

AGL Energy Limited

2010 Interim Results
6 months to 31 December 2009

Delivering growth from the core

Michael Fraser, Managing Director & CEO
Stephen Mikkelsen, Chief Financial Officer

Sydney

26 February 2010



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Agenda

- › **Result Highlights** Michael Fraser, MD & CEO
- › **Group Financials** Stephen Mikkelsen, CFO
- › **Operational Review / Summary** Michael Fraser, MD & CEO
- › **Supplementary Information**

IMPORTANT NOTE:

This presentation should be read in conjunction with the
AGL Energy Limited ASX Appendix 4D for the six months ended 31 December 2009.

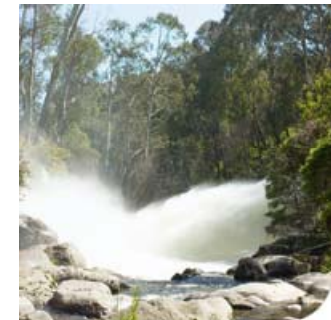
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Half Year 2010 Highlights

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%



Interim 2010 Results

Retail delivers strong growth.

FINANCIAL	> Revenue:	\$3,200.8m	↑ 6.9%
	> Underlying NPAT:	\$234.8m	↑ 22.0%
	> Statutory Profit:	\$183.7m	↓ 88.9%
	> Underlying EPS:	52.4 cps	↑ 21.0%
	> EBITDA / Net Interest:	15.9x (Dec 08: 7.3x)	↑ 8.6x
	> Fully Franked, Interim Dividend:	29.0 cps (Dec 08: 26.0 cps)	↑ 11.5%
OPERATIONAL	> Strong Retail result despite impact of warm winter on sales volumes. Key drivers:		
	<ul style="list-style-type: none"> > Increasing retail mass market gross margin per customer (up 16.8%), > Increasing commercial & industrial gross margin (up 74.5%), > Growth in dual fuel customers (up 76,500), and > Unbilled customers at historic lows (down 85%) 		
	> Excellent availability of generation		
	> High capacity factors across wind farm portfolio		

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Group Financials

Stephen Mikkelsen
Chief Financial Officer



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).

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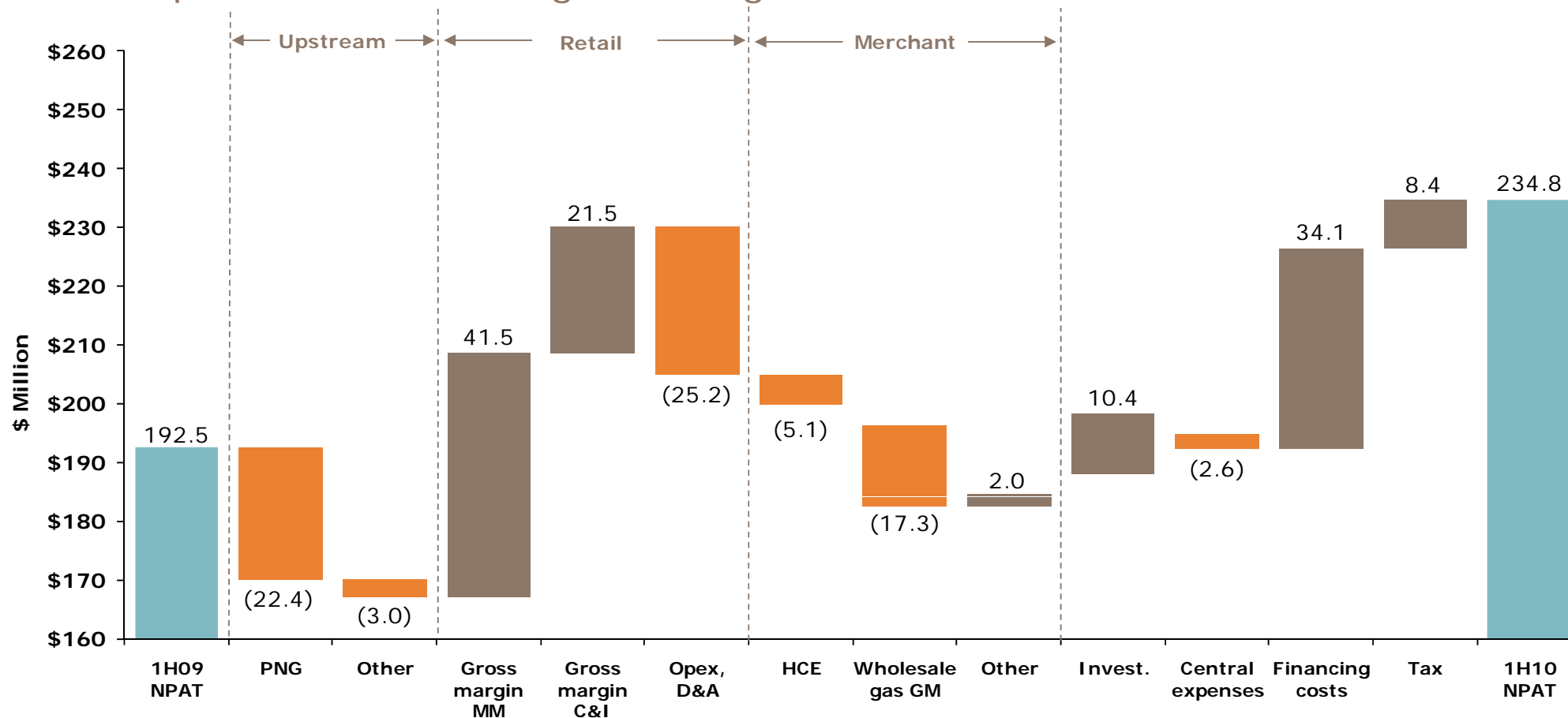
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Group Underlying NPAT

Solid improvement in retail gross margin.



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Retail – Key Financial Metrics

Strong gross margin result partially offset by higher operating costs.

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 Revenue (Fees & Charges)	31.1	25.4	22.4%
Total Revenue	2,756.1	2,510.3	9.8%
Cost of Sales ¹	(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%
Operating EBITDA	203.9	161.3	26.4%
D&A	(20.4)	(15.6)	30.8%
Operating EBIT	183.5	145.7	25.9%

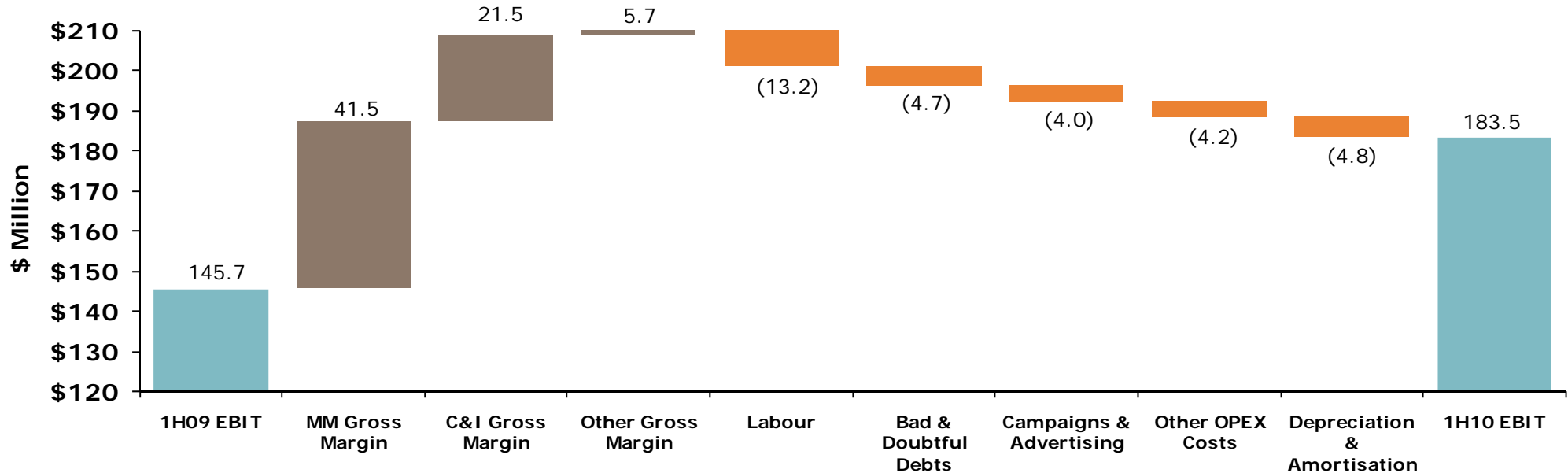
1. Includes \$1,144.1m electricity COGS (\$1,023.2m Dec 08) & \$367.7m gas COGS (\$400.7m Dec 08) transfer price from Merchant.

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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.

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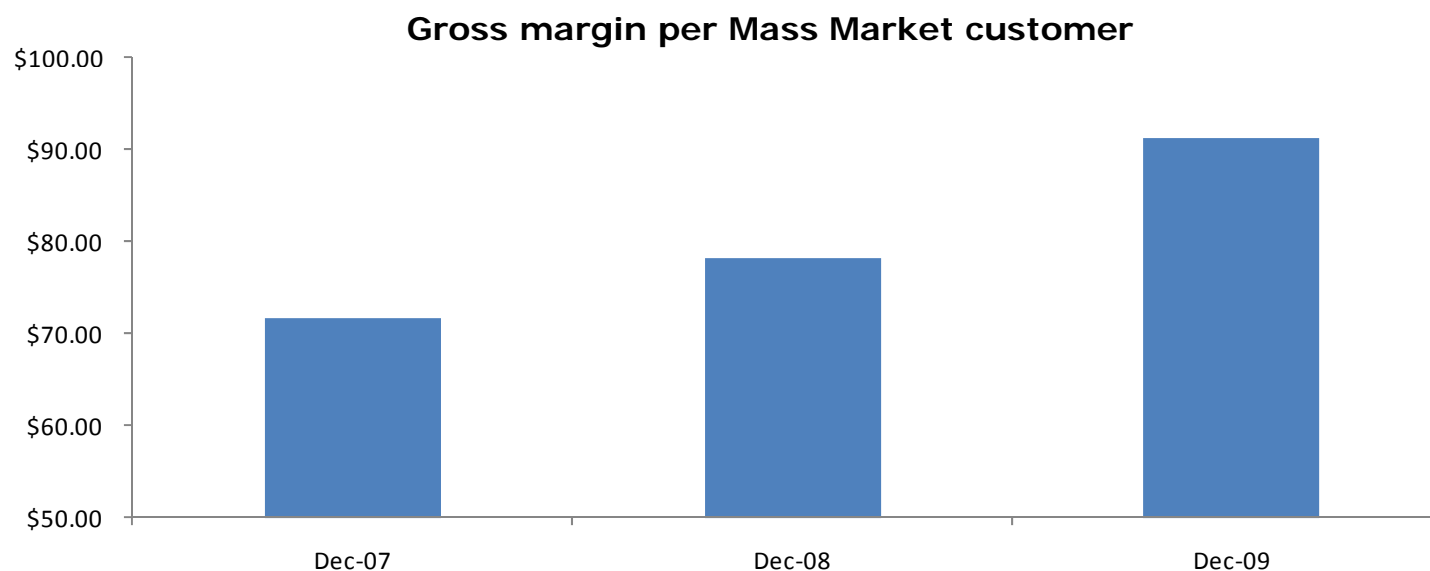
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Retail – Key Operating Metrics

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%



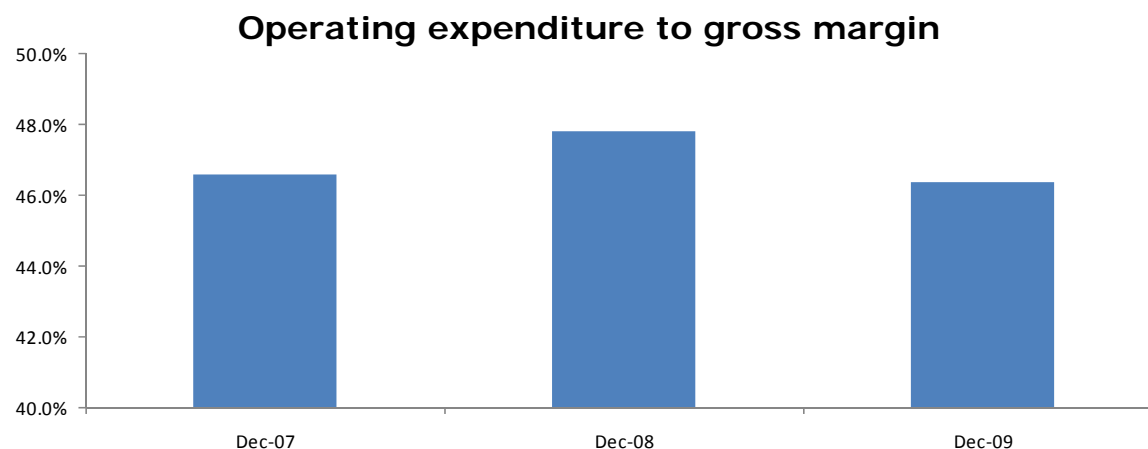
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Retail – Key Operating Metrics

Operating expenditure to gross margin improvement of 1.4ppts.

6 months to \$m	31 Dec 2009	31 Dec 2008	Change
Operating costs	(169.4)	(143.3)	18.2%
Depreciation and amortisation	(20.4)	(15.6)	30.8%
Less fees and charges	31.1	25.4	22.4%
Net operating expenditure	(158.7)	(133.5)	18.9%
Gross margin	373.3	304.6	22.6%
Less fees and charges	31.1	25.4	22.4%
Gross margin less fees and charges	342.2	279.2	22.6%
Operating expenditure to gross margin ratio	46.4%	47.8%	1.4ppts



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Merchant – Key Financial Metrics

Solid underlying result.

6 months to \$m	31 Dec 2009	31 Dec 2008	Change
Operating EBITDA	225.4	244.9	(8.0%)
D & A	(30.3)	(29.4)	3.1%
EBIT			
Energy Portfolio Management (EPM) ¹			
Wholesale Electricity Gross Margin	179.7	185.5	(3.1%)
Wholesale Gas Gross Margin	48.3	65.6	(26.4%)
Eco-markets Gross Margin	13.8	5.1	170.6%
EPM Operating Expenses	(12.8)	(16.1)	(20.5%)
Merchant Operations	(50.0)	(48.6)	2.9%
Energy Services	6.7	13.9	(51.8%)
Power Development ²	14.7	14.2	3.5%
Sundry	(5.3)	(4.1)	29.3%
Operating EBIT	195.1	215.5	(9.5%)

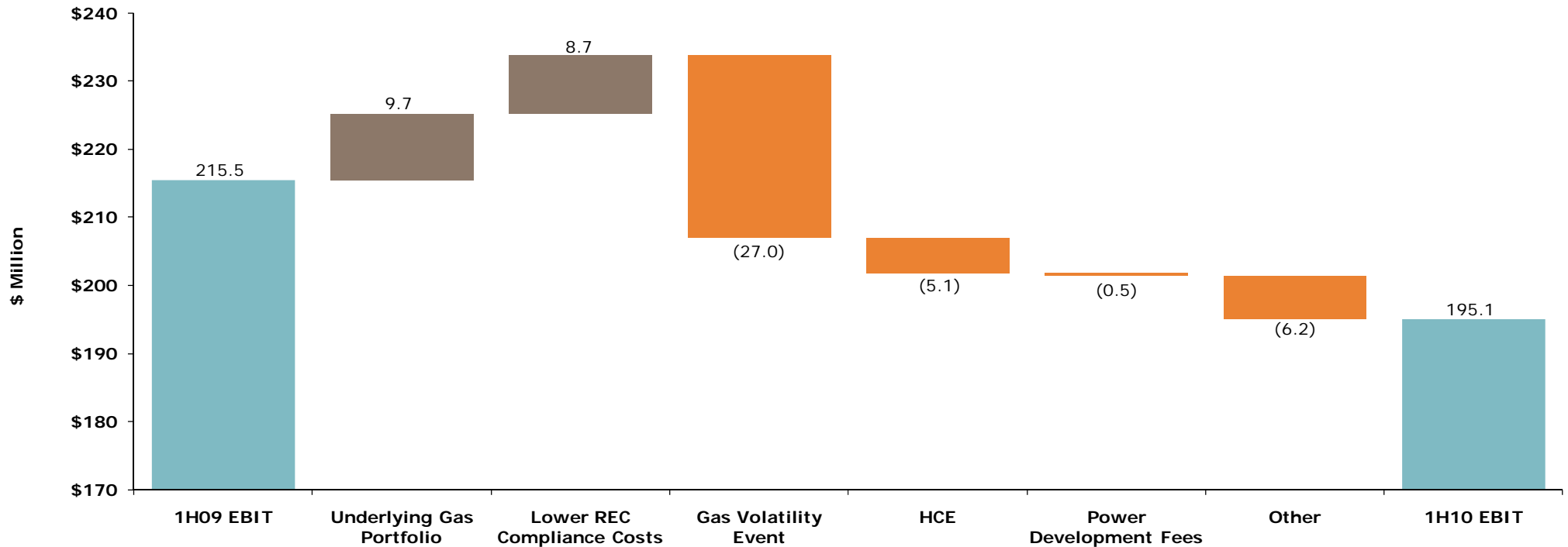
1. EPM operating expenses were previously reported in each of the EPM segments including Wholesale Electricity, Wholesale Gas and Eco-markets.
2. Includes development fees of \$16.0m (Dec 08: \$16.5m).

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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

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Underlying Operating Cash Flow¹

Focus on cash flow yielding good results.

6 months to \$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.

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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

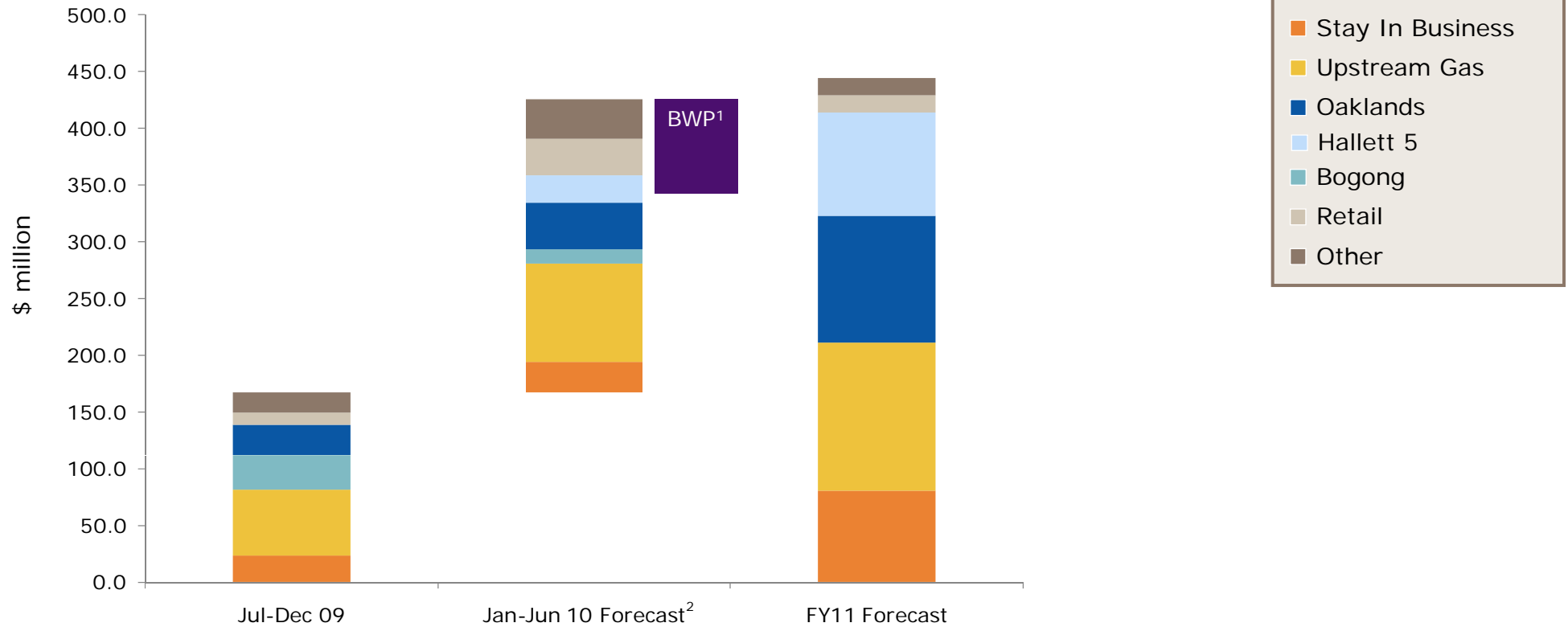
1. Adjustments as applied by Standard & Poor's excluding the notional adjustment for Operating Lease Agreements and Power Purchasing Agreements.
2. Adjustments as applied by Standard & Poor's.

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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.

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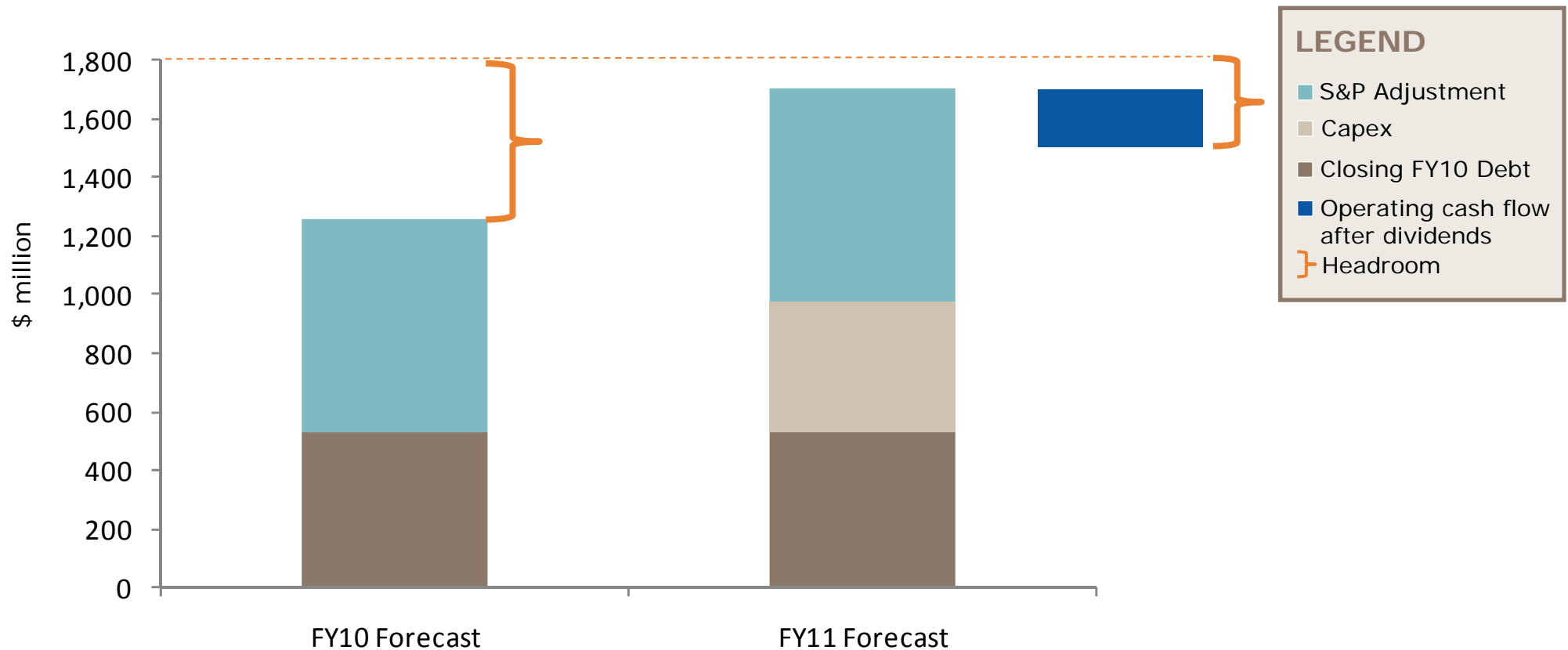
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Debt Capacity

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



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Operational Review

Michael Fraser
Managing Director & CEO



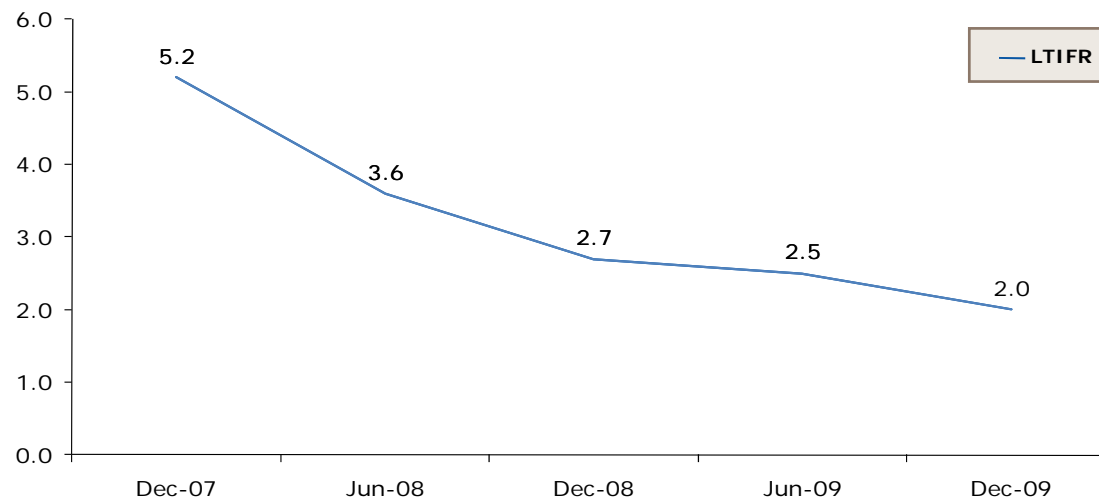
People & Safety

Employee safety, engagement & capability – a strategic priority.

Delivering on our three people initiatives:

1. Attract, retain and develop talent
2. Enable a high performance culture
3. Continued improvement in safety performance

Lost Time Injury Frequency Rate



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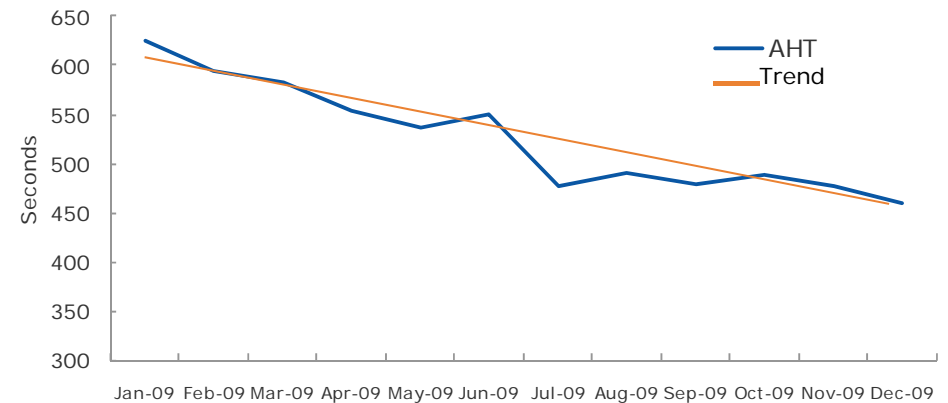


Retail – Improving Core Operations

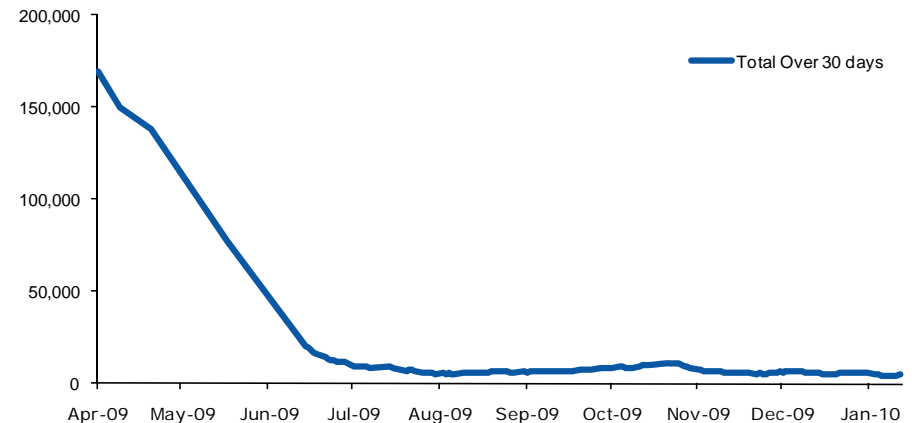
Good progress on Customer Service.

- › 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)

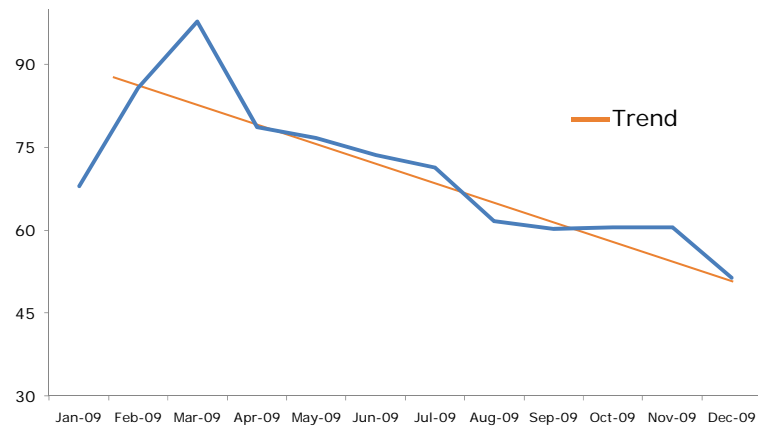


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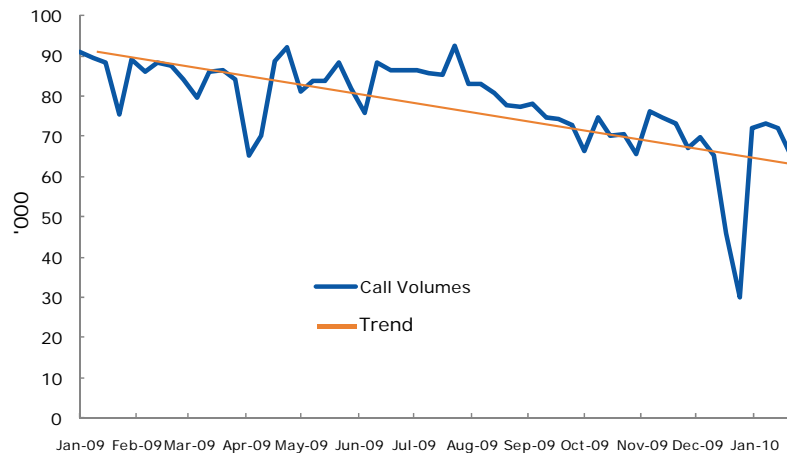


Retail – Improving Core Operations

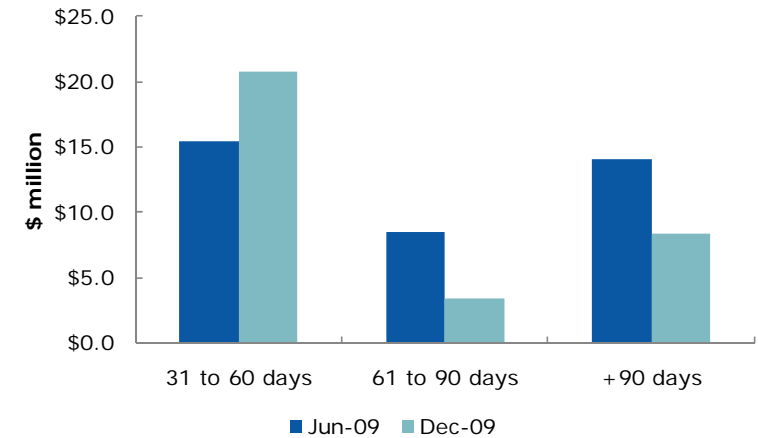
Reducing Ombudsman Complaints per 10,000 customers



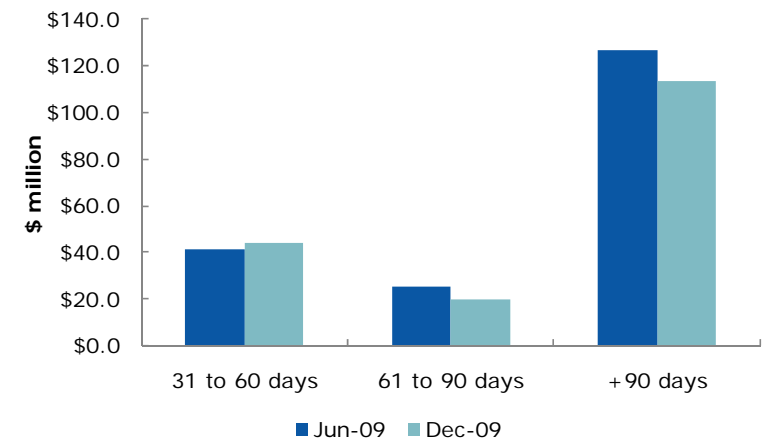
Reducing Call Volumes



C&I Aged Debt – improving +90 day debt



Mass Market Aged Debt – improving +90 day debt



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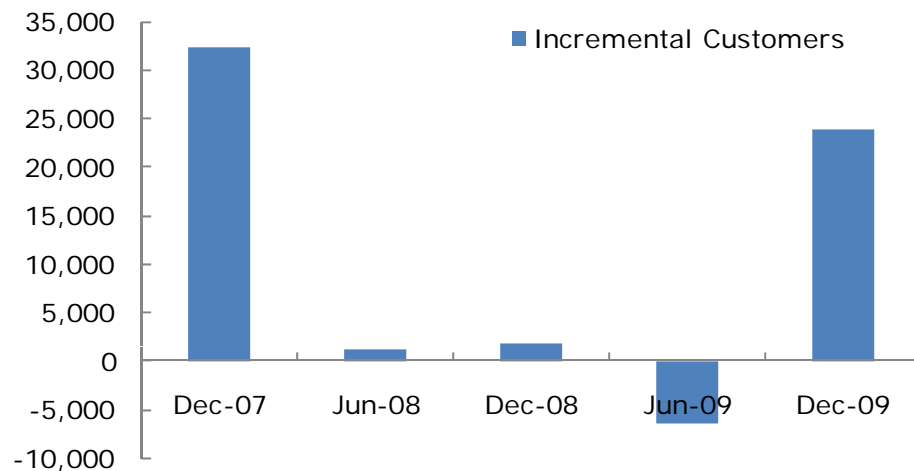


Retail – Customer growth

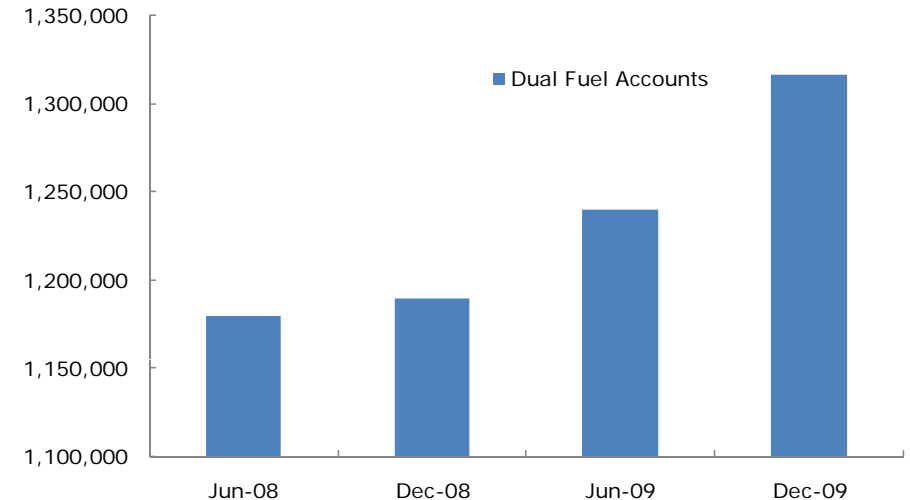
Accelerating growth in dual fuel customers.

- › 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



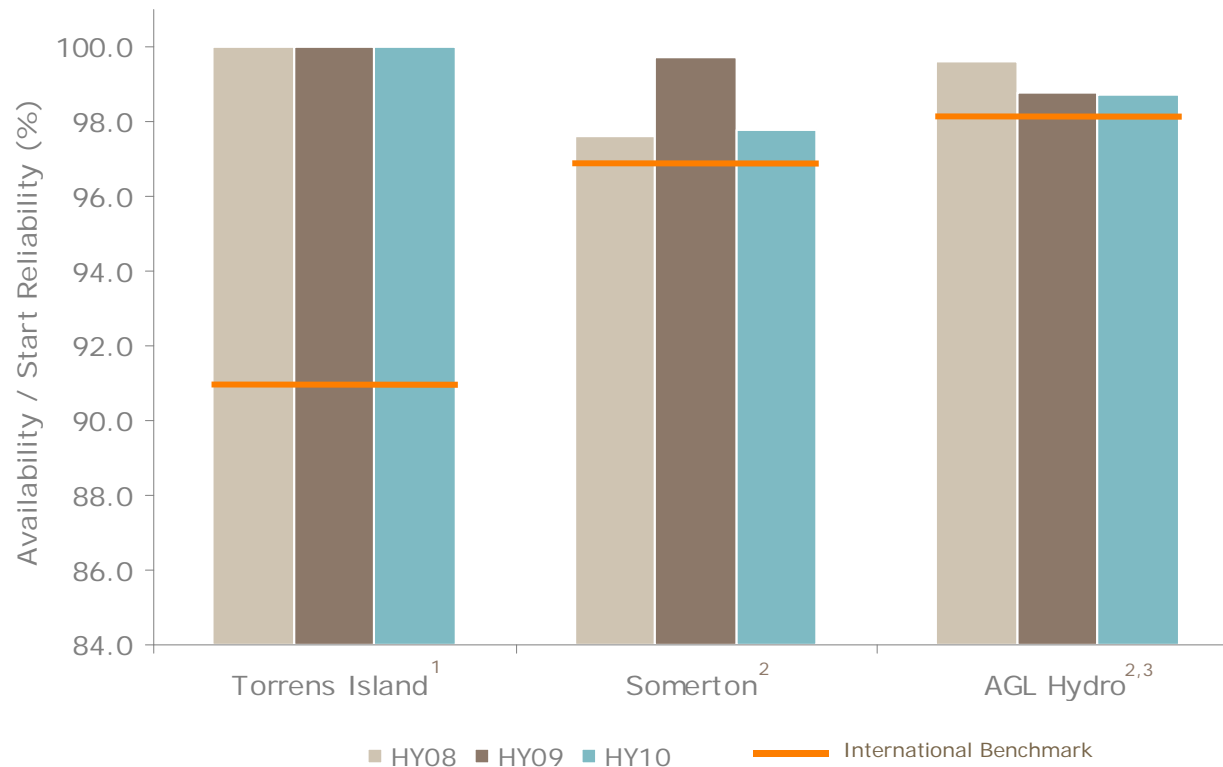
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Merchant Generation

Excellent operational performance.

Commercial Availability / Start Reliability (%)



Operational performance continues to exceed international benchmarks, despite the continuing impacts of drought on hydro assets (Eildon with reduced capacity and Dartmouth off-line).

1. Commercial availability is used to measure Torrens Island performance, and represents the percentage of times the plant is available to operate when required.
2. Start reliability is used to measure the performance of Somerton and AGL Hydro. Start Reliability is the percentage of times the plant started successfully when asked to start.
3. NERC – North American Electric Reliability Corporation 5 Year average for Hydro facilities adjusted for the difference in operating regime between the North American fleet and AGL's fleet which operate as peaking plant which increases the frequency of starts and stops.

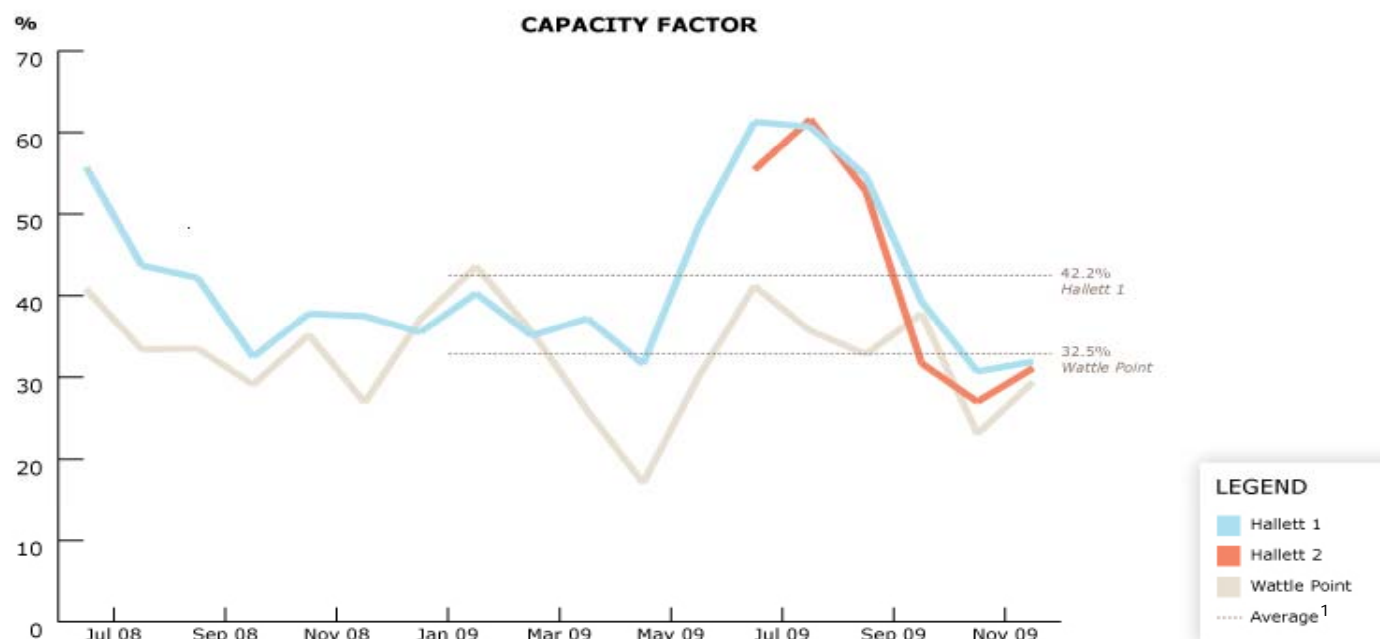
Merchant Generation - Wind farms

Operational 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 Energy³	MWh	113,390	195,300	141,400
Capacity Factor - Actual⁴	%	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



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Generation – Wind farms

Long term customer contracts underpin entire wind portfolio.

Melbourne Water contract win February 2010

- › 15 year contract
- › Supply of up to 180GWh p.a. plus associated RECs
- › Firm price with inbuilt escalators

AGL's major renewable energy contracts

- › Victorian Desal Plant: Up to 860GWh p.a.
- › SA Desal Plant: Up to 500GWh p.a.
- › Melbourne Water: Up to 180GWh p.a.
- › **Total: Up to 1,540GWh p.a.**

1.6m RECs p.a. required to satisfy customer contracts

Committed wind farms cover ~90% of contracted RECs

91 MW Wattle Point

95 MW Hallett 1

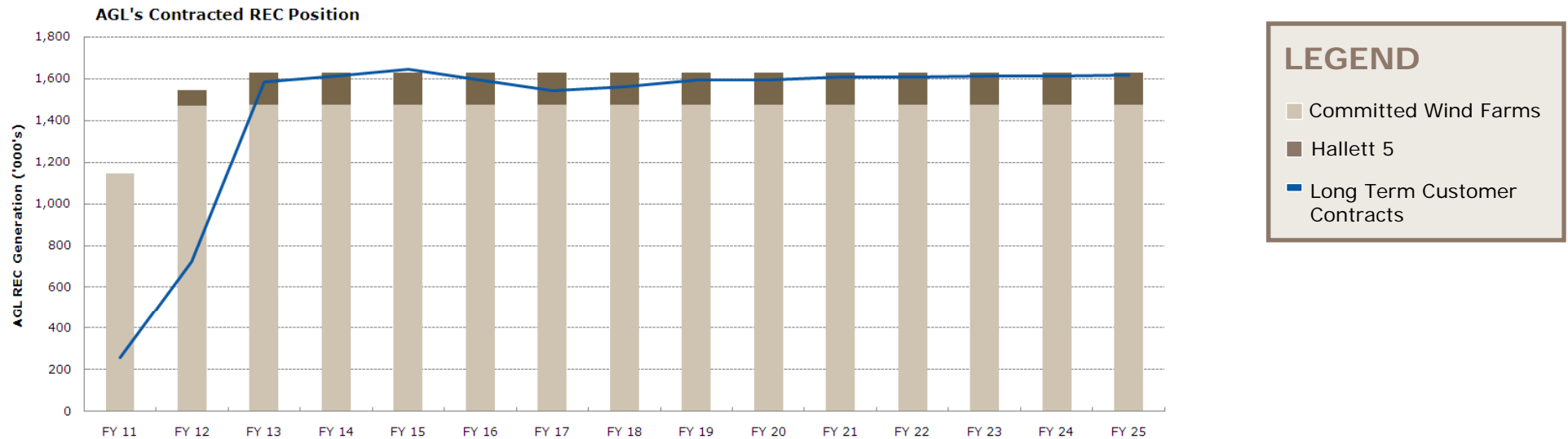
71 MW Hallett 2

67 MW Oaklands

132 MW Hallett 4

Full contract coverage requires additional capacity

52 MW Hallett 5



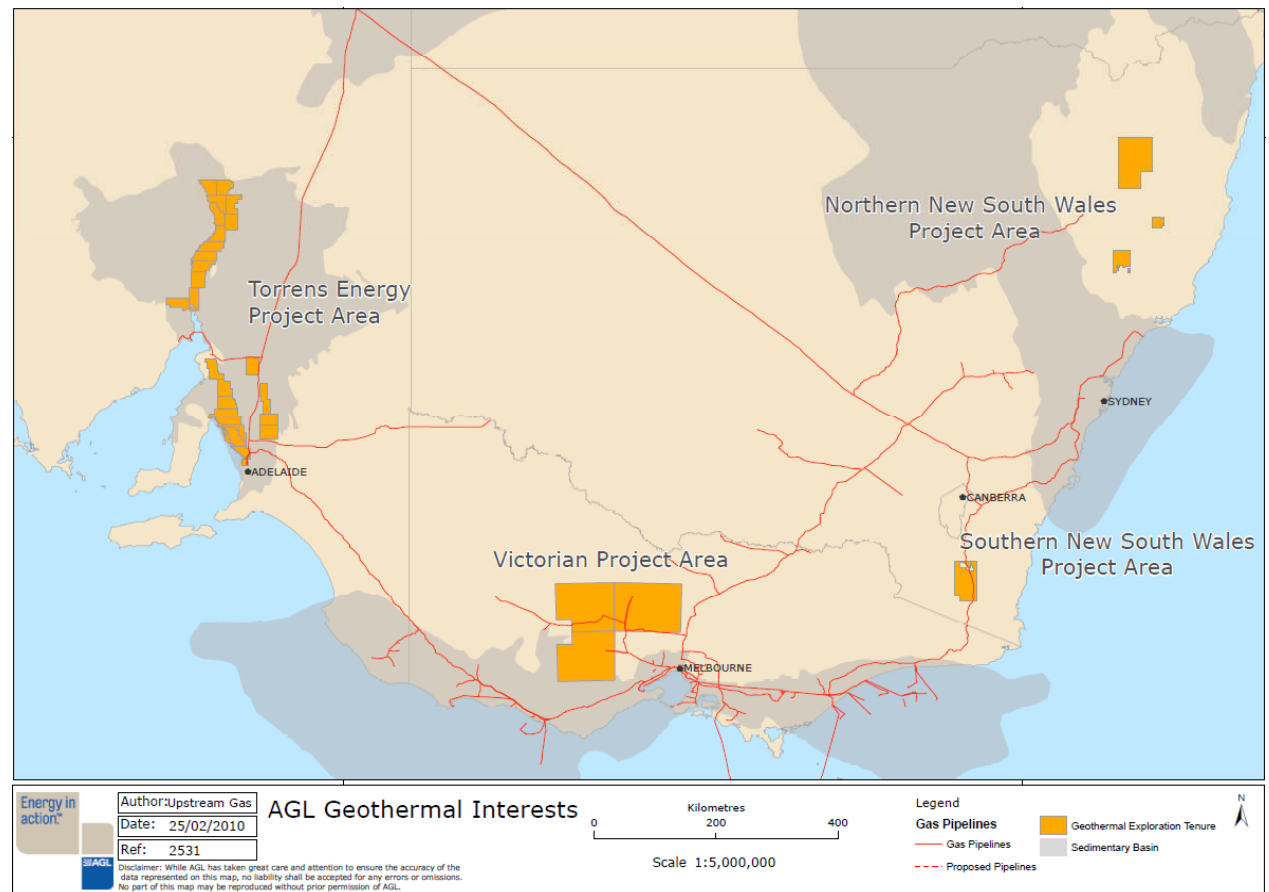
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AGL's Geothermal Investments

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

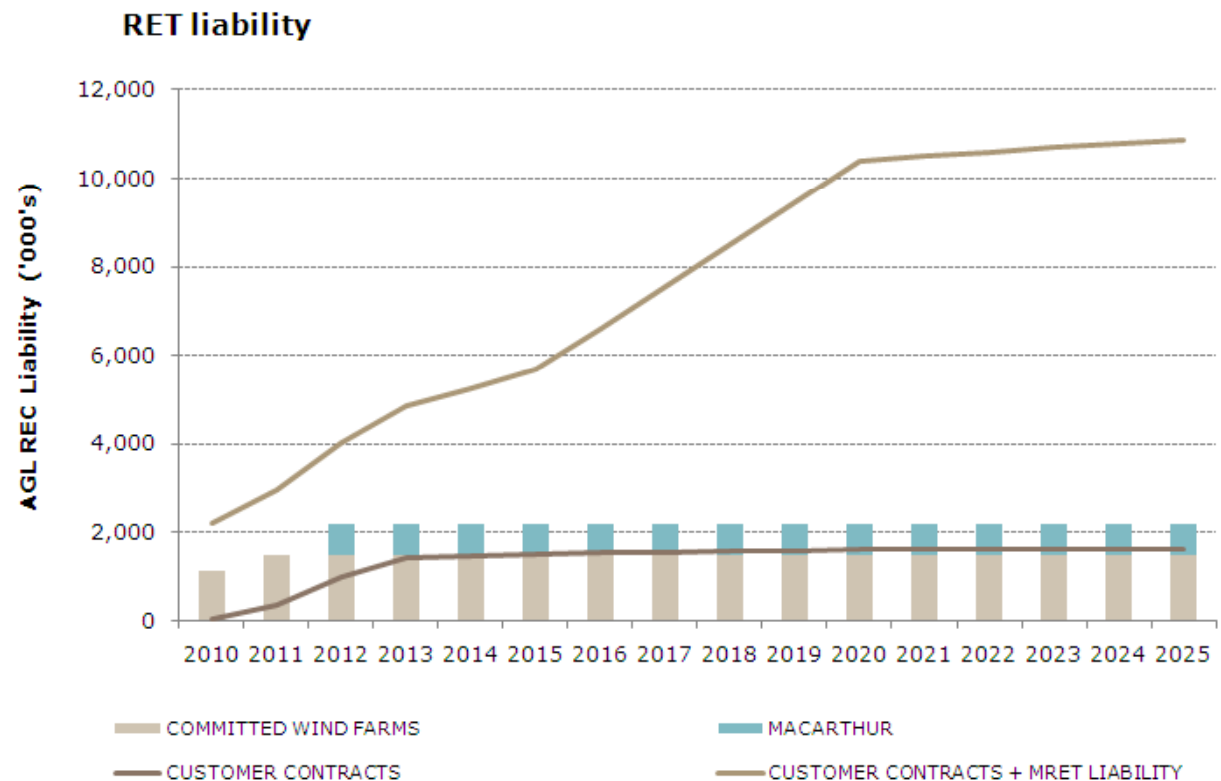


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Renewable Energy Certificate (REC) obligations

Appropriate regulatory settings required to facilitate investment.

- › Macarthur (365MW) on hold
- › Federal legislation requires AGL to surrender approximately 9 million RECs per annum by 2020
- › Strong pipeline of development opportunities
- › Proven capability in site selection, project development and performance
- › Development pipeline delayed until improved MRET policy framework



1. Excludes long-term supply agreements and Voluntary REC demands.

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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.

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NSW electricity privatisation

Disciplined bidding approach if process proceeds.

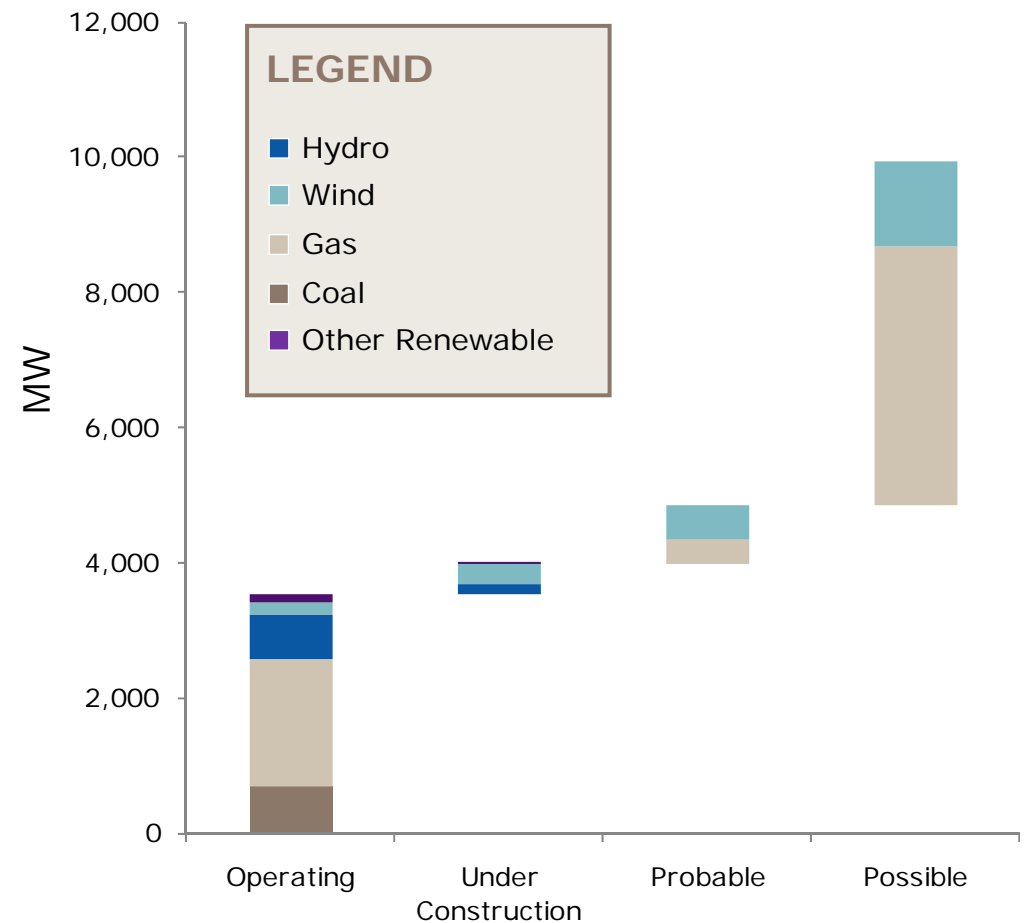
- › AGL previously stated will look at all assets
- › Only bid for assets if accretive to EPS
- › Maintain BBB credit rating
- › Capital raising, if required, likely to be an entitlement offer favouring existing shareholders



Generation Growth Options¹

Strong pipeline of Gas & Renewable generation.

- › Existing portfolio of generation assets:
 - » Strategically well-positioned with installed capacity of 3,530 MW
 - » Diversified portfolio of assets diminish exposure to extreme weather
- › Fundamental change in generation mix
 - » Strong growth in Renewable generation assuming revised policies
 - » OCGT peaking plant required ahead of CCGT base plant
- › Oaklands, Hallett 4 and Hallett 5 under construction
- › High-quality wind farm sites secured



1. Excludes geothermal generation.

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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:

**INSTITUTIONAL INVESTORS
& ANALYSTS**

John Hobson

Head of Investor Relations

AGL Energy Limited

phone: +61 2 9921 2789

Mobile: +61 (0) 488 002 460

e-mail: john.hobson@agl.com.au

RETAIL INVESTORS & MEDIA

Nathan Vass

Investor Relations & Media

AGL Energy Limited

phone: +61 2 9921 2264

mobile: +61 (0) 405 040 133

e-mail: nvass@agl.com.au

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Supplementary Information



Operating EBITDA to Statutory Cash Flow Reconciliation

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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

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Energy Investments

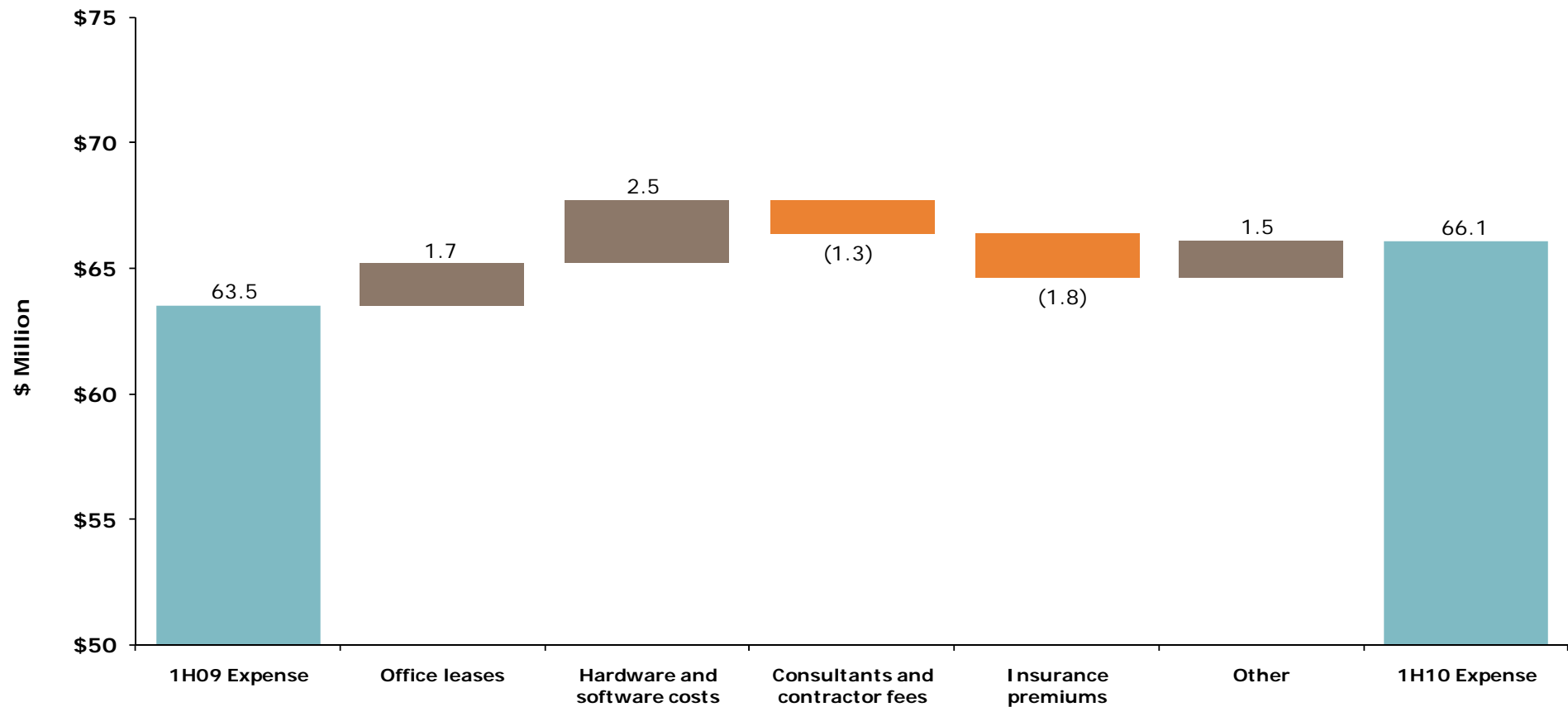
6 months to \$m	31 Dec 2009	31 Dec 2008	Change
EBIT			
ActewAGL	17.5	17.1	2.3%
Elgas ¹	-	10.6	-
Loy Yang	22.8	2.5	812.0%
Investments Other	3.1	2.8	10.7%
Total EBIT	43.4	33.0	31.5%

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

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Centrally Managed Expenditure



Significant Items¹

6 months to 31 Dec 2009 \$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.

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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	-	

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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

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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.

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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%

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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%

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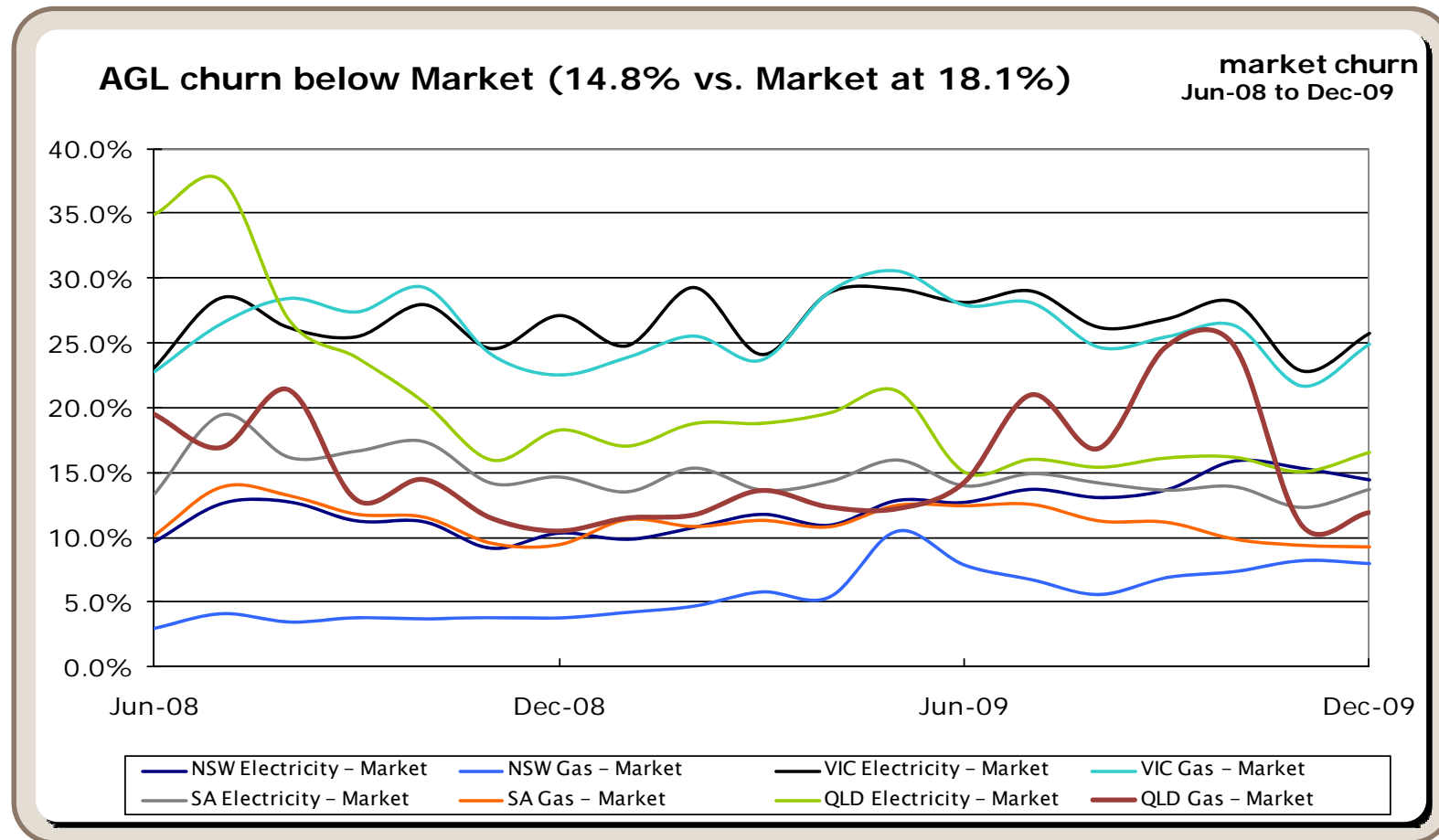
Retail – C & I Key Indicators

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%

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Retail – Market Churn



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

State	Gas	Electricity	Total
 VIC	470,700 (FY09: 472,600)	644,300 (FY09: 652,000) ¹	1,115,000
 SA	91,500 (FY09: 85,000)	469,600 (FY09: 463,900) ¹	561,100
 NSW	740,000 (FY09: 752,300)	358,200 (FY09: 329,100) ¹	1,098,200
 QLD	78,500 (FY09: 79,000) ¹	367,300 (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 +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/retained¹	\$81.21	\$82.70	(1.8%)
Cost to serve	121.8m	98.6m	23.5%
Cost to serve per customer account²	\$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.

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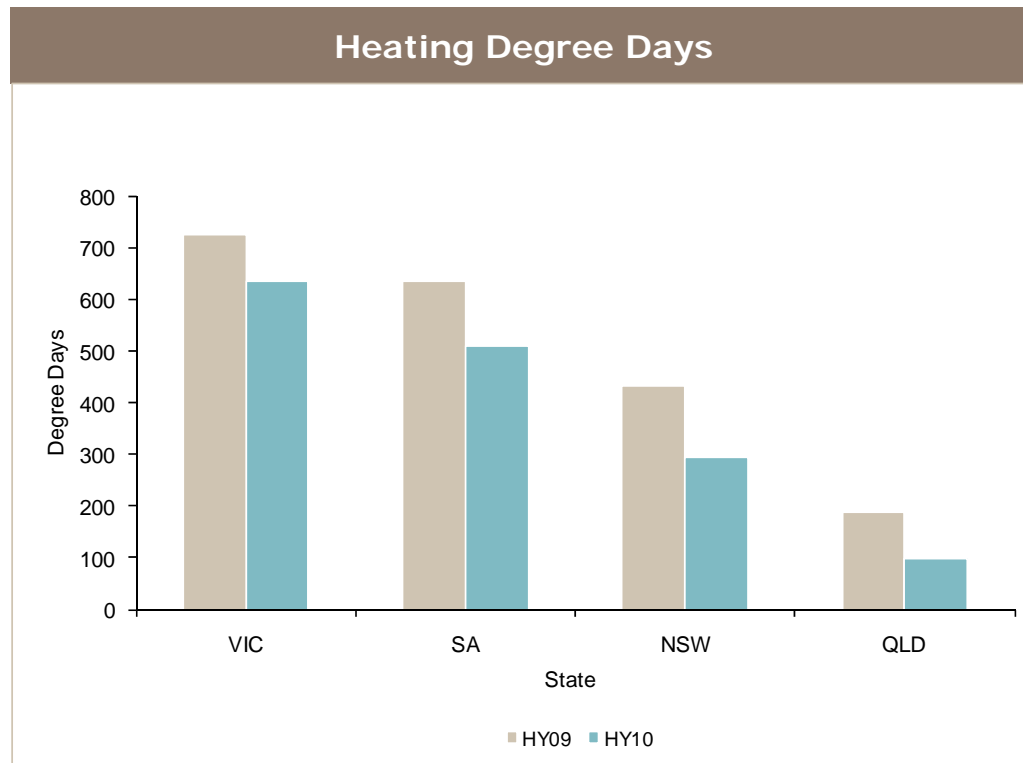
Retail – EBIT / Sales Analysis

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

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Retail – Weather Impact



- > 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

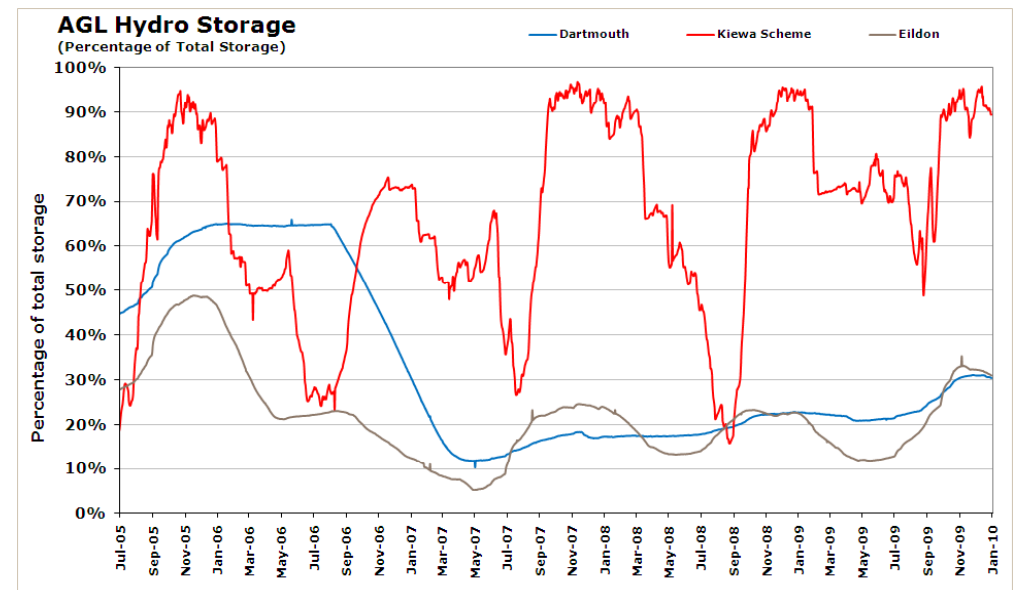
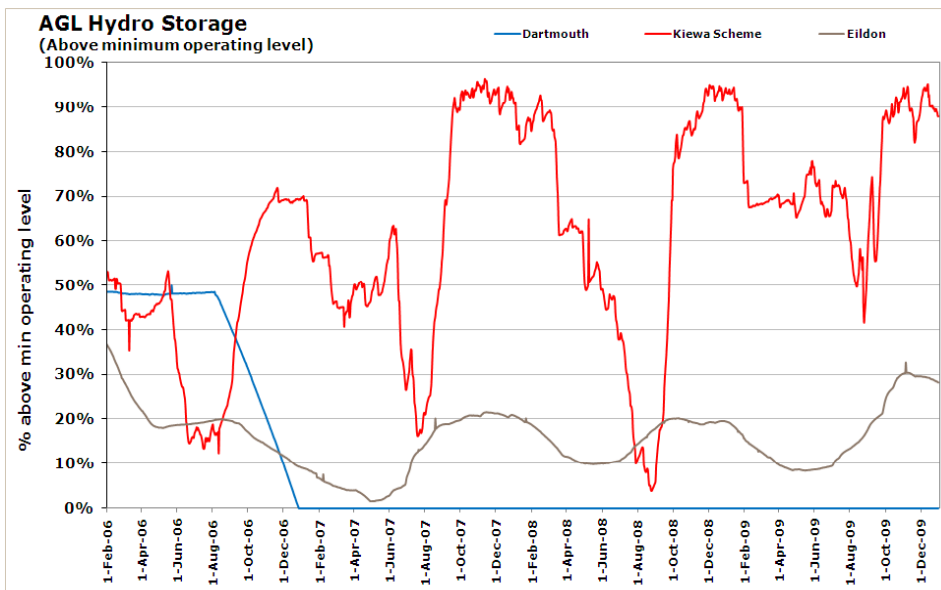
Merchant - EBIT Analysis

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.

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



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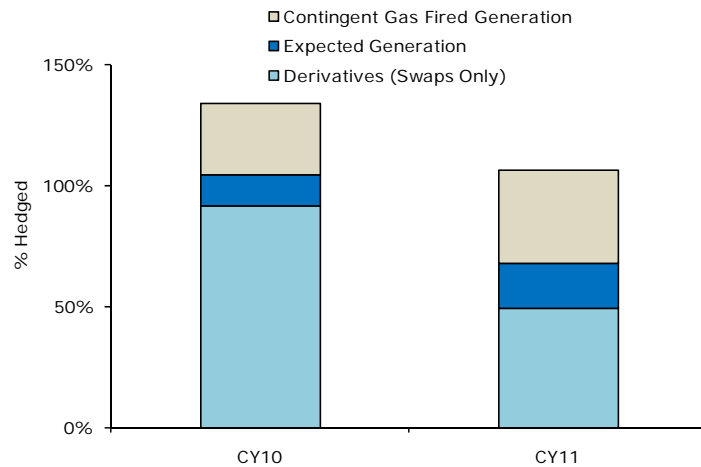
Merchant - Electricity Hedging: Policy

- › 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

AGL Energy Hedge Position - All States

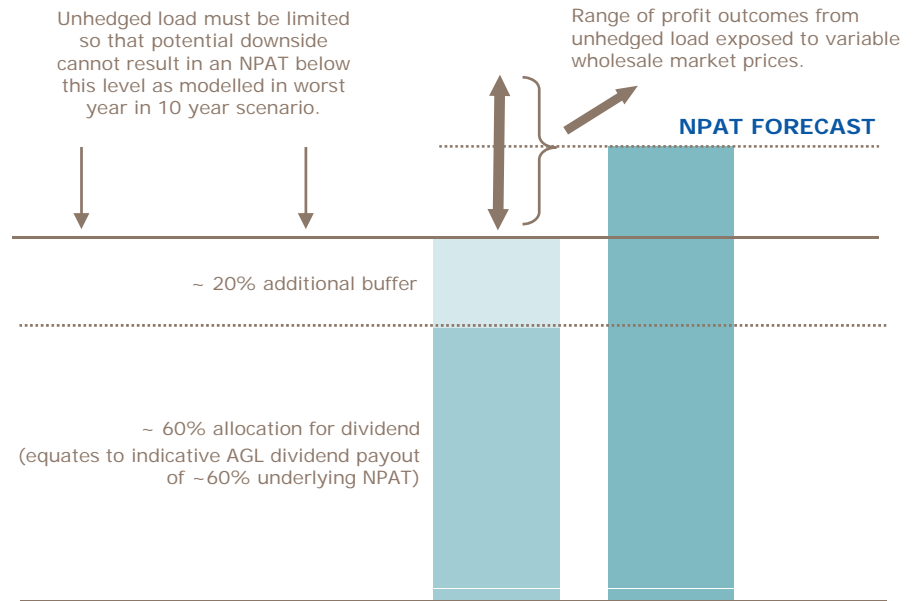


Key Points

- > 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

Satisfying Financial Risk Limits

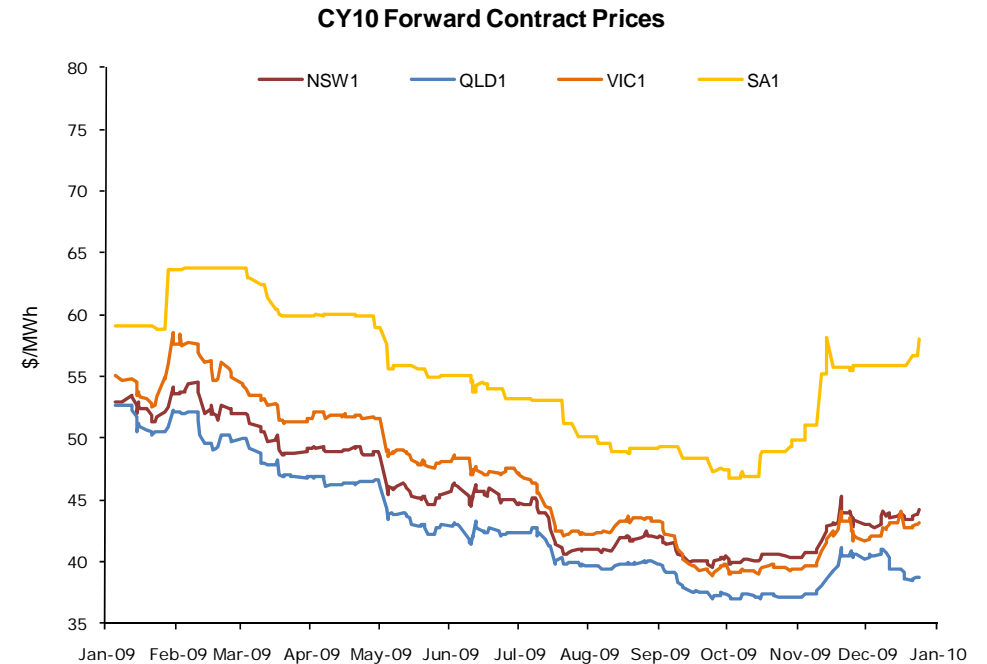


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Merchant – Wholesale Electricity Prices

- › 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 \$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%)

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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	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	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.

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