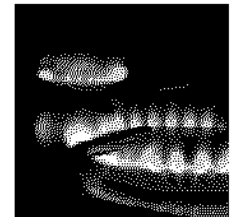
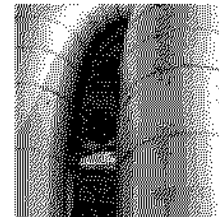
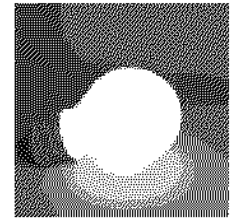
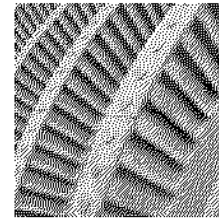


# agl energy positioned for growth



Investor Presentation

October 2006



# disclaimer

The information in this presentation:

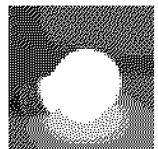
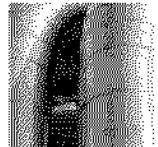
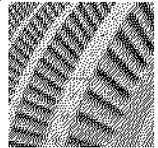
- is not an offer or recommendation to purchase or subscribe for securities in AGL Energy Limited or to retain any securities currently held
- does not take into account the potential and current individual investment objectives or the financial situation of investors
- was prepared with due care and attention and is current at the date of the presentation

Actual results may materially vary positively or negatively from any forecasts (where applicable) in this presentation. Before making or varying any investment in securities in AGL Energy Limited, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.

# introducing agl energy

## commencing from a position of strength

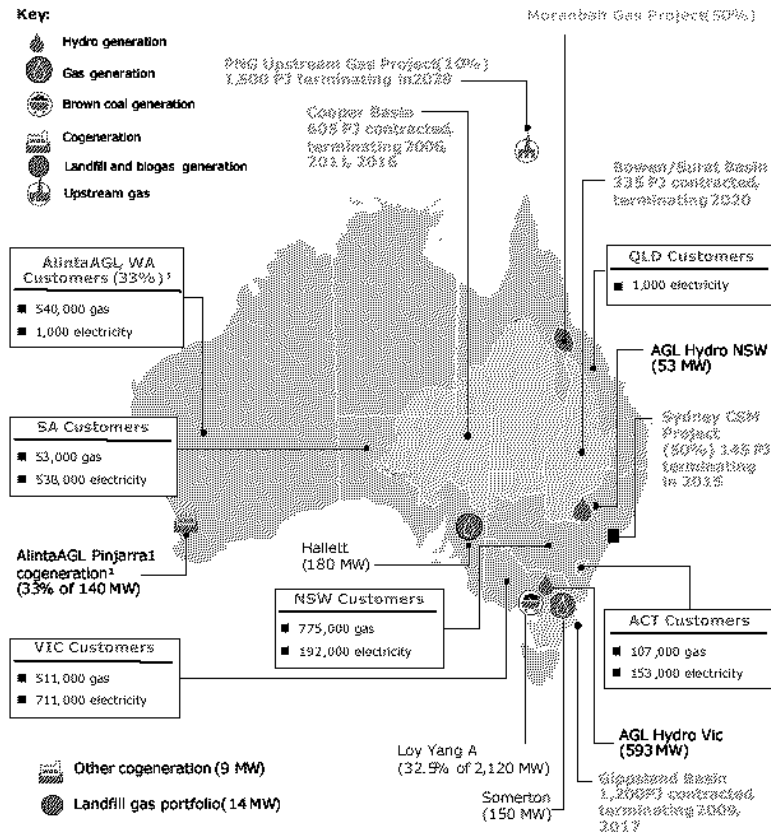
- Australia's largest retailer of gas, electricity & related services
  - ~ 2.8m customers across NSW, Victoria, South Australia and Queensland
  - ~ 0.8m customers through JVs in the ACT (ActewAGL) & Western Australia (AlintaAGL)
- depth & breadth of operating experience in deregulated markets
- significant scale, brand strength & heritage
- strong opening financial structure offering growth funding flexibility & supporting increasing, sustainable shareholder returns
- extensive, existing asset portfolio with solid, identified growth opportunities in new carbon-constrained environment
- strong natural hedge to retail customer base with opportunity to grow through further integration upstream
  - electricity generation & upstream gas reserves
- S&P/ASX 50 company with market capitalisation of ~AUS\$5.9 billion



# a focussed energy company

**Operational Snapshot**

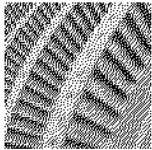
- Retail Customers
- 2M Gas
- 1.6M Electric
- 1.3M Dual Fuel
- (inc. JVs)
- Generation
- 1,733 MW Equity
- 3,258 MW (inc. JVs)
- Gas Reserves
- 3,785 PJ's contracted
- 650 PJ's Equity Gas
- New Generation
- 1,800-2,700 MW
- under review



1. new AGL will initially have 33% of AlintaAGL with option to go to 100% over 5 years.

# the integrated strategy

hunters and gatherers of value across the value chains



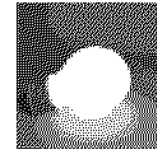
fuel contracts

thermal fuel generation

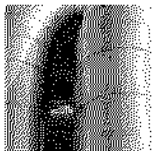
renewable generation

power purchase agreements

complex hedge products and trading



3.6 million retail gas and electricity accounts



upstream equity gas

contract gas

diversity of supply contracts

gas storage

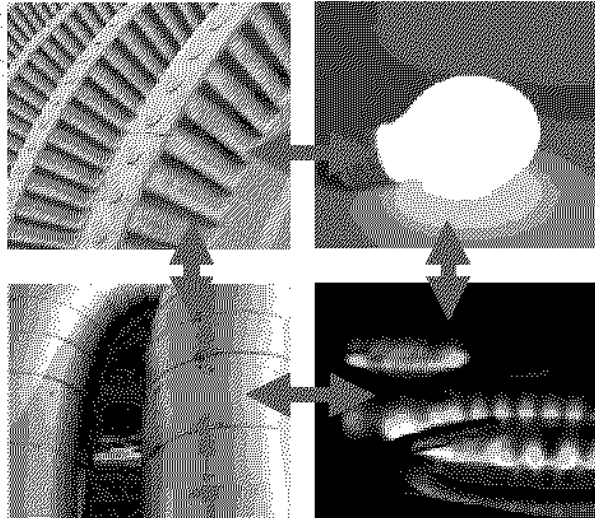
diversity of haulage products



growth platform skills to succeed across gas & electricity energy chains

# powering growth

- ~2,700MW of new, clean burn generation projects under review
- Further potential for acquisitive growth
- Increasing upstream equity gas positions
  - PNG
  - Moranbah (Qld)
  - Sydney Basin

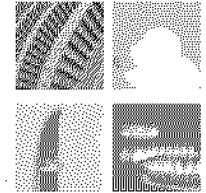


- Bidding on 800,000 retail customers in Queensland
- Opportunity to convert 540,000 WA gas customers to dual-fuel accounts
- Significant success in converting existing customers to dual-fuel accounts
- New growth via recent acquisition of WA Retail (AlintaAGL JV)

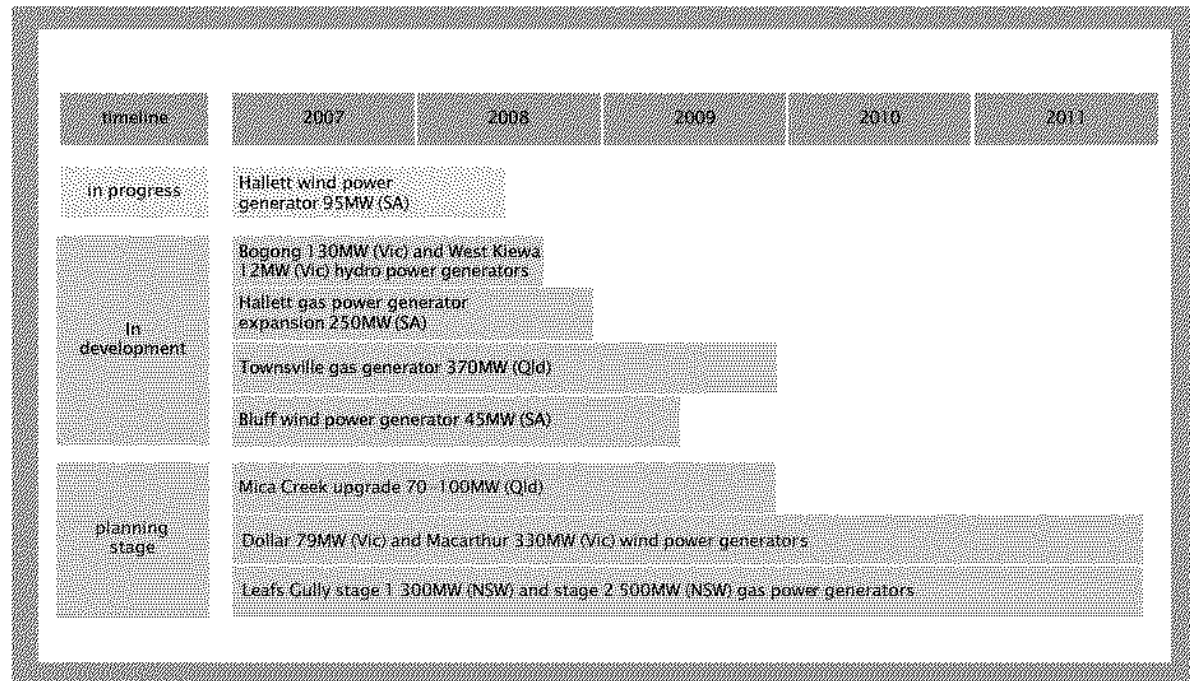
growth platform skills to succeed across gas & electricity energy chains

# electricity generation

## managing peak demand



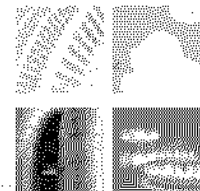
- strategic position in power generation with focus on peak assets to balance downstream price risk and capture share of profit pool as it moves to upstream suppliers
- currently able to meet ~80%<sup>1</sup> of average and ~44%<sup>1</sup> of own peak demand
- organic generation projects identified to meet future peak demand needs
- new investments in gas-fired, hydro and wind to diversify portfolio and enhance future carbon footprint



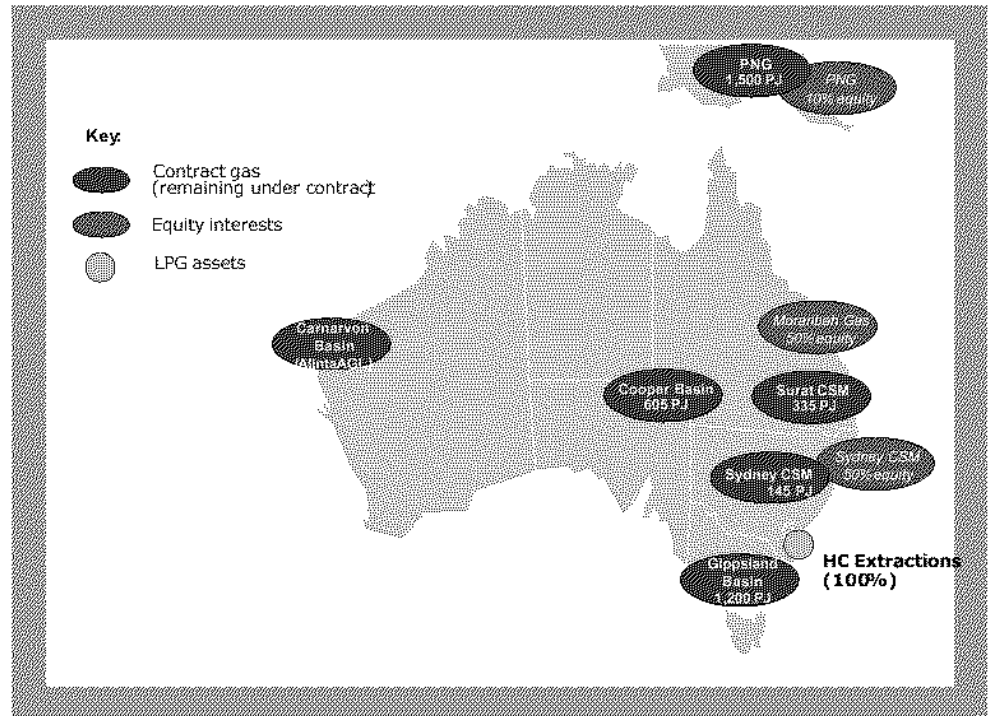
1. Equity generation coverage in key markets of Vic and SA.

# upstream gas

## gas: the 'spark-spread' equation



- increasing commercial reserves of upstream gas in Eastern Australia
- ~3,785 PJ of contracted gas to ensure wholesale gas costs are maintained at competitive levels
- acquisitive growth opportunities to secure longevity and continuity of supply at lowest cost and to manage exposure of retail business
- educated player but not principal E&P participant (equity positions only – focus on producing assets not exploration)
- exploring storage and distributed generation technologies to enhance flexibility and diversity of fuel supply





# forecast income statement

agl energy

year ended 30 June 2007

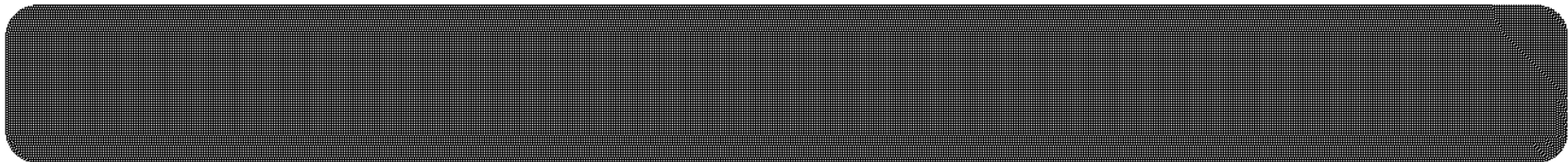
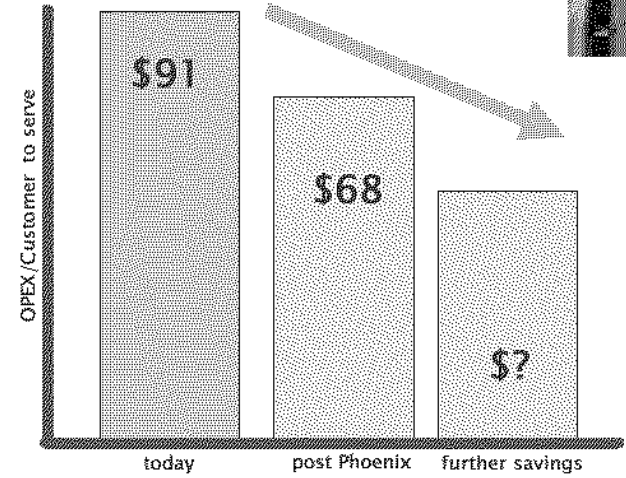
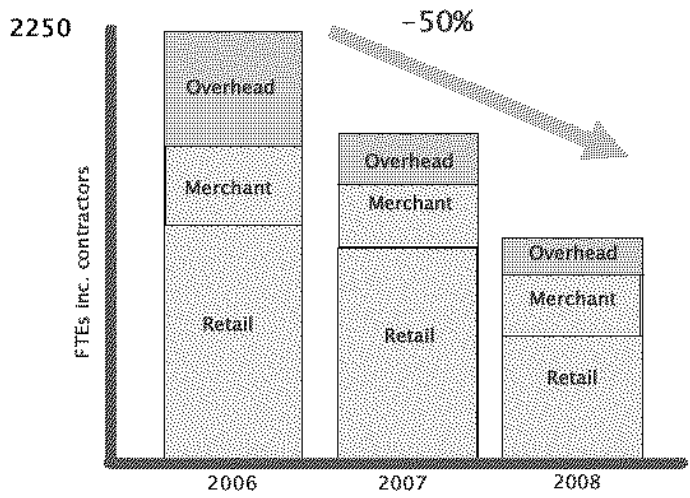
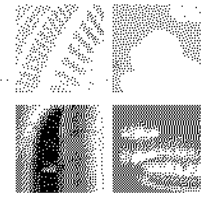
pro forma

\$m

EBITDA	746
EBIT	573
Finance costs	-61
Profit before tax	512
Tax	-191
Profit after tax	321
EPS (cents) <sup>1</sup>	79.8

<sup>1</sup> The EPS forecast for the year ending 30 June 2007 is based on weighted average shares outstanding of approximately 402.3 million following completion of the Recommended Proposal. Total shares on issue at Transaction Implementation Date, 377 million.

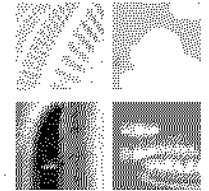
# powering efficiency & effectiveness



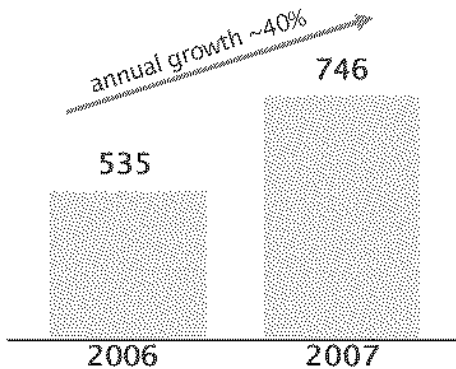
# earnings outlook

## strong earnings<sup>1</sup> growth to drive TSR

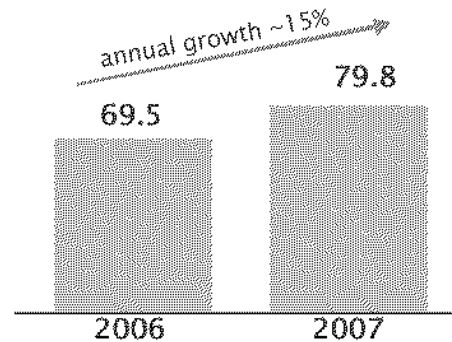
- strategy to target high growth energy sectors
- operating scale advantages
- value-adding inorganic growth opportunities
- cost saving initiatives
- medium term forecast 15% compound growth in EPS with target 60% dividend payout ratio, fully franked



EBITDA<sup>2</sup> (\$m)



earnings per share (cents)



1. forecast earnings are on a business as usual basis for new AGL's 30 June year end and do not incorporate projected earnings from potential acquisitions
2. profit from ordinary activities before finance costs, income tax expense, depreciation and amortisation and after pro forma adjustments

# summary

## key benefits

diversified portfolio of assets across Australia with strong growth trajectory

- solid, identified growth opportunities in AGL Energy's leading retail, power generation businesses and upstream equity gas portfolio

a focused business with expert management

- a focus on growth and maximizing shareholder returns (measured on a TSR basis)
- appropriate capital structure to support both growth aspirations and ongoing shareholder returns

ongoing cost savings and synergies

- projected cost savings of \$60-\$70m p.a.
  - energy billing systems and process rationalisation, streamlining company functions
- additional savings (yet to be quantified) from organisational restructuring benefits

**agl energy – an attractive investment targeting 15% EPS growth over the medium term (3 - 5 years) with a targeted 60% dividend payout ratio, fully franked**



## further information/contacts

a full range of information on AGL including a soft copy of the scheme booklet, prior AGL annual reports, presentations and financial results is available from our website [www.agl.com.au](http://www.agl.com.au)

alternatively, contact

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email: [gthompson@agl.com.au](mailto:gthompson@agl.com.au)



# appendices

- agl energy – financial year 2007 dividend makeup
- demerger taxation implications
- old agl – share price performance, pre demerger through until delisting

# agl energy - fy07 dividends

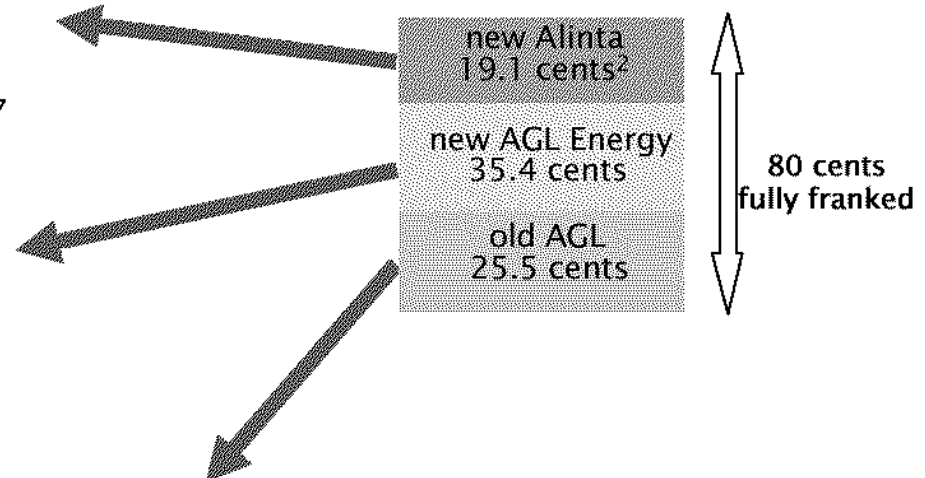
Indicative split & timing (subject to AGK & AAN board approvals) of forecast AGK 30 June 2007 financial year, 80.0cps fully franked dividend (for AGK shareholders on register at respective record dates).

Represents ~8 months of **new AAN** (Nov 06-Jun 07). Anticipated to be paid in accordance with existing Alinta financial calendar<sup>1</sup>

- Final div of ~4.8 cps payable Mar 07
- Interim div of ~14.3 cps payable Sept 07

Represents ~8 months of **new AGK** (Nov 06 -Jun 07). Anticipated to be paid in accordance with existing AGL financial calendar<sup>1</sup>

- Interim div of ~9.5 cps payable Mar 07
- Final div of ~25.9 cps payable Sept 07



Transaction div of 25.5cps paid 23 Oct (represented ~4 months of old AGL, July 06-Oct 06)

<sup>1</sup> AGK balance date 30 June & AAN balance date 31 December

<sup>2</sup> Cents per AGK share (existing AGL shareholders received 0.5775 new Alinta shares for each AGL share)

# taxation implications

AGL anticipates that the Australian capital gains tax (CGT) consequences for most Australian tax resident AGL Shareholders should be as shown below.

	Is CGT payable as a result of the Recommended Proposal?	What is the cost base of your AGL Energy Shares and New Alinta Shares?	When do you acquire your AGL Energy Shares and New Alinta Shares for CGT purposes?
<b>Pre-CGT AGL Shares</b> (ie shares acquired before 20 September 1985)	No	The <b>market value</b> of your AGL Shares at the time of the Recommended Proposal will be split between the AGL Energy Shares and the New Alinta Shares you will receive under the Recommended Proposal.	AGL Energy Shares – on the Transaction Implementation Date.  New Alinta Shares – on the Transaction Implementation Date.
<b>Post-CGT AGL Shares</b> (ie shares acquired after 19 September 1985)	No	The <b>existing cost base</b> in AGL Shares will be split between the AGL Energy Shares and the New Alinta Shares you will receive under the Recommended Proposal. Details on how to do this should be available on the ATO website in time for completion of your 2007 income tax return.	AGL Energy Shares – on the Transaction Implementation Date.  New Alinta Shares – on the date you acquired your AGL Shares.

\* NOTE: 'market value' and 'cost base split' to be advised following receipt of final ATO taxation ruling. Details to be provided on AGL website and with 2007 interim dividend mailing March 07.



# agl – share price performance

