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## ASX statement

21 May 2009

Attached is a presentation to be made today by Managing Director Michael Fraser at the UK Investor roadshow.



Paul McWilliams  
Company Secretary



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# AGL Energy Limited

*Australia's Largest Integrated Renewable Energy Company*

Michael Fraser  
Managing Director & CEO

Jeff Dimery  
Group General Manager, Merchant Energy

UK Investor Roadshow  
May 2009



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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 from any forecasts (where applicable) in this presentation.
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# Agenda

- › **About AGL Energy – Background & Strategy**
- › **Renewables & Carbon: Policies & Industry Impacts – An Update**
- › **AGL Renewables & Carbon: Positioning & Opportunities**
- › **AGL Upstream Gas Portfolio**
- › **Way Forward**
- › **Supplementary Information**

- 
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## About AGL Energy



## About AGL Energy

Australia's largest integrated renewable energy company.

- › Australia's largest private owner, operator & developer of renewable generation
- › Australia's largest, diversified (geography, fuel & mix) generation portfolio
- › Australia's largest natural gas & electricity customer base
- › A world class, scalable customer management & billing system (Phoenix SAP solution)
- › Australia's largest contracted gas portfolio & emerging positions in new Coal Seam Gas (CSG) developments
- › Industry leading portfolio of renewable & thermal development projects
- › S&P/ASX50 stock with market capitalisation of ~A\$6.5 billion
- › BBB investment grade credit rating (Standard & Poor's)



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# AGL Energy Today – Asset Profile

## OPERATIONAL SNAPSHOT

### Retail Customer Accounts

- 3.22 million accounts
  - 1.42 million gas
  - 1.8 million electricity
  - 1.19 million dual-fuel

### Current Generation

- ~3,510 MW owned and / or operated
- ~350 MW renewable under construction

### New Generation Developments

- ~2,000 MW identified renewables
- ~5,200 MW identified gas

### Current Gas Reserves<sup>1</sup>

- ~3,100 PJ contracted gas
- ~680 PJ equity gas

### Energy Sales

- Electricity ~37 TWh p.a.
- Gas ~230 PJ p.a.

### Other

- Generation – Renewables ~100MW (Australia-various)
- Cogen, landfill gas, photovoltaic and bagasse

### Gas – Galilee Basin (Australia – QLD)

- Investment in CSG production pilot and exploration appraisal program in Galilee Basin
- 50% interest in exploration tenement ATP529P

### Gas – Innamincka (Australia – SA)

- Farm-In to permits PEL101 & PEL103 and 10 year gas marketing agreement

### Geothermal - Torrens Energy (Australia – SA)

- 9.9% investment in Geothermal developer with associated Geothermal development agreement

### Retail - ActewAGL (Australia – ACT)

- 50/50 Joint Venture with Actew Corporation
- Australian Capital Territory's (ACT) leading multi utility offering electricity, natural gas, water, wastewater and telecommunication services

### Gas – CSM Energy (Australia):

- 35% investment in coal mine methane extraction company

1. 1 PJ (Petajoule) = ~0.95 BCF (billion cubic feet)

## QUEENSLAND

### Customer Accounts

- 83,600 gas
- 363,100 electricity

### Generation

- Yabulu – Gas – 121 MW (50% dispatch rights)
- Oakey – Gas – 282 MW (100% dispatch rights)
- Moranbah – Gas – 12 MW

### Upstream Gas

- Moranbah Project – 416 PJ (50% equity)
- Spring Gully – 6 PJ (various % equity)
- Bowen / Surat Basin – 1,164 PJ (contract)
- North QLD – 240 PJ (contract)



## NEW SOUTH WALES

### Customer Accounts

- 764,300 gas
- 318,100 electricity

### Generation

- Hydro – 62.2 MW

### Upstream Gas

- Gloucester Basin (100% equity) – 175 PJ
- Sydney Basin (100% equity) – 82 PJ

## ACT (ActewAGL) 50/50 JV

### Customer Accounts

- 112,200 gas
- 155,700 electricity

## VICTORIA

### Customer Accounts

- 492,100 gas
- 659,900 electricity

### Generation

- Hydro – 583.3 MW
- Bogong / McKay Expansion – 150 MW (construction)
- Somerton – Gas – 150 MW
- Loy Yang A – Coal – 689 MW (32.5% equity)

### Upstream Gas

- Gippsland Basin – 931 PJ (contract)
- Otway Basin – 270 PJ (contract)

## SOUTH AUSTRALIA

### Customer Accounts

- 78,500 gas
- 463,700 electricity

### Generation

- Torrens Island – Gas – 1,280 MW
- Hallett 1 wind farm – 94.5 MW (off take)
- Hallett 2 wind farm – 71.4 MW (construction)
- Hallett 4 wind farm – 132 MW (construction)
- Wattle Point wind Farm – 90.8 MW (off-take)
- Angaston – Diesel – 49 MW (off take)

### Upstream Gas

- Cooper Basin – 414 PJ (contract)

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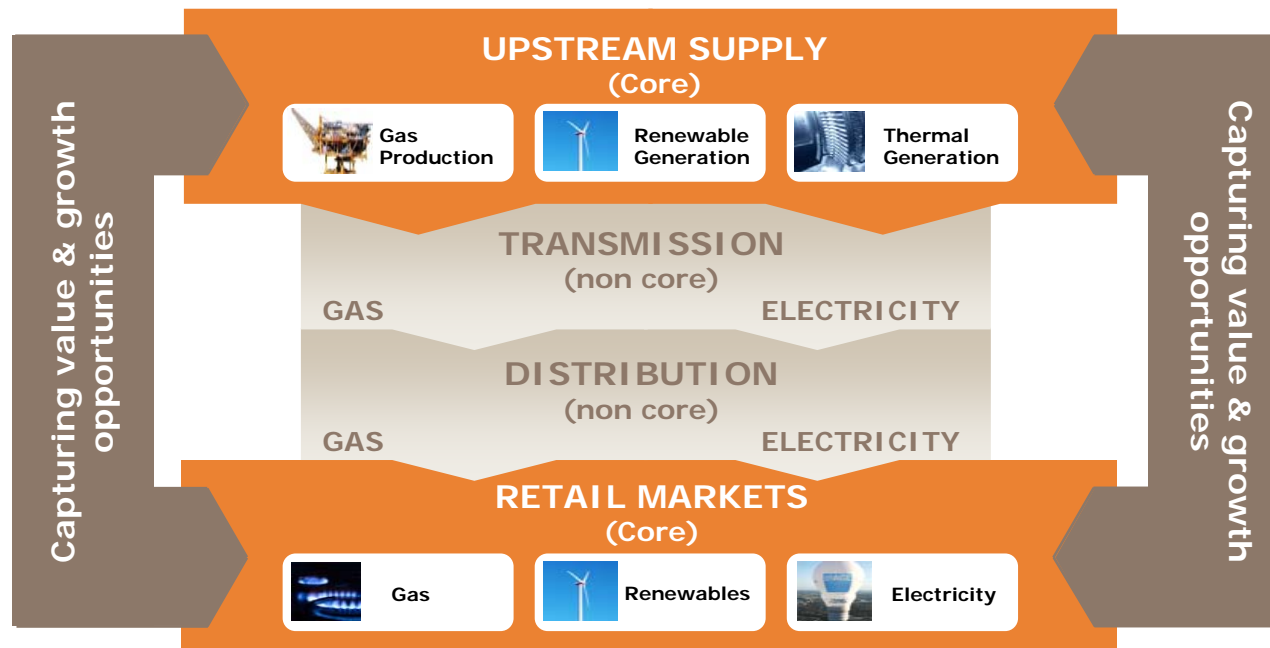
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# The Integrated Strategy

Balancing risk between upstream supply, retail markets & providing access to multiple profit pools.

## Upstream Gas:

- › Direct ownership of ~2,000 PJ (2P) over the medium term
- › Essentially CSG strategy
- › Disciplined decision around trade-off between acquiring gas and EPS impacts
- › Will continue to contract if achieves superior outcome



## Generation:

- › Currently ~3,510 MW of capacity owned and/or operated (plus ~350MW under construction)
- › Medium term target of ~6,000 MW
- › Achieve 60-70% of load (capacity) internally covered to deliver desired portfolio outcomes

## Market Leadership:

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

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Renewables & Carbon:  
Policies & Industry  
Impacts – An Update



## Proposed Legislative Changes

Federal Government proposing two schemes – Expanded Renewable Energy Target (RET) & Carbon Pollution Reduction Scheme (CPRS).

### Expanded RET

- › Draft legislation released – to be introduced mid 2009
- › Commences 1 January 2010 – Council Of Australian Governments (COAG) agreement 30 April 2009
- › Key value driver of renewable industry – remains on track

### CPRS

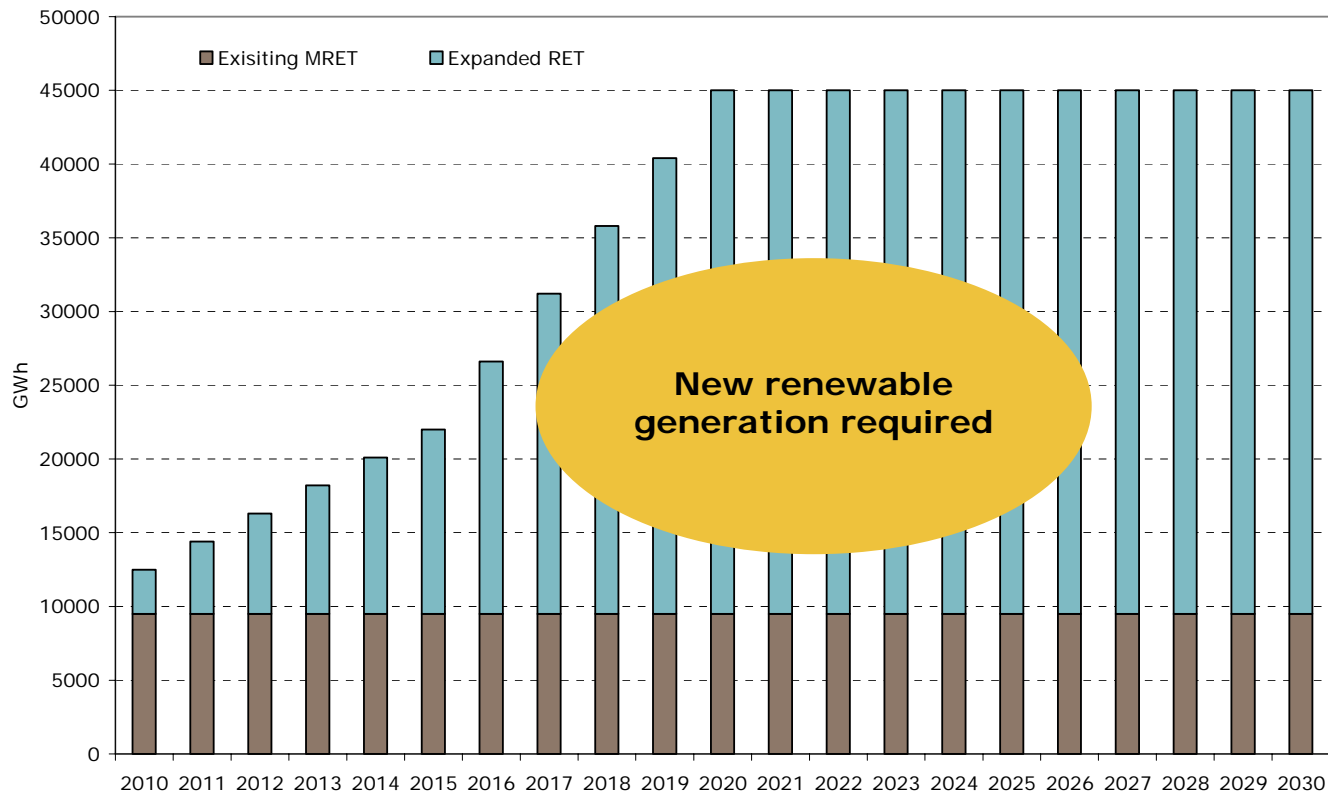
- › Government proposing delayed start to 1 July 2011
- › Additional assistance for Emissions Intensive Trade Exposed Industries
- › Fixed price of \$10 per tonne CO<sub>2</sub> in first year
- › Details of CPRS must be resolved to provide investment and market certainty

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# Expanded RET drives Growth

AGL renewable portfolio to deliver material upside.



Source: AGL Greenhouse modelling

- > Additional 35,500 GWh pa of renewable energy required to meet expanded target of 45,000GWh pa
- > COAG Agreement last week to:
  - » Extend full target of 45,000 GWh pa out to 2030
  - » Increase RET penalty to \$65 (\$93 pre-tax)
  - » Increase assistance to large energy intensive trade exposed industries
- > AGL renewable portfolio to benefit from rising REC & electricity prices

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# Growth - Wind Compared To Other Renewables

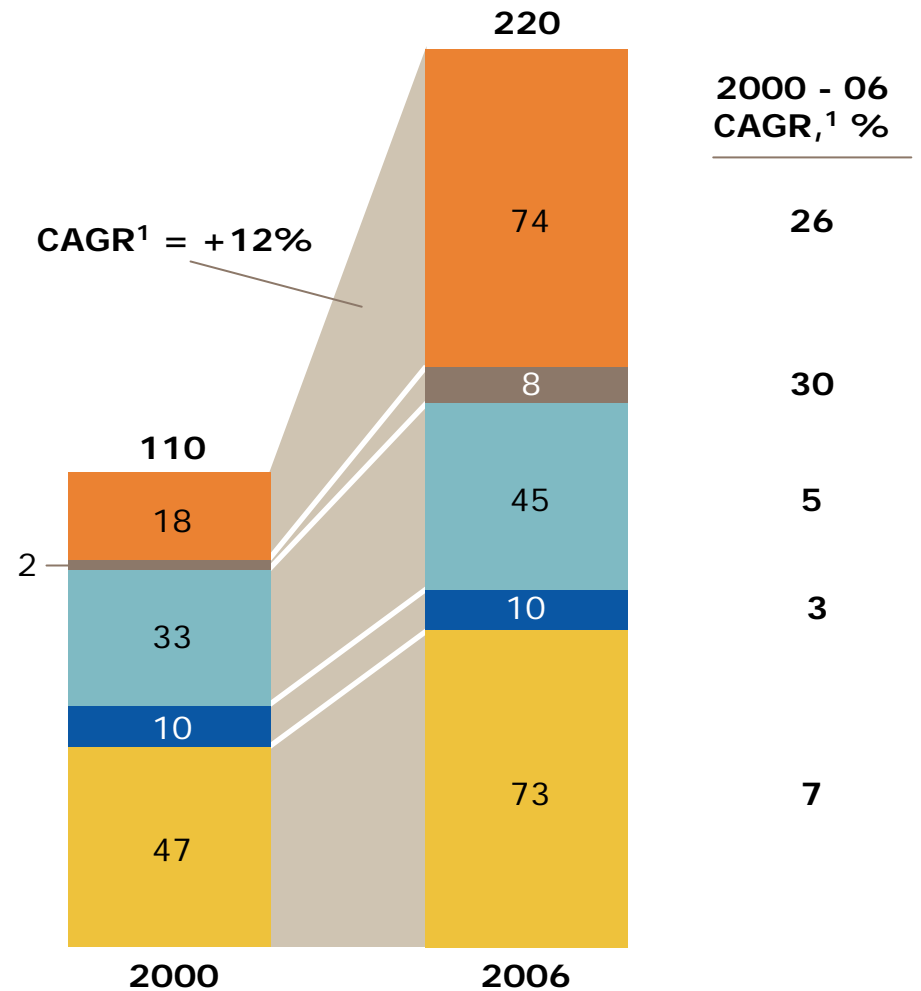
Global installed base, gigawatts (GW)

**Ongoing global renewables growth**

- > ~\$100 billion investment in Renewables in 2008
- > ~30% of all new capacity addition is renewable power



<sup>1</sup> Compound Annual Growth Rate



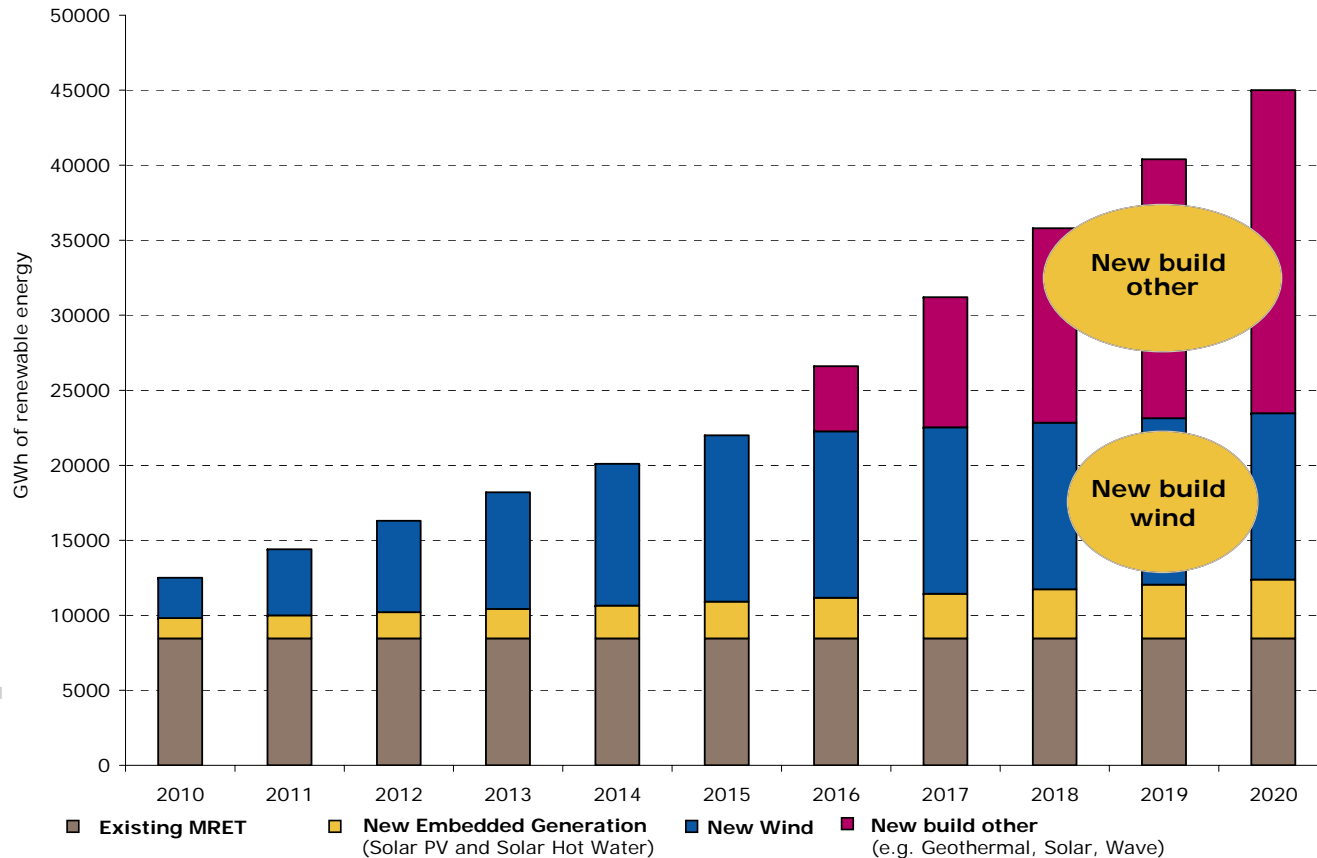
Source: McKinsey on Electric Power & Natural Gas: Number 1, Winter 2008

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## Required Renewables Growth

Wind will dominate early build - geothermal & other technologies anticipated to play increasing role in out years.



Source: AGL Greenhouse modelling

- › AGL has a leading portfolio of development options across all major renewable technology groups
- › Largest privately owned hydro portfolio in Australia
- › Significant portfolio of wind development opportunities provides immediate access to lowest cost commercial deployable technology today
- › Longer term, technologies such as geothermal are likely to play a key role in renewable base load generation
- › Economics of a number of geothermal prospects impacted significantly by transmission costs

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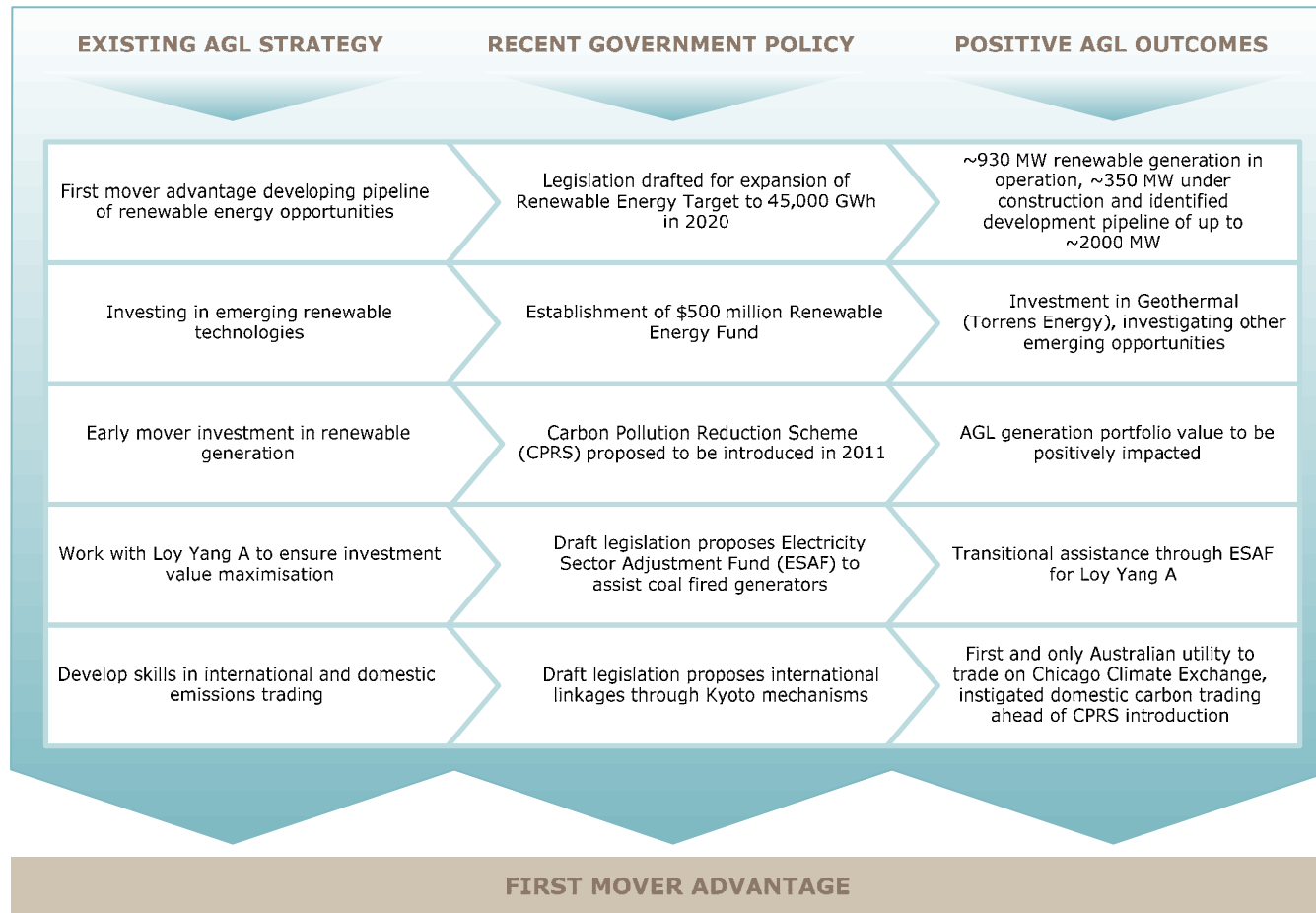
AGL Renewables &  
Carbon:

Positioning &  
Opportunities



# Renewables & Carbon: First Mover Advantage

AGL's strategy benefits from recent Government announcements.



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# AGL – Wind Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
<b>RENEWABLE GENERATION</b>	Hallett 2	<b>71</b>	SA - Hallett	<b>Wind</b>	Under Construction	<b>Committed</b>
	Hallett 4	<b>132</b>	SA - Hallett	<b>Wind</b>	Under Construction	<b>Committed</b>
	Hallett 3	<b>80</b>	SA - Hallett	<b>Wind</b>	In Development	<b>Probable</b>
	Oaklands Hill	<b>63</b>	VIC - West	<b>Wind</b>	In Development	<b>Probable</b>
	Hallett 5	<b>50</b>	SA - Hallett	<b>Wind</b>	Permitted	<b>Possible</b>
	Macarthur	<b>330</b>	VIC - West	<b>Wind</b>	JV with Meridian	<b>Possible</b>
	Coopers Gap	<b>300</b>	QLD - Kingaroy	<b>Wind</b>	Landowner Agreements in place	<b>Possible</b>
	Crows Nest	<b>150</b>	QLD - Toowoomba	<b>Wind</b>	Permitted	<b>Possible</b>
	Worlds End	<b>180</b>	SA - Burra	<b>Wind</b>	Permitted	<b>Possible</b>
	Ben Lomond	<b>150</b>	NSW - Armidale	<b>Wind</b>	Landowner Agreements in place	<b>Possible</b>
	Other	<b>4 Projects totalling up to ~720</b>	Various	<b>Various</b>	Under Review	<b>Possible</b>

- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for wind is approximately \$2.7m to \$2.9m / MW

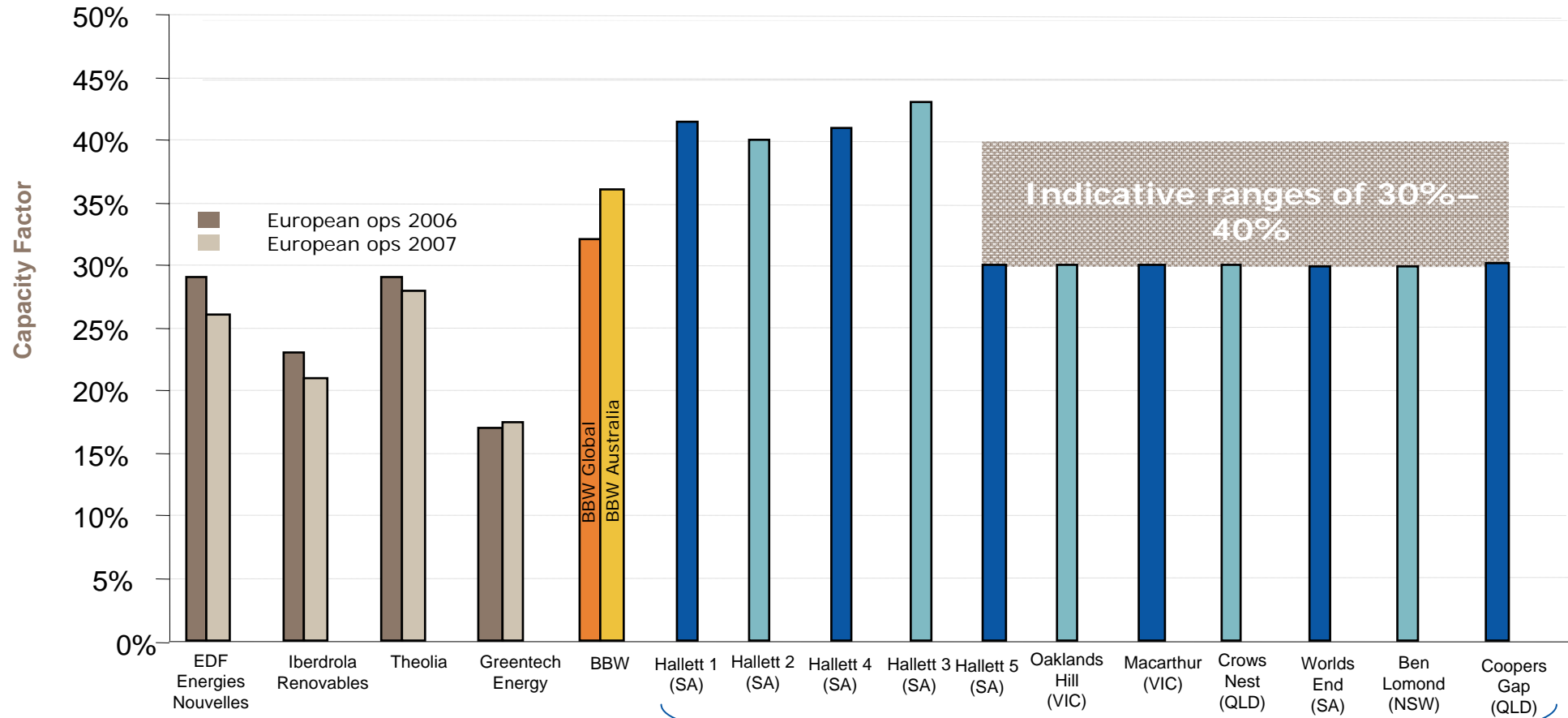
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# Wind Capacity Factors - Global

AGL portfolio has world class wind resource.



Source: Macquarie Research Equities – Report Wind farmers  
(Europe) May 2008, BBW 2008 Annual Report, AGL live data & estimates

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# Wind Farm Development Process (off balance sheet option)

AGL maintains 'off' and 'on' balance sheet development optionality.

<b>Development Process</b>	<ol style="list-style-type: none"> <li><b>1. Site assessment</b> <ul style="list-style-type: none"> <li>- wind resource</li> <li>- grid proximity</li> <li>- landholder exclusivity agreements</li> </ul> </li> <li><b>2. Wind farm optimisation</b> <ul style="list-style-type: none"> <li>- site layout</li> <li>- equipment / turbine requirements</li> </ul> </li> <li><b>3. Regulatory</b> <ul style="list-style-type: none"> <li>- Development approval and EPBC (Environmental, Protection, Biodiversity &amp; Conservation Act).</li> </ul> </li> <li><b>4. Contractual</b> <ul style="list-style-type: none"> <li>- Construction contracting (EPC), transmission connection and site leases</li> </ul> </li> </ol>	<b>Key Value Drivers</b>
<b>Financial Process</b>	<ol style="list-style-type: none"> <li><b>5. Formulate 25 year capacity offtake agreement for RECs and electricity produced</b> <ul style="list-style-type: none"> <li>- Based upon current market pricing</li> <li>- Upside to future REC / electricity price appreciation retained by AGL</li> </ul> </li> <li><b>6. Formulate 25 year asset management agreement</b></li> </ol>	<b>Key Value Drivers</b>
<b>Financial Process</b>	<ol style="list-style-type: none"> <li><b>7. Project sold with offtake and asset management agreement to annuity investor</b> <ul style="list-style-type: none"> <li>- Annuity investor (owner) funds remaining capex / construction from date of sale</li> <li>- AGL maintains construction risk until construction completion</li> <li>- AGL takes operating risk from end of construction</li> </ul> </li> <li><b>8. Sale price as bid by annuity owner (valuation based on cash flows of 5. &amp; 6.) / less AGL total project forecast construction costs = Development Profits</b> <ul style="list-style-type: none"> <li>- Development profits booked on percentage of completion basis in AGL accounts</li> <li>- Paid in cash</li> <li>- Construction process typically 18 to 24 months, depending on size</li> </ul> </li> </ol>	<b>Key Value Drivers</b>

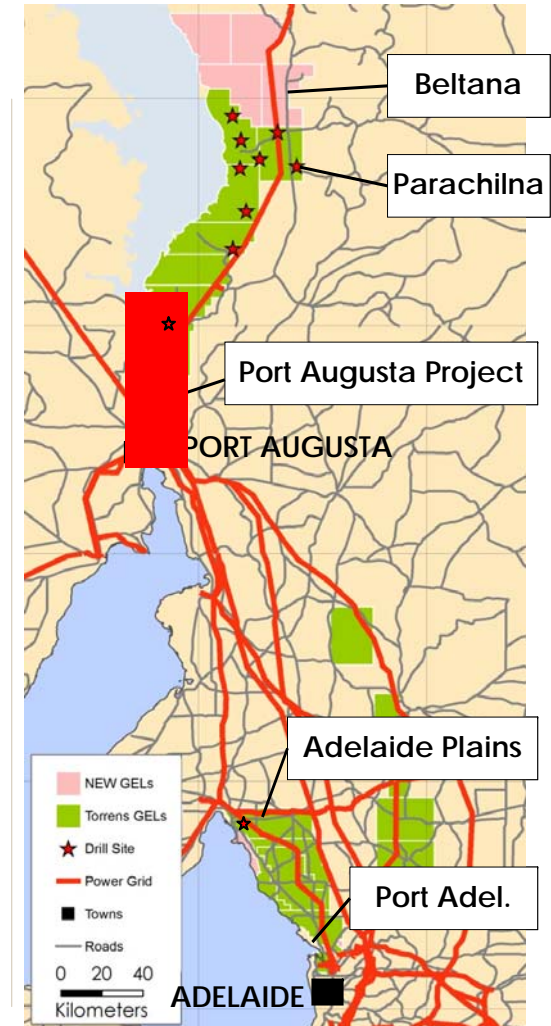
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# Renewable Generation - Geothermal

Potential to deliver meaningful base load.

- › AGL holds 9.9% equity interest in ASX listed Torrens Energy (TEY)
- › AGL and TEY have 50/50 Geothermal Alliance Agreement to commercialise base load projects
- › TEY permits all adjacent to transmission grid
- › Recent heat flow rates promising
- › TEY responsible for exploration activities providing AGL option to farm-in at permit & project level
- › TEY sole fund upfront exploration & geothermal assessment of first deep well (Confirmation Well)
- › AGL may elect to sole fund drilling the Confirmation Well to earn a 50% interest in project and Geothermal Exploration Licence (GEL)
- › AGL will have right to purchase all geothermal energy



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## Renewable Generation - Hydro

### Bogong & McKay Creek (peaking plant) expansion.

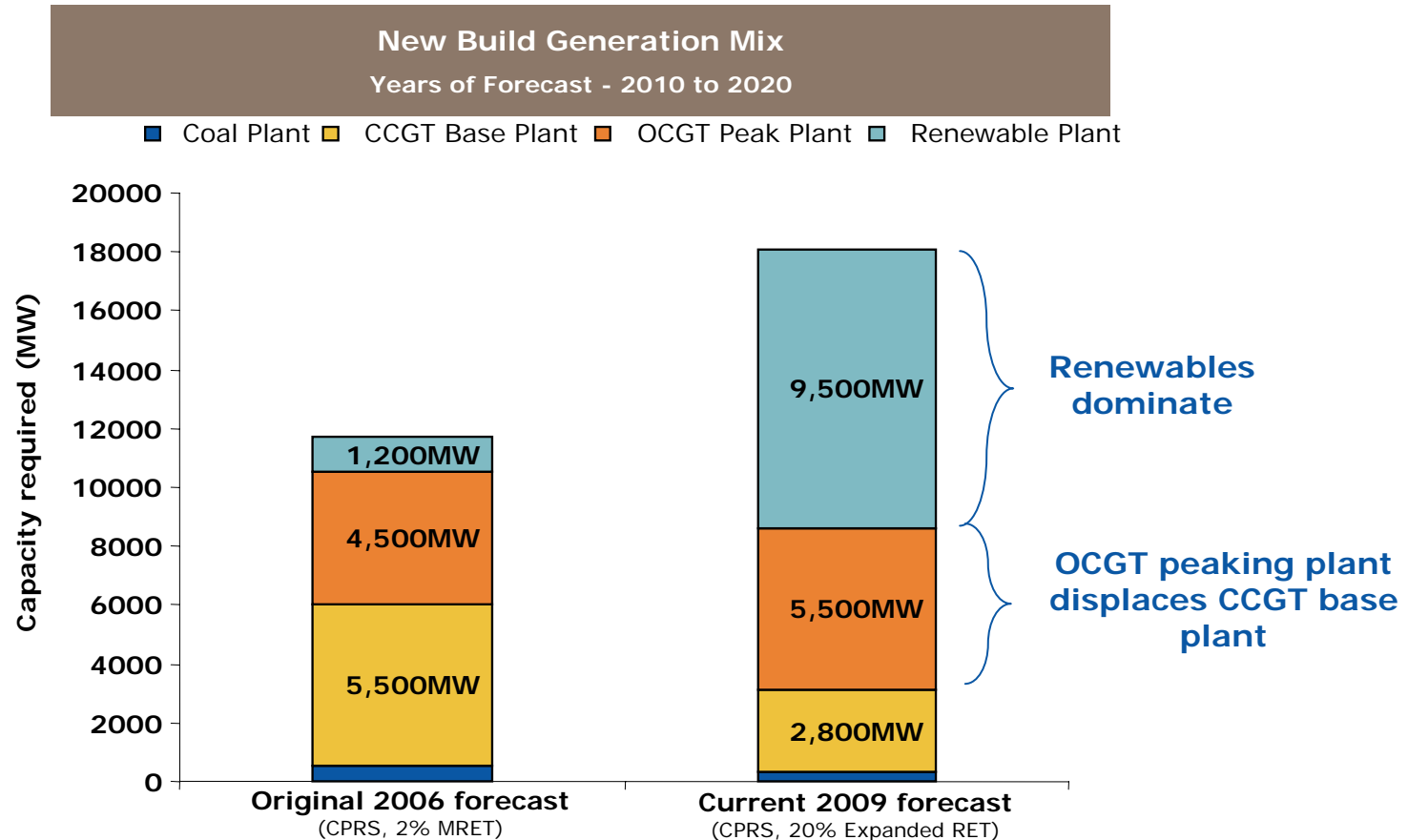
- › Australia's last, large scale hydro opportunity
- › A\$240m, Bogong 140MW peaking plant in Kiewa Valley, Victorian Alpine region
  - › minimises environmental impacts with 6.5 kilometre underground tunnel
  - › also results in 10MW McKay Creek upgrade
- › Forms part of Kiewa Scheme
- › On schedule for completion November 2009
- › Once complete, Kiewa Scheme will represent approximately 50% (390MW) of total AGL hydro capacity (790MW)
  - › fully discretionary
  - › drought resilient – inflows during current drought still result in full water replenishment 2 to 3 times annually



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# Impact of Renewable Policy Settings

Fundamental changes required to generation mix.



Source: AGL Greenhouse modeling

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# Gas Generation – Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
<b>GAS GENERATION</b>	Leafs Gully	<b>360</b>	NSW - Appin	<b>Gas Peaker</b>	In Development, Development Application being assessed	<b>Probable</b>
	Tarrone	<b>500</b>	VIC - West	<b>Gas Peaker</b>	In Development	<b>Probable</b>
	NQ Peaker	<b>360</b>	Nth QLD - Townsville	<b>Gas Peaker</b>	Site Acquired	<b>Possible</b>
	SEQ1	<b>360</b>	SE QLD - Ipswich	<b>Gas Peaker</b>	Site Secured	<b>Possible</b>
	SEQ2	<b>350/800</b>	SW QLD - Kogan	<b>Gas Peaker / CCGT</b>	Site Acquired	<b>Possible</b>
	ACT Peaker	<b>500</b>	ACT	<b>Gas Peaker</b>	Pre-Feasibility	<b>Possible</b>
	Other	<b>4 Projects totalling up to 2,010</b>	Various	<b>Gas Peakers</b>	Sites Secured	<b>Possible</b>

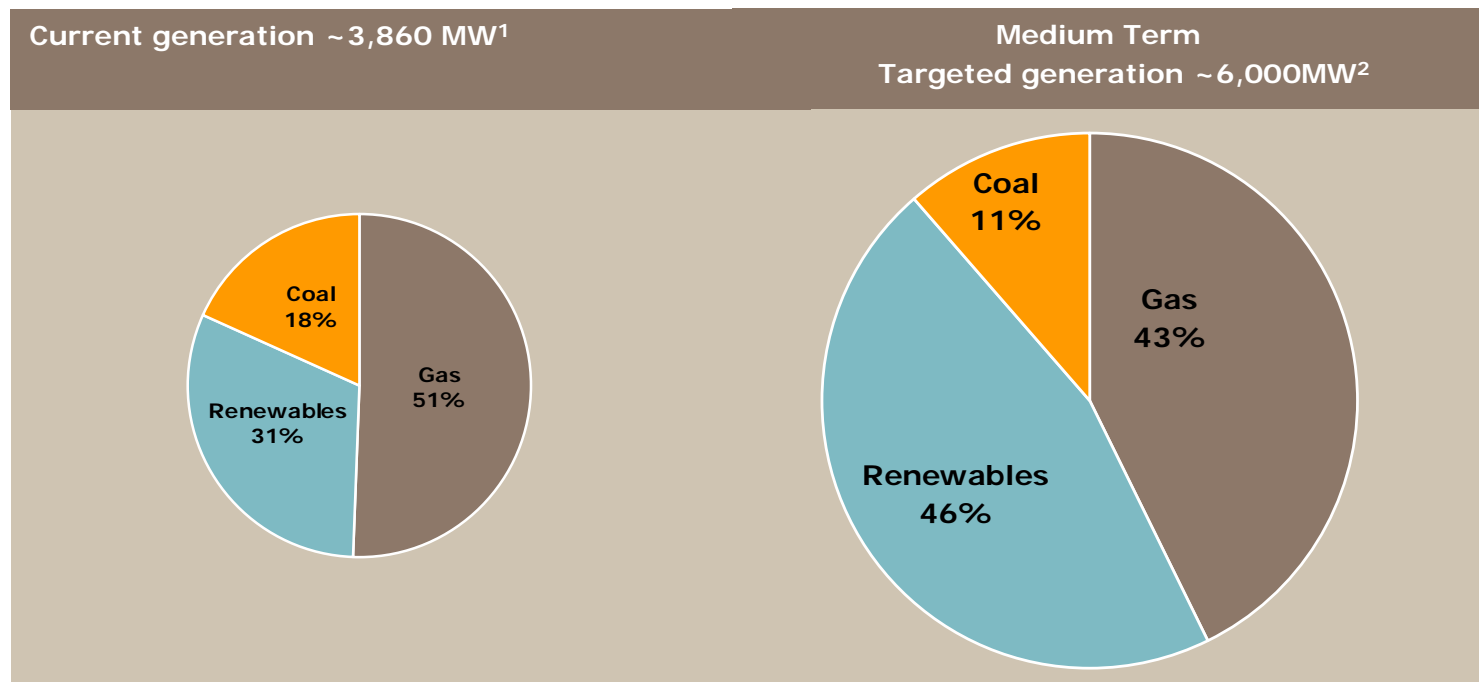
- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for Open Cycle Gas Turbine (OCGT) plant (peaking) is approximately \$0.7m to \$0.9m / MW

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## A Carbon Effective Generation Portfolio

Current & future AGL generation portfolios are well positioned in a carbon constrained environment.



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1 = Owned & / or operated including plant under construction (~350MW)  
 2 = 1 + projects under consideration / development



## AGL Upstream Gas Portfolio





# Upstream Gas

Strategic acquisitions to deliver upside growth & optionality.

- » Recent transactions deliver access & control over additional certified 2P reserves with further, material upside potential & optionality:
  - » Investment in Galilee Basin CSG production pilot & exploration program
  - » Entered into option agreement with BG Group
  - » Acquisition of Tri-Star gas bank and minor Spring Gully interests
  - » Acquisition of Gloucester Basin reserves & development program
  - » Takeover of Sydney Gas
  - » Farm-in to Innamincka tenements
  - » Take up of Moranbah / Bowen Basin tenements<sup>1</sup>

AGL Share of CSG reserves	As at 31 Dec 08		As at 30 Jun 08	
(PJ)	2P	3P	2P	3P
Moranbah (50%)	416	1,051	277	867
Camden (100% following Sydney Gas acquisition)	82	108	41 <sup>2</sup>	54 <sup>2</sup>
Gloucester (100%)	175	370	-	-
Spring Gully (various)	6	8	-	-
<b>Total</b>	<b>679</b>	<b>1,537</b>	318	921

1. Full back in rights to 50% of PL 223 & PL 224 for \$3.9m (representing 50% of past costs) - now responsible for 50% of future costs

2. AGL interest was 50% as at 30 Jun 08

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# Upstream Gas – Growth Pipeline

Developing a portfolio with strategic depth, duration and optionality.

UPSTREAM GAS	North Queensland – Bowen Basin (AGL 50%)	<b>Moranbah: Continuing development activities bolstered by reserves upgrade &amp; AGL back-in two petroleum leases</b>
		<b>North Queensland Energy: Ongoing portfolio benefits of gas supply &amp; electricity dispatch rights</b>
	Sydney Basin (AGL 100%)	<b>Camden: Development drilling set to maintain moderate production growth – working to consolidate Sydney Gas Limited (SGL) takeover &amp; extract operational synergies</b>
		<b>Hunter: Exploring in areas of best prospectivity with the aim of achieving reserves certification by FY10</b>
	Gloucester Basin (AGL 100%)	<b>Working to consolidate acquisition and realise synergies through exploration and development concurrent with Hunter – updating reserves certification by end FY09</b>
	Galilee Basin (AGL 50%)	<b>Five-spot pilot test at Glenaras drilled &amp; awaiting completion &amp; construction of water handling facility – production testing to commence in 2009</b>
	Innamincka - Cooper Basin (AGL 35% – 37.5% farming in)	<b>Drilling to assess CSG prospect due to commence in 2009</b>
	CSG technical / operational resources	<b>Existing in-house technical team at Camden, North Sydney &amp; Brisbane (40 people) has merged with an additional 14 people from Gloucester – AGL may also offer employment to some employees of SGL – staff levels are adequate to address the expanded &amp; extended operations across Sydney / Gloucester Basins &amp; elsewhere</b>
CSG infrastructure resources	<b>Resources for exploration &amp; development drilling, as well as construction of processing, compression &amp; pipeline facilities are in place or well advanced to deliver 100% of AGL's capex program over the forecast period</b>	

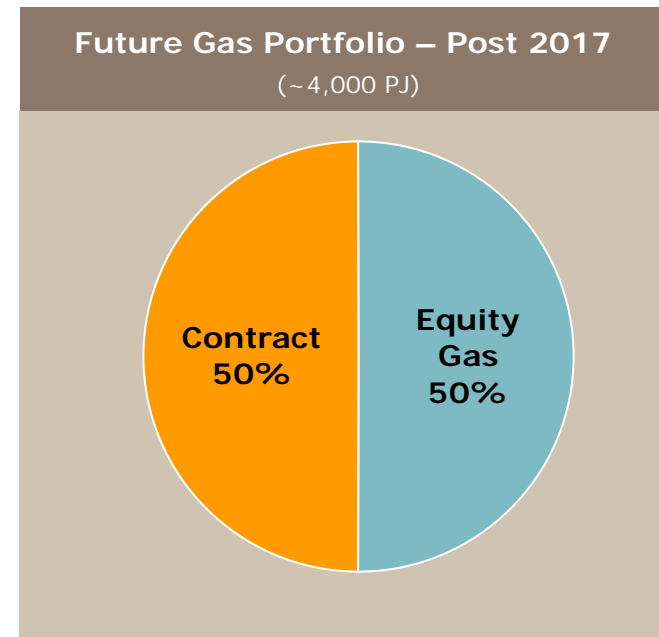
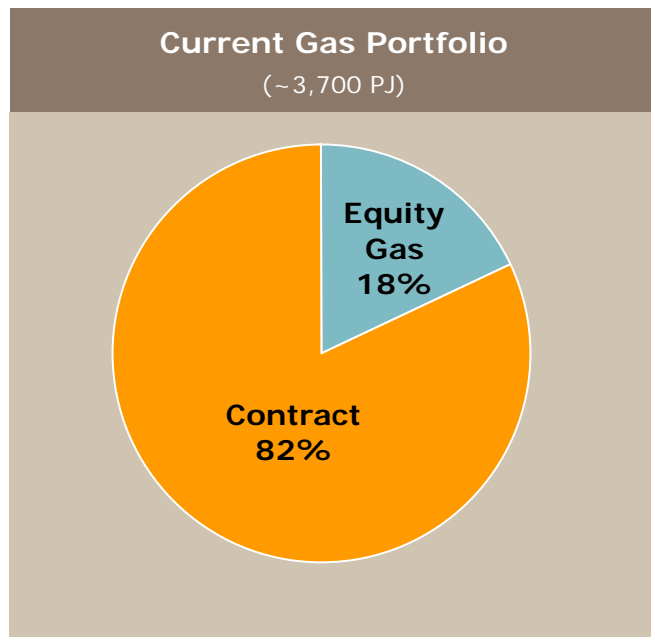
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## Upstream Gas – Duration & Flexibility

Delivering on medium term strategic target of 2,000PJ equity gas.

- › Domestic gas strategy focus
- › Existing portfolio flexibility allows timely development of gas production projects
- › AGL will continue to be a significant contractor of wholesale gas
- › Anticipate existing investments & Gloucester, Sydney Basin/Hunter, Galilee & Innamincka interests together with ongoing wholesale contracting will satisfy long term supply requirements post 2017



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## Way Forward



## NSW Privatisation

Disciplined approach to industry consolidation opportunity.

- › Support privatisation – awaiting final detail of structure
- › Support Gentrader model – risk allocation details key
- › Depending on final structure, AGL remains interested in retail and/or gentrader assets
- › AGL's SAP retail solution (Phoenix) completely scaleable for any combination of retail assets
- › AGL's NSW market position makes organic growth a viable alternative
- › Regulatory price settings a key valuation issue for retail businesses
  - » Recent IPART draft (electricity) decision 'directionally' correct



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# Strategic Priorities

Ongoing, disciplined roll out of integrated strategy.

## Strategic priorities

- › Expansion of industry leading renewables portfolio
- › Exploration and development of gas acreage and reserves
- › Development of gas generation portfolio
- › Delivering benefits of Phoenix Business Transformation Program
- › Integrated strategy delivers:
  - » Ongoing growth opportunities / optionality; and
  - » Sustainable returns in dynamic economic conditions and market cycles

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## Further Information / Contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations, Financial Results, Annual Reports and Sustainability Reports is available from our website:  
**[www.agl.com.au](http://www.agl.com.au)**

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## Supplementary Information





# 1H09 Result Highlights

Delivering on strategy, creating value & long term growth.

<b>FINANCIAL</b>	<ul style="list-style-type: none"> <li>&gt; Revenue: \$2,977.7m, <span style="float: right;">↑ 5.1%</span></li> <li>&gt; Operating EBIT from continuing operations: \$322.7m, <span style="float: right;">↑ 10.2%</span></li> <li>&gt; Statutory NPAT: \$1,654.8m</li> <li>&gt; Underlying NPAT: \$192.5m, <span style="float: right;">↑ 5.3%</span></li> <li>&gt; Interim dividend 26 cps, fully franked – DRP in operation</li> </ul>
<b>OPERATIONAL</b>	<ul style="list-style-type: none"> <li>&gt; Maintaining retail margins (+0.1%), customer accounts (+1,900) &amp; dual fuel (+10,000) ✓</li> <li>&gt; Final core SAP (Phoenix) customer migration completed ✓</li> <li>&gt; Hedge book continues to perform well, generation plant reliability &amp; performance solid ✓</li> <li>&gt; Strong wholesale gas portfolio performance ✓</li> <li>&gt; Generation development projects on time and budget ✓</li> </ul>
<b>STRATEGIC</b>	<ul style="list-style-type: none"> <li>&gt; Non core asset sales deliver \$1.5 billion after tax ✓</li> <li>&gt; Balance sheet strength – reinstated BBB stable outlook, further growth capacity ✓</li> <li>&gt; Deep portfolio of renewable and gas generation development projects ✓</li> <li>&gt; Upstream gas acquisitions to deliver long term value and growth ✓</li> <li>&gt; Phoenix focus now turns to Business Transformation Program and benefit realisation ✓</li> </ul>

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# 1H09 Profit & Loss (excluding significant items & fair value movements)

Result in line with full year guidance.

6 months to \$m	31 Dec 2008	31 Dec 2007	Change
Revenue	<b>2,977.7</b>	2,833.8	5.1%
Operating EBITDA	<b>443.9</b>	471.4	(5.8%)
Operating EBIT			
Retail	<b>145.7</b>	134.8	8.1%
Merchant	<b>211.9</b>	156.9	35.1%
Gas & Power Development (incl pro forma adjustment)	<b>34.5</b>	82.0	(57.9%)
Energy Investments	<b>30.5</b>	50.6	(39.7%)
Centrally managed expenses	<b>(63.5)</b>	(51.4)	23.5%
Total operating EBIT	<b>359.1</b>	372.9	(3.7%)
Less: Net finance costs	<b>(60.9)</b>	(94.4)	(35.5%)
<b>Profit before tax</b>	<b>298.2</b>	278.5	7.1%
Less: Income tax expense	<b>(105.7)</b>	(95.7)	-
<b>Underlying NPAT</b>	<b>192.5</b>	182.8	5.3%

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# Disciplined Capital Management

Well positioned for future growth opportunities.

- › October 09 maturities covered by cash reserves
- › Immediate debt capacity of ~A\$1.2b to A\$1.8b
- › Reinstated BBB stable credit rating

Facilities @ 20 Feb 2009 \$m	Limit	Usage	Available	Maturity
<b>Current</b>				
Revolving credit facility	500.0	-	500.0	Oct 09
Term facilities Tranche B	633.3	633.3	-	Oct 09
<b>Non Current</b>				
Term facilities Tranche A	222.5	222.5	-	Oct 10
Revolving credit facility	327.5	-	327.5	Oct 10
Term facilities Tranche C	886.7	886.7	-	Oct 11
<b>Total debt facilities</b>	<b>2,570.0</b>	<b>1,742.5</b>	<b>827.5</b>	
<b>Cash</b>	-	<b>1,555.0</b>	-	
<b>Net Debt</b>	-	<b>187.5</b>	-	

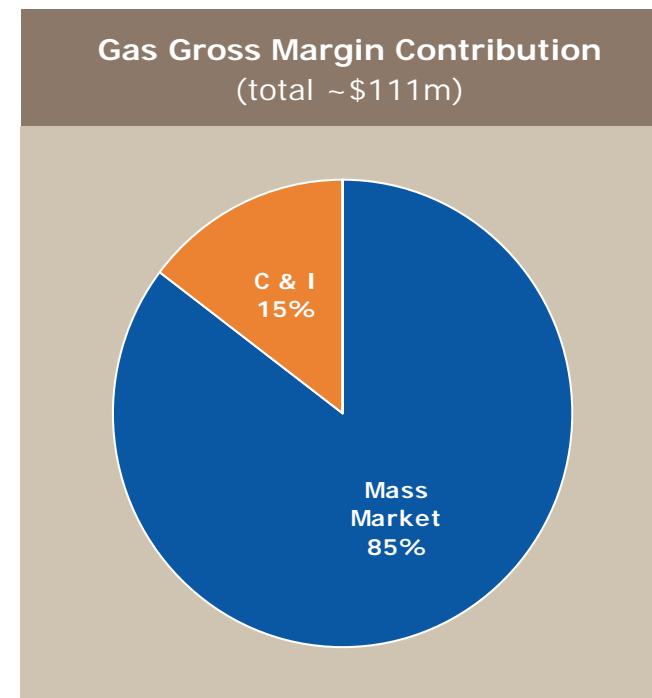
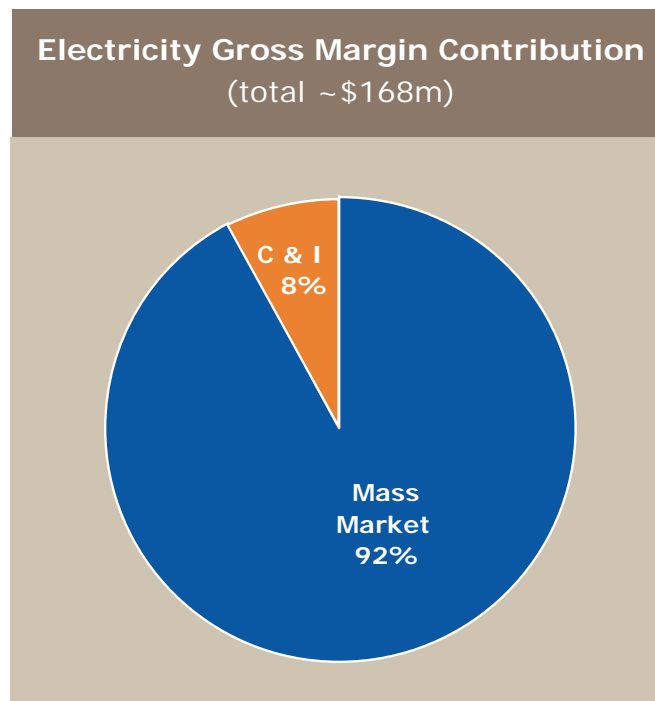
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## Defensive Earnings Profile

Robust earnings during deteriorating economic conditions.

- › Majority of electricity & gas gross margin is derived from mass market customer base which historically has had limited volume impacts during economic downturns

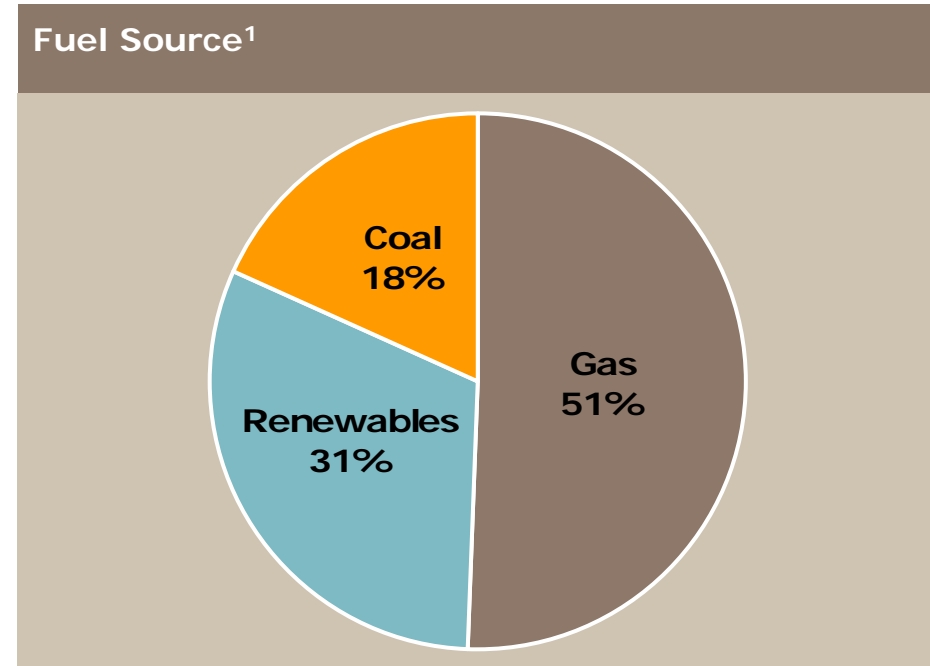
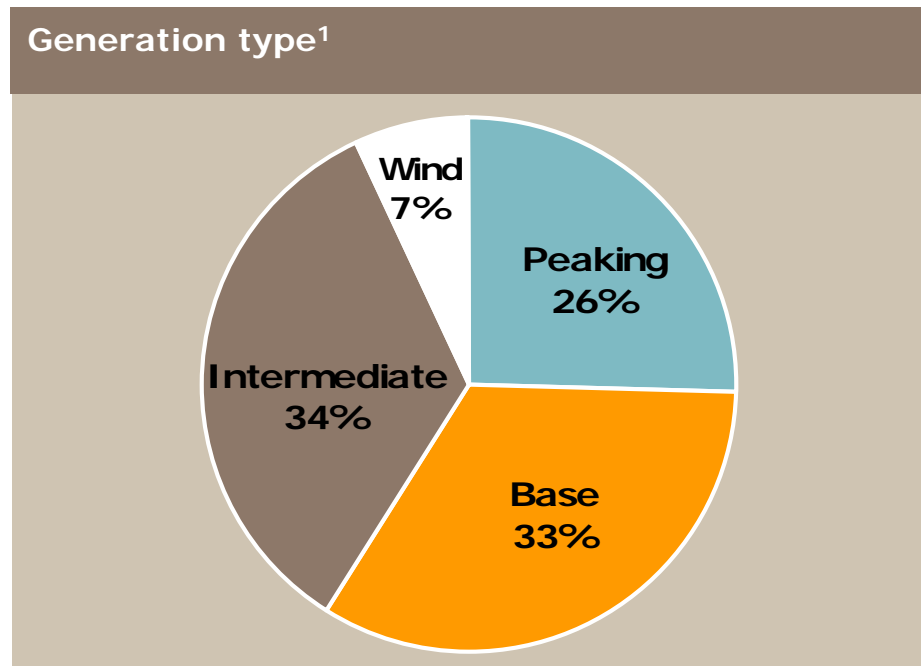


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## Generation – Building a Balanced Portfolio

Diversity mitigates market risks & benefits from a carbon constrained future.

- › Diversity of fuel type - renewables, gas & coal
- › Diversity of generation type – base, intermediate & peak
- › Diversity of geography – across all NEM states/nodes

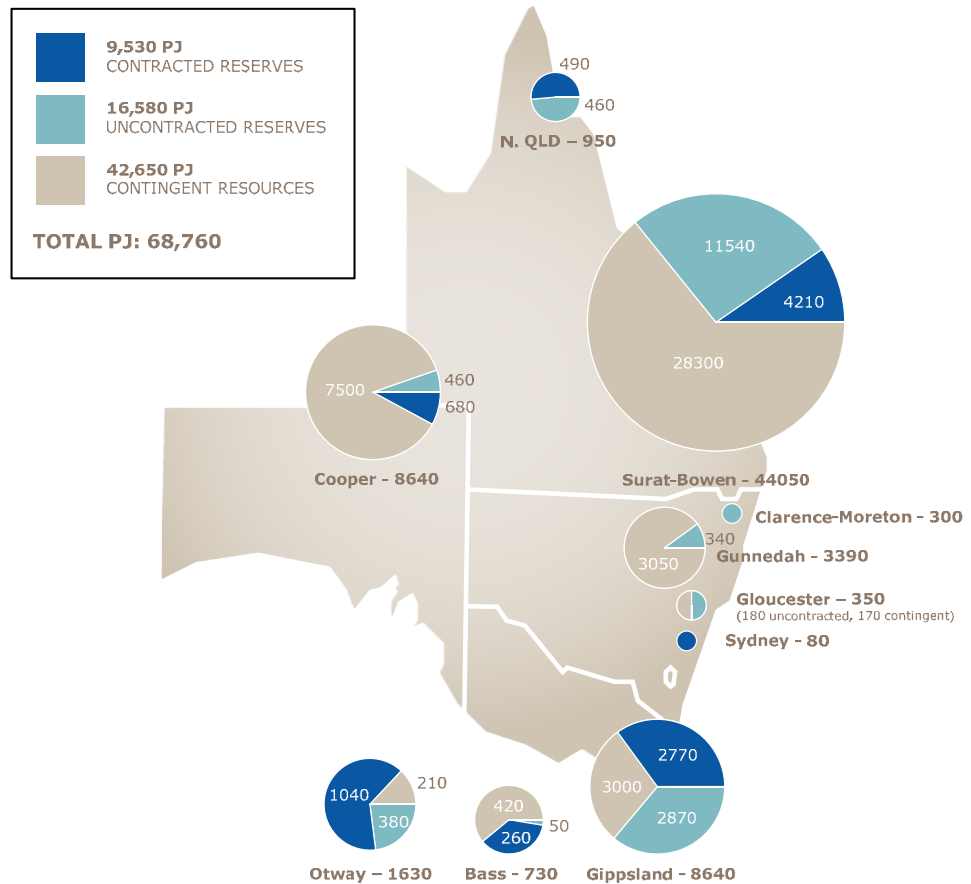


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1 = Owned & / or operated including plant under construction

# East Coast Gas - Substantial Reserves & Duration

Security of supply given quantum of ongoing Eastern Australia gas reserves.



Eastern Australia 2P gas reserves and contingent resources almost 70,000 PJ, of which only ~14% are contracted:

- › Further increases are likely, particularly CSG reserves and resources
- › Supply covers current domestic gas sales (~640 PJ pa) for over 100 years
- › Could cover potential domestic gas sales and LNG exports<sup>1</sup> of ~1,300 PJ pa for well over 40 years

SOURCE: EnergyQuest (March: 08), AGL estimates

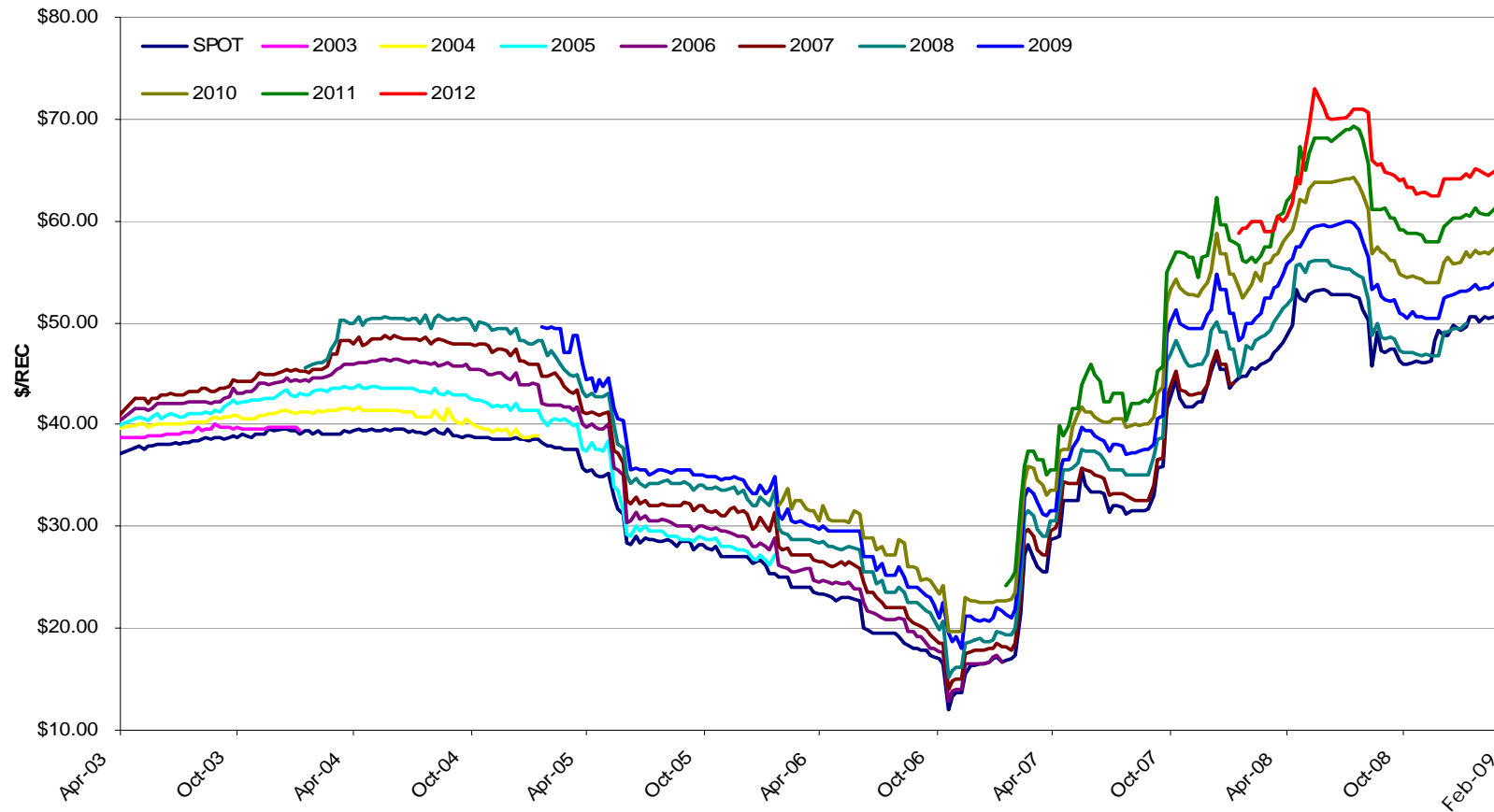
1. Based on three LNG trains.

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# Renewable Energy Certificates (RECs)

Expanded RET to put upward pressure on pricing



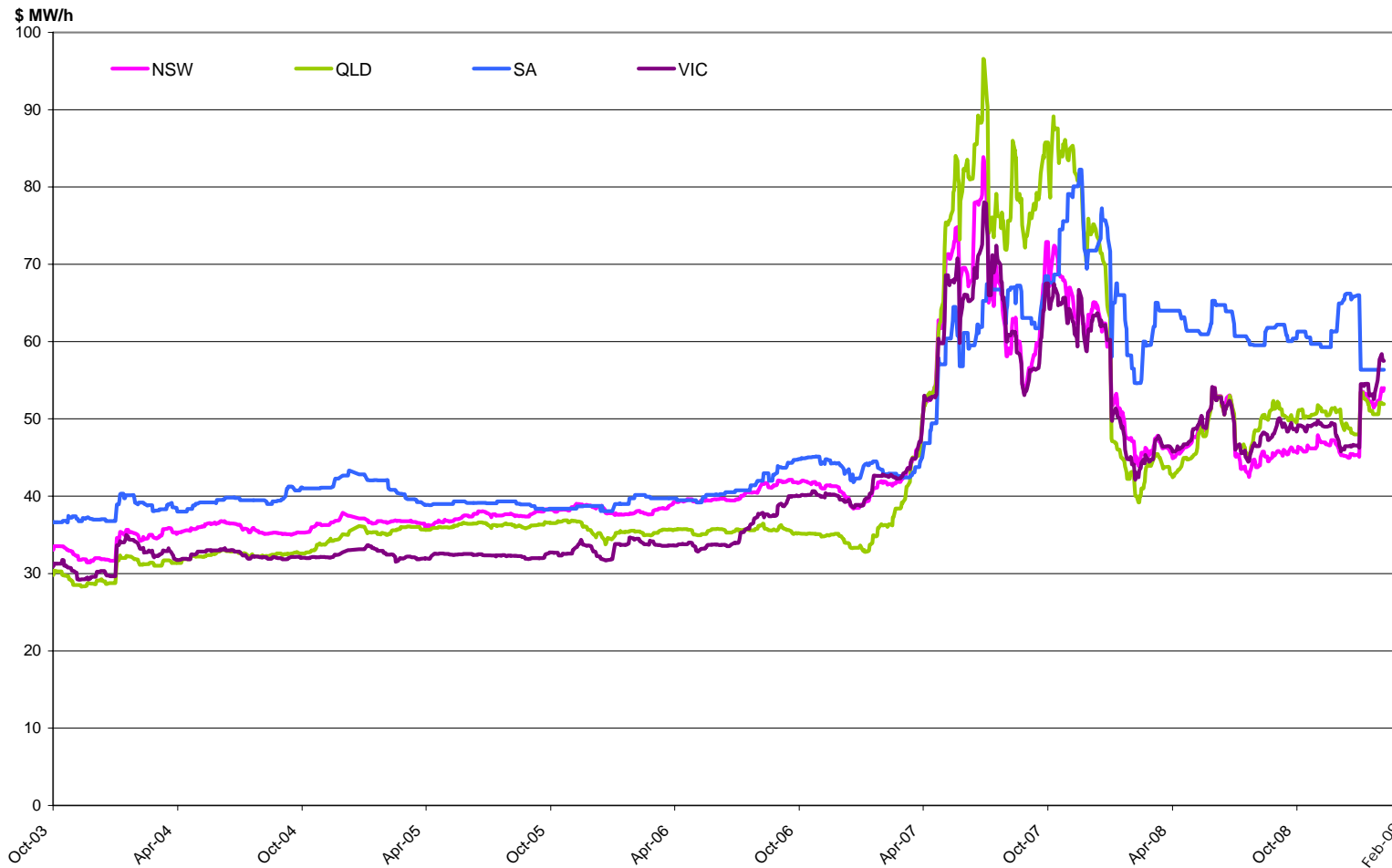
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Source: AFMA price chart



# Electricity Flat Forward Price Curve (Calendar year contract)

Carbon, coal pricing and electricity demand growth to drive pricing.



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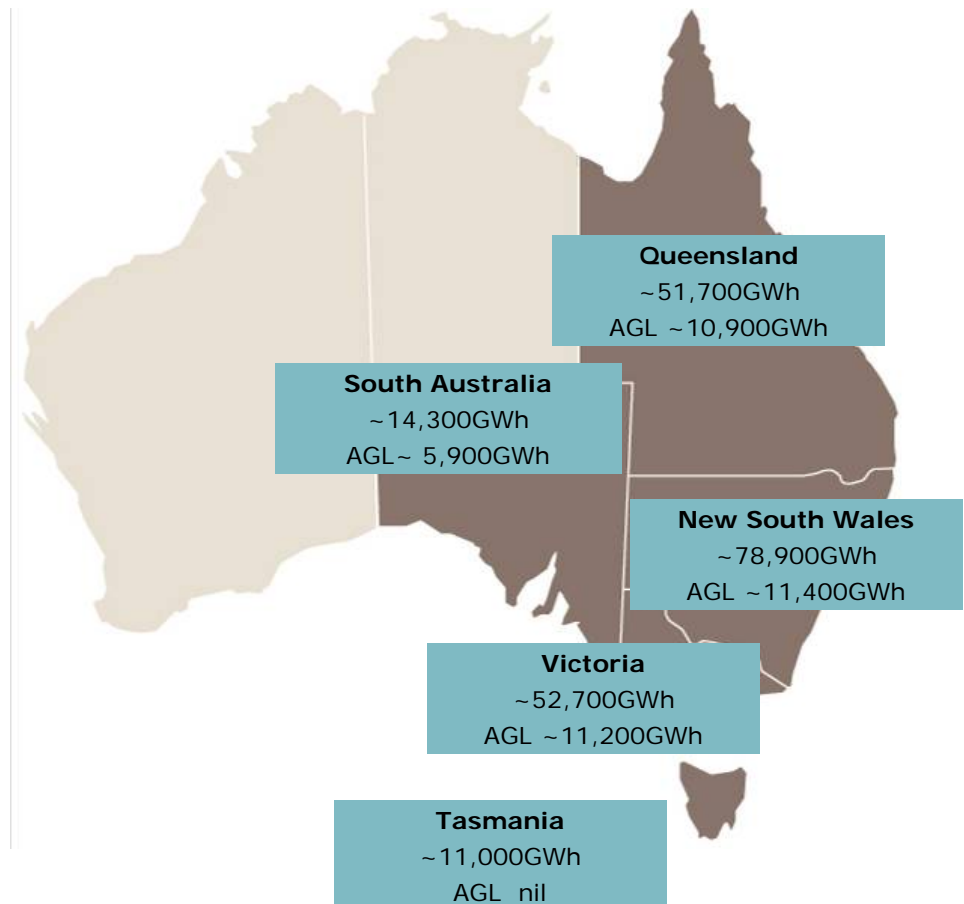
Source: ICAP





# Australia's National Electricity Market (NEM)

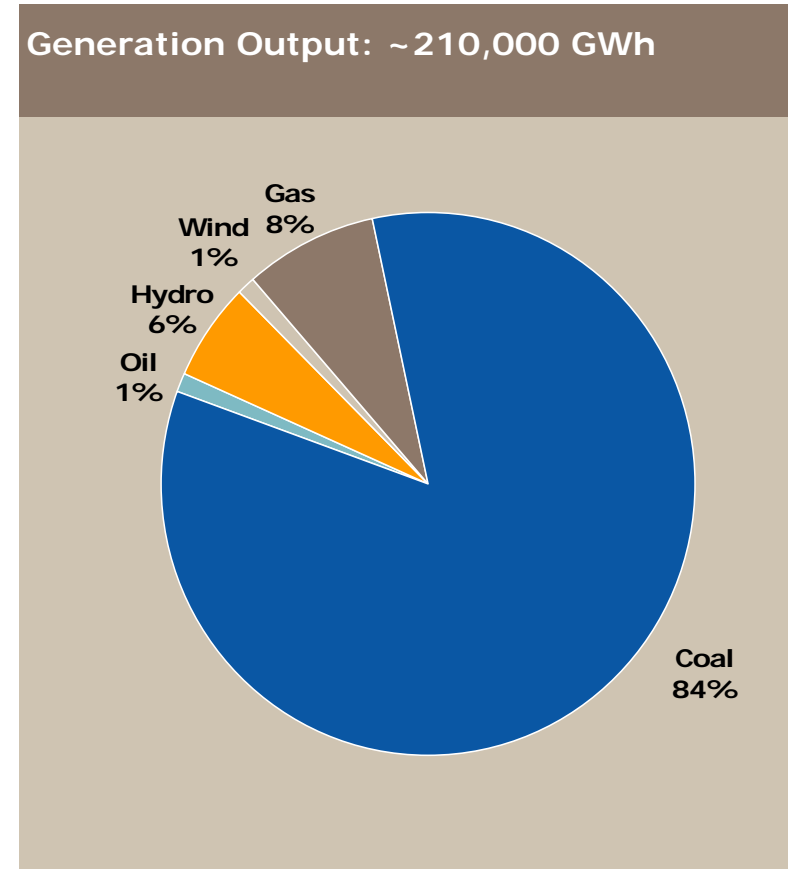
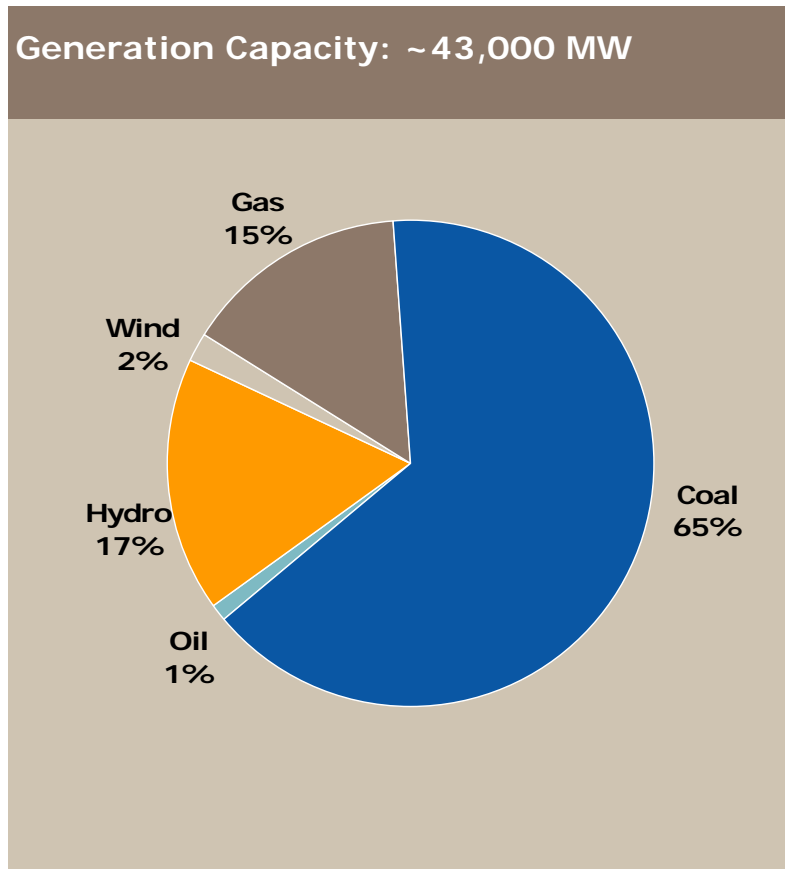
- › National Electricity Market (NEM) began operating as a wholesale market for supply of electricity to retailers and end-users in 1998
- › World's longest interconnected power system – 4,000 km (2,500 miles)
- › Exchange between electricity producers & electricity consumers facilitated through pool - output from all generators aggregated & scheduled to meet demand.
- › Market operates with a price cap of \$10,000 per MWh (VoLL = Value of Lost Load)
  - » Dispatch price every 5 mins, 6 dispatch prices every 30 mins to determine spot price for each trading interval for each NEM region



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# Australian NEM Generation Mix

Coal dominates the current Australian landscape.



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