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asx statement

3 May 2007

The following presentation will be made by Managing Director, Paul Anthony to the Macquarie Securities Australian Conference today.

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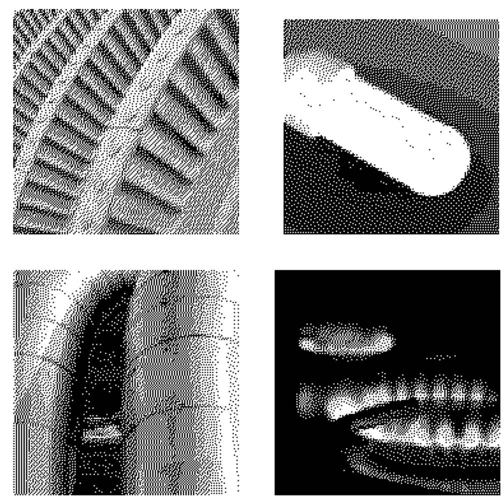
agl energy

strategy update

paul anthony, managing director & ceo



macquarie securities – australian conference

sydney, may 2007

disclaimer

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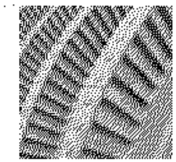
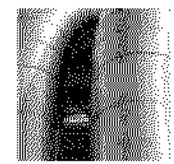
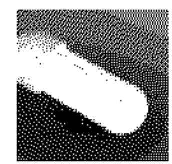
agl energy

growing from a position of strength

- Australia's main integrated energy competitor & largest retailer of gas & electricity
  - ~4.1m customer accounts across NSW, Victoria, South Australia, Queensland & Western Australia (includes 100% of JV's)
  - ~1.3m dual-fuel accounts (includes 100% of JV's)
  - 170 years experience operating in Australian energy market
- Australia's only asset portfolio with solid, *identified* growth opportunities for asset portfolio
  - Comprehensive suite of low carbon emission assets – 51% gas & 25% hydro & renewable
- Strong natural hedge to retail customer base and ability to manage wholesale market cycles
  - 3,300MW of generation
  - 4,200PJ of equity & contract gas with considerable flexibility & optionality
- S&P/ASX 50 company with market capitalisation of ~AUS$7 billion
- investment grade 'BBB' credit rating (Standard & Poor's)







four corners strategy

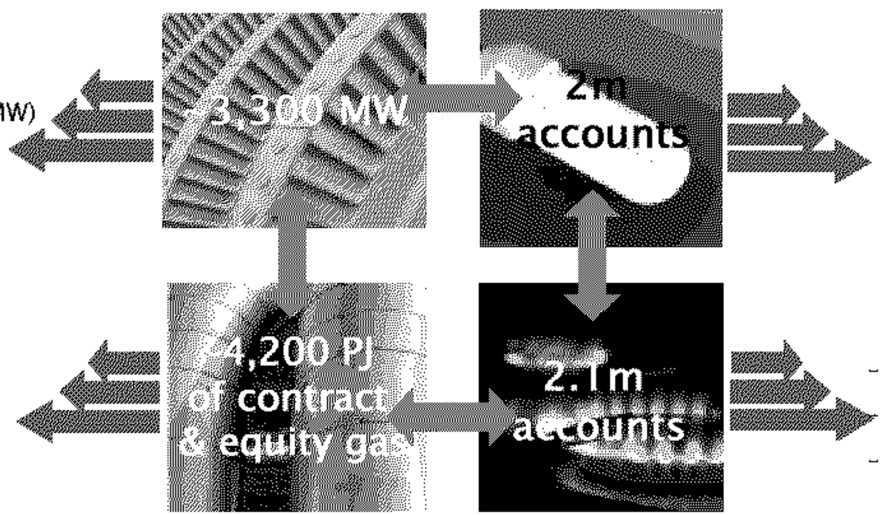
12 months deploying

executing targeted acquisition strategy - leading industry consolidation

supply electricity retail electricity

- Bogong (Hydro 140MW)
- Hallet (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

supply gas retail gas

agl today

AGL

Operational Snapshot

Retail Customer Accounts
2.1 M gas
2.8 M electricity
1.3 M dual-fuel
(includes 100% of JVs)

Generation
3,300 MW equity capacity
5,600 MW
(includes 100% JVs & development projects)

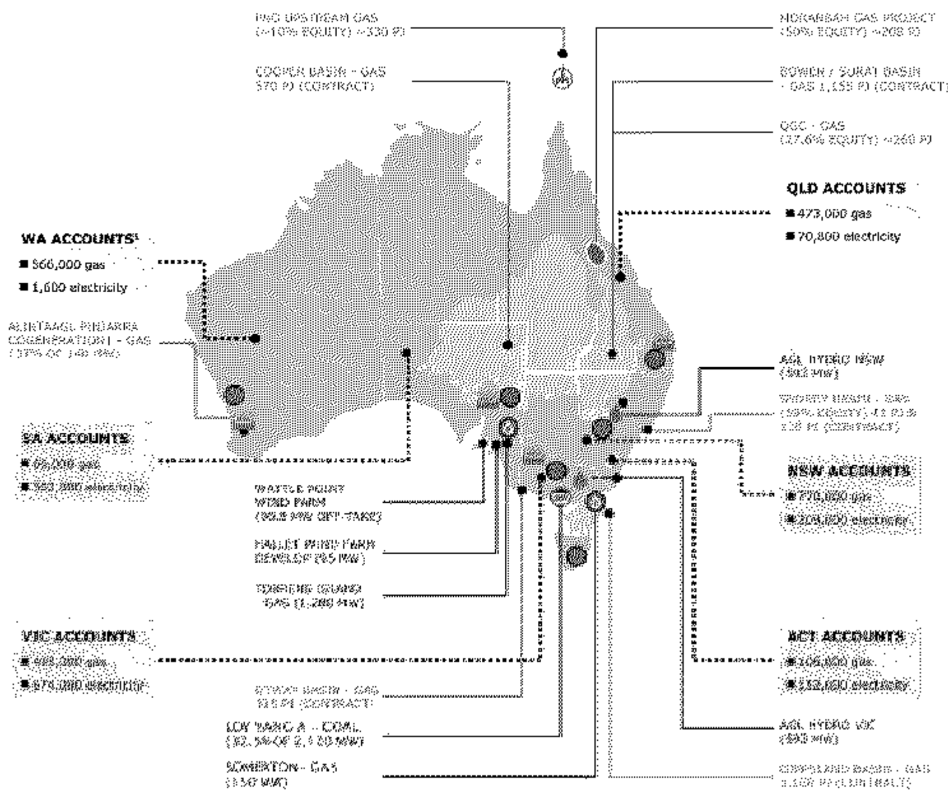
Gas Reserves[2]
~3,330 PJs contracted gas
~840 PJs equity gas

New Generation Developments
~2,300 MW identified renewables & clean burn gas

Energy Sales
Electricity ~41 TWh p.a.
Gas ~235 PJ p.a.

Other
Gas Valpo, Chile — Gas distribution

Map key
Hydro generation
Gas generation
Brown coal generation
Cogeneration
Landfill and biogas generation
Upstream gas



[1] AGL Energy has a 33% interest in Alinta with the option to go to 100% over 5 years
[2] 1 PJ (Petajoule) = ~1 BCF (billion cubic feet)

solid & *identified* 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, ~420MW combined wind farm developments (Vic), 600MW Leafs Gully gas fired, 491MW AlintaAGL cogen (WA)
	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

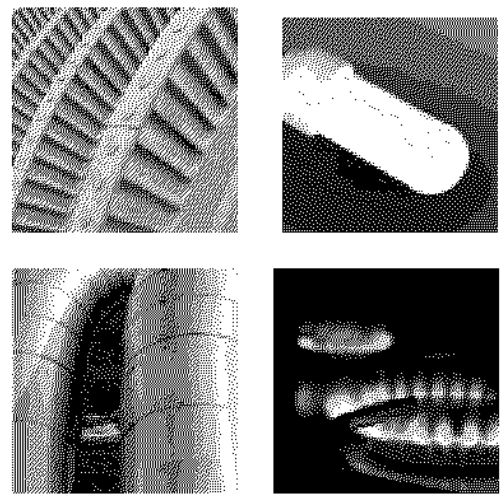
the end game

leading industry consolidation

- Creating a competitive advantage in a Carbon constrained environment
- Leveraging significant purchasing power in Australia
- Balancing contract & equity positions in upstream gas and generation
  - Achieving target of 5,000MW equity generation
  - Achieving target of 3,000 to 4,000 PJs of equity gas

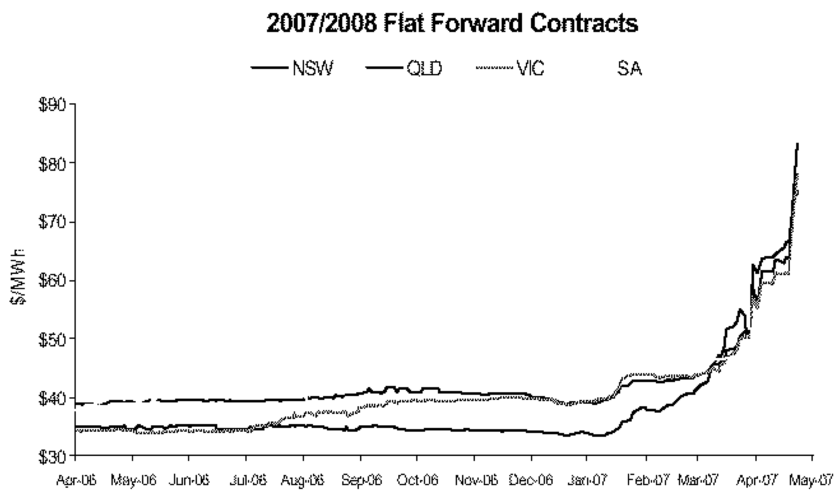
- Participating in upstream & downstream profit pools in conjunction with commodity price escalations
- Exploiting scale & experience to capture least cost-to-serve advantage
- Proactively influencing regulatory & industry outcomes

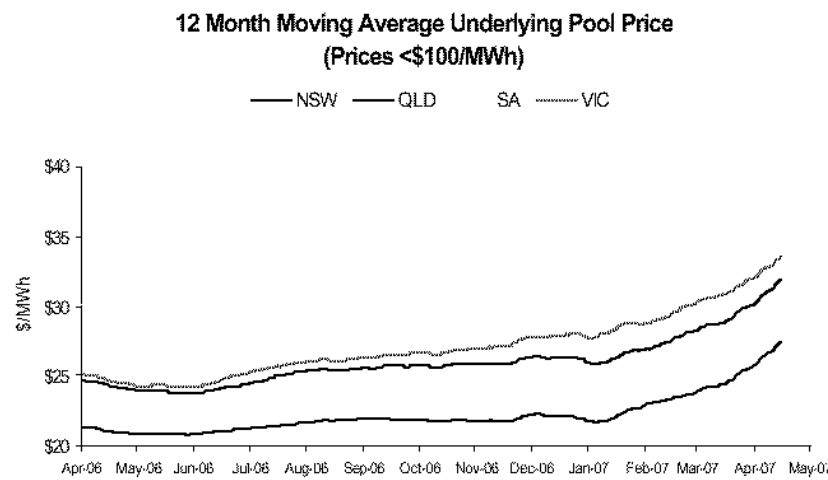
generation portfolio update



wholesale price volatility

- Current weather conditions impacting wholesale energy prices across NEM, both spot and forward contract markets
  - average pool price (spot) increase against pcp approximately 70-80%

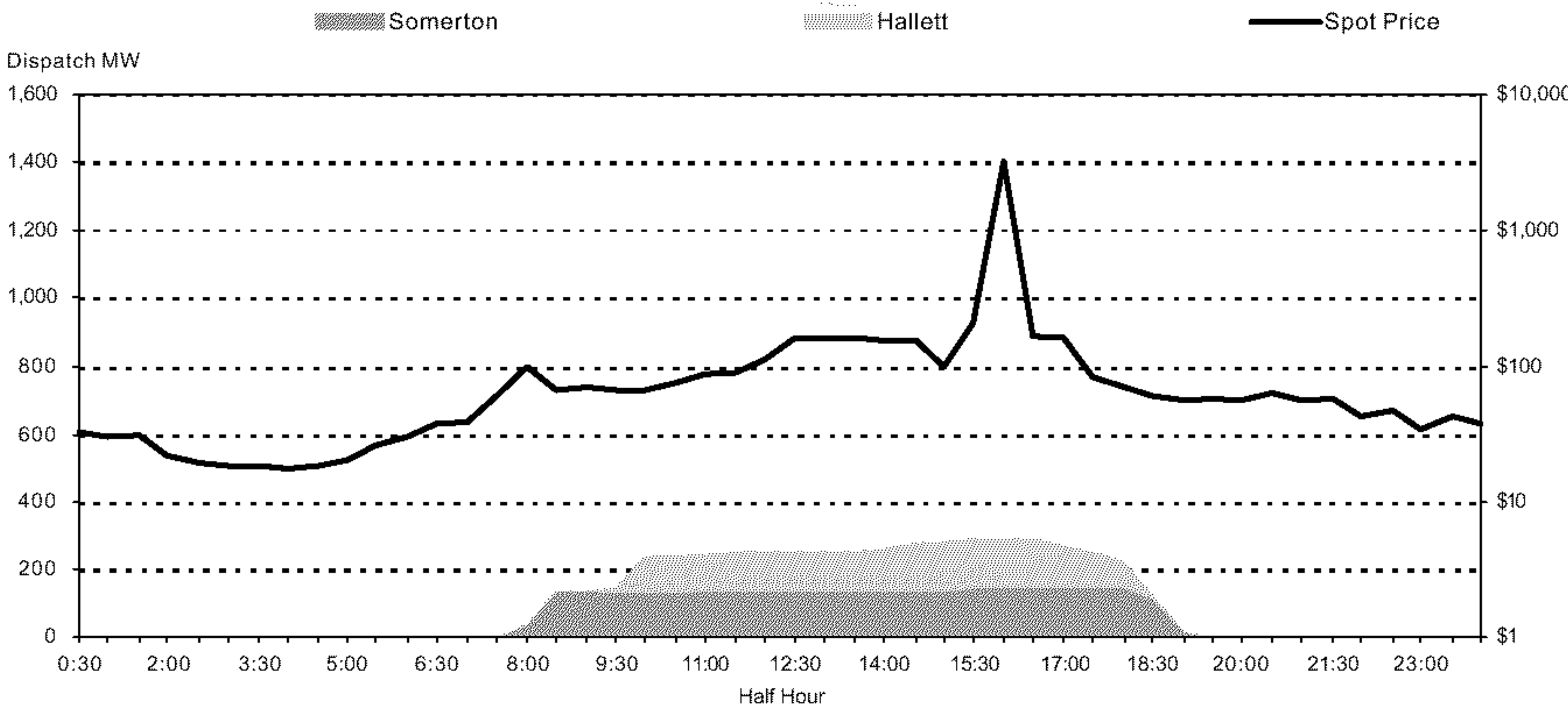




effective management of market supply/demand cycles requires a robust business model with a balance of equity generation & hedge portfolios

enhancing the generation portfolio

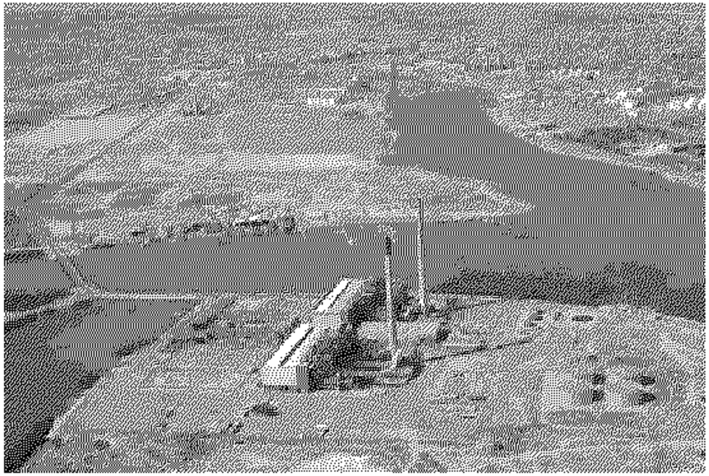
existing portfolio 2005



enhancing our natural hedge

100% of torrens island power station

- acquiring 1,280MW torrens island (Sth Aust) gas fired peaking & intermediate power station (TIPS) for $417m
  - transaction close date 2 July 07
- delivers immediate natural hedge between upstream generation and downstream (customer) load
- excellent remaining operating life of 25 years
  - verified by independent engineering consultant
- 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
- ACCC clearance received

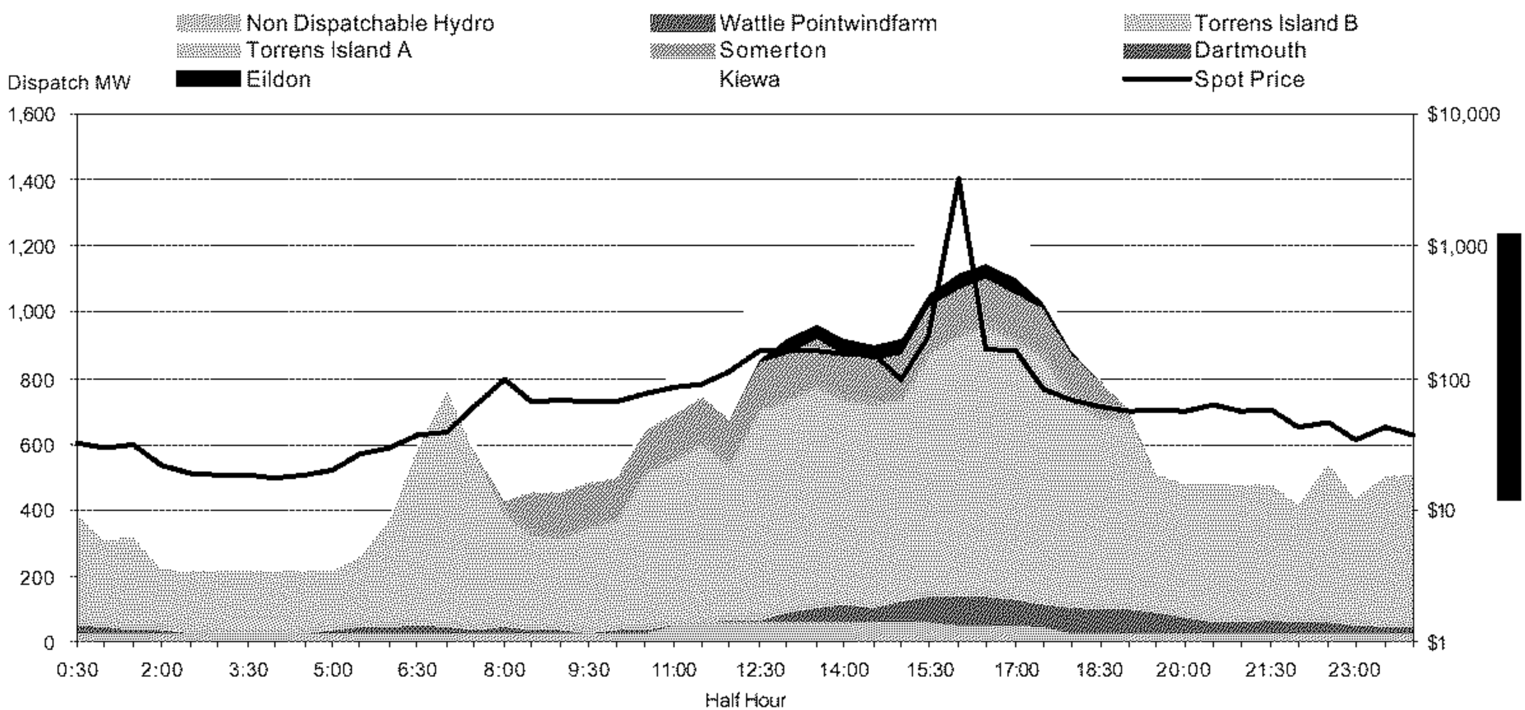


enhancing the generation portfolio

mitigating spot market impacts

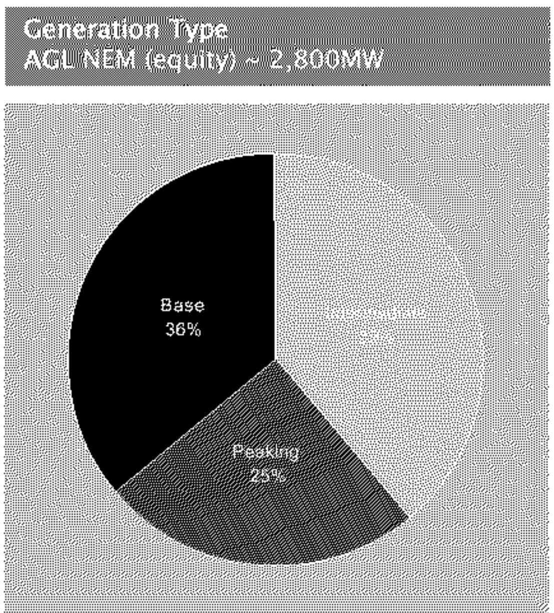
- TIPS to deliver added portfolio flexibility and robustness
- 240MW Kiewa (Sthn Hydro) scheme still delivering peaking capacity
  - current dam level approximately 50%, winter snow fall effectively fills three times per year

Actual market & AGL generation portfolio 11 January 2007 & overlaying TIPS integration / portfolio benefits
(not including natural hedge advantage of Loy Yang A investment)



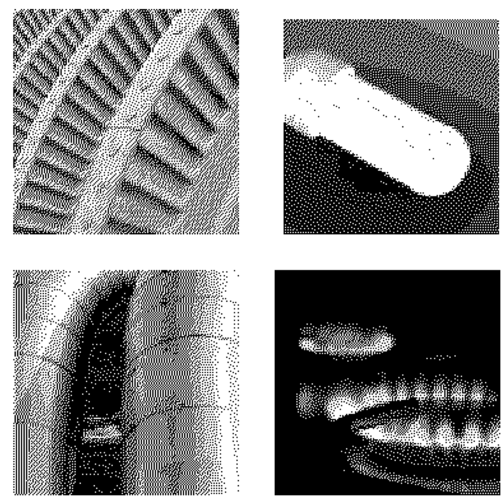
a balanced generation portfolio

agl continues to develop a robust generation portfolio to manage the risk of market cycles



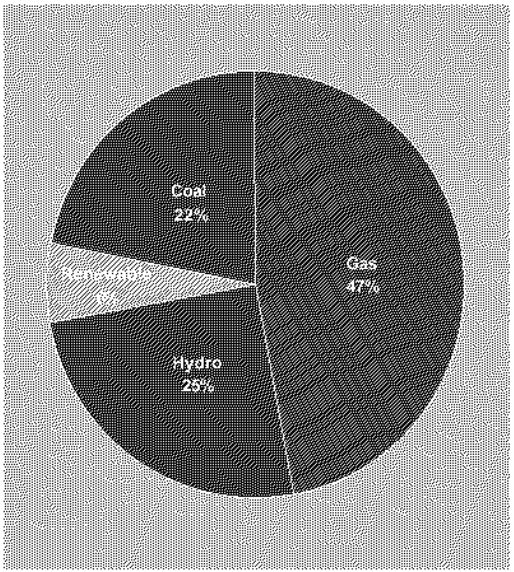
- Flexible generation type
  - Diversity of fuel type (coal, gas & hydro / renewables)
  - Diversity of generation type – base, intermediate & peak
- Ownership of hydro has provided earlier 'line of sight' to potential market outcomes
- Hydro operation / ownership delivered early mover market advantage
- AGL substantially covered (physical & contract) for FY08
- Focus on contracting with solid counter parties who can meet delivery obligations

competitive leadership in carbon
constrained environment

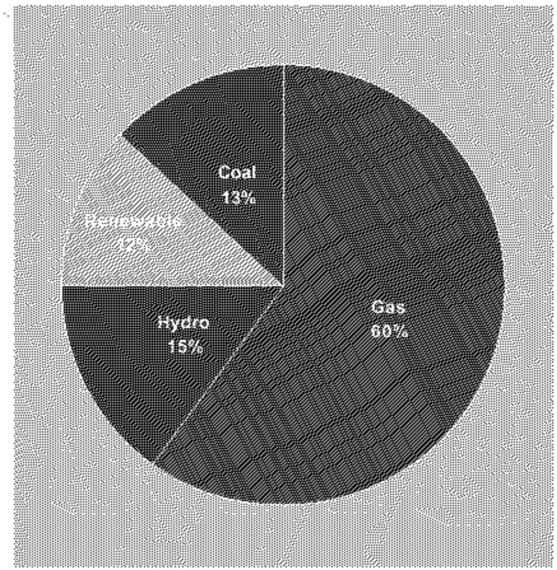


leading the clean technology market

Current generation ~ 3,300MW[1]



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



both the current & potential agl generation portfolios create competitive leadership in a carbon constrained environment

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

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

competitive leadership

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

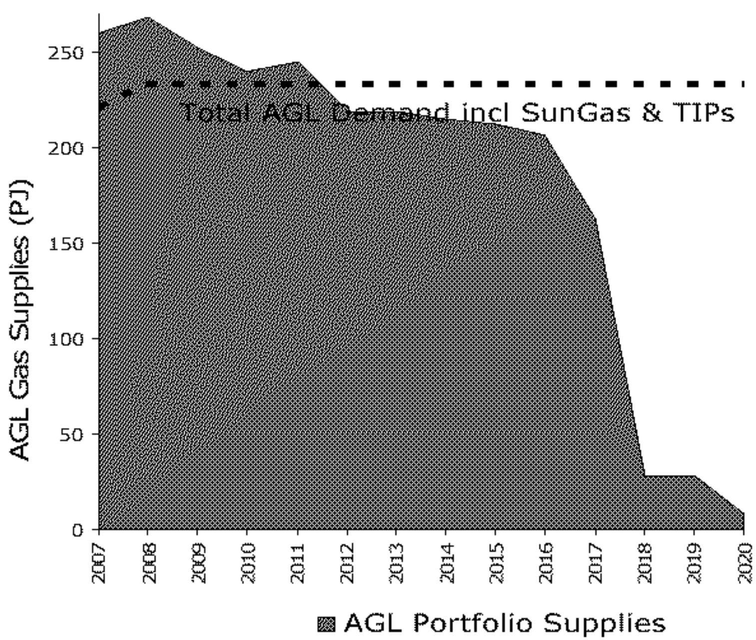
Clean burn gas generation : ~1,530MW

Under review : ~1,930MW

gas: fuel of choice

existing duration & flexibility

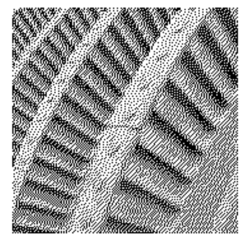
- current gas demand fully contracted for next 10 years
- extensive portfolio flexibility within both equity and contract gas
  - annual contract quantity (ACQ) 'up & down', maximum daily quantity (MDQ), take-or-pay (ToP) and flexible delivery points
- rolling 'buy long / sell short' portfolio strategy
- no shortage of gas - of Eastern Australia's remaining ~16,000 PJ (2P) gas reserves ~ 50% remain uncontracted

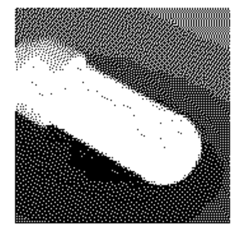


Targeting portfolio of 50% equity gas

- Profit from future price appreciation
- Substitute fuel of choice for generation
- Substitute fuel of choice for heavy haulage transport

the business

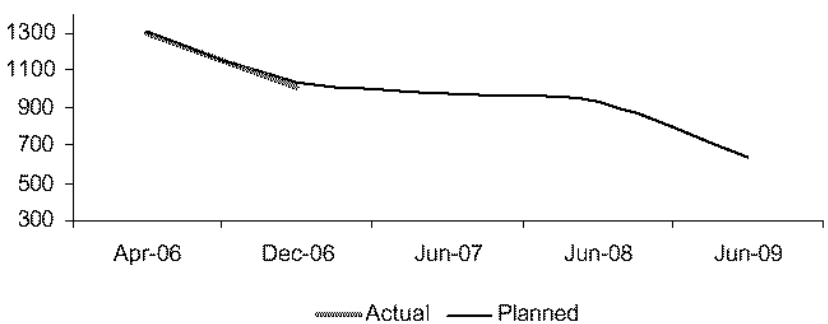




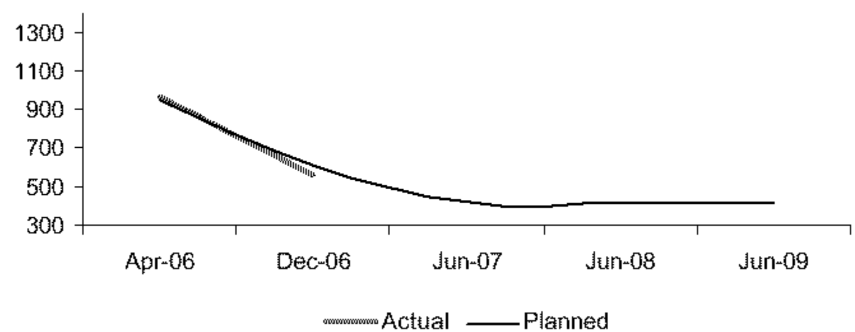
re-engineering delivering results

- 55% reduction in total FTE's (full time equivalents)
- 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

Retail Headcount
(end target FY09 ~ 640 FTE's)



Corporate & Merchant Headcount
(end target FY08 ~400 FTE's)

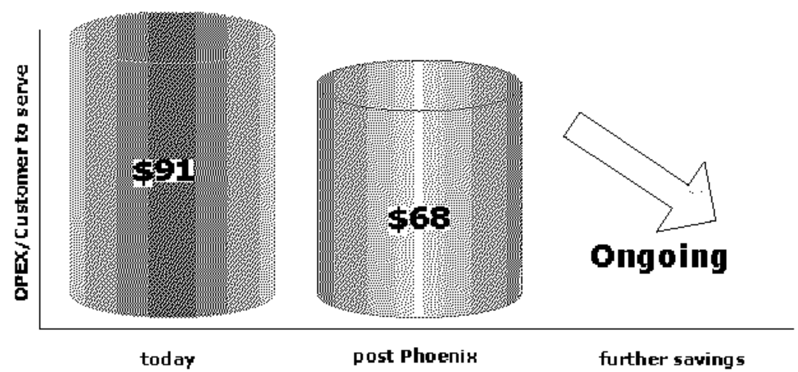


transforming retail
project phoenix update

ahead of schedule & to cost

- Consolidating disparate operations
- Increasing process automation: customer contact, billing, collections and market processes
- Reducing IT complexity and costs: 7 legacy systems to 1 enterprise-wide platform
- Creating competitive advantage: targeting high-value customers, improving service delivery, single view of customer

Targeted Cost to Serve reductions



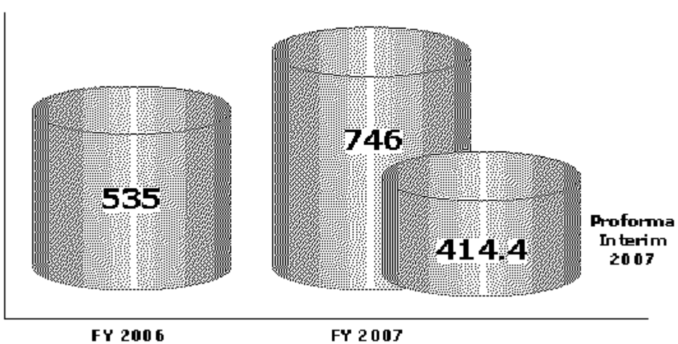
AGL's market leading share provides real opportunities to exploit sizeable economies of scale

earnings outlook

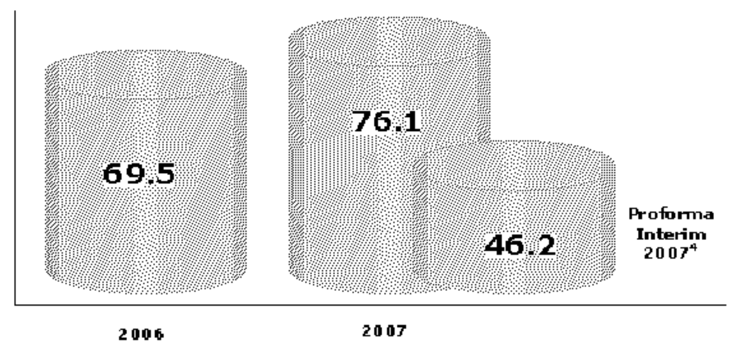
strong earnings[1] growth to drive TSR

- targeting high growth energy sectors
- delivering operating scale advantages
- value – adding growth opportunities
- identified, ongoing cost savings being delivered
- solid interim 07 result – on track to meet FY07 NPAT of $321m

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 421.7 million post placement
4. Underlying basic EPS pre significant items

on track

mergers & acquisitions

- De-merger complete; 1,660 people transferred out & ***no*** slip up of shared services
- Acquisition integration of SunGas & PowerDirect complete
- TIPS integration planning well under way
- 30% increase in customer accounts, ~300% increase in equity gas & ~300% increase in generation

corporate re-engineering delivering results

- $115m p.a. savings on track
- Phoenix running ahead of schedule and to cost
- New organisation structure - implemented within 2 months, delivering improved efficiencies
- New key leadership appointments

leading industry consolidation

- Suite of *identified* growth opportunities
- Market leading position in carbon constrained environment
- Hedged for current wholesale electricity price cycle
- Substantially covered (physical & contract) for FY08

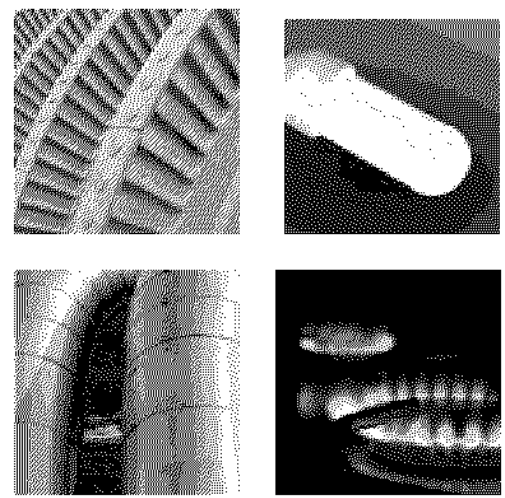
remain on track to deliver de-merger scheme booklet FY07 result

- NPAT of $321m (EPS of 76.1 adjusted for placement)
- 15% average EPS growth over the medium term (3 - 5 years) with a targeted 60% dividend payout ratio, fully franked

agl energy

strategy update

paul anthony, managing director & ceo



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