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# asx statement

10 March 2008

The following presentation will be made by Managing Director, Michael Fraser to the Citi Australian & New Zealand 5<sup>th</sup> Annual Investment conference being held in London today.

A handwritten signature in black ink, appearing to read 'P. McWilliams', on a light-colored rectangular background.

Paul McWilliams  
Company Secretary

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# AGL Energy Limited

## Renewables... Actions, not words

Michael Fraser  
Managing Director & CEO

Citi Australian & New Zealand  
5<sup>th</sup> Annual Investment Conference  
London, March 2008



# 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.
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- Was prepared with due care and attention and is current at the date of the presentation.
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# About AGL Energy

## Australia's largest energy retailer & leading renewable energy company

- Australia's largest retailer of gas & electricity;
  - ~3.4m customer accounts across NSW, Victoria, South Australia, Queensland & the ACT (includes 100% of JV's)
  - ~1.3m dual-fuel customer accounts (includes 100% of JV's)
  - Market leadership in operating costs per customer
  - Delivering a world class competitive retail capability (Project Phoenix)
- Diversified generation & gas portfolio;
  - ~1,000<sup>1</sup>MW of renewable generation, Australia's largest privately owned portfolio
  - ~3,800<sup>1</sup>MW of owned and/or operated generation (inclusive of renewables)
  - ~4,100PJ of equity & contract gas with considerable duration, depth & flexibility
- Comprehensive suite of identified, renewable generation opportunities totalling ~900MW
- Comprehensive suite of identified, gas generation opportunities totalling ~1,100MW

**AGL commands significant market leadership in the renewable generation space in Australia with its existing & planned assets positioned to deliver immediate value upside under a carbon constrained environment**



1. Owned and/or operated including ~315 MW plant under construction

# AGL Energy – Asset Profile

## OPERATIONAL SNAPSHOT

### Retail Customer Accounts

- 3.4 M Accounts (includes 100% of JVs)
  - 1.5 M gas
  - 1.9 M electricity
  - 1.3 M dual-fuel
- 0.35 M LPG (Elgas)

### Current Generation

- 3,500 MW owned and/ or operated
- 315 MW under construction

### New Generation Developments

- ~900 MW identified renewables
- ~1,100 MW identified gas

### Current Gas Reserves

- ~3,200 PJ's contracted gas
- ~940 PJ's equity gas

### Energy Sales

- Electricity ~41 TWh p.a.
- Gas ~235 PJ p.a.

### Other

#### Elgas (Australia):

- 50% investment in Australia's largest domestic marketer of LPG
- ~350,000 customers

#### Gas Valpo (Chile):

- 100% investment in Gas distribution company
- ~600 km network length
- ~41,000 customers
- ~10 PJ load

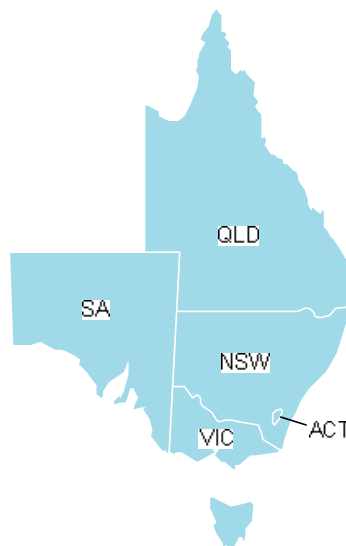
#### CSM Energy (Australia):

- 35% investment in coal mine methane extraction company

## PNG

### Upstream Gas

- ~ 3% equity / ~330 PJ



## SOUTH AUSTRALIA

### Customer Accounts

- 68,400 gas
- 443,300 electricity

### Generation

- Tomrens Island – (1,280 MW)
- Hallett 1 Wind farm – (95 MW off take)
- Hallett 2 Wind farm – (71 MW construction)
- Wattle Point Wind Farm (90.8 MW off-take)

### Upstream Gas

- Cooper Basin – 485 PJ (contract)

## QUEENSLAND

### Customer Accounts

- 72,800 gas
- 456,800 electricity

### Generation

- Yabulu – Gas (242 MW) Dispatch Rights
- Oakley – Gas (282 MW) Dispatch Rights

### Upstream Gas

- Moranbah Project (50% equity) – 208 PJ
- North Queensland (Moranbah) – 121 PJ (contract)
- Bowen / Surat Basin – 1,120 PJ (Contract)
- QGC – (27.6% equity) ~364 PJ

## NEW SOUTH WALES

### Customer Accounts

- 751,300 gas
- 251,600 electricity

### Generation

- AGL Hydro (622 MW)

### Upstream Gas

- Sydney Basin – (50% equity) 41 PJ & 116 PJ (contract)

## ACT

### Customer Accounts

- 107,000 gas
- 151,000 electricity

## VICTORIA

### Customer Accounts

- 488,900 gas
- 636,900 electricity

### Generation

- AGL Hydro (583 MW) & Bogong Expansion (140 MW)
- Somerton – (150 MW)
- Loy Yang A – Coal (32.5% OF 2,120 MW)

### Upstream Gas

- Gippsland Basin – 1,014 PJ (contract)
- Otway Basin – 300 PJ (contract)

# 2008 Interim Result - Overview

On track to deliver FY08 EBITDA & NPAT guidance

## Financial

- \$471.3m operating EBITDA, up 14.1% on pcp
- \$372.9m operating EBIT, up 14.9% on pcp
- \$182.8m underlying NPAT, down 6.5% on pcp
- Interim Dividend of 26 cps fully franked – DRP discount of 2.5% introduced – DRP to be underwritten
- On track to deliver FY08 EBITDA of \$830m to \$875m
- On track to deliver FY08 underlying NPAT of \$330m to \$360m

## Operational

### Retail

- Mass market margin stability amid competitive market conditions
- Improvements in cost to grow & cost to serve metrics
- Project Phoenix - successful conversion of first 1.3 million customers

### Merchant

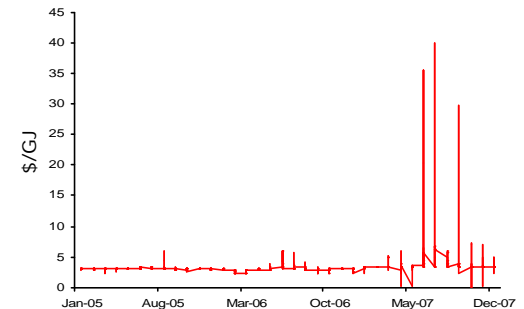
- Hedge book & generation portfolio performing extremely well
- Reduced PNG oil production

## Strategic

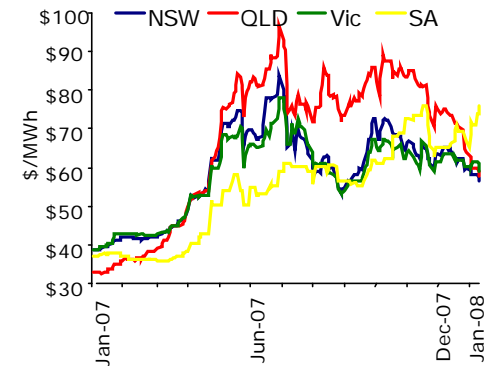
### Ongoing delivery of integrated strategy

- Ongoing construction of renewable generation portfolio on time & budget
- Hallett Hill (Hallett 2) wind farm development committed
- Macarthur wind farm Joint Venture Deed completed
- Sale of 33% stake in AlintaAGL
- Oakey & Yabulu generation transactions
- QSN & Berwyndale to Wallumbilla gas pipelines to commercialise Qld gas
- Acquisition of Enertrade gas merchant business

Victorian Gas Spot Price



2008 Forward Electricity Contract Prices



# 2008 Interim Result - Capital Management

## Modest debt refinancing requirements

	\$m
Debt maturing within 12 months	759.5
<b>Less: Undrawn facilities (mature Oct 09)</b>	<b>(450.0)</b>
<b>Minimum refinancing requirements</b>	<b>309.5</b>

Active program underway to reduce debt by approximately \$600 to \$700 million in order to return ratio of FFO<sup>1</sup> to interest expense to 5x. To be achieved using a mix of DRP & disposal of non core assets.

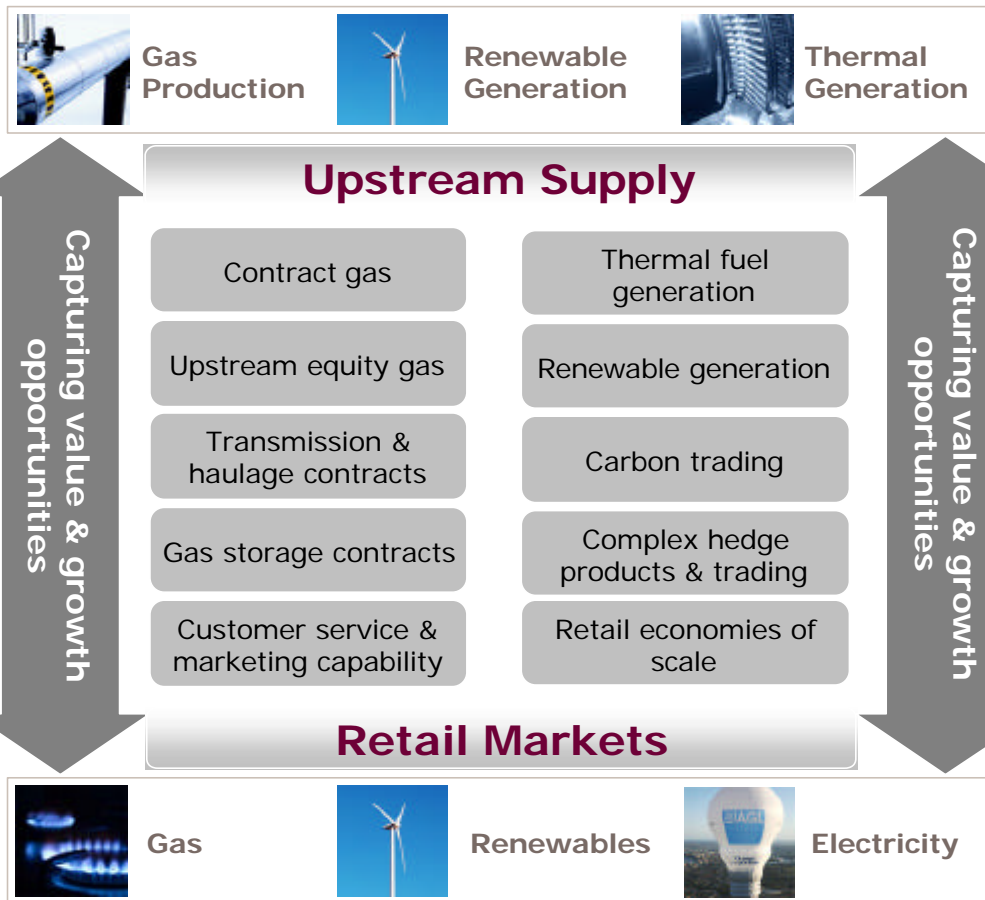
Facilities <sup>2</sup> @ 31 Dec 2007 \$m	Limit	Usage	Available	Maturity
<b>Current</b>				
Bridging loan facility	300	300	0	Jun 08
Working capital facility	250	190	60	Aug 08
Term facilities Tranche A	269.5	269.5	0	Oct 08
<b>Non Current</b>				
Term facilities Tranche B	633	633	0	Oct 09
Revolving credit facility	500	50	450	Oct 09
Term facilities Tranche C	887	887	0	Oct 11
<b>Total debt facilities</b>	<b>2,839.5</b>	<b>2,329.5</b>	<b>510</b>	
Guarantee facilities	744.2	718.4	25.8	Oct 08, 09 & 11, May 10
<b>Cash (@ 31 Dec 2007)</b>			<b>62.4</b>	

1. Free Funds From Operations (FFO) calculated as EBITDA less equity accounted profits plus dividends received less tax.
2. Interest rate exposure against \$1.1 billion of total facilities of \$2.4 billion hedged through until Oct 09.



# The Integrated Strategy

Building a world class customer focussed energy company



- Market leadership in renewables to benefit under a carbon constrained future
- Leverage leading retail position to capture value & growth opportunities
- Grow power generation & gas portfolios
- Drive retail economies of scale & enhance customer service capability



# Market Leading Retail Capability

Project Phoenix is a 4 year program which is completely rebuilding AGL's customer management processes & systems

- **Capture full synergy benefits**
  - Release 1 delivered on time and budget – no systemic issues.
  - 1.3 million VIC and SA customers now serviced from SAP platform.
- **Drive out operating costs**
  - Benefits released in line with plan.
  - Early cost to serve reductions captured, with bulk to be released after project completion.
- **Reduce IT complexity and cost**
  - Applications management outsourced to Tata Consulting Services & infrastructure/network management outsourced to IBM.
  - Legacy systems retirement plan on track.
- **Create the basis for differentiation**
  - Customer value segmentation being progressively developed in SAP application.
  - Deploying differentiated products & services by 1HFY09.

At completion, AGL will hold world class competitive capability at industry-leading cost to serve



# Investing in the Brand

## Leveraging latent value in the AGL brand

- **Extensive television and media campaign commenced late February 2008**
- **Align advertising with sales**
  - Actively lifting investment in brand marketing to be consistent with leading market position.
  - Driving sales activity to maintain market leadership.
- **Integrated activity across business segments**
  - Brand positioning that leverages integrated energy company strategy.
- **Position carbon credentials**
  - Educate wider retail market of AGL market leading renewable portfolio.



# Market Leadership in Renewable Energy

## Australia's largest privately owned renewable portfolio

### Existing renewable portfolio (owned &/or operated)

- 645.5 MW Hydro
- 101 MW Landfill, Biomass, Bagasse & Solar
- 90.4 MW Wind (operator & capacity rights)

### Under construction

- 140 MW hydro – Bogong expansion
- 166 MW wind
  - Hallett 1 – 95 MW
  - Hallett 2 – 71 MW

### Identified further developments

- 90 MW Hallett 3 wind farm
- 366 MW Macarthur wind farm
- further ~440 MW wind & other renewable technologies

### 2007 achievements

- First utility outside North America to join Chicago Climate Exchange
- Ranked No.1 ASX50 company for climate change reporting by the Association of Chartered Certified Accountants Australia & New Zealand
- Selected as a constituent of the FTSE4Good Index Series
- Selected as a member of the Dow Jones Sustainability Index 2006/07



# Expanding Gas Generation Portfolio

## Existing gas generation

### Torrens Island Power Station (South Australia)

- 1,280 MW - intermediate & peaking plant, additional underground gas storage arrangement & 300 PJ, 10 year Gas Supply Agreement

### Somerton (Victoria)

- 150 MW – OCGT peaking plant

### Oakey (Queensland)

- 282 MW - dispatch agreement strengthening Qld peak load management

### Townsville / Yabulu (Queensland)

- 242 MW - dispatch agreement further strengthening Qld portfolio management

### Condamine (Queensland)

- Agreement to purchase 66% of 130 MW plant strengthening Qld base load management

## Identified further developments

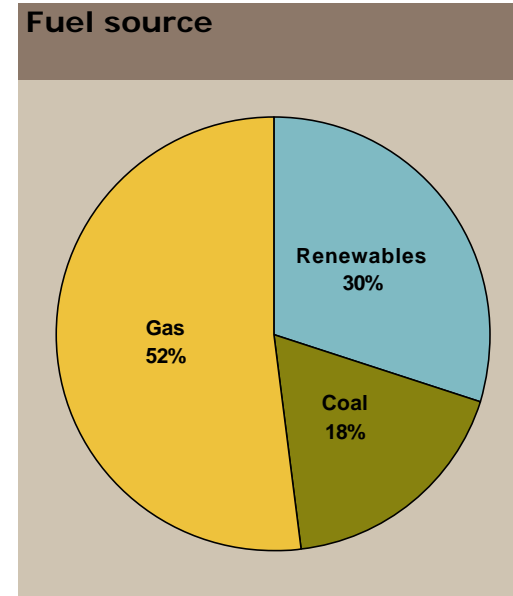
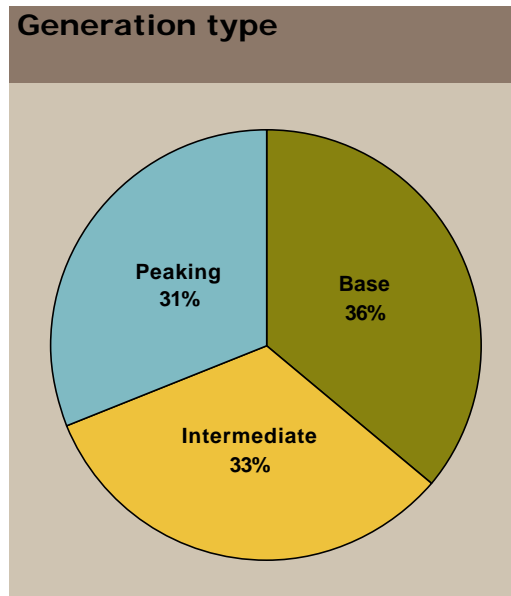
- ~ 1,100 MW predominantly peaking capacity



# Generation - a Balanced Portfolio

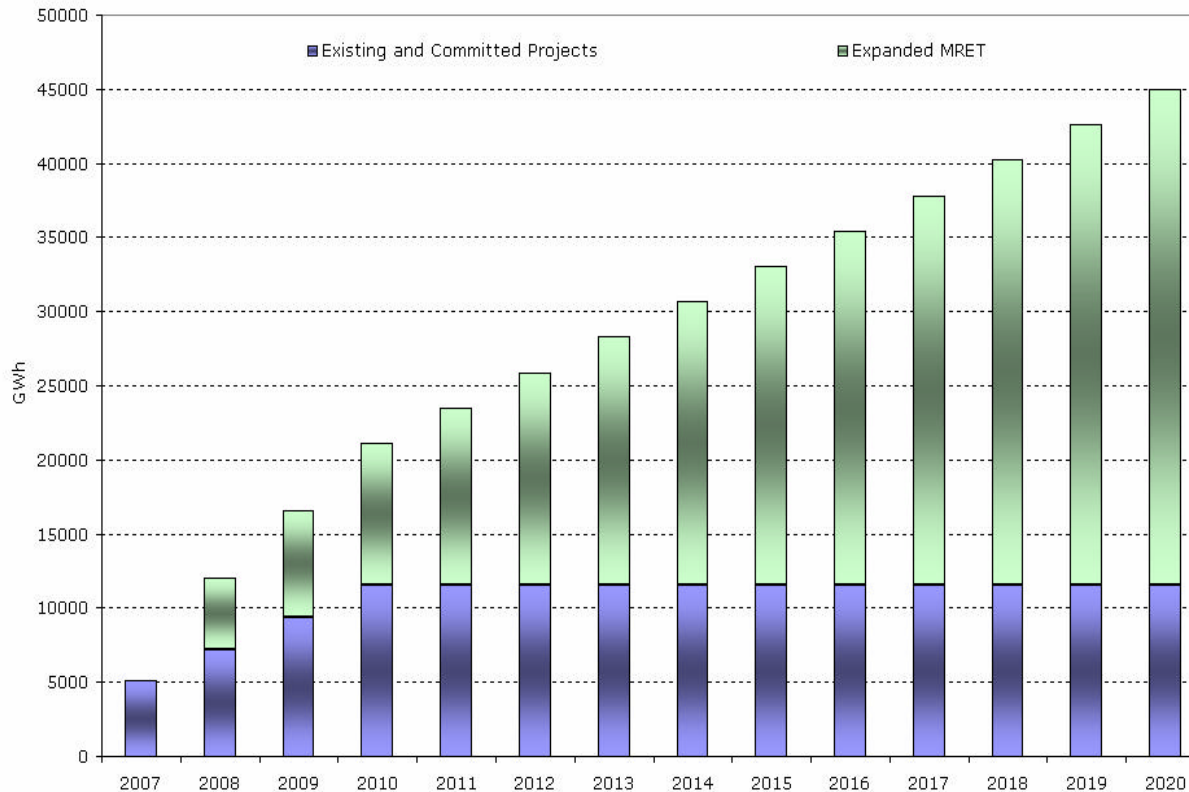
A diverse generation portfolio to mitigate market risks & benefit from a carbon constrained future

- Diversity of fuel type (renewables, gas & coal)
- Diversity of generation type – base, intermediate & peak
- Current generation asset mix already delivering material portfolio benefits during volatile market cycles
- New Federal government policies to expand Mandatory Renewable Energy Targets & introduce Emissions Trading Scheme



# Expanded Mandatory Renewable Energy Targets (MRET) – additional renewables

- New Federal Government Policy
- By 2020, an additional 35,500 GWh of renewable energy required
- Will require construction of ~12,000 MW of new renewable capacity
- Total investment value anticipated to be ~\$27 billion (based upon 35% CF & \$2.3 million per MW)

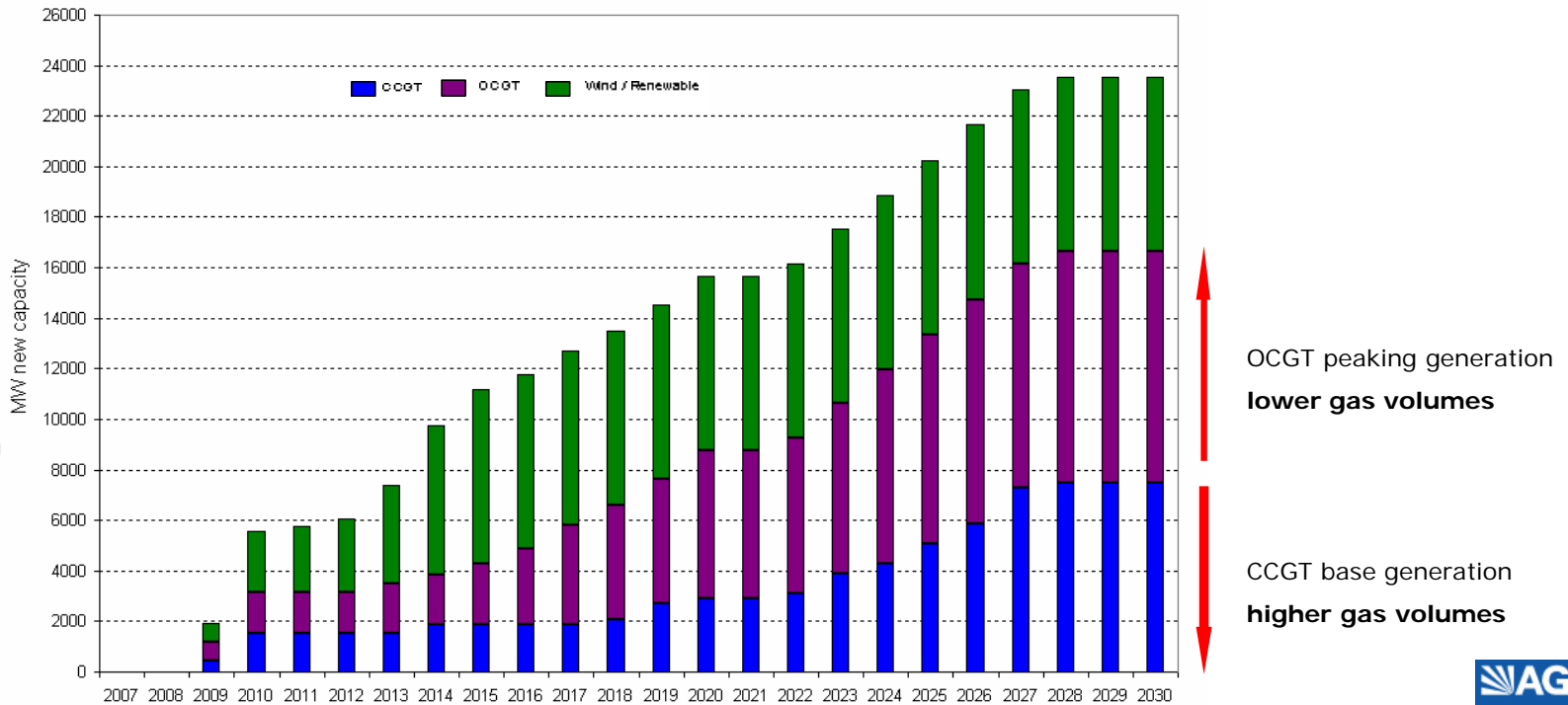


- Policy confirmed 6 March by Federal Government
- Target will be 45,000 GWh by 2020
- Trajectory to reach target to be determined in coming months

Source – Australian Federal Government policy

# Expanded MRET– Impacts CCGT Generation

- MRET drives uptake of renewable energy at expense of base load gas generation
- MRET diverts development to low gas load peak generation
- MRET delivers greater abatement than would otherwise have been achieved under ETS

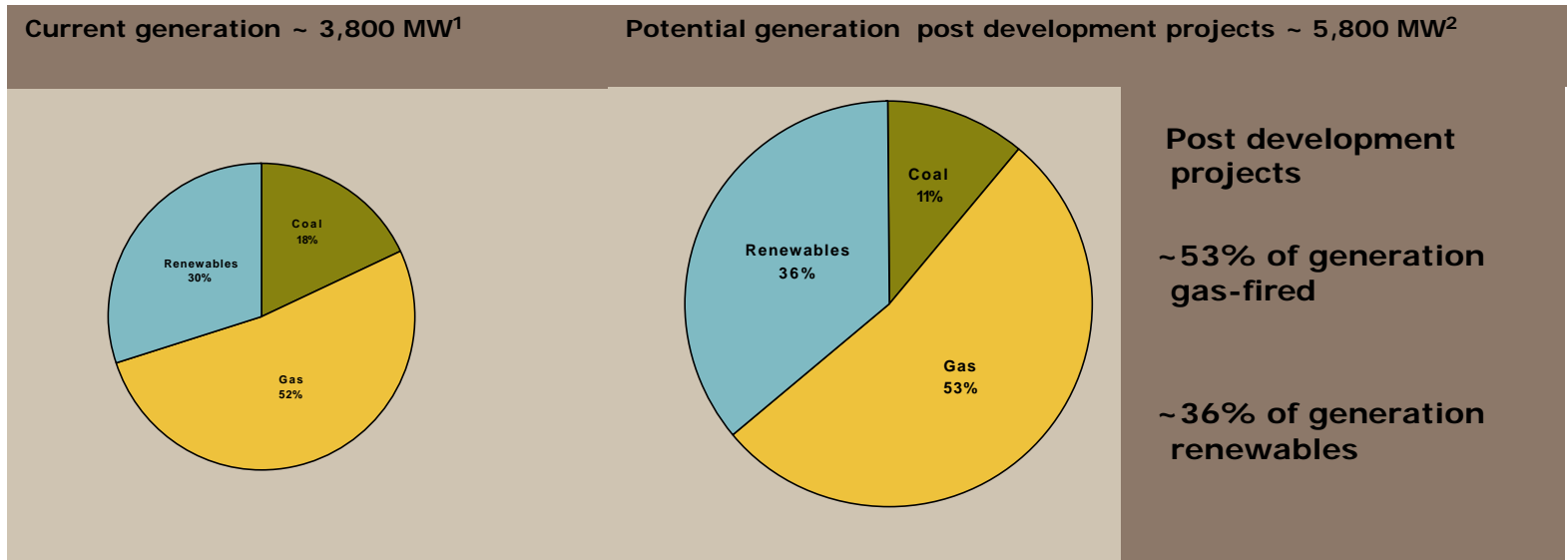


Source – AGL indicative analysis

# A Carbon Effective Portfolio

Both the current & potential AGL generation portfolios are well positioned to deliver material upside in a carbon environment

- Emissions Trading to be introduced by 2010



1 = Owned & / or operated including plant under construction (~315MW under construction)

2 = 1 + projects under consideration / development



# Upstream Gas

## Value optionality

### QGC

- LNG project with BG Plc adds material upside to AGL investment.
- No change to 540 PJ, 20 year GSA with 200 PJ option (100 PJ already exercised).
- No change to domestic gas marketing agreement.

### Moranbah

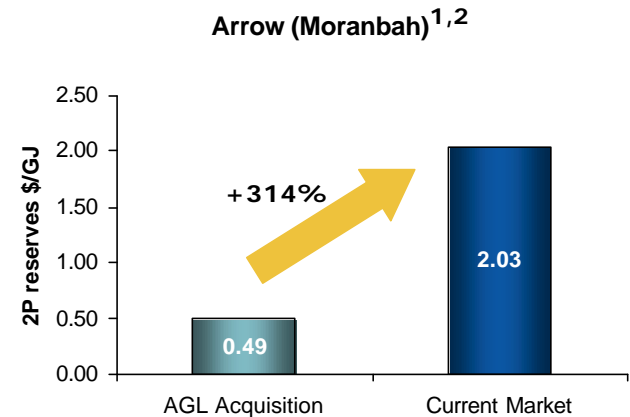
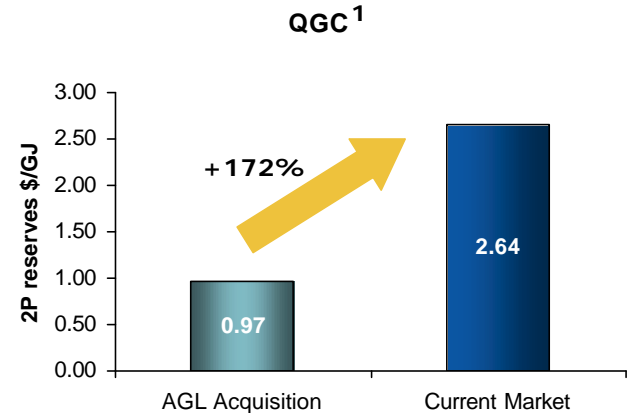
- 50/50 JV acquisition of Enertrade gas business.
- Natural extension of Moranbah CSM JV.
- Creates integrated energy business along Gladstone to Townsville corridor.

### Sydney Basin

- Accelerated Hunter exploration program being reviewed with Sydney Gas, supported by AJ Lucas services.

### PNG

- Non core – considering divestment options
- Adding value to gas
  - gas focus moved to LNG project
  - working toward imminent FEED decision



1. As at 27 February 2008. Market capitalisation + net debt / 2P reserves

2. Investment is in Moranbah field

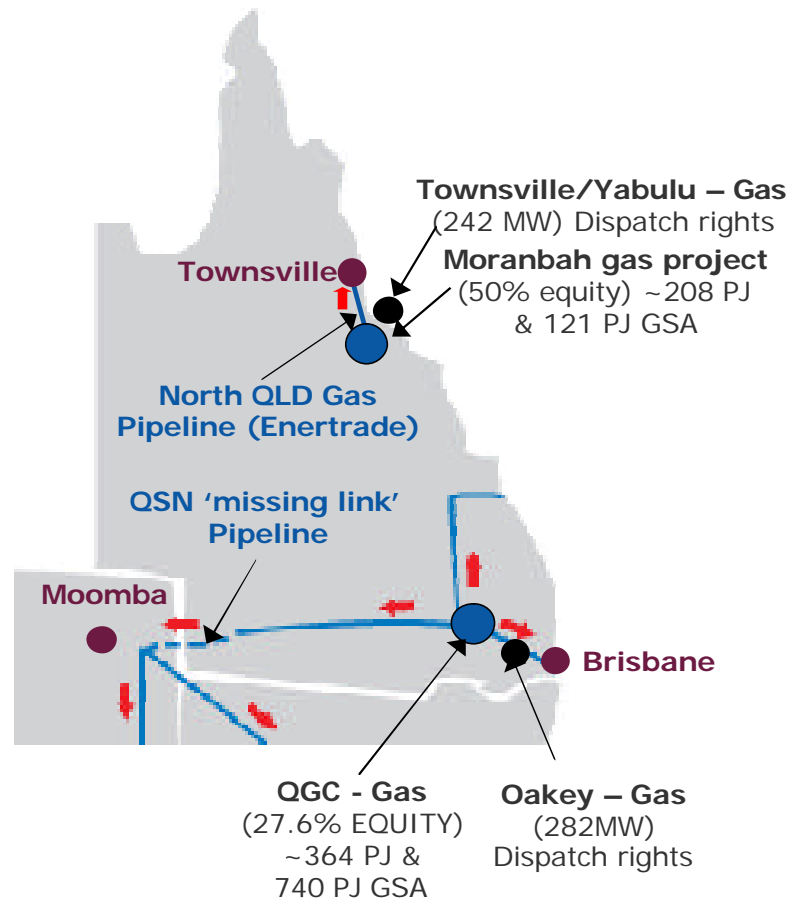
# Upstream Gas

## Securing & monetising gas

### Pipelines

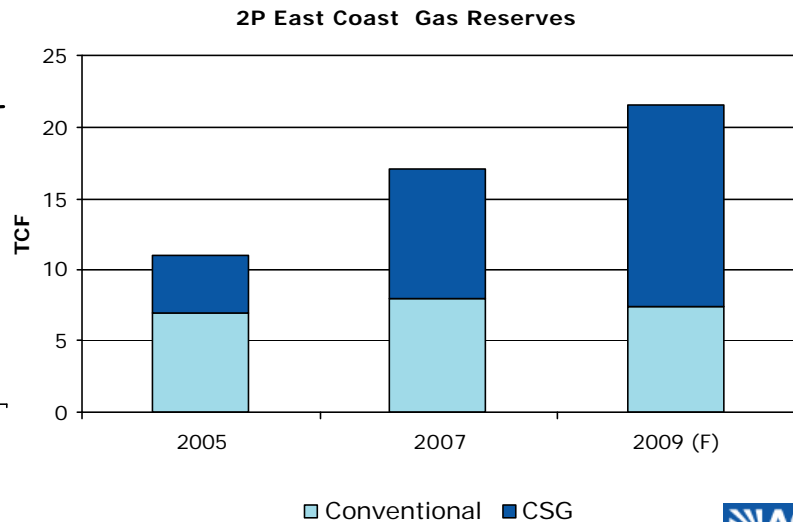
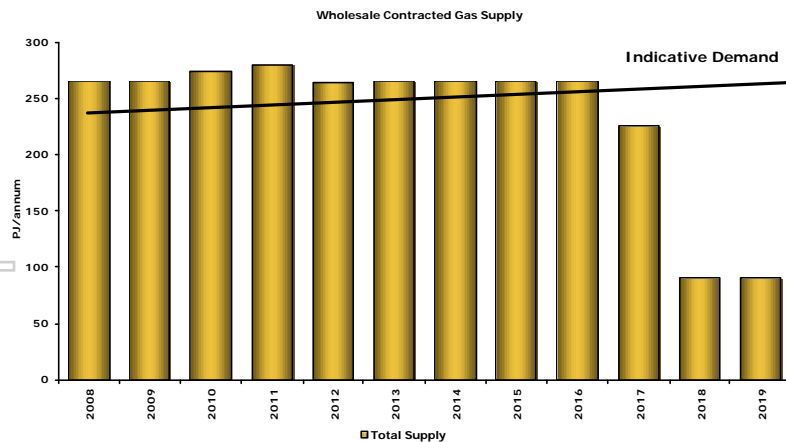
- QSN: Foundation shipper - pipeline linking Qld, Sth Aust & NSW markets, enables delivery of Qld gas into Moomba hub at prices below existing contracts.
- North QLD Gas Pipeline (Enertrade): optimising contractual mix to enhance value of merchant gas business acquired.
- Berwyndale / Wallumbilla: rights to develop BWP pipeline, optimises ability to commercialise Qld gas to western Qld and southern markets.

**All pipelines non-core and will be divested post portfolio enhancement benefits being achieved**



# Flexible Wholesale Gas Portfolio

- Considerable portfolio flexibility: ACQ 'up & down', MDQ, ToP & flexible delivery points.
- Rolling buy long / sell short portfolio strategy.
- Pricing mechanism & flexibility ensures ongoing competitiveness.
- Independent analysis suggests ongoing rapid reserves growth in eastern Australia, predominantly driven by CSM.
  - anticipated future, non LNG CSM discoveries to satisfy ongoing domestic demand



Source: Core Collaborative (2007)

# The Integrated Strategy – Opportunities

<b>Generation</b>	95 MW Hallett 1 (SA) wind:	<b>On schedule &amp; on budget, due for completion 2HFY08</b>
	140 MW Bogong (Vic) hydro:	<b>Ahead of schedule &amp; on budget, due for completion 1HFY10</b>
	71 MW Hallett 2 (SA) wind:	<b>Under construction, due for completion 1HFY10</b>
	366 MW Macarthur (Vic) wind:	<b>Joint Venture deed signed to explore development</b>
	390 MW Leafs Gully (NSW) gas:	<b>Option over site secured &amp; currently progressing permitting</b>
	350 MW Madeline Downs (Kogan) (Qld) gas:	<b>Secured site, currently progressing permitting</b>
	<b>Additional:</b>	<b>~ 900 MW of identified renewable generation projects under review</b>
	<b>Additional:</b>	<b>~ 1100 MW of identified gas generation projects under review</b>
<b>Upstream Gas</b>	Camden JV (AGL 50%):	<b>Sales continuing to ramp up; development drilling program yielding good results; Hunter exploration program underway</b>
	Moranbah JV (AGL 50%):	<b>Targeting additional ~300 PJ (gross) certified 2P reserves in FY08; integrating and leveraging recently acquired North Queensland Energy businesses</b>
	QGC equity (AGL 27.6%):	<b>Announced alliance with BG Group targeting at least 7,000 PJ to feed 3-4 Mt pa LNG plant; AGL GSA sales contract ramping up</b>
	PNG Gas JV (AGL ~3%):	<b>Entered into cost sharing agreement to investigate ExxonMobil-led LNG project initiative; decision to enter FEED approaching</b>
	<b>Additional:</b>	<b>Actively investigating further domestic gas opportunities</b>

# Financial Outlook & Strategic Priorities

## Financial outlook

- On track to deliver FY08 guidance:
  - Operating EBITDA \$830 to \$875 million.
  - Underlying NPAT \$330<sup>1</sup> to \$360<sup>1</sup> million.
- Total FY08 annual dividend 52 to 55 cents per share, fully franked.
- Modest (calendar 2008) refinancing requirements of ~\$310 million.
- Maintain BBB rating.
- Retain previously advised FY09 guidance:
  - Operating EBITDA \$870 to \$915 million.
  - Underlying NPAT \$360 to \$390 million.

## Strategic priorities

- Continued, disciplined roll out of integrated strategy.
- Reshaping asset portfolio to maximise returns from integrated strategy in core markets.
- Focus on expanding market leading renewable portfolio & gas fired generation.
- Building world class retail capability & market leading cost per customer.

1. Underlying NPAT guidance of \$330 million to \$360 million excludes significant items, fair value adjustments to hedging contracts and customer amortisation charges. The NPAT result of \$182.8 million includes customer amortisation charges of \$11.6 million. Excluding this amortisation increases NPAT to \$194.4 million.

## Further Information / Contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations, Financial Results 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](http://www.agl.com.au) or [www.aglinvestor.com](http://www.aglinvestor.com)

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Supplementary  
information



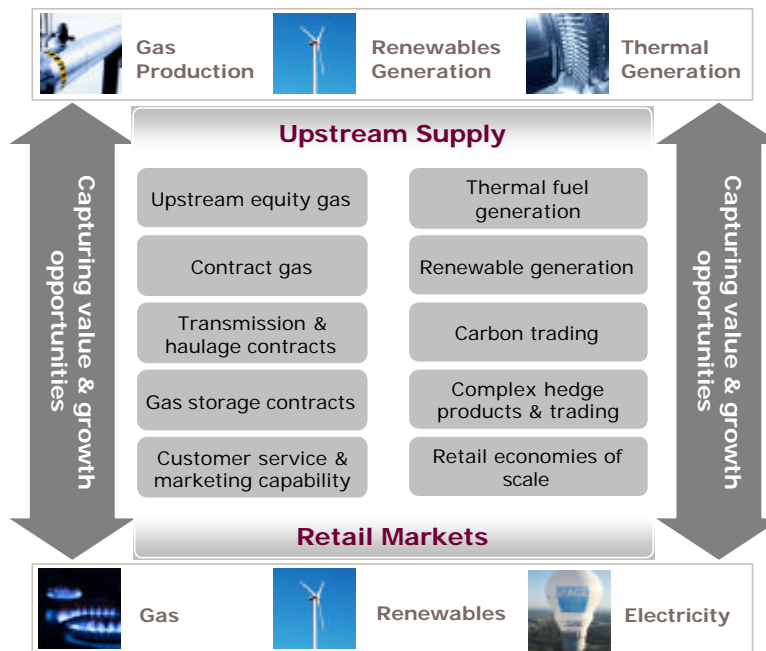
# The Integrated Strategy

## Structured Indicative Goals

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### Upstream Gas

- ~2000 PJ (2P) over next 2 - 3 years
- Indicative makeup: ~30% existing JVs & investments, ~30% organic growth from existing JVs & investments, ~40% disciplined acquisition growth
- Essentially CSM strategy although may include conventional gas
- Disciplined decision around trade-off between acquiring equity gas and EPS impact
- May contract if achieves better outcome



### Generation

- Currently ~3500MW of capacity owned or operated & under construction (~315MW)
- Medium term target of ~6000MW across base, intermediate and peak
- Achieve ~60-70% of load internally covered / generated
- Delivers desired portfolio outcomes for projected load and customer profile
- Expanded MRET will require near doubling of capacity by 2020 on like for like basis

### Customer Base

- Customer base / channel to market important in leveraging upstream strategy and achieving retail economies of scale
- Ultimate focus on managing and growing margin, not specific customer number targets
- Potential target of 4 to 5 million customers (given any participation in NSW privatisation)



# Profit & Loss

(excluding significant items & fair value movements)

24

6 months to \$m	31 Dec 2007	Pro forma 31 Dec 2006	Change %
Revenue	2,833.8	2,224.4	27.4
Operating EBITDA	471.3	412.9	14.1
Operating EBIT			
Retail	134.8	136.6	(1.3)
Merchant	238.9	197.6	20.9
Energy investments (GasValpo, ActewAGL, AlintaAGL & Elgas)	50.6	35.2	43.8
Corporate	(51.4)	(44.9)	(14.5)
Total operating EBIT	372.9	324.5	14.9
Less: Net finance costs	(94.4)	(28.1)	-
<b>Profit before tax</b>	<b>278.5</b>	<b>296.4</b>	<b>(6.0)</b>
Less: Income tax expense	(95.7)	(100.8)	-
<b>Net profit after tax<sup>1</sup></b>	<b>182.8</b>	<b>195.6</b>	<b>(6.5)</b>

1. Note \$182.8 million includes \$11.6 million (after tax) relating to customer amortisation costs from the Powerdirect & SunGas purchase. AGL's NPAT guidance of \$330 million to \$360 million excludes the amortisation of customers costs. Excluding the customer amortisation cost from the half year to 31 Dec 2007 result increases NPAT to \$194.4 million.



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# Significant Items

6 months to \$m	31 Dec 2007
Gain on disposal on investment in AlintaAGL	123.7
Impairment of property, plant & equipment	(42.7)
Impairment of research & development assets	(5.4)
Impairment of Chile assets	(37.0)
Phoenix Change program one-off costs	(10.4)
St Leonards head office relocation costs	(5.6)
Redundancy / termination costs	(8.8)
SunGas and Powerdirect integration costs	(1.9)
<b>Significant items before tax</b>	<b>11.9</b>
Less: Tax applicable	(14.9)
Income tax on derivative financial instruments consideration	26.1
<b>Total net tax benefit</b>	<b>11.2</b>
<b>Significant items after tax</b>	<b>23.1</b>

# Balance Sheet

As at \$m	31 Dec 2007	Pro Forma 31 Dec 2006
Current assets	3,576.8	1,386.7
PPE and oil and gas assets	2,331.4	1,686.2
Other non current assets	4,291.0	2,967.7
<b>Total Assets</b>	<b>10,199.2</b>	6,040.6
Current liabilities	2,053.4	927.3
Total debt	2,390.9	1,700.4
Other non current liabilities	762.5	277.6
<b>Total Liabilities</b>	<b>5,206.8</b>	2,905.3
<b>Net Assets</b>	<b>4,992.4</b>	3,135.3
Contributed equity	3,858.3	2,924.0
Reserves	745.0	46.9
Retained earnings	389.1	164.4
<b>Total Equity</b>	<b>4,992.4</b>	3,135.3

# Energy Investments

6 months to \$m	Dec 2007	Pro forma Dec 2006	Change %
<b>EBITDA</b>			
ActewAGL	15.2	11.3	34.5
Elgas	9.9	8.9	11.2
GasValpo	12.3	12.5	(1.6)
AlintaAGL <sup>1</sup>	13.6	2.7	n/a
Investments Other	2.5	2.7	(7.4)
<b>Total EBITDA</b>	<b>53.5</b>	<b>38.1</b>	<b>40.4</b>
Gas Valpo depreciation	(2.9)	(2.9)	-
<b>Total EBIT contribution</b>	<b>50.6</b>	<b>35.2</b>	<b>43.8</b>

1. AGL disposed of its 33% ownership interest in AlintaAGL on 12 December 2007 resulting in a pre-tax profit of \$123.7 million.

# Operational Cash Flow Summary

6 months to \$m	31 Dec 2007
EBITDA	471.3
Equity accounted associates & joint ventures (net of dividends received)	(6.9)
Net finance costs	(91.9)
Tax paid	(57.9)
Working capital	(109.4)
<b>Operating cash flow</b>	<b>205.3</b>
Stay In Business (SIB) capex	(10.7)
<b>Cash flow after SIB capex</b>	<b>194.6</b>
Less: Dividends paid	(112.7)
<b>Free cash flow</b>	<b>81.9</b>

# Retail – Key Financial Metrics

Focus on margin management

\$m	6 mths to Dec 2007	(Pro forma) 12 mths to Jun 2007	6 mths to Jun 2007	(Pro forma) 6 mths to Dec 06
Revenue	2,335.1	3,808.0	2,093.7	1,673.4
Cost of Sales	(2,082.6)	(3,354.8)	(1,914.5)	(1,440.3)
Gross margin	252.5	453.2	179.2	233.2
Operating costs (ex. D & A)	(103.2)	(245.8)	(113.3)	(91.8)
EBITDA	149.3	207.4	65.9	141.4
D & A	(14.5)	(15.0)	(10.1)	(4.8)
EBIT	134.8	192.4	55.8	136.6
Customer Amortisation	11.6	4.9	4.9	-
<b>Normalised EBIT</b>	<b>146.4</b>	<b>197.3</b>	<b>86.7<sup>1</sup></b>	<b>110.6<sup>1</sup></b>
<b>EBIT / Sales %</b>	<b>6.3%</b>	<b>5.2%</b>	<b>4.1%<sup>2</sup></b>	<b>6.6%<sup>2</sup></b>

Margin stability v 1H06 on a normalised basis

1. Some unbilled revenue estimates & distribution charges calculated between demerger and 31 Dec 06 were found to be too high and too low respectively. These were identified and normalised in the second half of FY07. The result of the initial over and under estimates resulted in an inconsistent half on half split as evidenced by the previously reported 2.9% and 8.2% margins (historic AGL seasonality - 1<sup>st</sup> half result 55-60% of total annual result with 2<sup>nd</sup> half of 40-45% of total annual result).

2. Restated margins post normalisations – 1<sup>st</sup> half 57.5%, 2<sup>nd</sup> half 42.5%.

# Retail - Driving Cost Efficiencies

Reducing cost to grow and cost to serve

6 months to	Dec 2007	Pro forma Dec 2006	Change %
Net Operating Expenditure (Excl. QLD Customer Amortisation) \$m	106.1	96.6	
<b>Net Operating Costs per Mass Market Account</b> (average across 6 months)	<b>\$33.37</b>	<b>\$35.30</b>	<b>Down 5.5%</b>
Cost to Grow \$m	25.4	23.2	
<b>Cost to Grow per Acquisition / Retention<sup>1</sup></b>	<b>\$72.31</b>	<b>\$75.37</b>	<b>Down 4.1%</b>
Cost to Serve \$m	80.8	73.5	
<b>Cost to Serve per Mass Market Account<sup>2</sup></b> (average across 6 months)	<b>\$25.40</b>	<b>\$26.85</b>	<b>Down 5.4%</b>

- Reducing net operating costs per Mass Market account:
  - Cost to grow per acquisition / retention down 4.1% - more efficient use of sales channels to drive more market activity per dollar spent.
  - Cost to serve per mass market account down 5.4% - driving cost efficiencies through reduced labour costs and improved processes, even with increased customer accounts.

1. Cost to Grow per acquisition/retention =  $\frac{\text{Costs to win and retain market contracts and transfer customers to AGL}}{\text{Contracts acquired} + \text{contracts retained}}$

2. Net Cost to Serve per account =  $\frac{\text{Net Operating Costs} - \text{Cost to Grow}}{\text{Average Mass Market Customer Accounts}}$

# Merchant – Key Financial Metrics

6 months to \$m	Dec 2007	Pro forma Dec 06	Change %
Wholesale Energy EBITDA			
Merchant Power	<b>151.3</b>	99.3	52.4
GEAC	<b>16.0</b>	15.3	4.6
Wholesale Gas	<b>27.3</b>	33.6	(18.8)
Energy Services	<b>18.6</b>	9.4	97.9
Upstream Gas EBITDA			
PNG	<b>84.0</b>	100.7	(16.6)
CSM	<b>16.2</b>	6.1	165.6
Sundry	<b>0.4</b>	(0.9)	n/a
Operating EBITDA	<b>313.8</b>	263.5	19.1
D & A	<b>(74.9)</b>	(65.9)	(13.7)
Operating EBIT	<b>238.9</b>	197.6	20.9
Fair value changes	<b>(324.4)</b>	2.5	n/a
Reported EBIT	<b>(85.5)</b>	200.1	(142.7)



# Merchant - Hydrology

## Hydro benefiting from good rain & snow

- Full discretionary Kiewa Scheme (365MW including Bogong) inflows significantly higher than pcp.
- Eildon (135MW) operational, consistent water levels in recent months.
- Dartmouth (180MW) not anticipated to be operational until FY09.

