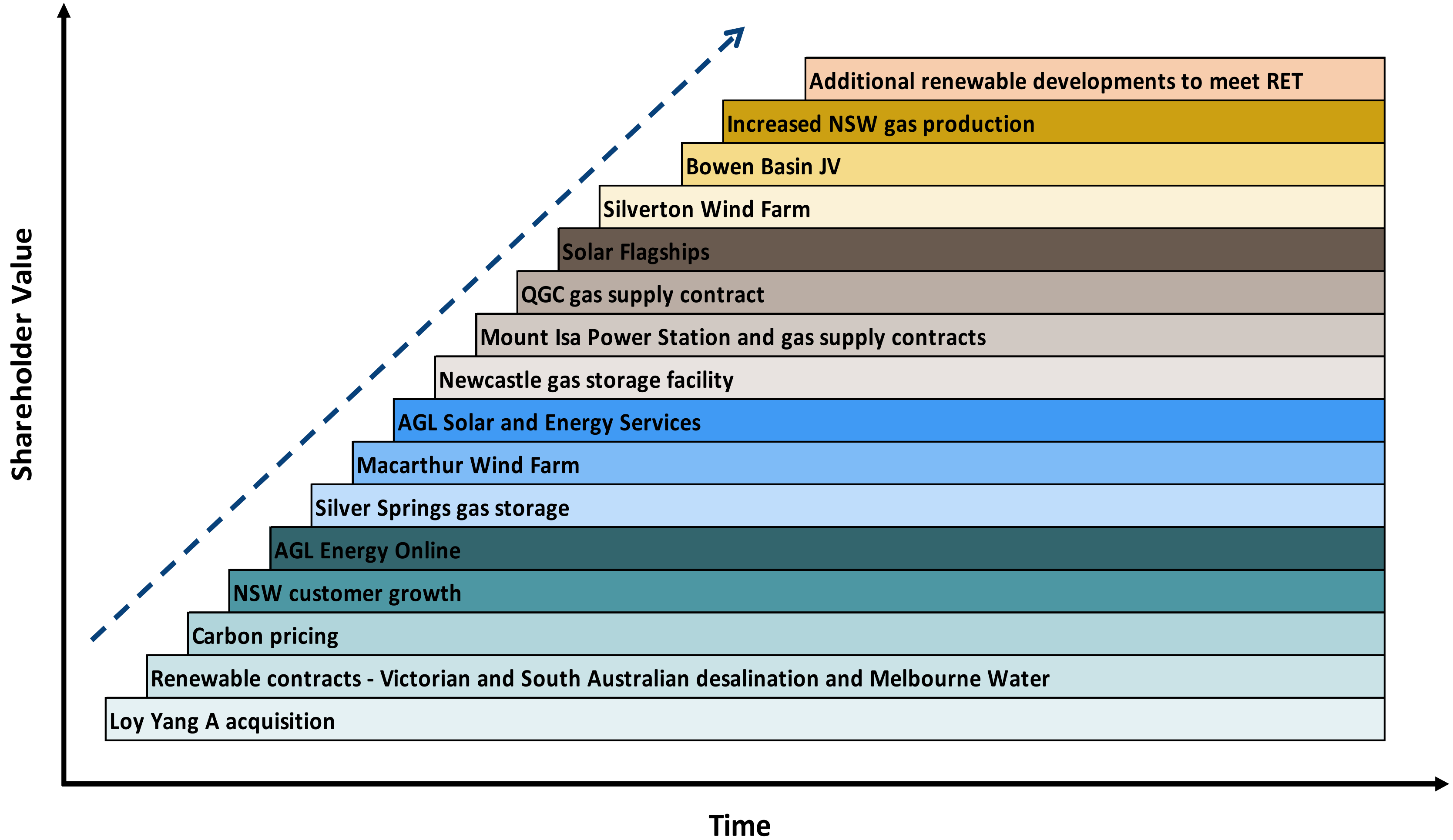
Newcastle Gas Storage Facility

- 120 TJ per day peaking capacity
- Bulk earthworks are complete
- In-ground services are being installed including communications, water supply and temporary power
- Ground improvement under the LNG tank is complete and foundation works have advanced
- Completion targeted mid-2015

Aerial image of Newcastle Gas Storage Facility site (foreground)

Growth pipeline

AGL's integrated strategy creating growth pipelines



Project update - Generation

Solar Flagships Program

- Generate energy to power over 50,000 average NSW homes
- Partnership with First Solar:
  - Nyngan, NSW (100 MW) and Broken Hill, NSW (50 MW)
  - Will cover an area equivalent to 185 Sydney Cricket Grounds
- Construction planned to commence mid-2014

Silverton wind farm

- Currently out to tender
- Construction expected to begin in 2014
- Expected to be largest wind farm in NSW – 250 MW

Diamantina Power Station – Mount Isa

- 242 MW CCGT and 60 MW OCGT (dual fuel) power stations
- CCGT operations targeted H1 2014
- 10.5 year gas supply contract commencing mid-2013 for 138 PJ

Outlook

- FY13 Underlying NPAT is expected to be in the lower half of the guidance range of $590 million to $640 million:
  - Retail competition has intensified in H2 FY13
  - Soft wholesale market conditions in southern markets combined with higher Queensland prices due to transmission constraints and generator bidding patterns
- Solar Flagship project financial close expected prior to 30 June 2013
- Diamantina Power Station to commence operations H1 2014.
- Newcastle Gas Storage facility construction completion expected late H1 2015

Thank you

Q&A

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