AGL Energy Limited

Carbon Ready……

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Agenda

- AGL today
- Strategy
- Renewables – policy & impacts
- Wind
    - Fundamentals
    - AGL approach
    - AGL development pipeline
- Upstream gas dynamics
- NSW privatisation
- Financial outlook & strategic priorities
- Appendices

AGL Energy today

Market leading positions deliver substantial strategic value.

- Australia's largest natural gas & electricity customer base
- Australia’s largest dual-fuel customer base
- Australia’s largest privately owned & operated renewable generation portfolio
- Australia’s largest contracted gas portfolio & emerging positions in new CSM developments
- Substantial integrated generation portfolio with diversity across geography, fuel type & generation mix
- Industry leading portfolio of renewable & thermal development projects
- A world class, scaleable customer management & billing system (Project Phoenix)
- Industry leading customer acquisition & service costs
- ‘Iconic’ Australian energy brand

Current portfolio

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
- 1,400 MW identified renewables
- 1,100 MW identified gas

Current Gas Reserves[1]
- 3,200 PJ contracted gas
- 500 PJ equity gas (excluding PNG)

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 (Petajoule) = ~0.95 BCF (billion cubic feet)

PNG

Upstream Gas
- ~ 3.6% equity in proposed LNG project

SOUTH AUSTRALIA

Customer Accounts
- 68,000 gas
- 443,000 electricity

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

Upstream Gas
- Cooper Basin – 485 PJ (contract)

QUEENSLAND

Customer Accounts
- 73,000 gas
- 457,000 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) 262 PJ

NEW SOUTH WALES

Customer Accounts
- 751,000 gas
- 252,000 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
- 489,000 gas
- 637,000 electricity

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

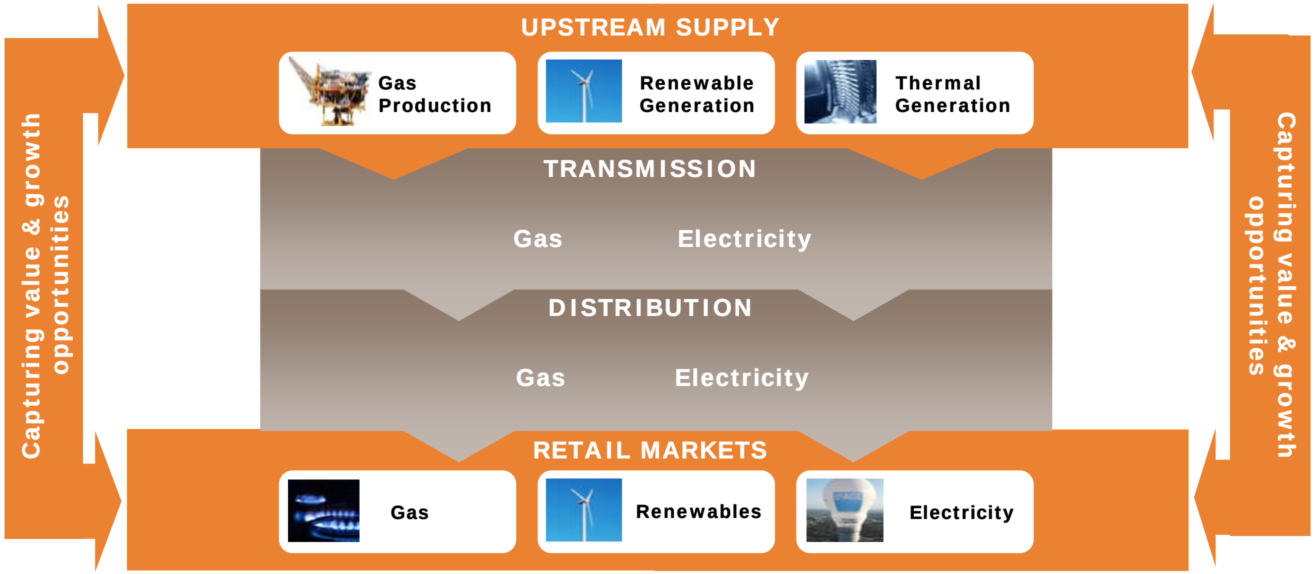
Upstream Gas
- Gippsland Basin – 1,014 PJ (contract)
- Otway Basin – 300 PJ (contract)

AGL

The integrated strategy

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

Upstream Gas
- Equity gas
- Contract gas
- Transmission & haulage contracts
- Gas storage



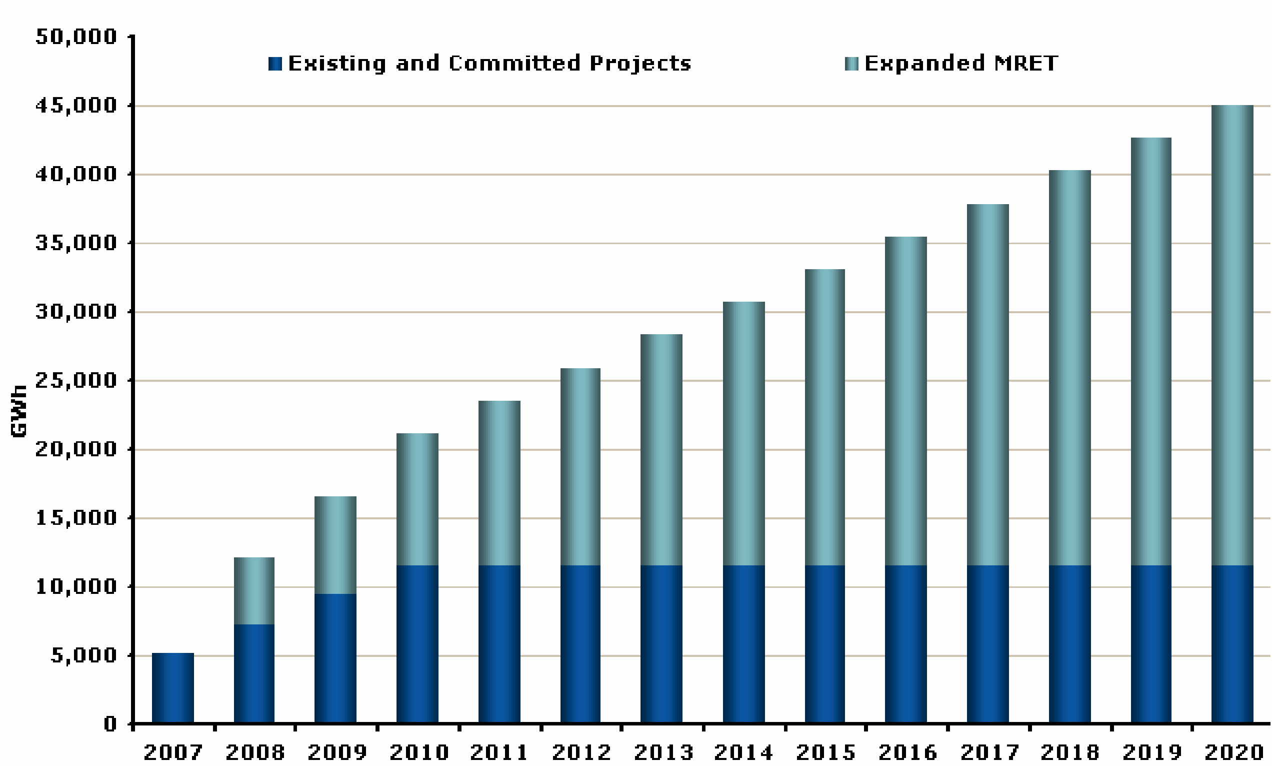
Generation
- Thermal generation
- Renewable generation
- Carbon solutions
- Hedge products & trading

Market Leadership
- Economies of scale
- Customer service
- Sales & marketing capability
- Regulatory and risk management

Growth in renewables

Expanded Mandatory Renewable Energy Target (MRET).

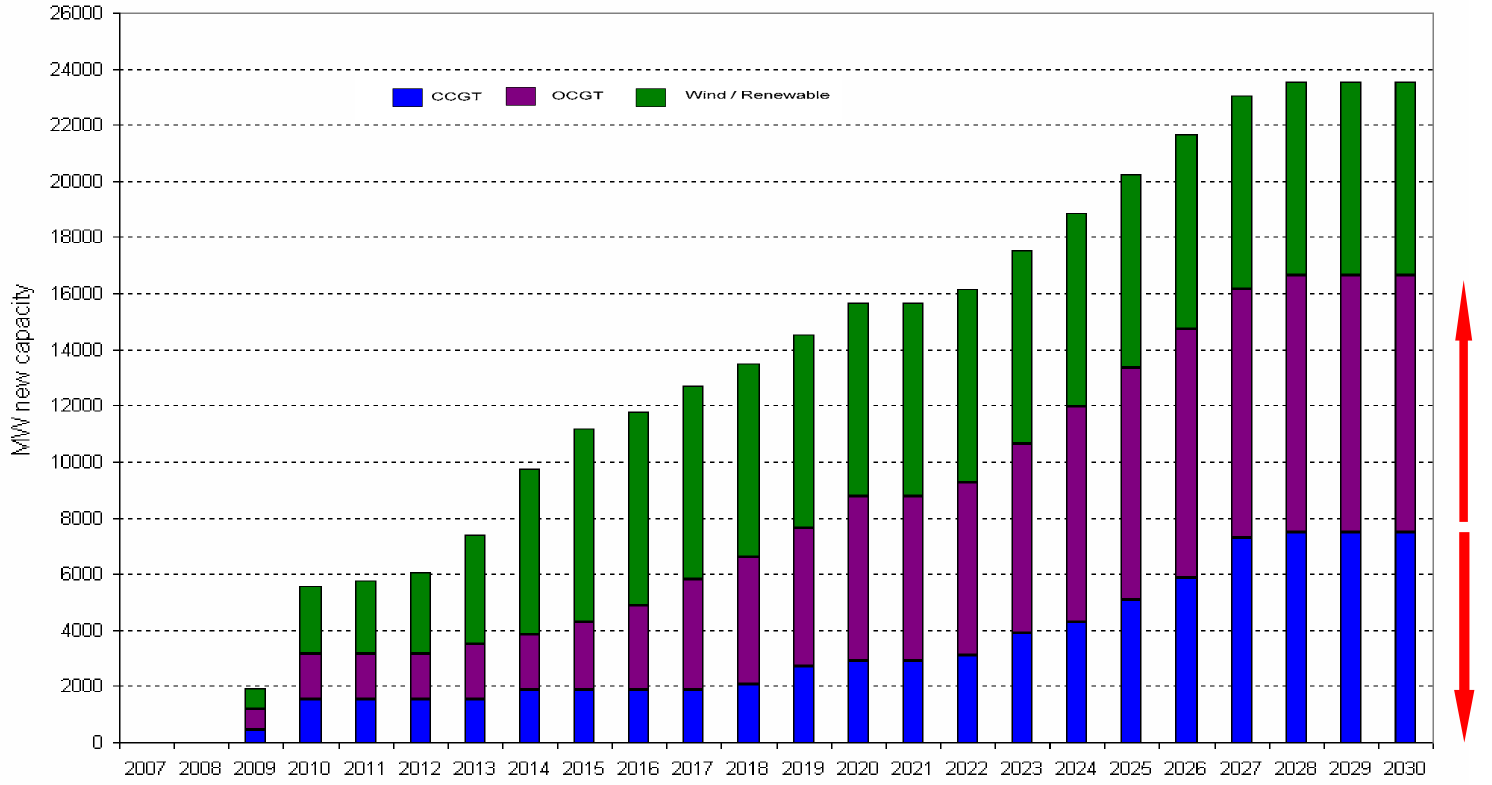
AGL's existing & identified renewable generation projects place it in a market leading position to benefit under expanded MRET target.



- New federal Government Policy – by 2020 an additional 35,500 GWh p.a. of renewable energy required to meet the target of 45,000 GWh p.a.
- Policy reconfirmed 6 March 2008 by Federal Government
- If all new capacity wind implies ~12,000 MW of new renewable capacity
- Total investment value of implied capacity ~$27 billion:
  - based upon 35% capacity factor & $2.3 million per MW
- Trajectory to reach target to be determined in coming months

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



OCGT peaking generation

lower gas volumes

CCGT base generation

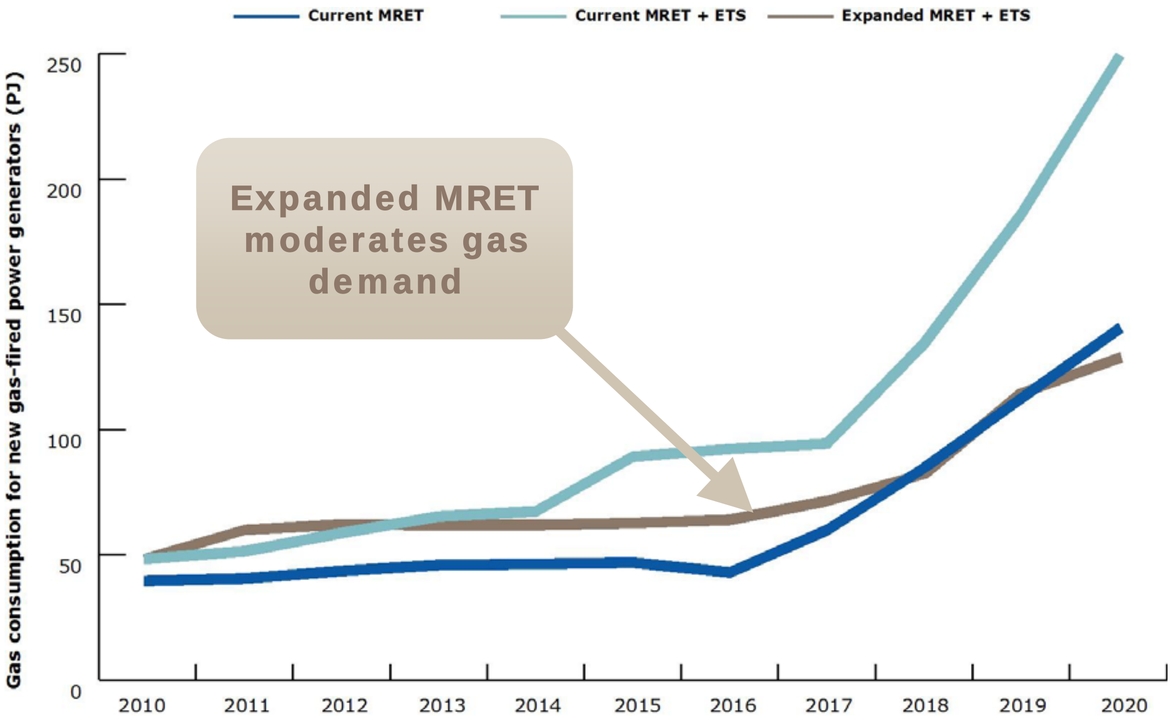
higher gas volumes

Source – AGL indicative analysis

New build gas generation demand moderated

Gas demand materially moderated under Federal Government's proposed ETS and expanded MRET policies.

Indicative gas demand growth scenarios[1]



Source: AGL Internal Modelling

- 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

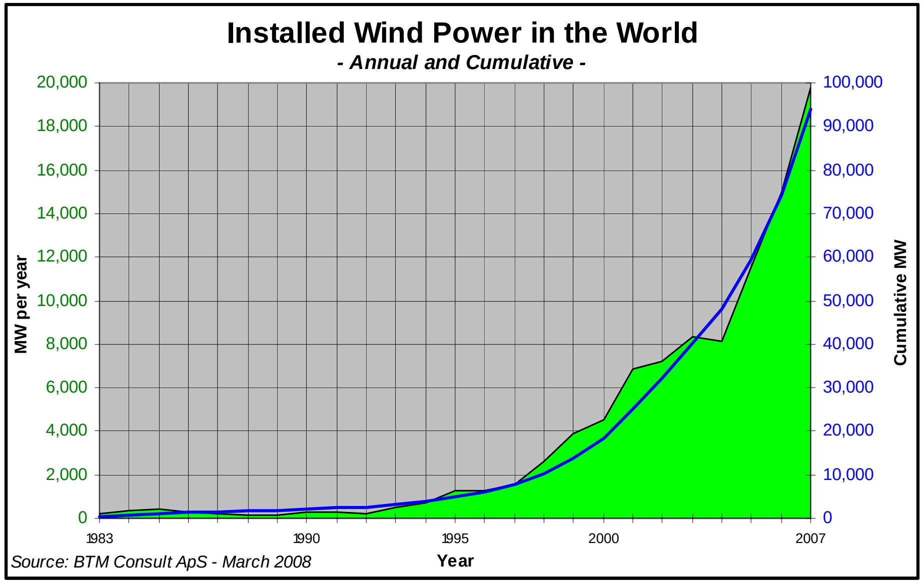
[1] **Assumptions:**

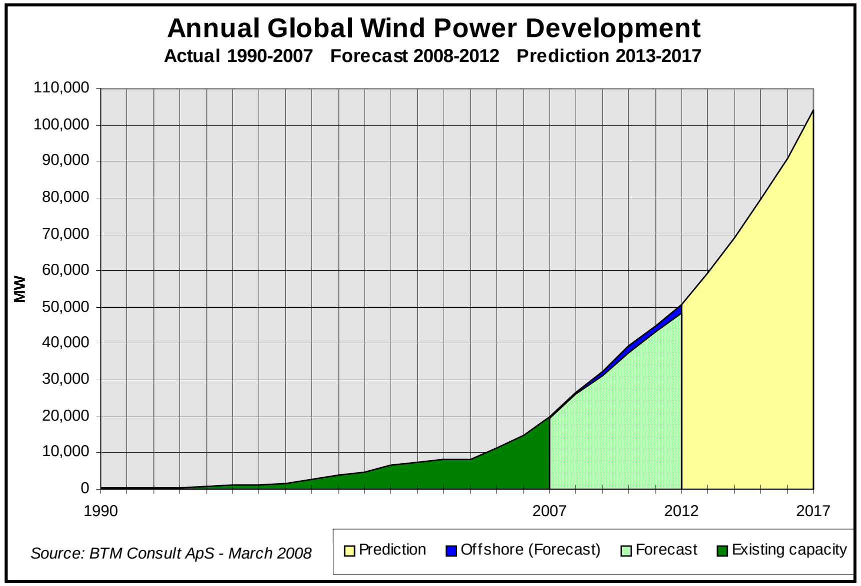
- Utilisation of a least cost model of the National Electricity Market (NEM)
- Publicly available assumption for new entrant and existing generators
- The second emission reduction trajectory published by the National Emissions Trading Taskforce ("States") 150mt by 2020 adjusted to reflect the NEM

Wind power - dominating renewable growth

Low technology risk with proven track record.

- Cumulative global capacity reached 94,000 MW by the end of 2007
- New global capacity installed in 2007 was 19,791 MW
- Average growth rate in period to 2012 expected to be 20.7% per year

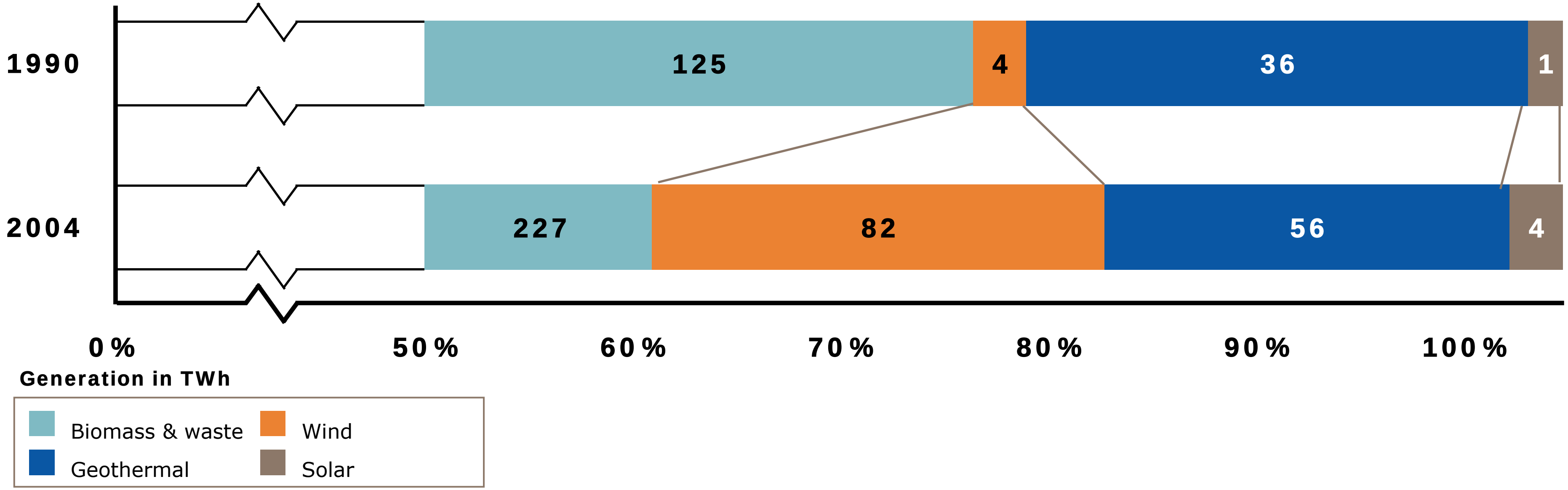




Wind compared to other renewables

Wind – fastest growing global renewable energy source.

- Wind dominates as the most economic large scale renewable technology for the next 10 years
- Other viable renewable energy sources will emerge in the next decade
- Wind has low technology risk with a proven track record

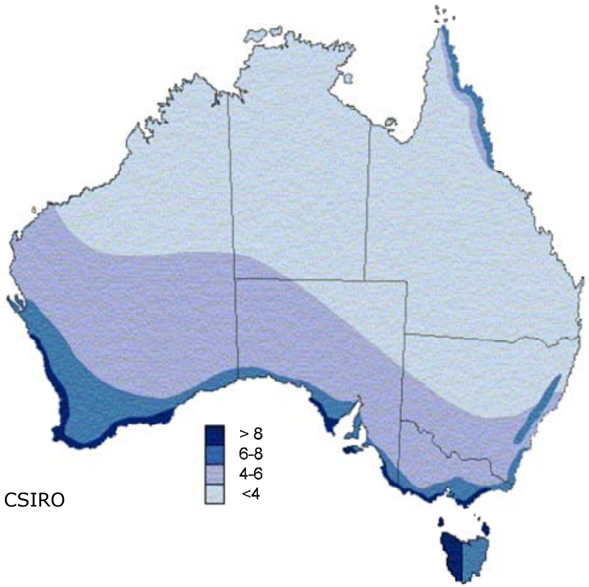


Source: IEA WEO 2006

Australia's world class wind resources

Most favourable sites already secured.

Average wind speeds (metres per second)



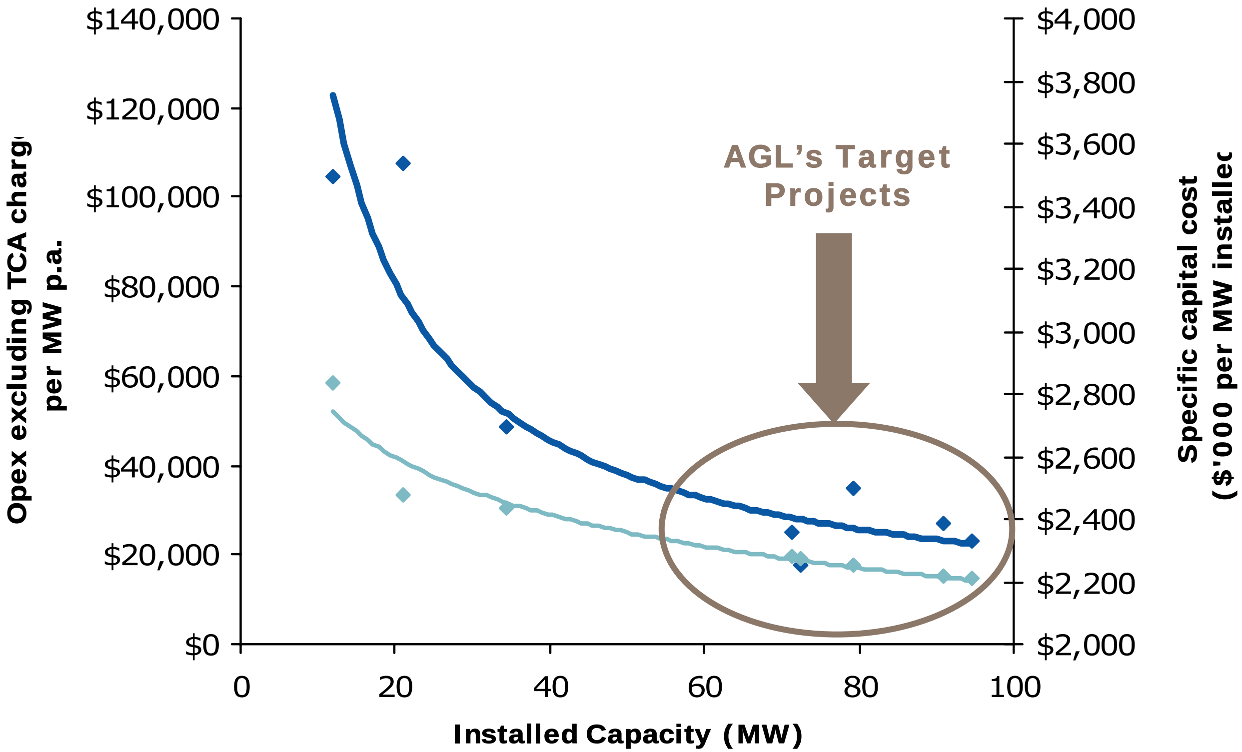
Source: CSIRO

- Wind resource is best in Tasmania and areas in Western Australia, South Australia and Victoria
- NSW, Queensland and the Northern Territory have limited large scale wind potential
- The best wind sites are already being taken in Tasmania, South Australia and Western Australia

Key success factors:

- Wind resource
- Land access (support by landowners)
- Connection access: cost, loss factor, grid capacity
- Capital cost (10 times more important than O&M costs):
  - Typical split of capital costs for 70MW wind farm:
    - 86% EPC, 11% electrical connection, miscellaneous 3%
- Wind farm scale (to absorb certain fixed cost)
- O&M costs (typically only around 1.5% of capital cost per year)

AGL's approach to wind farm development



- Target high wind yield locations where communities are supportive
- Target scale projects to overcome high fixed cost components in civil works, balance of plant and electrical connection

Renewable development pipeline

AGL has first mover advantage with a pipeline of renewable projects with leading project economics.

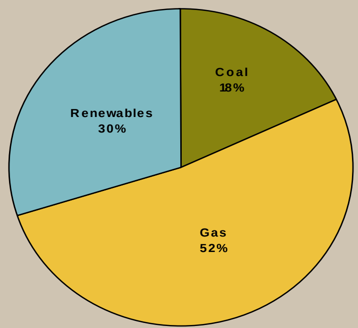
Project	Location	Type	Nominal capacity (MW)	Earliest operational date	Project Definition	Status
Bogong	Victorian Alps	Hydro	140	October 2009	Under Construction	Committed
Hallett 1 (Brown Hill)	SA – Hallett	Wind	95	May 2008	Commissioning	Committed
Hallett 2 (Hallett Hill)	SA – Hallett	Wind	71	Jan 2010	Under Construction	Committed
Hallett 3 (Mt. Bryan)	SA – Hallett	Wind	90	2010	In Development	Probable
Hallett 4 (Nth Brown Hill)	SA – Hallett	Wind	189	2011	In Development	Probable
Macarthur	Vic – West	Wind	330	2010	JV with Meridian Energy	Probable
Other	Various	Various	1440	-	Under Review	Possible

- **Probable Projects:** AGL holds development rights or project under development
- **Possible Projects:** AGL seeking to secure project development rights

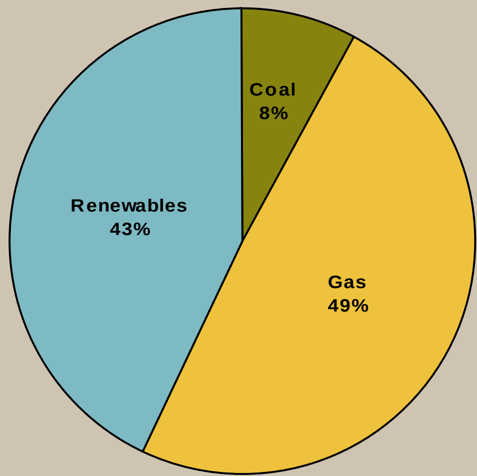
A Carbon effective portfolio

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

Current generation ~ 3,800 MW[1]



Potential generation post development projects ~ 7,400 MW[2]



Post development projects

~43% renewable generation

~49% gas fired generation

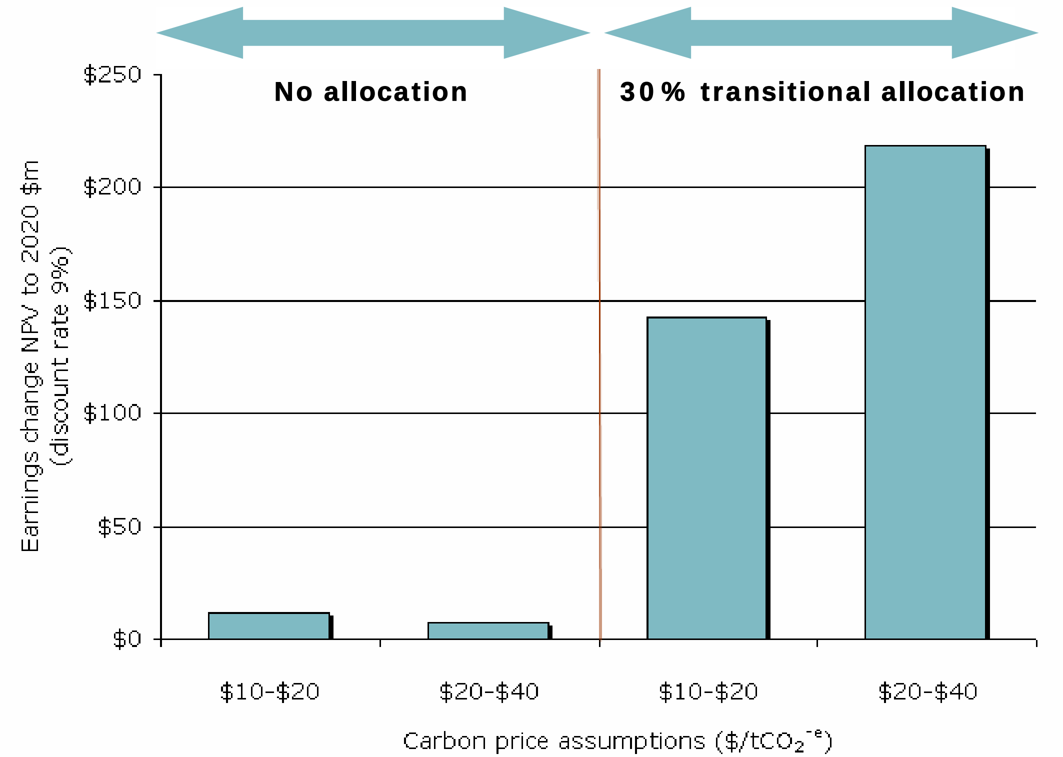
1 = Owned & / or operated including plant under construction (~315MW under construction)

2 = 1 + projects under consideration / development

Emissions trading – financial impacts

The Federal Government's planned ETS potentially delivers material upside to the AGL generation portfolio.

Indicative AGL financial outcomes under ETS



Source: AGL Internal Modelling

- This diagram highlights the potential impacts to the current, 3,800MW[1] AGL generation portfolio under an ETS
- With grandfathering material upside potential exists
- Without grandfathering, portfolio diversity still results in a marginal positive impact

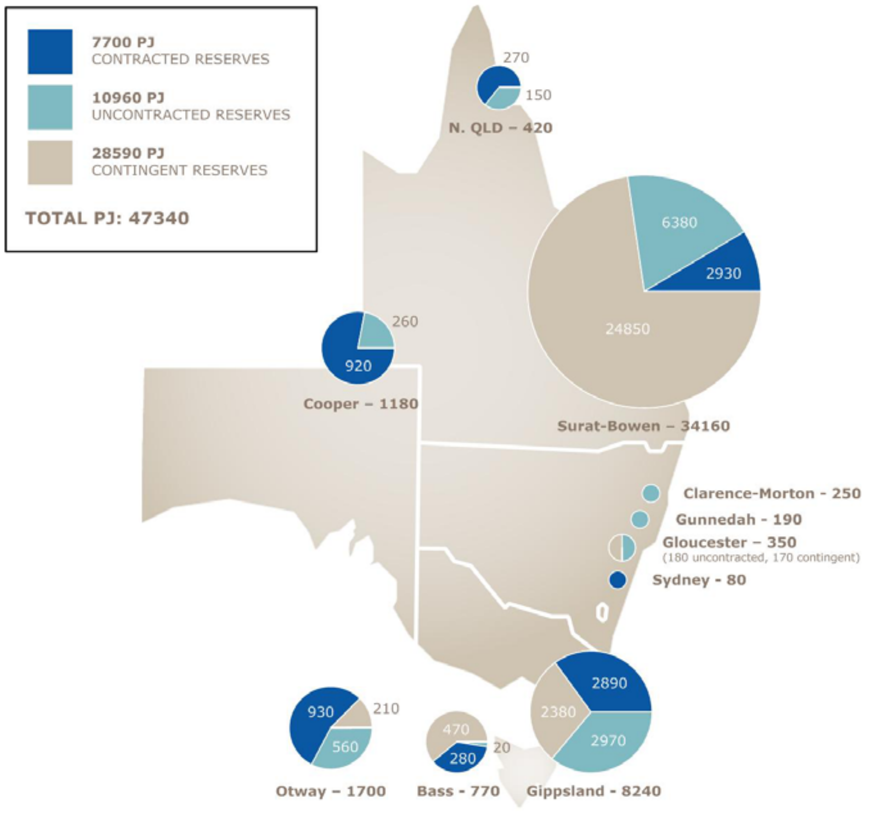
Assumptions:

- Based upon NETTS II emission profile
- Pool price uplift reflects NEM average (discounted for peaking)
- Cost increases reflecting plant emissions intensity
- Outputs based on historical averages

1. Includes 3,500MW currently in operation (including Loy Yang A) plus 315MW of renewable currently under construction and scheduled to be operational by 2010

Gas - substantial reserves and duration

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



SOURCE: EnergyQuest (May 08), AGL estimates

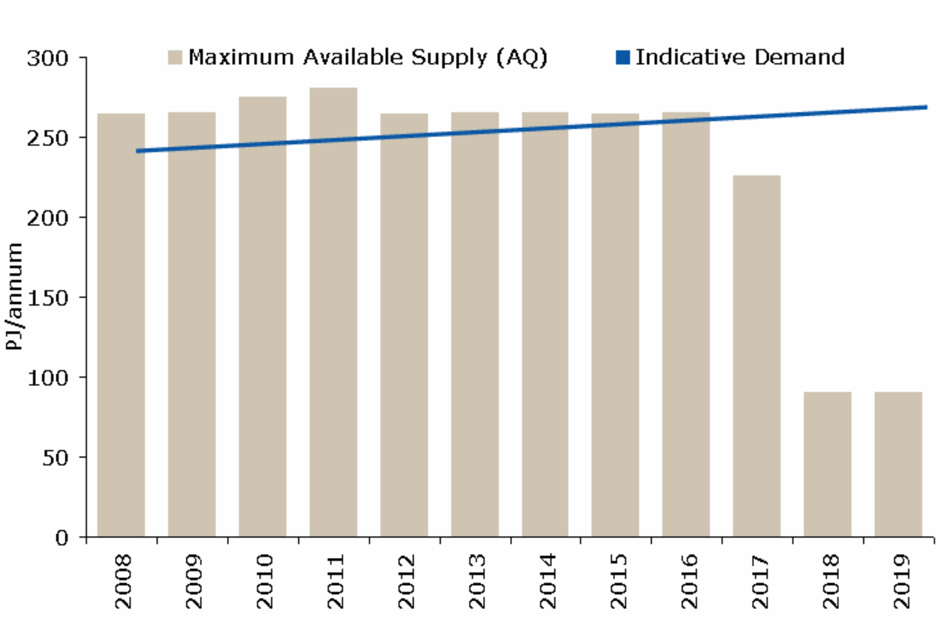
Eastern Australia 2P gas reserves and contingent resources exceed 47,000 PJ of which only ~17% are contracted:

- Further increases are likely, particularly CSM reserves and resources
- Supply covers current East Coast gas sales (~640 PJ pa) for over 70 years
- Could cover potential domestic gas sales and LNG exports[1] of ~1,200 PJ pa for over 30 years

1. Based on three LNG trains

Competitive wholesale gas portfolio

AGL wholesale contracted gas supply



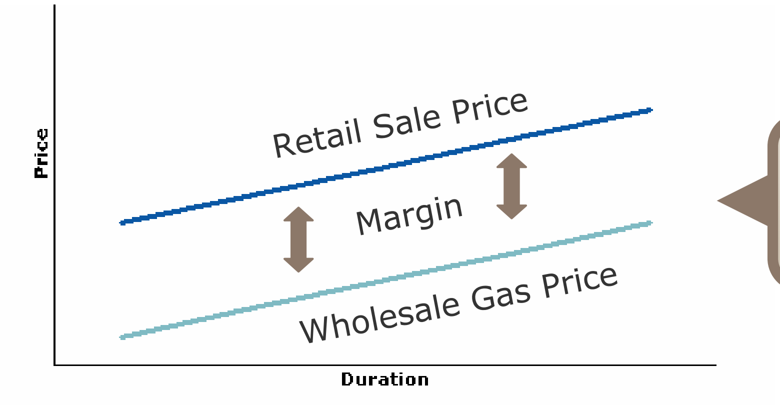
- Rolling buy long / sell short portfolio strategy
- Considerable portfolio flexibility: ACQ ‘up & down’, MDQ, ToP & flexible delivery points
- In addition AGL has access to flexible gas storage and haulage which provides optionality to deliver gas to the highest value market
- Majority of AGL’s contract portfolio have price reset mechanisms which ensure ongoing competiveness of gas supply:
  - Prices reset every 3-5 years to current wholesale price
  - Resets ensure AGL can remain competitive in retail market irrespective of underlying gas price
  - Some long term contracts have competitive fixed price or price caps

AGL gas portfolio management

Pricing mechanisms ensure ongoing margin maintenance.

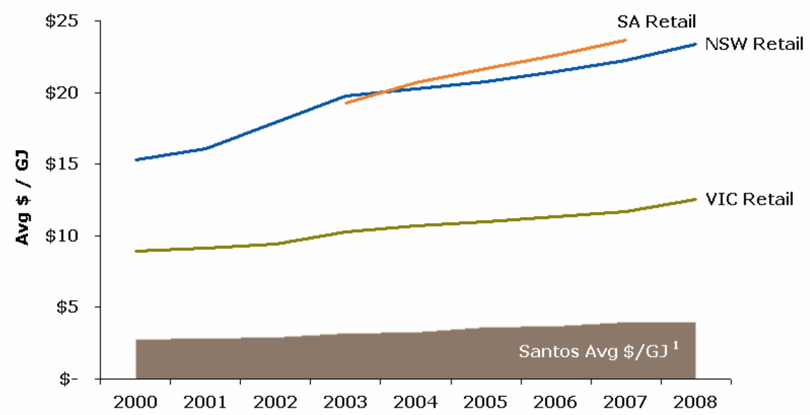
- Market price reviews & contract flexibility ensures ongoing, sustainable competitiveness
- Independent arbitrators ultimately determine contract price with reference to 3rd party gas supply contracts
- Regulators reflect wholesale gas price escalation in tariffs if retailer can demonstrate prudent portfolio management

Retail Prices 'Rail Track' Wholesale Costs



Correlation between wholesale & retail price increases

Average $ / GJ[2]



[1] Source: Santos Quarterly Published Results
[2] Based on regulated tariffs and average consumption

AGL 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).
- 24.9% equity investment provides optionality.

Moranbah

- 50/50 JV acquisition of Enertrade gas business.
- Natural extension of Moranbah CSM JV - creates integrated energy business along Gladstone to Townsville corridor.
- Shell seeking entry in Arrow permits including Moranbah

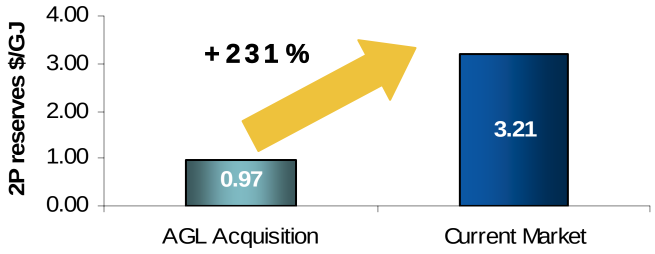
Sydney Basin

- Accelerated Hunter certification program underway.
- Targeting total 450 – 500PJ 2P reserves in 2009 (AGL 50%)

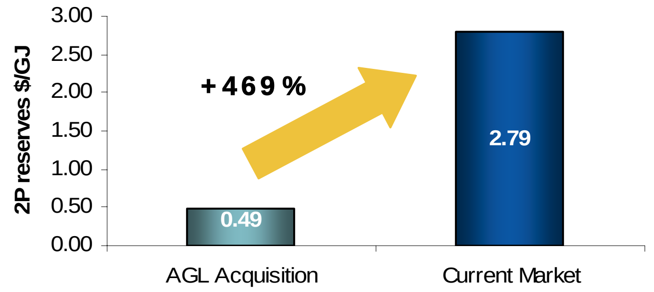
PNG

- Sale process commenced
- Considerable domestic & international interest in AGL's stake
- Anticipate financial close pre 31 Dec 08

QGC [1]



Arrow (Moranbah)[1,2]



1. As at 6 June 2008. Market capitalisation + net debt / 2P reserves
2. Investment is in Moranbah field

Disciplined approach to NSW privatisation

- Exact structuring and timing yet to be formalised:
  - Offering no comment/thoughts on potential sale structures until formally finalised by NSW Govt
- Recent macro economic and market conditions pointing to uncertainty on asset values
- Generators - key valuation issues:
  - Carbon legislation & glide path pending
  - Future pricing of coal (primary fuel source)
- AGL's current NSW market position makes organic growth a viable option:
  - AGL has ~750,000 NSW gas customers
  - AGL has ~250,000 NSW electricity customers
- Future regulatory price settings will be a key valuation issue for retail businesses

EnergyAustralia

countryenergy
We live here too.

Delta electricity

Macquarie Generation

Eraring energy

INTEGRAL energy
The power is in your hands

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.
- Maintain BBB rating
  - Successfully completed debt refinancing facility – no debt maturities until after FY09.

Strategic priorities

- Continued, disciplined roll out of integrated strategy.
- Reshaping asset portfolio mix to maximise returns from integrated strategy in core markets.
  - Post non core asset sales - potential funding capacity of $2 billion without need for new equity & maintain BBB credit rating
- Focus on expanding market leading renewable generation & gas fired generation portfolios.
  - Opened domestic carbon market with first OTC trade – will continue to leverage leading carbon IP ahead of formal ETS market commencement
- 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.

Further Information & contacts

A range of information on AGL Energy Limited including ASX & Media Releases, Presentations and Financial Results are available from our website: www.agl.com.au

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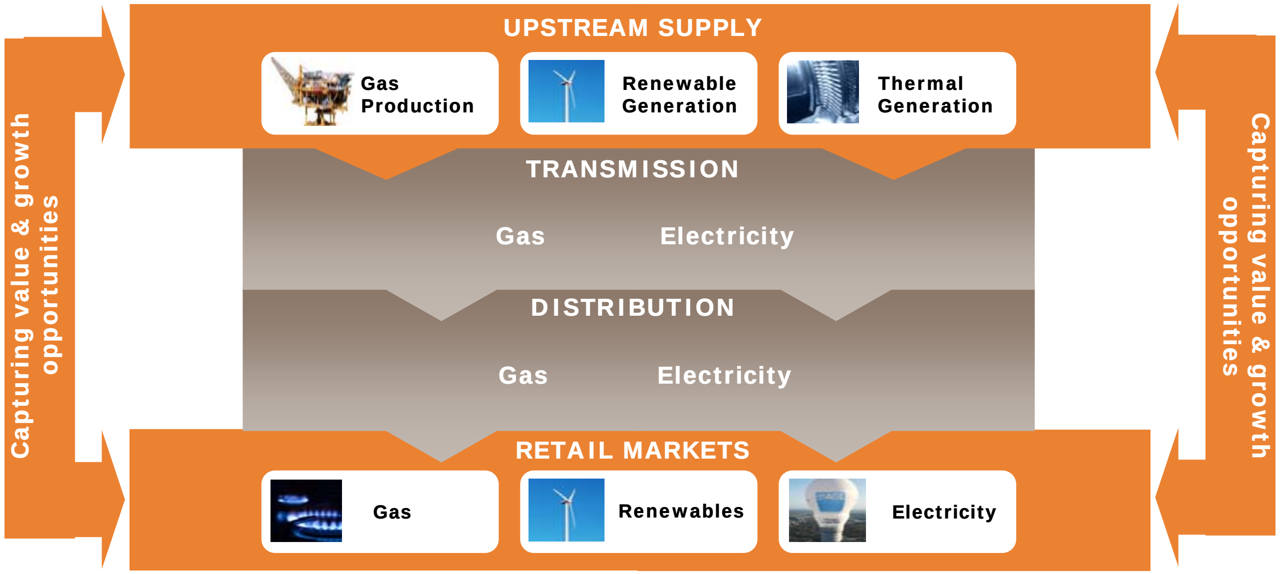
Appendices

Operational targets

The integrated strategy balances risk between upstream supply and retail markets whilst providing access to multiple profit pools.

Upstream Gas

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



Generation

- Currently ~3,800 MW of capacity owned and/or operated and under construction (~315 MW)
- Medium term target of ~6,000 MW
- Achieve 60-70% of load (capacity) internally covered to deliver desired portfolio outcomes

Market Leadership

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