AGL Energy
2007 full year results




A year of strategic transformation
to form an energy major…

22 August 2007

Disclaimer

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 positively or negatively 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

Result overview

Delivering under extreme market conditions

Financial

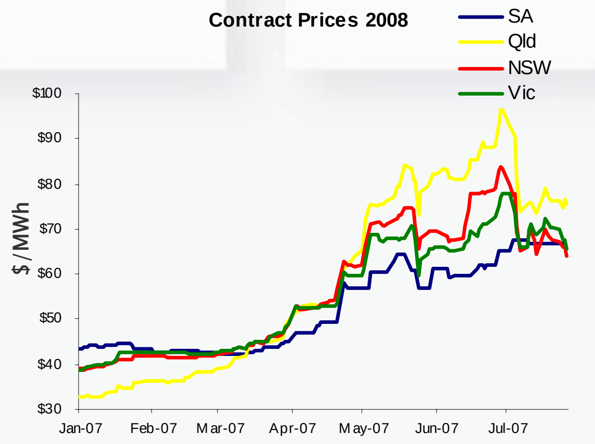
- $319.8m pro forma underlying (scheme booklet) NPAT
- $325.6m pro forma underlying (post acquisitions) NPAT
- Final dividend of 26 cps fully franked

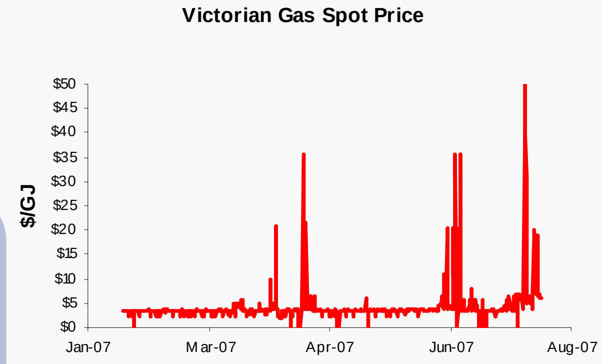
Operational

- Business transformation & re-engineering nearing completion
  - 880 FTE reduction in head count
  - commensurate increase in key performance indicators (kpi's)
- Retail customer management & billing system on track & under budget
  - design & build complete, testing underway
  - scheduled live date 4th quarter calendar 2007

Strategic

- 1600MW net increase in equity generation to 3300MW including ~1000MW of renewable generation
- 1300PJ net increase in equity & contract gas to ~4200PJ
- Additional ~400MW of renewable generation under review
- Additional ~1100MW of clean burn gas generation under review





Execution of 'four corners' integrated strategy delivers:

- Business diversity & strength in extreme market conditions as evidenced by delivering FY07 scheme booklet forecast result; and
- Reaffirmation of 15% EPS target for FY08;
- Electricity hedge book value (positive) ~$3.9 billion at balance date demonstrating depth & diversity of hedge portfolio

Result overview

Financial

12 months to	pro forma[1] underlying (scheme booklet) 30 June 2007	pro forma[1] underlying (post acquisitions) 30 June 2007
Revenue	4,172.6m	4,773.9m
EBITDA	715.9m	747.2m
EBIT	550.1m	574.7m
Profit after income tax	319.8m	325.6m
Less: Significant Items	(85.9m)	(88.7m)
NPAT (pro forma)	233.9m	236.9m
Underlying basic EPS pre significant items	79.5c[3]	77.3c[4]
Final dividend per share[2]	26.0c	
Franking %	100%	

delivered scheme booklet guidance

acquisitions performing ahead of expectations

1. AGL Energy Limited (AGL) statutory result (as per ASX Appendix 4E) for the year ended 30 June only reflects subsidiary companies in AGL during that year. Not all of these subsidiaries were in AGL for the full year (refer Note 14 of ASX Appendix 4E) as they were transitioning in at varying dates in preparation for demerger. Accordingly pro forma numbers for the year ended 30 June 2007 have been detailed in this presentation
2. The Directors have declared a final dividend of 26.0 cents per share for the year, fully franked. This dividend relates to earnings of AGL Energy Limited for the period 26 October 2006 until 30 June 2007. An interim dividend of 9.5 cents per share, fully franked, was paid by AGL Energy on 22 March 2007. A dividend of 25.5 cents per share, fully franked, was paid by The Australian Gas Light Company on 23 October 2006 in respect to earnings of The Australian Gas Light Company for the period 1 July 2006 to 25 October 2006
3. Based on weighted average shares of 402.3 million
4. Based on weighted average share of 421.5 million

Delivering the integrated strategy

Strengthening the dual-energy supply chain links

- Purchase 35% of CSM Energy (coal mine methane)
- Purchase 27.6% (310PJ) in QGC (csm)
- Developing PNG LNG proposal with partners
- Purchase 50% (208PJ) in Moranbah project (csm)
- Acquired additional Sydney Basin permit acreage

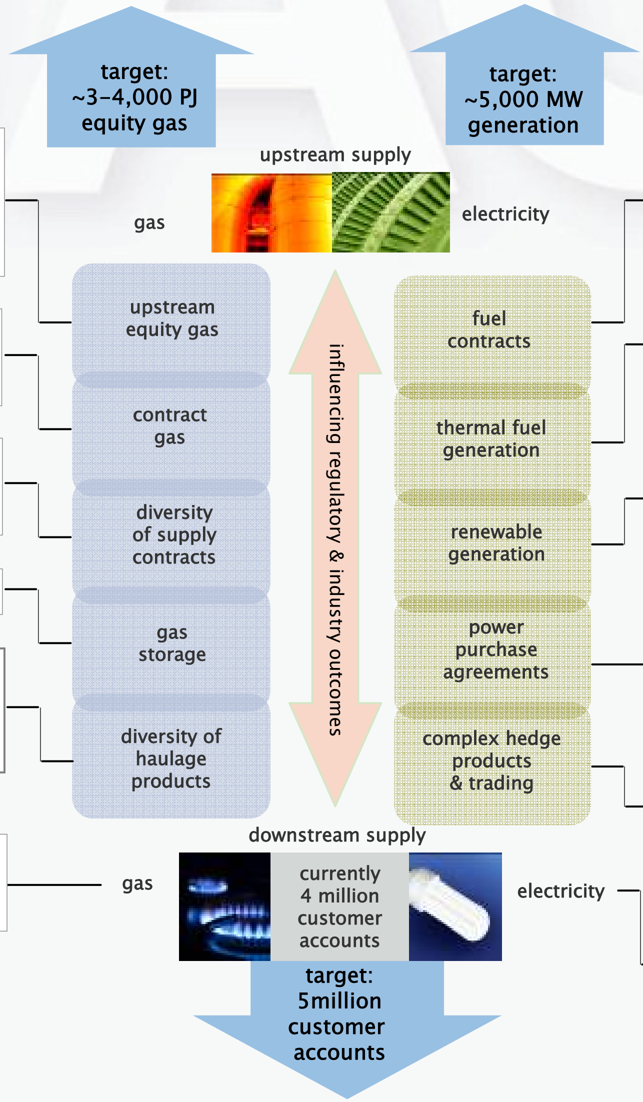
- Acquired 20 year, 740PJ GSA with QGC and;
- Acquired 10 year, 300PJ GSA with TIPS taking total contract gas portfolio to 3320PJs

- QGC & TIPS GSA's deliver additional diversity of gas supply contracts across all major on shore basins & suppliers

- Secured WUGS gas storage agreement per TIPS

- Facilitate build of QNS 'missing link' gas pipeline through EPIC GTA combined with existing GTA's provides additional diversity & security of supply and opportunity to commercialise QGC reserves

- Purchased Sun Gas retail adding ~71,000 customer accounts in fast growth Qld market
- ~30,000 increase in dual-fuel customers in FY07



- Hallett Wind farm development
- Wattle Point wind farm off take agreement
- TIPS GSA (& WUGS storage)
- QGC GSA

- Purchased 1,280MW Torrens Island Power Station (TIPS)
- Further 1,100MW clean burn gas in development stage

- Building Hallett 95MW Wind Farm
- Building 140MW Bogong Hydro Power Station
- Secured 71MW Hallett Hill Wind farm development rights
- Further 400MW of renewables in development stage

- Oakey 282MW, output & despatch rights strengthening Qld portfolio peak load risk management abilities

- Joined Chicago Climate Exchange providing liquid market to trade credits as well as gain broader carbon trading skills ahead of domestic market commencement

- Purchased Powerdirect retail adding ~ 473,000 customer accounts including leading SME business across Qld, NSW, Vic & SA
- AlintaAGL JV adds ~ 576,000 customer accounts

Group financials

Stephen Mikkelsen
Chief Financial Officer




Profit & loss[1,2] (excluding significant items & fair value adjustments)

12 months to $m	Pro forma (scheme booklet) 30 June 2007	Pro forma (post acquisitions) 30 June 2007
Revenue	4,172.6	4,773.9
Expenses	(3,456.7)	(4,026.7)
EBITDA	715.9	747.2
EBIT		
Retail	203.5	192.5
Merchant	375.1	410.7
Energy Investments (GasValpo, ActewAGL, AlintaAGL & Elgas)	64.0	64.0
Corporate	(92.5)	(92.5)
Total EBIT	550.1	574.7
Less Finance costs[3]	(82.4)	(98.7)
Profit before tax	467.7	476.0
Less: Income tax expense[4]	(147.9)	(150.4)
Net profit after tax	319.8	325.6

1. AGL Energy Limited (AGL) statutory result (as per ASX Appendix 4E) for the year ended 30 June only reflects subsidiary companies in AGL during that year. Not all of these subsidiaries were in AGL for the full year (refer Note 14 of ASX Appendix 4E) as they were transitioning in at varying dates in preparation for demerger. Accordingly pro forma numbers for the year ended 30 June 2007 have been detailed in this presentation
2. AGL has elected to report financial results externally as it reports and manages its business internally. Accordingly the numbers reported in this presentation are on the same basis as reported in the original scheme booklet (dated 29 August 2006) with regard transfer pricing for wholesale energy costs between the merchant energy and retail energy business units. Under these transfer pricing arrangements the benefit flowing from AGL's gas and electricity trading activities are retained in the merchant energy business unit. The transfer pricing methodology previously adopted by The Australian Gas Light Company (i.e. old AGL) in its external profit reporting to market and as detailed in the 'management vs statutory reconciliations/commentary' in the demerger scheme booklet release presentation (29 August 2006) and in the supplementary scheme booklet (dated 21 September 2006) are redundant
3. Finance costs are calculated by combing the actual interest expense post demerger to 30 June 2007 ($90.9 million) with the additional scheme booklet interest from 1 July to demerger ($7.8 million)
4. Tax expense is calculated by taking the effective tax rates and applying this to the pro forma EBIT results by business unit

Significant items

12 months to $m	Pro forma 30 June 2007
IT asset write off	(22.7)
Project write offs	(4.5)
Demerger costs	(52.2)
Redundancy / restructuring costs	(34.3)
PNG feed costs	(7.4[1])
Significant items before tax	**(121.1)**
Less tax applicable	35.2
Significant items after tax	**(85.9)**

1. Differs to 31 Dec 06 due to costs associated with finalisation of JV

Statutory cash flow summary

Period $m	6 months Jan–Jun 07
EBITDA	379.0
Equity accounted associates & joint ventures	(18.5)
Net finance costs	(47.1)
Tax paid	(58.0)
Working capital	(25.4)
Operating cash flow	230.0
Stay In Business (SIB) capex	(9.5)
Cash flow after SIB capex	220.5
Less: dividends paid	(35.8)
Free cash flow	184.7

Our retail business – key financial metrics

Pro forma – scheme booklet

12 months to $m	June 07	June 06	change %
Revenue	3,261.5	3,412.0	(4.4)
Cost of Sales	(2,821.8)	(2,946.8)	4.2
Gross Margin	439.7	465.3	(5.5)
Operating Costs (ex. D&A)	(227.2)	(223.0)	(1.9)
EBITDA	212.5	242.2	(12.3)
D & A	(9.0)	(7.5)	(21.4)
EBIT	203.5	234.7	(13.3)
EBIT / Sales %	6.2%	6.9%	

Our merchant businesses – key financial metrics

Pro forma – scheme booklet

12 months to ($m)	June 07	June 06	Change %
EBITDA			
Wholesale Energy & Power Generation			
Wholesale Electricity	30.3	42.8	(29%)
Generation[1]	123.5	53.5	131%
GEAC	46.6	22.7	106%
Wholesale Gas	69.5	54.0	29%
Energy Services	12.1	9.3	30%
Sundry	(6.1)	(7.0)	13%
Upstream Gas			
PNG	195.5	89.7	118%
CSM[2]	14.2	2.4	502%
HC Extractions	10.6	11.5	(8%)
Sundry	(0.5)	(0.1)	N/A
Operating EBITDA	495.7	278.8	78%
D & A	(120.6)	(64.1)	(88%)
Operating EBIT	375.1	214.7	75%
Fair Value changes	292.5	0.3	N/A
Reported EBIT	667.6	215.0	211%

1. Includes $20.1m Hallett Wind Farm development fee
2. CSM EBITDA = $4.5m Camden, $9.7m Moranbah

Sun Gas & Powerdirect

Underlying[1]

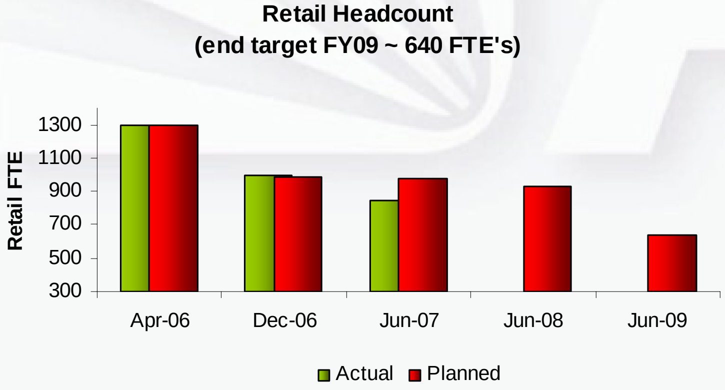
period to [2] $m	Sun Gas & Powerdirect	acquisition model
Gross Margin (Sun Gas $9.7m, Powerdirect $41.9)	51.6	35.8
Operating Costs (ex. D & A) (Sun Gas $2.4m, Powerdirect $18.7m)	(21.1)	(19.1)
EBITDA (Sun Gas $7.3m, Powerdirect $23.2m)	30.5	16.7
D & A (Sun Gas $3.5m, Powerdirect $3.2m)	(6.7)	(7.3)
EBIT (Sun Gas $3.8m, Powerdirect $20.0m)	23.8	9.4

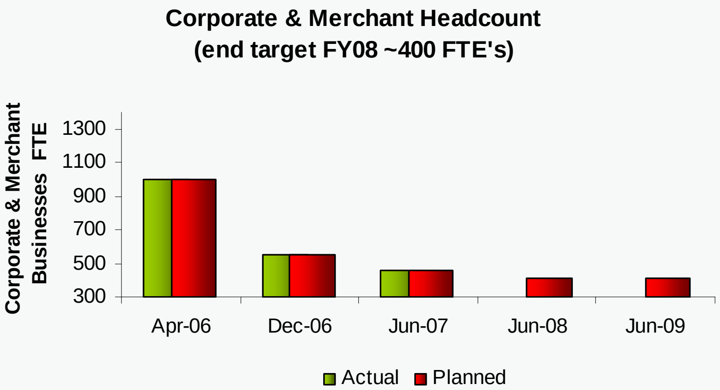
1. Underlying excludes Powerdirect AIFRS fair value adjustment of $159.4m
2. Sun Gas 1 Feb 07 to 30 Jun 07 and Powerdirect 1 Mar 07 to 30 Jun 07

Operational review & strategy

Paul Anthony
Managing Director and CEO

Delivering business efficiency





headcount reduction 90% complete

improved business performance

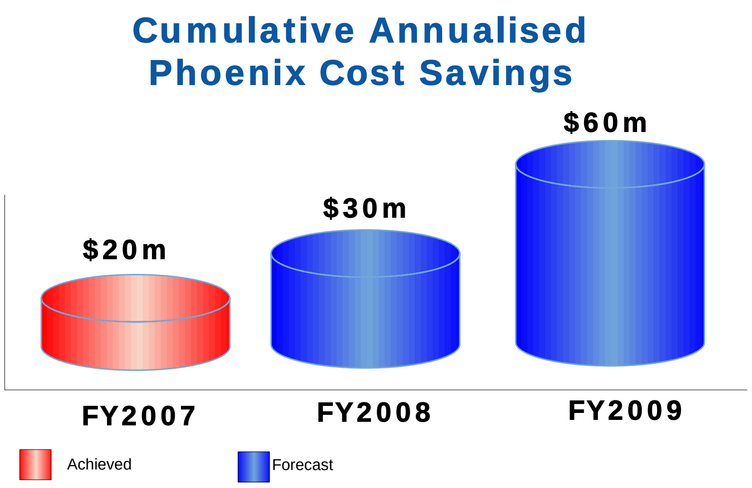
Business re-engineering exercise nearing completion & delivering planned. Improvements in operational efficiency and effectiveness across the entire business

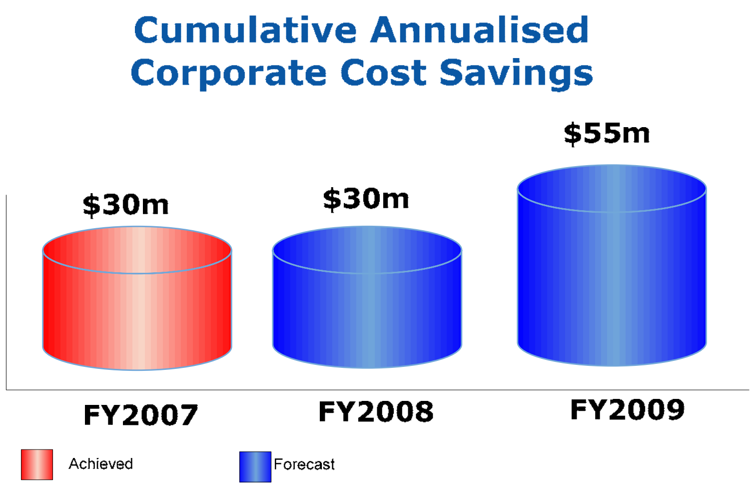
- Generation portfolio start reliability & availability continue to perform well
- Billing backlogs. Bills issued more than 4 days behind schedule have reduced from 56,500 at June 2006 to 17,200 at June 2007, representing a reduction of 70% year on year
- Consolidation. The consolidation of all back office functions into Melbourne has been completed with no detrimental impact on processes or service. This included the functions of Income Operations, Electricity Transfers, C&I Billing, Mass Market Billing and Data Operations and ~250 roles
- Customers with accounts in credit. Major improvements in reconciling and closing accounts with credit balances with 134,000 accounts now reduced to 13,000

Business transformation program & head count reduction nearing completion delivering improved efficiency & effectiveness across the business

Delivering business efficiency

Project phoenix and corporate cost outs





- Project Phoenix delivering against planned cost savings target – year to date annualised saving of ~$20m
- Corporate cost savings delivering against plan – year to date annualised saving of ~$30m

Retail – ongoing system efficiencies

Project phoenix – on track & on budget

Complete

- Detailed design and build:
  - design, configuration & build of all strategic retail business processes, voice architecture, interfaces, reports & industry regulated enhancements
  - rationalisation of retail products & rates: ~1,100 to 78 strategic products & ~1,000 to 33 rate categories

Current

- Appointment of Applications Management Outsourcing (AMO) provider
  - appointed global firm of TATA Consultancy Services (TCA), delivering global intellect and experience
  - also delivers ability to significantly reduce costs in running existing (non phoenix) AGL IT systems
  - AGL IT support staff to reduce from over 300 to ~20
- System testing & deployment preparation:
  - integration testing, industry market participant connectivity, data cleansing
  - workforce transition, organisational & process readiness, cut over readiness (5 trial conversions then 3 complete dress-rehearsals)

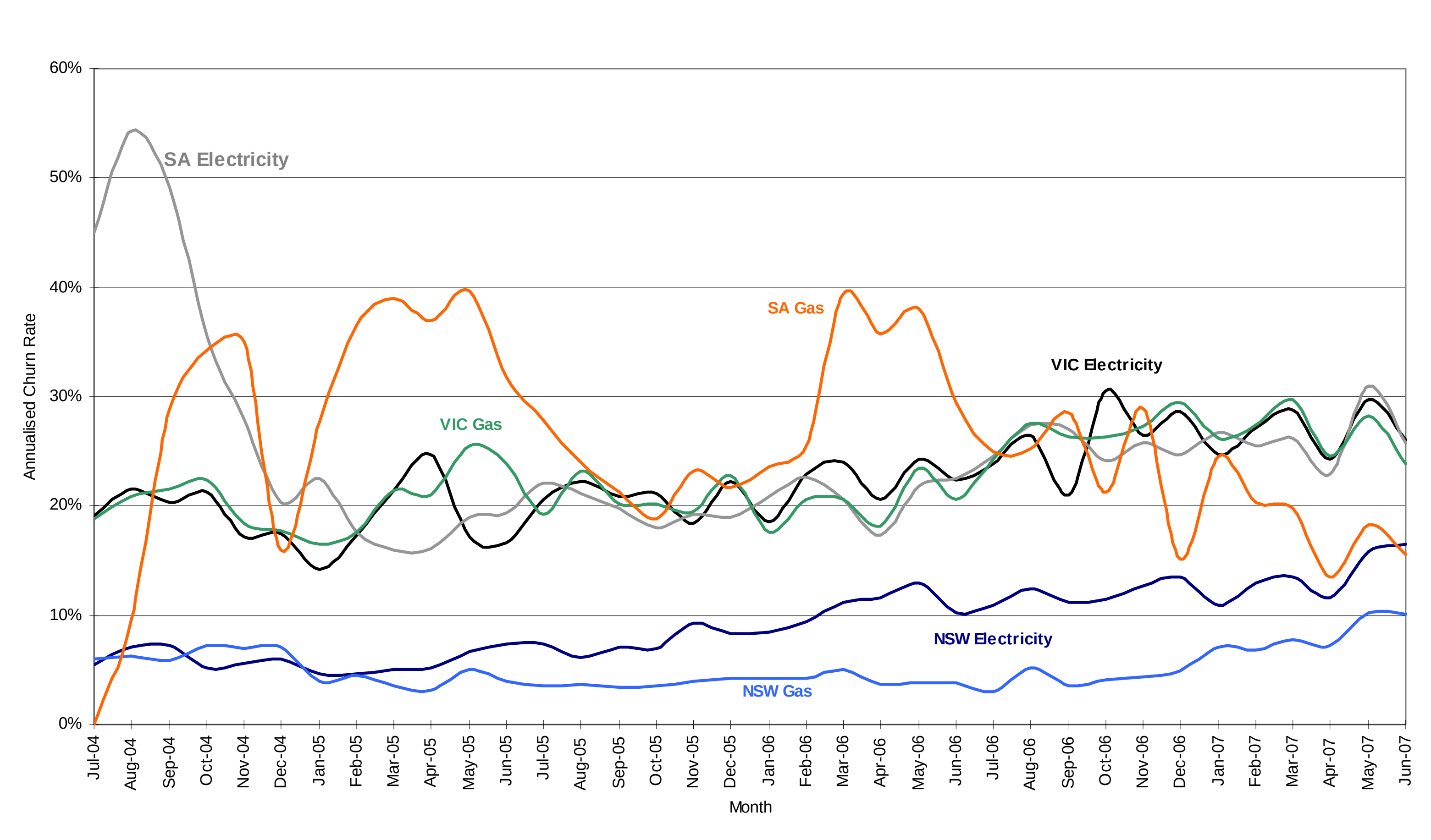
Next

- Two stage deployment:
  - release 1: Q4 2007 (mass market customers), Release 2: Q2 2008 (mass market customers)
  - further releases (covering I&C customers and balance of mass market)

Phoenix delivers AGL a single, scaleable customer billing & management platform and unassailable market leading cost to serve.

Retail – overall market churn

- Unprecedented levels of churn continue



Retail – market share

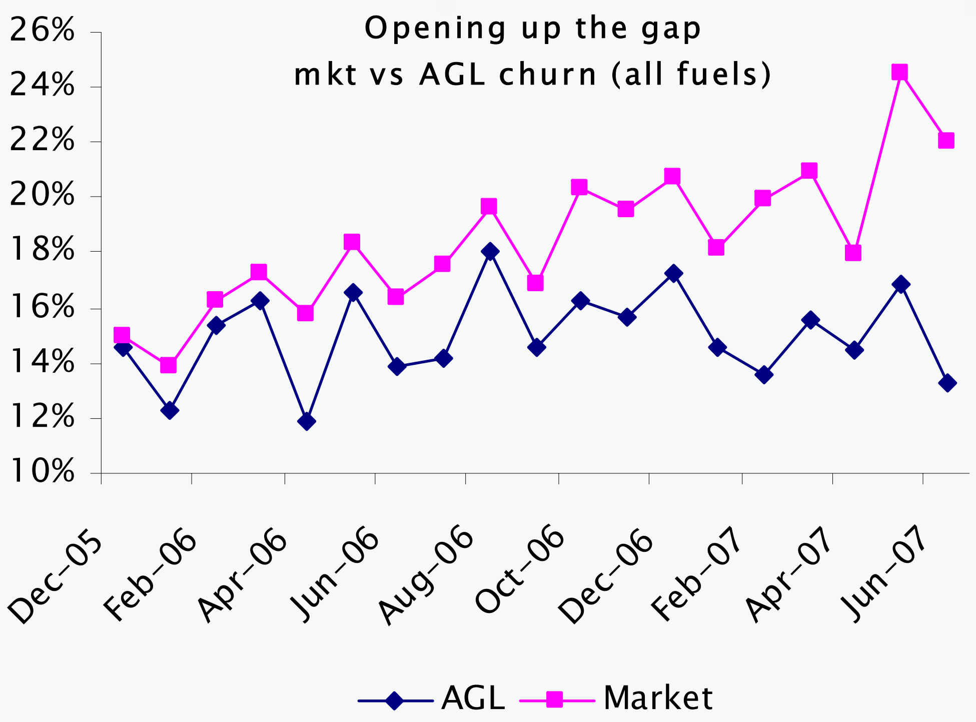
(12 months to 30 June 2007 – excluding Qld)

		Gas	Electricity	Dual Fuel	Market Share	Product/ customer
Victoria	Customer accounts	-34,173 to 476,569	-59,901 to 645,511	-35,202 to 707,684	27.4% (Jun 06: 30.9%)	1.46 (Jun 06: 1.44)
	Market churn rate	26.7% (Jun 06: 20.5%)	26.4% (Jun 06: 21.5%)			
South Australia	Customer accounts	+11,429 to 64,204	-67,510 to 466,674	+19,058 to 112,878	45.4% (Jun 06: 51.7%)	1.12 (Jun 06: 1.09)
	Market churn rate*	21.3% (Jun 06: 27.4%)	26.0% (Jun 06: 20.4%)			
New South Wales	Customer accounts	-18,565 to 756,196	+48,170 to 237,051	+46,428 to 306,358	23.7% (Jun 06: 23.6%)	1.18 (Jun 06: 1.16)
	Market churn rate	6.2% (Jun 06: 3.9%)	12.8% (Jun 06: 9.1%)			
	Total accounts (Net)	-41,309 to 1,296,969	-79,241 to 1,349,120	+30,284 to 1,126,920	28.0% (Jun 06: 30.2%)	1.27 (Jun 06: 1.25)

*SA Gas and Electricity churn include customer retention, all other states churn for electricity and gas excludes retentions

Retail – 'churn in perspective'

AGL churn relative to market tracking down

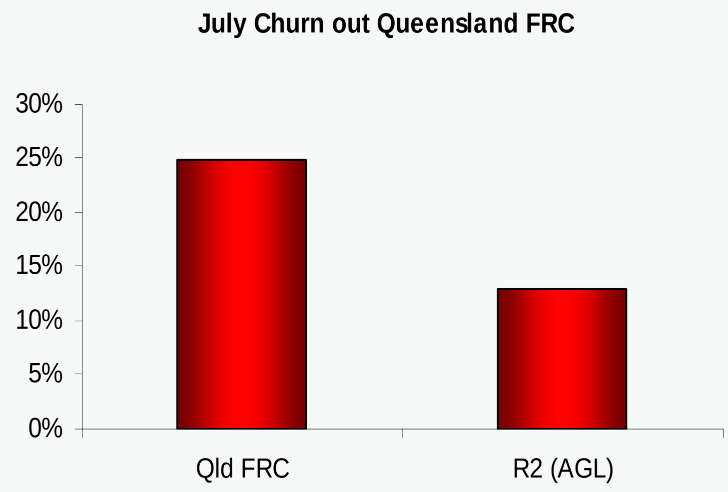


- 2006 was characterised by heightened activity in 1H, AGL's responded via increased investment in effective acquisition
- Net customer position in 2H significantly better than 1H
- Last quarter saw AGL churn-out fall to 5-6% below full year market average
- Increased focus & investment in retention activity a clear marketing focus, with newly rolled out initiatives including:
  - dedicated win-back and save teams;
  - pro-active retention campaigns; and
  - changed market product offers to meet changing market conditions

Retail – Powerdirect update

Performing ahead of expectations

- Powerdirect territory churn ~12% against state total of ~25%
- Competitor activity expected to increase
  - comprehensive AGL sales & marketing strategy complete & ready to execute as required
- Operational integration of Sun Gas & Powerdirect business into AGL not covered by TSA now complete
  - remaining franchise customers migrate to Phoenix March 2008
- Sun Gas customers now transitioned to dedicated AGL Qld duel-fuel billing platform
  - allowed termination of Sun Gas TSA 9 months early
- Powerdirect SME business to remain operating as a stand alone challenger brand
  - actively pursuing opportunities in Vic, SA & Qld
  - focus on retention in sthn states & acquisition in Qld



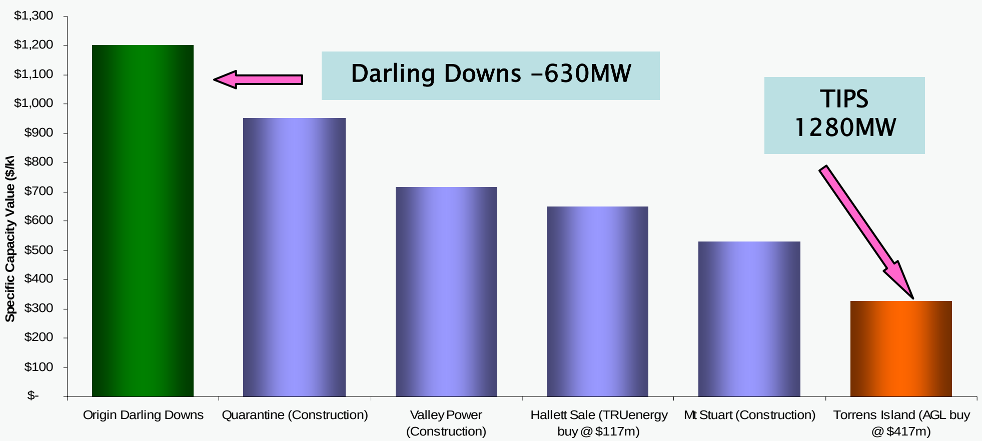
Upstream generation

Executing the 'four-corners' strategy

- Bogong Power Station
  - 140MW hydro plant under construction
- Sun Gas generation plants
  - additional 4 renewable & low carbon generation plants acquired with total capacity of 43MW
- Hallet Wind farm
  - creative $258m funding deal for 95MW wind farm retaining all output, green credits and O&M contract until 2033
- Torrens Island Power Station (TIPS)
  - 1,280MW intermediate and peak plant acquired for $417m
  - WUGS gas storage agreement
  - 300PJ, 10 year GSA
- Joined Chicago Climate Exchange (CCX)
  - access to liquid market for trading credits
  - delivers additional revenue
  - broadens trading knowledge base ahead of local carbon emissions trading market introduction
- (Post balance date) Oakey 282MW PPA
  - secured 7 year PPA strengthening Qld peak load risk management

Disciplined, creative transactions deliver value accretion

generation transaction economics



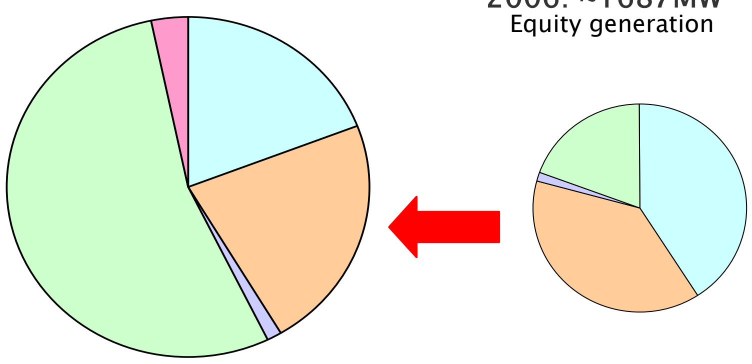
Generation portfolio

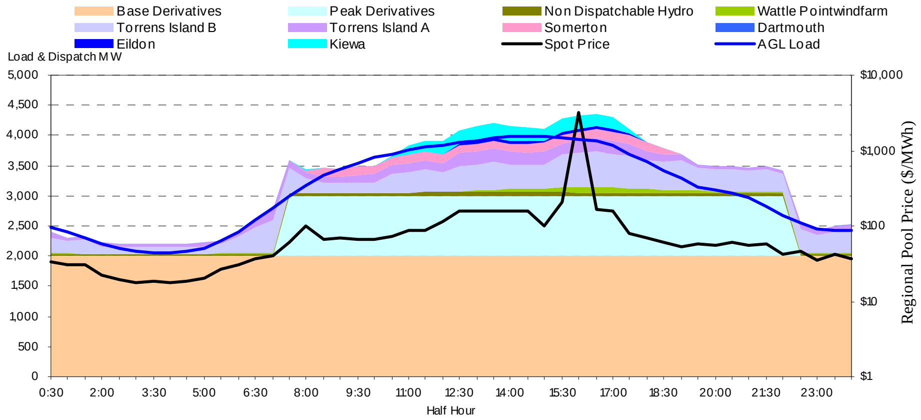
Material increases add robustness

- Increased physical intermediate & peak generation to cover extreme price risk periods

2007: ~ 3300MW
Equity generation

2006: ~1687MW
Equity generation





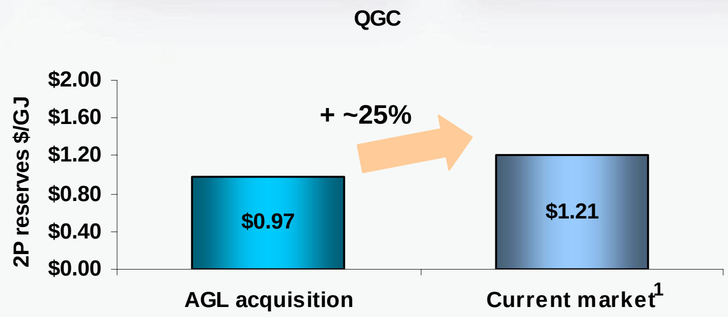
indicative AGL load 11 January 2007 & overlaying TIPS
integration / portfolio benefits
(includes current actual / drought constrained hydro capacity)

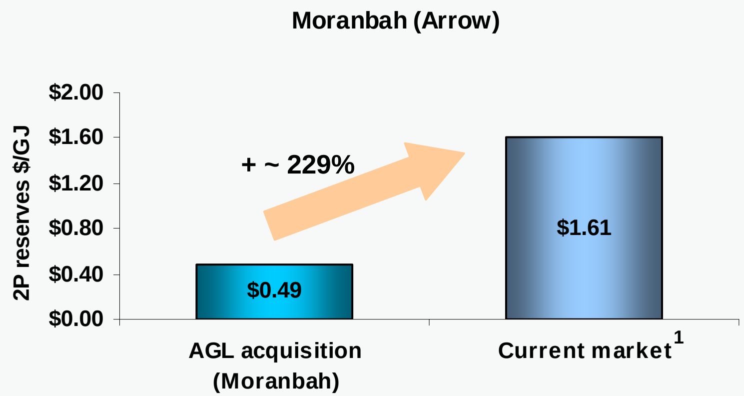
Upstream gas

Executing the 'four-corners' strategy

- Moranbah (Arrow)
  - 50% project stake for $93m
  - second largest single producing CSM project in Australia, no exploration risk
- QGC
  - initial 27.6% equity stake for $327m
  - 740PJ, 20 year gsa & $22.5m gas market development fee
  - pricing below current average portfolio price
- Sydney Basin
  - grant of additional 21 year production lease
- CSM Energy
  - initial 35% equity stake for $3m
  - leverage to burgeoning coal mine methane (cmm) industry
  - exclusive rights acquiring all gas & power produced
  - right to 35% stake in all cmm projects pursued
- PNG LNG project study
  - exploring proposal to deliver earlier commercialisation of gas reserves

Disciplined, creative transactions deliver value accretion



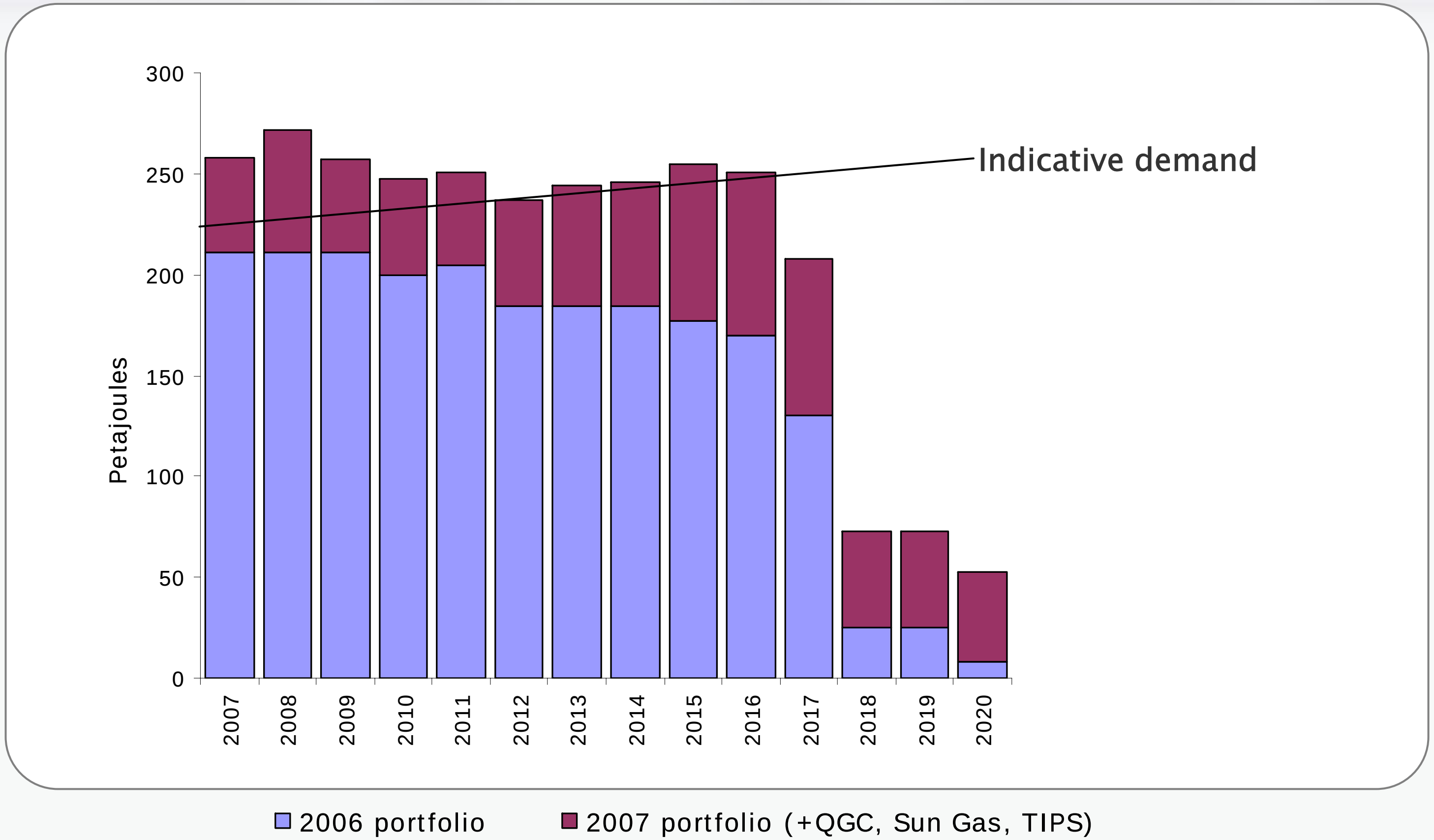


1. As at 17 August 2007. Market capitalisation + net debt / 2P reserves

Wholesale gas portfolio

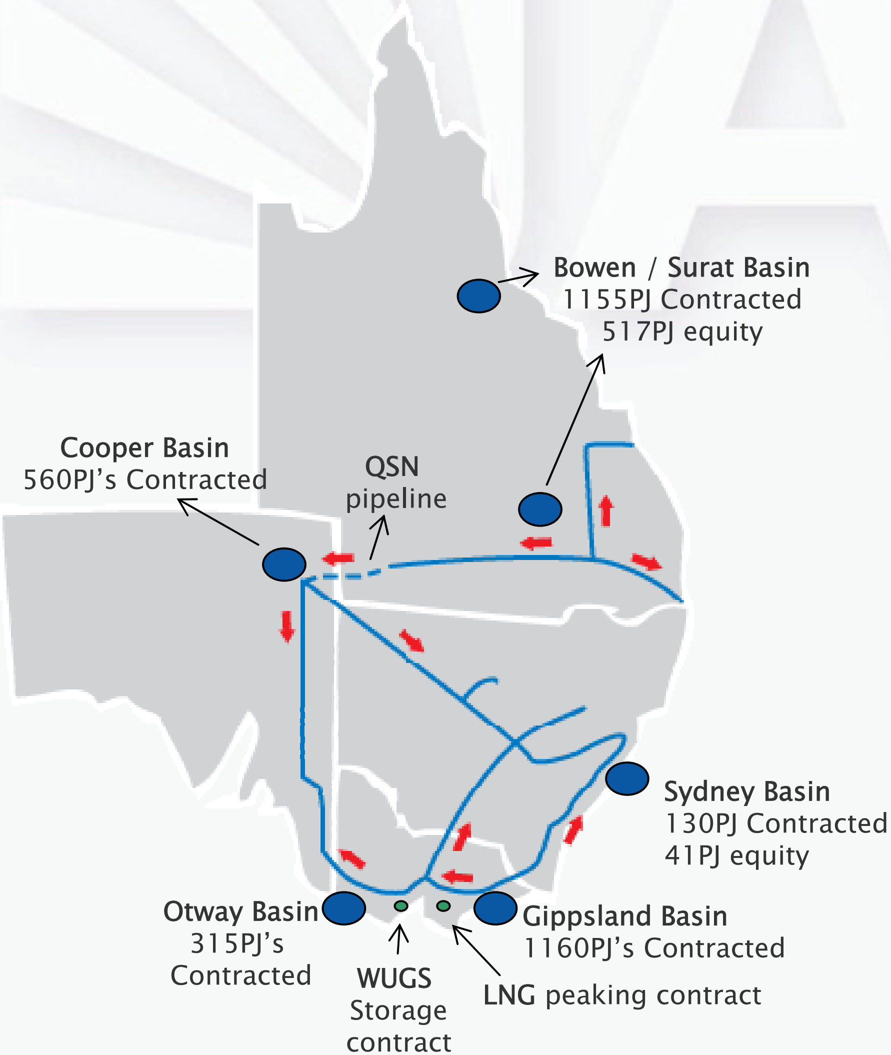
Material increases add robustness

- QGC, Sun Gas and TIPS acquisitions deliver additional gas portfolio longevity and depth



Gas portfolio update

Market leading flexibility & diversity



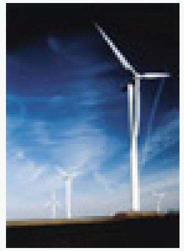
- Considerable flexibility within equity & contract gas portfolio
  - ACQ 'up & down', MDQ, ToP & flexible delivery points
- Rolling buy long / sell short portfolio strategy
- Pricing mechanism & flexibility ensures ongoing competitiveness
- QSN pipeline & associated GTA deliver missing link
  - additional diversity & security of supply
  - opportunity to commercialise QGC reserves
- No material impact of recent weather related short term supply issues
- Peak management demand tools
  - multiple contracts, storage (WUGS), LNG (Gasnet/APT), TIPS to oil, line pack, 'park & loan', demand side management

The largest portfolio of contract gas in australia ~3,300 PJ
a growing East Coast Australia equity gas portfolio of ~560 PJ (~900PJ including PNG)

Energy markets

Wholesale energy & power generation

- Wholesale electricity contract prices moved to historical highs in all states primarily driven by drought conditions & weather events
- Forward prices indicate market believes relatively high pool prices will continue but not at extreme levels witnessed in June
- AGL hedge policy & portfolio supported by growing physical generation portfolio, deliver robustness during extreme market conditions
  - electricity hedge book for FY08 & FY09 currently positioned at higher levels than minimum levels required under hedging policy
  - marked-to-market value as at 30 June 2007 approximately $3.9 billion positive
- Hallett & Somerton peaking plants continue to deliver excellent reliability & start capability (in excess of 95%)
- TIPS integration into AGL portfolio on track



Gas – operational

Coal Seam Methane

- Camden
  - reserves due for recertification at the end of 2007. 19 wells drilled during FY07, excellent plant processing performance (compressor availability 98.8%), 14 well drill program planned over FY08, SIS development drilling program underway to increase production & access to reserves
  - seismic acquisition of 35.5km undertaken during FY07
- Moranbah
  - reserves due for update (@ 30 June 07) – not communicated to AGL at this stage
  - AGL receives 5% override royalty on CH4's (now Arrow) gas revenue
  - CH4 sole exploration rights but AGL has 50% back-in rights on commercial discoveries, Arrow targeting additional 2P reserves of at least 700PJ (100% basis)
- QGC reserves upgraded by 20% to 1120 PJ – 2P
  - AGL share 309.6PJ (27.64%)

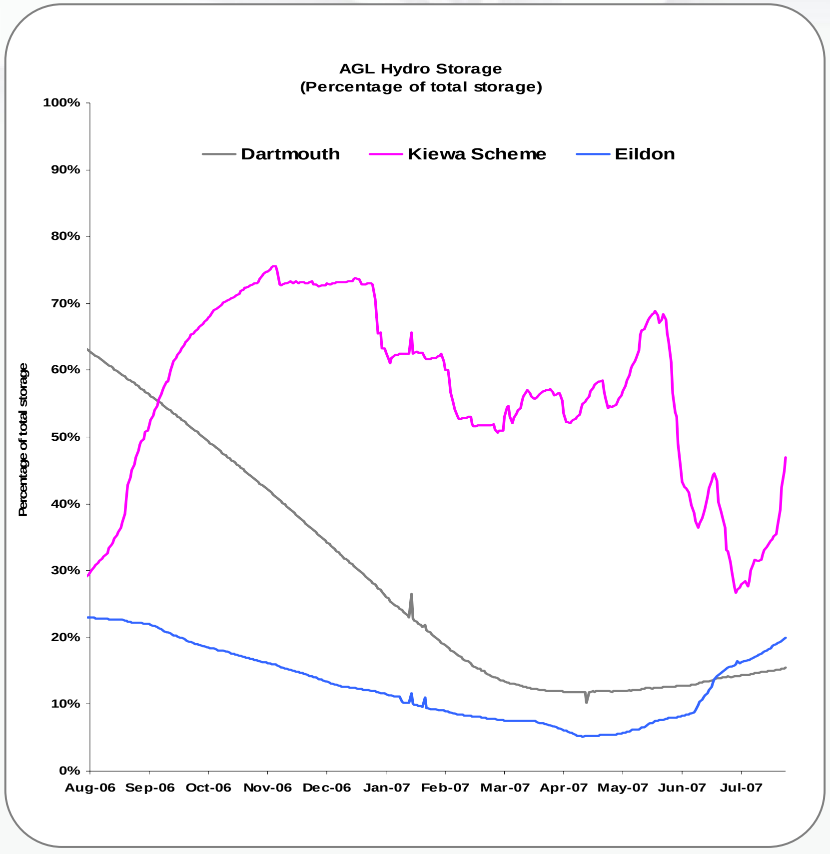
2P gas reserves (PJ)	June 07	June 06	Change %
Camden	41	41	-
Moranbah	208	-	N/A
QGC (Equity)	310	-	N/A
PNG	330	554	(40%)

PNG – operational

- Gas focus has moved to LNG Project
  - working toward FEED decision by March 2008
- Hedging protected revenues from oil price weakness over much of FY07
- Oil production in decline
  - unplanned shutdowns, slower than expected recovery post shutdowns, delayed development drilling program & reserves downgraded
- FY08 opening reserves of 13.0mbbl
- FY08 expected production of 2.1 – 2.5mbbl

Hydro – operational

All dams benefiting from solid rain & snow



- Kiewa scheme (~240MW – full discretion) fully operational, receiving good snow falls
  - 140MW Bogong expansion to budget & on track for completion 2H09
  - forms part of Kiewa Scheme & will deliver additional flexibility
- Eildon & Dartmouth storage levels tracking up on positive rain falls
- Considerable portfolio upside from return to normal hydrology conditions

Portfolio – growth projects

A market leading portfolio of identified projects

Generation	95MW Hallett (SA) wind:	Ahead of schedule & on budget, due for completion 1H08
	140MW Bogong (Vic) hydro:	Ahead of schedule & on budget, due for completion 2H09
	600MW Kogan (Qld) gas (peaker):	Secured site, currently progressing permitting Targeting commissioning Q2 2010
	330MW Macarthur (Vic) wind:	Project feasibility currently under review vs other development options
	300MW Leafs Gully (NSW) gas:	Option over site secured & currently progressing permitting
	71MW Hallett Hill (SA) wind:	Development options acquired, final investment decision due 2008
Upstream Gas	Camden JV gas (AGL 50%):	Sales at 5.5 PJ pa (gross); Plant capacity up to ~ 13PJ pa (gross); active drilling program underway
	Moranbah equity gas (AGL 50%):	Targeting additional ~150PJ certified 2P reserves (net) in FY08
	QGC equity gas (AGL 27.6%):	Recently upgraded 2P reserves by 20%; targeting additional 2,000PJ certified 2P reserves (QGC 100% basis) over next 24 months
	PNG equity gas (AGL 3.3%):	Entered into cost sharing agreement to investigate ExxonMobil-led LNG project initiative; decision to enter FEED by early next year

In summary

The ‘four-corners’, integrated robust business model

Financial

- Delivered FY07 result under extreme market conditions & volatile weather occurrences
- Delivered FY07 result against backdrop of strategic acquisitions/investments which by their inherent nature (gas for use in later years) placed additional short term pressure on earnings target
- Delivered FY07 result in line with Scheme Booklet forecast for underlying business

Operational

- Business re-engineering & associated cost reductions delivering improved business performance as measured across a range of KPI’s, ultimately to deliver $55m of sustainable cost savings
- Project Phoenix progressing to schedule and budget, ultimately to deliver $60m of sustainable costs savings and market leading cost to serve

Strategic

- Four-corners strategy delivering superior market integration;
  - ~50% (net) increase in equity gas to ~ 900PJ taking total equity & contract gas portfolio to ~4200PJ
  - ~100% (net) increase in equity generation to ~3300MW (across base, intermediate & peaking) and robust hedge book (+$3.9billion marked to market @ 30 Jun)
- Market leading balance & flexibility across upstream and downstream gas & electricity supply and demand

Outlook & way forward

Financial outlook

- FY08 forecast underlying profit on business as usual basis (including results from investment in QGC and acquisition of Sun Gas, Powerdirect & TIPS) of \$380 – \$400 million
- Equates to EPS range of 88–92 cents – delivering 15% target
- AGL currently anticipates FY08 underlying profit at upper end of range
- Dividend payout ratio of approximately 60% (on underlying EPS basis)

Strategic way forward

- Continued, disciplined roll out of the 'four corners' strategy:
  - targeting 3–4,000PJ of equity gas
  - targeting ~5,000MW equity generation
  - targeting 5 million customer accounts
  - AlintaAGL: buyer at the right price/right structure, seller at the right price

Further information / contacts

A range of information on AGL Energy Limited 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 or www.aglinvestor.com
alternatively, contact:

Graeme Thompson
Head of Investor Relations
AGL Energy Limited
phone: +61 2 9921 2789
mobile: +61 (0) 412 020 711
e-mail: gthompson@agl.com.au

Supplementary information




Balance sheet

	As at 30 June 2007 $m
Current Assets	7,275.5
PPE and Oil and gas Assets	1,606.7
Other Non Current Assets	5,225.3
Total Assets	14,107.5
Current Liabilities	3,733.6
Total Debt	2,400.0
Other Non Current Liabilities	1,456.3
Total Liabilities	7,589.9
Net Assets	6,517.6
Contributed Equity	3,858.9
Reserves	2,137.5
Retained Earnings	521.2
Total Equity	6,517.6

Debt funding

debt 30 June 07	$m
AGL Energy Limited	2,375
GasValpo	25
Gross Borrowings	2,400
Less: Cash	(280)
Net Borrowings	**2,120**

- BBB (S&P) long term rating maintained
- FFO interest cover: 5.8 times[1]
- Gearing: 24.9% [2]

facilities[3] 30 June 07 ($m)	limit	usage	available	maturity
Term facilities Tranche A	380	380	0	Oct 07
Term facilities Tranche B	633	633	0	Oct 09
Term facilities Tranche C	887	887	0	Oct 11
Revolving credit facility	500	475	25	Oct 09
Bridging loan facility	300	0	300	Jun 08
Total debt facilities	**2,700**	**2,375**	**325**	
Guarantee Facilities	921	820	101	Aug 07, May 10, Oct 09 & 11

1. Pro forma basis, 12 month period, assuming AGL Energy debt in place from 1 July 06. FFO calculated as : EBITDA less equity accounted profits plus dividends received less tax

2. Net debt / net debt + equity

3. Interest rate exposure against $1.1 billion of total facilities of $2.4 billion is fully hedged through until Oct 09

Capex

Pro forma 12 months to 30 June 2007 $	SIB	Discretionary	Total
Merchant Energy	10.9	253.2[1]	264.1
Retail Energy	0.1	32.4[2]	32.5
Corporate Other	7.7	53.5[2]	61.2
Total	18.7	339.1	357.8

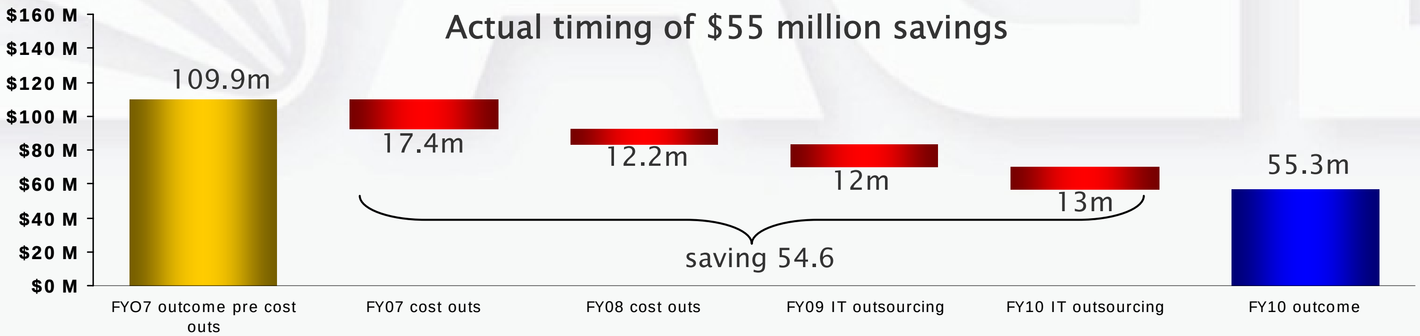
1 Includes expenditure on Moranbah (112.6), Bogong (45.2), Hallett Wind Farm Development (26.5), Camden (11.8) and PNG (46.0)
2 Includes expenditure on Spencer Street relocation and Phoenix costs.

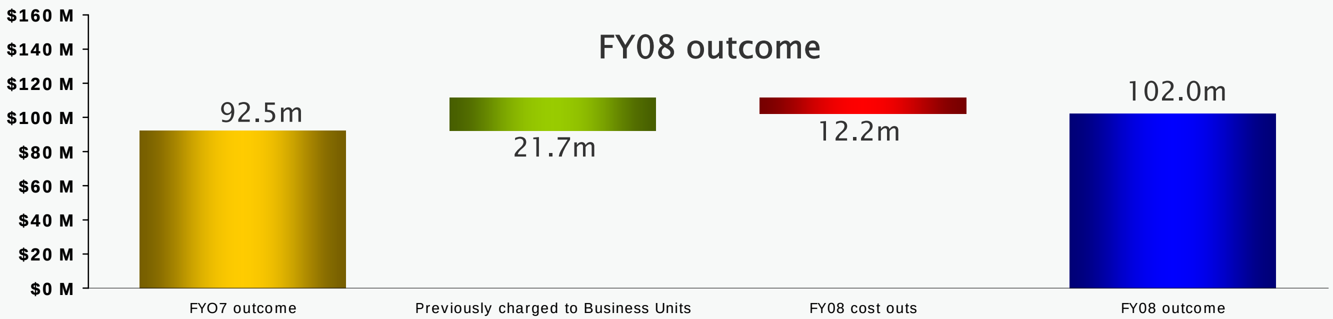
Statutory to pro forma reconciliation

12 months to	30 June 2007 $m
STATUTORY PROFIT AFTER TAX –Jun 07	410.5
Add statutory interest expense	132.2
Add statutory tax expense	180.6
STATUTORY PROFIT BEFORE INTERTEST & TAX (EBIT)	723.3
Add EBIT for subsidiaries from 1 Jul 06 to date acquired by AGL Energy	182.2
Add significant items not included in pro forma EBIT	121.1
Less Fair Value adjustments (ineffective hedges before tax)	(451.9)
Pro forma EBIT excluding Fair Value	574.7
Less Powerdirect, Sun Gas and QGC EBIT	(24.6)
PRO FORMA EBIT	550.1
Less pro forma interest expense	(82.4)
Less pro forma tax expense	(147.9)
PRO FORMA PROFIT AFTER TAX	319.8

Corporate cost savings

All building blocks in place to achieve $55 million savings



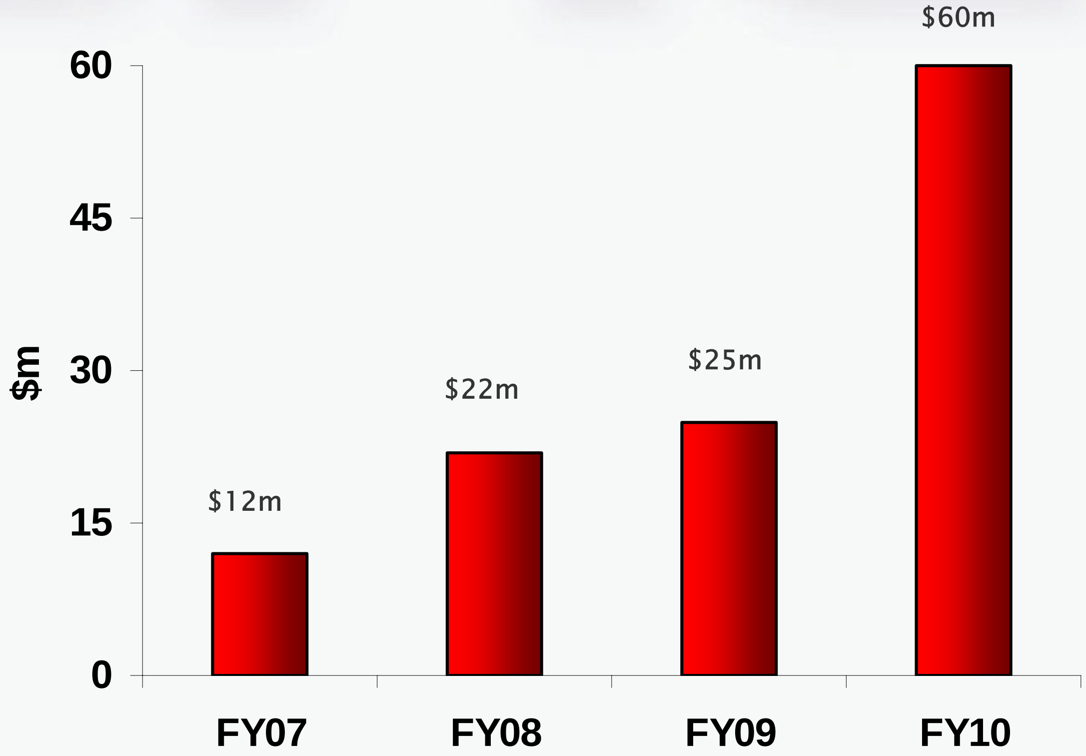


- FY07 actual cost savings of $17.4m
- Additional actual cost savings in FY08 of $12.2m bringing total savings to $29.6m
  - compares to annualised savings of $30m at 1H07
- FY08 further IT savings introduced but full actual realisation of $12m in FY09
- FY09 further IT savings introduced but full actual realisation of $13m in FY10

Phoenix cost savings

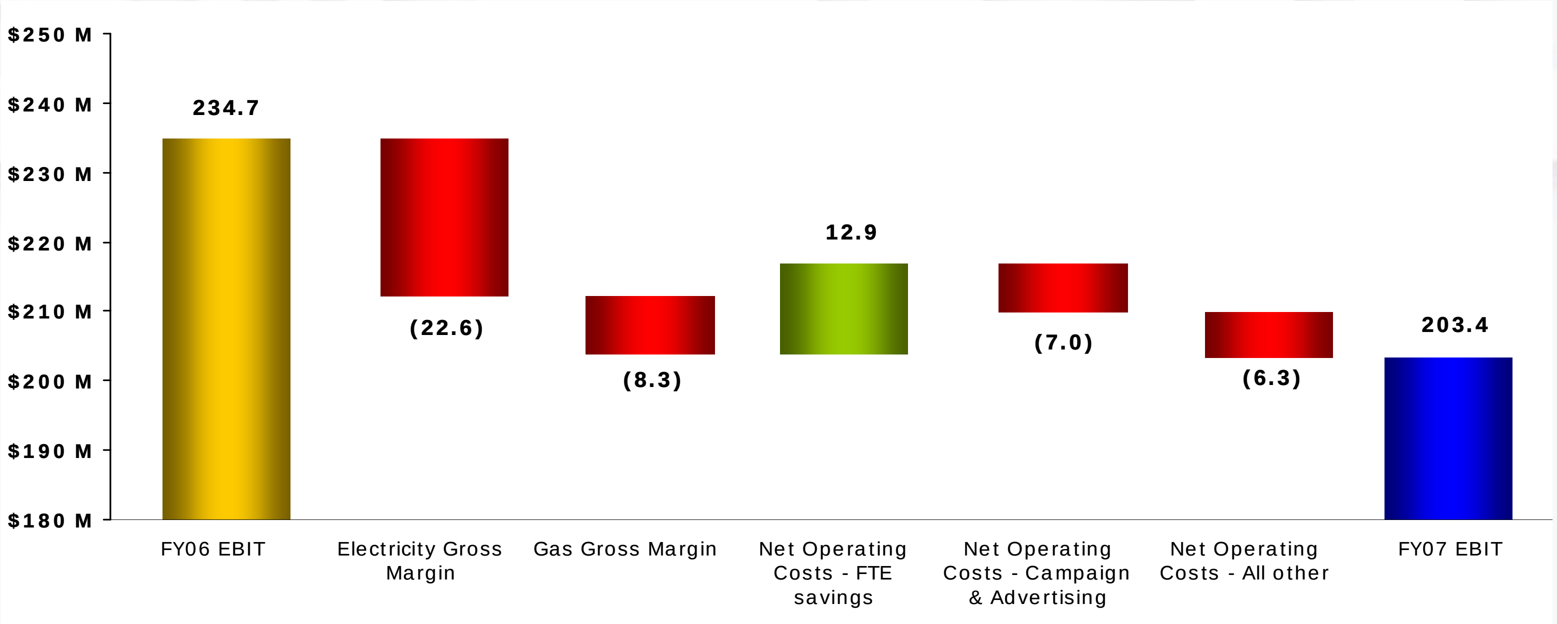
All building blocks in place to achieve $60 million savings

Actual timing of $60 million savings



Retail EBIT – key drivers

Pro forma – scheme booklet



Electricity Gross Margin down $22.6m:

- $15.7m decrease in Mass Market margin driven by a 7% decrease in volume sales due to less customer accounts, combined with change in state mix with higher margin VIC and SA customers being replaced with lower margin NSW customers
- $6.9m decrease in C&I margin driven by a 8% decrease in volume combined with lower retail margins. Competitive pressures from rising wholesale prices have driven a focus on value over volume to counter falling retail margins

Gas Gross Margin down $8.3m:

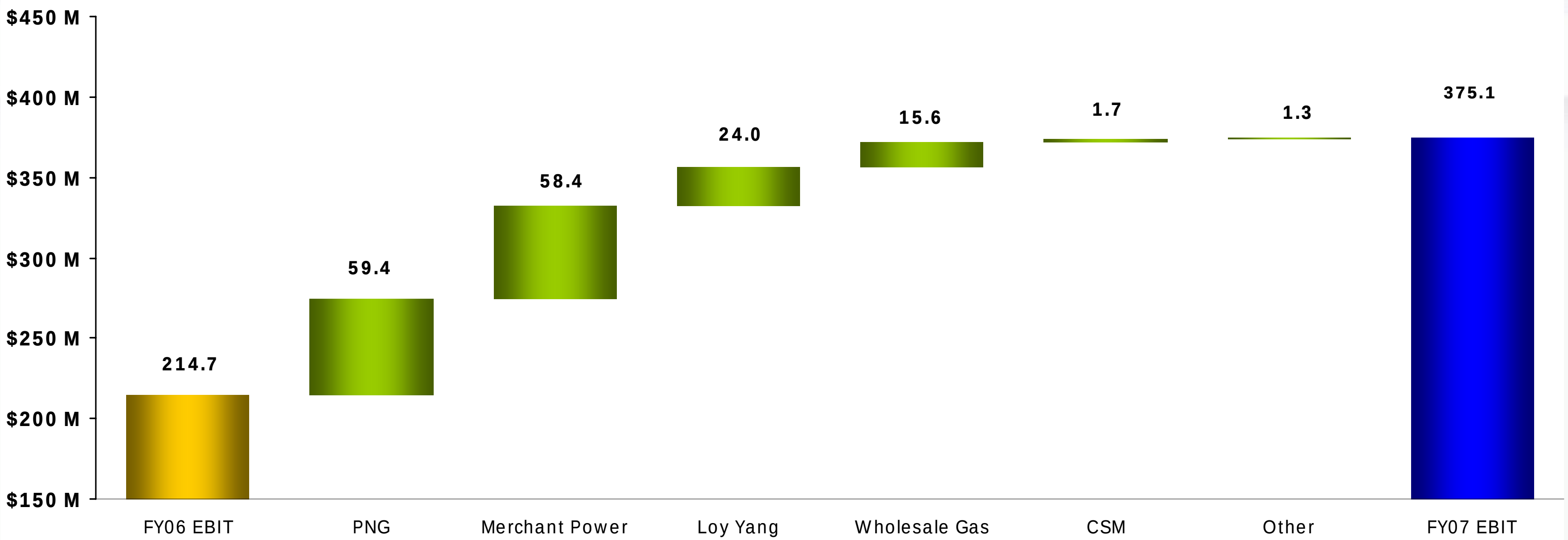
- $5.3m decrease in Mass Market margin driven by a 10% decrease in volume sales in Victoria, primarily due to a 7% reduction of customer accounts year on year
- $3m decrease in C&I margin driven by higher gas purchase prices not yet fully reflected in increased customer contract rates

Net Operating Costs up $0.4m:

- Cost savings from ongoing implementation of Phoenix change program. Reduction of 220 FTE's from June 2006
- Increased investment in Sales & Marketing to counter rising market churn rates
- Other increases include $4.3m income from Agility no longer received post demerger

Merchant EBIT – key drivers

Pro forma – scheme booklet



Existing business grew by $160.4m:

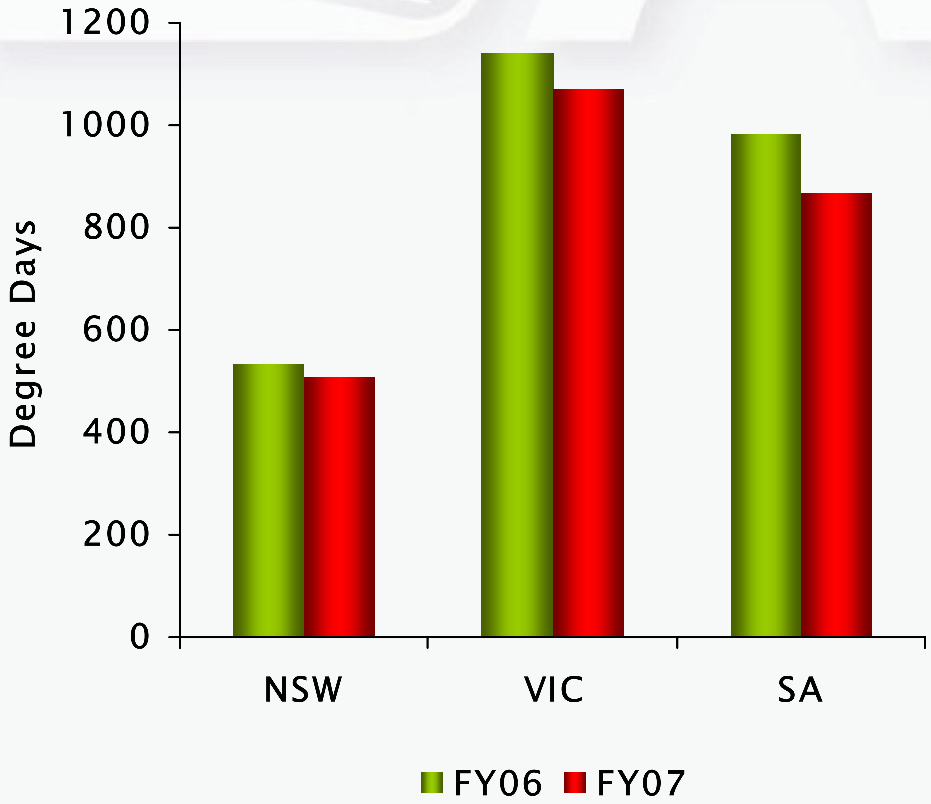
- $59.4m increase due to the first full year contribution from PNG Upstream
- $58.4m growth in Merchant Power due to a full years contribution from AGL Hydro, higher gas generation volumes and actively managed hedge portfolio
- $24m rise in Loy Yang equity contribution from higher electricity pool prices
- $15.6m from Wholesale Gas factors include gas portfolio management and spot market volatility
- $1.7m increase in CSM due to a full year's contribution from Camden and a part year contribution from Moranbah

Retail – key performance measures

(Excluding Qld)

12 months to Electricity	June 2007	June 2006	change %
Volume (GWh)	20,456	22,147	(7.6)
Mass Market Accounts ('000)	1,349	1,428	(5.5)
Revenue ($m) – mass mkt 57% (06 56%) C&I 43% (06 44%)	2,003	2,174	(7.9)
Gross Margin			
Mass Market Electricity margin	188.0	203.7	(7.7)
Commercial & Industrial Electricity margin	27.3	34.2	(20.3)
Total Gross Margin ($m)	215.3	237.9	(9.5)
Gross Margin %	10.7%	10.9%	
12 months to Gas	**June 2007**	**June 2006**	**change %**
Volume (PJ)	142.7	138.9	2.7
Mass Market Accounts ('000)	1,297	1,338	(3.1)
Revenue ($m) – mass mkt 69% (06 71%) C&I 31% (06 29%)	1,220	1,201	1.5
Gross Margin ($m)			
Mass Market Gas Margin	165.6	170.9	(3.1)
Commercial & Industrial Gas Margin	18.9	21.9	(13.8)
Total Gross Margin ($m)	184.5	192.8	(4.3)
Gross Margin %	15.1%	16.0%	

Retail – weather impact



- Milder weather across all states compared with prior year
- Winter 2006 was very mild with Vic and SA experiencing their warmest August since 1993
- NSW recorded 5th warmest August since records commenced
- May 2007 was the warmest on record for all eastern states, including NSW and Vic

Retail operating costs

12 months to	June 07	June 06	Change %
Total operating costs ($m)	236.3	230.6	2.5%
Total other margin (costs recovered) ($m)	(39.9)	(34.6)	(15.4%)
Net operating expenditure ($m)	196.4	196.0	0.2%
Net operating cost per mass market account ($)	72.6	70.2	(3.4%)
Notional corporate overhead allocation ($m)	32.3	42.9	(24.7%)
Net operating cost per mass market account ($)(with corporate recharge allocation included)	84.5	85.6	1.3%

- Net operating costs per account (before corporate overheads) have increased by 3.4%. This is due to net expenditure being held close to flat year on year but against reducing customer accounts
- Key drivers of change in net expenditure include:
  - significant savings in labour ($13m) through continued implementation of Phoenix change program and reduction of employees by 220 over the FY06 year;
  - offset by sales & marketing costs, up $7m, to combat increasing market churn rates; and
  - the cessation of service income received from Agility pre-demerger ($4m)

Retail – competition

Vic & SA – world leading competitive markets

Category	Market*	Rank
HOT	Victoria (Australia)	1
	Great Britain	2
	South Australia (Australia)	3
ACTIVE	Texas (USA)	4
	Norway	5
	New South Wales (Australia)	6
	New Zealand	7
	Sweden	8
	Finland	9
	Netherlands	10
	Flanders (Belgium)	11
SLOW	New York	12
	Germany	13
DORMANT	Austria; Denmark; Ireland; Portugal; Spain; Alberta, Ontario (Canada); California, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, Pennsylvania, Rhode Island (USA)	Not ranked

* Designated by country, province, or state

Source: First Data Utilities, VaasaETT

World Energy Retail Market Ranking

Retail – Sun Gas & Powerdirect metrics

GAS VOLUMES (Sun Gas)

1 feb 07 to	30 june 07
VIC	0.0
SA	0.0
NSW	0.0
QLD	1.5
Mass Market (PJ)	1.5
VIC *	0.0
SA	0.0
NSW	0.0
QLD	6.6
C & I (PJ)	6.6
Total	**8.1**

* Note Sun Gas C&I Volume Sales in VIC
reported as AGL as cannot be identified separately

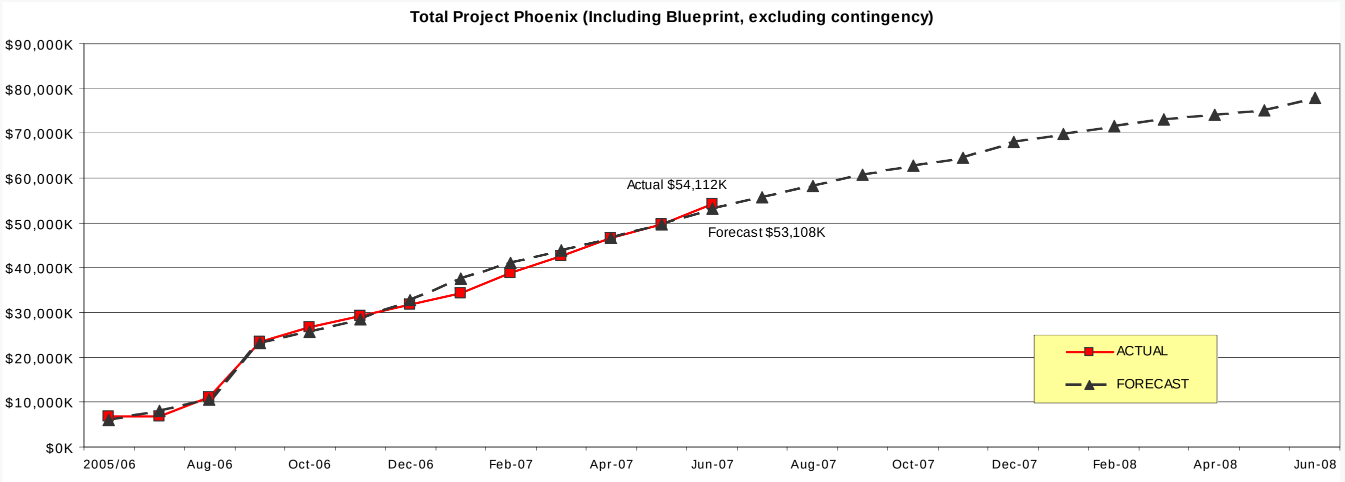
ELECTRICITY VOLUMES (Powerdirect)

1 mar 07 to	30 june 07
VIC	379
SA	128
NSW	170
QLD	1,198
Mass Market (GWh)	1,875
VIC	505
SA	34
NSW	1,065
QLD	2,379
C & I (GWh)	3,982
Total	**5,857**

Retail – ongoing system efficiencies

Project phoenix – on track & on budget

- **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

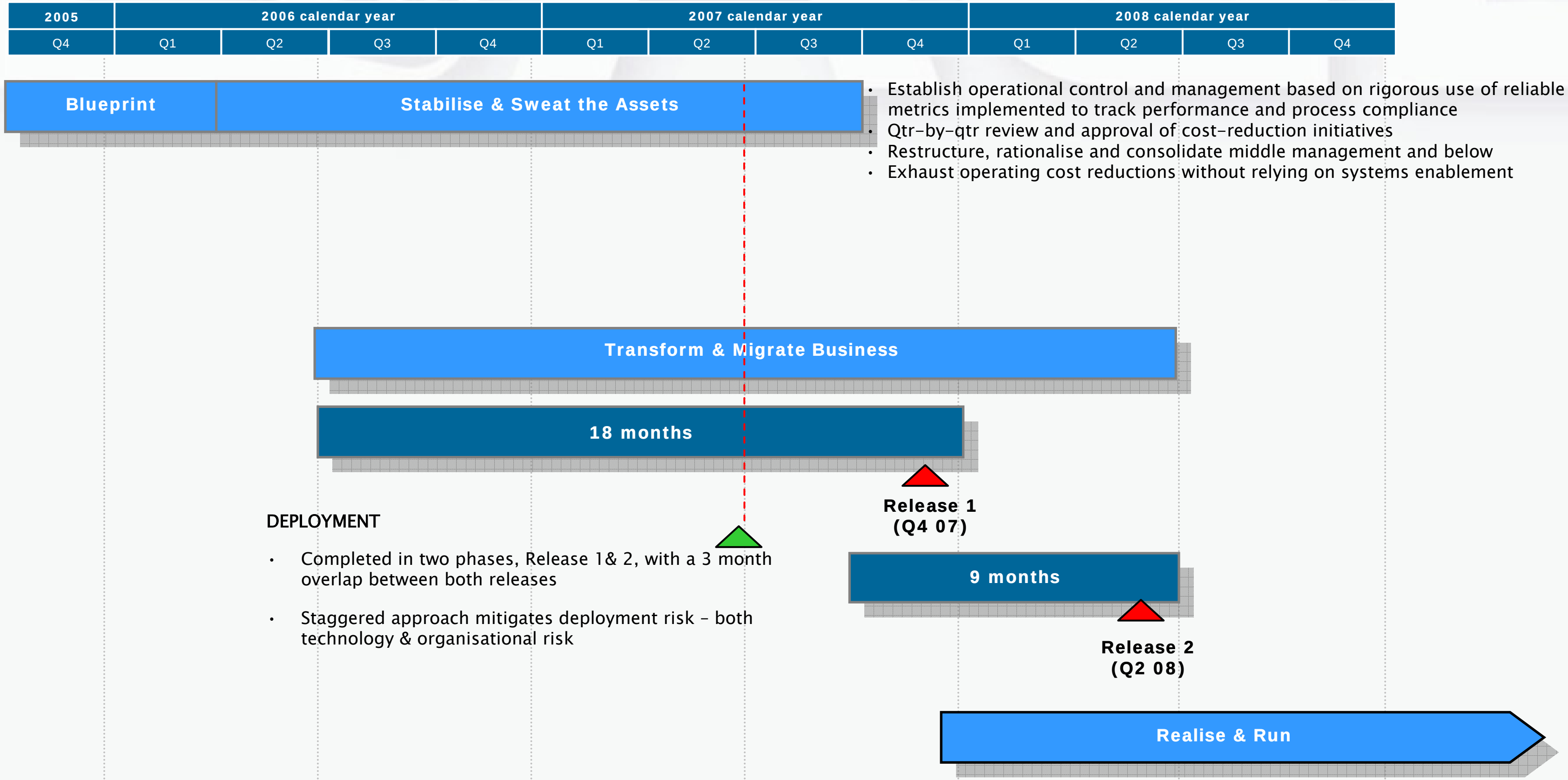


- Estimated to be 40% through the retail billing solution implementation
- Full program costs ~$80-90m incurred over FY07 & FY08

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

Retail – project phoenix

Full timetable



- Establish operational control and management based on rigorous use of reliable metrics implemented to track performance and process compliance
- Qtr-by-qtr review and approval of cost-reduction initiatives
- Restructure, rationalise and consolidate middle management and below
- Exhaust operating cost reductions without relying on systems enablement

DEPLOYMENT

- Completed in two phases, Release 1& 2, with a 3 month overlap between both releases
- Staggered approach mitigates deployment risk – both technology & organisational risk

FULLY REALISE TRANSFORMATION BENEFITS

- Retire legacy applications / reduce IT operating costs
- Realise further cost savings in the business through continuous improvement initiatives

Retail – electricity sales volume (GWh)

(Excluding Powerdirect)

12 months to	June 07	June 06	change %
VIC	4,086	4,675	(12.6)
SA	3,284	3,937	(16.6)
NSW	1,784	1,237	44.3
Mass Market (GWh)	9,154	9,849	(7.0)
VIC	4,618	4,808	(3.9)
SA	2,628	2,992	(12.2)
NSW	3,406	3,809	(10.6)
QLD	649	689	(5.9)
C & I (GWh)	11,301	12,298	(8.1)
Total	20,455	22,147	(7.6)

- Mass market volumes driven by customer account movements and milder weather than the prior year
- C&I volumes reduced due to competitive pressures and a focus on retaining value over volume

Retail – gas sales volume (PJ)

(Excluding Sun Gas)

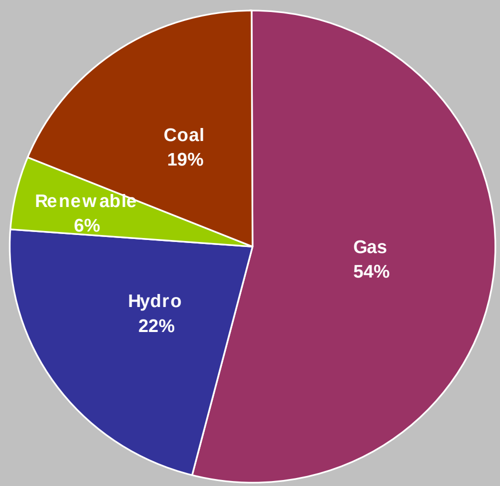
12 months to	June 07	June 06	change %
Mass Market (PJ)			
VIC	31.4	34.9	(10.0)
SA	1.6	1.2	33.0
NSW	27.2	26.3	3.3
Mass Market (PJ)	60.2	62.5	(3.6)
C & I (PJ)			
VIC	28.3	27.2	4.1
SA	5.7	6.3	(9.5)
NSW	48.5	43.0	12.9
C & I (PJ)	82.5	76.5	7.9
Total	142.7	**138.9**	**2.7**

- Mass market volumes driven by customer account movements and milder weather than the prior year. Offset in NSW by increased average consumption per customer
- C&I volume increase in NSW due to Orica (6 PJ's) being a Retail customer in FY07, previously a Merchant customer. Margin impact is not material

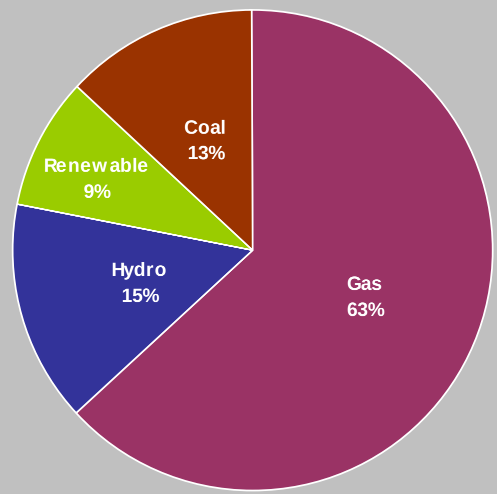
Merchant – carbon effective generation

A leading renewable position

Current generation ~ 3,600MW [1]



Potential generation post development projects ~ 5,500[2]



Post development projects

- ~63% of generation clean-burn, gas-fired
- ~24% of generation renewables and hydro

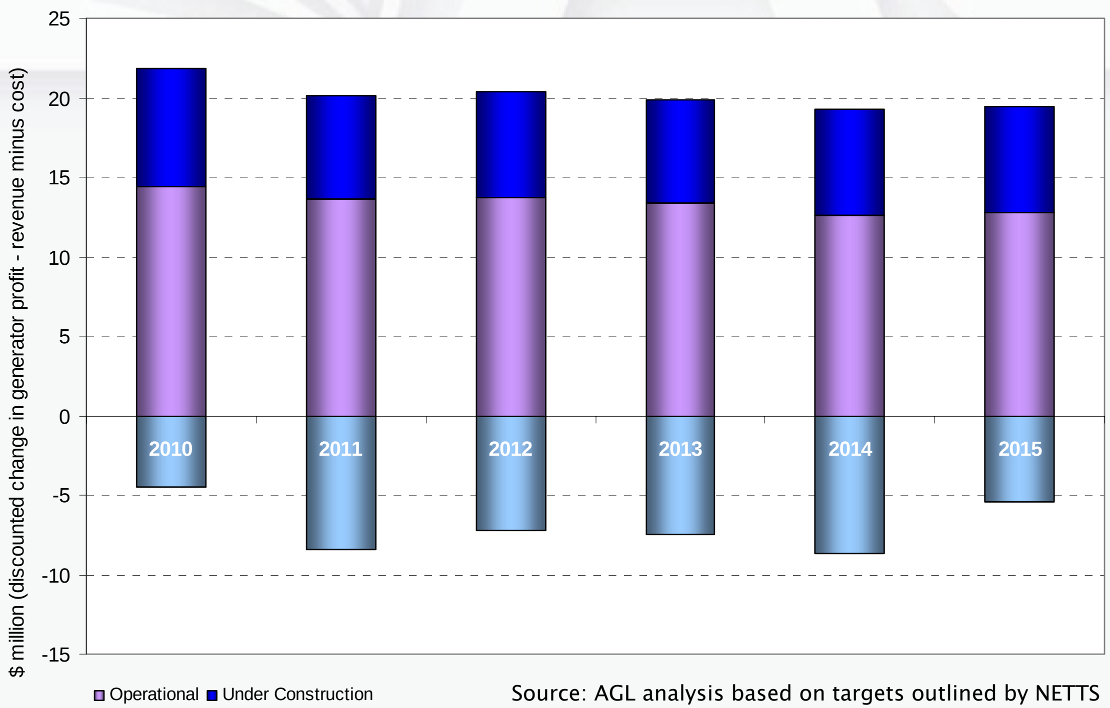
Both the current & potential AGL generation portfolios are well structured to deliver ongoing benefits in a carbon constrained environment

1 = Equity generation (includes Wattle Point off take 22.5MW & Oakey output & despatch rights 282MW) and plant under construction

2 = 1 + 100% of JV's & development projects

Merchant – emissions trading upside

Positive financial outcomes



Source: AGL analysis based on targets outlined by NETTS

positive upside under NETTS

(assumes conservative carbon pricing of ~$20/tonne)

(binary outcome)

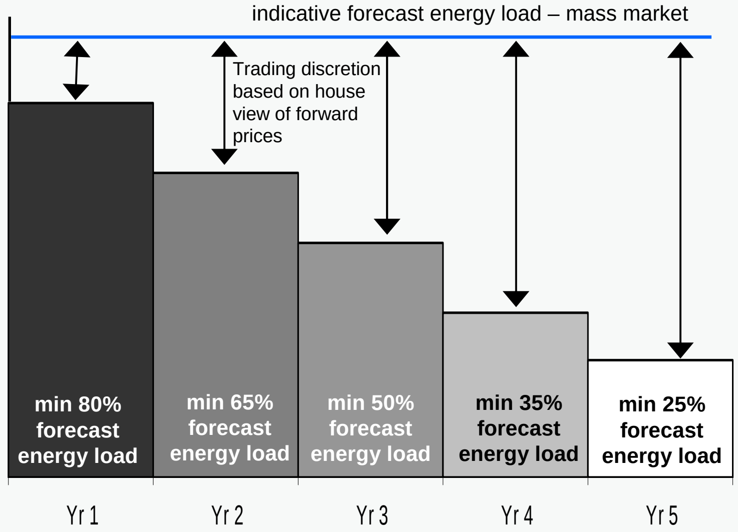
limited downside without grandfathering

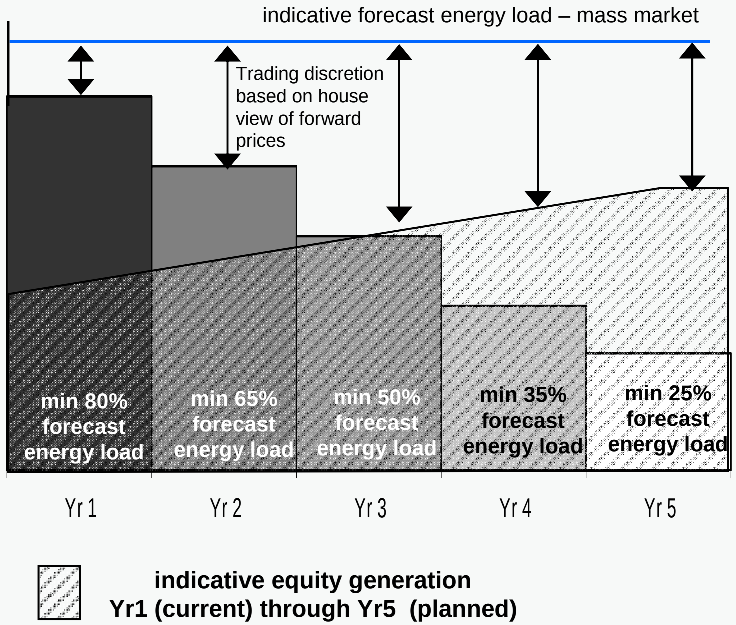
AGL's diverse generation portfolio would deliver material positive financial upside under emissions trading while the unlikely impact of no grandfathering has limited downside risk

Merchant – mitigating price movements & capturing profit pools

Indicative hedging approach for mass market

- A balance of own generation coupled with prudent forward hedge planning
- Intra year cover of ~90% or more of forecast load





As equity generation increases the need for derivative hedge cover decreases delivering increased portfolio robustness through market cycles

Merchant – generation assets

(Pool basis)[1]

12 months to Jun 07 ($m)	Hallett	Somerton	Vic Hydro	NSW Hydro
Revenue	18.4	25.7	55.8	4.2
Operating costs	(15.5)	(15.8)	(21.2)	(1.6)
EBITDA	**2.9**	**9.9**	**34.6**	**2.6**
D&A	(6.8)	(6.7)	(5.8)	(0.7)
EBIT	**(3.9)**	**3.2**	**28.8**	**1.9**

1. Revenue includes pool income and green revenue, excludes internal capacity payments. EBIT excludes internal/external hedge arrangements

GEAC (Loy Yang A)

Profit & loss

12 months to	June 2007	June 2006	change %
Generation Volume (GWh)	15,264	15,367	(1%)
Average Price ($/MWh)	$37.67	$33.55	12%
($m)			
Sales Revenue	623.2	538.8	16%
Other Revenue	14.3	40.6	(65%)
Expenses	(190.6)	(188.9)	(1%)
Depreciation	(96.7)	(93.9)	(3%)
Borrowing Costs	(254.0)	(266.3)	5%
Fair Value Movements (after AGL eliminations)	(6.4)	(21.8)	71%
Full Year Profit after Tax	89.8	8.5	956%
Prior period adjustments	5.2	26.5	
Total Profit after Tax	95.0	35.0	171%
AGL share PAT	35.9	11.3	216%
AGL share fair value movements	(5.0)	–	N/A

GEAC (Loy Yang A)

Financial performance

12 months to ($m)	June 07	June 06	Change %
AGL Equity Share of Profit	35.9	11.3	216%
AGL Loan not interest	10.7	11.4	(6%)
Total GEAC Result	46.6	22.7	106%

- Improvement in spot market & ongoing improvement in contract market
- Total EBIT contribution up $23.9m
- Recent non-AGL 15% shareholding change reflects underlying value of asset

GEAC (Loy Yang A)

Cash flow

	June 07 ($m)	June 06 ($m)
Cash held at start	161.0	190.0
Cash flow from operations		
Receipts from customers	662.3	624.0
Payments to suppliers & employees	(301.2)	(260.0)
Hedging payments on Borrowings	–	(58.0)
Hedging receipts on Borrowings	2.0	58.0
Tax paid	–	(22.0)
Interest (net)	(220.4)	(239.0)
Net cash flows from operations	142.7	103.0
Cash flow from investing & finance		
Capital expenditure	(97.5)	(56.0)
Proceeds from Borrowings	–	2,140.0
Repayment of borrowings	(86.1)	(2,189.0)
Other	–	(27.0)
Net cash flows from investing and finance	(183.6)	(132.0)
Net cash flow	(40.9)	(29.0)
Cash held at end	120.1	161.0

Merchant – wholesale electricity metrics

(Excludes Powerdirect)

12 months to (GWh)	June 07	June 06	Change %
Volumes Sold (to Retail Energy)			
VIC	8,704	9,483	(8%)
NSW	5,190	5,046	3%
SA	5,912	6,929	(15%)
QLD	649	689	(6%)
Total sold volumes (exc. ACTEWAGL)	20,455	22,147	(8%)
Purchased Volume – ACTEWAGL	2,317	2,424	(4%)

- Decrease in underlying sales volumes in all regions in both Mass Market and C&I customer segments due to lower customer numbers in retail business

Merchant – wholesale gas metrics

(Excludes Sun Gas)

12 months to (PJ)	June 07	June 06	Change %
Volumes Sold			
Vic Retail			
Vic	59.7	62.1	(4%)
NSW	75.7	69.3	9%
SA	7.3	7.5	(3%)
Wholesale customers	40.1	47.4	(15%)
Total volumes	182.8	186.3	(2%)

- Reduction in Wholesale volumes due to the loss of Pelican Point (1.4PJs) and Country Energy (1.0PJ's), milder weather for ActewAGL (1.2PJ's) and exit of WA market in May 06 (0.6PJ's). Partially offset by higher pool sales and generation volumes

Merchant – wholesale electricity

Generation volumes

12 months to	June 07	June 06*	June 06**
Generation Volumes (GWh)			
Hallett	146.2	21.4	21.4
Somerton	138.8	15.3	15.3
Kiewa Scheme	121.4	122.9	210.8
Dartmouth scheme	458.8	32.8	56.2
Eildon	46.2	79.1	135.6
Rubicon	21.0	17.5	30.1
NSW Scheme	76.7	51.2	87.8
Wattle Point Wind Farm	256.4	124.1	212.8
Total generation	1,265.5	464.3	770.0

- Somerton & Hallett – Increased generation volumes due record high pool prices in second half of FY07
- Kiewa – Reduced winter snowfalls and drought conditions decreased water inflows into the Kiewa scheme in first half of FY07 reducing capacity and output
- Dartmouth – higher output from increased irrigation requirements by Goulburn-Murray Water in first half of FY07. Dam has been below minimum operating level since December 06
- Eildon/Rubicon/NSW Hydros – Drought conditions have resulted in decreased generation volumes

*On an ownership basis (seven months Hydro)
**Annualised Hydro comparative (basis of commentary)

Merchant – wholesale electricity

Generation prices

12 months to ($/MWh)	June 07	June 06*
Hallett	125.5	318.5
Somerton	184.8	451.2
VIC Hydros	79.2	197.3
NSW Hydros	46.4	43.0
Wattle Point Wind Farm	44.6	60.9

- Lower FY07 v FY06 Vic Hydro prices reflect the high volumes with low prices that were received in first half FY07 following the irrigation releases at Dartmouth
- Whilst Somerton & Hallett generated at lower average prices than FY06 the additional generation produced portfolio benefits within Wholesale Electricity business unit
- Lower than expected generation from Vic Hydro in second half of FY07 was offset by:
  - sustained reliability and availability of peaking plants (Somerton & Hallett)
  - full suite of derivative products including temperature and precipitation hedges
  - increased GEAC contribution from higher spot prices

*calculated on an ownership basis (i.e 7 months of hydro)

Merchant – PNG financial

12 months to ($m)	June 07	June 06	Variance %
Oil sales (post hedge)	237.4	98.8	140%
Tariff / Other income	6.2	3.6	72%
Oil Option	(6.5)	(4.4)	(48%)
Total Revenue	237.1	98.0	142%
Operating Costs	(39.0)	(16.7)	(133%)
Change in oil inventory	(2.6)	8.4	(131%)
EBITDA	195.5	89.7	118%
D & A	(84.6)	(38.2)	(122%)
Operating EBIT	110.9	51.5	115%
Fair Value movements	5.0	(8.2)	161%
Reported EBIT	115.9	43.3	167%

- FY06 is based on actual results for the period 14 January to 30 June 06
- Oil sales include $17.2m gain on settled hedges (2006=$0.3m loss)

Merchant – PNG metrics

12 months to	June 07	June 06	Variance %
Liftings (k bbl)	2,527	1,058	139%
Production (k bbl)	2,442	1,250	95%
Inventory (k bbl)	103	28	(268%)
Post – hedge price US$ / bbl	73.70	69.37	6%
Production Cost (A$ / bbl)	50.61	43.92	(15%)
Operating (cash) expenses	15.98	13.39	(19%)
D & A	34.63	30.53	(13%)
Exchange rate (EBIT YTD)	0.7863	0.7429	(6%)
Effective tax rate	57%	68%	11%

- FY06 is based on actual results for the period 14 January to 30 June 06
- Post hedge price for FY07 was positively impacted by the Tapis premium over WTI (averaged US$4.26/bbl) (2006=US$2.19/bbl)
- Unit opex has increased as a result of increased activity and general industry trends
- D&A rate for FY07 was negatively impacted by oil reserves downgrade (8%), primarily at the Gobe Main field