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ASX statement

6 May 2009

Attached is a presentation to be made today by Managing Director Michael Fraser at the Macquarie Connections Australian Conference.



Paul McWilliams
Company Secretary



AGL Energy Limited

Renewables... Leading the Paradigm Shift

Michael Fraser
Managing Director & CEO

Macquarie Connections – Australian Conference
May 2009



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- › 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.
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Agenda

- › **About AGL Energy – Background & Strategy**
- › **Renewables & Carbon: Policies & Industry Impacts – An Update**
- › **AGL Renewables & Carbon: Positioning & Opportunities**
- › **Way Forward**
- › **Question & Answer**

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About AGL Energy



About AGL Energy

Australia's largest integrated renewable energy company.

- › Australia's largest private owner, operator & developer of renewable generation
- › Australia's largest, diversified (geography, fuel & mix) generation portfolio
- › Australia's largest natural gas & electricity customer base
- › A world class, scalable customer management & billing system (Phoenix SAP solution)
- › Australia's largest contracted gas portfolio & emerging positions in new Coal Seam Gas (CSG) developments
- › Industry leading portfolio of renewable & thermal development projects
- › S&P/ASX50 stock with market capitalisation of ~A\$6.5 billion
- › BBB investment grade credit rating (Standard & Poor's)



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AGL Energy Today – Asset Profile

OPERATIONAL SNAPSHOT

Retail Customer Accounts

- 3.22 million accounts
 - 1.42 million gas
 - 1.8 million electricity
 - 1.19 million dual-fuel

Current Generation

- ~3,510 MW owned and / or operated
- ~350 MW renewable under construction

New Generation Developments

- ~2,000 MW identified renewables
- ~5,200 MW identified gas

Current Gas Reserves¹

- ~3,100 PJ contracted gas
- ~680 PJ equity gas

Energy Sales

- Electricity ~37 TWh p.a.
- Gas ~230 PJ p.a.

Other

- Generation – Renewables ~100MW (Australia-various)
- Cogen, landfill gas, photovoltaic and bagasse

Gas – Galilee Basin (Australia – QLD)

- Investment in CSG production pilot and exploration appraisal program in Galilee Basin
- 50% interest in exploration tenement ATP529P

Gas – Innamincka (Australia – SA)

- Farm-In to permits PEL101 & PEL103 and 10 year gas marketing agreement

Geothermal – Torrens Energy (Australia – SA)

- 9.9% investment in Geothermal developer with associated Geothermal development agreement

Retail – ActewAGL (Australia – ACT)

- 50/50 Joint Venture with Actew Corporation
- Australian Capital Territory's (ACT) leading multi utility offering electricity, natural gas, water, wastewater and telecommunication services

Gas – CSM Energy (Australia):

- 35% investment in coal mine methane extraction company

1. 1 PJ (Petajoule) = ~0.95 BCF (billion cubic feet)

QUEENSLAND

Customer Accounts

- 83,600 gas
- 363,100 electricity

Generation

- Yabulu – Gas – 121 MW (50% dispatch rights)
- Oakey – Gas – 282 MW (100% dispatch rights)
- Moranbah – Gas – 12 MW

Upstream Gas

- Moranbah Project – 416 PJ (50% equity)
- Spring Gully – 6 PJ (various % equity)
- Bowen / Surat Basin – 1,164 PJ (contract)
- North QLD – 240 PJ (contract)



NEW SOUTH WALES

Customer Accounts

- 764,300 gas
- 318,100 electricity

Generation

- Hydro – 62.2 MW

Upstream Gas

- Gloucester Basin (100% equity) – 175 PJ
- Sydney Basin (100% equity) – 82 PJ

ACT (ActewAGL) 50/50 JV

Customer Accounts

- 112,200 gas
- 155,700 electricity

VICTORIA

Customer Accounts

- 492,100 gas
- 659,900 electricity

Generation

- Hydro – 583.3 MW
- Bogong / McKay Expansion – 150 MW (construction)
- Somerton – Gas – 150 MW
- Loy Yang A – Coal – 689 MW (32.5% equity)

Upstream Gas

- Gippsland Basin – 931 PJ (contract)
- Otway Basin – 270 PJ (contract)

SOUTH AUSTRALIA

Customer Accounts

- 78,500 gas
- 463,700 electricity

Generation

- Torrens Island – Gas – 1,280 MW
- Hallett 1 wind farm – 94.5 MW (off take)
- Hallett 2 wind farm – 71.4 MW (construction)
- Hallett 4 wind farm – 132 MW (construction)
- Wattle Point wind Farm – 90.8 MW (off-take)
- Angaston – Diesel – 49 MW (off take)

Upstream Gas

- Cooper Basin – 414 PJ (contract)

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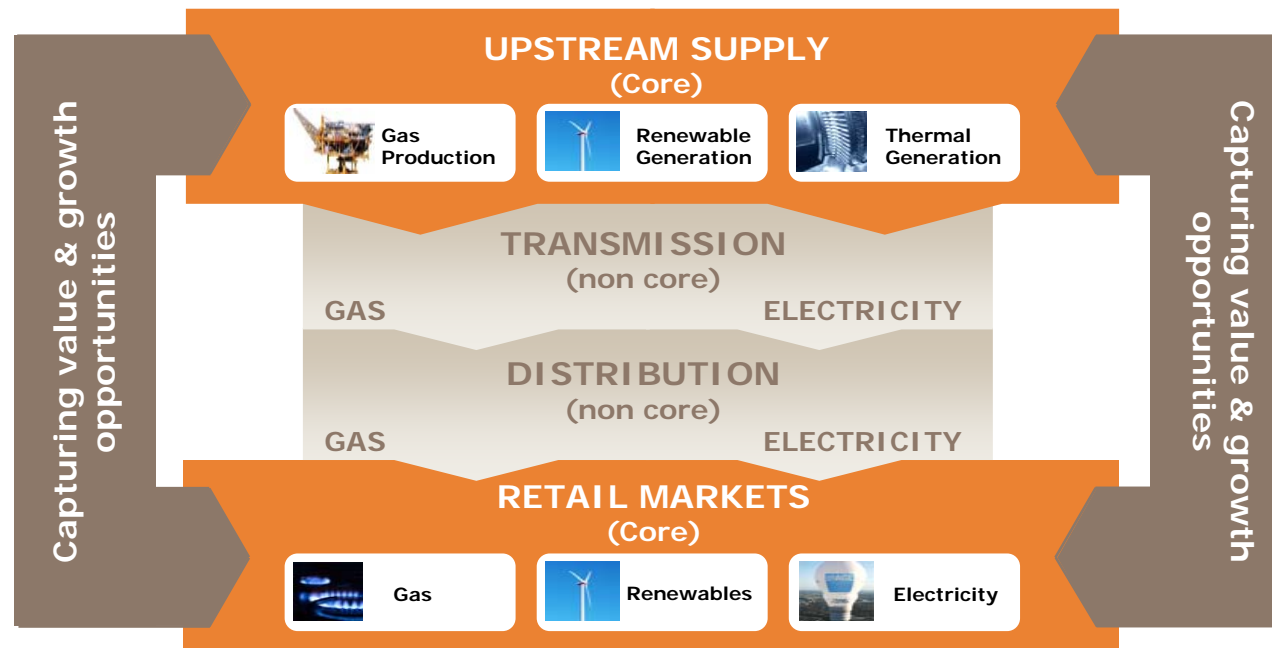


The Integrated Strategy

Balancing risk between upstream supply, retail markets & providing access to multiple profit pools.

Upstream Gas:

- › Direct ownership of ~2,000 PJ (2P) over the medium term
- › Essentially CSG strategy
- › Disciplined decision around trade-off between acquiring gas and EPS impacts
- › Will continue to contract if achieves superior outcome



Generation:

- › Currently ~3,510 MW of capacity owned and/or operated (plus ~350MW under construction)
- › Medium term target of ~6,000 MW
- › Achieve 60-70% of load (capacity) internally covered to deliver desired portfolio outcomes

Market Leadership:

- › Ultimate focus on managing and growing margin, not specific customer number targets
- › Customer base / channel to market important in leveraging upstream strategy & achieving retail economies of scale
- › Potential base of 4 to 5 million customers given any participation in NSW privatisation

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Renewables & Carbon:
Policies & Industry
Impacts – An Update



Proposed Legislative Changes

Federal Government proposing two schemes – Expanded Renewable Energy Target (RET) & Carbon Pollution Reduction Scheme (CPRS).

Expanded RET

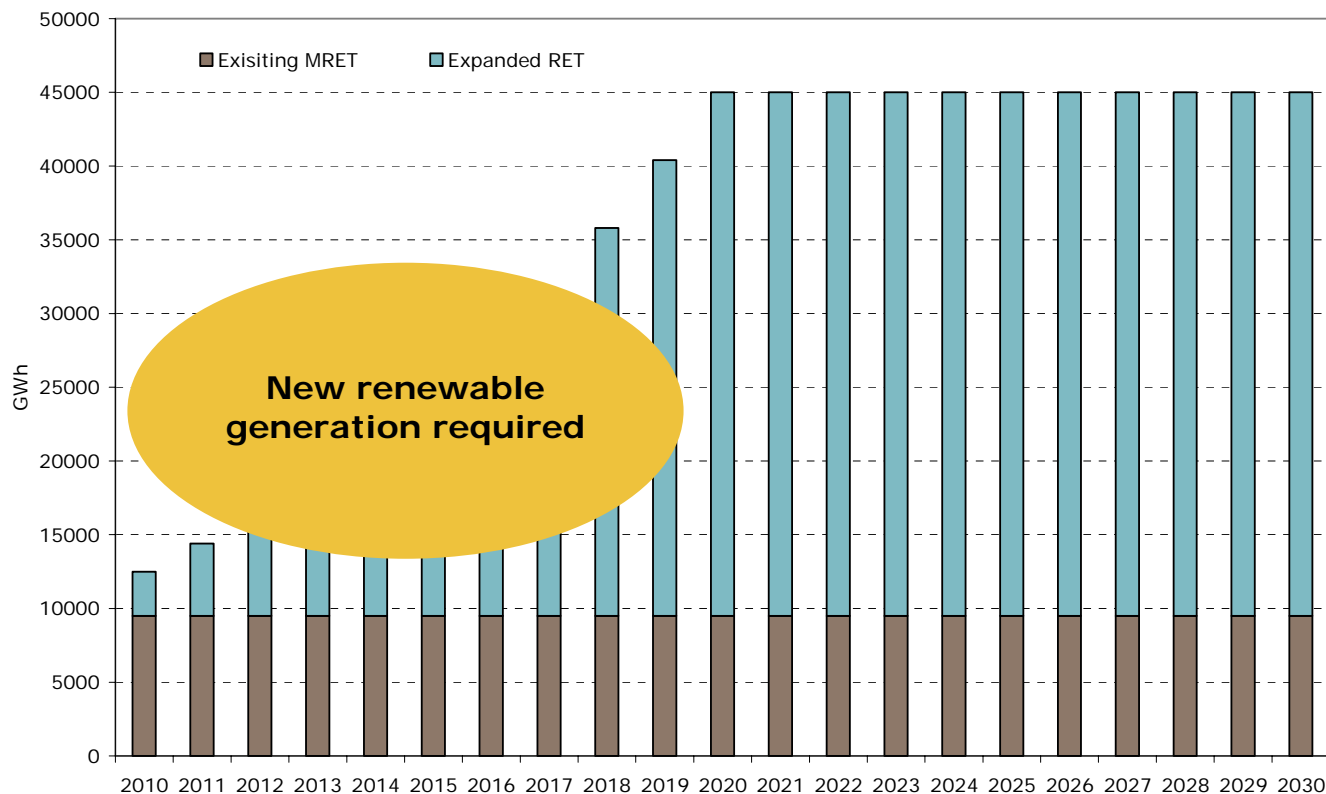
- › Draft legislation released – to be introduced mid 2009
- › Commences 1 January 2010 – Council Of Australian Governments (COAG) agreement 30 April 2009
- › Key value driver of renewable industry – remains on track

CPRS

- › Government proposing delayed start to 1 July 2011
- › Additional assistance for Emissions Intensive Trade Exposed Industries
- › Fixed price of \$10 per tonne CO₂ in first year
- › Details of CPRS must be resolved to provide investment and market certainty

Expanded RET drives Growth

AGL renewable portfolio to deliver material upside.



Source: AGL Greenhouse modelling

- > Additional 35,500 GWh pa of renewable energy required to meet expanded target of 45,000GWh pa
- > COAG Agreement last week to:
 - » Extend full target of 45,000 GWh pa out to 2030
 - » Increase RET penalty to \$65 (\$93 pre-tax)
 - » Increase assistance to large energy intensive trade exposed industries
- > AGL renewable portfolio to benefit from rising REC & electricity prices

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Growth - Wind Compared To Other Renewables

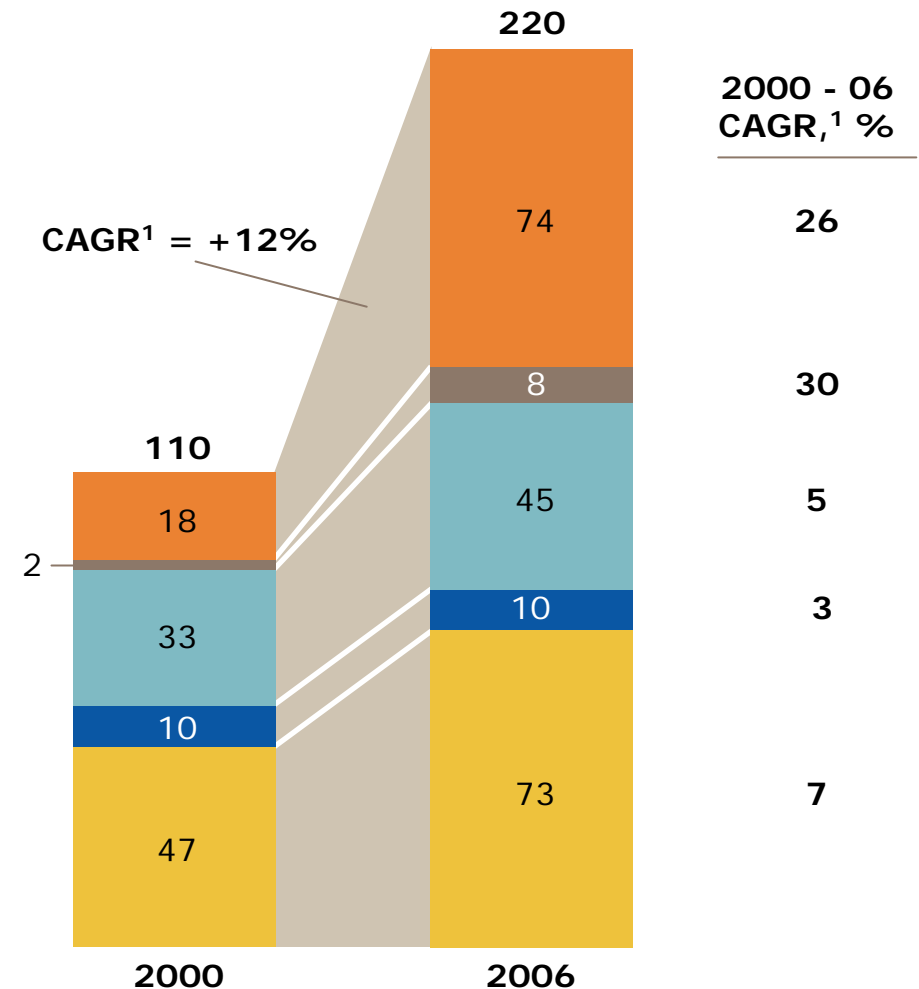
Global installed base, gigawatts (GW)

Ongoing global renewables growth

- > ~\$100 billion investment in Renewables in 2008
- > ~30% of all new capacity addition is renewable power



¹ Compound Annual Growth Rate



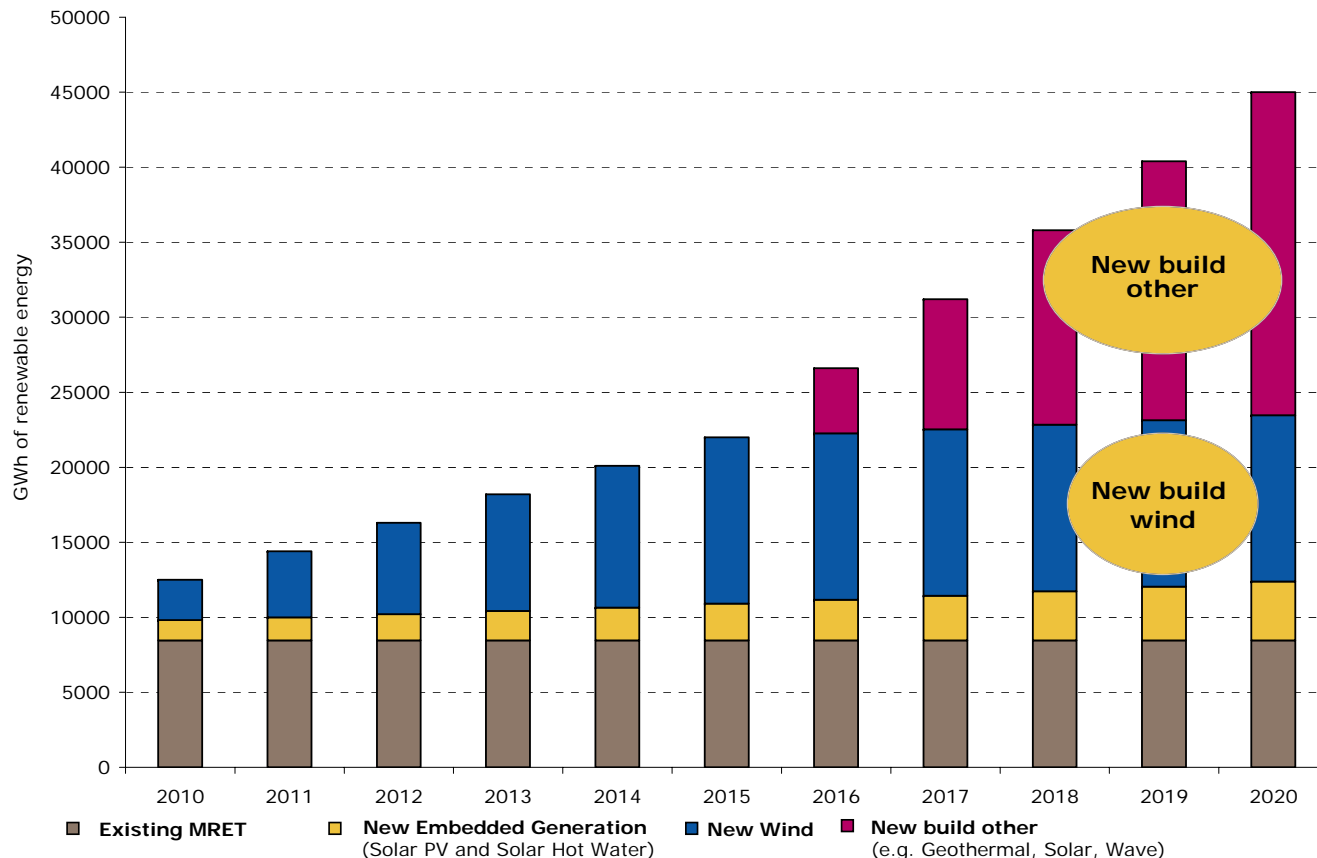
Source: McKinsey on Electric Power & Natural Gas: Number 1, Winter 2008

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Required Renewables Growth

Wind will dominate early build - geothermal & other technologies anticipated to play increasing role in out years.



Source: AGL Greenhouse modelling

- › AGL has a leading portfolio of development options across all major renewable technology groups
- › Largest privately owned hydro portfolio in Australia
- › Significant portfolio of wind development opportunities provides immediate access to lowest cost commercial deployable technology today
- › Longer term, technologies such as geothermal are likely to play a key role in renewable base load generation
- › Economics of a number of geothermal prospects impacted significantly by transmission costs

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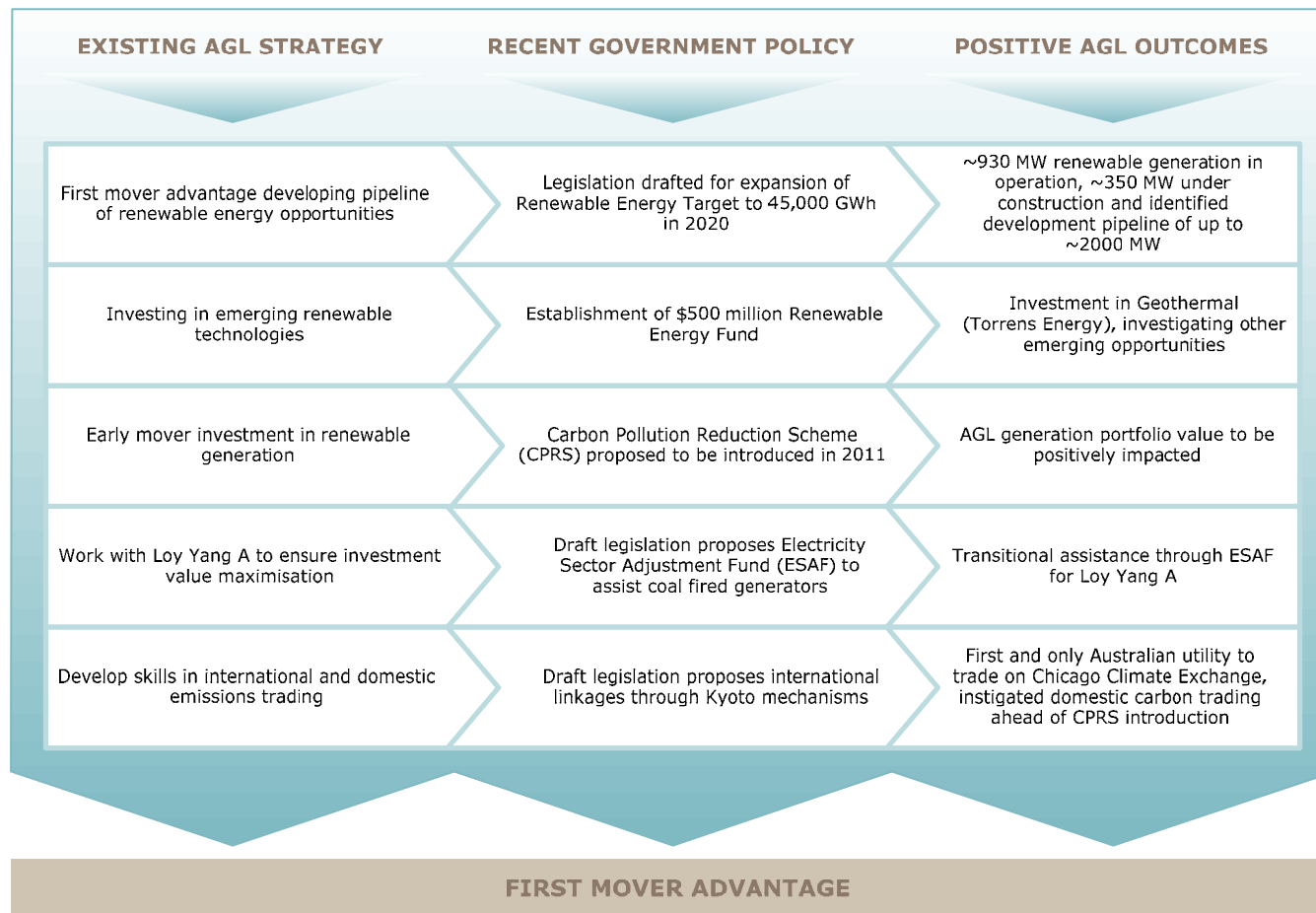
AGL Renewables &
Carbon:

Positioning &
Opportunities



Renewables & Carbon: First Mover Advantage

AGL's strategy benefits from recent Government announcements.

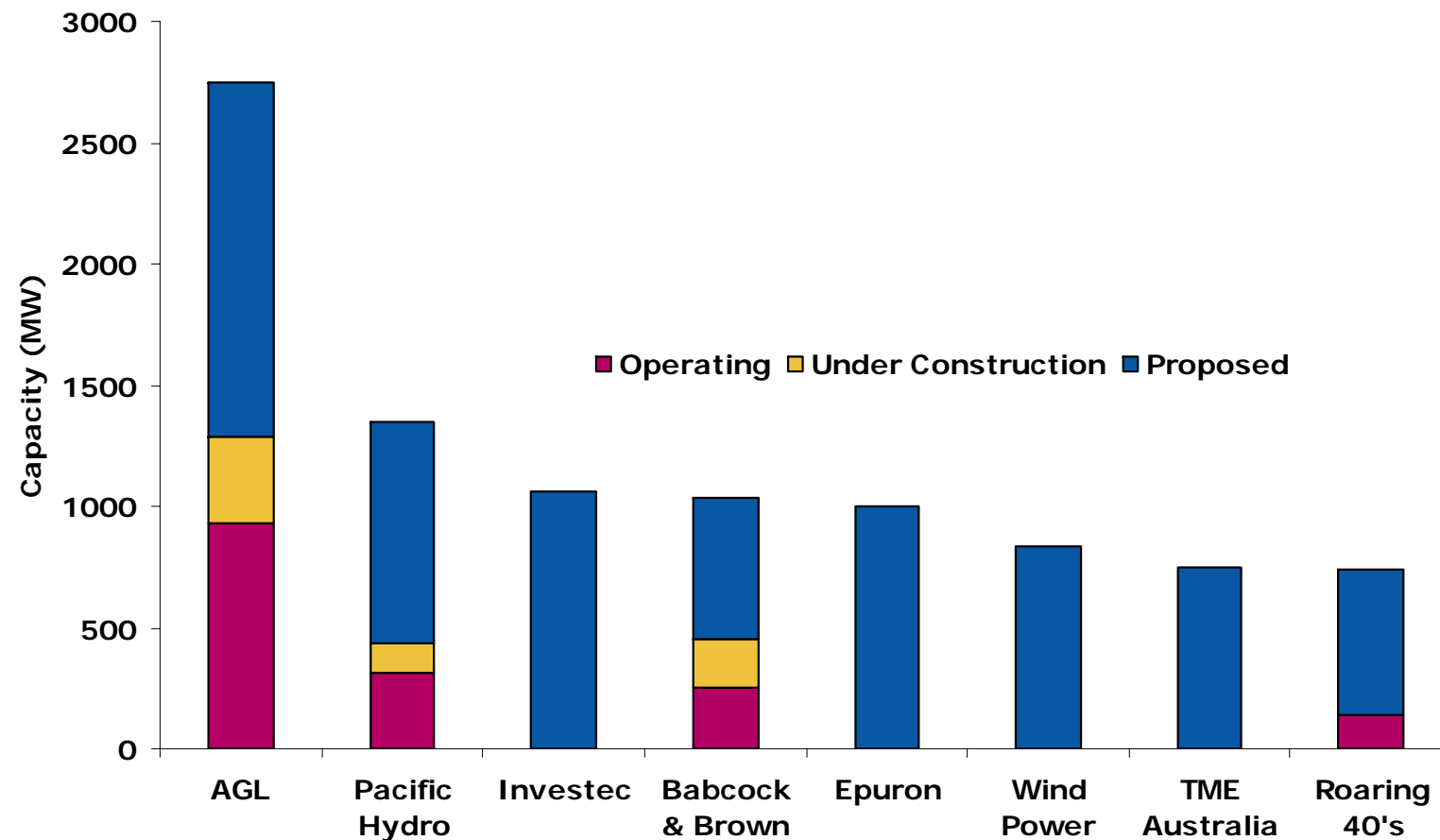


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Renewable Generation – Key Domestic Players

AGL first mover advantage dominates private investor space.



Source: NEMMCO, Geoscience Australia & AGL

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AGL – Wind Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
RENEWABLE GENERATION	Hallett 2	71	SA - Hallett	Wind	Under Construction	Committed
	Hallett 4	132	SA - Hallett	Wind	Under Construction	Committed
	Hallett 3	80	SA - Hallett	Wind	In Development	Probable
	Oaklands Hill	63	VIC - West	Wind	In Development	Probable
	Hallett 5	50	SA - Hallett	Wind	Permitted	Possible
	Macarthur	330	VIC - West	Wind	JV with Meridian	Possible
	Coopers Gap	300	QLD - Kingaroy	Wind	Landowner Agreements in place	Possible
	Crows Nest	150	QLD - Toowoomba	Wind	Permitted	Possible
	Worlds End	180	SA - Burra	Wind	Permitted	Possible
	Ben Lomond	150	NSW - Armidale	Wind	Landowner Agreements in place	Possible
	Other	4 Projects totalling up to ~720	Various	Various	Under Review	Possible

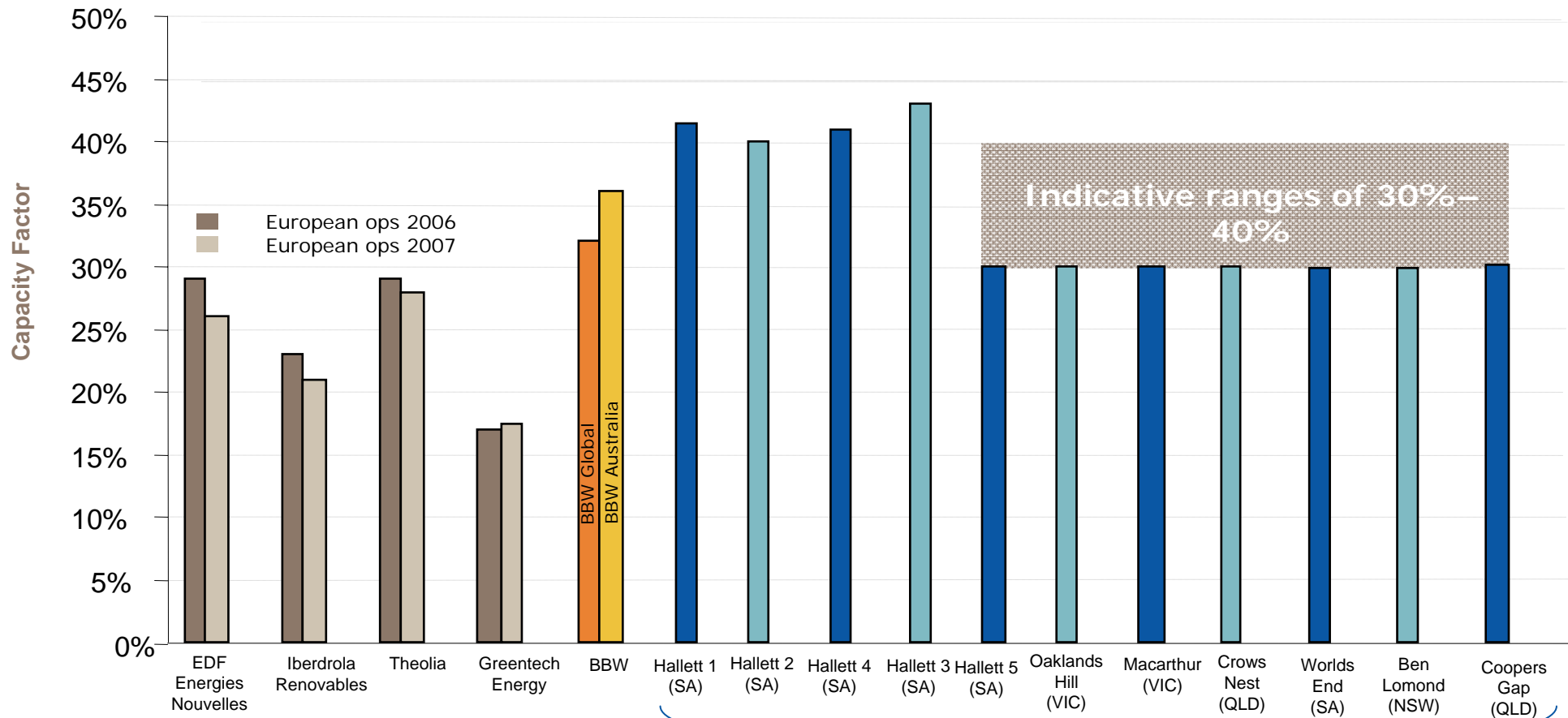
- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for wind is approximately \$2.7m to \$2.9m / MW

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Wind Capacity Factors - Global

AGL portfolio has world class wind resource.



Source: Macquarie Research Equities – *Report Wind farmers*
(Europe) May 2008, BBW 2008 Annual Report, AGL live data & estimates

AGL Portfolio

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Wind Farm Development Process (off balance sheet option)

AGL maintains 'off' and 'on' balance sheet development optionality.

Development Process	<ol style="list-style-type: none"> 1. Site assessment <ul style="list-style-type: none"> - wind resource - grid proximity - landholder exclusivity agreements 2. Wind farm optimisation <ul style="list-style-type: none"> - site layout - equipment / turbine requirements 3. Regulatory <ul style="list-style-type: none"> - Development approval and EPBC (Environmental, Protection, Biodiversity & Conservation Act). 4. Contractual <ul style="list-style-type: none"> - Construction contracting (EPC), transmission connection and site leases 	Key Value Drivers
Financial Process	<ol style="list-style-type: none"> 5. Formulate 25 year capacity offtake agreement for RECs and electricity produced <ul style="list-style-type: none"> - Based upon current market pricing - Upside to future REC / electricity price appreciation retained by AGL 6. Formulate 25 year asset management agreement 7. Project sold with offtake and asset management agreement to annuity investor <ul style="list-style-type: none"> - Annuity investor (owner) funds remaining capex / construction from date of sale - AGL maintains construction risk until construction completion - AGL takes operating risk from end of construction 8. Sale price as bid by annuity owner (valuation based on cash flows of 5. & 6.) / less AGL total project forecast construction costs = Development Profits <ul style="list-style-type: none"> - Development profits booked on percentage of completion basis in AGL accounts - Paid in cash - Construction process typically 18 to 24 months, depending on size 	Key Value Drivers

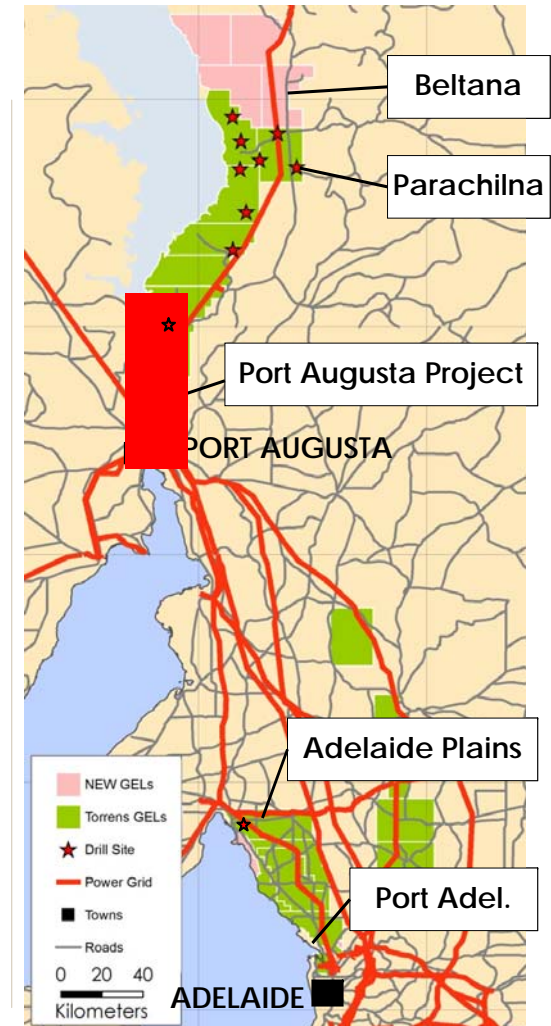
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Renewable Generation - Geothermal

Potential to deliver meaningful base load.

- › AGL holds 9.9% equity interest in ASX listed Torrens Energy (TEY)
- › AGL and TEY have 50/50 Geothermal Alliance Agreement to commercialise base load projects
- › TEY permits all adjacent to transmission grid
- › Recent heat flow rates promising
- › TEY responsible for exploration activities providing AGL option to farm-in at permit & project level
- › TEY sole fund upfront exploration & geothermal assessment of first deep well (Confirmation Well)
- › AGL may elect to sole fund drilling the Confirmation Well to earn a 50% interest in project and Geothermal Exploration Licence (GEL)
- › AGL will have right to purchase all geothermal energy



Renewable Generation - Hydro

Bogong & McKay Creek (peaking plant) expansion.

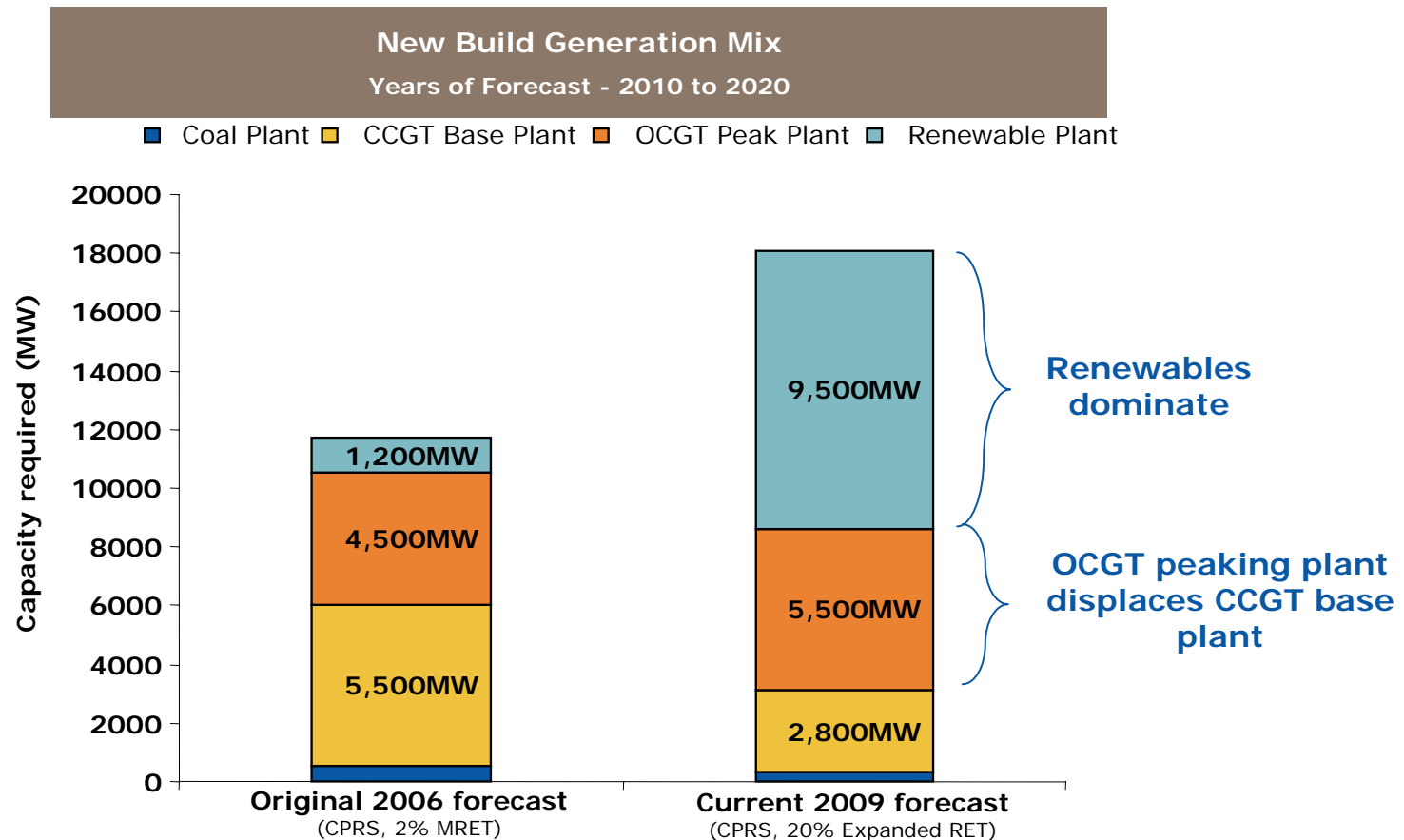
- › Australia's last, large scale hydro opportunity
- › A\$240m, Bogong 140MW peaking plant in Kiewa Valley, Victorian Alpine region
 - » minimises environmental impacts with 6.5 kilometre underground tunnel
 - » also results in 10MW McKay Creek upgrade
- › Forms part of Kiewa Scheme
- › On schedule for completion November 2009
- › Once complete, Kiewa Scheme will represent approximately 50% (390MW) of total AGL hydro capacity (790MW)
 - » fully discretionary
 - » drought resilient – inflows during current drought still result in full water replenishment 2 to 3 times annually



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Impact of Renewable Policy Settings

Fundamental changes required to generation mix.



Source: AGL Greenhouse modeling

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Gas Generation – Growth Pipeline

Developing a portfolio with strategic depth and optionality.

	PROJECT	NOMINAL CAPACITY (MW)	LOCATION	TYPE	PROJECT STATUS	DEFINITION
GAS GENERATION	Leafs Gully	360	NSW - Appin	Gas Peaker	In Development, Development Application being assessed	Probable
	Tarrone	500	VIC - West	Gas Peaker	In Development	Probable
	NQ Peaker	360	Nth QLD - Townsville	Gas Peaker	Site Acquired	Possible
	SEQ1	360	SE QLD - Ipswich	Gas Peaker	Site Secured	Possible
	SEQ2	350/800	SW QLD - Kogan	Gas Peaker / CCGT	Site Acquired	Possible
	ACT Peaker	500	ACT	Gas Peaker	Pre-Feasibility	Possible
	Other	4 Projects totalling up to 2,010	Various	Gas Peakers	Sites Secured	Possible

- › **Probable Projects:** Projects which are under development with an approved budget and pending final investment decision
- › **Possible Projects:** Projects where AGL holds rights to the sites and/or where the final investment decision is expected to be in excess of 12 months
- › **CAPEX:** Current AGL indicative installed capex for Open Cycle Gas Turbine (OCGT) plant (peaking) is approximately \$0.7m to \$0.9m / MW

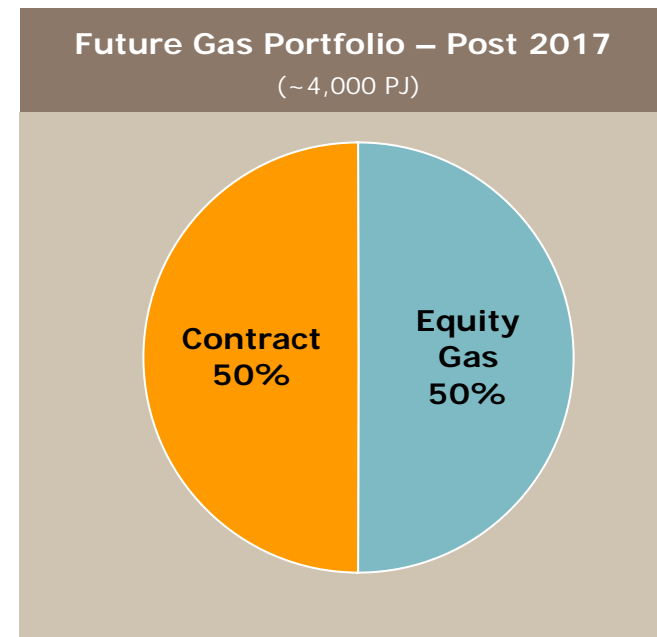
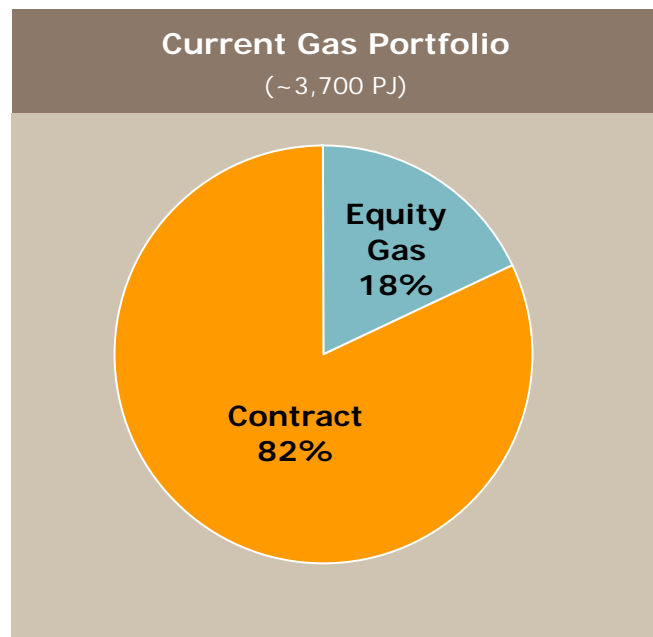
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Upstream Gas – Duration & Flexibility

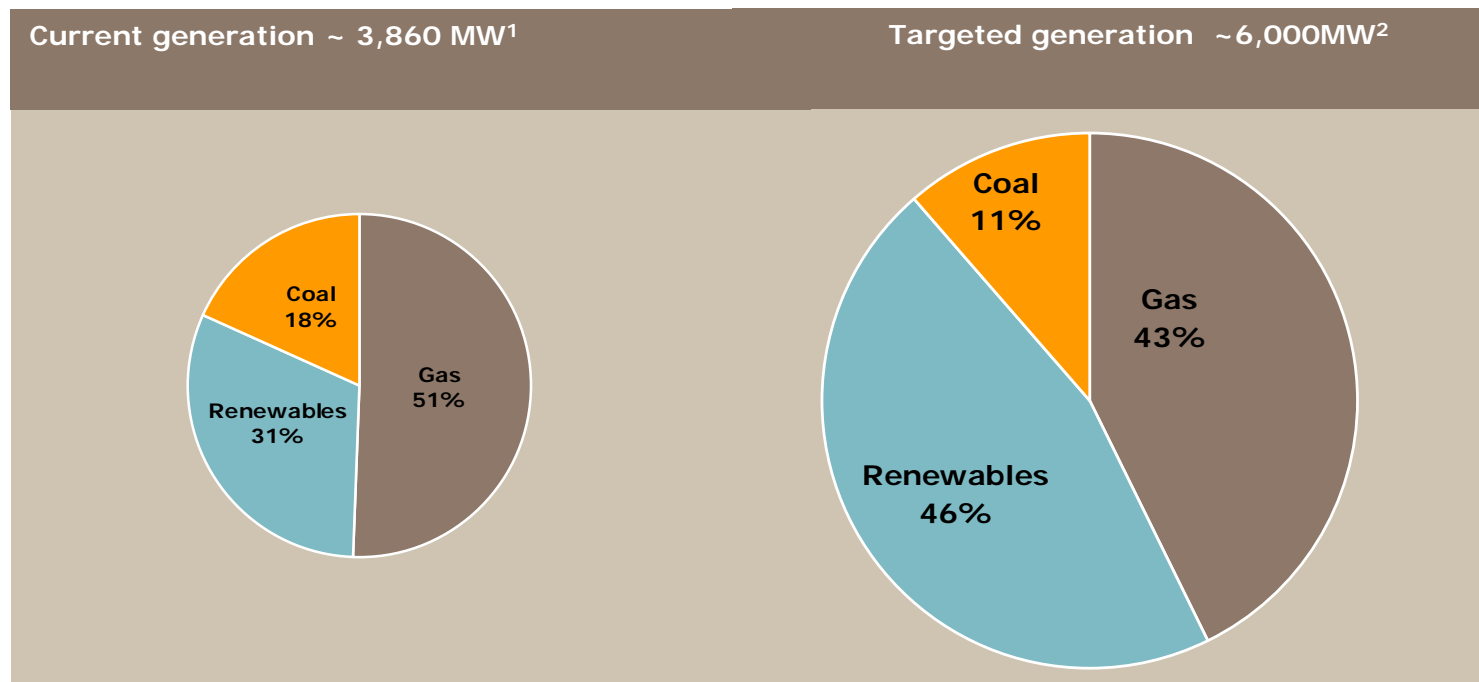
Delivering on medium term strategic target of 2,000PJ equity gas.

- › Domestic gas strategy focus
- › Existing portfolio flexibility allows timely development of gas production projects
- › AGL will continue to be a significant contractor of wholesale gas
- › Anticipate existing investments & Gloucester, Sydney Basin/Hunter, Galilee & Innamincka interests together with ongoing wholesale contracting will satisfy long term supply requirements post 2017



A Carbon Effective Generation Portfolio

Current & future AGL generation portfolios are well positioned in a carbon constrained environment.



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1 = Owned & / or operated including plant under construction (~350MW)

2 = 1 + projects under consideration / development



Way Forward



NSW Privatisation

Disciplined approach to industry consolidation opportunity.

- › Support privatisation – awaiting final detail of structure
- › Support Gentrader model – risk allocation details key
- › Depending on final structure, AGL remains interested in retail and/or gentrader assets
- › AGL's SAP retail solution (Phoenix) completely scaleable for any combination of retail assets
- › AGL's NSW market position makes organic growth a viable alternative
- › Regulatory price settings a key valuation issue for retail businesses
 - » Recent IPART draft (electricity) decision 'directionally' correct



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Strategic Priorities & Financial Outlook

Strategic priorities

- › Ongoing, disciplined roll out of integrated strategy:
 - » Expansion of industry leading renewables portfolio
 - » Exploration and development of gas acreage and reserves
 - » Development of gas generation portfolio
 - » Delivering benefits of Phoenix Business Transformation Program
- › Integrated strategy delivers:
 - » Ongoing growth opportunities / optionality; and
 - » Sustainable returns in dynamic economic conditions and market cycles

Financial outlook

- › Reconfirm FY09 EBITDA guidance of \$775 million to \$820 million
- › Reconfirm FY09 underlying NPAT guidance of \$370 million to \$400 million:
 - » \$352 million to \$382 million including SunGas & Powerdirect customer amortisation charge
- › Reconfirm dividend payout policy of ~60% of underlying NPAT, fully franked
 - » AGL currently scheduled to release FY09 result 20 August 2009

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:

Graeme Thompson

Head of Investor Relations

AGL Energy Limited

phone: +61 2 9921 2789

mobile: +61 (0) 412 020 711

e-mail: gthompson@agl.com.au

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