

Energy in
action.®

ASX statement

4 May 2011

Attached is a presentation to be made today by Michael Fraser,
Managing Director and CEO at the Macquarie conference in Sydney.



John Fitzgerald
Acting Company Secretary





Energy in
action.®



Focus on delivery excellence

Macquarie Equities Conference - Sydney

Michael Fraser, Managing Director and CEO | 4 May 2011

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.
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- > Was prepared with due care and attention and is current at the date of the presentation.

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Complex market requires strategic optionality

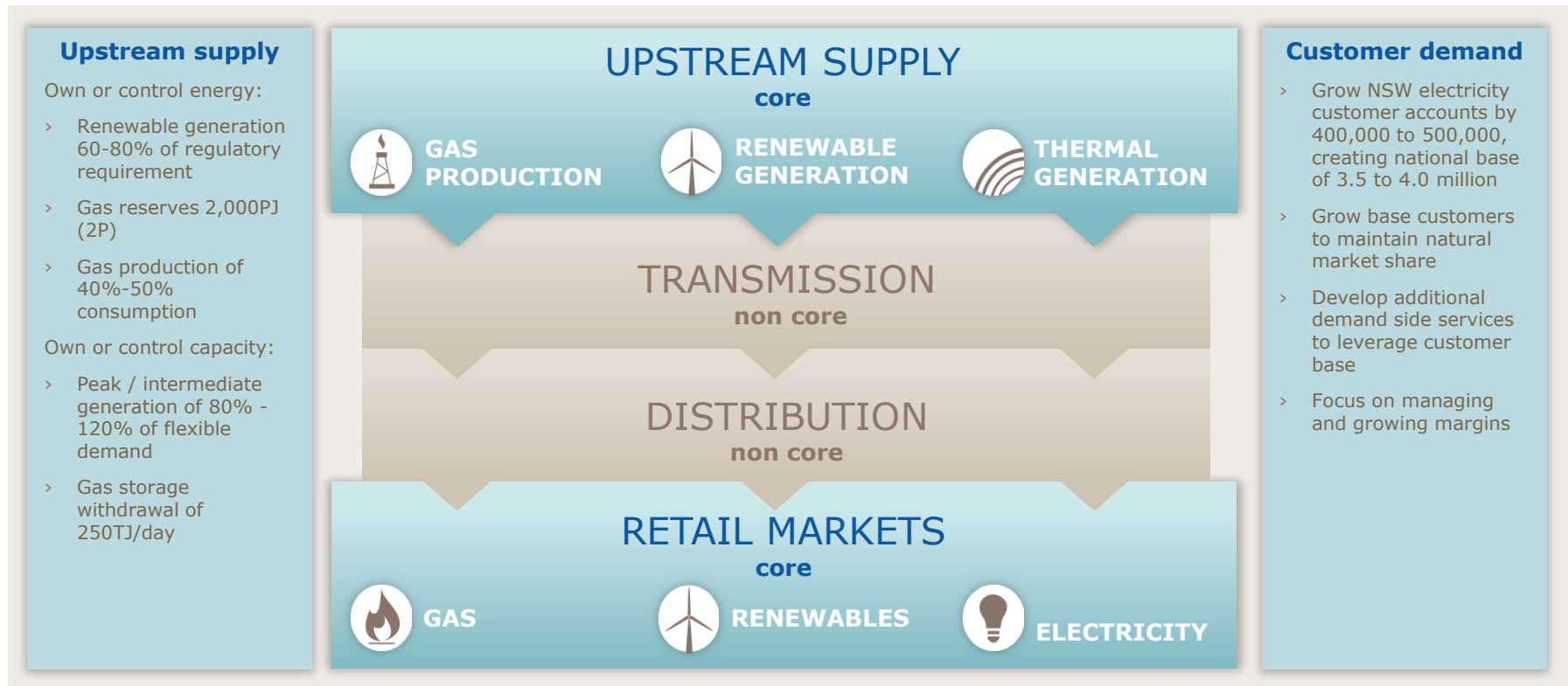
- > Continued sharp increases in electricity prices forecast
- > Uncertainty surrounding carbon tax
- > Significant retail competition
- > Soft domestic wholesale gas market conditions
- > Increasing international demand for LNG
- > Soft wholesale electricity market conditions
- > Current oversupply in base load generation
- > Current oversupply in renewable certificates
- > Strength of A\$ supports new build generation



The Integrated Strategy

Managing risk and improving returns.

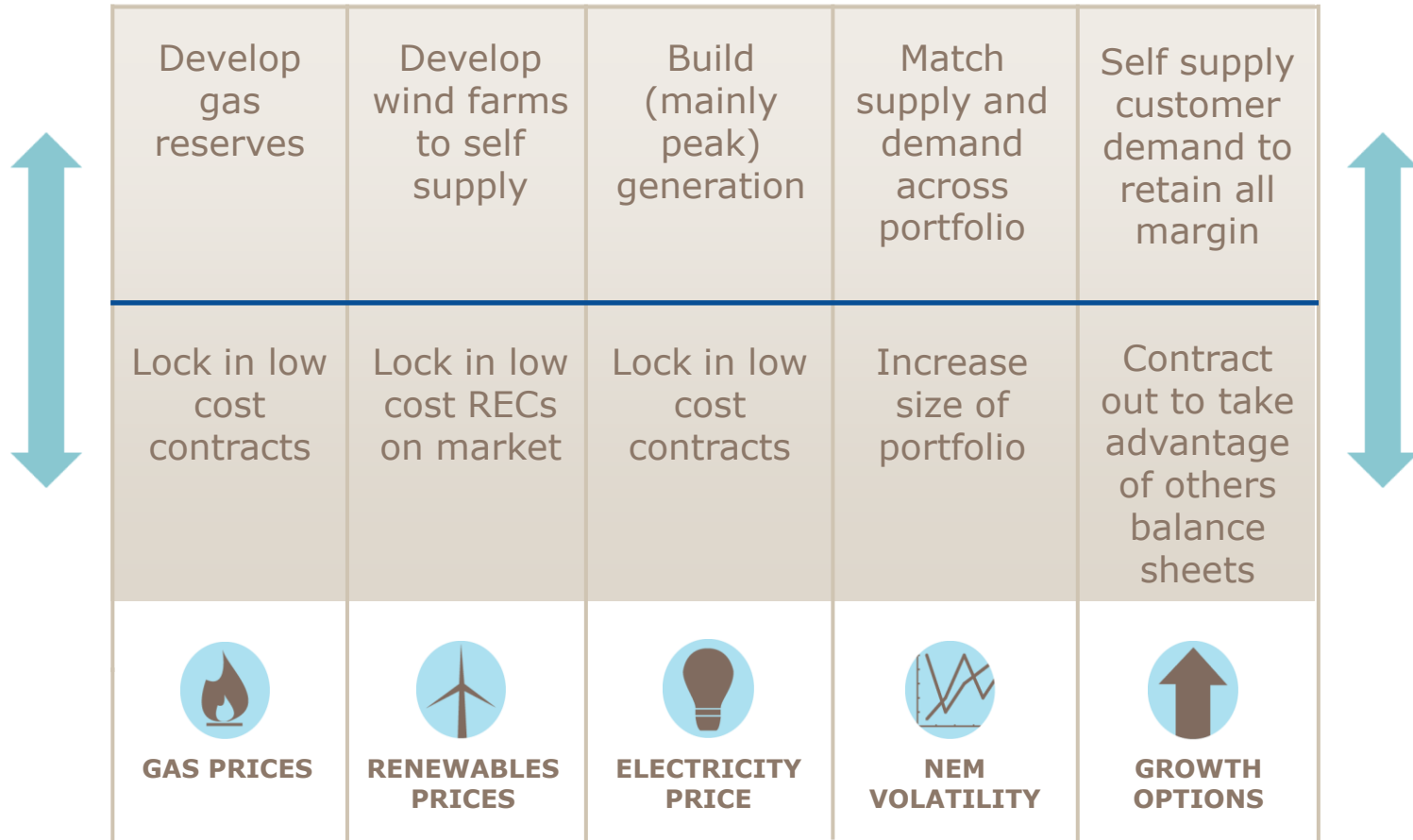
AGL's integrated strategy provides access to multiple profit pools and balances risk between upstream supply of energy and our customers' demand for energy.



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Benefits of The Integrated Strategy

Providing options to access multiple profit pools.



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Wholesale electricity market continues to soften

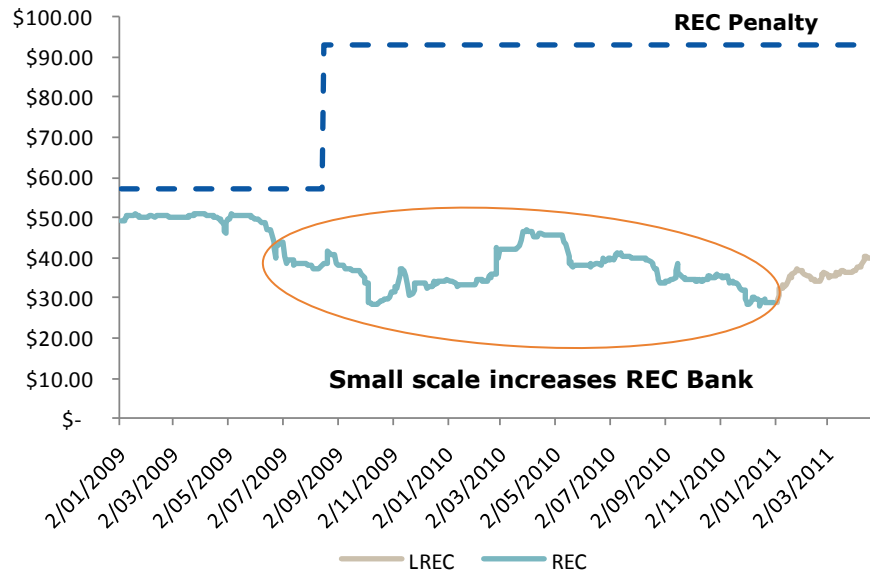
Influences on future wholesale prices.

- > Sufficient base load capacity across markets
- > 9,000 MW wind/other renewables by 2020
- > Peak demand continues to grow faster than underlying demand
- > Export coal prices to put upward pressure on domestic market
- > Surplus gas supply also impacting prices
- > Carbon price debate adds uncertainty to electricity market

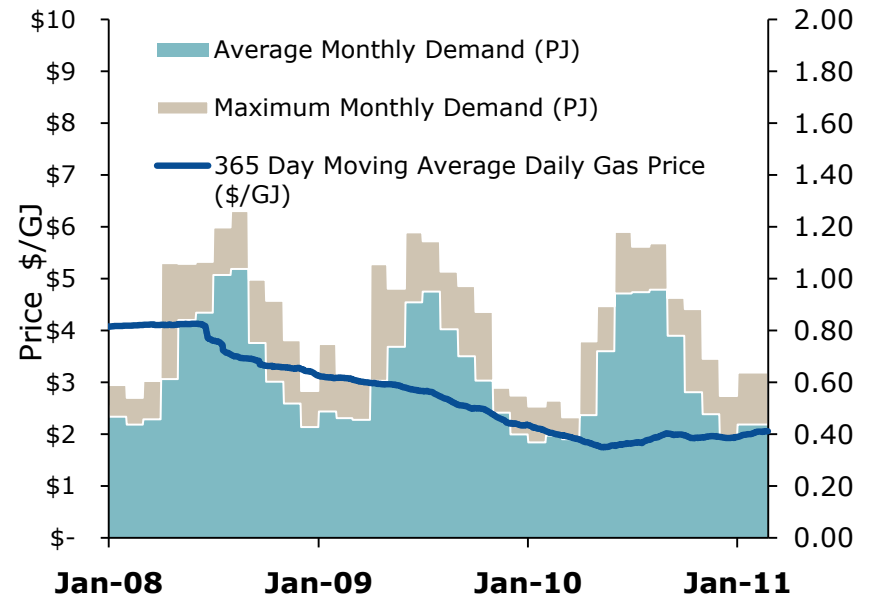


Weak spot prices for both renewables and gas

LREC spot price



Victorian spot gas

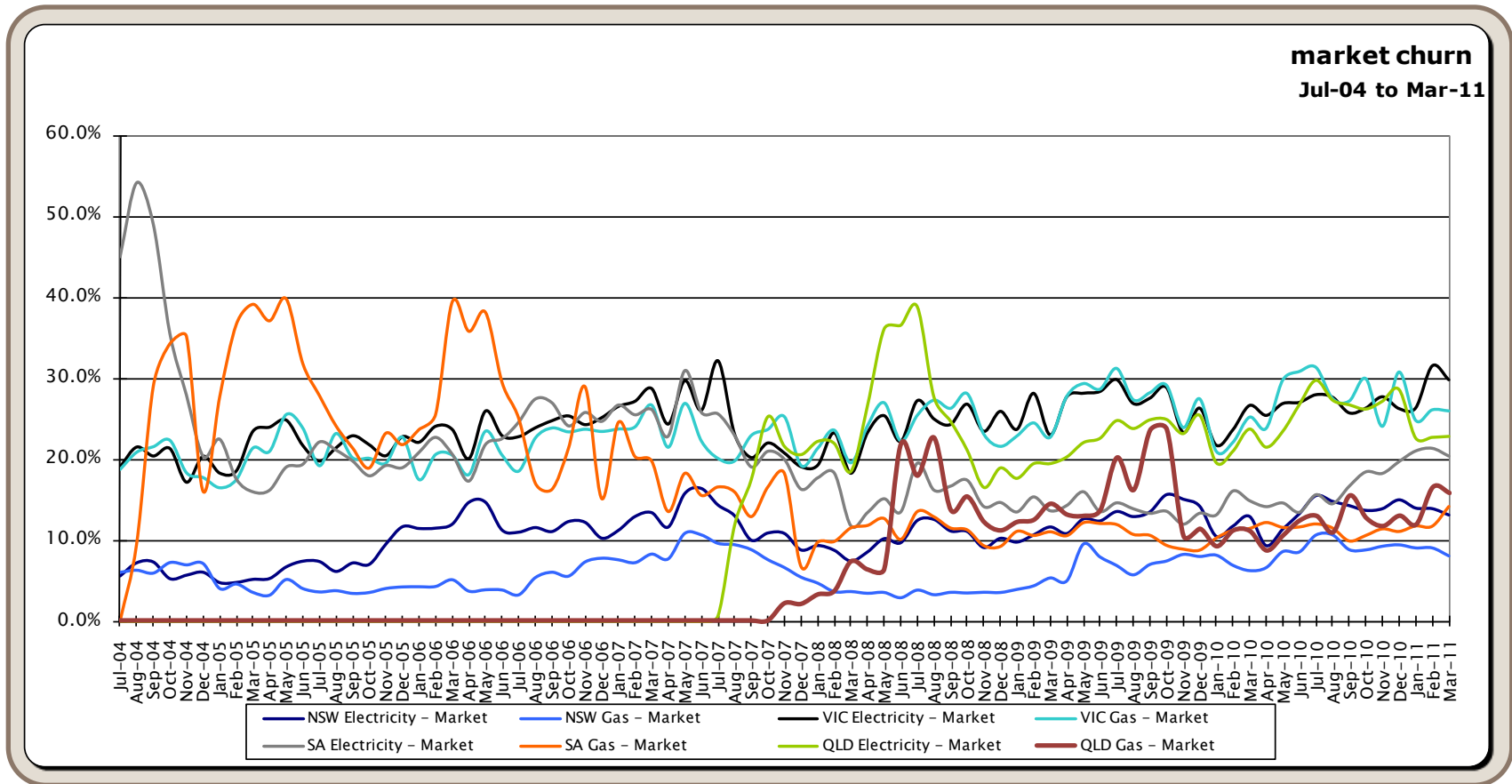


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Retail Market Churn

Retail markets remain very competitive.



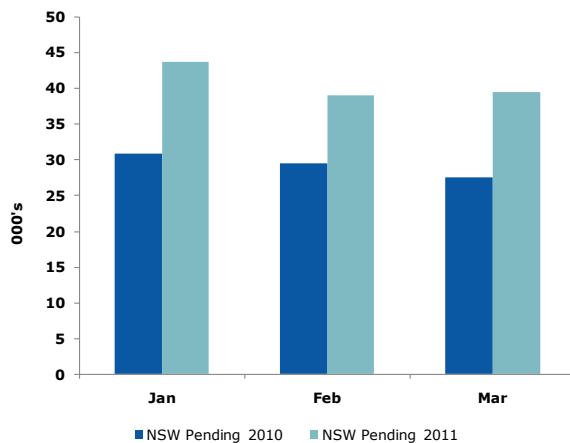
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AGL pursues organic NSW growth strategy

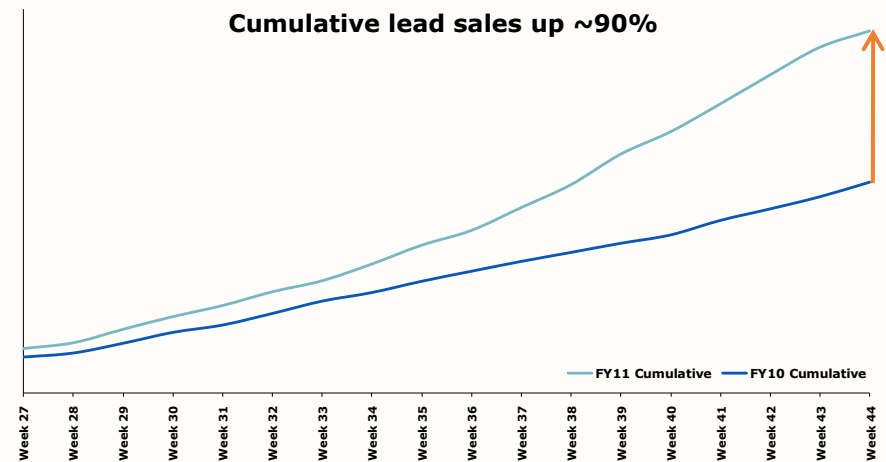
NSW electricity market churn is on the rise.

- > Channels to market:
 - » Aggregators
 - » Outbound telemarketing
 - » Door-to-door field sales
 - » Comparison sites
 - » Inbound calls
 - » Online self-service

NSW Pending Churn up ~40% on 2010



AGL NSW Sales (Jan to Mar) 2010 / 2011



Source: AEMO Completed Churn Reports NSW (Jan to Mar 11), AGL

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Online capability launched

Easier to do business with AGL.

- > AGL launched online capability – 4 April
- > First of major retailers to deliver fully integrated online processing
- > Key functionality:
 - » Sign-up with AGL
 - » Arrange next day move-in
 - » Bills delivered electronically
 - » Review bill and consumption history
 - » Change account details
 - » Set up bill smoothing & direct debit
- > Industry best practice in UK ~50% of customers manage accounts online.

AGL Energy in action.

Currently logged into account
Search agl.com.au | View another account | Logout

MY ACCOUNT | PAYMENT OPTIONS | ENQUIRIES | MOVING | ENERGY PLANS | FAQs

My account

Hi , welcome to AGL Energy Online. You'll find everything here to manage your energy accounts.

You are logged into account . View another account.

- » **Pay my bill**
Quick and easy payments.
- » **My bill and payment history**
View my previous bills and payment history.
- » **My paperless billing**
Receive my bill via email. Sign up here.
- » **Manage my payments**
Manage my payments or set up Direct Debit or Bill Smoothing.
- » **View my historical consumption**
View my average daily energy consumption.
- » **Update my details**
Update my phone, email and address details.

MY ACCOUNT

- » Pay my bill
- » My bill and payment history
- » My paperless billing
- » View my historical consumption
- » Update my details
- » Manage my concession details
- » Manage authorised persons
- » Change my password
- » Add or remove account
- » Add a property

MY CURRENT PLAN

Advantage5%

Energy type: Gas
Property address:

Approximate meter read date:
10/05/2011

Advantage5%

Energy type: Electricity
Property address:

Approximate meter read date:
17/06/2011

» Manage my plans

Congratulations!
You're now in the draw to WIN 3 years, no bills*.
If you haven't already, sign up for direct debit and paperless billing for more chances to win.

*Conditions apply.

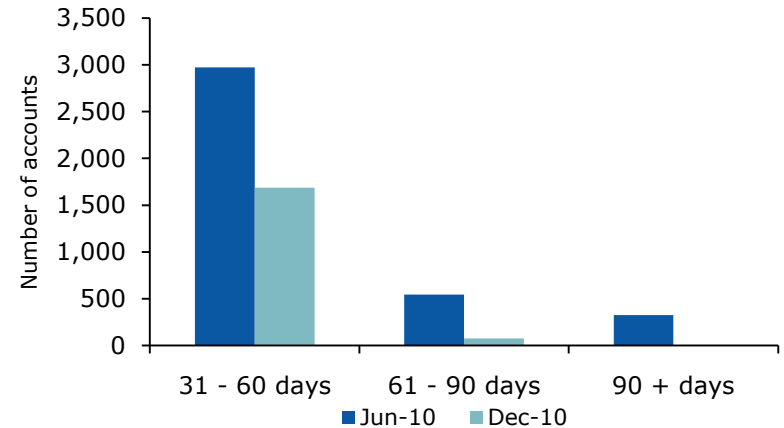
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Retail – Improving Core Operations

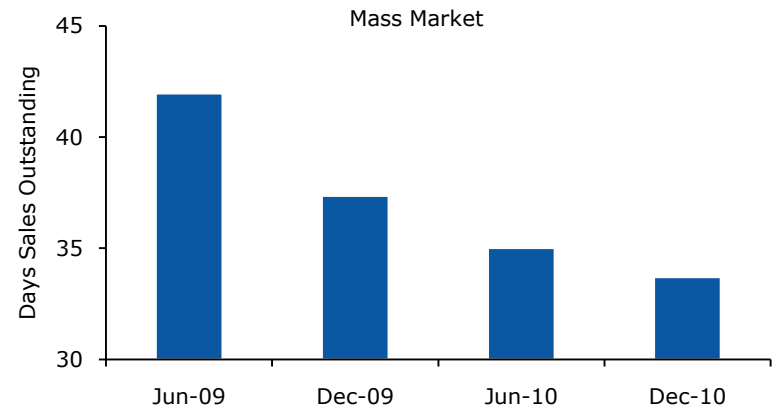
Strong working capital management.

- > Aged unbilled customers at historically low levels
 - » Zero unbilled mass market customers over 60 days nationally for the first time
- > Significant reduction in mass market days sales outstanding over past four half-year periods
- > Solid mass market and C&I aged debt performance despite growing revenue streams
 - » Overall reduction in Retail debt despite mass market and C&I revenue increasing 13% and 5% respectively

Aged Unbilled Accounts – improving across all categories



Days Sales Outstanding – consistent improvement over 2 years

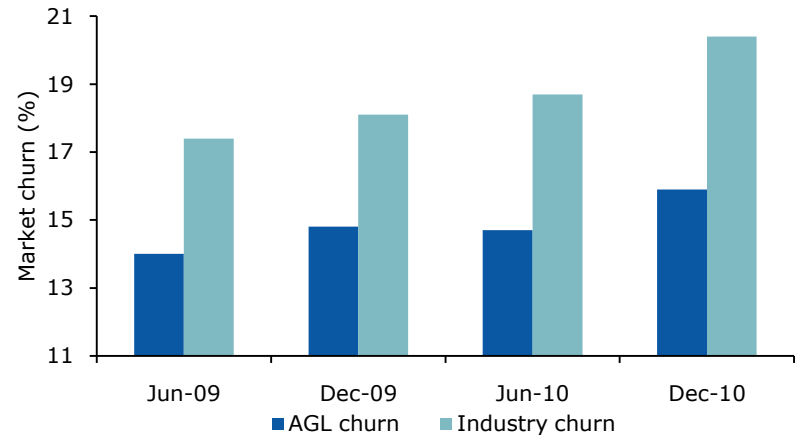


Retail – Improving customer service

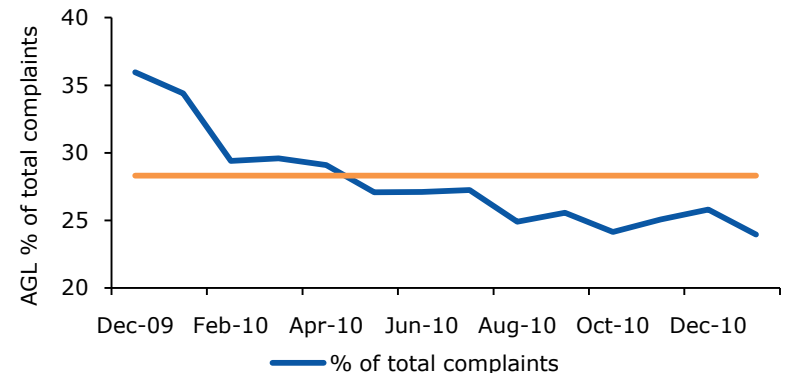
Industry outperformance.

- > AGL market churn continues to outperform industry
 - » AGL churn 4.5 ppts below industry average
- > Effective AGL retention activity continues to reduced the impact of churn on gross margin and customer numbers
- > AGL share of Ombudsman complaints remaining lower than market share

AGL churn much lower than industry



AGL share of total Ombudsman complaints decreasing



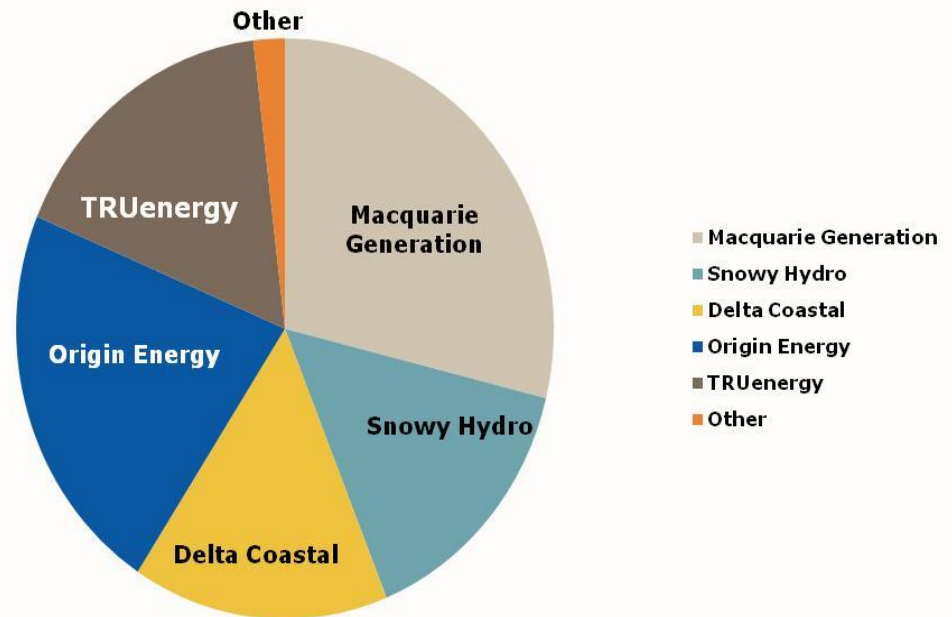
NSW – Unaligned generation

Able to support AGL's NSW retail growth strategy.

Entity	Capacity	% of Region
Macquarie Generation	4,839	28.8
Snowy Hydro	2,516	15
Delta Coastal	2,588	15.4
Total	9,943	59.2

- > Unaligned generation accounts for nearly 60% of installed capacity
- > Provides significant opportunity for AGL to source hedge contracts
- > Generators seeking to ensure diversity of counter-parties

NSW Generation Capacity



NSW – AGL adding peak generation capacity

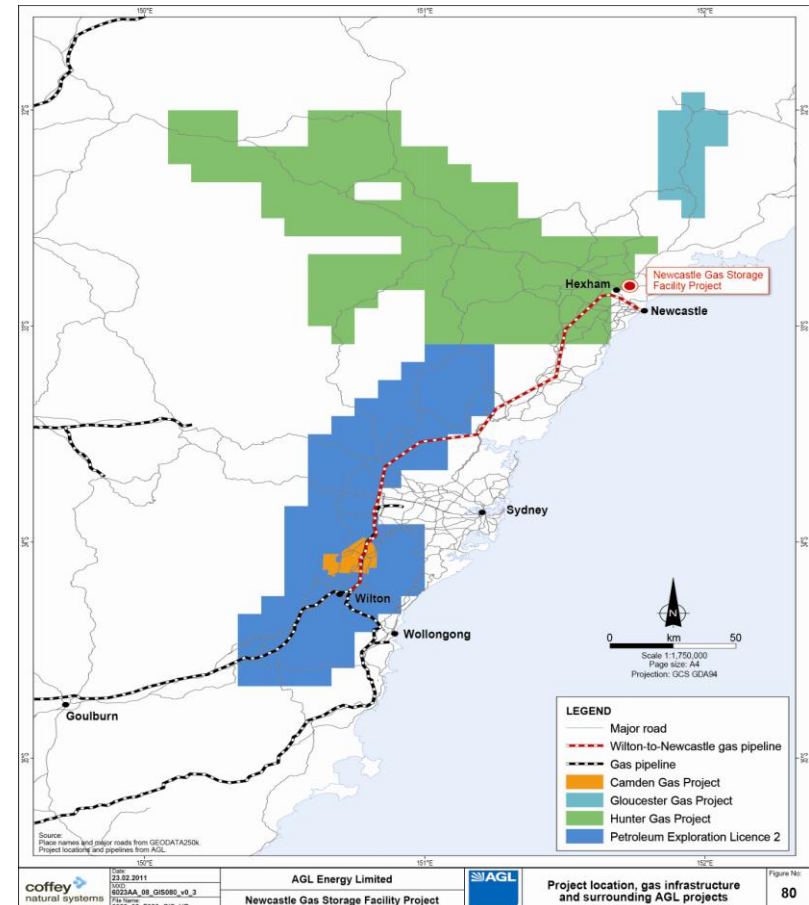
Final investment decision on Dalton expected in 1H FY12.

- > Intermediate/Peaking gas plant
 - » Permitting site for up to 1,500 MW
 - » Initially capacity of 500-750 MW
- > Planning application lodged and construction tenders received
- > Attractive equipment pricing (AUD strength to contribute to low \$/MW)
- > Excellent location:
 - » On the grid (330kV transmission on site)
 - » Transgrid identified future project to upgrade to 500kV
 - » Moomba to Sydney gas line 3km south of site
 - » Leverage existing haulage arrangements

NSW – Newcastle Gas Storage Facility

Final investment decision expected in 1H FY12.

- › Infrastructure supply bottlenecks emerging in NSW
- › Management of peak gas demand (daily and hourly):
 - » Peak supply during high demand
 - » Supports development of peaking power stations
 - » Short-term trading market (STTM)
 - » Emergency supply
- › FEED program 80% complete
- › EPC bids being evaluated



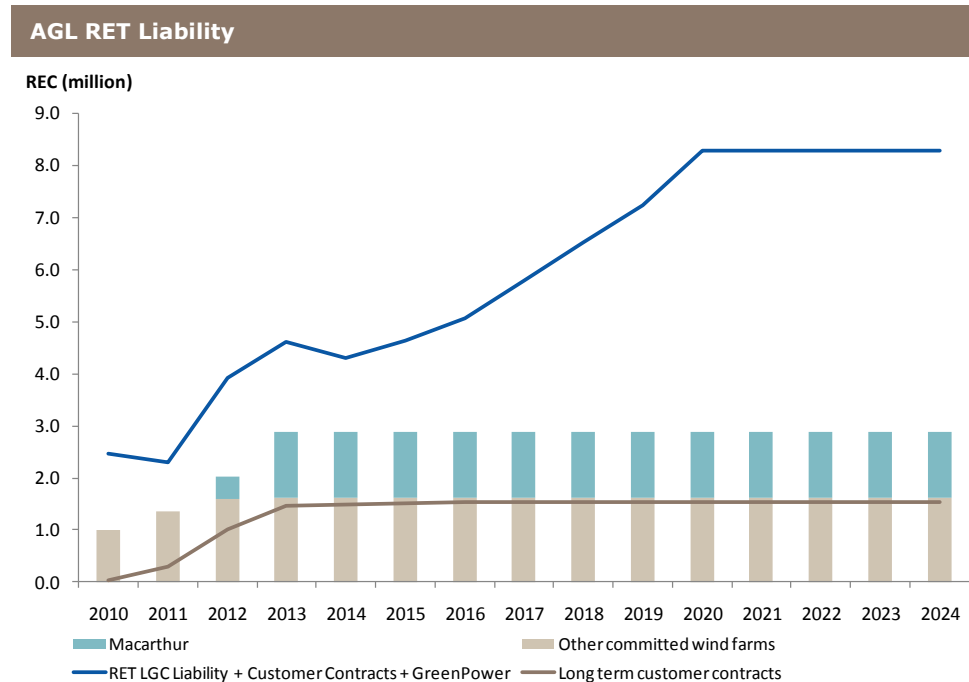
Project location, gas infrastructure and surrounding AGL Projects

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Renewable Energy Certificates (REC) Obligations

Policy certainty provides long-term growth opportunity.

- > Split between Large and Small Scale Renewable Energy Scheme from 31 December 2010
- > Since the scheme split, the LREC price has increased to around \$40
- > AGL has signed long-term renewable supply agreements with customers that support its wind farm portfolio:
 - » Victorian De-salination
 - » South Australian De-salination
 - » Melbourne Water
- > AGL has announced that it will not commit to any further wind projects until there is the required price signal (LREC and electricity)



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Renewable Energy Certificates (REC) obligations

Surplus continues to suppress REC prices.

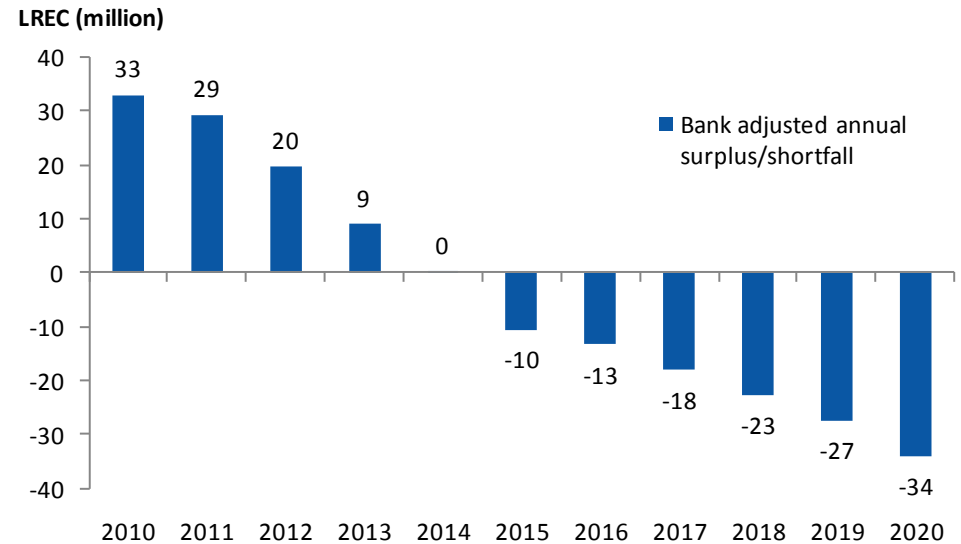
> AGL's REC obligations covered to 2014/15

> Future wind farm developments timing subject to recovery of REC prices

> Renewable generation (under construction)

- » Hallett 4 (132 MW)
- » Oaklands Hill (67 MW)
- » Hallett 5 (52 MW)
- » Macarthur (420 MW)

Forecast Industry LRET Balance



Source: AGL

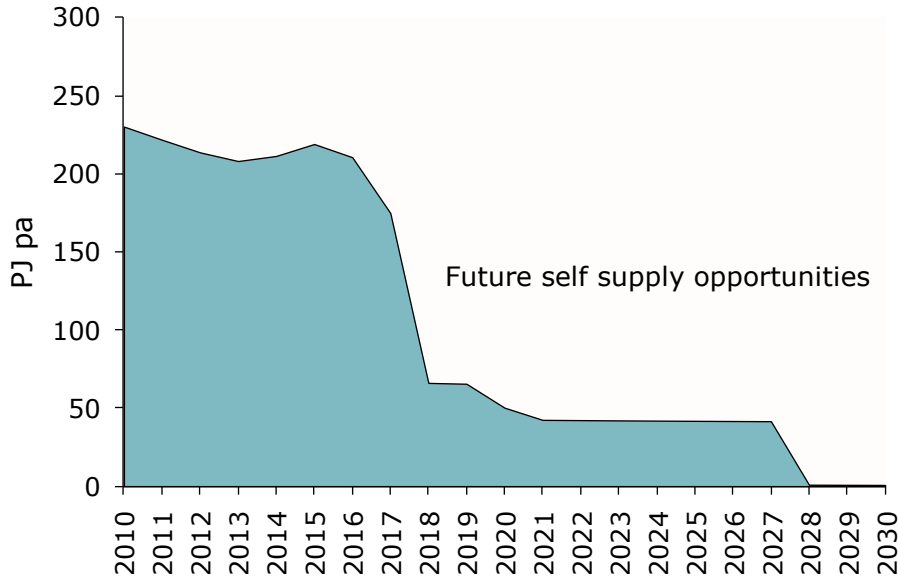
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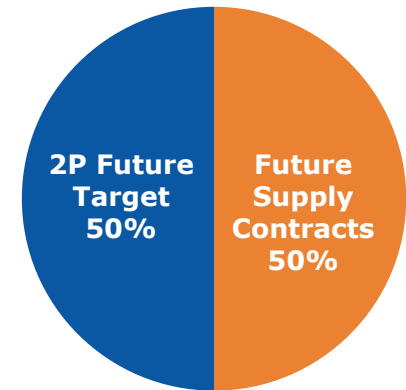
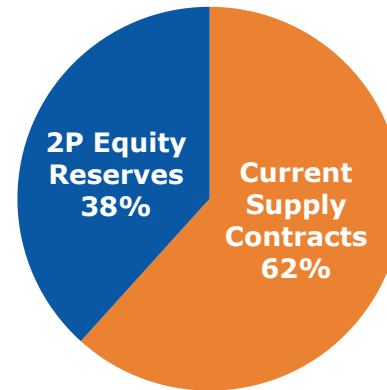
Upstream Gas

Integrated strategy creates growth opportunity.

AGL Long-term Gas Supply Contracts



AGL Long-term Gas Supply Contracts



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Upstream Gas

Creating future value.

- > Gloucester received NSW Planning commission approval
- > Galilee – 3 production core/test holes over next six months
- > Hunter – first reserves booked

AGL share of CSG reserves	As at 31 Dec 10	
PJ	2P	3P
Gloucester (100%)	669	832
Moranbah (50%)	372	703
Camden (100%)	151	198
Hunter (100%)	142	271
Spring Gully (various, small)	8	10
Sub-Total	1,342	2,014
ATP 1103 back-in rights (50%)*	687	1,495
Total	2,029	3,509

* Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 (previously designated 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.

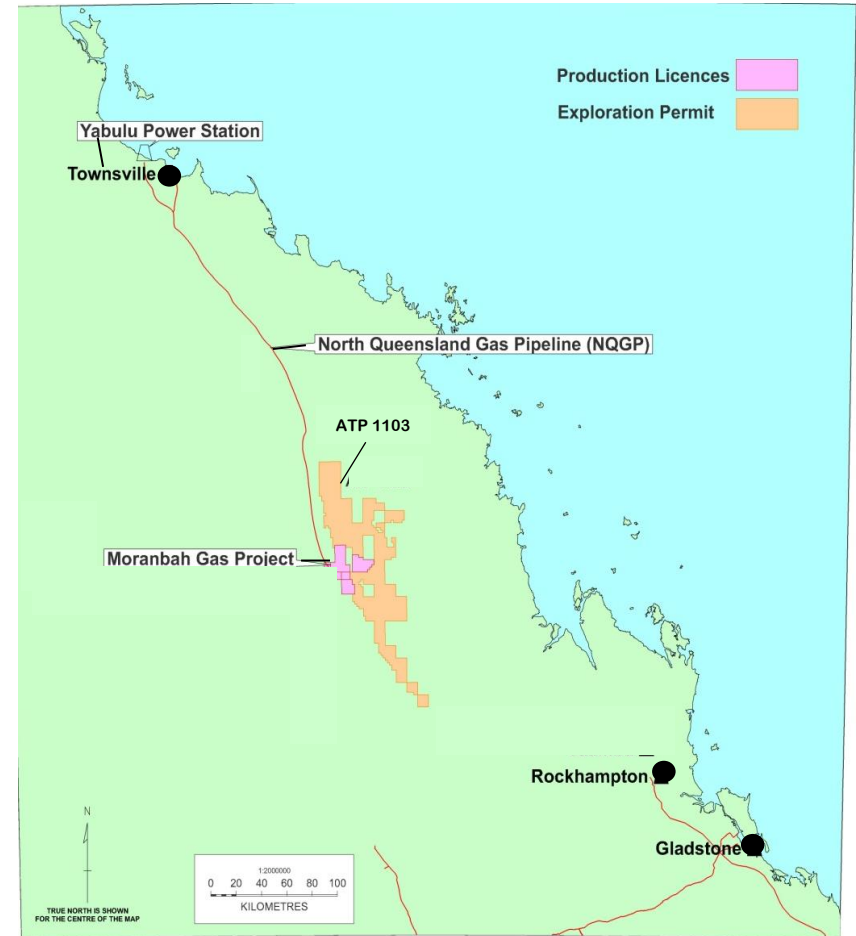
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Bowen Basin/Moranbah Gas Project (MGP)

ATP 1103 low-risk, high-value gas play.

- > AGL 50%; Shell/PetroChina (Arrow) 50% (operator)
- > Shell/Petro China proposing LNG Project
 - » Initially 2-train, 8 Mtpa facility on Curtis Island, Gladstone
 - » Timing of FID late-2012/early-2013
- > Total Bowen Basin reserves:
 - » 2,119 PJ 2P (100% basis)
 - » 4,396 PJ 3P (100% basis)
- > AGL has low cost/low risk back-in rights
 - » 50% of ATP 1103 reserves
 - » At ~\$0.05 per GJ
- > Active exploration program underway



Moranbah Gas Project and North Queensland Energy Assets

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Gloucester Gas Project

Stage 1 approval granted.

- > NSW Planning approved:
 - » 110 wells
 - » Central processing facility
 - » Gas transmission pipeline
 - » 15 MW power generator facility
 - » Development by 2016
- > Hydrogeological drilling program completed and monitoring commenced for Stage 1 area



Stratford 4 well in Gloucester

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Silver Springs Underground Gas Storage Project

On target for first storage early-FY12.

- > Remaining 50% of Wallumbilla LPG plant and Silver Springs to Wallumbilla pipeline
 - » Acquired on 8 April 2011
 - » Pipeline required to transport QGC gas to storage project
- > Four injection wells completed
- > New injection flow lines installed
- > Injection compressor to arrive on site early May



Injection well - Silver Springs 12



Wallumbilla LPG Plant

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Strong growth pipeline

Strategic depth and optionality.

Project	Nominal Capacity	Location	Type	Project Status
Hallett 4	132 MW	SA	Wind	Committed - Under Construction
Oaklands Hill	67 MW	VIC	Wind	Committed - Under Construction
Hallett 5	52 MW	SA	Wind	Committed - Under Construction
Macarthur	420 MW	VIC	Wind	Committed - Under Construction
Silver Springs	35 PJ	QLD	Storage	Committed - Under Construction
Dalton	500 MW	NSW	Gas	In Development
Tarrone	600 MW	VIC	Gas	In Development
Newcastle Gas Storage	1.5 PJ	NSW	Storage	In Development
Barn Hill	150 MW	SA	Wind	In Development
Hallett 3	99 MW	SA	Wind	In Development
Coopers Gap	300 MW	QLD	Wind	In Development
Leafs Gully	360 MW	NSW	Gas	In Development
Solar Flagships	200 MW	Various	Solar	Short Listed
South East Queensland 2	1,150 MW	QLD	Gas	Early Planning
South East Queensland 1	360 MW	QLD	Gas	Early Planning

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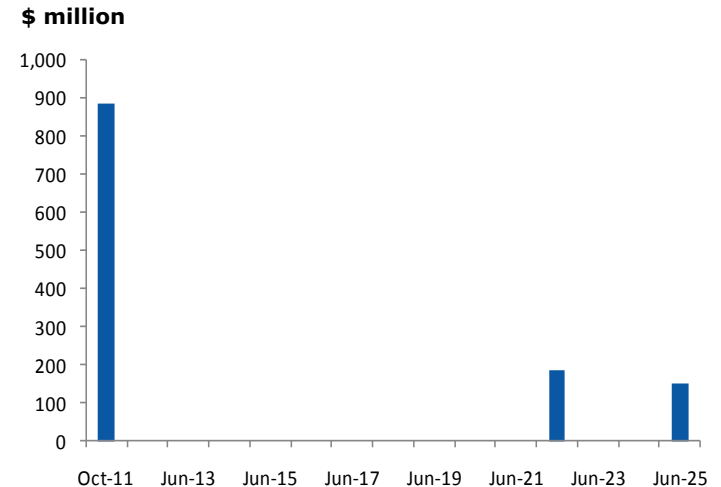


Disciplined capital management

Utilising spare balance sheet capacity.

- > Asset sales proceeds of \$3.2bn (2009)
 - » Resulted in under-leveraged balance sheet
- > \$886m syndicated bank loan refinancing
 - » To be completed prior to FY11 results
 - » Strong interest from existing banks and new lenders
- > Diversifying funding sources and lengthening maturity profile
 - » US\$300m raised in United States Private Placement
 - » Macarthur to be partially funded with 18-year Export Credit financing
 - » Hybrid instruments provide potential to reduce future equity requirements
- > DRP discount of 1.5%
 - » Participation lifted to ~33%
 - » Increased retention reduces need for capital
- > Additional equity not required prior to FY14

Debt Maturity Profile



Summary

- > Building optionality into portfolio
- > Strong growth in Retail contribution in 2H11 expected
- > Accelerated growth in NSW electricity customers on target
- > Nil contribution from Loy Yang expected in FY11 (FY10: \$45.1 million)
- > FY11 Underlying Profit guidance of \$415 million to \$440 million maintained

