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asx statement

7 May 2008

The following presentation will be made by Managing Director, Michael Fraser to the Macquarie Capital Securities Australia Conference being held today.

Paul McWilliams
Company Secretary

AGL Energy Limited

Renewables...
Actions, not words

Michael Fraser
Managing Director & CEO

Macquarie Capital Securities Australia Conference
Sydney, May 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.
- Does not take into account the potential and current individual investment objectives or the financial situation of investors.
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- Actual results may materially vary from any forecasts (where applicable) in this presentation.
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About AGL Energy

Australia's largest energy retailer & leading integrated 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 ActewAGL JV)
    - ~1.3m dual-fuel customer accounts (includes 100% of ActewAGL JV)
    - Market leadership in operating costs per customer
    - Delivering a world class competitive retail capability (Project Phoenix)
- Diversified generation & gas portfolio;
    - ~1,000[1]MW of renewable generation, Australia's largest privately owned portfolio
    - ~3,800[1]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 million Accounts (includes 100% of ActewAGL JV)
  - 1.5 million gas
  - 1.9 million electricity
  - 1.3 million dual-fuel
- 0.35 million 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[1]

- ~3,200 PJs contracted gas
- ~907 PJs 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

CSM Energy (Australia):

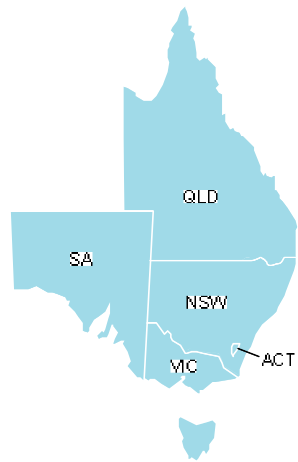
- 35% investment in coal mine methane extraction company

1. 1 PJ (Peta joule) = ~1 BCF (billion cubic feet)

PNG

Upstream Gas

- ~ 3.6% equity / ~330 PJ



SOUTH AUSTRALIA

Customer Accounts

- 68,400 gas
- 443,300 electricity

Generation

- Torrens 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
- Oakey – Gs (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 – (24.9% equity) ~328 PJ

NEW SOUTH WALES

Customer Accounts

- 751,300 gas
- 251,600 electricity

Generation

- AGL Hydro (62.2 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 (140MW)
- Somerton – (150MW)
- 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 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

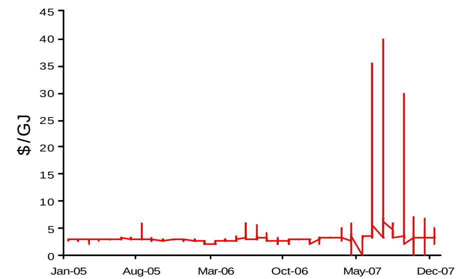
- Hedge book & generation portfolio performing extremely well
- Reduced PNG oil production

Strategic

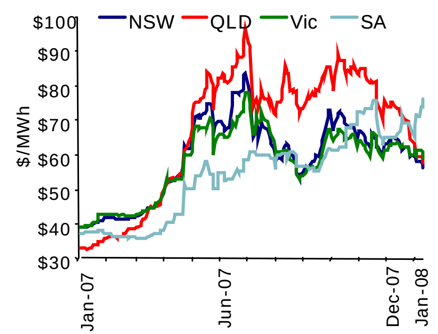
Ongoing delivery of integrated strategy

- Ongoing construction of renewable generation portfolio on time & budget
- Hallett 2 (Hallett Hill) 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
- Sale of 100% interest in Gas Valpo (post balance date)

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
Less: Undrawn facilities (mature Oct 09)	(450.0)
Minimum refinancing requirements	**309.5**

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

Facilities[2] @ 31 Dec 2007 $m	Limit	Usage	Available	Maturity
Current				
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
Non Current				
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
Total debt facilities	2,839.5	2,329.5	510	
Guarantee facilities	744.2	718.4	25.8	Oct 08, 09 & 11, May 10
Cash (@ 31 Dec 2007)			62.4	

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 $2.3 billion hedged through until Oct 09.

The Integrated Strategy

Building a world class energy company


Gas Production


Renewable Generation


Thermal Generation

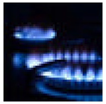
Capturing value & growth opportunities

Upstream Supply

Contract gas	Thermal fuel generation
Upstream equity gas	Renewable generation
Transmission & haulage contracts	Carbon trading
Gas storage contracts	Complex hedge products & trading
Customer service & marketing capability	Retail economies of scale

Retail Markets

Capturing value & growth opportunities


Gas


Renewables

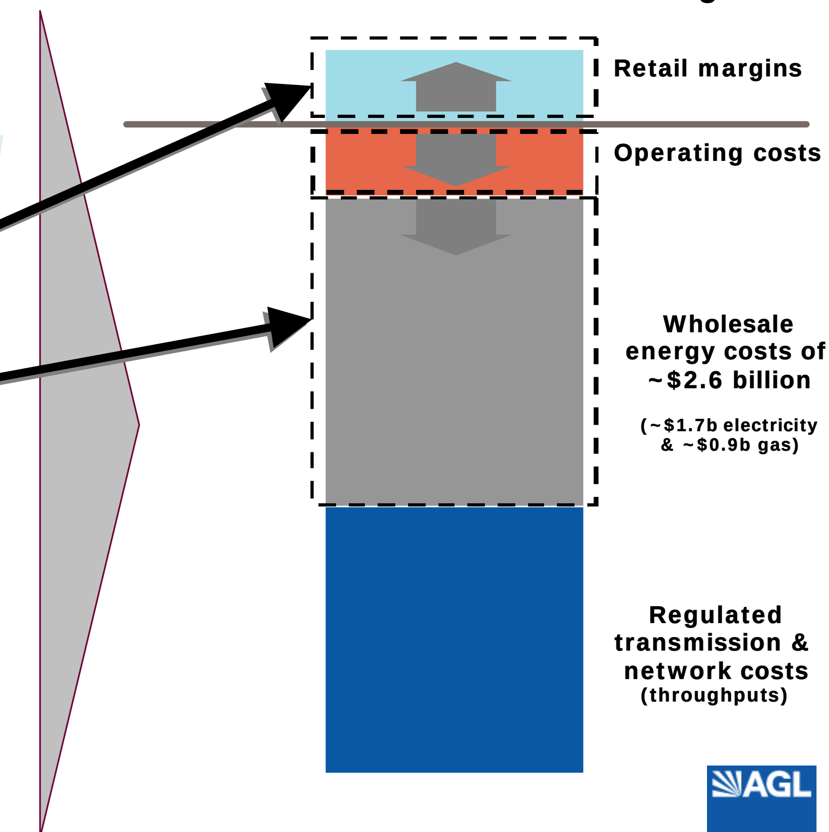

Electricity

- 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

The Integrated Strategy - ‘in action’

Energy Sales

Indicative Costs & Retail Margins



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 and 2A delivered on time and budget – no systemic issues.
  - ~1.65 million VIC, SA & QLD customers now serviced from SAP platform.
- **Drive out operating costs**
  - Benefits released in line with plan – to deliver ongoing $60m cost outs from FY10
  - 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 AGL Brand

Leveraging latent value in the 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.
  - ‘Actions, not words’ – highlighting the existing, leading physical renewable credentials AGL has in its market.

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

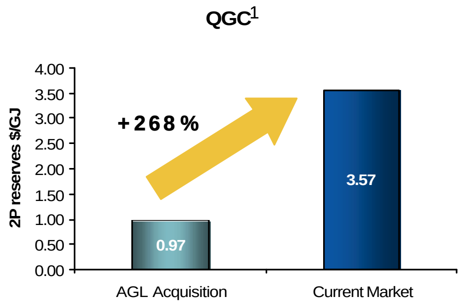
- 50/50 JV acquisition of Enertrade gas business.
- Natural extension of Moranbah CSM JV.
- Creates integrated energy business along Gladstone to Townsville corridor.

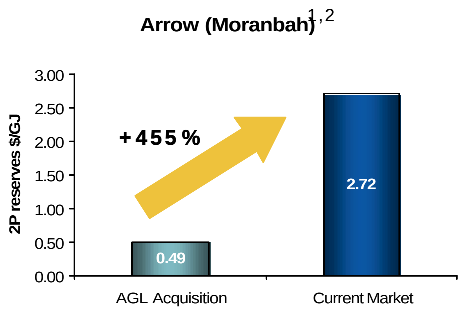
Sydney Basin

- 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
  - considerable domestic & international interest in AGL's stake



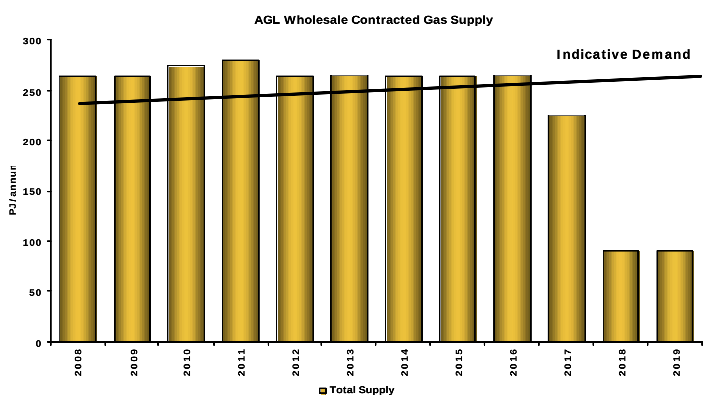


1. As at 5 May 2008. Market capitalisation + net debt / 2P reserves
2. Investment is in Moranbah field

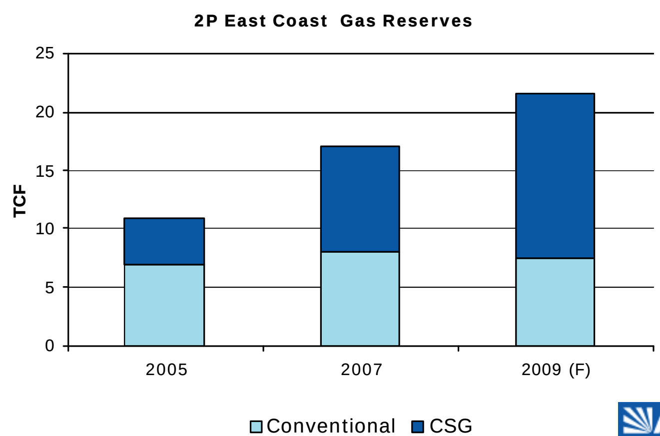
Wholesale Gas Competitiveness

Market pricing mechanisms ensure ongoing margin maintenance

- Considerable portfolio flexibility: ACQ ‘up & down’, MDQ, ToP & flexible delivery points.
- Rolling buy long / sell short portfolio strategy.
- Pricing mechanism & flexibility ensure ongoing, sustainable competitiveness.
  - domestic wholesale gas market pricing mechanisms support AGL gas margin maintenance forward
  - Regulators reflect wholesale gas price escalation in tariffs if retailer can demonstrate prudent portfolio management
- Independent analysis suggests ongoing rapid reserves growth in eastern Australia, predominantly driven by CSM.



Source: AGL



Source: Core Collaborative (2007)

Expanding Gas Generation Portfolio

The current AGL generation portfolio already delivers material portfolio benefits via reduced COGS

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)

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

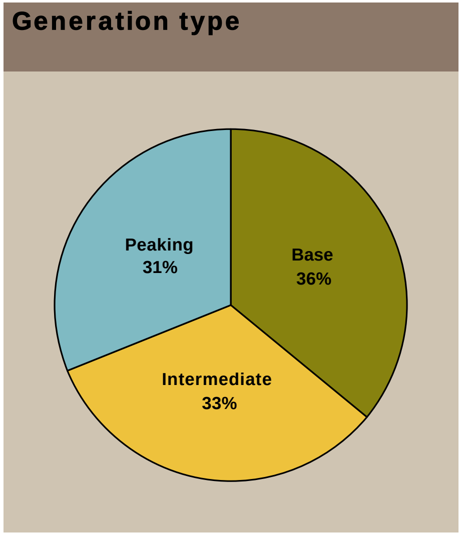
Identified further developments

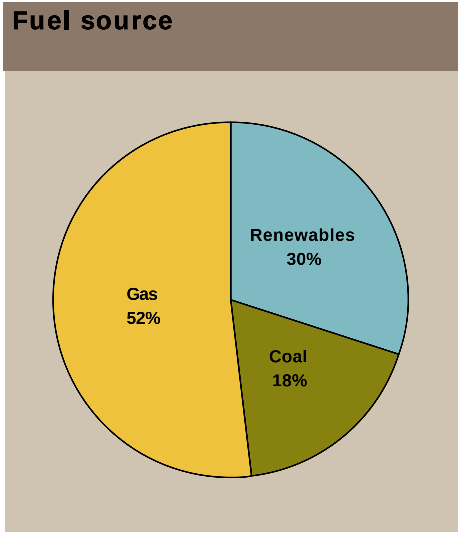
- ~ 1,100 MW predominantly peaking capacity

Generation - a Balanced Portfolio

A diverse generation portfolio to mitigate market risks & benefit under 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





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

CCX Chicago Climate Exchange

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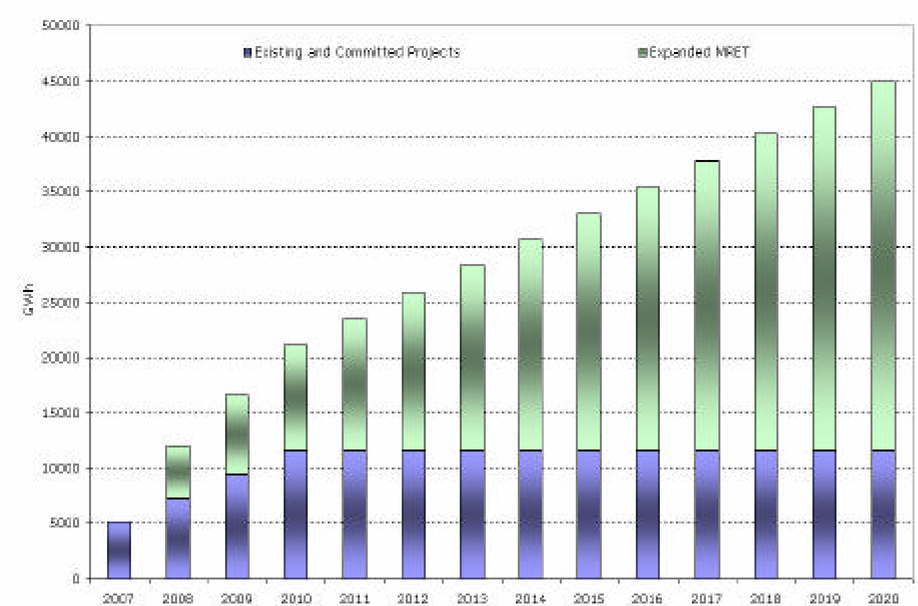
Expanded Mandatory Renewable Energy Targets
(MRET) – additional renewables

- 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% Capacity Factor & $2.3m per MW)



Source – Australian Federal Government policy

- Policy reconfirmed 6 March 2008 by Federal Government
- Target will be 45,000 GWh by 2020
- Trajectory to reach target to be determined in coming months

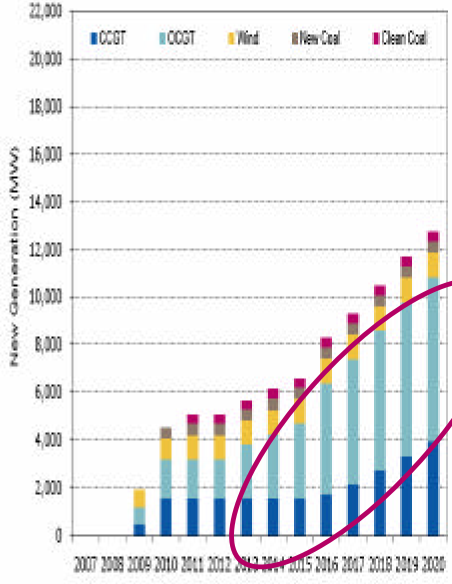
AGL's existing & identified renewable generation projects place it in a market leading position to benefit under expanded MRET policy

Indicative New Build Generation Mix

Under a carbon constrained environment

Investment in renewable generation under an expanded MRET displaces gas fired generation and moderates the demand for gas as a transitional fuel

Current MRET



2020 New Build Generation Mix

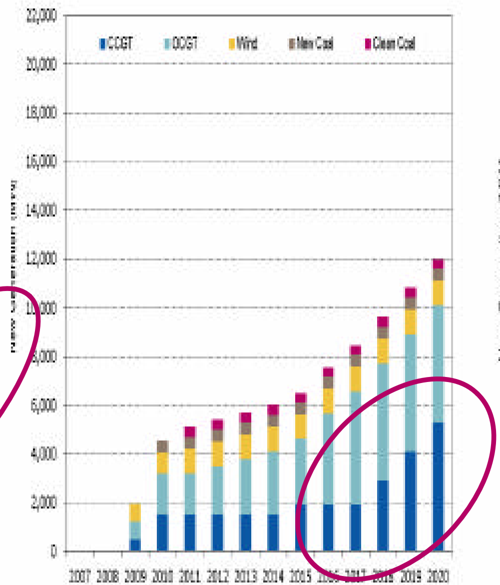
CCGT ~ 31%

OCGT ~ 57%

Wind ~ 8%

Balance coal

Current MRET + ETS



2020 New Build Generation Mix

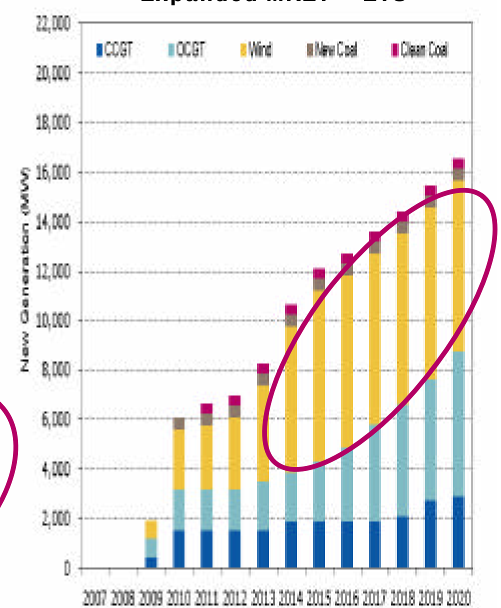
CCGT ~ 44%

OCGT ~ 44%

Wind ~ 8%

Balance coal

Expanded MRET + ETS



2020 New Build Generation Mix

CCGT ~ 17%

OCGT ~ 37%

Wind ~ 42%

Balance coal

Source: AGL internal analysis

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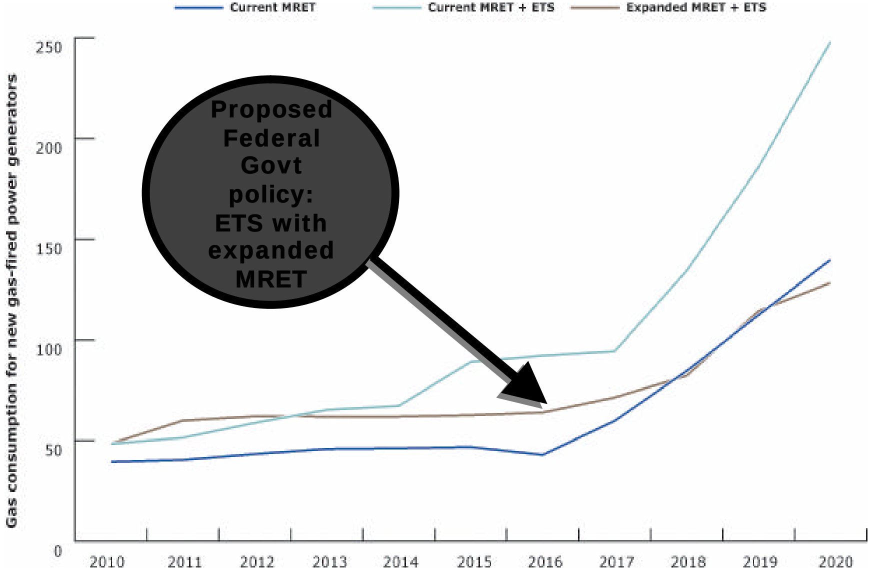
Expanded MRET – Moderates Gas Demand

Gas demand is materially moderated under the proposed Federal Governments combined ETS and expanded MRET Policies



- Expanded MRET drives uptake of renewable generation at the expense of higher gas volume base load (CCGT) gas generation.
- Expanded MRET diverts development to lower gas volume peak load (OCGT) gas generation.

Assumptions

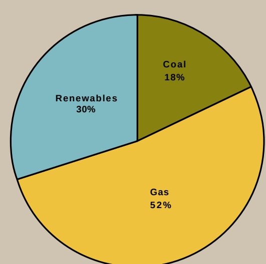
1. Utilisation of a least cost model of the National Electricity Market (NEM)
2. Publicly available assumption for new entrant and existing generators
3. The second emission reduction trajectory published by the National Emissions Trading Taskforce ("States") 150mt by 2020 adjusted to reflect the NEM

A Carbon Effective Portfolio

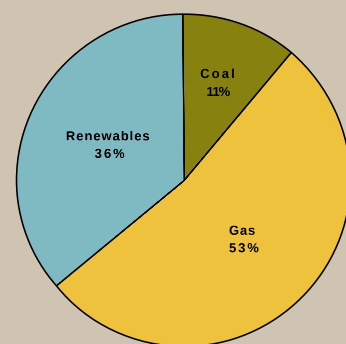
Both the current & potential AGL generation portfolios are well positioned to deliver material upside in a carbon environment

- Emissions Trading to be introduced by 2010
- AGL modelling indicates that under either permit allocation for disproportionate loss or no permit allocation, AGL’s current generation portfolio will deliver positive NPV earnings outcomes due to its well diversified nature

Current generation ~ 3,800 MW[1]



Potential generation post development projects ~ 5,800 MW[2]



Post development projects

~36% renewable generation

~53% gas fired generation

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

2 = 1 + projects under consideration / development

The Integrated Strategy – Opportunities

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

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Financial Outlook & Strategic Priorities

Financial outlook

- On track to deliver FY08 guidance:
  - Operating EBITDA $830 to $875 million.
  - Underlying NPAT $330[1] to $360[1] million.
- Total FY08 annual dividend 52 to 55 cents per share, fully franked.
- Modest (calendar 2008) refinancing requirements of ~$310 million.
- Maintain BBB rating.

Strategic priorities

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

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.

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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 or www.aglinvestor.com

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