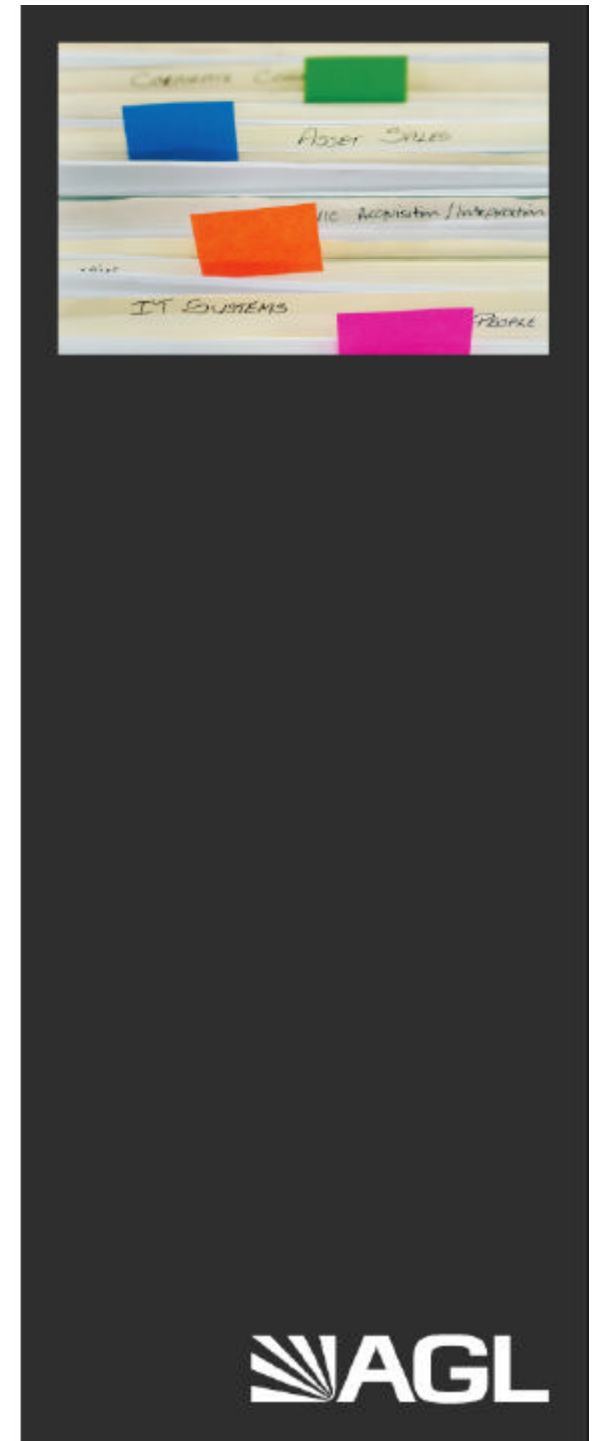




# THE AUSTRALIAN GAS LIGHT COMPANY

Securities Institute Presentation  
27 November 2002





## MARKET STRUCTURE EVOLVING

- Australian energy sector consolidating rapidly after privatisation & restructuring period
- Major changes in industry ownership & market participants - particularly in retail and generation
- Market participant strategies and responses evolving - including trend to value chain re-aggregation and vertical integration
- Promise of a truly National Energy Market yet to be delivered - market still largely state based
- COAG Energy Market Review holds prospect of addressing important issues for future development of a more efficient energy sector



- Strong interest in Australian energy sector arising from US & European “sector contagion”
- Early retail market competition evolving according to AGL’s expectations
- Too early to predict longer term nature of retail competition



## AGL RESPONSE

- Diversified energy portfolio across regulated and unregulated assets in multiple markets
- Economies of scale and margin focus
- Retail marketing and customer management strategies centred on sustainable long term customer relationships
- Strong risk management focus on wholesale energy costs
- Vertical integration opportunities being pursued to minimise risk & manage exposures



- Developing and building upon positions of market leadership in energy sector value chains in which we compete

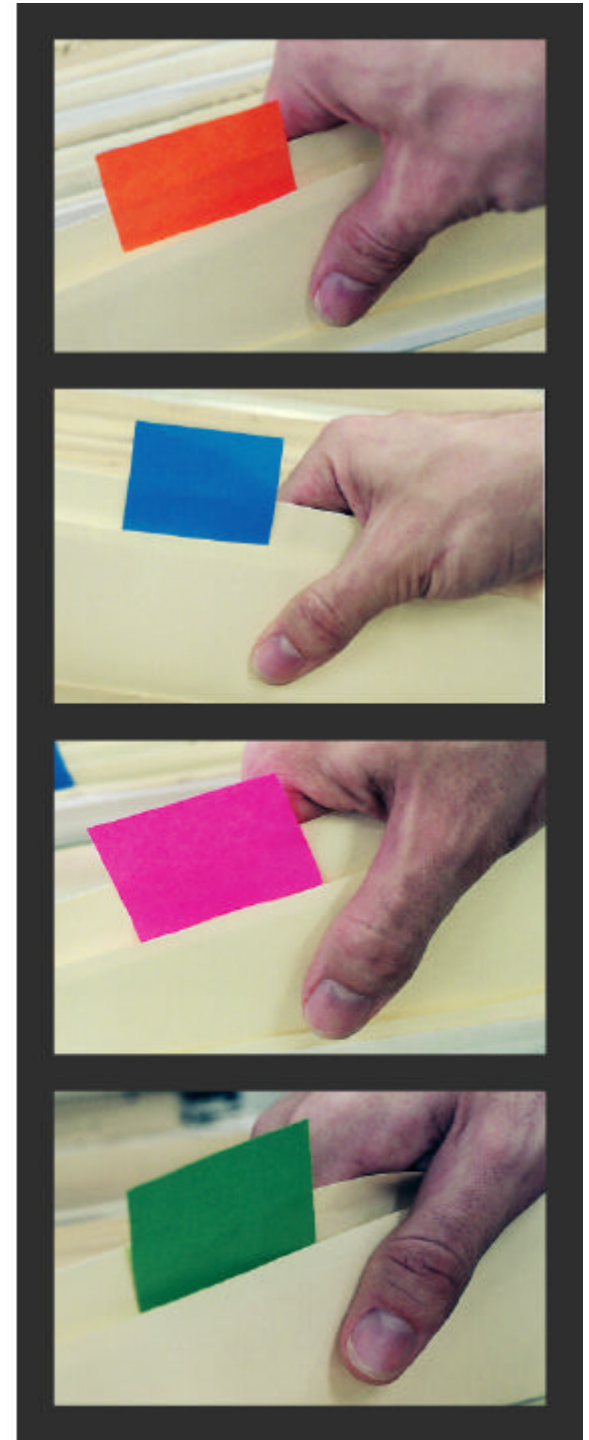
# FOUR PART CORPORATE STRATEGY

**DELIVERING** MAXIMUM RETURNS

**REDEFINING** THE PORTFOLIO

**COMPLETING** BUSINESS PLATFORMS

**BUILDING** CAPABILITIES





## A Balanced Portfolio of Energy Businesses

- National Infrastructure Management & Services
- Energy Distribution Networks
- National Energy Sales & Marketing

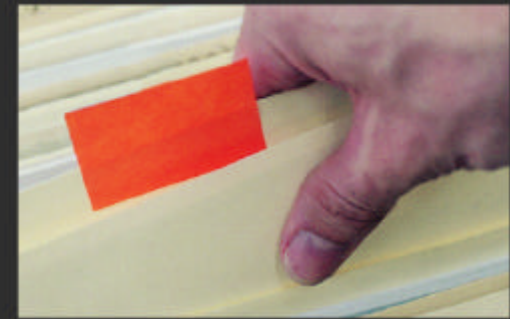


- High Pressure Gas Pipelines
- LPG
- ActweAGL Multi-Utility JV
- Power Generation

- National Infrastructure & Management Services
- Gas Distribution Networks
- Wholesale Gas & Gas Processing
- National Energy Metering



- High Pressure Gas Pipelines
- LPG
- Energy Investment (TrustPower 20.5%)



**DELIVERING  
MAXIMUM  
RETURNS**

Funds employed  
as at 30/9/02:-

- Australia: \$4,333m
- N.Z.: \$1,366m

***Building on positions of market leadership...***

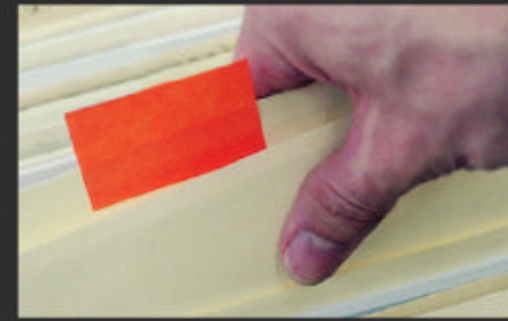




## FINANCIAL PERFORMANCE

	2001	<b>2002</b>	% Change
	\$m	<b>\$m</b>	
Underlying net profit (\$m)	224.1	<b>247.1</b>	10.2
Operating cash flow (\$m)	297.4	<b>344.3</b>	15.8
ROE (%) (Including significant items)	6.3	<b>9.6</b>	52.4
EPS (Excluding significant items) (c)	63.5	<b>66.4</b>	4.6
DPS (c)	52.0	<b>52.0</b>	-
Gearing (%)	54.9	<b>51.6</b>	6.0

***Strong improvement in financial performance...***



## DELIVERING MAXIMUM RETURNS

- Solid recovery
- Results in line with expectations
- Gearing levels reducing to maintain 'A' credit rating
- Return on equity improving to plan





# AGL PORTFOLIO ANALYSIS

## Core

## Related

## Non Core

### AUSTRALIA

- AGL Networks
- AGL Retail
- AGL Wholesale
- ActewAGL
- Agility
- APT

- TransACT
- Elgas
- HCE

- WA Power Generation
- COMindico
- Property

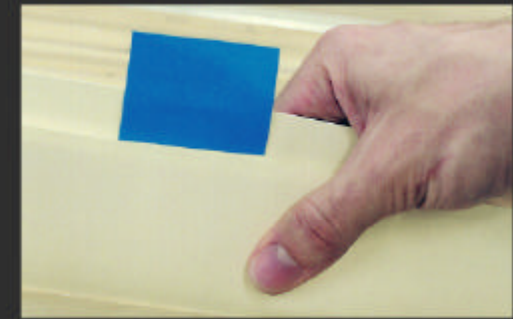
### NEW ZEALAND & OTHER

- NGC Transmission
- NGC Networks
- NGC Metering

- TrustPower (N.Z.)
- GasValpo (Chile)
- NGC Wholesale Gas

- NGC Generation
- NGC Retail

**SOLD**



## REDEFINING THE PORTFOLIO

- Grow and develop core businesses
- Rationalise or dispose of non core businesses
- Reinvest funds released in core businesses

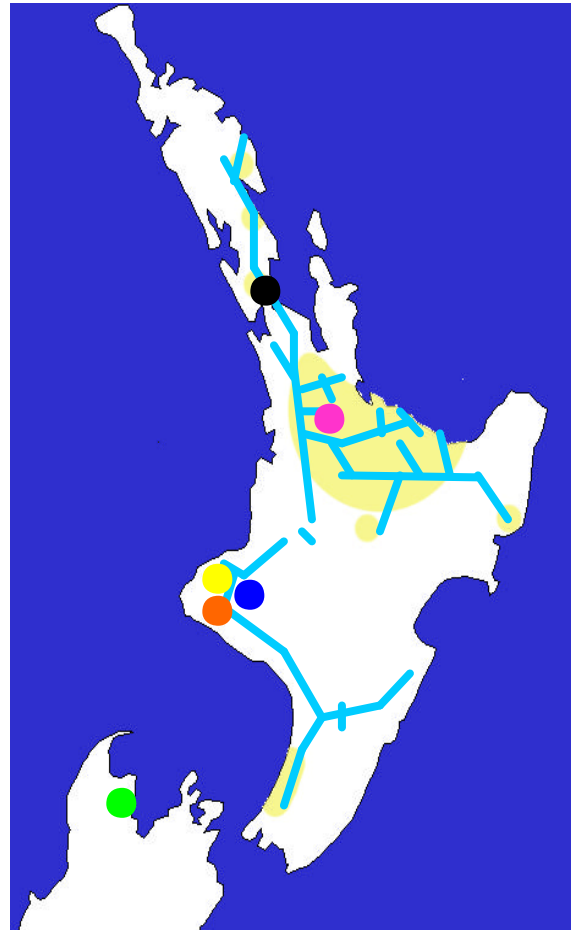
*Reconfiguring for future growth & success...*



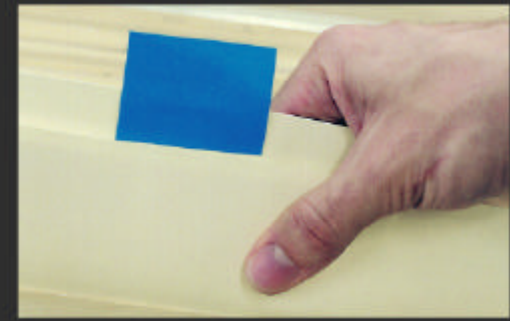


## NGC (AGL66%) NZ ASSETS

- Transmission System
- Southdown Cogeneration Power Station (50%)
- Distribution Networks
- Mauī Gas Pipeline (NGC Operated)
- Kapuni Gas Treatment Plant
- Kapuni Cogeneration Plant (50%)
- Cobb Hydro Station
- Taranaki Combined Cycle Power Station (100%)



*Profitability restored....*



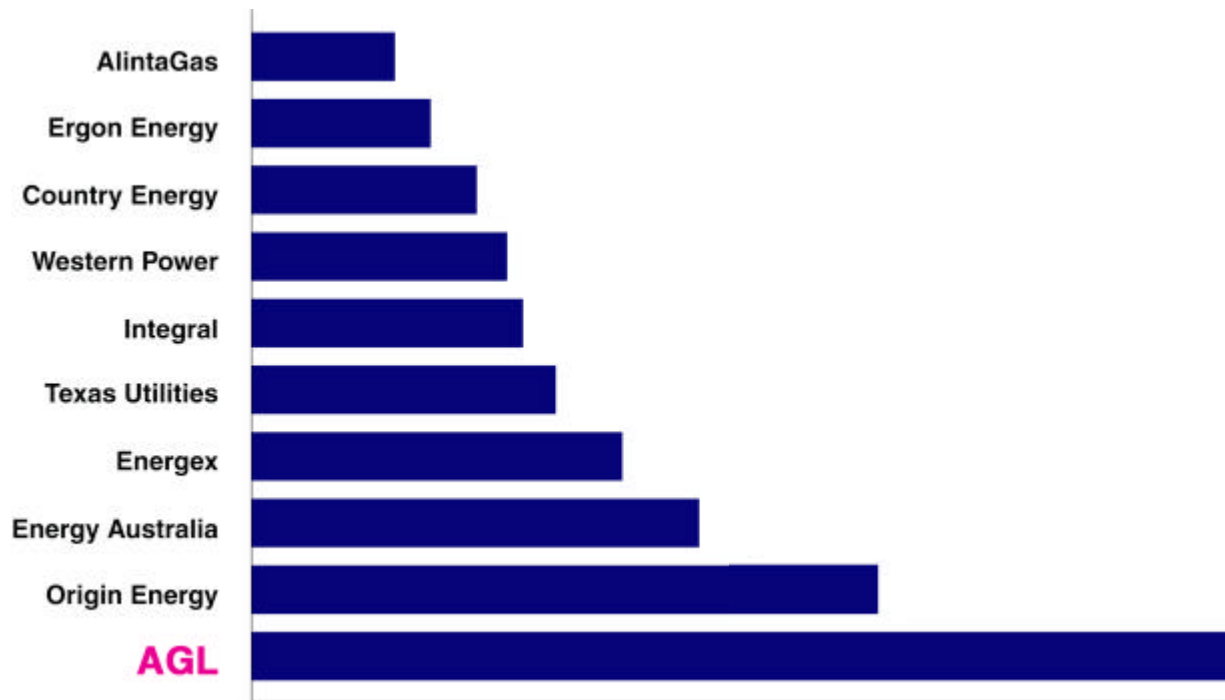
## REDEFINING THE PORTFOLIO

- Clear strategic direction
- Exited energy retailing
- Commenced sale of generation assets

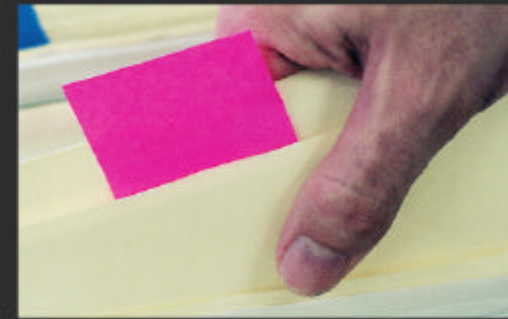




# ENERGY RETAIL MARKET LEADERSHIP



*AGL has more than 3.1 million retail energy accounts...*



## COMPLETING BUSINESS PLATFORMS

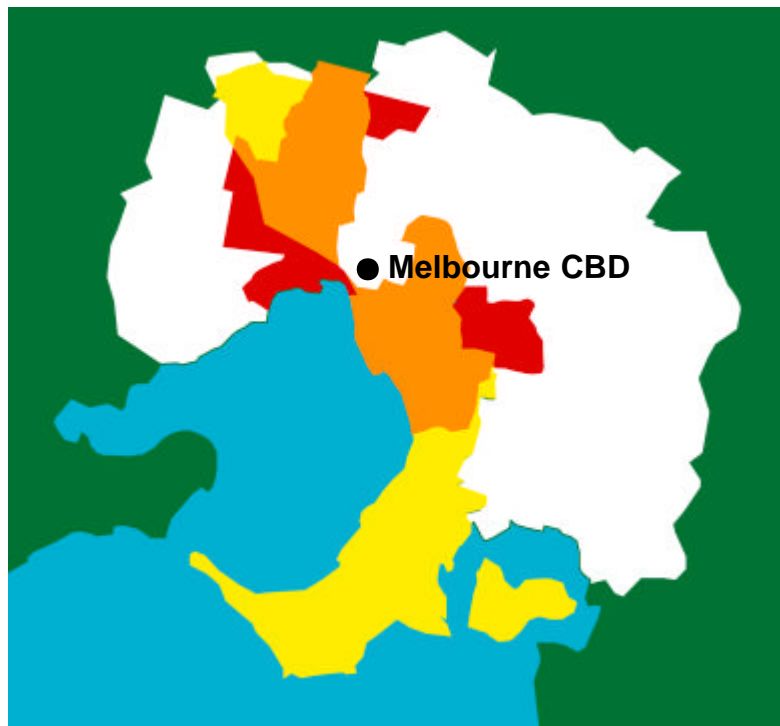
### Keys to Success:-

- Scale & margin
- Energy purchasing costs
- Strong risk management focus
- Brand recognition



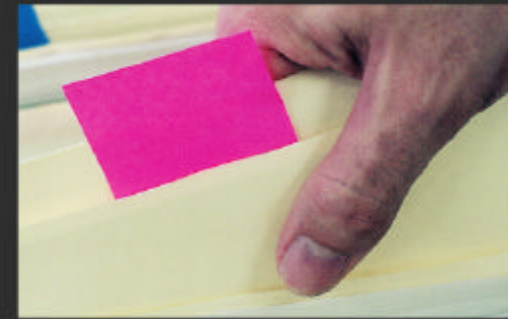


## GROWING THE VICTORIAN RETAIL BUSINESS



■ Gas ■ Electricity ■ Dual Fuel

*Pulse integration proceeding smoothly...*



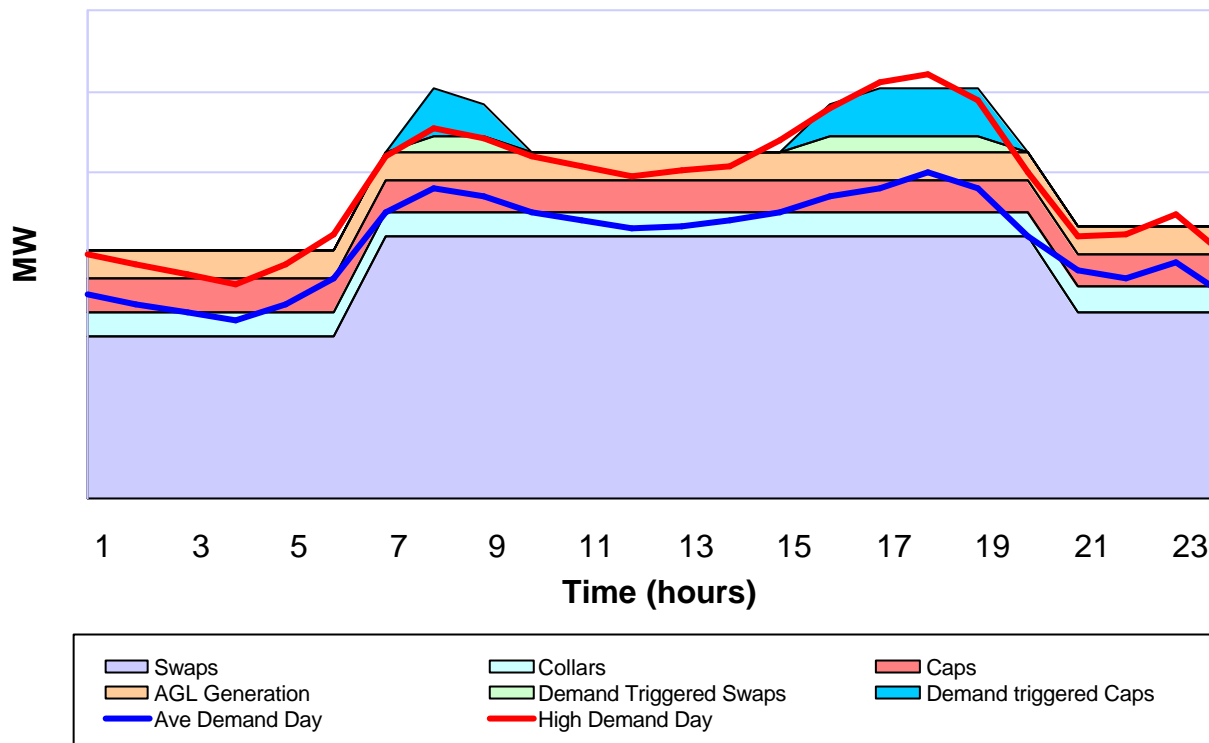
## COMPLETING BUSINESS PLATFORMS

- Wholesale energy purchasing fully integrated
- Identified synergy benefits being delivered - on target
- Customer churn levels running to expectations

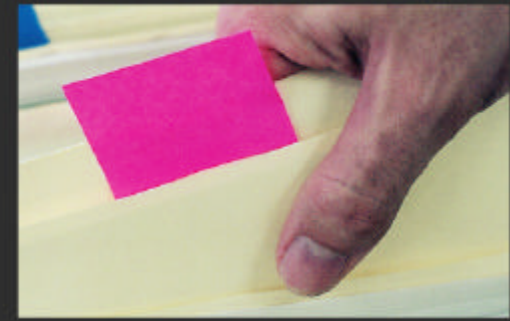




# ELECTRICITY RISK MANAGEMENT TYPICAL PORTFOLIO STRUCTURE



*Lowering risks and managing exposures...*



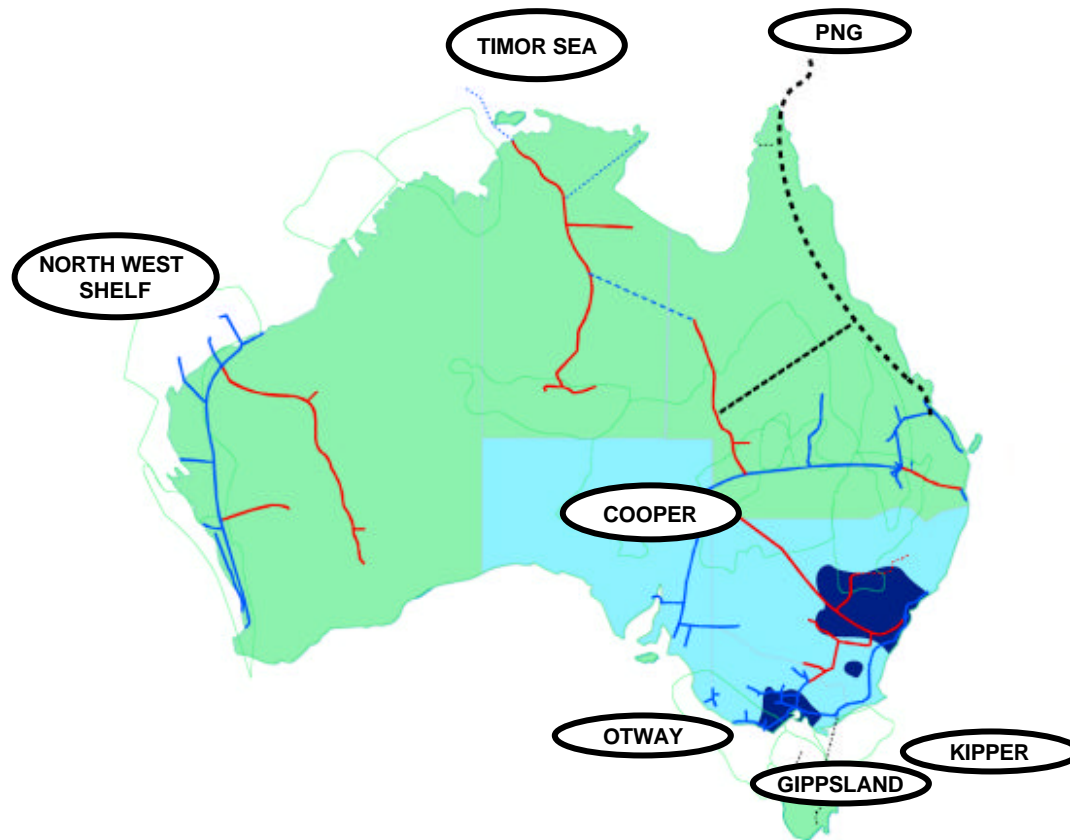
## COMPLETING BUSINESS PLATFORMS

- Significant peak demand growth
- Construction of gas fired peaking plants
- Vertical integration to manage costs & diversify risks
- Structured deals to lower risk

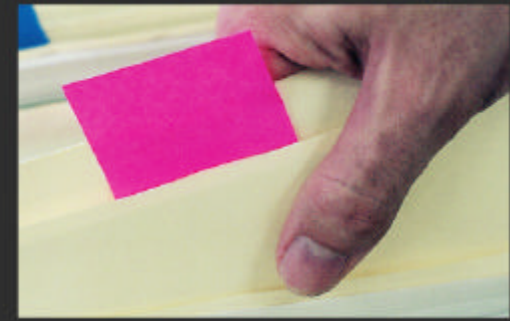




## FUTURE GAS SUPPLY



*Securing competitively priced gas...*



## COMPLETING BUSINESS PLATFORMS

- Negotiating for new gas
- Focus on building a competitive gas portfolio



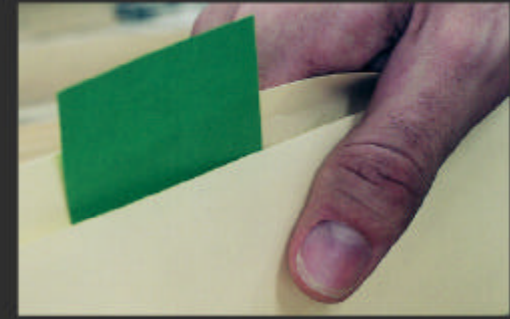


## BUILDING COMPETITIVE ADVANTAGE

- Corporate Conversion completed
- Blend of new and home grown employees
- An employer of choice
- Senior employee remuneration linked to growth in economic profit & goal achievement



*Creating a high performance culture...*



## BUILDING CAPABILITIES

- Our people
- Our systems
- Our organisation

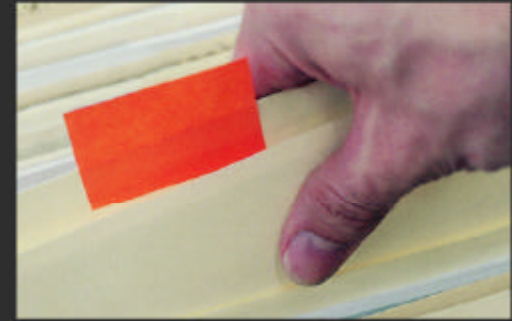




## ENERGY MARKET REFORM

- AGL supports overall conclusions in COAG Report
- Harmonising market rules prerequisite to single national energy regulator
- Removal of retail price caps - large number of regulatory imposts
- Cost Benefit Analysis of smart meters and supporting systems
- Productivity Commission should review Gas Code as a matter of priority

***Continued market reform necessary...***



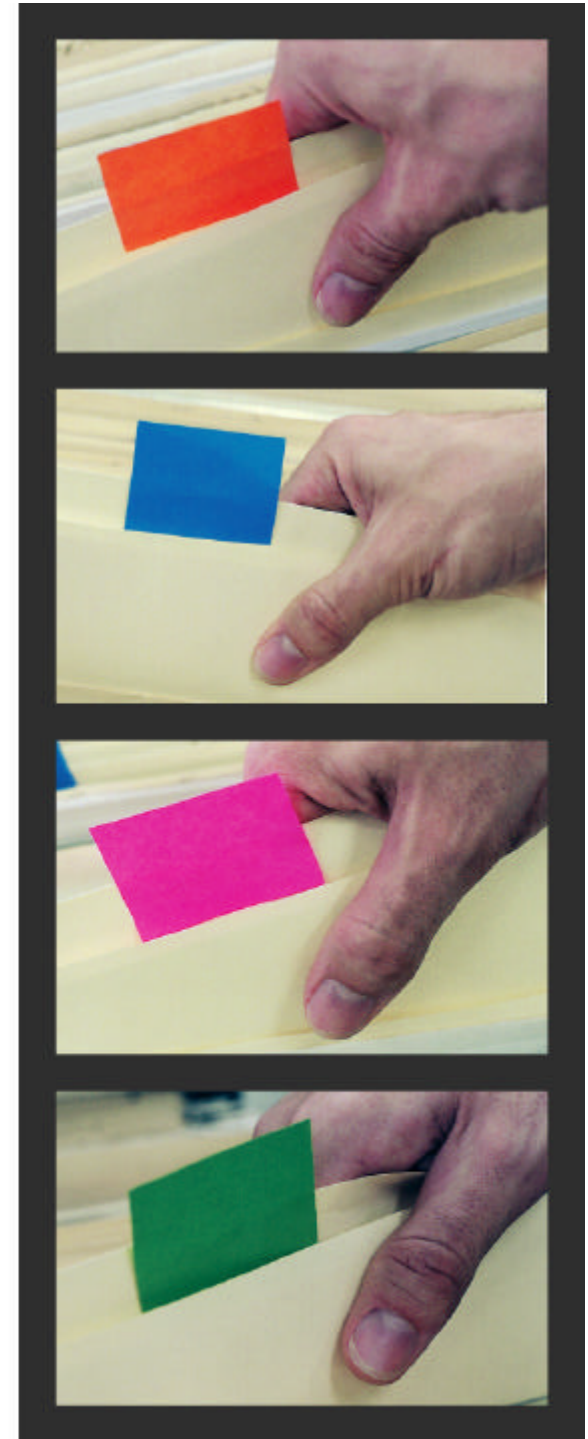
COAG Energy Market Review holds promise of providing greater clarity, certainty & the basis for clear direction on national energy policy



## THE WAY FORWARD ....

- **Delivering Maximum Returns**  
Integrating Victorian acquisition
- **Redefining the Portfolio**  
Rationalising non core businesses
- **Completing Business Platforms**  
Assessing further opportunities in  
wholesale electricity
- **Building Capability**  
Maintaining industry leadership

***Building on the momentum...***





# THE AUSTRALIAN GAS LIGHT COMPANY

Securities Institute Presentation  
27 November 2002

