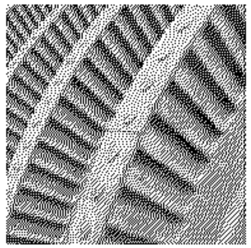
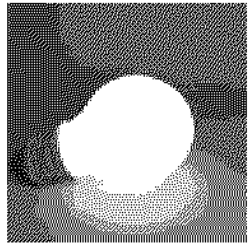
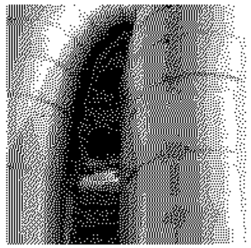
# agl investor presentation

## agl/origin merger update, powerdirect acquisition and 2007 interim results

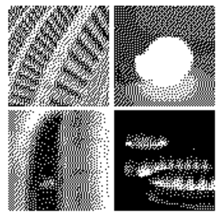
19 February 2007


important: read the disclaimer at the end of this presentation

# executive summary

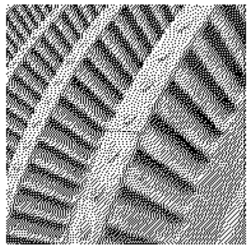
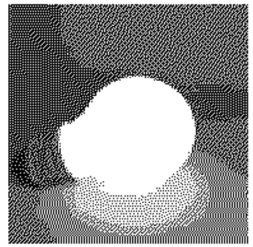
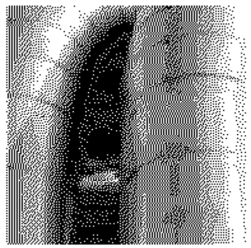
- agl/origin proposed merger update
  - agl remains committed to the origin merger proposal
  - the merger would deliver material and sustainable benefits to shareholders
  - powerdirect acquisition provides flexibility to address potential ACCC concerns
- agl has acquired powerdirect for $1,200 million
  - powerdirect comprises four businesses
  - the acquisition is consistent with agl's strategy
  - powerdirect will provide agl with immediate scale in Queensland, fastest growing market in NEM
- 2007 interim results
  - the interim results are in line with 2006/07 expectations
  - project phoenix and corporate restructuring on target and delivering benefits
- institutional placement
  - undertaking a minimum $882 million institutional placement to maintain a strong balance sheet



# proposed merger of equals update

paul anthony

managing director and chief executive officer


# merger of equals update

- while discussions are ongoing, there is no definitive agreement to disclose to the market
- agl continues to believe the business case for a nil-premium scrip merger is compelling and the benefits released to both sets of shareholders are only available in an agl/origin merger
    - creates a leading Australian integrated energy company (substantial financial strength, robustness in earnings, ranking in the top 20 on the ASX)
    - due to the highly complementary nature of the two businesses, agl believes that the merger could create c.$150 million of annual synergies through the removal of duplicated effort alone (would result in >10% eps accretion for both shareholders)
    - were it able to work jointly with origin, agl believes that synergy benefits substantially in excess of the duplication benefits could be secured
    - the merger benefits have been widely recognised by the market
- given the status of discussions, a range of outcomes are possible and there is no certainty these discussions will result in an agreed merger of equals

strong rationale with possible synergistic benefits substantially in excess of $150 million duplication benefits

# impact of powerdirect acquisition

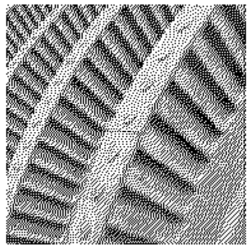
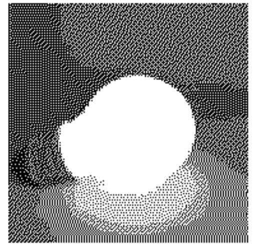
- the acquisition of powerdirect does not dilute the rationale of an origin merger
- the acquisition will provide the merged entity with greater flexibility with respect to optimising an ACCC solution
- agl has developed a proposal that would create a standalone national retailer of significant financial strength and growth capacity designed to mitigate any possible ACCC concerns
  - mix of gas and electricity customers across four states in NEM
  - inclusion of upstream generation interests
  - provision with an extensive hedge book for gas and electricity
  - standalone infrastructure and facilities (call centres, IT systems and people)

**the acquisition of powerdirect adds flexibility to the merger proposal and does not dilute synergistic benefits**

# powerdirect acquisition

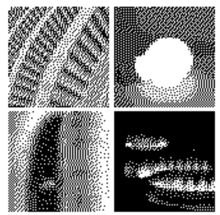
paul anthony

managing director and chief executive officer

# powerdirect transaction overview

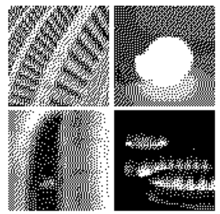
- agl has acquired the four businesses of powerdirect for $1,200 million
- a large energy business of four parts, in aggregate 20% larger than sun retail[1]
- the transaction is expected to have an immaterial impact on an adjusted eps basis[2]
- agl estimates purchase price to EBITDA multiple of 14.6x in 2007/08 and 9.8x in 2008/09 (first year after transition services agreement)
- ACCC clearance has been received
- financial close is expected on 1 March 2007



note:
(1) based on customer load, measured by TWh
(2) adjusted eps equals basic reported eps adjusted for significant non-recurring items and acquisition accounting related non-cash amortisation (see p.22)

# key investment themes

- **immediate scale in fast growing QLD market**
  - acquire significant retail presence in fastest growing market in the NEM
  - improves cost leadership in the integrated utility sector
- **higher value retail customers**
  - acquired at $1,300/customer — superior growth profile to Sun Retail
  - average mass market usage higher than agl's residential customers in other NEM states
- **business opportunity to further penetrate SME market**
  - powerdirect provides platform to significantly grow national SME business
  - complements agl traditional focus on mass market customers
- **integration with existing and potential developments**
  - transaction supports four corners strategy in QLD
  - strategic fit with upstream electricity and other development opportunities
  - complements sun gas acquisition (dual fuel opportunities)
- **strong portfolio benefits with existing agl business**
  - substantially increases size of agl's wholesale trading book
  - cogeneration projects enhance agl's renewable energy portfolio



# valuation and business overview

| | value | valuation metric[1] | benefits to agl | overview |
|---|---|---|---|---|
| retail | $570m | $1,300/account<br>9-10x EBITDA | • no scale benefits attributed to bid | • 396,200[2] SEQ[3] franchise accounts<br>• 35,600[4] contestable accounts (outside of QLD) |
| small contestable | $265m | 23-24x EBITDA<br>(pre integration in agl's cost structure) | • new business opportunity | • 37,800[4] accounts in QLD, NSW, VIC and SA |
| large customers / wholesale | $295m | 6-7x EBITDA | • significant portfolio benefits | • 3,600[4] accounts across QLD, NSW, VIC and SA<br>• total wholesale load of 19.1TWh[5] |
| power generation | $70m | 8-9x EBITDA | • enhances renewable generation portfolio | • four QLD cogeneration plants (43MW) with long-term power and tolling arrangements |

notes:

(1) EBITDA multiples based on purchase price to estimated EBITDA for 2008/09, which is first financial year under agl's cost structure for retail, large customers and wholesale, and power generation. Small contestable expected to move to agl's cost structure in 2010/11

(2) estimates at 30 June 2007, pre FRC

(3) South East Queensland

(4) as at January 2007

(5) load across retail, small contestable and large customers

# key transaction details

**sources and uses of funds**

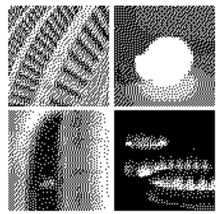
| sources | ($m) | uses | ($m) |
|---|---|---|---|
| underwritten placement[1] | 882 | acquisition of powerdirect | 1,200 |
| share purchase plan | 75 | | |
| existing facilities[1] | 269 | transaction costs[2] | 26 |
| **total** | **1,226** | **total** | **1,226** |

**acquisition of powerdirect**

- on 16 February 2007, agl entered into a definitive agreement to acquire powerdirect from the State of Queensland
- financial close of the transaction is expected to occur 1 March 2007
- the acquisition is subject to a binding sale and purchase agreement with customary completion conditions

**impact on agl**

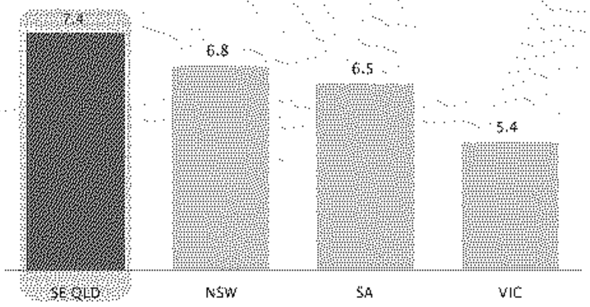
- expected to have an immaterial impact on an adjusted eps basis[3]
- expected to have an immaterial impact on gearing[4]
- no change to agl's 2007 distribution policy



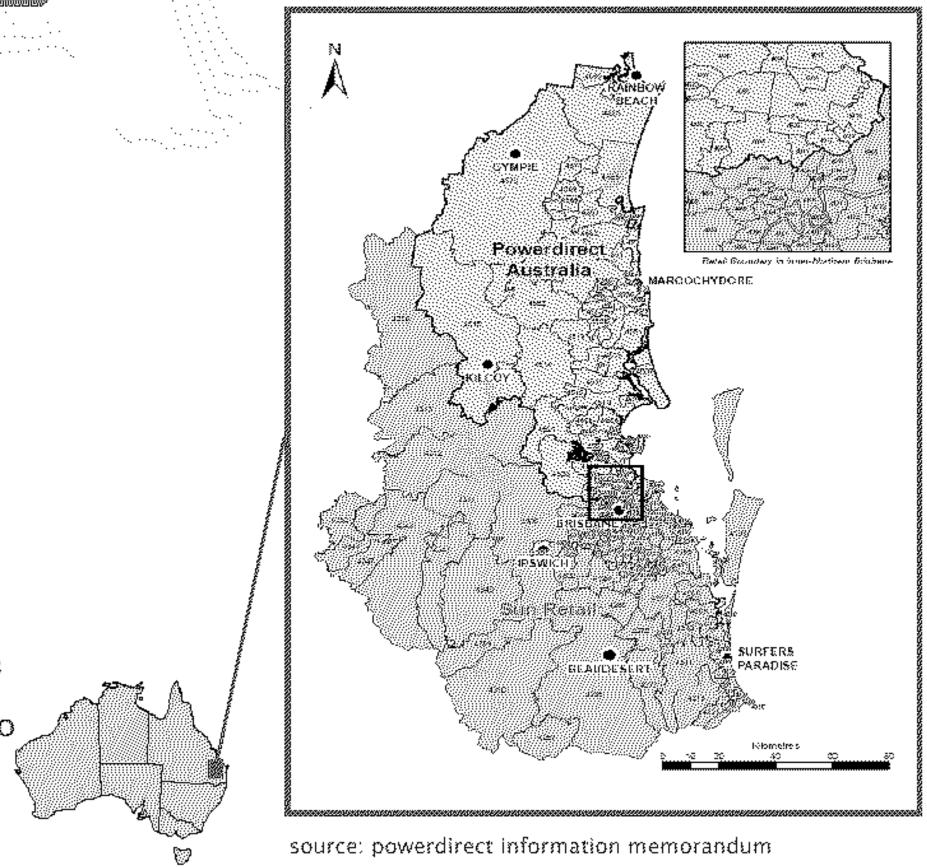
notes:
(1) minimum amount raised at underwritten floor price of $15.60/share
(2) includes stamp duty, transaction and financing expenses
(3) adjusted eps equals basic reported eps adjusted for significant items and acquisition accounting related non-cash amortisation (see p. 23)
(4) gearing defined as net debt divided by net debt plus market capitalisation (based on a placement of $882 million and an SPP of $75 million)

# exposure to high growth SEQ market

## Average residential consumption (MWh)[1]




- SEQ customers have higher consumption reflecting low gas household penetration
- QLD is fastest growing market in NEM[2]
  - new dwelling growth: 2.3%
  - economic growth: 3.8%
- SEQ is projected to experience higher electricity demand growth than rest of QLD[3]
  - growth areas include Bruce Highway to Caboolture, Maroochydore and Caloundra




source: powerdirect information memorandum

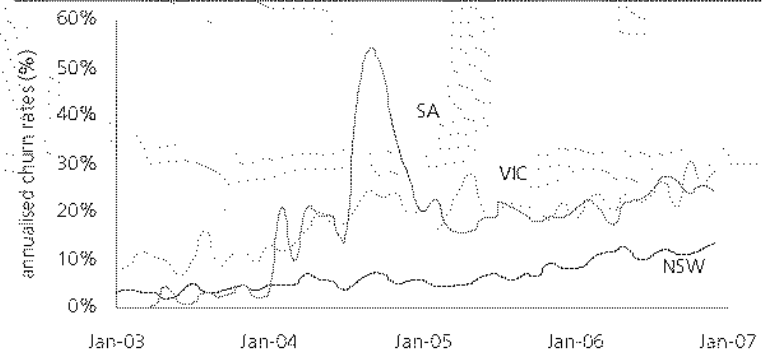
note:
(1) source: MMA (South East QLD, based on average consumption for Energex residential customers) and agl management estimates (agl customers in select NEM states)
(2) National Electricity Market
(3) 3.4% for SEQ and 2.4% for rest of QLD. source: MMA, growth based on 2007-2012 CAGR

# growing customer base

**Queensland market churn expected to commence high and settle in long-term at about 15%**

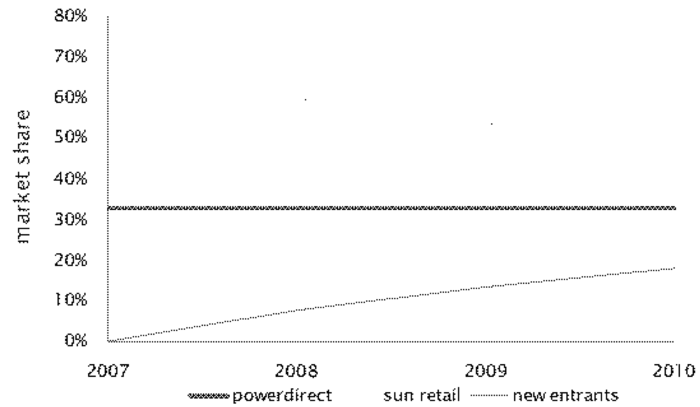
- lower customer density in powerdirect service area will result in lower relative churn
- initial churn is expected to provide opportunities to increase customer accounts
- ownership of sun gas provide opportunity to target dual fuel customers
  - sun gas is located in sun retail's service area
- strategies in place to capture high projected organic growth

## churn rates




source: NEMMCO and agl data. SA churn is inclusive of retention contracting

## illustrative churn example[1]

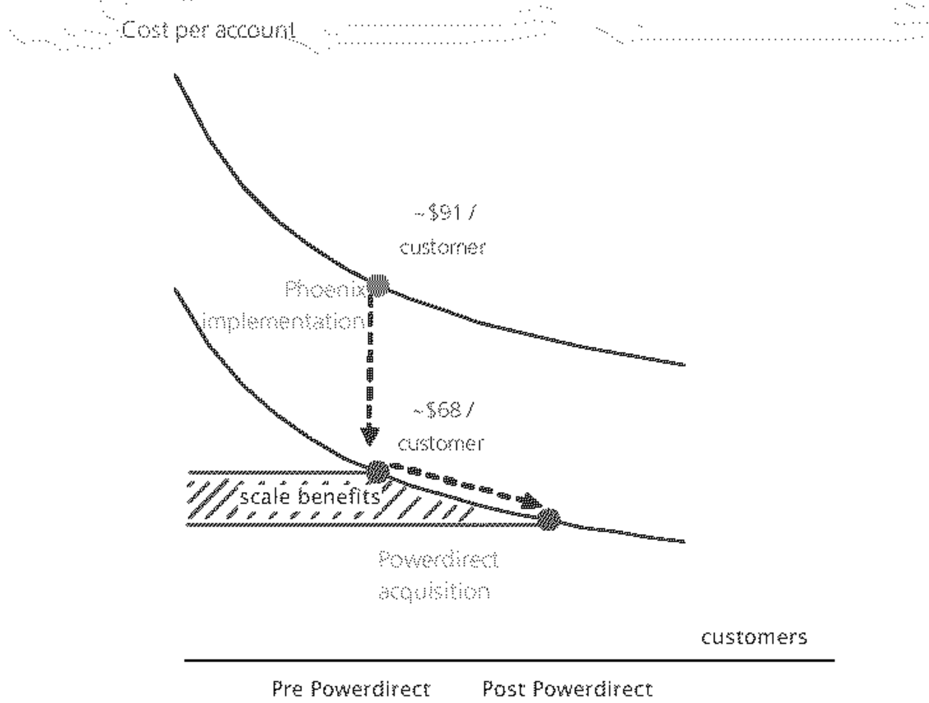



note:
(1) example assumes 15% market churn and equal win rate by sun retail, powerdirect and new entrants

# enhancing agl's cost advantage

- Energex will provide billing and call centre under the transition services agreement (TSA) until March 2008
  - costs under TSA are higher than agl's current cost per account
- post TSA, agl will integrate the retail customers into agl's phoenix platform providing significant cost savings
- acquisition will also provide further scale benefits to agl's existing customer base
- no value associated with these scale benefits has been attributed to bid price

## agl's cost per account

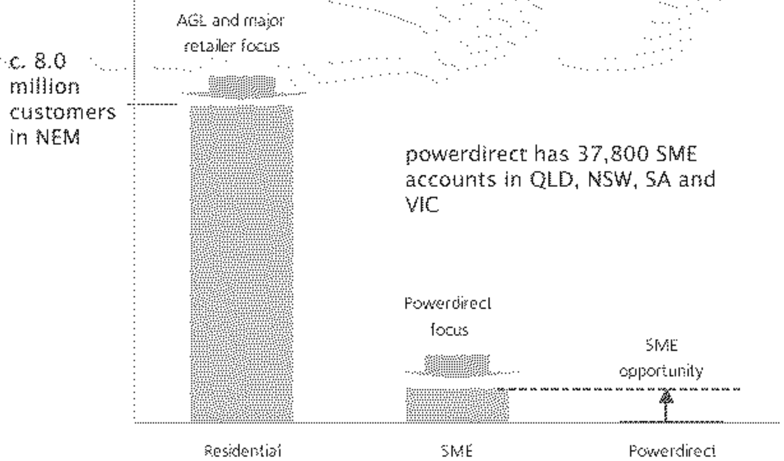



note: not to scale

# SME business platform

*"a new dimension to agl's business"*

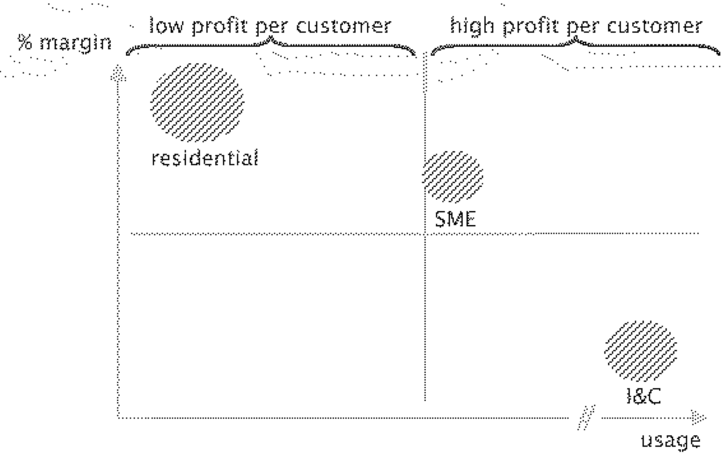
## available customers in the NEM




Powerdirect's SME[1] success a result of:

- entrepreneurial management
- primary focus on SME market
- affiliation with industry associations
- highly developed sales process
- purpose built billing systems
- moving customers to "time of use" meters

## illustrative customer profitability



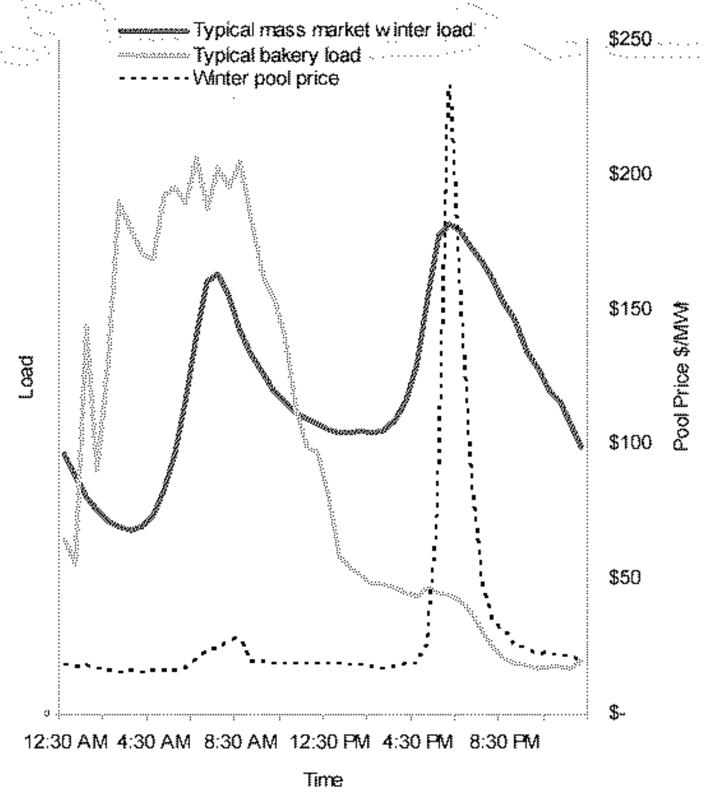

despite lower % margin, SME customers have greater usage and contribute substantially more EBITDA ($) than residential customers

note:
(1) small to medium enterprises

# example SME load profiling

- powerdirect has been successful in targeting customers that benefit from moving to "time of use" tariffs
- powerdirect offers lower tariffs to customers that require electricity outside peak periods
  - low cost of supply for powerdirect
- example illustrates benefit for retailer and customer by converting bakery from regulated tariff to "time of use" tariff

## illustrative example SME load profiling




source: agl

# SME business model

**Targeted SME business**

- focus only on growing successful SME business
  - capitalise on core competencies of management
- all future contestable residential activity to be pursued within agl's current business structure

**New business unit within agl**

- separately managed to support discrete SME business focus
  - important to segregate from agl's mass market operations
- structured with separate billing capability, sales and marketing and management
- incentivise entrepreneurial sales and marketing employees

**Integrate into agl when business matures**

- powerdirect's cost per account is currently >$200 per customer
- integration into the agl business in the medium term would realise significant operating cost savings

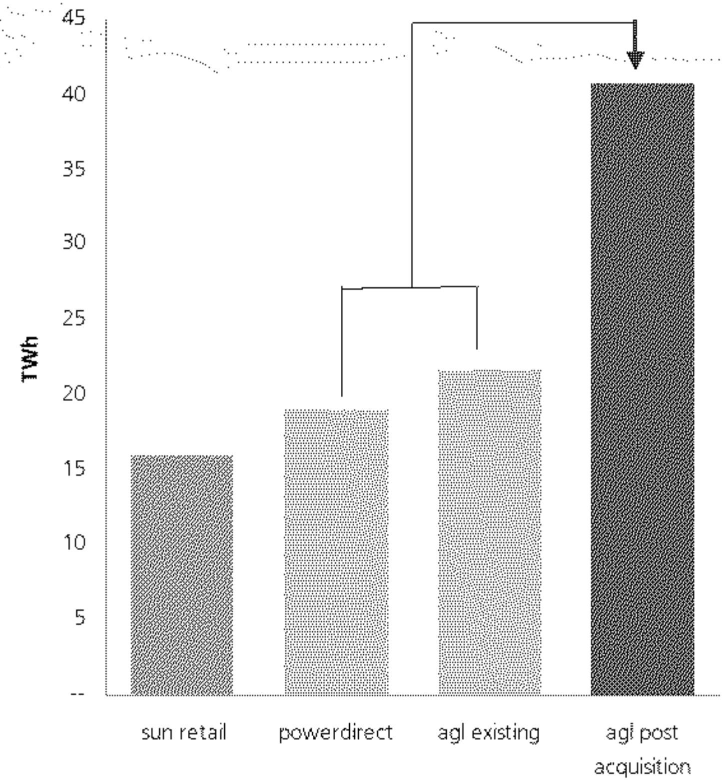
# large customers and wholesale

## large customers/wholesale overview

- sales to large customers 14.4TWh p.a.
- purchase arrangements to cover GEC and REC obligations
- purchase arrangements for 19.1TWh p.a. for all powerdirect customers
- significant portfolio benefits from combining the powerdirect wholesale load with agl's current load

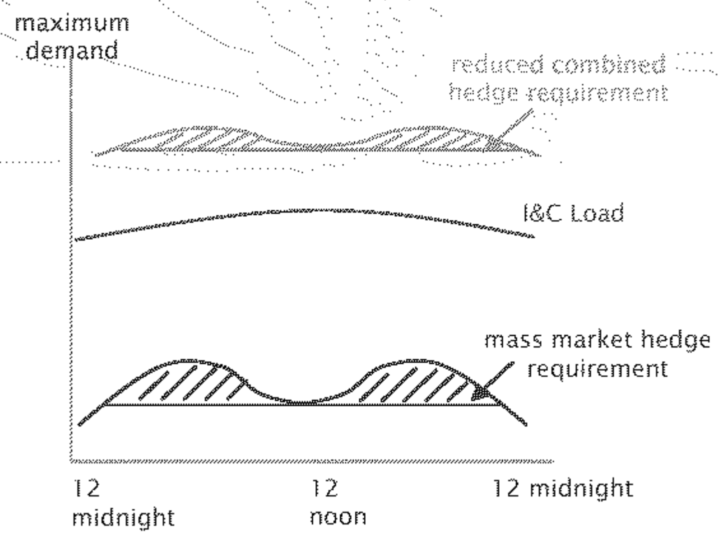
powerdirect's total customer load is c. 88% of agl's existing load and 120% of sun retail's load

## load comparison



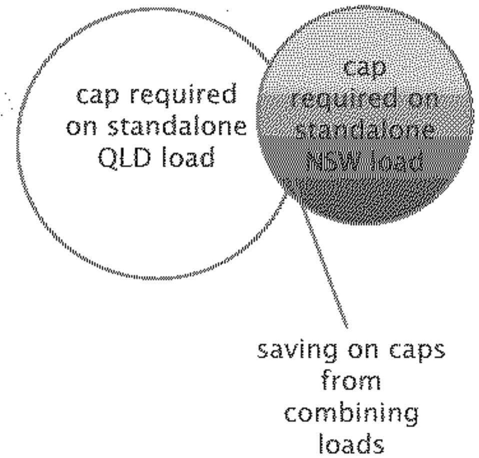
# diversity benefits

## QLD intrastate diversity benefit




- effect of aggregating different mass market and I&C load provides a flatter load shape reducing total hedging requirement

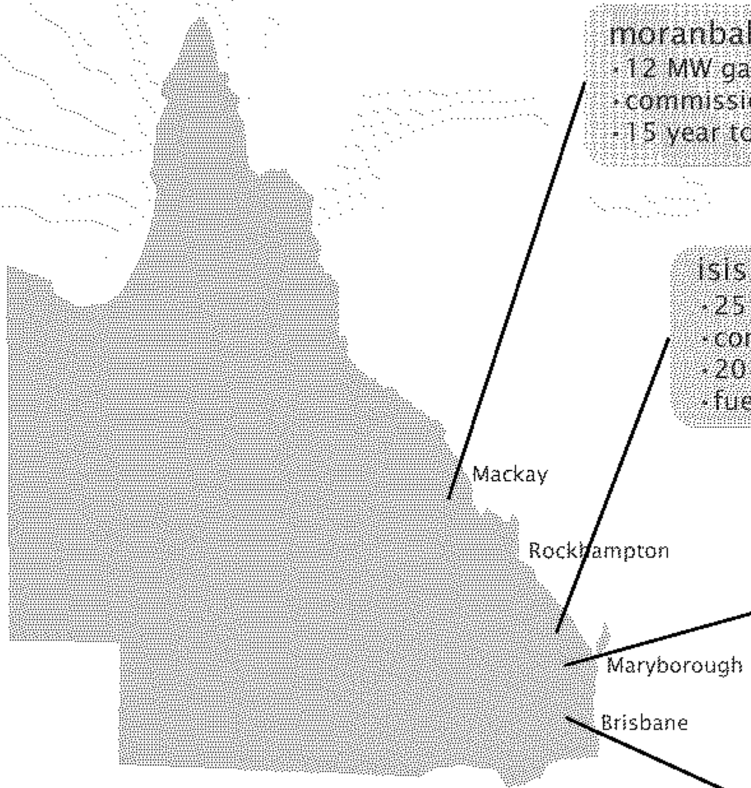
## interstate diversity benefit




- poor state correlation in extreme temperature conditions (particularly in summer) reduces hedge requirement
- temperature diversity also reduces earnings risks associated with low electricity sales resulting from mild weather

**diversity benefits reduce cap purchase requirement by up to 150MW and reduce earnings risk, less than half of diversity benefits have been attributed to bid price**

# power generation overview




**moranbah gas project**
- 12 MW gas-fired power
- commissioned Oct 2004 – Apr 2005
- 15 year tolling arrangements

**isis project**
- 25 MW cogeneration plant
- commissioned June 2006
- 20 year tolling arrangements
- fueled by bagasse (biomass)

**suncoast gold project**
- 1.5 MW cogeneration plant
- commissioned Oct 2003
- 20 year tolling arrangements fueled by macadamia nut shells (biomass)

**KR Castlemaine project (leased)**
- 4.5 MW gas-fired cogeneration
- commissioned Nov 2006
- 15 year tolling arrangement

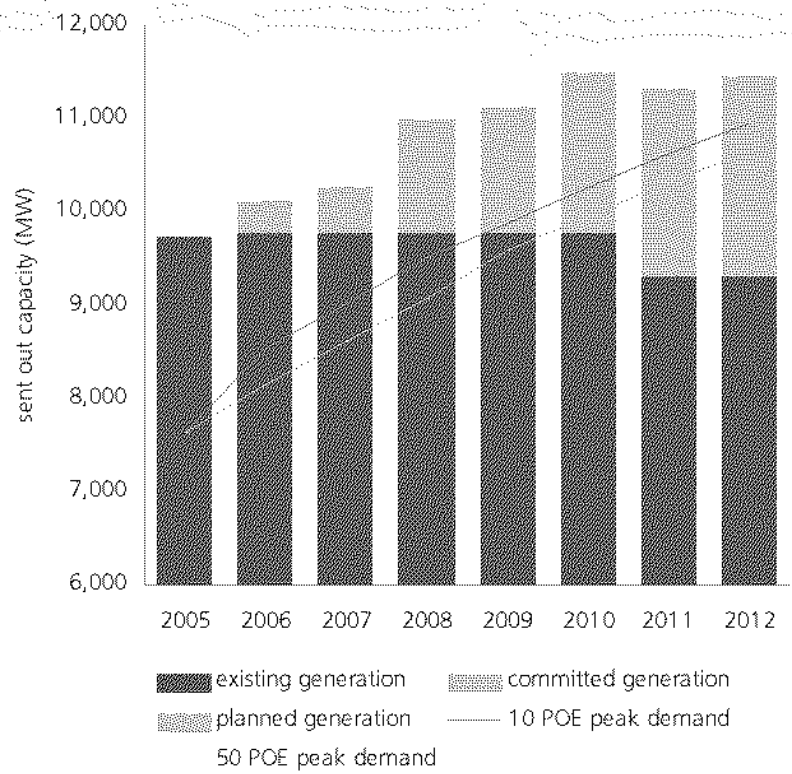
renewable biomass projects provide agl with access to important technologies and enhance its renewable fleet of generation assets, mitigating any potential future carbon impost

# platform for further growth in QLD

## QLD opportunities supported by powerdirect acquisition

- townsville
  - 370MW gas fired generation located at townsville
- mica creek power station
  - joint venture with CS Energy to upgrade 325MW mica creek power station and associated 70-100MW expansion
- further greenfield generation developments
  - provides platform to extend vertical integration strategy through greenfield development and renewable generation projects
- potential generation privatisation
- co-generation development
  - consistent with agl's acquired generation business, well positioned to utilise retail load to support further co-generation opportunities

## generation supply requirement in QLD




source: NEMMCO 2006 Statement of Opportunities

# integration planning

| | |
|---|---|
| approach | • migrate residential customers into agl platform by 30 June 2008 without delaying phoenix programme<br>• migrate SME customers into agl platform when growth reaches maturity |
| operating costs | • TSA costs to 31 March 2008 (c.$19m p.a.)<br>• post 1 April 2008 transition to phoenix operating cost profile by 1 July 2009<br>• additional labour and associated costs for small contestable business until SME customers incorporated onto phoenix |
| integration implementation costs | • integration costs of c.$31m[1] including:<br>- transition of customers to agl systems and phoenix<br>- redundancy costs and incentive payments included in integration period<br>- rebranding and other integration costs |
| benefits from integration plan | • use of existing powerdirect systems positions agl for QLD FRC on 1 July 2007<br>• no delay to broader phoenix strategy<br>• significant reduction in operating costs per account |

note:
(1) integration costs are partly capitalised and expensed

# earnings per share

- on a reported eps basis, the transaction is dilutive largely due to P&L charges for non-cash amortisation as a result of acquisition accounting under AIFRS
- the majority of the non-cash amortisation charges are caused by the acquisition of powerdirect's 'in-the-money' hedges
  - value recognised as an intangible asset and amortised during the tenor of the hedge (largely amortised over three years)
  - upfront capitalised amount estimated at $90-100 million (at bid date)
- in addition, c.$20 million (in the near term) of annual non-cash amortisation results from the amortisation of identifiable intangible assets, such as customer relationships
- integration and redundancy expenses of c.$13 million are expected in the short term
- "adjusted eps" is calculated by adding back the non-recurring integration and redundancy costs and the non-cash amortisation charges as described above to reported eps[1]
- the agl directors believe that in this circumstance adjusted eps is a better measure to illustrate the underlying performance of the acquisition
- the transaction is expected to have an immaterial impact on an adjusted eps basis

note:
(1) due to the permanent tax differences, c.$20 million of amortisation is non tax deductible for accounting purposes

# funding details

| sources | ($m) | uses | ($m) |
|---|---|---|---|
| underwritten placement[1] | 882 | acquisition of powerdirect | 1,200 |
| share purchase plan | 75 | transaction expenses | 26 |
| existing facilities | 269 | | |
| **total** | **1,226** | **total** | **1,226** |

note:
(1) minimum amount raised at underwritten floor price of $15.60/share

- minimum $882 million institutional placement
- $75 million capped share purchase plan
- existing facilities available to fund debt component

# share purchase plan

- existing shareholders will be given the opportunity to acquire $5,000 worth of shares at the placement price
  - no brokerage or transaction costs
- total subscriptions under the share purchase plan to be capped at $75 million
  - if applications exceed $75 million, scale-backs will occur
- record date for participation — monday 26 february 2007
- documentation to be dispatched to shareholders in early march

# placement summary

| | |
|---|---|
| **issuer:** | AGL Energy Limited |
| **offer size:** | minimum $882 million |
| **number of shares:** | 56.55 million (15% of issued capital) |
| **dividend entitlement:** | placement shares not entitled to H1 2007 dividend of 9.5c/share |
| **bookbuild floor price:** | $15.60 per share<br>underwritten floor represents a discount of:<br>• 10% to last closing price<br>• 10% to 10 day VWAP<br>(adjusted for H1 2007 dividend of 9.5c/share) |
| **offer structure:** | 2 day bookbuild commencing today (shares will remain in trading halt until completion) |
| **joint bookrunners and underwriters:** | Goldman Sachs JB Were, JPMorgan, UBS |

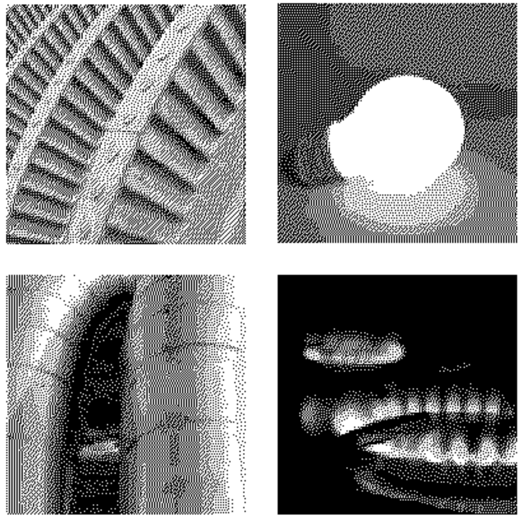
# placement timetable

| Event | Date |
|---|---|
| • investor presentation (at UBS's offices) | 10.15am, monday 19 february 2007 |
| • books open | 6.00pm, monday 19 february 2007 |
| • books close | 5.00pm, tuesday 20 february 2007 |
| • pricing and allocation notified | by 9.00am, wednesday 21 february |
| • prospectus lodged | wednesday 21 february |
| • trading resumes | wednesday 21 february |
| • DvP settlement | monday 26 february |
| • placement shares begin trading | tuesday 27 february |

# 2007 interim results

paul anthony
managing director and chief executive officer

stephen mikkelsen
chief financial officer



# period in review

- pro forma profit after tax $197.4 million
  - inaugural interim dividend 9.5cps, fully franked
- continuing improvement in retail as business re-engineering exercise continues
  - EBIT of $136.6m, up 18.3% on pcp
  - net operating cost of $96.6m, down 2.9% on pcp
  - project phoenix rollout on track and under budget
- ongoing deployment of integrated merchant portfolio delivers added flexibility and optionality
  - EBIT of $200.1m, up 108% on pcp
  - excellent reliability and availability of gas peaking plants
  - PNG upstream investment continues to generate strong surplus cash flows
- $55 million corporate cost initiative announced and underway
  - 60% complete
- business performance improvement across range of KPI's with reduced FTE's
- focused "four corners" strategic execution continues
  - Moranbah CSM, Bogong Hydro expansion, Sun Gas, Hallett Wind Farm & proposed QGC transactions
- post balance date
  - proposed MOE with Origin Energy, 1280MW Torrens Island Power Station including 310PJ GSA and Gas Storage facility, Powerdirect retail acquisition

# result overview – financial

| 6 months to | pro forma[1] december 2006 |
|---|---|
| Revenue | $2,224.4 m |
| EBITDA | $414.1m |
| EBIT | $327.1m |
| Finance costs[2] | $(28.1m) |
| Tax Expense[3] | $(101.6)m |
| Profit after income tax | $197.4m |
| Less: Significant Items | $(62.6m) |
| NPAT (pro forma) | $134.8m |
| | |
| Underlying basic EPS | 31.6c |
| Underlying basic EPS pre significant items | 46.2c |
| | |
| Interim dividend per share[4] | 9.5c |
| Franking % | 100 |

1. The AGL Energy Limited (AGLE) statutory result (as per ASX Appendix 4D) for the six months ended 31 December only reflect subsidiary companies in AGLE during that six month period. Not all of these subsidiaries were in AGLE for the full six month period (refer Note 13 statutory accounts per ASX Appendix 4D) as they were transitioning in at varying dates in preparation for demerger. Accordingly and where applicable pro forma (interim) numbers for the six months ended 31 December 2006 have been detailed in this presentation.
2. Finance costs are calculated by combing the actual interest expense post demerger to 31 December 2006 ($20.3 million) with the additional scheme booklet interest from 1 July to demerger (7.8 million).
3. Tax expense is calculated as 29% EBIT for all business units with the exception of PNG which is 50%.
4. The Directors have declared an interim dividend of 9.5 cents per share for the half year, franked to 9.5 cents (100%). This dividend relates to earnings of AGL Energy Limited for the period 26 October 2006 until 31 December 2006. A dividend of 25.5 cents per share was paid by the Australian Gas Light company on 23 October 2006 in respect to earnings of the Australian Gas Light Company for the period 1 July 2006 to 25 October 2006.
The record date to determine Shareholders' entitlements to the interim dividend is 9 March 2007 with payment on 22 March 2007. Shares will commence trading ex-dividend to the interim dividend on 5 March 2006.

# profit & loss[1] (excluding significant items)

| 6 months to ($m) | pro forma december 2006 $m |
|---|---|
| Revenue | 2,224.4 |
| Expenses | (1,810.3) |
| EBITDA | 414.1 |
| EBIT | |
| Retail | 136.6 |
| Merchant | 200.1 |
| Energy Investments (GasValpo, ActewAGL, AlintaAGL & Elgas) | 35.2 |
| Corporate | (44.9) |
| Total EBIT | 327.1 |
| Less: finance costs | (28.1) |
| Profit before tax | 299.0 |
| Less: Income tax expense | (101.6) |
| Net profit after tax | 197.4 |

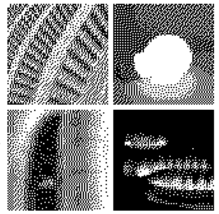
| significant items 6 months to ($m) | pro forma december 2006 |
|---|---|
| Demerger / Merger cost | 70.5 |
| Redundancy / Restructuring Cost | 6.0 |
| PNG feed costs | 6.0 |
| Significant items before tax | 89.9 |
| Less tax applicable | (26.6) |
| Significant items after tax | 62.6 |

1. AGL Energy Limited (AGLE), in conjunction with this reporting period and forward, has elected to report financial results externally as it reports and manages its business internally. Accordingly the numbers reported in this presentation are on the same basis as reported in the original scheme booklet (dated 29 August 2006) with regard transfer pricing for wholesale energy costs between the merchant energy and retail energy business units. Under these transfer pricing arrangements the benefit flowing from AGLE's gas and electricity trading activities are retained in the merchant energy business unit. The transfer pricing methodology previously adopted by The Australian Gas Light Company (i.e. old AGL) in its external profit reporting to market and as detailed in the 'management vs statutory reconciliations/commentary' in the demerger scheme booklet release presentation (29 August 2006) and in the supplementary scheme booklet (dated 21 September 2006) is now redundant.

# statutory cash flow summary

| 6 months to ($m) | december 2006 |
|---|---|
| Receipts from customers | 1,529.6 |
| Payments to suppliers | (1,438.4) |
| Dividend received | 14.4 |
| Finance income received | 5.8 |
| Finance costs paid | (31.2) |
| Income tax paid | (21.1) |
| Net cash provided by / (used in) operating activities | 59.1 |

# debt funding



| debt 31 Dec 06 | $m |
|---|---|
| AGL Energy | 1,653 |
| Other | 48 |
| Gross Borrowings | 1,701 |
| Less: Cash | (147) |
| Net Borrowings | 1,554 |

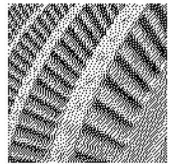
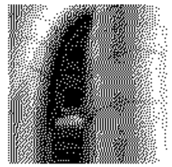
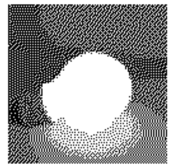
- BBB (S&P) long term rating maintained
- FFO interest cover: 5.9x [1]
- Gearing: 33.4% [2]

| facilities 31 Dec 06 | limit $m | usage $m | available $m | maturity |
|---|---|---|---|---|
| Term facilities Tranche A | 380 | 300 | 80 | Oct 07 |
| Term facilities Tranche B | 633 | 500 | 133 | Oct 09 |
| Term facilities Tranche C | 887 | 700 | 187 | Oct 11 |
| Revolving Credit Facility | 500 | 153 | 347 | Oct 09 |
| **Total debt facilities** | **2,400** | **1,653** | **747** | |
| Guarantee Facilities | 301 | 260 | 41 | Oct 09 & 11 |

1. Pro forma basis, 6 month period, assuming AGL Energy debt in place from 1 July 06
2. Net debt / net debt + equity

# retail–key financial metrics

| pro forma 6 months to $m | december 06 $m | december 05 $m | change % |
|---|---|---|---|
| Revenue | 1,697.4 | 1,714.3 | (1.0) |
| Expenses | (1,556.0) | (1,593.3) | (2.3) |
| EBITDA | 141.4 | 121.0 | 16.9 |
| D & A | (4.8) | (5.6) | - |
| EBIT | 136.6 | 115.4 | 18.4 |
| EBIT / Sales % | 8.0 | 6.7 | |


## key drivers

- Strong margin outcomes in both electricity and gas are the key driver of EBIT to Sales improvement

# retail – key performance measures

| 6 months to<br>Electricity | pro forma dec 2006 | dec 2005 | change % |
|---|---|---|---|
| Volume (GWh) | 10,422 | 10,970 | (5.0%) |
| Mass Market Accounts ('000) | 1,385 | 1,451 | (4.5%) |
| Revenue ($m) mass market (57%) and C&I (43%) | 1,009 | 1,070 | (5.8%) |
| Gross Margin | | | |
| Mass Market | 104.4 | 89.7 | 16.4% |
| Commercial & Industrial | 13.9 | 18.6 | (25.3%) |
| Total Gross Margin ($m) | 118.3 | 108.3 | 9.2% |
| Gross Margin % | 11.7% | 10.1% | |

| 6 months to<br>Gas | pro forma dec 2006 | dec 2005 | change % |
|---|---|---|---|
| Volume (PJ) | 76.9 | 70.1 | 9.7% |
| Mass Market Accounts ('000) | 1,323 | 1,340 | (1.3%) |
| Revenue ($m) mass market (71%) and C&I (29%) | 664 | 622 | 6.8% |
| Gross Margin ($m) | | | |
| Mass Market | 102.0 | 91.0 | 12.1% |
| Commercial & Industrial | 12.9 | 15.6 | (17.7%) |
| Total Gross Margin ($m) | 114.8 | 106.6 | 7.7% |
| Gross Margin % | 17.3% | 17.1% | |

# merchant – key financial metrics

| 6 months to $m | pro forma december 06 $m | december 05 $m | change % |
|---|---|---|---|
| EBITDA | | | |
| Wholesale Energy & Power Generation | 138.3 | 88.8 | 55.7 |
| GEAC | 16.5 | 6.8 | 142.6 |
| Upstream | 109.9 | 4.8 | n/a |
| EBITDA | 264.7 | 100.4 | 163.6 |
| D & A | (65.9) | (10.6) | – |
| Fair Value | 1.3 | 6.5 | – |
| EBIT | 200.1 | 96.3 | 107.8 |

**Key drivers**

- Full six month contribution from hydro
- Somerton & Hallett peakers contribution consistent with prior year
- Precipitation & weather hedges mitigating impacts of drought
- Strong GEAC contribution as market capacity tightens
- Full six month contribution from PNG oil (vs nil in pcp)

1. Includes $20.5m Hallett Wind Farm development fee

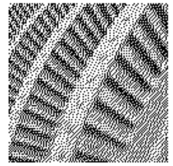
# merchant – operational

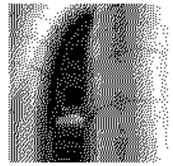
**Wholesale Energy & Power Generation**

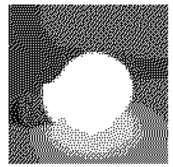
- Southern Hydro now fully integrated into portfolio
- Ongoing improvement in GEAC (Loy Yang A) contribution
- Hallett & Somerton continued to deliver excellent reliability & start capacity

**Upstream Gas**

- PNG Upstream Investment
  - Generating strong surplus cash flows
  - Assessing alternative gas commercialisations opportunities
    - no impact on carrying value of gas investment: ~$44m, no additional acquisition payments due
  - AGL equity gas interests in PNG are: 11.9% PDL2, Kutubu and 66.7% PDL4, Gobe
- Equity oil reserves and production interests unaffected by lapse of PNG Gas GSA
- Coal Seam Methane (CSM)
  - Camden production ramping up
  - SIS drilling program underway to increase production and access gas reserves
- Moranbah
  - 2P reserves upgraded to 500PJ (AGL share 250PJ) from 382 pcp
  - Expanding exploration to target additional 2P reserves of at least 700PJ (100% basis)



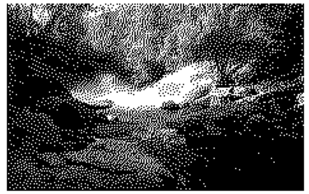


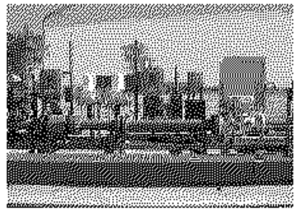


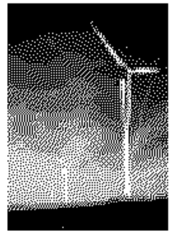
# merchant – advancing upstream strategy

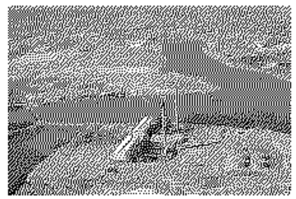
## recent transactions...

- **bogong expansion**
  - 140MW, peaking power station in Kiewa Valley
  - important addition to portfolio through fast start hydro peaking capability
  - zero emission plant – benefits under carbon constrained environment
- **hallett Wind Farm**
  - Innovative, $258m transaction for 95MW, 45 turbine Hallett Wind Farm
  - AGL retains all renewable, electricity output and asset naming rights
  - to provide around ~24% of AGL's future renewable Energy Certificates (RECs)
- **proposed Torrens Island Power Station**
  - additional 1,280MW clean-burn gas fired generation added to portfolio
  - delivers 10 year, ~310PJ associated GSA with material portfolio optionality
  - delivers Gas Storage capability via WUGS facility in Victoria
- **proposed QGC transaction**
  - initially delivers 27.5% ownership for cash outlay of $292m
  - AGL secures 540PJ, 20 year GSA with additional 200PJ option
  - existing QGC shareholders share in ongoing growth with AGL expertise
  - ACCC approved transaction

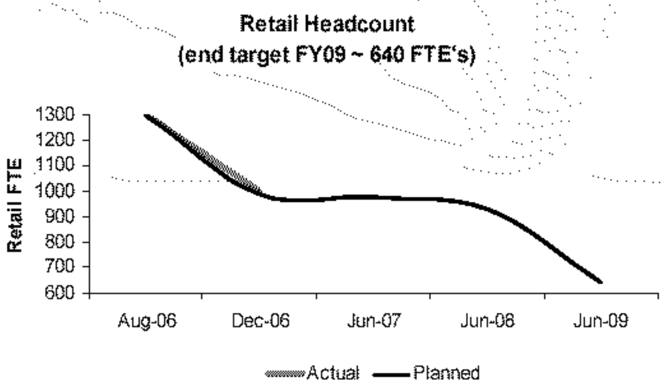




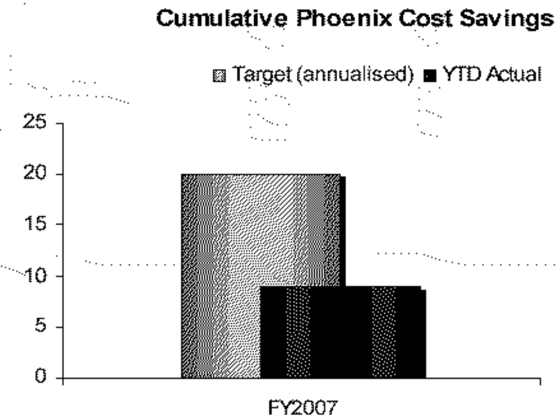




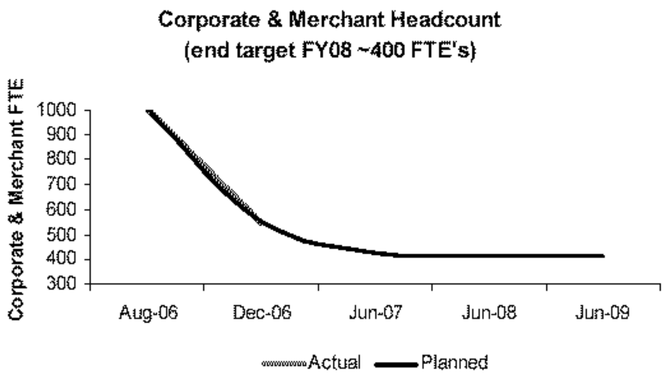
# driving business efficiency



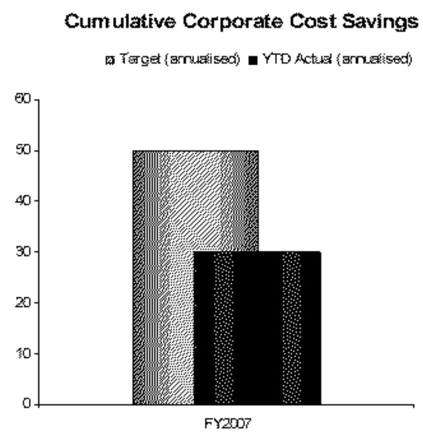

- Business re-engineering exercise nearing completion & delivering planned improvements in operational efficiency and effectiveness across the entire business:




• Project Phoenix delivering savings as planned, ~$9m year to date



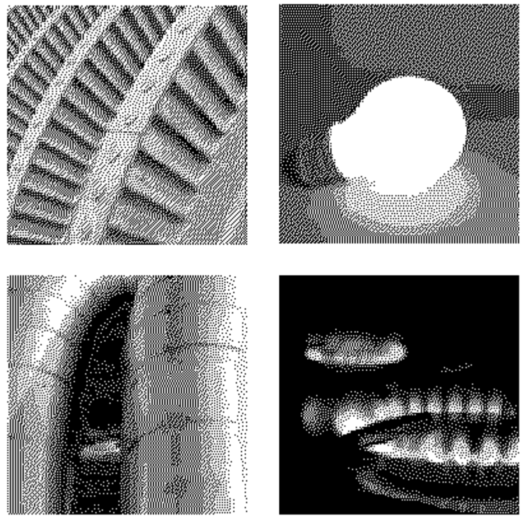

- 5.4% reduction in LTIFR (long term injury frequency rate)
- 70% reduction in billing backlogs (Feb 06 v Dec 06)
- 54% reduction in electricity account transfers
- 42% improvement in handling time of customer requests on back of 53% increase in volumes
- Generation portfolio start reliability & availability continue to perform well



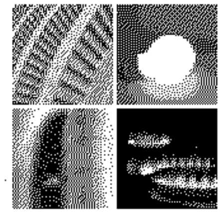

• Corporate Cost program delivering savings as planned, ~$30m year to date

head count reduction and corporate cost program ongoing
business delivering improved efficiency & effectiveness with reduced FTE's

# supplementary information



# balance sheet



| | as at 31 Dec 2006 $m |
|---|---|
| Current Assets | 1386.7 |
| PPE and Oil and gas Assets | 1686.2 |
| Other Non Current Assets | 2967.7 |
| **Total Assets** | 6040.6 |
| Current Liabilities | 927.3 |
| Total Debt | 1700.4 |
| Other Non Current Liabilities | 277.6 |
| **Total Liabilities** | 2905.3 |
| **Net Assets** | 3135.3 |
| Contributed Equity | 2924.0 |
| Reserves | 46.9 |
| Retained Earnings | 164.4 |
| **Total Equity** | 3135.3 |

# capex

| pro forma<br>6 months to 30 December 2006 ($m) | SIB | discretionary | total |
|---|---|---|---|
| Merchant Energy | 4.2 | 200.4[1] | 204.6 |
| Retail Energy | 0.1 | 25.3[2] | 25.4 |
| Corporate Other | 3.6 | 29.1[2] | 31.7 |
| Total | 7.9 | 254.8 | 262.7 |

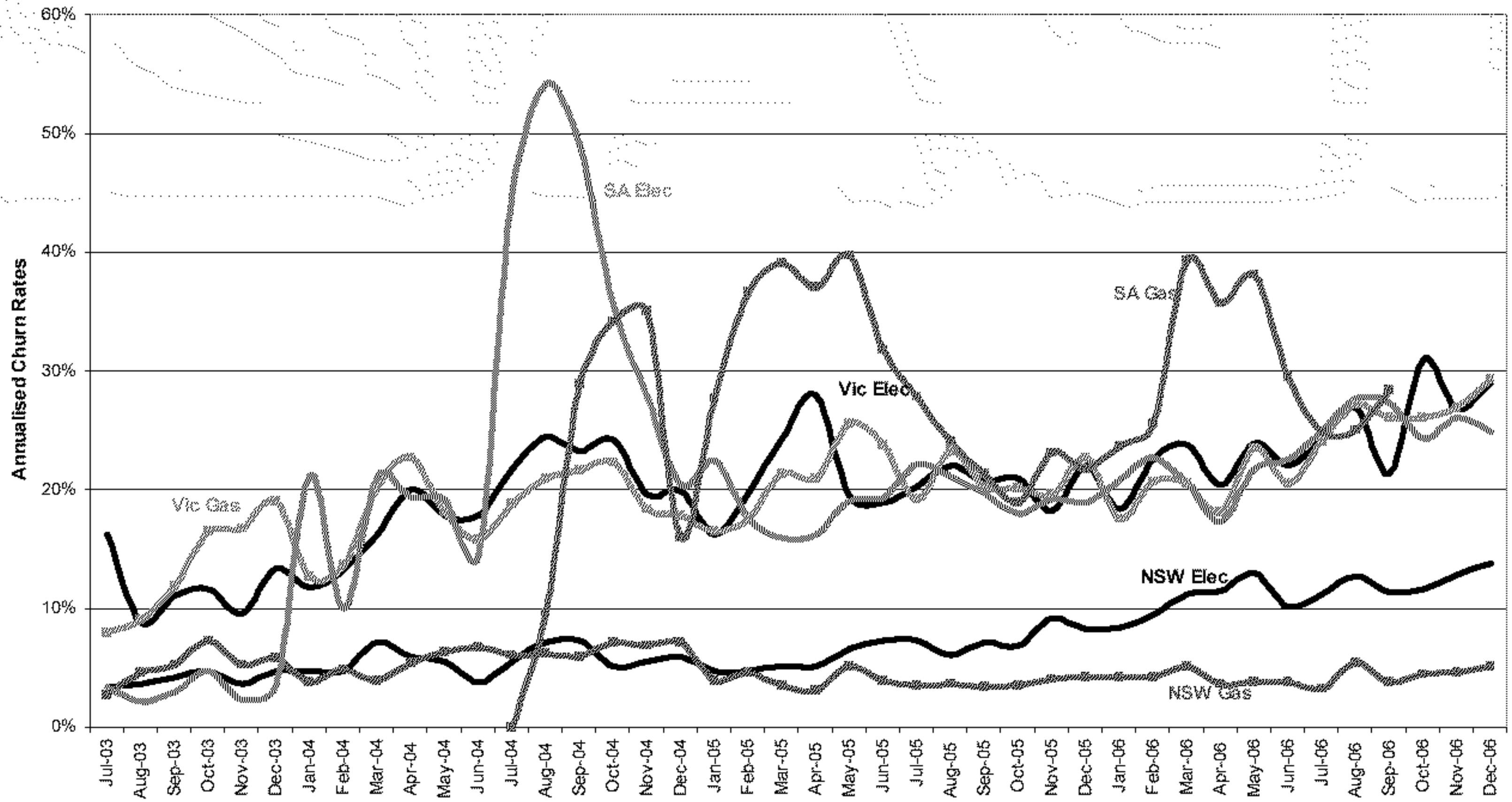
1 Moranbah $101m, Bogong $20m, Hallett $28m & PNG $37m
2 Spencer Street relocation (Melb) and Phoenix costs

# retail – market share

(6 months to Dec 2006)

| | | Gas | Electricity | Dual Fuel | Market Share | Product/ customer |
|---|---|---|---|---|---|---|
| Victoria | Customer accounts | **-17,762** to 492,980 | **-31,900** to 673,512 | **-9,590** to 733,296 | **29%** (Jun 06: 30%) | **1.46** (Jun 06: 1.44) |
| | Market churn rate | **26.8%** (Jun 06: 22.1%) | **26.1%** (Jun 06: 24.2%) | | | |
| South Australia | Customer accounts | **+7,270** to 60,045 | **-31,956** to 502,228 | **+13,738** to 107,558 | **50%** (Jun 06: 52%) | **1.11** (Jun 06: 1.09) |
| | Market churn rate* | **26.2%** (Jun 06: 27.5%) | **25.6%** (Jun 06: 20.9%) | | | |
| New South Wales | Customer accounts | **-4,970** to 769,791 | **+20,142** to 208,907 | **+13,220** to 273,150 | **24%** (Jun 06: 24%) | **1.16** (Jun 06: 1.16) |
| | Market churn rate | **4.2%** (Jun 06: 4.1%) | **12.0%** (Jun 06: 9.5%) | | | |
| | **Total accounts (Net)** | **-15,462** to 1,322,816 | **-43,714** to 1,384,647 | **+17,368** to 1,114,004 | **29%** (Jun 06: 30%) | **1.26** (Jun 06: 1.25) |

# retail – intensely competitive market

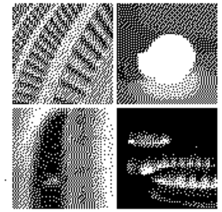



Source:
NEMMCO, VENCORP and ESCOSA estimates. SA Gas and Electricity churns include customer retentions. All other state churns for electricity and gas exclude retentions

# retail – electricity sales volume (GWh)

| 6 months to | december 06 | december 05 |
|---|---|---|
| Mass Market (GWh) | | |
| VIC | 2,174 | 2,389 |
| SA | 1,178 | 1,974 |
| NSW | 794 | 549 |
| Total | 4,686 | 4,913 |
| C & I (GWh) | | |
| VIC | 2,308 | 2,365 |
| SA | 1,306 | 1,506 |
| NSW | 1,797 | 1,875 |
| QLD | 324 | 311 |
| Total | 5,736 | 6,057 |

# retail – gas sales volume (PJ)

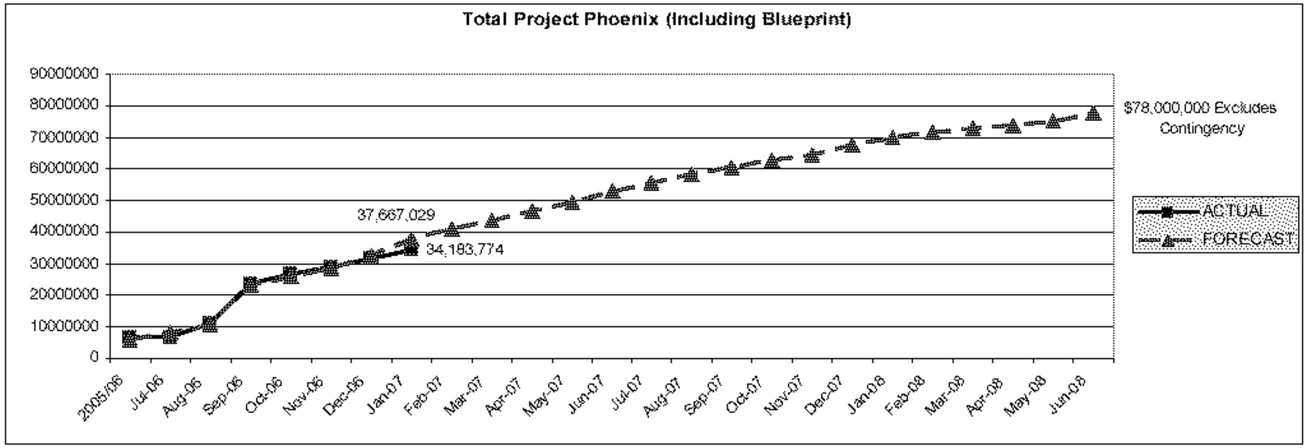


| 6 months to | december 06 | december 05 |
|---|---|---|
| Mass Market (GWh) | | |
| VIC | 18.9 | 19.0 |
| SA | 0.8 | 0.6 |
| NSW | 14.6 | 14.5 |
| | 34.2 | 34.1 |
| C & I (GWh) | | |
| VIC | 13.8 | 14.1 |
| SA | 3.6 | 3.1 |
| NSW | 25.3 | 18.8 |
| | 42.7 | 36.0 |
| **Total** | **76.9** | **70.1** |

# ongoing system efficiencies

## project phoenix…

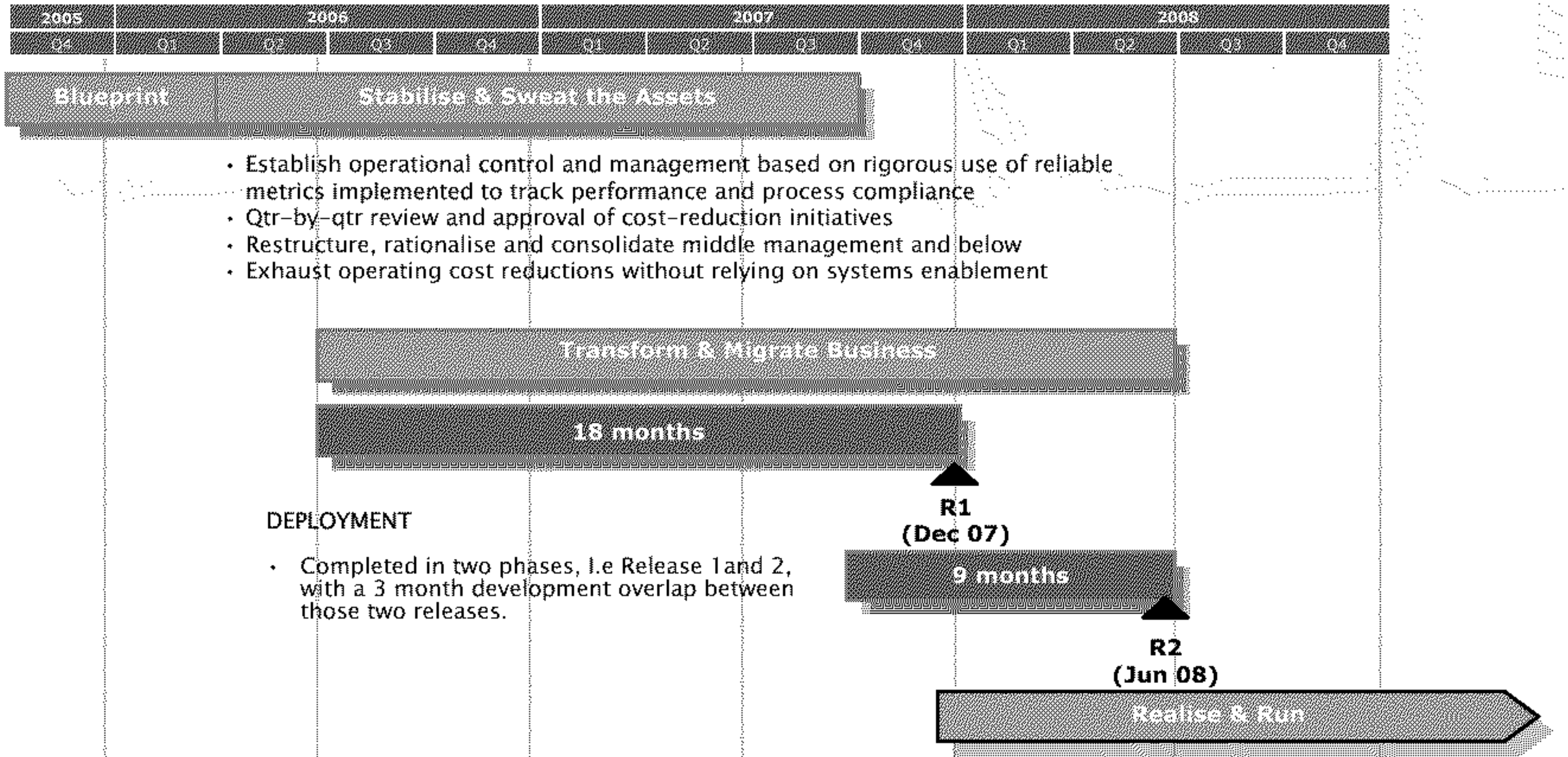
- **realise full synergy benefits:** consolidate disparate operations, functions and management layers
- **drive out operating costs:** reengineer and increase process automation across sales and customer contact, billing, collections and market processes (e.g. transfers)
- **reduce IT complexity and cost:** systematic replacement of seven (7) legacy systems with one (1) enterprise-wide platform
- **create the basis for differentiation:** target high-value customers and improve service delivery through greater customer insight and single view of the customer




- estimated to be 43% through the retail billing solution implementation with spend ~$3m below forecast
- detailed design and build phase largely complete, now focused on testing, system deployment, and change enablement.
- full program costs to be ~$90m incurred over 2007 and 2008 financial years

**Phoenix delivers AGL a single, scaleable customer billing & management platform and unassailable market leading cost to serve**

# retail – phoenix schedule



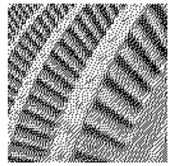

- Establish operational control and management based on rigorous use of reliable metrics implemented to track performance and process compliance
- Qtr-by-qtr review and approval of cost-reduction initiatives
- Restructure, rationalise and consolidate middle management and below
- Exhaust operating cost reductions without relying on systems enablement

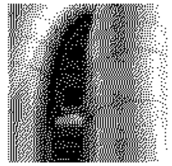
DEPLOYMENT

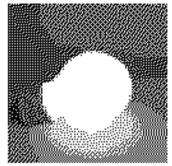
- Completed in two phases, I.e Release 1and 2, with a 3 month development overlap between those two releases.

FULLY REALISE TRANSFORMATION BENEFITS

- Retire legacy applications / reduce IT operating costs
- Realise further cost savings in the business through continuous improvement initiatives







# merchant - ebitda

| 6 months to ($m) | december 06 | december 05 | Change % |
|---|---|---|---|
| Wholesale Energy and Power Generation | | | |
| Wholesale Electricity | 38.2 | 45.9 | (16.8) |
| Generation Assets[1] | 37.5 | 17.9 | 110.7 |
| Hydro | 26.5 | 1.8 | n/a |
| GEAC | 16.5 | 6.8 | 142.6 |
| Wholesale Gas | 33.6 | 25.1 | 33.9 |
| Energy Services | 5.4 | 3.6 | 50.0 |
| Sundry | (2.9) | (5.4) | (46.3) |
| Upstream Gas | | | |
| PNG | 100.7 | - | n/a |
| CSM | 6.1 | 0.6 | n/a |
| HC Extractions | 4.0 | 5.1 | (21.6) |
| Gas Dev HO | (0.9) | (0.9) | n/a |
| EBITDA | 264.7 | 100.4 | 163.6 |
| D & A | (65.9) | (10.6) | |
| Fair value | 1.3 | 6.5 | |
| EBIT | 200.1 | 96.3 | 107.8 |

1 includes $20.5m Hallett Wind Farm development fee

# merchant - wholesale electricity metrics

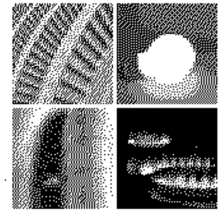
| 6 months to (GWh) | december 06 | december 05 |
|---|---|---|
| Volumes Sold (to Retail Energy) | | |
| VIC | 4,482 | 4,754 |
| NSW | 2,590 | 2,423 |
| SA | 3,025 | 3,480 |
| QLD | 324 | 311 |
| Total sold volumes (exc. ACTEW) | 10,422 | 10,970 |
| | | |
| Purchased Volume - ACTEW | 1,202 | 1,257 |

# merchant – wholesale electricity generation volumes

| 6 months to | december 06 | december 05[1] |
|---|---|---|
| Generation Volumes (GWh) | | |
| Hallett | 21 | 6 |
| Somerton | 23 | 3 |
| Kiewa Scheme | 38 | 229 |
| Dartmouth scheme | 438 | 17 |
| Eildon | 30 | 28 |
| Rubicon | 14 | 31 |
| NSW Scheme | 59 | 53 |
| Total weighted average | 623 | 367 |

1. Pro forma comparative

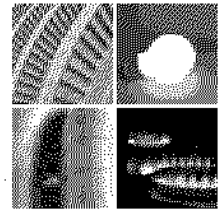
# merchant - wholesale electricity generation prices



| 6 months to | december 06 | december 05[1] |
|---|---|---|
| Generation Prices ($/MW hr) | | |
| Hallett | 159 | 295 |
| Somerton | 137 | 283 |
| Kiewa Scheme | 109 | 50 |
| Dartmouth scheme | 34 | 183 |
| Eildon | 40 | 107 |
| Rubicon | 34 | 28 |
| NSW Scheme | 29 | 41 |
| Total weighted average | 47 | 64 |

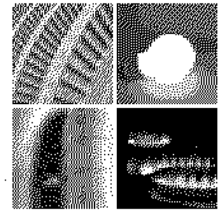
1. Pro-forma comparative

# merchant – wholesale gas metrics



| 6 months to (GWh) | december 06 | december 05 |
|---|---|---|
| Volumes Sold (PJ) | | |
| Vic | 32.7 | 33.0 |
| NSW | 39.8 | 38.6 |
| QLD | 4.4 | 3.7 |
| Wholesale customers | 18.1 | 23.0 |
| Total volumes | 95.0 | 98.3 |
| Degree Days | | |
| Vic | 716 | 619 |
| NSW | 306 | 297 |
| QLD | 549 | 552 |

# merchant - png metrics



| 6 months to | december 06 |
|---|---|
| Liftings (kbbl) | 1,403 |
| Production (kbbl) | 1,235 |
| Inventory (kbbl) | 19 |
| Post - hedge price US$ / bbl | 69.26 |
| | |
| Production Cost (A$ / bbl) | |
| Operating (cash) expenses | 14.74 |
| D & A | 31.43 |
| Exchange rate (EBIT YTD) | 0.76 |
| Effective tax rate | 55.0% |

- Production and liftings negatively affected by:
  - 3-week shutdown of Kumul marine terminal in August
  - Shutdown of Gobe high pressure gas compressor over most of December quarter

# disclaimer

THIS IS NOT A PROSPECTUS – IMPORTANT INFORMATION

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The final Prospectus is expected to be lodged with the ASIC on or about 21 February 2007. You should consider the final Prospectus before deciding whether to acquire Shares. Anyone who wishes to acquire the Shares will need to complete the application form that will be in, or will accompany, the final Prospectus.

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