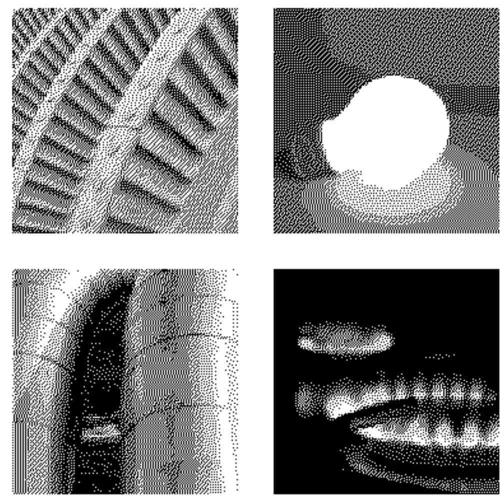
agl energy

delivering against strategy

paul anthony, managing director & ceo



Credit Suisse
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Hong Kong, March 2007

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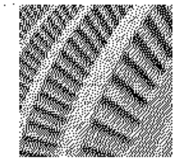
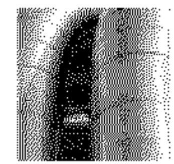
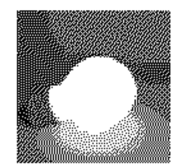
introducing agl energy

growing from a position of strength

- Australia's largest retailer of gas & electricity
  - ~4.1m customer accounts across NSW, Victoria, South Australia, Queensland & Western Australia including ~1.3m dual-fuel accounts (includes 100% of JV's)
- depth & breadth of operating experience in deregulated markets
- significant scale, brand strength & heritage
- strong financial structure offering growth funding flexibility & supporting increasing, sustainable shareholder returns
- extensive, existing asset portfolio with solid, identified growth opportunities highly suited to a new carbon-constrained environment
- 3,300MW of generation provides strong natural hedge to retail customer base with opportunity to grow through further integration upstream
- S&P/ASX 50 company with market capitalisation of ~AUS$7 billion
- investment grade 'BBB' credit rating (Standard & Poor's)


a focused energy company

Operational Snapshot

Retail Customer Accounts

2.1M gas

2.0M electricity

1.3M dual-fuel

(includes 100% of JVs)

Generation

3,300 MW equity capacity

5,600 MW (inc. 100% JVs & development projects)

Gas Reserves[2]

~3,330 PJs contracted gas

~860 PJs equity gas

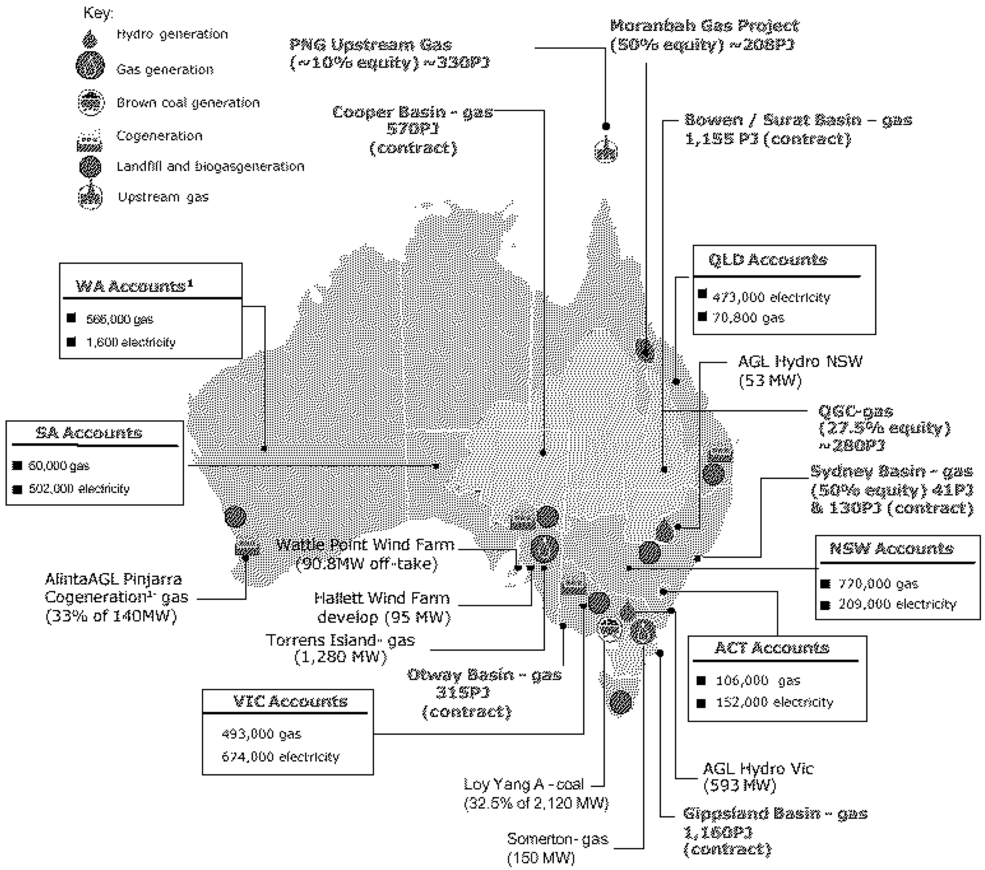
New Generation Developments

~2,300MW identified renewables & clean burn gas

Energy Sales

Electricity ~41 TWh p.a.

Gas ~235 PJ p.a.



Other cogeneration (25.6MW)

Landfill gas portfolio (39.8MW)

Other

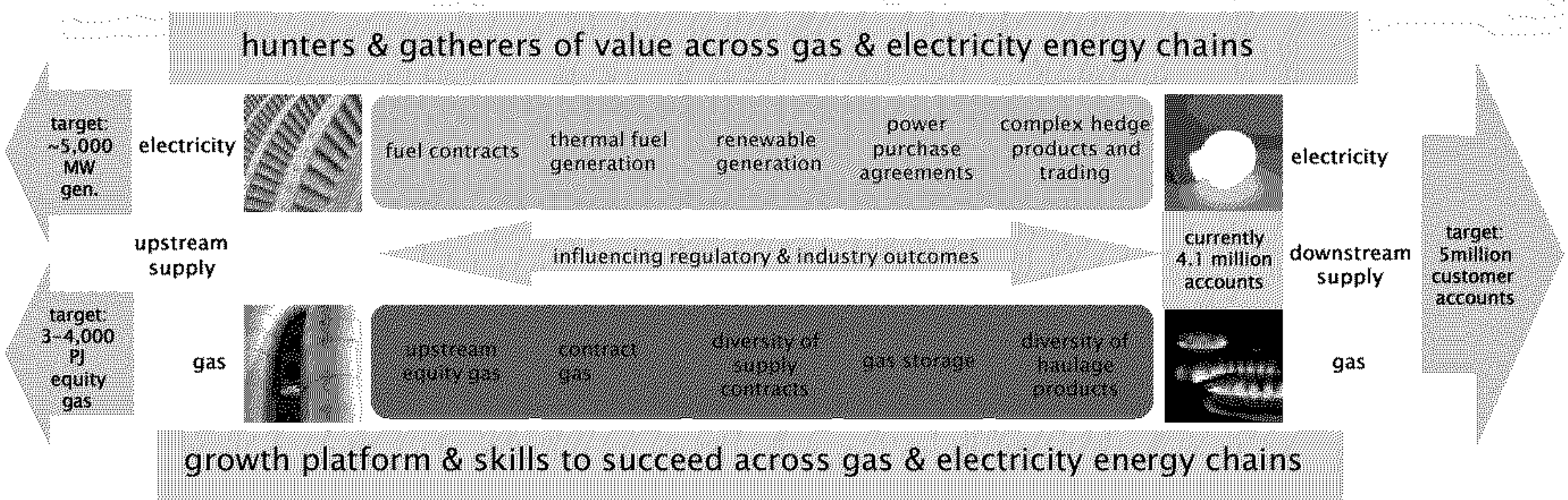
Gas Valpo, Chile: Gas distribution
~600km network length
~41,000 customers
~10PJ load

1. AGL Energy has a 33% interest in AlintaAGL with the option to go to 100% over 5 years.

2. 1 PJ (Petajoule) = ~1 BCF (billion cubic feet)

the integrated strategy

the 'four corners-big goal' approach

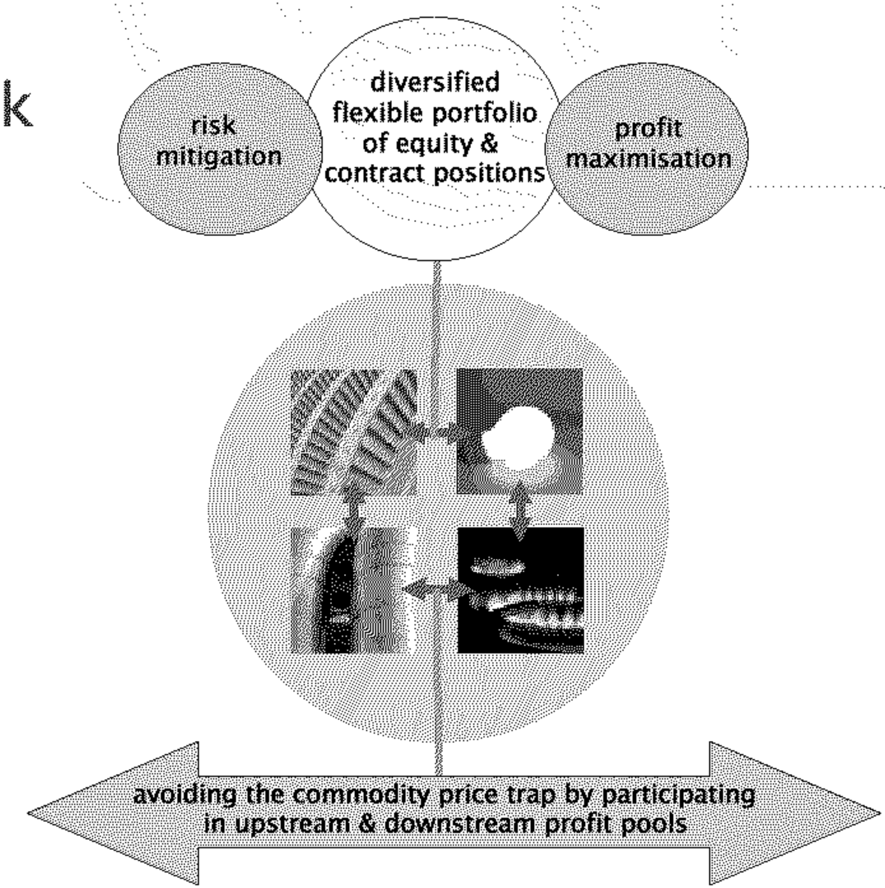


- AGL main consolidator in fragmented market
- exploiting first-mover advantage
- strong participation in profit pools of rising price commodities - gas & electricity
- full integration across dual electricity & gas supply chains
- new generation portfolio structured for a carbon constrained environment

integration – the end game

managing & mitigating risk

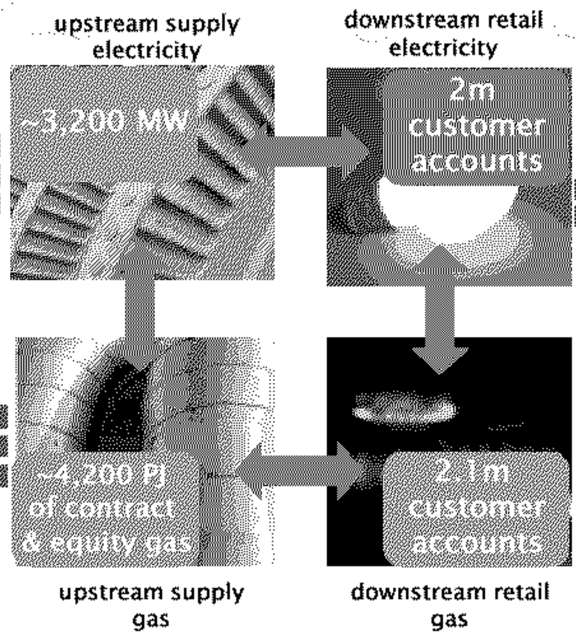
- leverage position as one of the largest purchasers of wholesale gas and electricity in Australia to reduce COGS
- achieve appropriate balance between contract and equity positions in upstream gas and generation
    - targeting ~5,000MW equity generation
    - targeting ~3,000 to 4,000 PJs of equity gas
- enables participation in upstream & downstream profit pools in conjunction with commodity price escalations
- exploit scale and ingenuity to capture least cost-to-serve advantage
- influence regulatory & industry outcomes



the integrated strategy

12 months of deploying the 'four corners' approach…

- Southern Hydro (645MW)
- Bogong (Hydro 140MW)
- Hallett (Wind 95MW)
- Torrens Island (Gas 1,280MW)
- Gas & renewable generation projects under review ~2300MW



- acquired 560,000 customers via AlintaAGL Western Australia JV
- acquired 473,000 retail customers in QLD
- ongoing organic growth
- continued dual-fuel opportunities

- Moranbah Investment
- QGC Investment & GSA
- Sun Gas GSA
- Torrens Island GSA
- WUGS Storage Facility

- acquired 70,800 customers in QLD
- ongoing organic growth
- continued dual-fuel opportunities

driving strategic development across the gas & electricity energy chains

developments to date

focused strategic execution…

- Dec 05 – Acquired 100% Southern Hydro (645MW hydro generation)
- April 06 - $14 billion demerger of infrastructure – subsequent creation of AGL Energy Limited
- May 06 – Initiated retail re-engineering 'Project Phoenix', ~$60m ongoing cost savings announced
- May 06 – JV with CS Energy -100MW upgrade of existing 325MW Mica Creek Power Station
- June 06 – Acquired 50% interest in Moranbah CSM project (~208 2P AGL equity reserves)
- Nov 06 – 140MW Bogong hydro plant build announced
- Nov 06 – Instigated corporate restructuring, ongoing $55m savings announced
- Nov 06 – Proposed $15bn merger of equals between AGL & Origin
- Nov 06 – Acquired Queensland Govt's Sun Gas retail business – 75,000 customers
- Dec 06 – Announced QGC transaction – 27.5% (~280 2P AGL equity reserves) stake & attractive 540PJ GSA with additional 200PJ option
- Dec 06 – Announced 95MW Hallett Wind Farm transaction
- Jan 07 – Acquired 1280MW Torrens Island clean burn gas fired power station
- Feb 07 – Acquired Powerdirect: 473,000 customers in Queensland (19.1TW hrs)
- Feb 07 – Completed one of Australia's largest placements - $900m at 4.8% discount
- Mar 07 – First utility outside North America to join Chicago Climate Exchange (CCX)

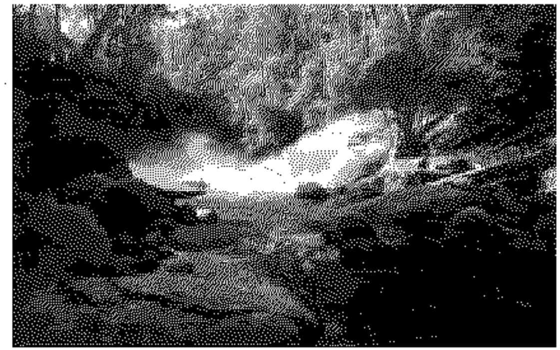
growth opportunities

Generation[1]	**Current**: 95MW Hallett wind farm, 140MW Bogong hydro, 10MW McKay Creek hydro, 380MW Townsville gas fired, 410MW Mica Creek gas fired, 330MW Macarthur wind farm, 90MW Dollar wind farm, 600MW Leafs Gully gas fired, 491MW AlintaAGL cogen
	Potential: Torrens Island expansion, NSW government privatisation: 3 generation GOCs ~11,500MW
Upstream gas	**Current**: Sydney Basin JV, Moranbah (Qld) equity gas, QGC (Qld) equity gas, PNG equity gas (LNG opportunities)
	Potential: Other equity gas acquisition opportunities, JVs with experienced operators
Electricity & gas retailing	**Current**: 33% AlintaAGL WA retail ~ 540,000 customers, dual-fuel opportunities-call option on remaining 67%, Powerdirect Qld SME growth engine, existing customer base, organic growth and dual-fuel opportunities
	Potential: NSW government privatisation: 3 retail GOCs ~ 4 million customers
Transforming opportunities	**Potential**: Ongoing Australasian industry rationalisation: gas & electricity

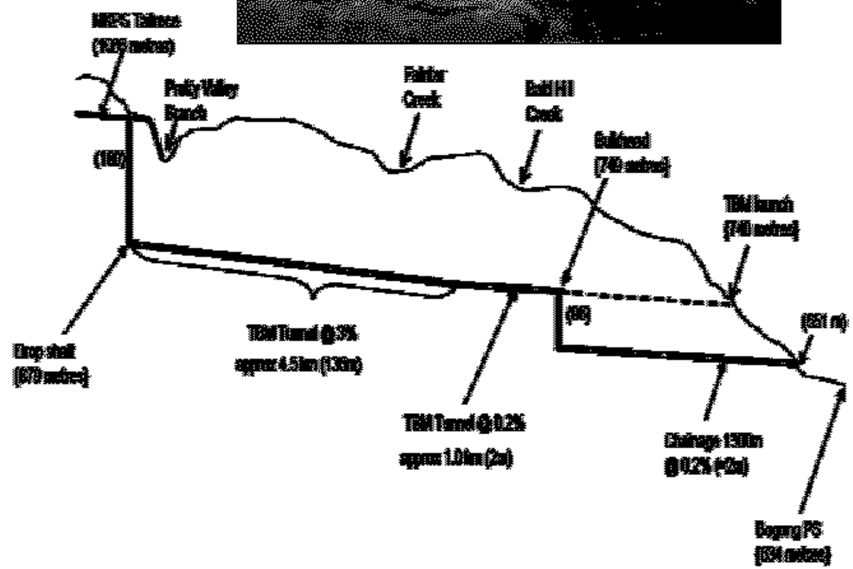
1. Includes 100% of JV's where applicable

development update:

bogong hydro expansion

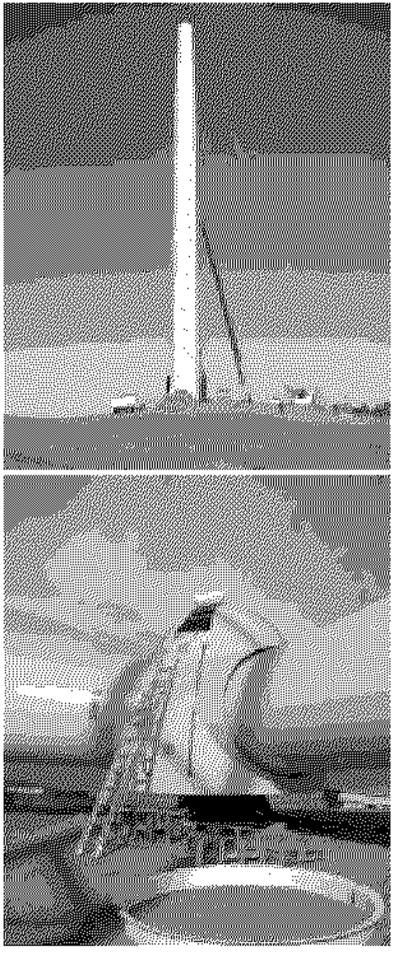


- Australia's last, large scale hydro opportunity
- $230m, 140MW peaking plant in the Kiewa Valley, Victorian Alpine region
- Fast start, peaking capability
- Zero emissions
- Designed to minimize environmental impacts, 6.5 kilometer underground tunnel
- Construction commenced
- Planned completion Q4 2009
- Benefits AGL portfolio under carbon constrained environment



development update:

hallett wind farm

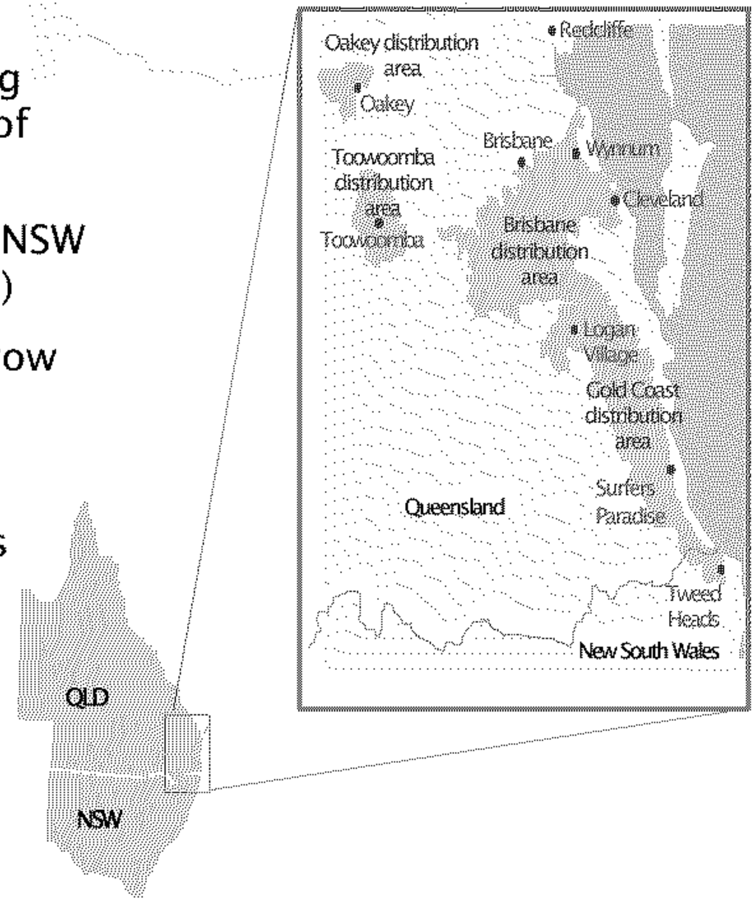


- Started construction of 95MW, 45 turbine wind farm
- Innovative $258m funding
  - avoids funding requirements and cash flow impacts
  - delivers 'double digit' IRR
- AGL retains all renewable, electricity output and asset naming rights through until 2033
- AGL also continue to operate and maintain wind farm under O&M contract
- Scheduled for commissioning in Q4 2007
- Will provide ~24% of AGL's future Renewable Energy Certificates (RECs)
- In calendar year 2008 AGL forecasts meeting ~ 69%of its REC target from internal, environmentally friendly generation sources

development update:

acquiring 100% of sun gas

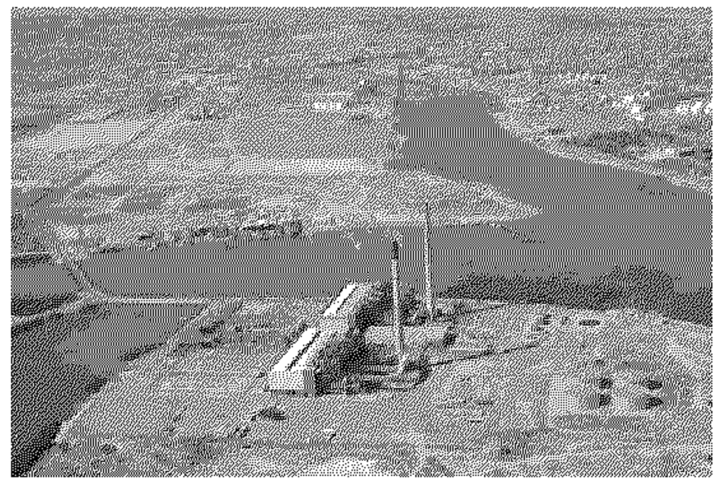
- secured entry into Australia's fastest growing energy market with $75 million acquisition of Queensland Govt's Sun Gas retail business
- 70,800 customers in Queensland, Northern NSW & Victoria (annual load of ~34PJs ~90% I & C)
- delivers strategic position to aggressively grow electricity business
- close proximity to existing CSM assets
- diversified and flexible range of existing gas supply & transportation agreements
- attractive transaction metrics:
  - NPV ~ $51m and IRR 16.3%



development update:

acquired 100% of torrens island power station

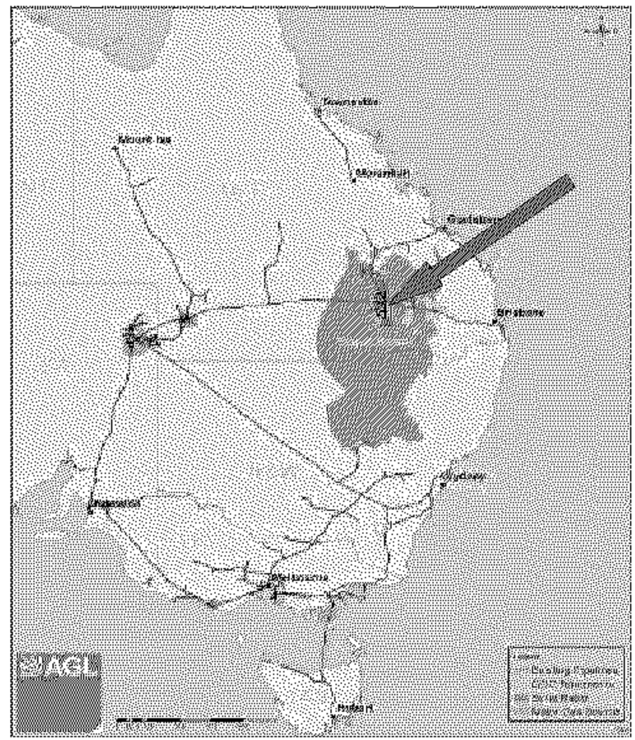
- Acquired 1,280MW Torrens Island (Sth Aust) gas fired peaking & intermediate power station for $417m
    - sold existing Hallett gas fired peaker for $117m
    - Net transaction funding requirement of $300m
- Delivers immediate natural hedge between upstream generation and downstream (customer) load
- Provides gas storage capabilities via WUGS (Port Campbell, Vic) together with 10 year, ~300PJ GSA with flexible contract terms
    - gsa, haulage contract & storage facility deliver added optionality to agl across both gas & electricity portfolio's
- Attractive transaction metrics:
    - NPV ~$100m and IRR in excess of 10%



development update:

acquired 27% cornerstone stake in queensland gas company

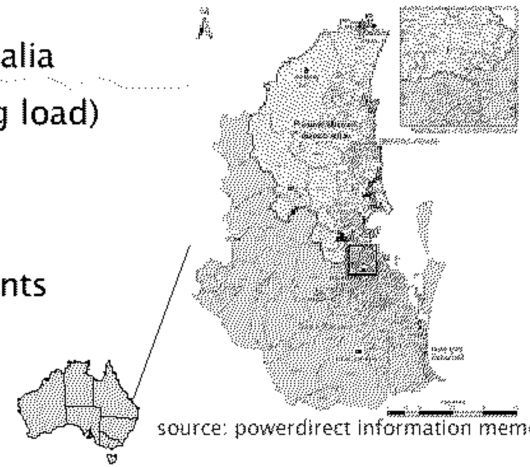
- initial 27.5% stake for cash outlay of up to $327 million
- AGL secures 540 PJ, 20 year GSA with additional 200 PJ option
  - pricing below current average AGL portfolio
  - delivers further diversity, flexibility and price stability to existing AGL portfolio
- delivers AGL a $22.5 million gas market development services fee over initial 3 years
- AGL to appoint 3 out of 9 directors to QGC board
- QGC total 2P reserves ~930PJ



development update:

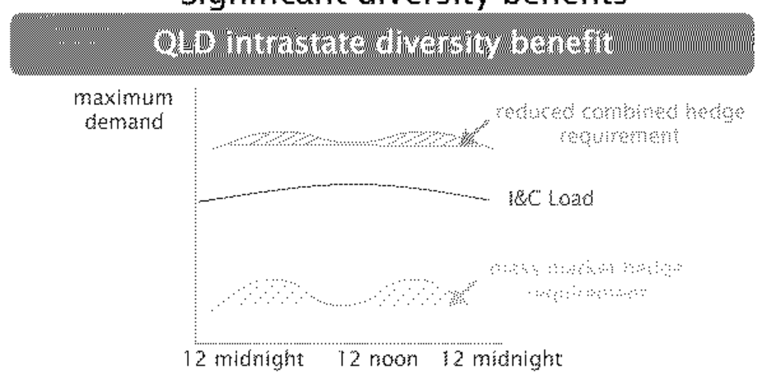
acquired 100% of powerdirect

- 473,000 electricity customers in fastest growing market in Australia
- Material supply of electricity 19TWh (88% of AGL's entire existing load)
- Four businesses:
  - Retail 431,000 customers (3.4 TWh load)
  - Small to medium enterprise customers (SME) 37,800 accounts (1.3 TWh load)
  - Large contestable customers 3,600 accounts (14.7 TWh)
  - Power generation 4 plants (43MW in total)
- Significant scale benefits to AGL in cost to serve
- SME business: a national growth engine
- Highest residential energy use in the NEM:
  - 7.4MWh SE Queensland (Powerdirect)
  - 6.8MWh NSW
  - 6.5MWH SA
  - 5.4MWh NSW



source: powerdirect information memorandum

- Significant diversity benefits



development update:

chicago climate exchange initiative

- First utility outside North America to join Chicago Climate Exchange
- Avenue to liquid market to trade excess carbon credits
- Additional incentive to further invest in domestic emission reduction projects
  - ~AUS $2 billion already invested to date in renewable and environmentally friendly generation sources
- Provides expertise in global carbon trading ahead of introduction of domestic emissions trading scheme in 2010
- Delivers additional revenue stream

CCX Chicago Climate Exchange

AGL

Renewable generation : ~1,030MW

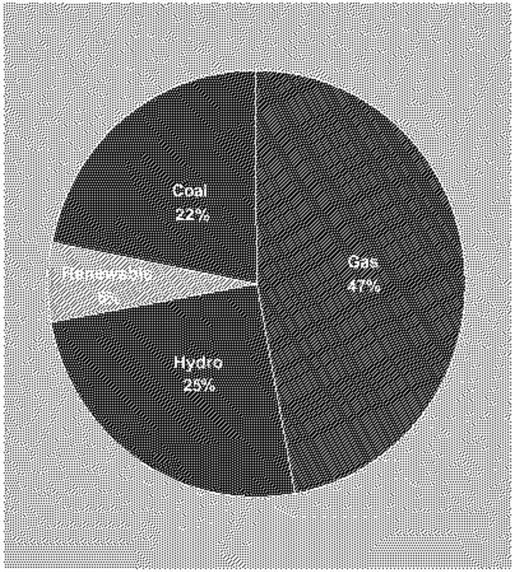
Under review : ~430MW

Clean burn gas generation : ~1,530MW

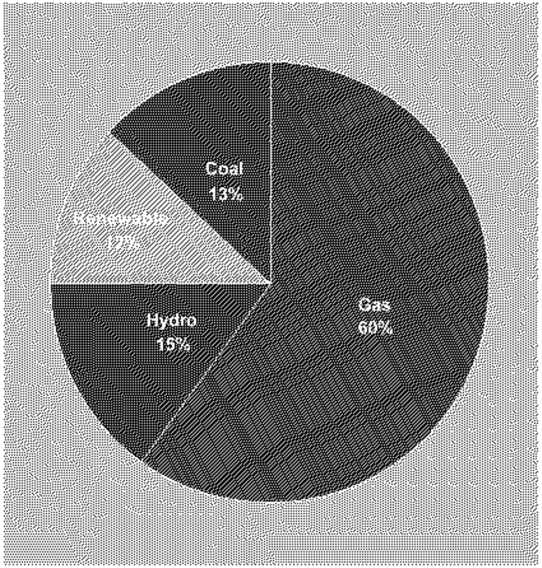
Under review : ~1,930MW

building carbon effective generation

Current generation ~ 3,300MW[1]



Potential generation post development projects ~ 5,600[2]



Post Development Projects

~60% of generation clean-burn, gas-fired

~27% of generation renewables and hydro

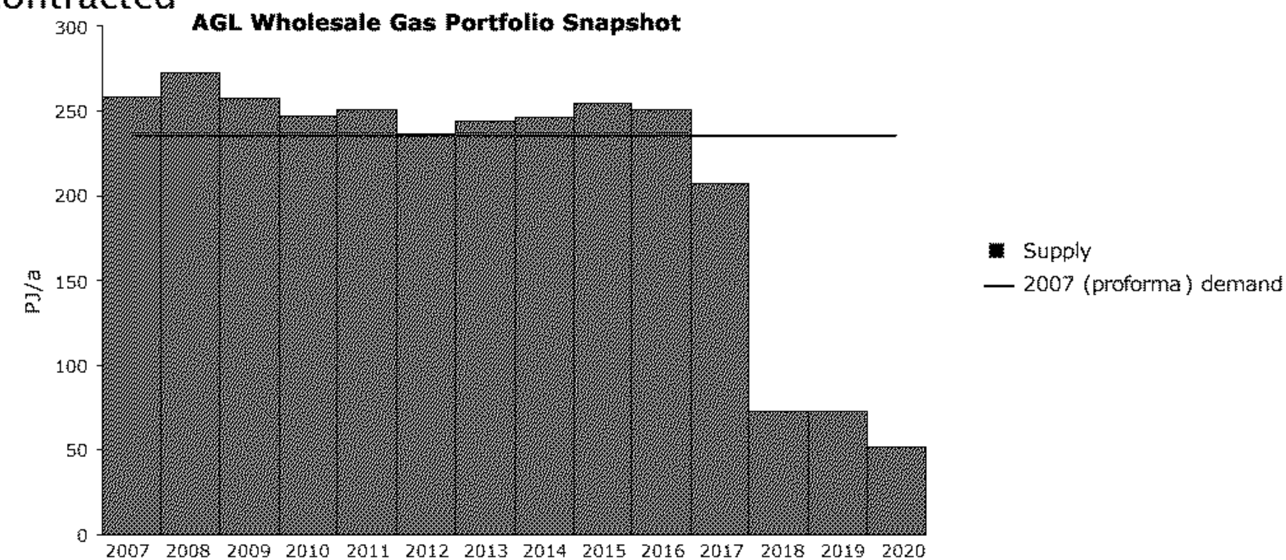
both the current & potential AGL generation portfolios are well structured to deliver ongoing benefits in a carbon constrained environment

[1] Includes off-take agreements & JV's

2 Includes off-take agreements,100% of JV's & development projects

gas portfolio update:
existing duration & flexibility

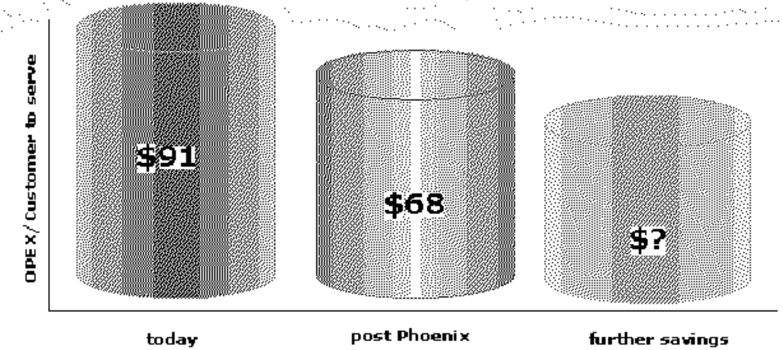
- Current gas demand fully contracted for next 10 years
- Considerable flexibility within contract portfolio in equity and contract gas
  - annual contract quantity (ACQ) 'up & down', maximum daily quantity (MDQ), take-or-pay (ToP) and flexible delivery points
- Rolling 'buy long / sell short' portfolio strategy
- Pricing mechanism and flexibility ensures ongoing competitiveness
- No shortage of gas – of eastern Australia's remaining ~16,000 PJ (2P) gas reserves ~ 50% remain uncontracted



driving efficiency & effectiveness:
transforming retail

project phoenix...

- **Realise full synergy benefits**: consolidate disparate operations, functions and management layers
- **Drive out operating costs**: reengineer and increase process automation across sales and customer contact, billing, collections and market processes (e.g. transfers)
- **Reduce IT complexity and cost**: systematic replacement of seven (7) legacy systems with one (1) enterprise-wide platform
- **Create the basis for differentiation**: target high-value customers and improve service delivery through greater customer insight and single view of the customer



Cost to Serve

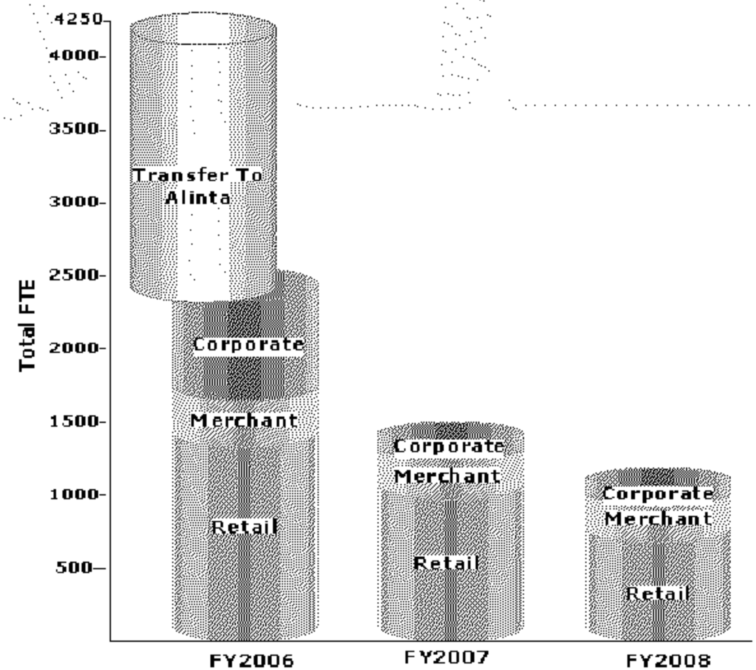
- AGL's market leading share provides real opportunities to exploit sizeable economies of scale

phoenix delivers AGL a single, scaleable world class customer billing & management platform and unassailable market leading cost to serve

corporate restructuring:

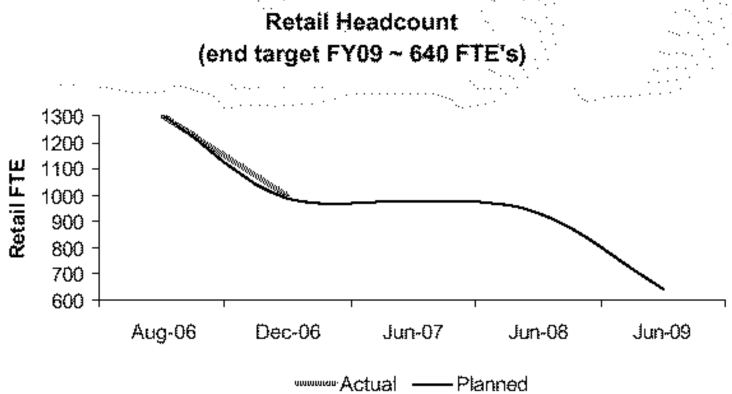
building capabilities & streamlining organisation

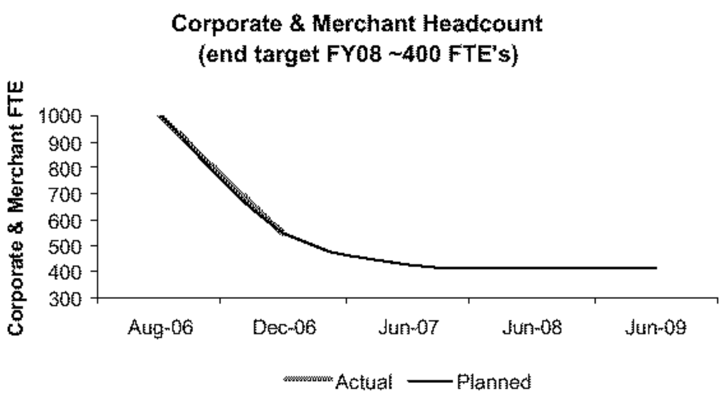
- 50% reduction in FTE via corporate restructure, 80% complete
- Improved decision making (5 layer of management removal)
- Significant cost savings ($55m per annum)
- Enhanced flexibility in organisation structure
- New structure orientation to new strategy
- New culture program to build high performance and innovation
- New remuneration structures to reward based on meritocracy



head count reduction and cost-outs ongoing
business delivering improved efficiency & effectiveness with reduced FTE's

update on efficiency drive





Business re-engineering exercise nearing completion & delivering planned improvements in operational efficiency and effectiveness across the entire business:

- 5.4% reduction in LTIFR (lost time injury frequency rate)
- 70% reduction in billing backlogs (Feb 06 v Dec 06)
- 54% reduction in electricity account transfers
- 42% improvement in handling time of customer requests on back of 53% increase in volumes
- Generation portfolio start reliability & availability continue to perform well

business re-engineering delivers reduced head count and improved performance metrics

2007 interim result overview

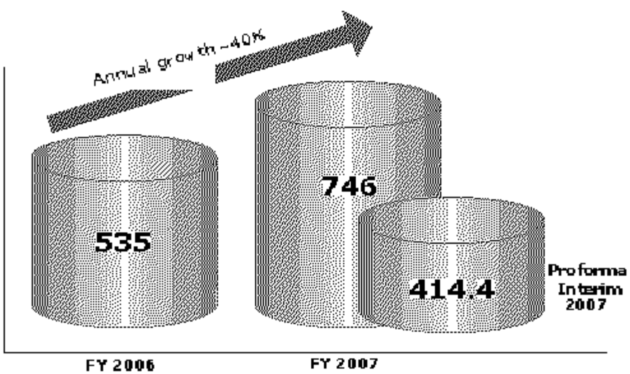
- pro forma profit after tax $197.4 million
  - inaugural interim dividend 9.5cps, fully franked
- continuing improvement in retail as business re-engineering exercise continues
  - EBIT of $136.6m, up 18.3% on pcp
  - net operating cost of $96.6m, down 2.9% on pcp
  - project phoenix rollout on track and under budget
- ongoing deployment of integrated merchant portfolio delivers added flexibility and optionality
  - EBIT of $200.1m, up 108% on pcp
  - excellent reliability and availability of gas peaking plants
  - PNG upstream investment continues to generate strong surplus cash flows
- $55 million corporate cost initiative announced and underway
  - 60% complete
- business performance improvement across range of KPI's with reduced FTE's
- focused "four corners" strategic execution continues
  - Moranbah CSM, Bogong Hydro expansion, Sun Gas, Hallett Wind Farm & proposed QGC transactions
- post balance date
  - proposed MOE with Origin Energy, 1280MW Torrens Island Power Station including 310PJ GSA and Gas Storage facility, Powerdirect retail acquisition

earnings outlook

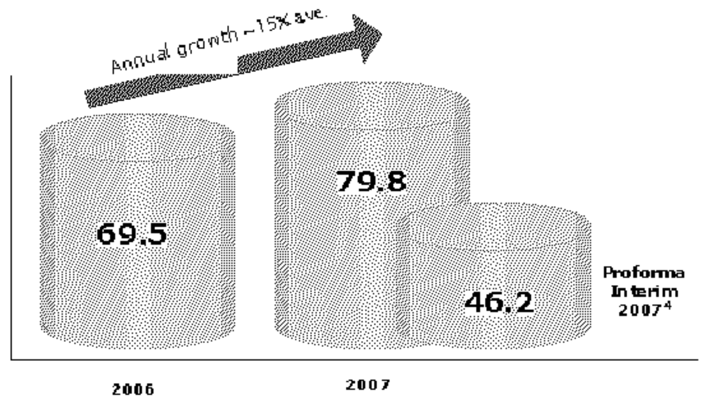
strong earnings[1] growth to drive TSR

- targeting high growth energy sectors
- delivering operating scale advantages
- value-adding growth opportunities
- identified, ongoing cost savings being delivered
- solid interim 07 results – on track to meet FY07 targets

EBITDA[2] ($m)



earnings per share (cents)[3]



1. forecast earnings are on a business as usual basis for the new AGL's 30 June year end and do not incorporate projected earnings from potential acquisitions
2. profit from ordinary activities before finance cost, income tax expense, depreciation and amortisation and after pro forma adjustments
3. EPS forecast for the year ending 30 June 2007 based on weighted average shares outstanding of approximately 402.3 million (pre placement)
4. underlying basic EPS pre significant items

in summary

key benefits…

diversified portfolio of assets across Australia with strong growth opportunities

- solid, identified growth opportunities in AGL's leading retail, power generation and upstream equity gas portfolios

a focused business with expert & energetic management

- a focus on maximising & sustaining shareholder returns (measured on a TSR basis)
- appropriate capital structure to support ongoing growth profile

combined, ongoing cost savings of ~$115m p.a.

- ~$60m p.a. through billing systems and process rationalisation (project phoenix)
- ~$55m p.a. through corporate cost savings / organisational restructuring

building a generation portfolio for the future

- positioning company to capitalise on market consolidation and building generation portfolio suitable for carbon constrained environment

AGL – an attractive investment forecasting ~15% average EPS growth over the medium term (3 – 5 years) **with a targeted 60% dividend payout ratio, fully franked**

further information/contacts

a range of information on AGL Energy including ASX & media releases, presentations, the inaugural 2007 interim result as well as historical 'The Australian Gas Light Company' scheme booklets, annual reports, sustainability reports, presentations and financial results are all available from our website: www.agl.com.au

alternatively, contact

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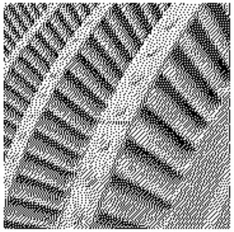
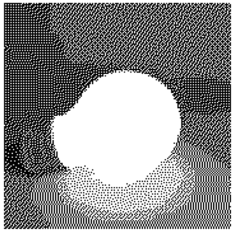
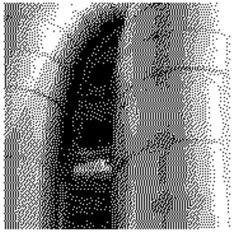
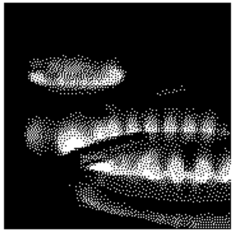
appendices

2007 interim result – key financials

retail

6 months to	pro forma december 06 $m	december 05 $m	change %
Revenue	1,697.4	1,714.3	(1.0)
Expenses	(1,556.0)	(1,593.3)	(2.3)
EBITDA	141.4	121.0	16.9
D & A	(4.8)	(5.6)	-
EBIT	136.6	115.4	18.4
EBIT / Sales %	8.0	6.7	

key drivers

- Strong margin outcomes in both electricity and gas are the key driver of EBIT to Sales improvement

merchant

6 months to	pro forma december 06 $m	december 05 $m	change %
EBITDA			
Wholesale Energy & Power Gen.	138.3	88.8	55.7
GEAC	16.5	6.8	142.6
Upstream	109.9	4.8	n/a
EBITDA	264.7	100.4	163.6
D & A	(65.9)	(10.6)	–
Fair Value	1.3	6.5	–
EBIT	200.1	96.3	107.8

key drivers

- Full six month contribution from hydro
- Somerton & Hallett peakers contribution consistent with prior year
- Precipitation & weather hedges mitigating drought
- Strong GEAC contribution as market capacity tightens
- Full six month contribution from PNG oil

1. Includes $20.5m Hallett Wind Farm development fee