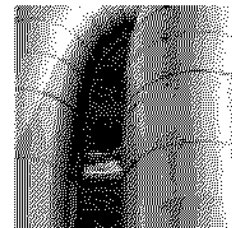
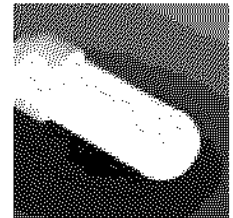
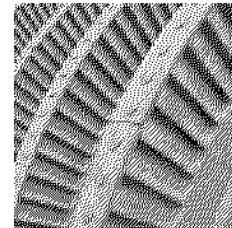


agl energy

positioned for growth in a low
carbon environment

paul anthony, managing director & ceo



ubs
energy & utilities conference
july 2007



disclaimer

the information in this presentation:

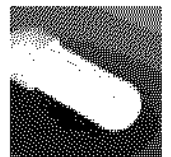
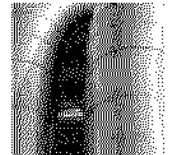
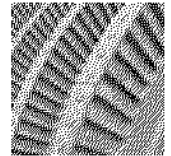
- is not an offer or recommendation to purchase or subscribe for securities in agl energy limited or to retain any securities currently held
- does not take into account the potential and current individual investment objectives or the financial situation of investors
- was prepared with due care and 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.

agl energy

growing from a position of strength

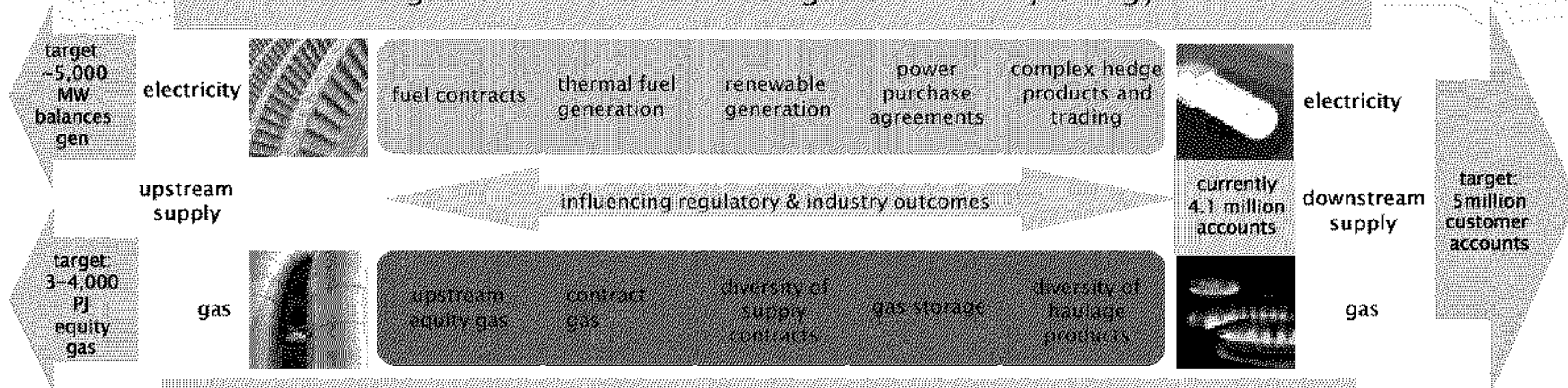
- ◆ Australia's largest retailer of gas & electricity;
 - ~4.1m customer accounts across NSW, Victoria, South Australia, Queensland & Western Australia (includes 100% of JV's)
 - ~1.3m dual-fuel customer accounts
 - Leading private owner of renewable assets in Australia
 - 170 years of operational experience in the Australian energy market
- ◆ Diversified upstream generation & gas portfolio delivering natural hedge to retail customer base;
 - ~3,300MW of equity generation (~7,100MW including 100% of JVs)
 - Largest procurer of gas in Australia (~240PJ/yr) supported by ~4,200PJ of equity & contract gas with considerable depth & flexibility
- ◆ Comprehensive suite of *identified*, clean technology growth opportunities
 - ~2,400MW of renewable and clean burn gas generation projects under review
- ◆ S&P/ASX 50 company with market capitalisation of ~AUS\$7 billion & BBB investment grade credit rating (Standard & Poor's)
- ◆ Leading the field in energy market consolidation & integration



the integrated strategy

the 'four corners-big goal' approach

hunters & gatherers of value across gas & electricity energy chains

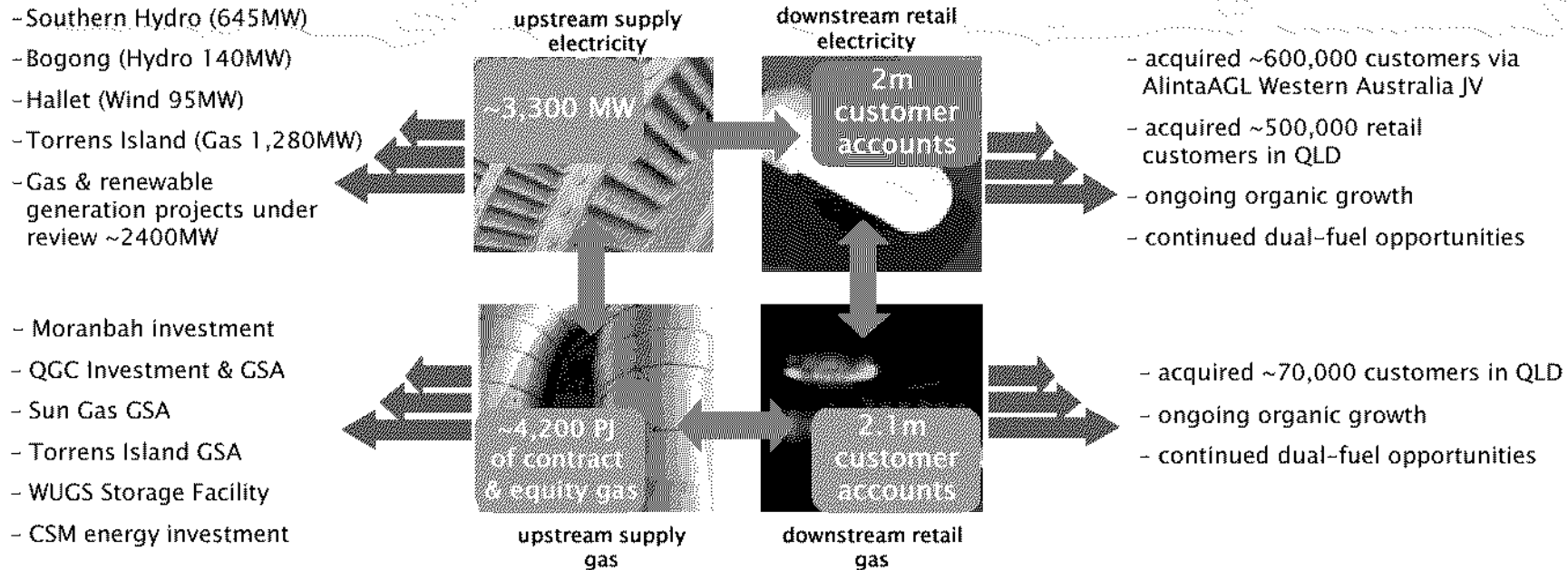


growth platform & skills to succeed across gas & electricity energy chains

- ❖ driving consolidation in a fragmented market
- ❖ exploiting first mover advantage - 'win end game' to deliver ongoing, sustainable returns
- ❖ deeper participation in profit pools of appreciating commodities - gas & electricity
- ❖ full integration across dual electricity & gas supply chains to mitigate against commodity price traps, enhance robustness of earnings, add optionality & extract value from supply chain links
- ❖ portfolio structured to benefit under a carbon constrained environment

the integrated strategy

12 months of deploying the 'four corners' approach

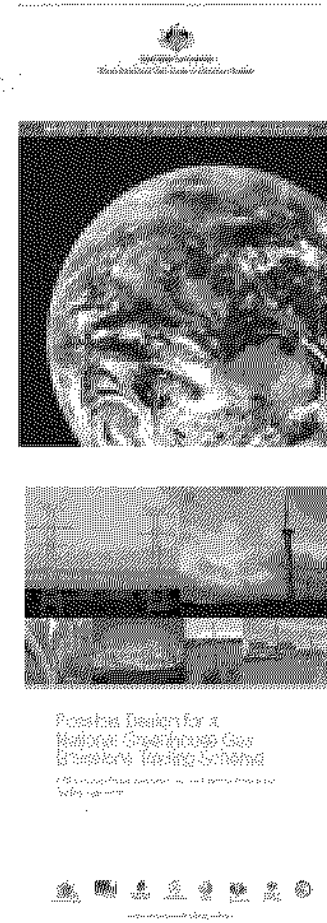


driving strategic development, ~60% decrease in FTE's & targeting ~\$115m in sustainable, ongoing savings from 2009 onwards

emissions trading

agl positioned to benefit in low carbon environment

- ◆ two proposals for an emissions trading scheme currently being considered by government
 - Commonwealth Emissions Trading Task Group
 - States' National Emissions Trading Task Force (NETTS)
- ◆ both propose a 'cap & trade' scheme
- ◆ both proposals are similar
 - emissions from gas and electricity to be included
 - start dates of early next decade (2010 or 2011)
 - firm targets set for first few years of the schemes with target 'gateways' (maximum & minimum) set afterwards
 - permits would be allocated to existing generators and energy intensive industries to compensate for disproportionate loss of asset value ('grandfathering')
 - remaining permits would be auctioned
 - permits will be tradeable

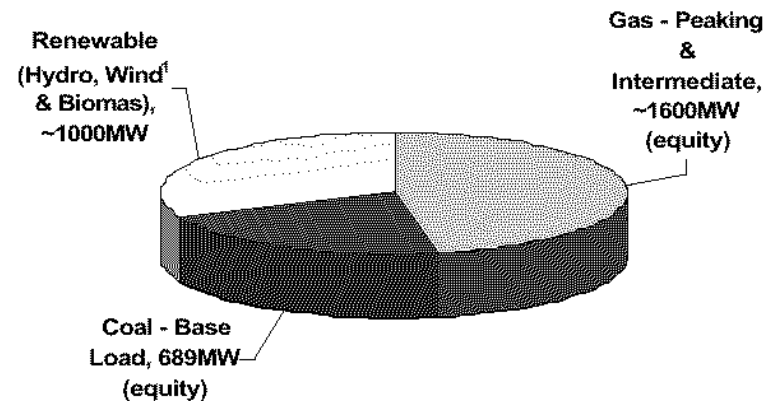


emissions trading

positioning agl to benefit from carbon abatement

- ❖ Integrators (generation & retail) need to manage carbon impost by purchase of permits or build physical hedge (own renewable generation)
- ❖ Wholesale electricity prices will fully reflect increased cost of carbon pricing
- ❖ Portfolios with the highest renewable content will benefit most
- ❖ agl holds the superior market position in a carbon constrained environment

AGL Current Generation Portfolio



emissions trading

positioning agl to benefit from carbon abatement

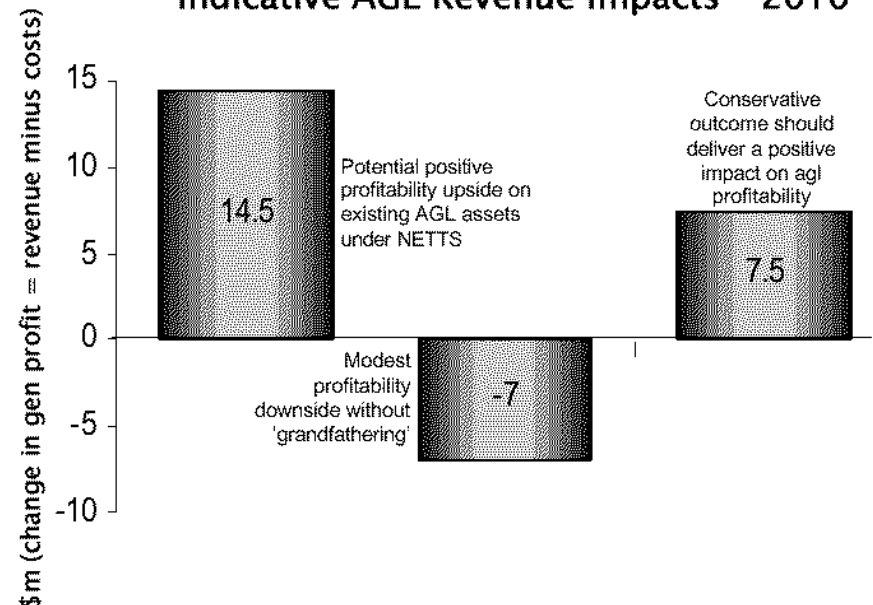
- AGL as an integrated retailer with growing renewable assets benefits from lower production costs than carbon weighted pool price and mitigates the cost of purchasing permits
- AGL is securing first mover advantage & deepening its knowledge base by entering CCX



Chicago Climate Exchange

- AGL has the leading generation portfolio to benefit from carbon abatement

Emissions Trading
Indicative AGL Revenue Impacts - 2010

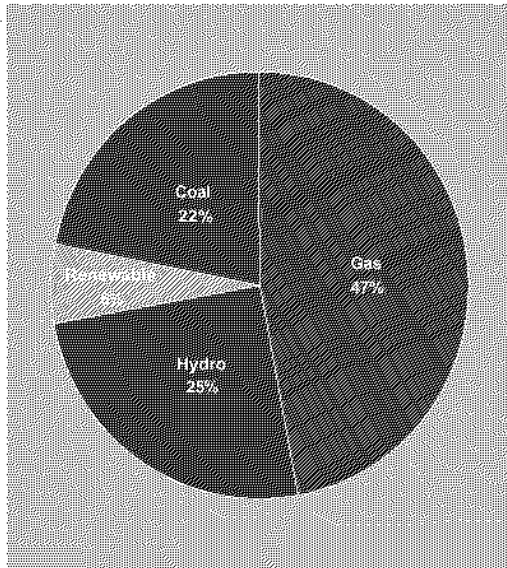


Note - above analysis based on conservative carbon costs ~\$15/tc (NETTS), anything above this further enhances margin to AGL

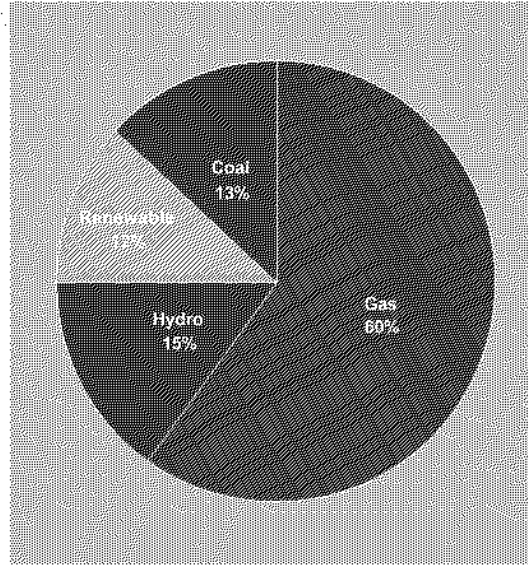
building carbon effective generation

a leading renewable position

Current generation ~ 3,300MW¹



Potential generation post development projects ~ 5,700²



Post Development Projects

~60% of generation clean-burn, gas-fired

~27% of generation renewables and hydro

both the current & potential agl generation portfolios are well structured to deliver ongoing benefits in a carbon constrained environment

¹ Equity generation including off-take agreements and plant under construction

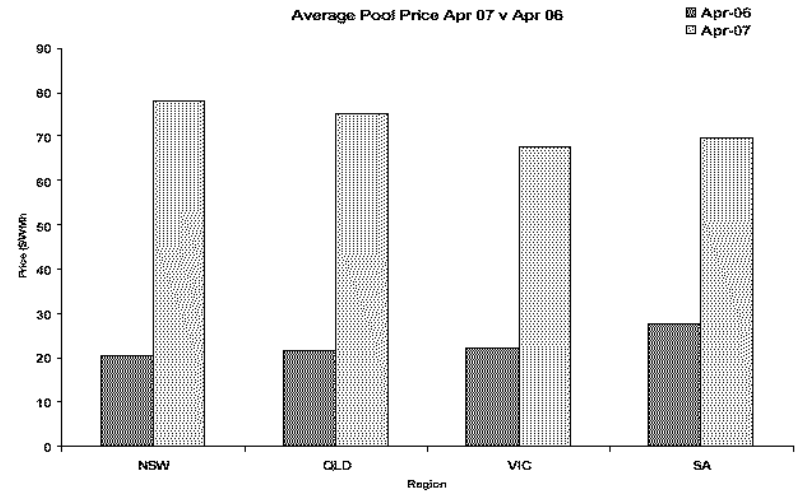
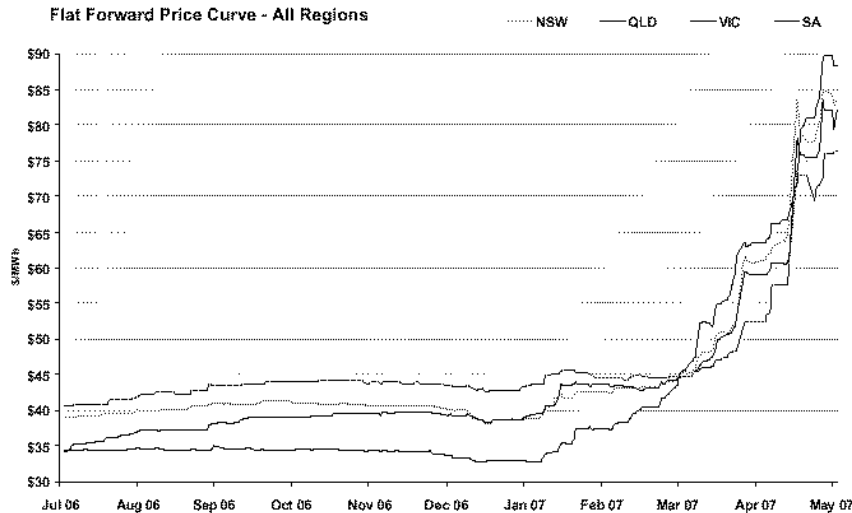
² Generation including off-take agreements, plant under construction, 100% of JV's & development projects

wholesale price volatility

an energy constrained market

NEM driven predominantly by energy constraints past 12 weeks

- ◆ Pre drought characterised by (seasonal) capacity constraints
 - market separation & pricing events
- ◆ Recently (early Apr to early Jun) characterised by high average prices & low volatility
 - markets not separating



effective management of market supply/demand cycles requires a robust business model with a balance of equity generation & hedge positions

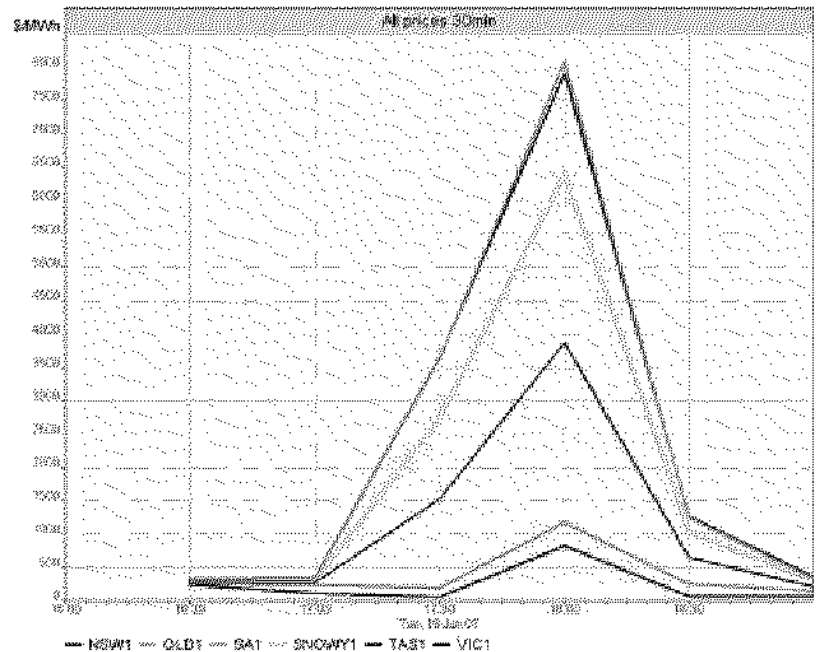
wholesale price volatility

an energy & capacity constrained market

NEM showing signs of both energy & capacity constraints past fortnight

- ◆ market separation now occurring
 - price volatility between NEM states
 - capacity constraints evident between northern & southern NEM
- ◆ driven by extreme cold weather driving increased demand
 - NSW May ~11,000MW max demand
 - NSW June ~13,200MW max demand
- ◆ average NSW June pool prices highest ever for any state in any month in NEM history
- ◆ average NSW June underlying pool prices (<\$300) highest ever for any state in any month in NEM history

NEM inter-regional price separation examples



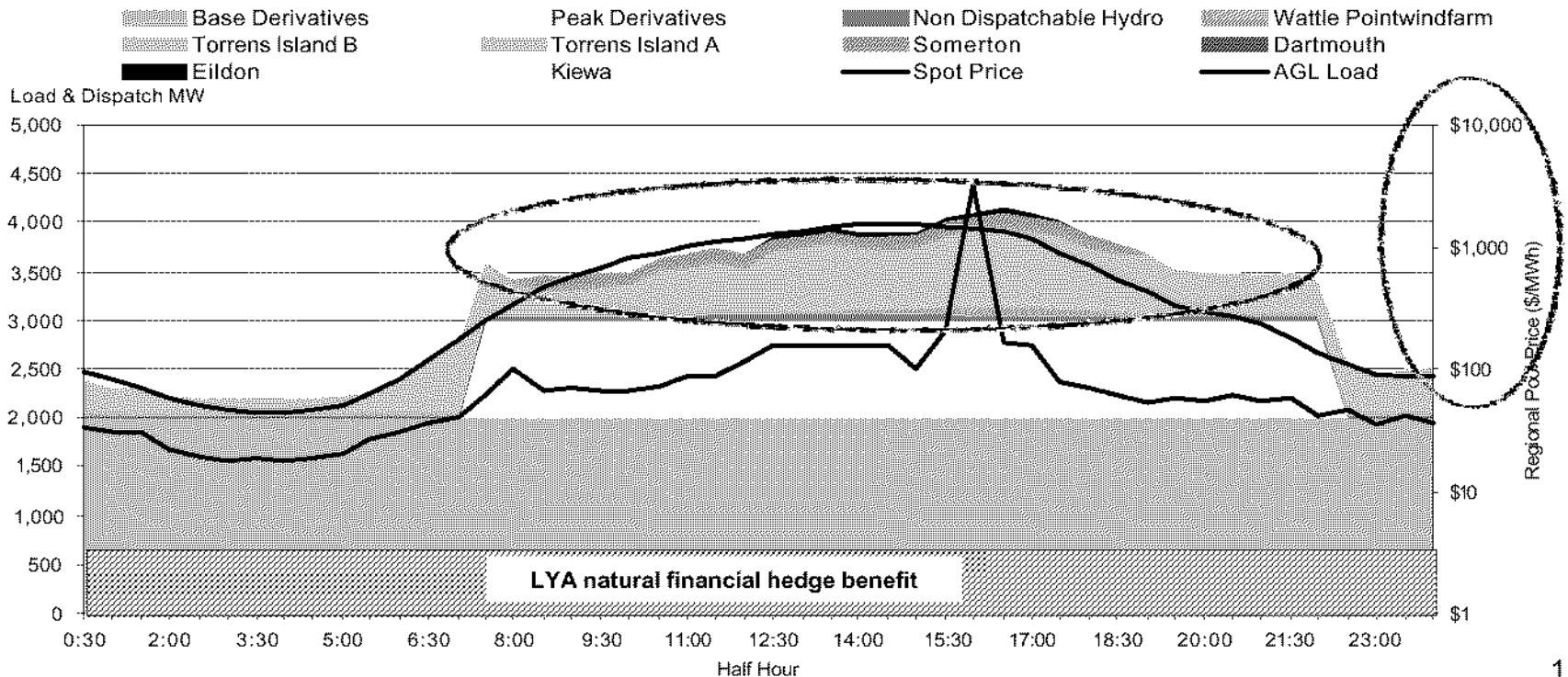
Settlement prices (early evening peak demand period) -19 Jun 07

delivering the natural hedge

agl's ability to cover basis risk

- ◆ Physical / owned intermediate & peak generation cover extreme price risk periods
 - ~30% of AGL load occurs peak pricing periods & represents ~40% of COGS
- ◆ Equity investment in Loy Yang A provides natural financial hedge for base load

Indicative AGL load 11 January 2007 & overlaying TIPS integration / portfolio benefits
 (includes current actual / drought constrained hydro capacity)

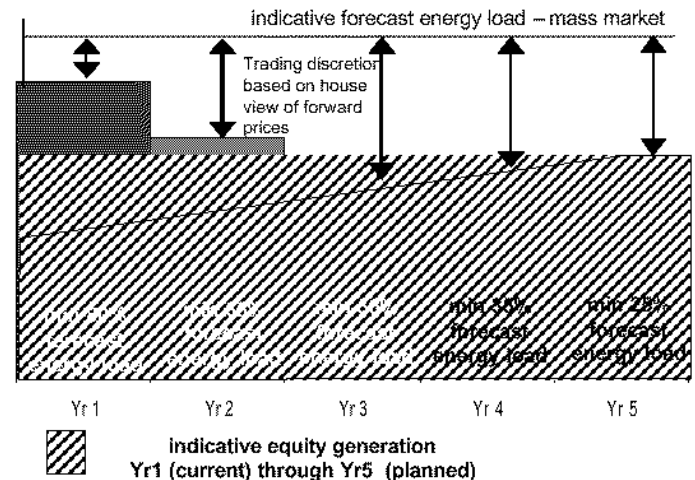
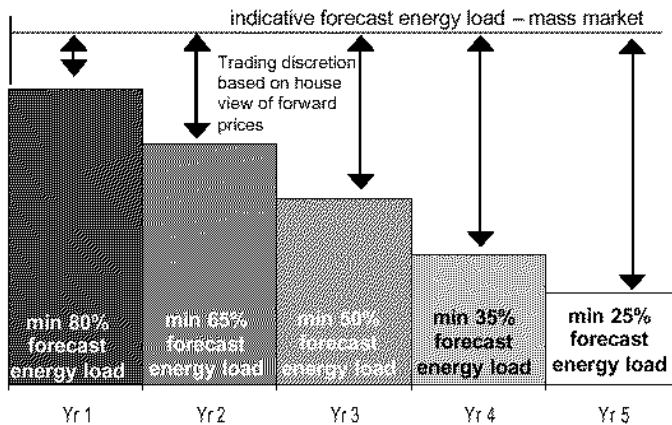


agl's prudent hedging policy

risk mitigation & profit maximisation

- ◆ purchase of TIPS adds !80% energy increase & 63% capacity increase to portfolio
 - ◆ reduces exposure to extreme price events & reduces need to purchase expensive derivative products
- ◆ wholesale energy economic (profit at risk) risk limits
- ◆ clearly defined & approved commodity & transaction limits
- ◆ counter party credit limit tier allocation

Minimum mass-market rolling (volumetric) hedging policy (physical & derivative)



agl forecast energy load substantially covered (by physical & contract) for FY08

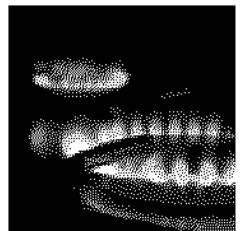
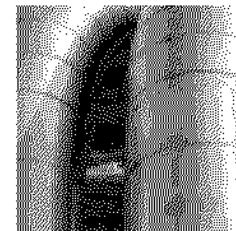
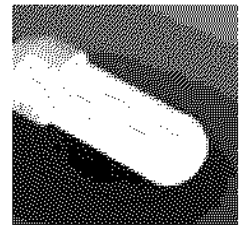
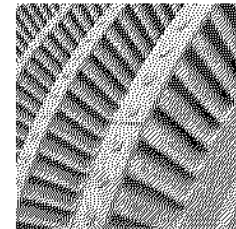
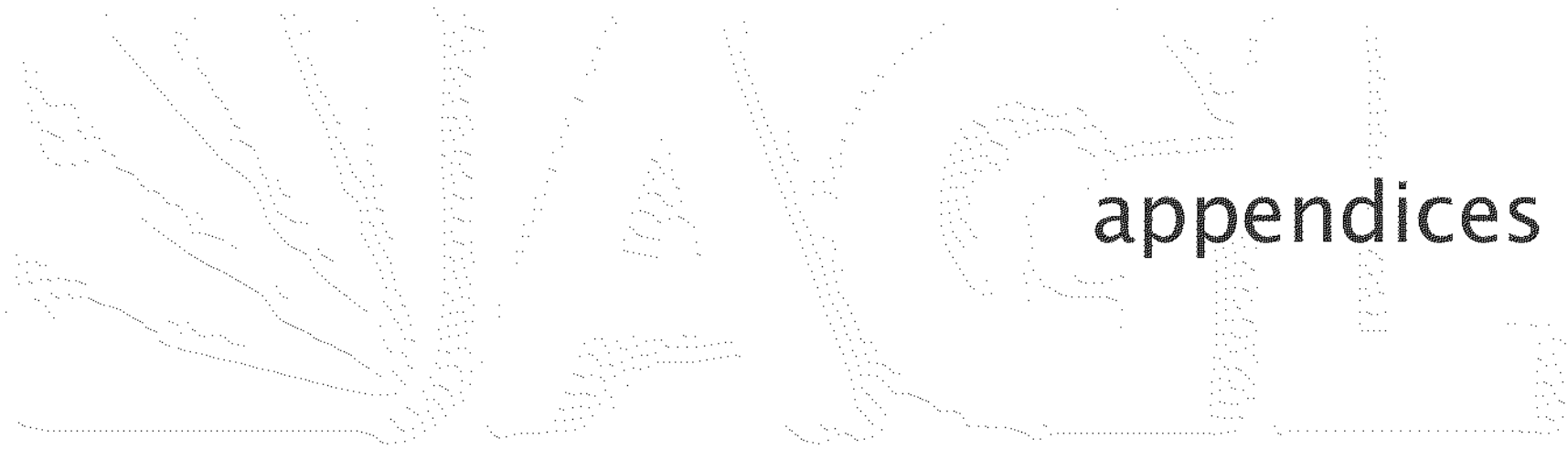
in summary

clearly defined, 'four corners' integrated strategy

- driving consolidation in a fragmented market to deliver first mover advantage, win “end-game”
- identified, ‘locked in’ growth opportunities supporting the ‘four corners’ strategy
- existing, diverse portfolio of renewable and clean burn gas generation assets are well positioned to deliver additional profitability under an emission trading environment
- over 2,000 MW of generation development projects under review, also consistent with delivering increased profitability under an emissions trading environment
- prudent strategy and hedging policy to mitigate extreme market demand/supply cycles

on track to deliver scheme booklet FY07 net profit of ~\$321 million

appendices



growth projects – status

suite of renewable & clean burn gas generation

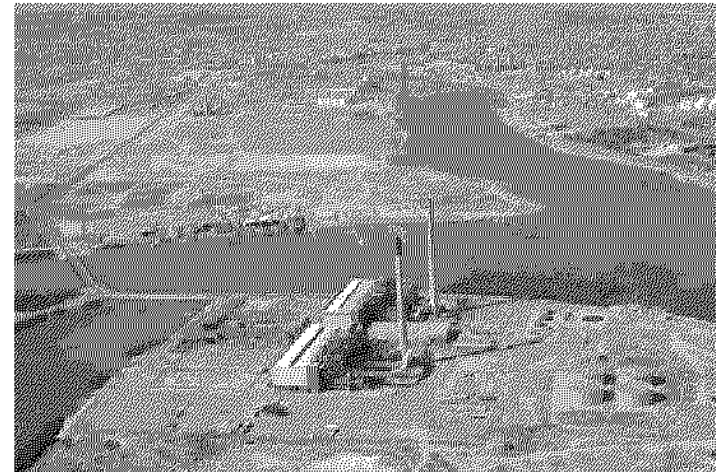
Generation	95MW Hallett wind :	Ahead of schedule & on budget, due for completion 1H08
	140MW Bogong hydro:	Ahead of schedule & on budget, due for completion 2H09
	380MW Townsville gas :	Option over site, currently negotiating off-take agreements
	70–100MW Mica Creek expansion gas :	AGL/CS Energy negotiating with off-take customers. Mica Creek redevelopment feasibility studies underway
	330MW Macarthur wind :	Project feasibility currently under review vs other development options
	300MW Leafs Gully gas:	Option over site, development application submitted
	71 MW Hallett Hill wind:	Development options acquired, final investment decision due 2008

building the natural hedge

upstream generation

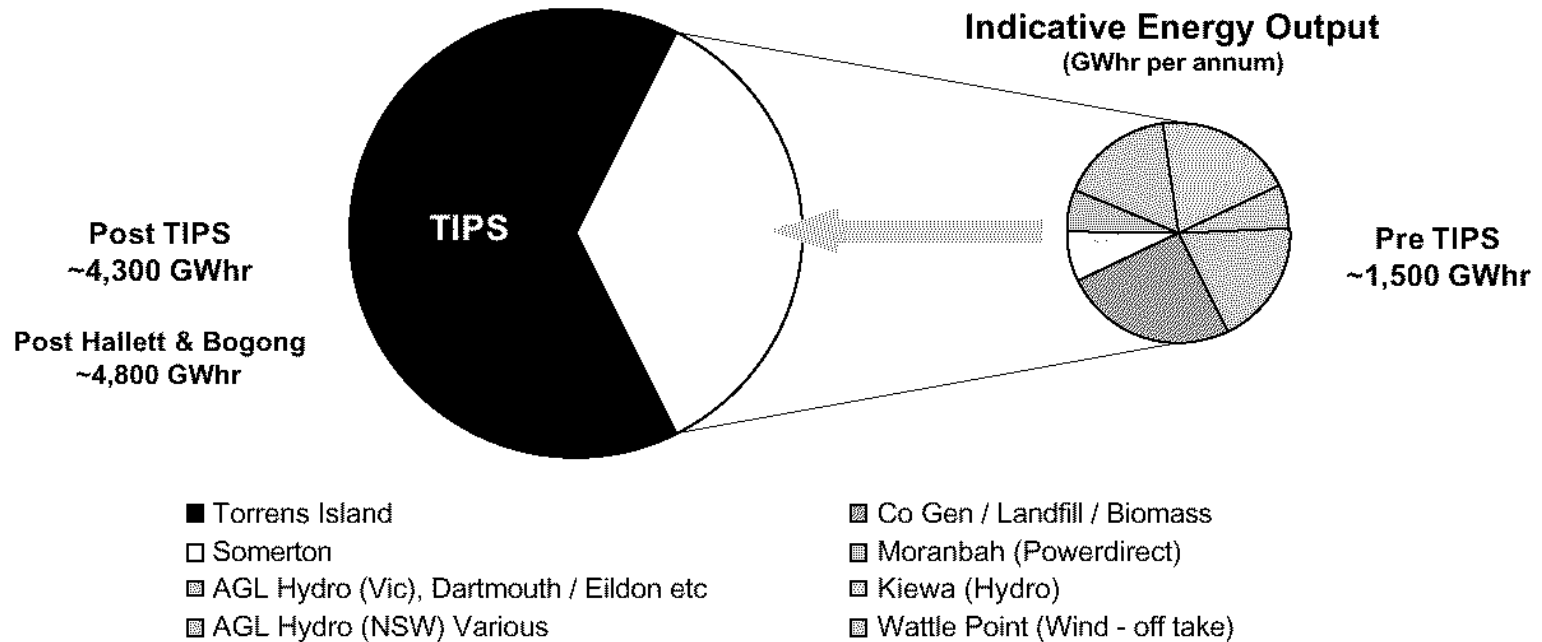
100% of torrens island power station (tips)

- ◆ acquiring 1,280MW TIPS (Sth Australia) gas fired peaking & intermediate power station for \$417m
 - transaction close date 2 July 07
- ◆ delivers immediate natural hedge between upstream generation and downstream (customer) load
- ◆ excellent remaining operating life of 25 years
 - verified by independent engineering consultant
- ◆ provides gas storage capabilities via WUGS (Port Campbell, Vic) together with 10 year, ~300PJ GSA with flexible contract terms
 - gsa, haulage contract & storage facility deliver added optionality to agl across both gas & electricity portfolio's
- ◆ ACCC clearance received



tips energy & capacity benefits

Delivers ~180%⁽¹⁾ increase in energy and ~63% increase in capacity to the AGL generation portfolio



1. ~160% net of drought impacted hydro

tips

transaction economics

disciplined, creative transactions deliver value accretion

