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Energy in action.®



# ASX statement

**17 March 2010**

Attached is a presentation made by Michael Fraser CEO during an international roadshow, including the Citigroup conference in London.

Paul McWilliams
Company Secretary

# AGL Energy Limited

## International Roadshow

*Renewable growth*

Michael Fraser, Managing Director & CEO

**International Roadshow**

March 2010

# 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 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.

# Agenda

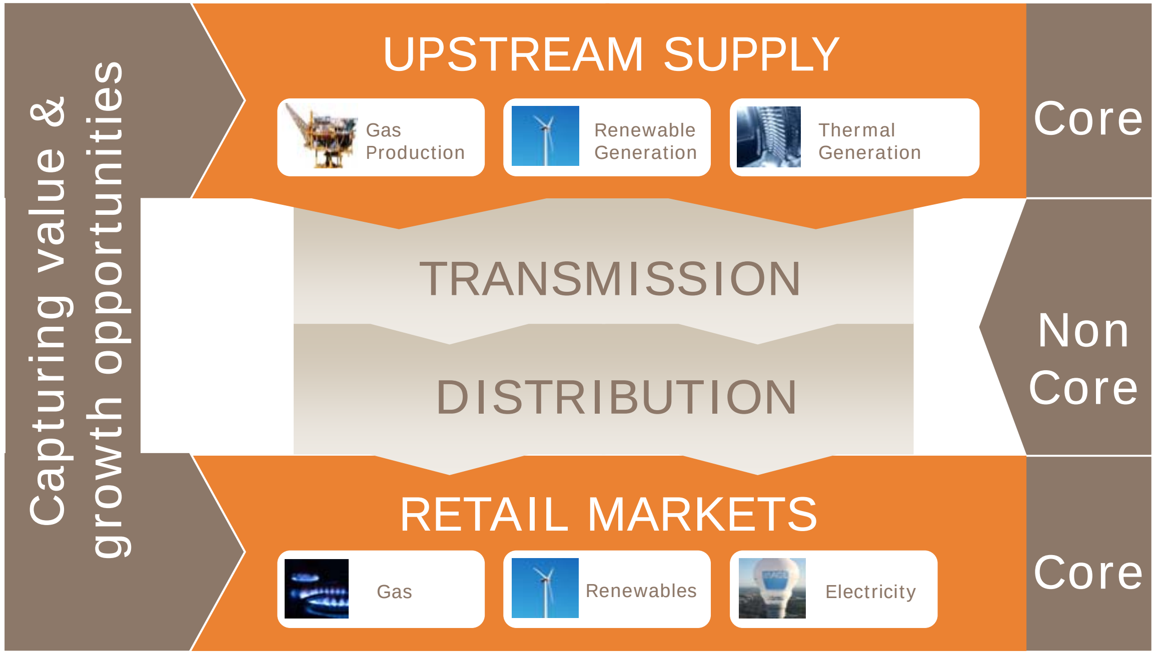
- Introduction
- 2010 Interim Result
- Renewable Energy Target – Proposed changes
- Commitment to Hallett 5 / Macarthur wind farms
- Loy Yang Power / Alcoa Australia contract
- NSW Privatisation
- Outlook

# AGL's Integrated Strategy

## Managing risk and delivering superior stable returns

### Upstream Gas:

- Targeting ownership of ~2,000 PJ (2P)
- Essentially CSG strategy
- Measured acquisition of gas vs. EPS impacts
- Will continue to contract if achieves superior outcome




### Market Leadership:

- Focus on managing and growing margins
- Leveraging upstream strategy & achieving retail economies of scale
- Service platform capable of supporting 4 to 5 million customers

### Generation:

- Currently ~3,990 MW of capacity owned and/or operated (includes ~325 MW under construction)
- Medium term target of ~6,000 MW
- Achieve 60-70% of load (capacity) internally covered to deliver desired portfolio outcomes

# Half Year 2010 Highlights

## Delivering growth from the core.

- Underlying profit up 22.0%
- Strong result from Retail Energy up 25.9%
- Excellent wind farm performance, 450,000 MWh generated
- Significant improvement in Loy Yang A profitability
- 2P gas reserve entitlement up 18.2% to 1,308PJ
- LTIFR down 25.9% from 2.7 to 2.0
- Strong cash flow
- Dividend increased to 29.0 cents per share up 11.5%

# Profit & Loss (excluding significant items & fair value movements)

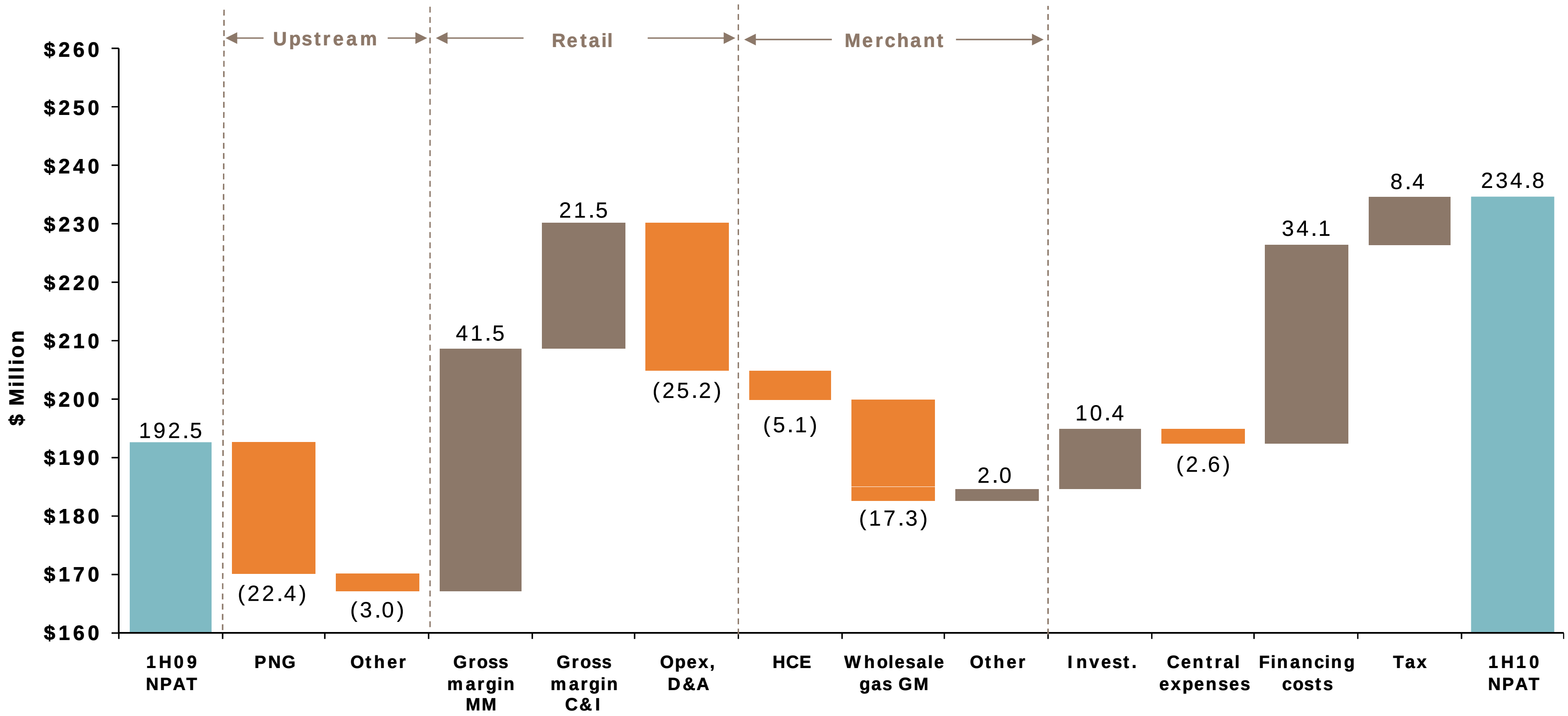
## Result on track to deliver 2010 profit guidance.

| 6 months to $m | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Revenue | **3,200.8** | 2,994.2 | 6.9% |
| Operating EBITDA | **425.7** | 443.9 | (4.1%) |
| Operating EBIT | | | |
| Retail | **183.5** | 145.7 | 25.9% |
| Merchant | **195.1** | 215.5 | (9.5%) |
| Upstream Gas (incl. pro forma adjustment)[1] | **3.0** | 28.4 | (89.4%) |
| Energy Investments | **43.4** | 33.0 | 31.5% |
| Centrally managed expenses | **(66.1)** | (63.5) | 4.1% |
| Total operating EBIT[2] | **358.9** | 359.1 | (0.1%) |
| Less: Net finance costs | **(26.8)** | (60.9) | (56.0%) |
| **Profit before tax** | **332.1** | 298.2 | 11.4% |
| Less: Income tax expense | **(97.3)** | (105.7) | (7.9%) |
| **Underlying NPAT** | **234.8** | 192.5 | 22.0% |

1. PNG D&A $0.0m (Dec 08: $27.0m).
2. 10.1% EBIT growth from continuing operations (excluding PNG and Elgas).

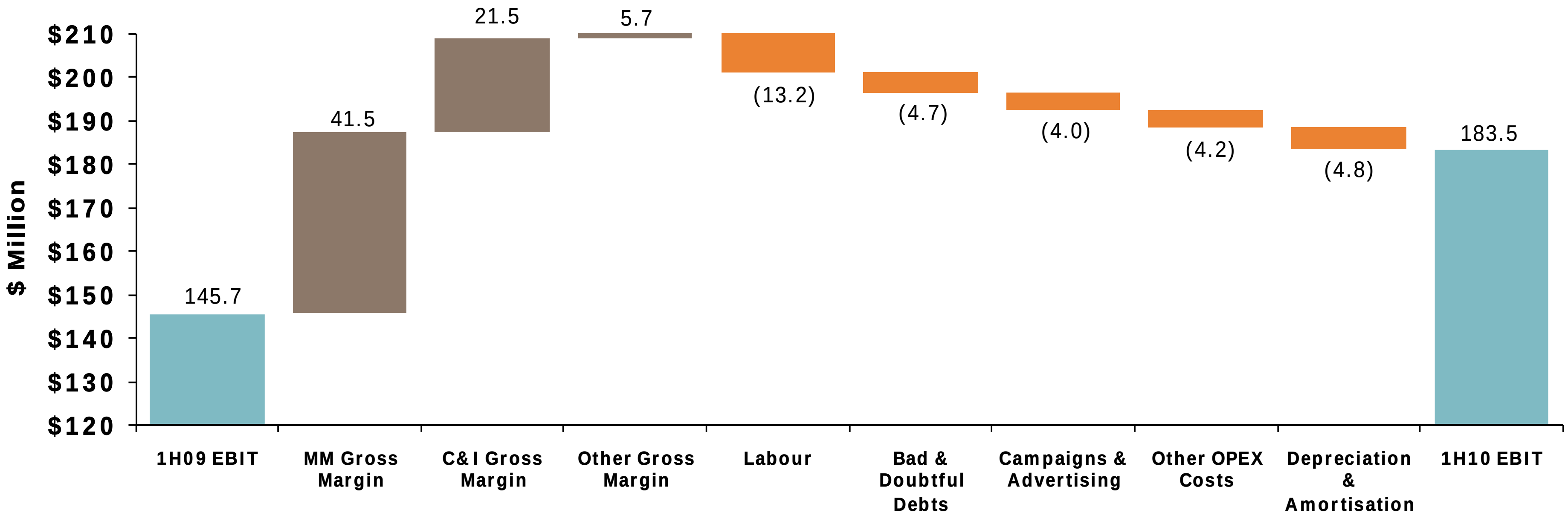
# Group Underlying NPAT

## Solid improvement in retail gross margin.



# Retail – EBIT Drivers

## Focus on value per customer drives EBIT improvement.




**Key drivers:**

› Despite a mild winter period where gas sales were down by 13.3% on the previous year, mass market gross margin performed strongly to the prior period. Increases were primarily driven by regulatory and contract price outcomes as well as targeting of higher value segments.

› C&I gross margin increases due to targeting higher value customers through acquisition and recontracting activities.

› Increased labour costs to achieve billing improvements, service improvements, gross margin improvements and growth in new connections.

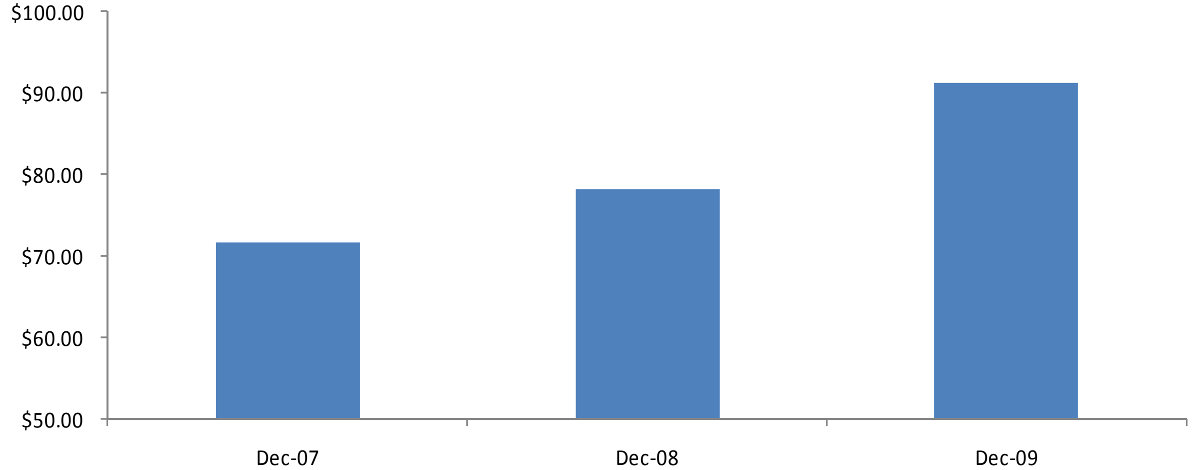
› Higher bad and doubtful debt expenses were observed in the period largely due to the increase in the revenue base.

# Retail – Key Operating Metrics

## Gross margin per Mass Market customer up 16.8%; still not sufficient.

| 6 months to | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Mass Market gross margin ($m) | **291.6** | 250.2 | 16.5% |
| Avg Mass Market customer numbers (‘000) | **3,190** | 3,196 | (0.2%) |
| **Gross margin per Mass Market customer** | **$91.41** | $78.27 | 16.8% |

**Gross margin per Mass Market customer**

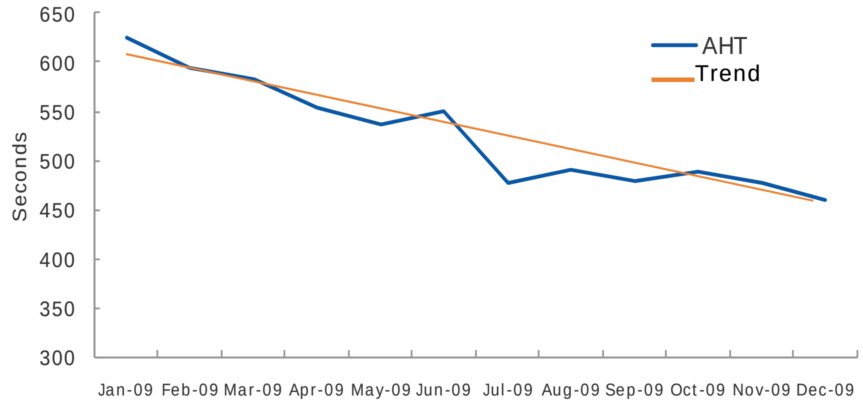


# Retail – Improving Core Operations

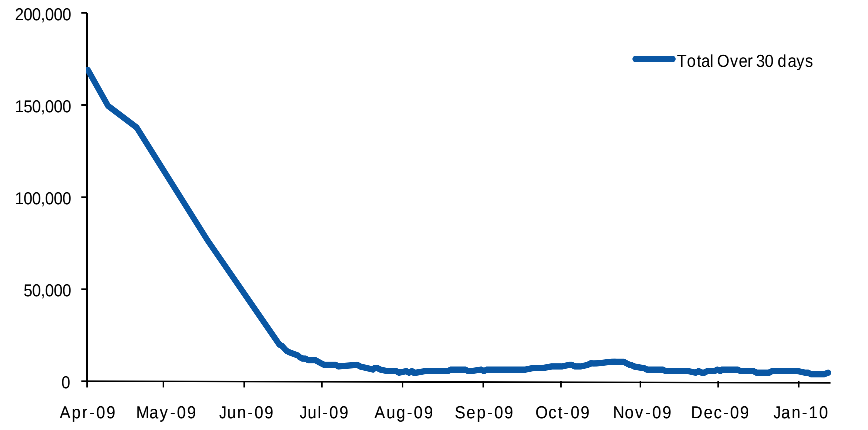
## Good progress on Customer Service.

- Ongoing productivity and billing performance improvements:
  - Average call handling times reduced to 470 seconds, in-line with expectations
  - Unbilled customers are at historical low levels and customers >30 days overdue are immaterial
- Focus on growing margins, reducing costs and leveraging customer segmentation insights
- Opex to Gross Margin improved by 1.4 ppts to December 2009
- Opex to Gross Margin forecast for FY10 in range of 48% to 50%

**Average Call Handling Time**

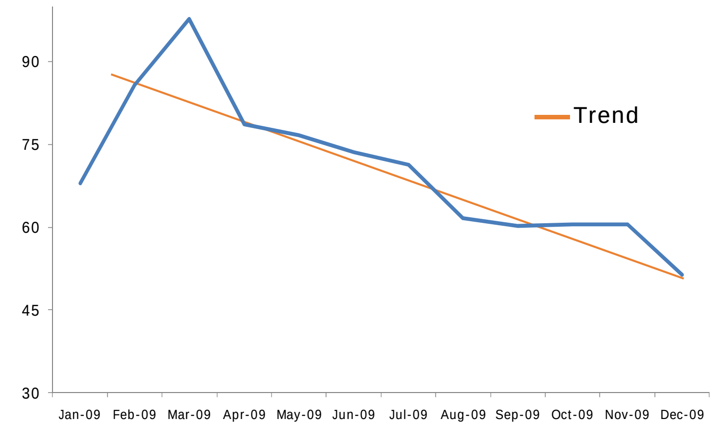



**Aged Unbilled Summary (>30 days overdue)**

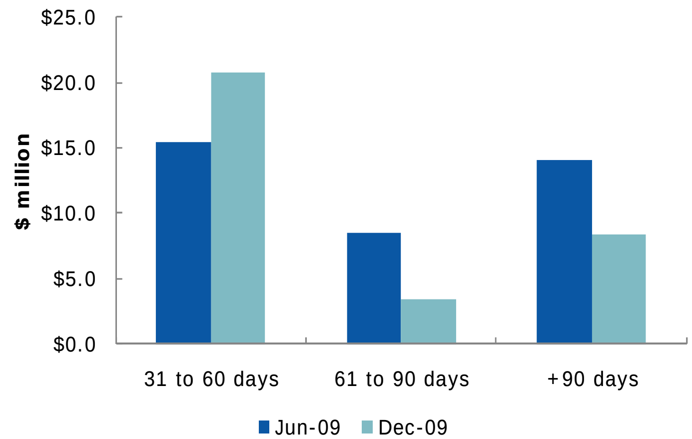


# Retail – Improving Core Operations

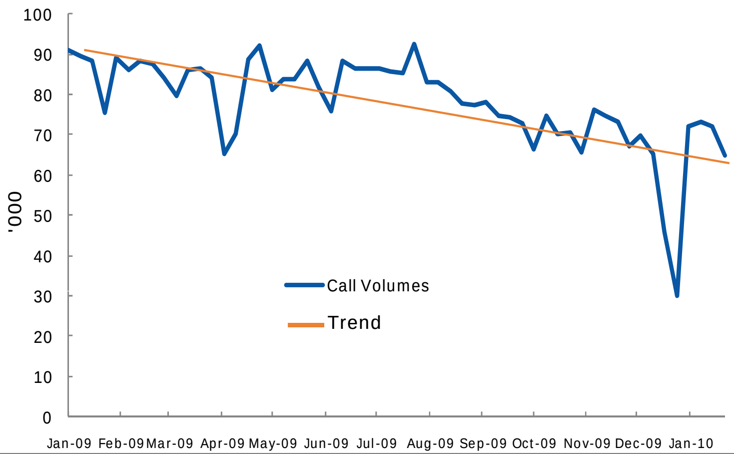
## Reducing Ombudsman Complaints per 10,000 customers



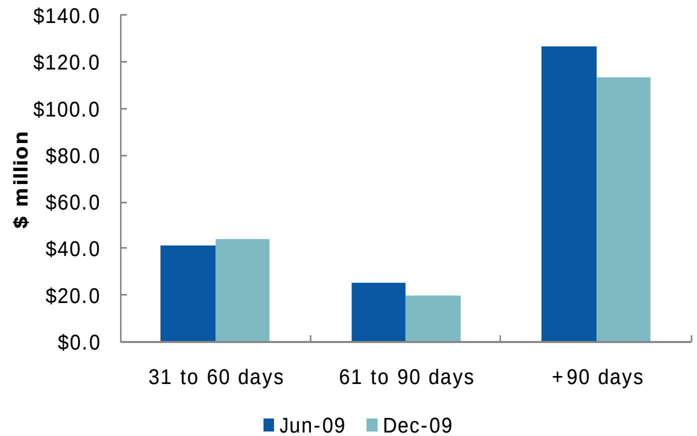

## C&I Aged Debt – improving +90 day debt




## Reducing Call Volumes




## Mass Market Aged Debt – improving +90 day debt

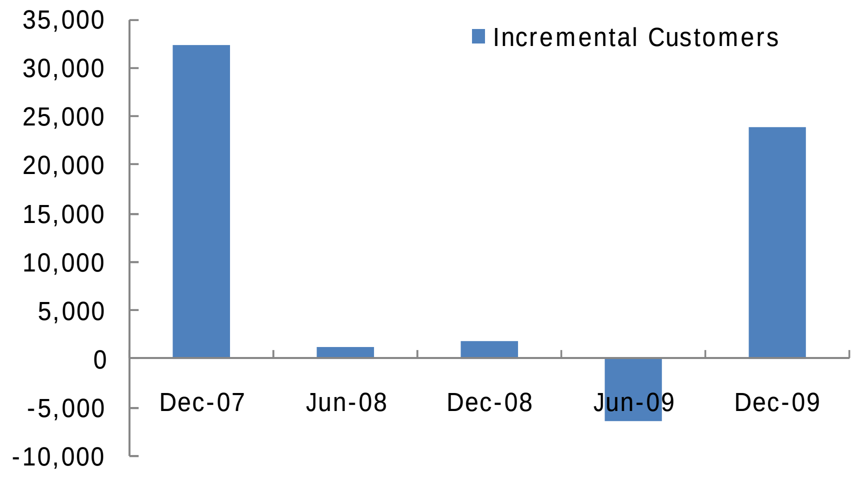


# Retail – Customer growth

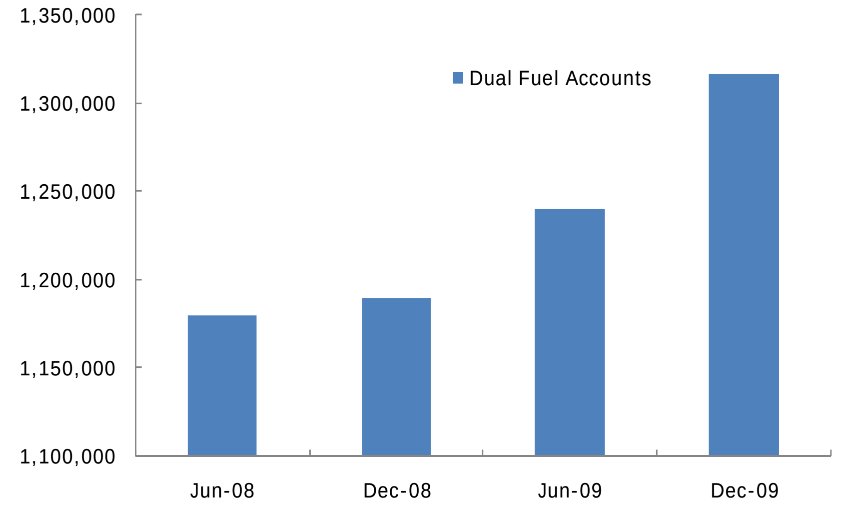
## Accelerating growth in dual fuel customers.

- Customer numbers up 23,800 (+0.7%) to 3.22 million
- AGL churn at 14.8% better than market churn at 18.1%
- Strong growth in Dual Fuel accounts, up 76,500 (+6.2%)

**Incremental Customer Numbers**

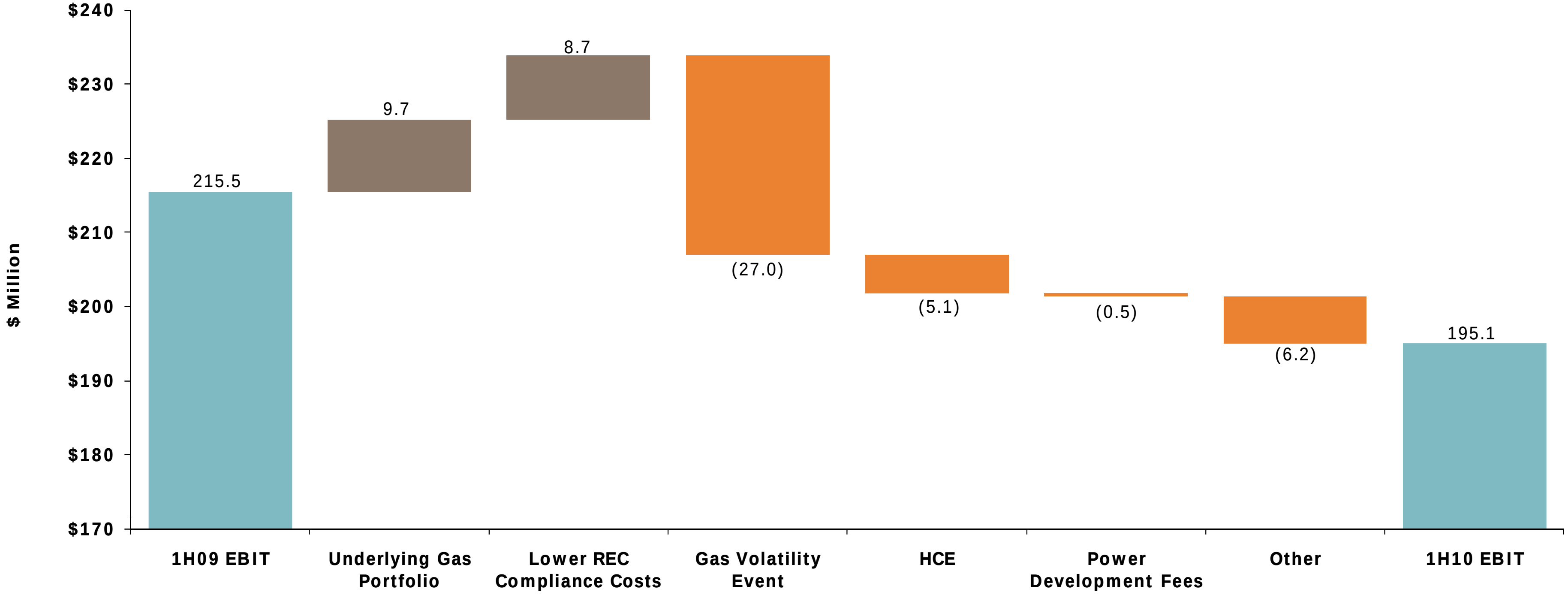



**Dual Fuel Accounts**



# Merchant – EBIT Drivers

## Gas volatility event affects prior half year comparison.




**Key Drivers:**

- Gas Volatility Event – 1H09 included an LNG sales event of $27.0 million arising from extreme Victorian pool prices in November 2008
- Underlying Gas Portfolio – effective management resulted in lower gas purchase costs in 1H10
- Lower REC Compliance costs – 1H10 benefitting from lower green compliance costs driven by lower REC prices
- HC Extraction – lower LPG prices and volumes

# Underlying Operating Cash Flow[1]

## Focus on cash flow yielding good results.

| 6 months to<br>$m | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|
| Statutory net cash provided by operating activities | **126.8** | 266.5 |
| Cash flow relating to significant items | **17.9** | 32.2 |
| Futures margin calls | **(14.5)** | 10.7 |
| Timing of Hallett 1 construction payments | - | 23.6 |
| **Underlying operating cash flow** | **130.2** | 333.0 |
| Income tax paid / (refunded) | **181.9** | (59.3) |
| **Underlying operating cash flow before tax** | **312.1** | 273.7 |

1. See Supplementary Information for reconciliation of EBITDA to statutory cash flow.

# Financial Ratios

## AGL a stable BBB rated entity.

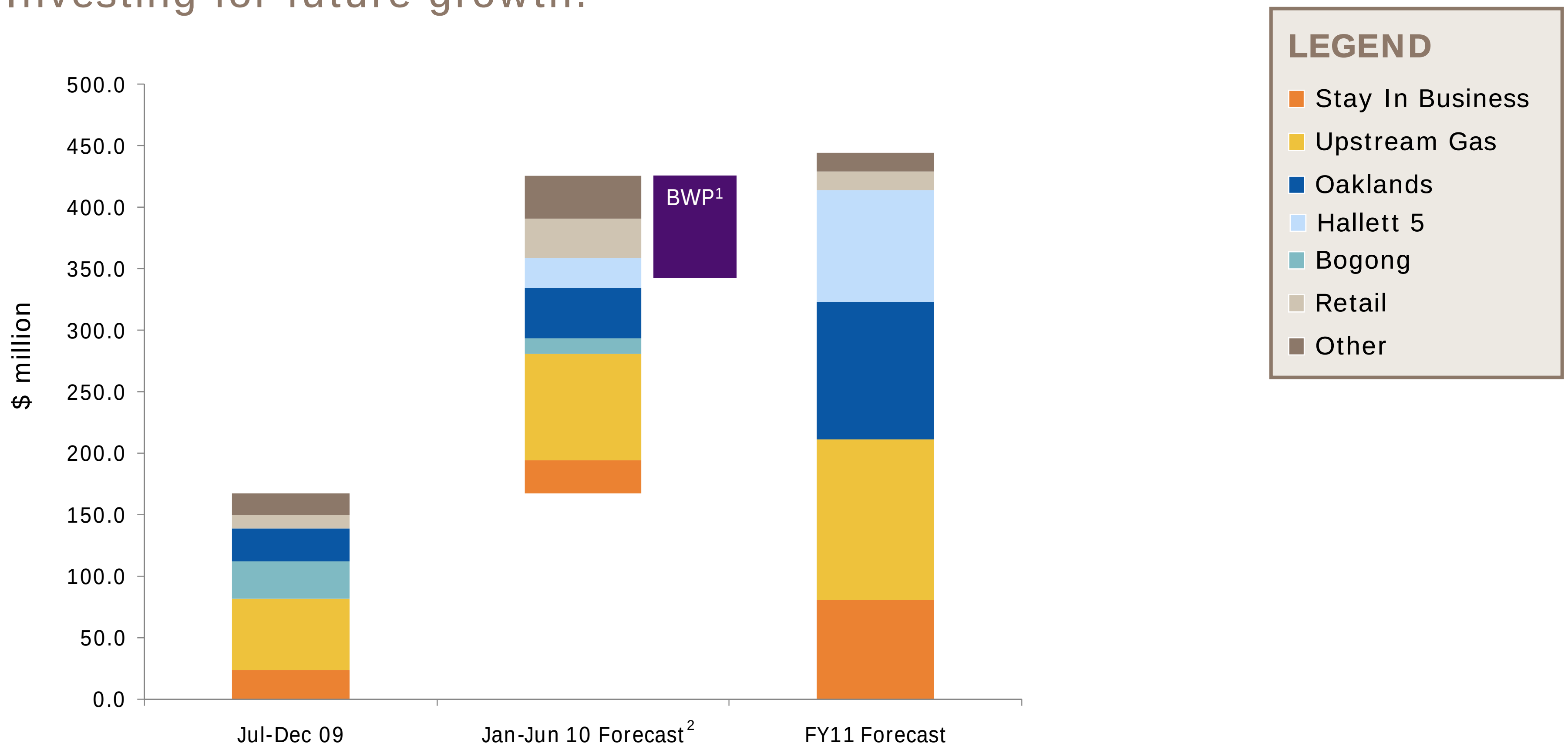
- BBB stable credit rating
- Discussions with S&P regarding treatment of wind farm PPAs are continuing:
  - Expect outcome prior to 30 June 2010

| As at | 31 Dec 2009 |
|---|---|
| FFO / interest cover (times)[1] | 9.8 |
| FFO / interest cover S&P Adjusted (times)[2] | 5.7 |
| FFO to debt (times)[1] | 0.47 |
| FFO to debt S&P Adjusted (times) [2] | 0.20 |
| Net debt / (Net debt + Equity) | 8.1% |
| EBITDA / Net Interest (times) | 15.9 |

1. Adjustments as applied by Standard & Poor's excluding the notional adjustment for Operating Lease Agreements and Power Purchasing Agreements.
2. Adjustments as applied by Standard & Poor's.

# Capital Expenditure Committed Projects

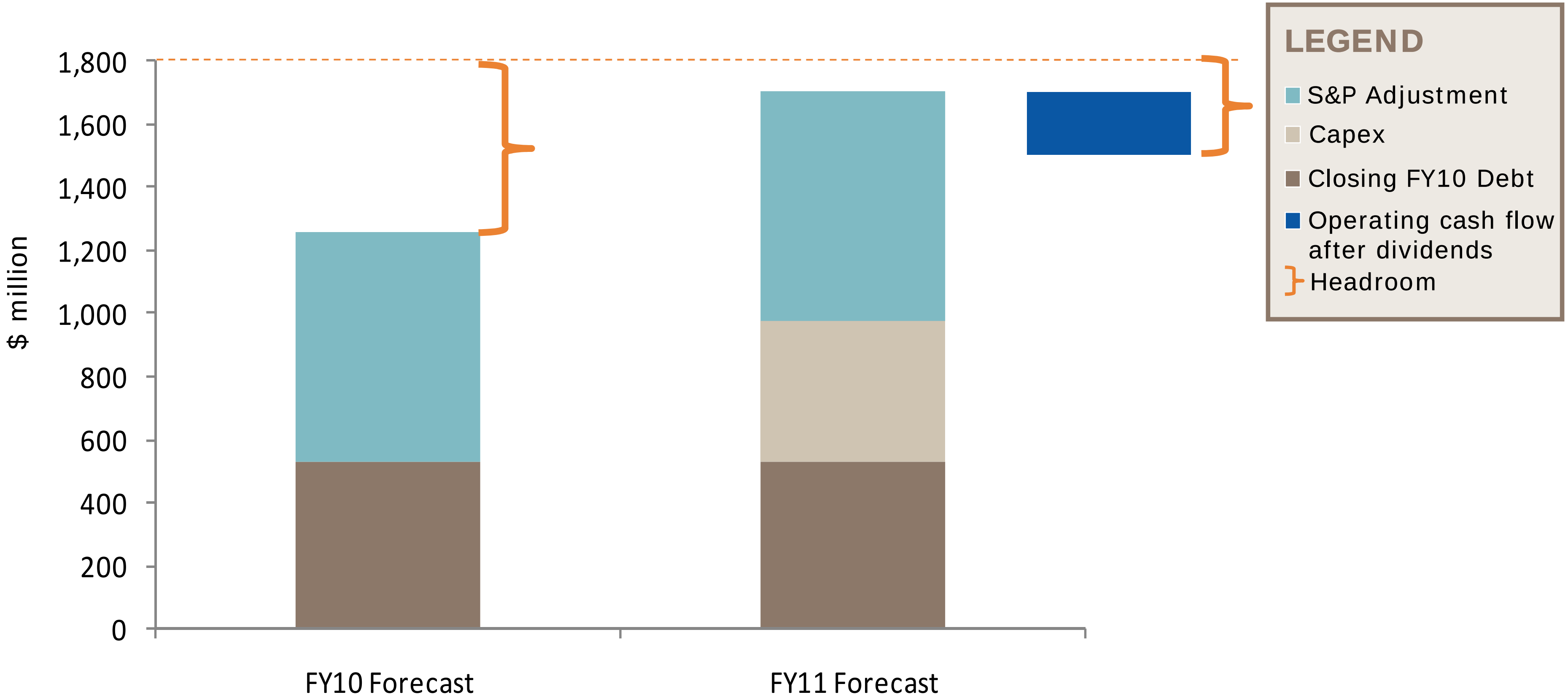
## Investing for future growth.




1. Proceeds from expected sale of Berwyndale to Wallumbilla Pipeline (BWP).
2. ~$100m delayed capex in FY10 compared to FY09 result forecast.

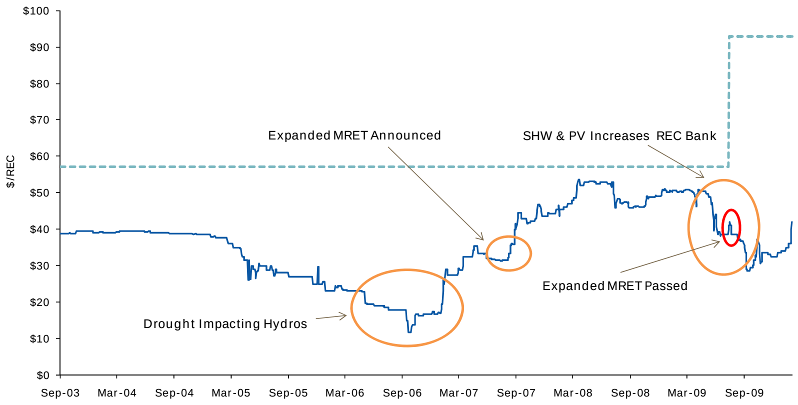
# Debt Capacity

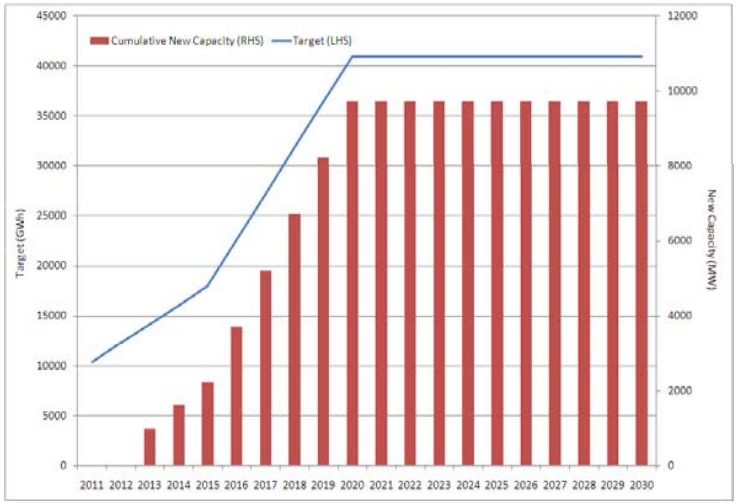
## Excluding NSW privatisation, AGL has ample headroom to fund growth over the medium term.



# Large Scale Renewable Energy Target

## Federal government changes to increase RET scheme >20%.

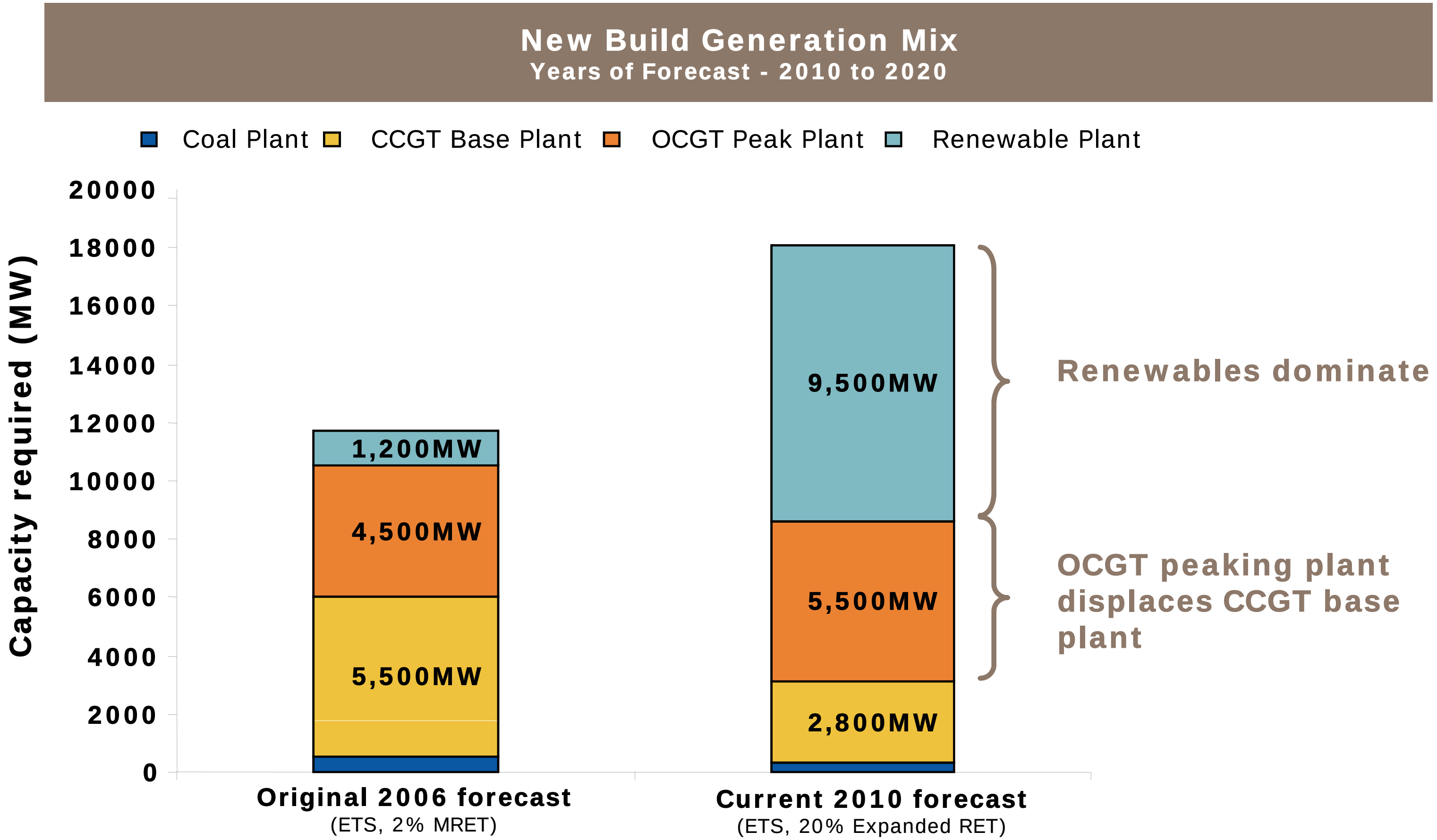



- Wind likely to dominate new build
- LSRET will require approximately 1000 MW of new wind to be committed in the short term
- If target satisfied 100% with wind, nearly 10,000 MW required by 2020
- Legislation currently being developed – likely to pass in May/June

# Impact of Renewable Policy Setting

## Fundamental changes required to generation mix.




**Source:** AGL Greenhouse modeling

# Generation

## Commitment to build Hallett 5 & Macarthur (417 MW)

**Rapid deployment of renewables to deliver low carbon fleet**

- 140 MW Bogong: In Commissioning
- 71 MW Hallett 2: In Commissioning ahead of schedule
- 67 MW Oaklands Hill: Completion scheduled April / May 2011
- 132 MW Hallett 4: Completion scheduled July / Aug 2011
- 52 MW Hallett 5: Under construction / Completion scheduled Dec 2011
- 365 MW Macarthur: Conditional Commitment
- 130 MW Barn Hill: Permitted and negotiating EPC

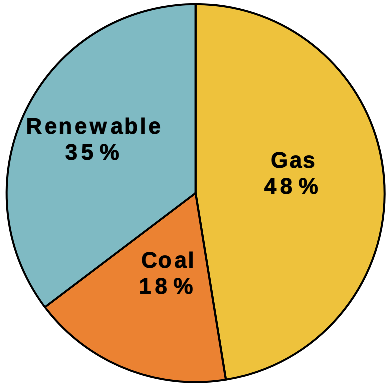
**Creating certainty of returns – long-term renewable supply contracts**

- Victorian Desalination Plant: Up to 800 GWhpa
  - 27 year firm price contract commencing 2011/2012
- South Australian Desalination Plant: Up to 500 Gwhpa
  - 20 year contract
- Melbourne Water: Up to 180 GWhpa
  - 20 year price contract commencing July 2010

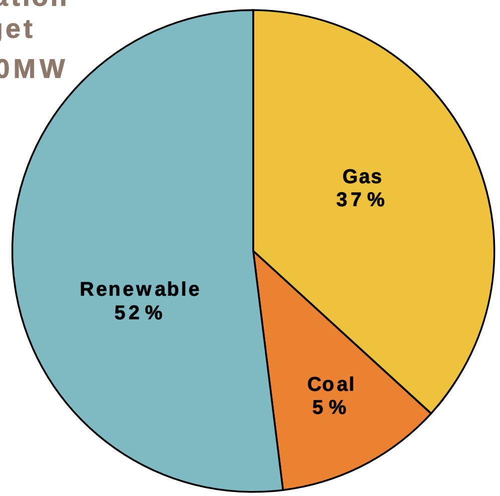
**Peaking generation in response to growing volatility**

- 360 MW Leafs Gully (NSW): Site permitted
- 500 MW Tarrone (VIC): DA in progress
- 750 MW Dalton (NSW): In development

**Current Generation Breakdown ~3,990MW***




**Future Generation Target ~6,000MW**




*** Includes plant under construction.**



AGL

# Renewable – Growth Pipeline

## Market leading portfolio provides strategic depth and optionality.

| | Project | Nominal Capacity (MW) | Location | Type | Project Status | Definition |
|---|---|---|---|---|---|---|
| RENEWABLE GENERATION | Bogong | 140 | Victorian Alps | Hydro | Commissioning | Committed |
| | McKay Creek Up Rate | 10 | Victorian Alps | Hydro | Commissioning | Committed |
| | Hallett 2 | 71 | SA - Hallett | Wind | Commissioning | Committed |
| | Hallett 4 | 132 | SA - Hallett | Wind | Under Construction | Committed |
| | Werribee Expansion | 2 | VIC - Werribee | Biogas | Under Construction | Committed |
| | Oaklands Hill | 67 | VIC - West | Wind | Under Construction | Committed |
| | Hallett 5 | 52 | SA – Hallett | Wind | Under Construction | Committed |
| | Macarthur | 365 | VIC - West | Wind | In Development, JV with Meridian | Conditional Commitment |
| | Barn Hill | 130 | SA - Redhill | Wind | DA Approved | Probable |
| | Hallett 3 | 80 | SA - Hallett | Wind | In Development | Possible |
| | Crows Nest | 150 | QLD - Toowoomba | Wind | Permitted | Possible |
| | Ben Lomond | 150 | NSW - Armidale | Wind | Landowner Agreements in Place | Possible |
| | Coopers Gap | 300 | QLD - Kingaroy | Wind | Landowner Agreements in Place | Possible |
| | Other | 3 Projects totalling up to 600 | Various | Various | Under Review | Possible |

# Gas Generation – Growth Pipeline

## Developing a portfolio with strategic depth and optionality.

| GAS GENERATION | Project | Nominal Capacity (MW) | Location | Type | Project Status | Definition |
|---|---|---|---|---|---|---|
| | Leafs Gully | 360 | NSW - Appin | Gas Peaker | Development Application Approved | Probable |
| | Dalton | 750 | NSW - Dalton | Gas Peaker | In development | Possible |
| | Tarrone | 500 | VIC - West | Gas Peaker | In Development | Possible |
| | NQ Peaker | 360 | Nth QLD - Townsville | Gas Peaker | Site Acquired | Possible |
| | SEQ 1 | 360 | SE QLD - Ipswich | Gas Peaker | Site Secured | Possible |
| | SEQ 2 | 1,150 | SW QLD - Kogan | Gas Peaker / CCGT | Site Acquired | Possible |
| | Other | 1 project totalling up to 700 | Various | Gas Peakers | Sites Secured | Possible |

# Upstream Gas – Positioning For Growth

## Exploration program slowed in line with current gas market conditions.

- Targeting 2,000PJ of certified 2P reserves
- 2P reserves entitlement up 18% (201PJ); 3P reserves entitlement up 36% (839PJ)
- Camden reflects production depletion only; reserves certification at Camden and Gloucester is planned for the end of financial year

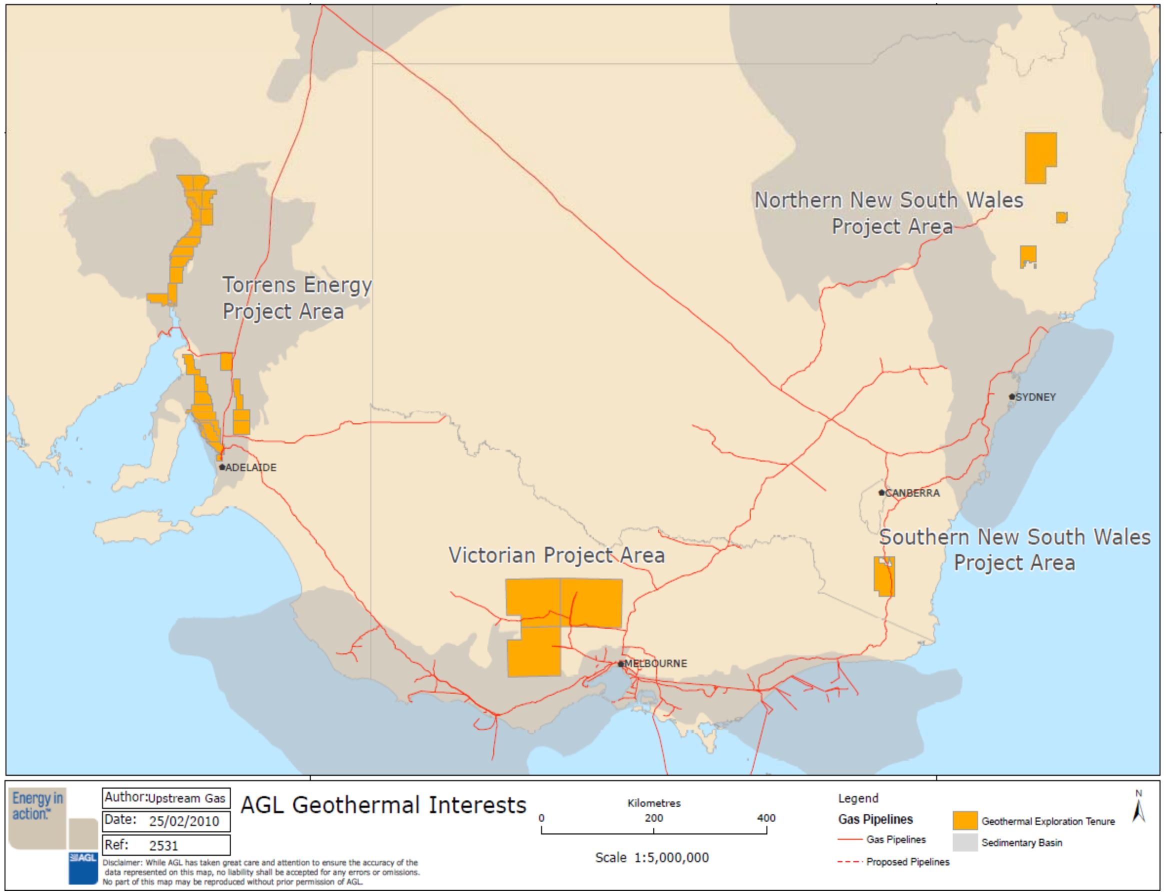
| AGL share of CSG reserves | As at 31 Dec 09 | | As at 30 Jun 09 | | Change | |
|---|---|---|---|---|---|---|
| **PJ** | **2P** | **3P** | **2P** | **3P** | **2P** | **3P** |
| Moranbah (50%) | **506** | **1,027** | 497 | 1,079 | 2% | -5% |
| Gloucester (100%) | **423** | **630** | 423 | 630 | - | - |
| Camden (100%) | **126** | **170** | 129 | 173 | -2% | -2% |
| Spring Gully (various, small) | **7** | **9** | 7 | 9 | - | - |
| **Sub-Total** | **1,062** | **1,836** | **1,056** | **1,891** | **1%** | **-3%** |
| ATP 364P back-in rights (50%)* | **246** | **1,307** | 51 | 413 | 382% | 216% |
| **Total** | **1,308** | **3,143** | **1,107** | **2,304** | **18%** | **36%** |

* Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

# AGL's Geothermal Investments

## Diversified portfolio - technically and geographically.

- NSW – awarded 4 geothermal exploration permits
- VIC – awarded 3 geothermal exploration permits
- SA – 10% investment in Torrens Energy
  - Geothermal alliance agreement provides AGL rights to 50% JV interest in geothermal projects
- Long term base load potential



# Loy Yang Power/ Alcoa Australia contract

- Contract for base-load signed to 2036 commencing 2014
  - Announced 1 March 2010
- ~ 820 MW load out of 2,100 MW
- AGL owns 32.5% of the parent entity GEAC
  - Investment ~ $300 million
- Refinancing of $455 million
  - Expected to be completed prior to November 2010

# NSW electricity privatisation

## Disciplined bidding approach if process proceeds.

- AGL previously stated will look at all assets
- Only bid for assets if accretive to EPS
- Maintain BBB credit rating
- Capital raising, if required, likely to be an entitlement offer favouring existing shareholders

# Summary

## Strong start to FY10.

- Excellent performance by Retail Energy
  - Significant progress on improving customer service issues
  - Well-positioned to continue acquiring high value customers
- Merchant Energy delivered solid result
- Upstream Gas executing strategy on enhancing gas reserves
- Ample balance sheet capacity to fund growth over medium term
- Growth in dividend reflecting strong start to the year
- On track to meet FY10 earnings guidance
  - Underlying NPAT of between $390 million to $420 million

# Further Information / Contacts



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

Alternatively, contact:

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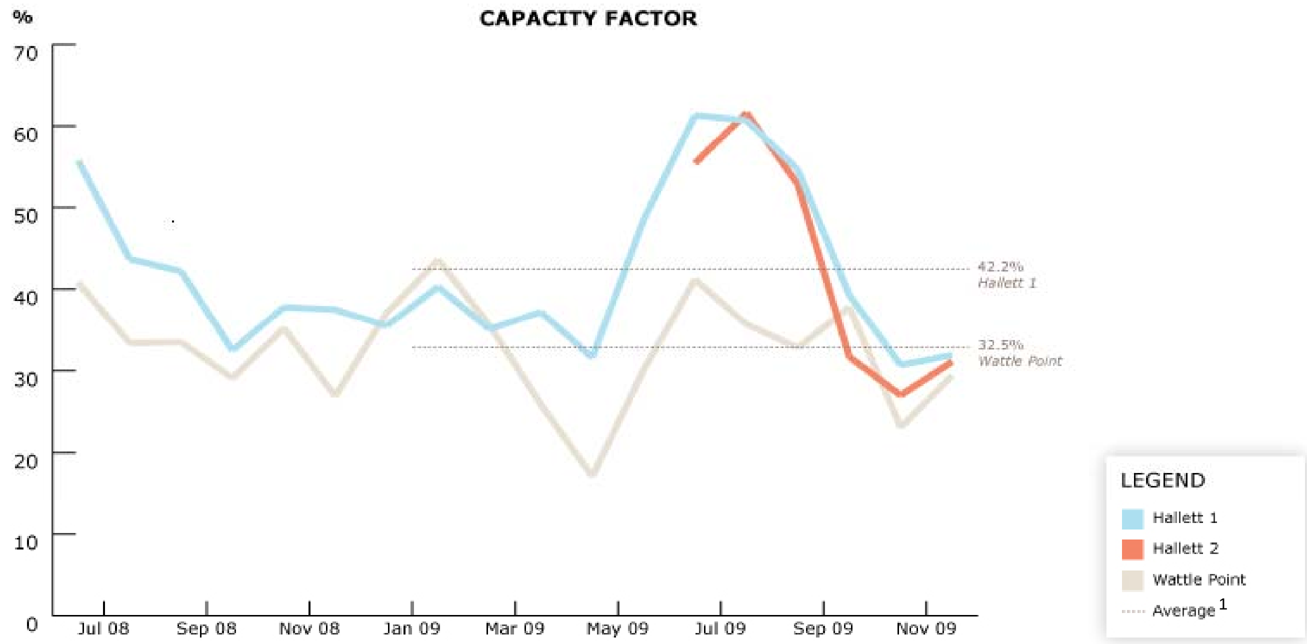
# Supplementary Information

# Generation - Wind farm performance

## Exceeds investment assumptions.

| Six months to 31 December 2009 | Unit | Wattle Point | Hallett 1 | Hallett 2[2] |
|---|---|---|---|---|
| **Capacity** | MW | 90.8 | 94.5 | 71.4 |
| **Availability** | % | 95.4 | 95.9 | 93.5 |
| **Generated Energy[3]** | MWh | 113,390 | 195,300 | 141,400 |
| **Capacity Factor - Actual[4]** | % | 34.5 | 48.0 | 45.6 |




**Notes**

1. Capacity Factor (average) shown is for period 1/01/09-31/12/09.
2. Plant still in commissioning
3. Energy generated at node
4. Season variation impacts capacity factor

# Operating EBITDA to Statutory Cash Flow Reconciliation



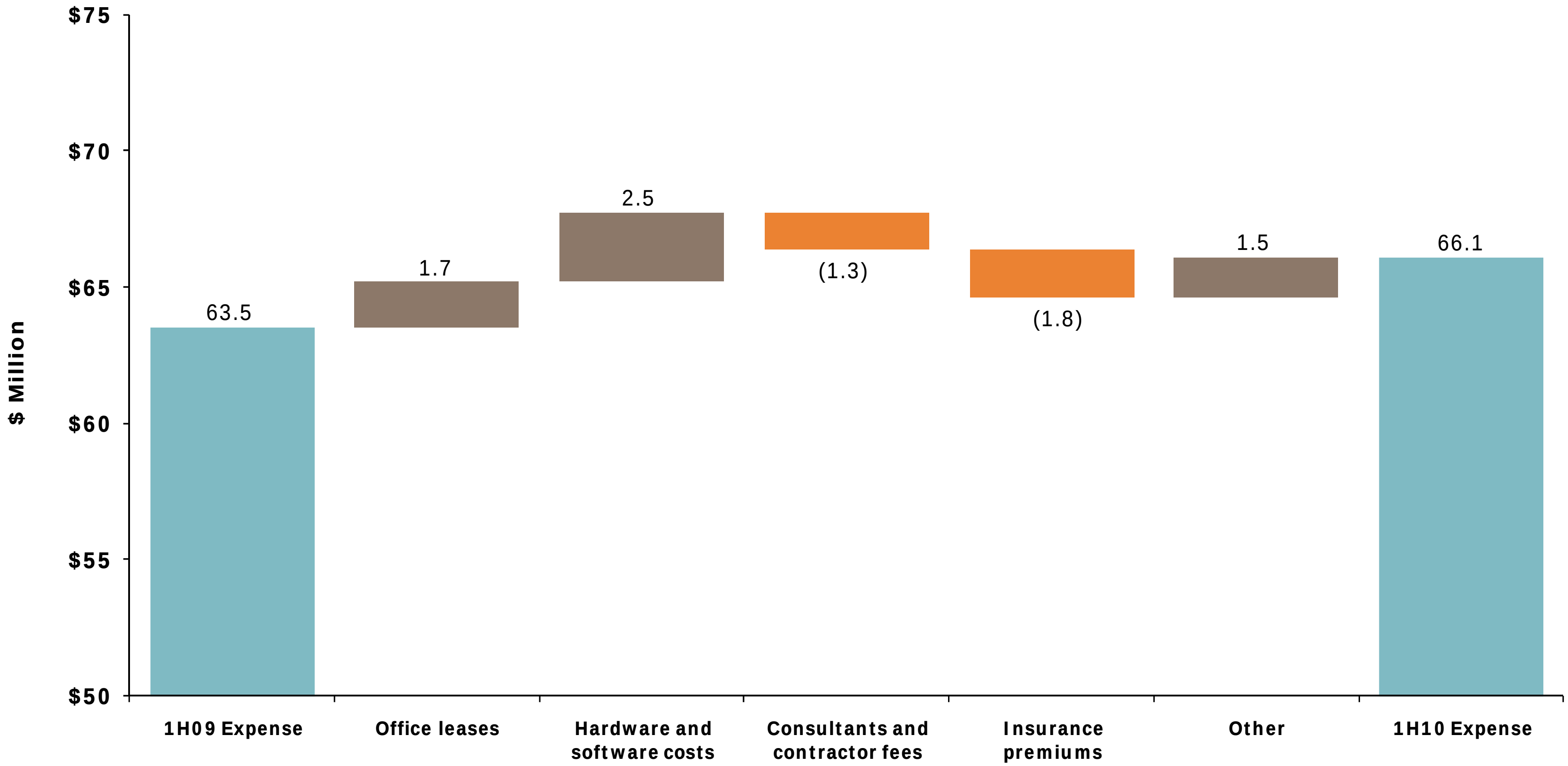
| 6 months to $m | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|
| Operating EBITDA | **425.7** | 443.9 |
| Equity accounting | **(19.1)** | 4.6 |
| Onerous gas contract | **(10.4)** | (10.4) |
| Receivables | **67.7** | 125.5 |
| Net movement in green assets / liabilities | **2.9** | 2.0 |
| Inventories | **(33.1)** | (4.4) |
| Net PNG oil & foreign exchange hedge payments | **-** | (8.8) |
| Creditors | **(23.3)** | (146.9) |
| Futures margin calls | **14.5** | (10.7) |
| Net derivative premiums paid / roll-offs | **(27.7)** | (58.7) |
| Net movement in GST recoverable / payable | **(31.7)** | 5.4 |
| Timing of Hallett 1 construction payments | **-** | (23.6) |
| Other | **(10.0)** | (15.1) |
| **Total working capital movements** | **(40.7)** | (135.3) |
| **Operating cash flow before interest, tax & significant items** | **355.5** | 302.8 |
| Net finance costs | **(28.9)** | (63.4) |
| Tax (paid) / refunded | **(181.9)** | 59.3 |
| Cash flow relating to significant items | **(17.9)** | (32.2) |
| **Statutory net cash provided by operating activities** | **126.8** | 266.5 |

# Energy Investments

| 6 months to $m | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| **EBIT** | | | |
| ActewAGL | **17.5** | 17.1 | 2.3% |
| Elgas[1] | **-** | 10.6 | - |
| Loy Yang | **22.8** | 2.5 | 812.0% |
| Investments Other | **3.1** | 2.8 | 10.7% |
| **Total EBIT** | **43.4** | 33.0 | 31.5% |

1. AGL disposed of its 50% ownership interest in Elgas on 2 October 2008.

# Centrally Managed Expenditure



# Significant Items[1]

| 6 months to 31 Dec 2009<br>$m | Pre Tax | Tax | After Tax |
|---|---|---|---|
| Phoenix change program costs | **(11.7)** | 3.5 | **(8.2)** |
| Other | **(6.2)** | (0.3) | **(6.5)** |
| **Total significant items** | **(17.9)** | 3.2 | **(14.7)** |

1. Full detail in Appendix 4D, Section 2.

# Capital Expenditure

| 6 months to 31 Dec 09 $m | SIB | Discretionary | Total |
|---|---|---|---|
| Merchant Energy | 19.0 | 92.8 | 111.8 |
| Upstream Gas | - | 58.2 | 58.2 |
| Retail Energy | - | 11.3 | 11.3 |
| Corporate Other | - | 9.1 | 9.1 |
| **Total** | **19.0** | **171.4** | **190.4** |

# Debt Position

› No group debt maturing until October 2011

| Facilities @ 31 Dec 2009 $m | Limit | Usage | Available | Maturity |
|---|---|---|---|---|
| **Current** | | | | |
| Nil | N/A | N/A | N/A | N/A |
| **Non Current** | | | | |
| Term facilities Tranche C | 886.7 | 886.7 | - | Oct 11 |
| Term facilities Tranche A | 200.0 | 200.0 | - | Jun 12 |
| Revolving credit facility Tranche B | 600.0 | - | 600.0 | Jun 12 |
| **Total debt facilities** | **1,686.7** | **1,086.7** | **600.0** | |
| **Cash** | **-** | **576.5** | **-** | |
| **Net Debt** | **-** | **510.2** | **-** | |

# Balance Sheet



| As at $m | 31 Dec 2009 | 30 Jun 2009 |
|---|---|---|
| Current assets | **2,594.4** | 2,473.7 |
| PPE, E&E and oil & gas assets | **2,876.7** | 2,974.2 |
| Other non current assets | **3,561.4** | 3,586.8 |
| **Total Assets** | **9,032.5** | 9,034.7 |
| Current liabilities | **1,505.9** | 1,505.7 |
| Total debt | **1,099.0** | 1,120.2 |
| Other non current liabilities | **482.3** | 563.1 |
| **Total Liabilities** | **3,087.2** | 3,189.0 |
| **Net Assets** | **5,945.3** | 5,845.7 |
| Contributed equity | **4,048.6** | 4,030.3 |
| Reserves | **24.4** | 13.0 |
| Retained earnings | **1,872.3** | 1,802.4 |
| **Total Equity** | **5,945.3** | 5,845.7 |

# Fair Value Reconciliation

| As at $m | Net Assets (Liabilities) 31 Dec 2009 | 30 Jun 2009 | Change |
|---|---|---|---|
| Electricity derivative contracts | **(84.1)** | (48.2) | (35.9) |
| Interest rate swap & foreign currency derivative contracts | **(8.6)** | (22.8) | 14.2 |
| **Total net liabilities for derivative contracts** | **(92.7)** | (71.0) | (21.7) |
| **Change in derivative net liability** | **(21.7)** | | |
| Premiums paid | **(65.1)** | | |
| Equity accounted fair value | **2.3** | | |
| Premium roll off | **37.4** | | |
| **Total change in fair value** | **(47.1)** | | |
| Recognised in equity hedge reserve | **5.7** | | |
| Recognised in profit and loss | **(52.8)** | | |
| **Total change in fair value** | **(47.1)** | | |



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# Gas Sales Volume

| 6 months to PJ | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| **Mass Market** | | | |
| VIC | **15.9** | 18.9 | (15.9%) |
| SA | **1.1** | 1.1 | 0.0% |
| NSW | **13.4** | 15.3 | (12.4%) |
| QLD | **1.5** | 1.5 | 0.0% |
| Mass Market Total | **31.9** | 36.8 | (13.3%) |
| **C & I** | | | |
| VIC | **13.3** | 17.1 | (22.2%) |
| SA | **1.9** | 1.0 | 90.0% |
| NSW | **20.0** | 23.7 | (15.6%) |
| QLD | **7.6** | 6.7 | 13.4% |
| C & I Total | **42.8** | 48.6 | (11.9%) |
| Wholesale Customers & Generation[1] | **35.8** | 38.1 | (6.0%) |
| **Total** | **110.5** | **123.5** | **(10.5%)** |

1. Includes volumes sold to TIPS and Yabulu during half year Dec 09 13.7PJ (Dec 08 17.3PJ). Decrease due to lower generation.

# Electricity Sales Volume



| 6 months to GWh | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| **Mass Market** | | | |
| VIC | **2,595** | 2,559 | 1.4% |
| SA | **1,704** | 1,650 | 3.3% |
| NSW | **1,566** | 1,304 | 20.1% |
| QLD | **1,713** | 1,837 | (6.8%) |
| Mass Market Total | **7,578** | 7,350 | 3.1% |
| **C & I** | | | |
| VIC | **3,011** | 2,935 | 2.6% |
| SA | **1,517** | 1,235 | 22.8% |
| NSW | **2,712** | 2,642 | 2.6% |
| QLD | **2,770** | 3,215 | (13.8%) |
| C & I Total | **10,010** | 10,027 | (0.2%) |
| **Total** (excl. ActewAGL ) | **17,588** | **17,377** | **1.2%** |
| Purchased volume ActewAGL | **1,563** | 1,501 | 4.1% |

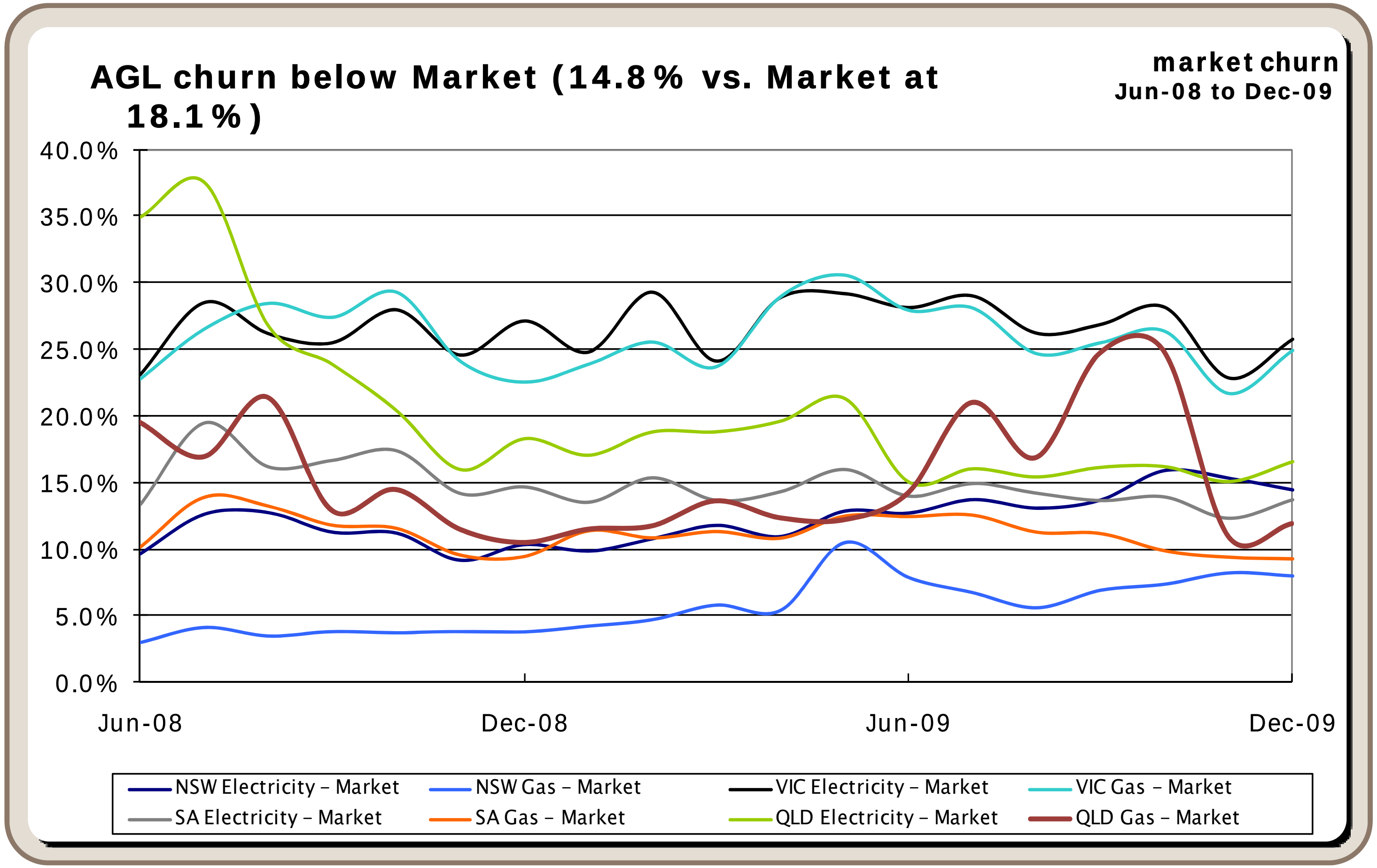
# Retail – Mass Market Key Indicators (includes SME)

| 6 months to Electricity | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Volume (GWh) | **7,578** | 7,350 | 3.1% |
| Mass Market Accounts ('000) | **1,824** | 1,791 | 1.8% |
| Revenue ($m) | **1,084.2** | 921.7 | 17.6% |
| Gross Margin ($m) | **185.9** | 155.8 | 19.3% |
| Gross Margin | **17.1%** | 16.9% | 1.2% |
| **6 months to Gas** | | | |
| Volume (PJ) | **31.9** | 36.8 | (13.3%) |
| Mass Market Accounts ('000) | **1,380** | 1,407 | (2.0%) |
| Revenue ($m) | **522.9** | 548.7 | (4.7%) |
| Gross Margin ($m) | **105.7** | 94.4 | 12.0% |
| Gross Margin | **20.2%** | 17.2% | 17.4% |

# Retail – C & I Key Indicators

| 6 months to Electricity | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Volume (GWh) | **10,010** | 10,027 | (0.2%) |
| C & I Accounts ('000) | **15.4** | 13.8 | 11.6% |
| Revenue ($m) | **868.9** | 753.4 | 15.3% |
| Gross Margin ($m) | **27.7** | 12.6 | 119.8% |
| $ / MWh | **$2.77** | $1.26 | 120.2% |
| **6 months to Gas** | | | |
| Volume (PJ) | **42.8** | 48.6 | (11.9%) |
| C & I Accounts ('000) | **1.0** | 1.0 | 0.0% |
| Revenue ($m) | **248.9** | 261.2 | (4.7%) |
| Gross Margin ($m) | **22.9** | 16.4 | 39.6% |
| $ / GJ | **$0.54** | $0.34 | 58.9% |

# Retail – Market Churn



# Retail – Customer Accounts (6 months to 31 Dec 2009)

| State | Gas | Electricity | Total |
|---|---|---|---|
| **VIC** | **470,700**<br>(FY09: 472,600) | **644,300**<br>(FY09: 652,000)[1] | **1,115,000** |
| **SA** | **91,500**<br>(FY09: 85,000) | **469,600**<br>(FY09: 463,900)[1] | **561,100** |
| **NSW** | **740,000**<br>(FY09: 752,300) | **358,200**<br>(FY09: 329,100)[1] | **1,098,200** |
| **QLD** | **78,500**<br>(FY09: 79,000) [1] | **367,300**<br>(FY09: 362,400)[1] | **455,800** |
| **Total accounts (Net) 31 Dec 09** | **1,380,700** | **1,839,400** | **3,220,100** |
| Total accounts (Net) 30 Jun 09 | 1,388,900 | 1,807,400[1] | 3,196,300 |
| **Change** | **-8,200** (-0.6%) | **+32,000** (+1.8%) | **+23,800** (+0.7%) |

| | |
|---|---|
| **Dual fuel accounts 31 Dec 09** | **1,316,500**<br>**+76,500** |

1. As a result of the Hansen Hub conversion and relevant customer account reconciliations following this, an adjustment has been made to the opening balance for the year of 7,400 in Queensland Gas.

# Retail – Cost to Serve

| 6 months to | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Net operating expenditure | **158.7m** | 133.5m | 18.9% |
| **Net operating cost per customer account** | **$49.51** | $41.59 | 19.0% |
| Cost to grow/retain | **36.9m** | 34.9m | 5.7% |
| **Cost to grow per account acquired/retained**[1] | **$81.21** | $82.70 | (1.8%) |
| Cost to serve | **121.8m** | 98.6m | 23.5% |
| **Cost to serve per customer account**[2] | **$37.99** | $30.72 | 23.7% |

- Cost to grow per acquisition / retention favourable due to an increased number of churn in's despite a slight increase in costs
- Cost to serve per customer account up – labour cost increase due to maintaining unbilled levels, increased sales and support for C&I customers and increased connections and transfers, higher bad and doubtful debt expenses and higher ombudsman costs

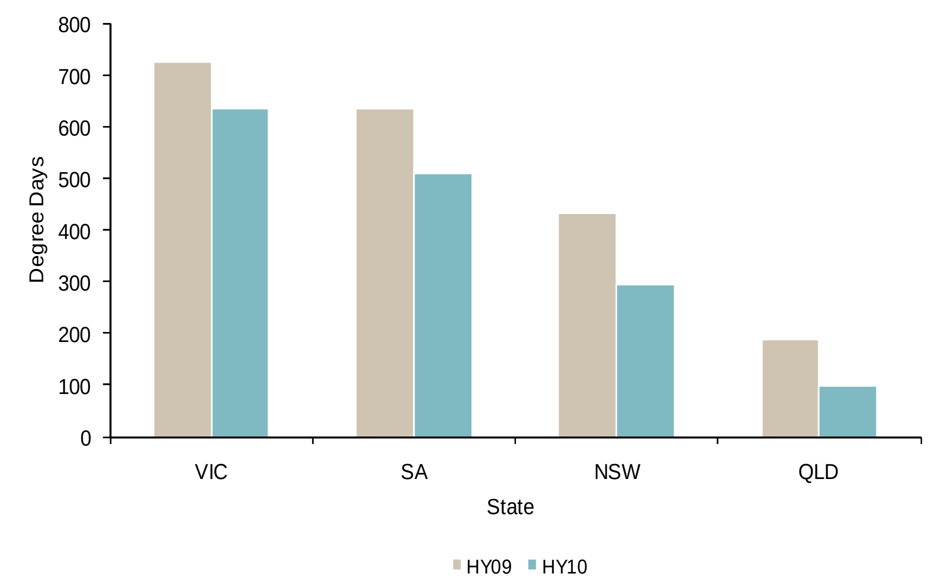
1. Cost to grow per account acquired / retained = costs to win and retain market contracts & transfer customers to AGL DIVIDED by contracts acquired PLUS contracts retained.
2. Cost to serve per customer account = net operating costs LESS cost to grow DIVIDED by average customer accounts.

# Retail – EBIT / Sales Analysis

| 6 months to $m | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Electricity revenue | **1,953.1** | 1,675.0 | 16.6% |
| Gas revenue | **771.9** | 809.9 | (4.7%) |
| Other fees and charges | **31.1** | 25.4 | 22.4% |
| **Total revenue** | **2,756.1** | 2,510.3 | 9.8% |
| Cost of sales | **(2,382.8)** | (2,205.7) | 8.0% |
| Gross margin | **373.3** | 304.6 | 22.6% |
| Operating costs (excl D & A) | **(169.4)** | (143.3) | 18.2% |
| **EBITDA** | **203.9** | 161.3 | 26.4% |
| Depreciation and amortisation | **(20.4)** | (15.6) | 30.8% |
| **EBIT** | **183.5** | 145.7 | 25.9% |
| **EBIT / Sales (%)** | **6.7%** | 5.8% | 0.9ppts |

# Retail – Weather Impact

## Heating Degree Days




- NSW exceptionally warm winter/early spring:
  - Aug 09 second warmest on record with high number over 20 degrees
- VIC average winter and hot spring:
  - Nov 09 mean temperature was 4.4 degrees above the long term average
  - Cold Aug 08 in prior year with temperatures well below the long term average
- SA exceptionally warm winter and spring:
  - Winter 2009 warmest since area temperature records start in 1950
  - Nov 09 first recorded November heatwave back to 1887
- Qld record high winter/above average spring:
  - Qld had a record high winter daily maximum temperatures and an above average spring

# Merchant - EBIT Analysis

| 6 months to $m | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| Revenue from Retail Business | | | |
| - Electricity (COGS transfer price) | **1,144.1** | 1,023.2 | 11.8% |
| - Gas (COGS transfer price) | **367.7** | 400.7 | (8.2%) |
| External Revenue | | | |
| - Generation Revenue | **145.5** | 109.9 | 32.4% |
| - ActewAGL[1] | **136.0** | 135.5 | 0.4% |
| - External (3rd Party) Revenue[2] | **147.4** | 126.6 | 16.4% |
| - Wind Farm Development Fees | **16.0** | 16.5 | (3.0%) |
| **Total Merchant Revenue** | **1,956.7** | 1,812.4 | 8.0% |
| Cost of Goods Sold | | | |
| - Electricity COGS[3] | **(1,275.3)** | (1,025.5) | 24.4% |
| - Electricity CFD's | **92.5** | (20.6) | NA |
| - Gas COGS | **(437.5)** | (444.5) | (1.6%) |
| - Green Certificates | **(58.4)** | (25.3) | 130.8% |
| **Gross Margin** | **278.0** | 296.5 | (6.2%) |
| Operating Costs | **(52.7)** | (51.6) | 2.1% |
| **EBITDA** | **225.4** | 244.9 | (8.0%) |
| D&A | **(30.3)** | (29.4) | 3.1% |
| **EBIT** | **195.1** | 215.5 | (9.5%) |

1. ActewAGL Dec 09: Electricity sales 61%, Gas sales 32%; Other sales 7%; Dec 08: Electricity sales 64%, Gas sales 29%; Other sales: 7%.
2. External Revenue Dec 09: Gas sales 50%, Other sales 50%; Dec 08: Gas sales 56%, Other sales 44%.
3. Electricity COGS includes $59.6m (Dec 08: $70.7m) of gas costs for gas fired generation (TIPS, Oakey, Somerton, and Yabulu) which is reported in Wholesale Electricity EBIT.



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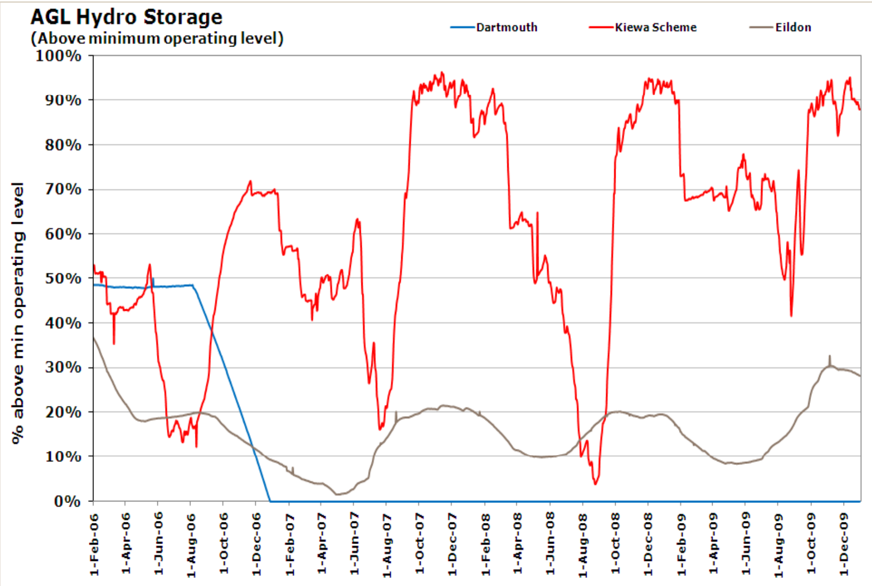
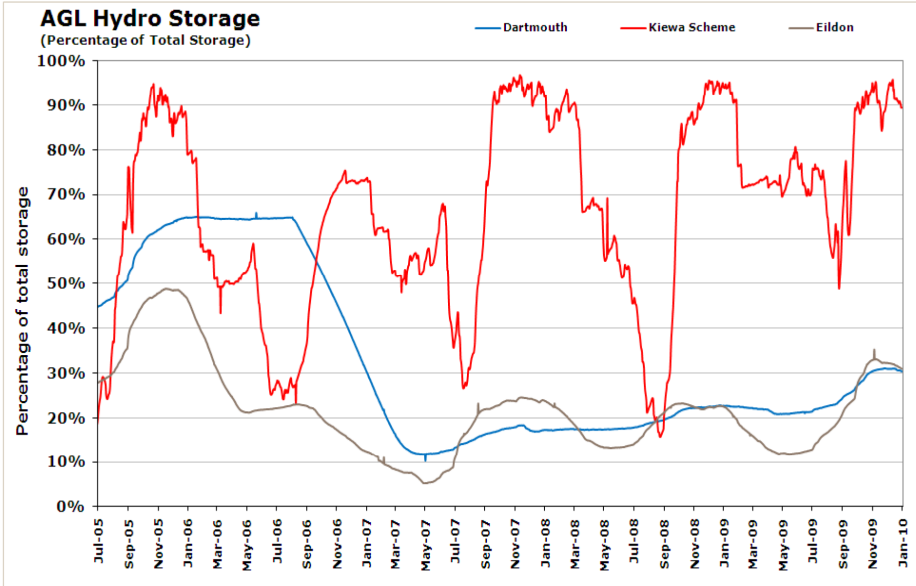
# Merchant – Hydrology

- Post Bogong, 52.6% of Hydro capacity linked to drought resistant Kiewa Scheme
- Eildon (120MW) dam is operational with restricted generation output capability
- Dartmouth (180MW) has good inflows over the last 12 months, a return to service date is heavily dependent on irrigation releases and winter inflows



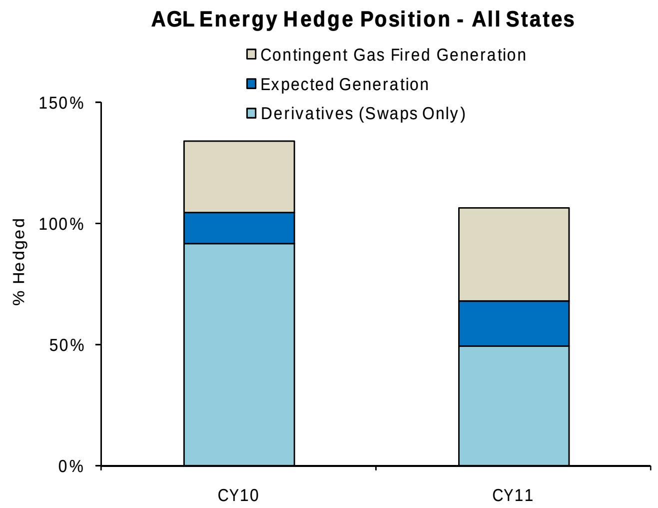
# Merchant - Electricity Hedging: Policy



- AGL Risk Management Policy is set by the Board and establishes the requirements for the management of wholesale risk
- Clearly defined and approved commodity and transaction limits
- Counter party credit limit tier allocation
- Market price risk is contained with requirements for hedging based upon physical limits and financial limits:
  - **Physical Limits**: Appropriate hedges to meet minimum fraction of expected energy load
  - **Financial Limits**: Additional limits defined on basis of detailed economic analysis of portfolio dynamics of load, hedge contracts, generation and volatile prices:
    - Earnings at Risk limits are established as the worst outcome expected 1 year in every 10

# Merchant - Electricity Hedging: Position

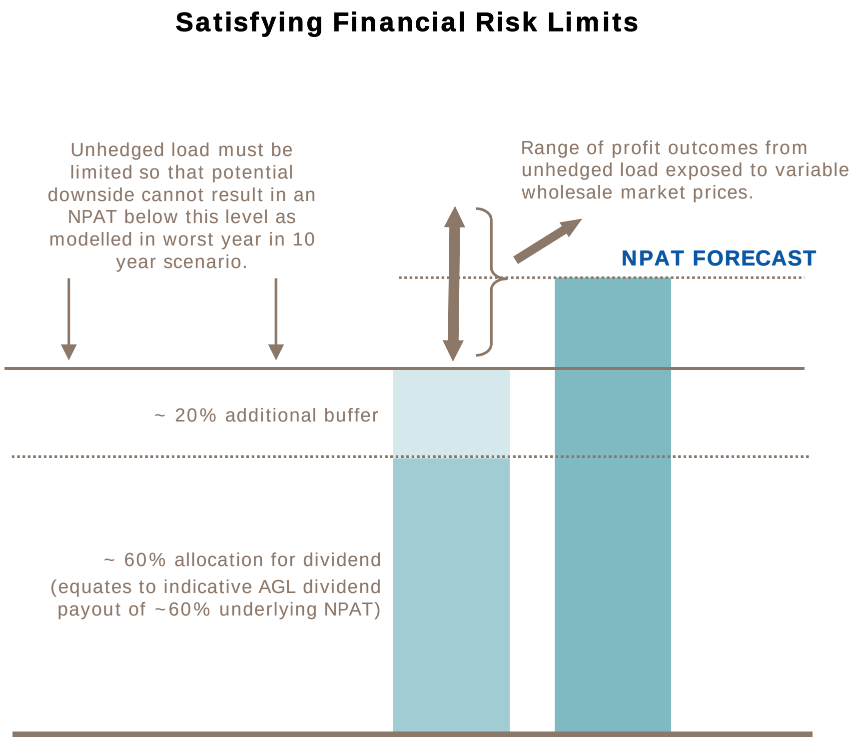
## Physical




### Key Points

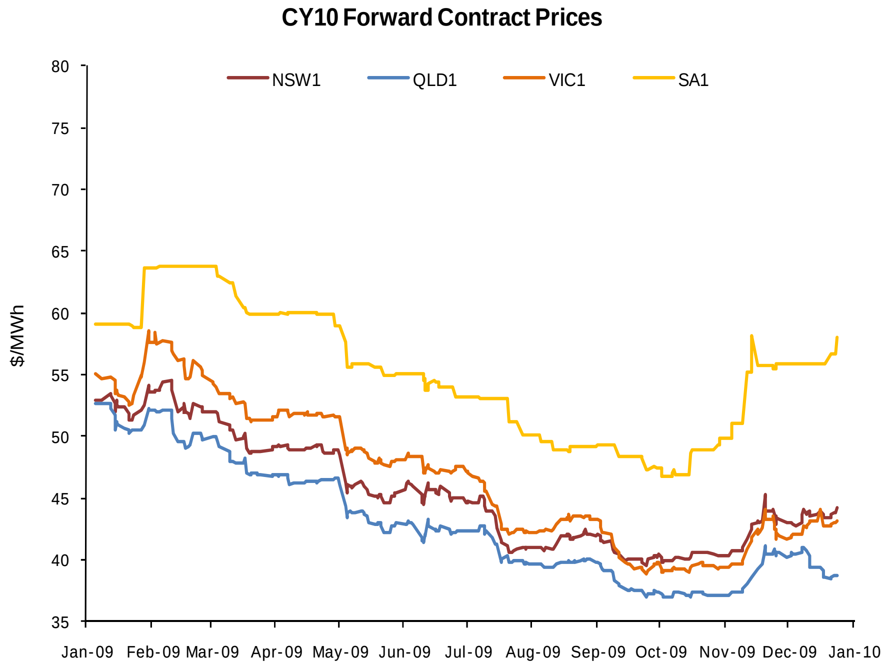
- Positions across all states and time periods have been aggregated
- Reference load is average annual energy (in MWh) for 100% of (C&I Contracted Load + Expected Mass Market Load)
- Expected Generation represents AGL's internal estimate of the amount of energy likely to be generated based on pool price, fuel cost and hydrology assumptions
- Contingent Gas Fired Generation is the maximum amount of energy that AGL's portfolio could generate if required
- Position does not include AGL's passive investment in Loy Yang A

## Financial



# Merchant – Wholesale Electricity Prices

- Record hot weather at the beginning of 2009 drove a rally in the forward market
- Relatively benign temperatures thereafter saw a return to lower levels
- The delay in May of the start date of ETS from 1 July 2010 to 1 July 2011 caused a rapid sell-off of the carbon premium in the forward curve
- Significantly lower underlying prices and lack of spot volatility through winter resulted in a further decline of the forward curve to near three-year lows



# Upstream Gas – Key Financial Metrics

| 6 months to<br>$m | 31 Dec 2009 | 31 Dec 2008 | Change |
|---|---|---|---|
| **Operating EBITDA** | **13.8** | 62.8 | (78.0%) |
| D & A | **(10.8)** | (7.4) | (45.9%) |
| Pro forma D & A adjustment | **-** | (27.0) | NA |
| **EBIT** | | | |
| PNG Upstream Investment (net of pro forma adjustment) | **-** | 22.4 | NA |
| Upstream Gas | | | |
| Queensland / South Australia | **3.4** | 3.7 | (8.1%) |
| New South Wales | **2.0** | 0.7 | 185.7% |
| Equity Investments | **(0.1)** | 2.4 | NA |
| Sundry | **(2.3)** | (0.8) | (187.5%) |
| **Operating EBIT** | **3.0** | 28.4 | (89.4%) |

# Upstream Gas Interests – Permit Details

| Basin | Project | Permits | | Working Interest |
|---|---|---|---|---|
| | | Exploration (Area km$^2$) | Production (Area km$^2$) | |
| Sydney | Camden Gas Project | PEL 2 (6,696) | - | 100% |
| | | PEL 5 (400) | - | 100% |
| | | - | PPL 1 (48) | 100% |
| | | - | PPL 2 (1) | 100% |
| | | - | PPL 4 (55) | 100% |
| | | - | PPL 5 (103) | 100% |
| | | - | PPL 6 (7) | 100% |
| | Hunter Gas Project | PEL 4 (5,076) | - | 100% |
| | | PEL 267 (4,913) | - | 100% |
| Gloucester | Gloucester Gas Project | PEL 285 (1,018) | - | 100% |
| Bowen | Moranbah Gas Project | ATP 364P (4,494) | - | 99%* |
| | | - | PL 191 (220) | 50% |
| | | - | PL 196 (38) | 50% |
| | | - | PLA 222 (108) | 50% |
| | | - | PL 223 (166) | 50% |
| | | - | PL 224 (70) | 50% |
| | Spring Gully Project | ATP 592P (1,738) | - | 0.75% |
| | | - | PL 195 (257) | 0.75% |
| | | - | PL 203 (259) | 0.75% |
| | | - | PL 204 (220) | 0.0375% |
| Galilee | Galilee Exploration Project | ATP 529P (5,949) | - | 50%** |
| Cooper / Eromanga | Conventional oil and gas targets | PEL 101 (154) | - | 35%** |
| | | PEL 103 (177) | - | 37.5%** |
| | | PEL 103A (56) | - | 37.5%** |
| Geothermal | Victoria | GEP 1 (5,783) | - | 100% |
| | | GEP 2 (6,962) | - | 100% |
| | | GEP 3 (5,578) | - | 100% |
| | New South Wales | EL 7384 (273) | - | 100% |
| | | EL 7385 (695) | - | 100% |
| | | EL 7386 (1,729) | - | 100% |
| | | EL 7387 (3,559) | - | 100% |

* Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

** Working interests reflect AGL's final position after respective farm-in programs are completed.



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# Loy Yang A: Financial Performance

| 6 months to $m | 31 Dec 2009 | 31 Dec 2008[3] | Change |
|---|---|---|---|
| Generation Volume (GWh) | **7,775** | 7,400 | 5.1% |
| Average Price ($/MWh)[1] | **$42.68** | $35.46 | 20.4% |
| | | | |
| Sales Revenue[2] | **359.0** | 296.4 | 21.1% |
| Other Revenue | **14.2** | 10.1 | 40.6% |
| Expenses | **(137.5)** | (123.1) | 11.7% |
| Depreciation | **(56.0)** | (56.0) | 0.0% |
| Borrowing costs | **(125.9)** | (136.2) | (7.6%) |
| Profit (loss) after tax before fair value changes[4] | **53.8** | (8.8) | NA |
| AGL share of profit (loss) after tax before fair value | **17.9** | (2.9) | NA |
| Interest on loan note | **4.9** | 5.4 | (9.3%) |
| **Operating EBIT** | **22.8** | 2.5 | 812.0% |

1. Weighted average.
2. Sales Revenue includes revenue from generation, mining and infrastructure services.
3. Prior period change reflects adjustments post year end.
4. Excludes fair value changes.