The New EnergyAustralia®

October 2012

EnergyAustralia

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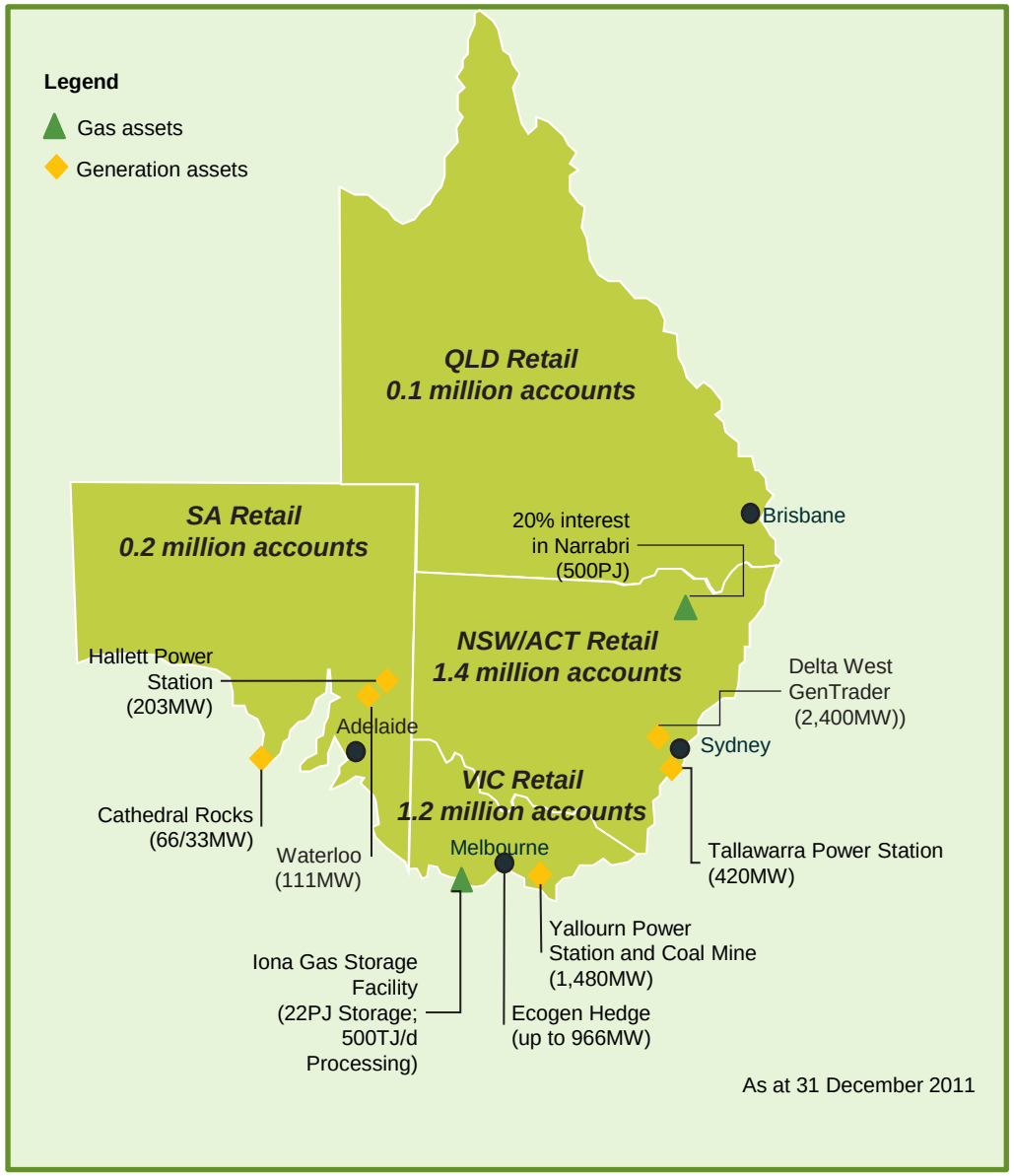
EnergyAustralia is one of Australia's leading vertically integrated and diversified energy companies



The largest privately held supplier of generation output to the NEM

Australia's third largest energy retailer with market share of 22% across Eastern Australia by customer accounts

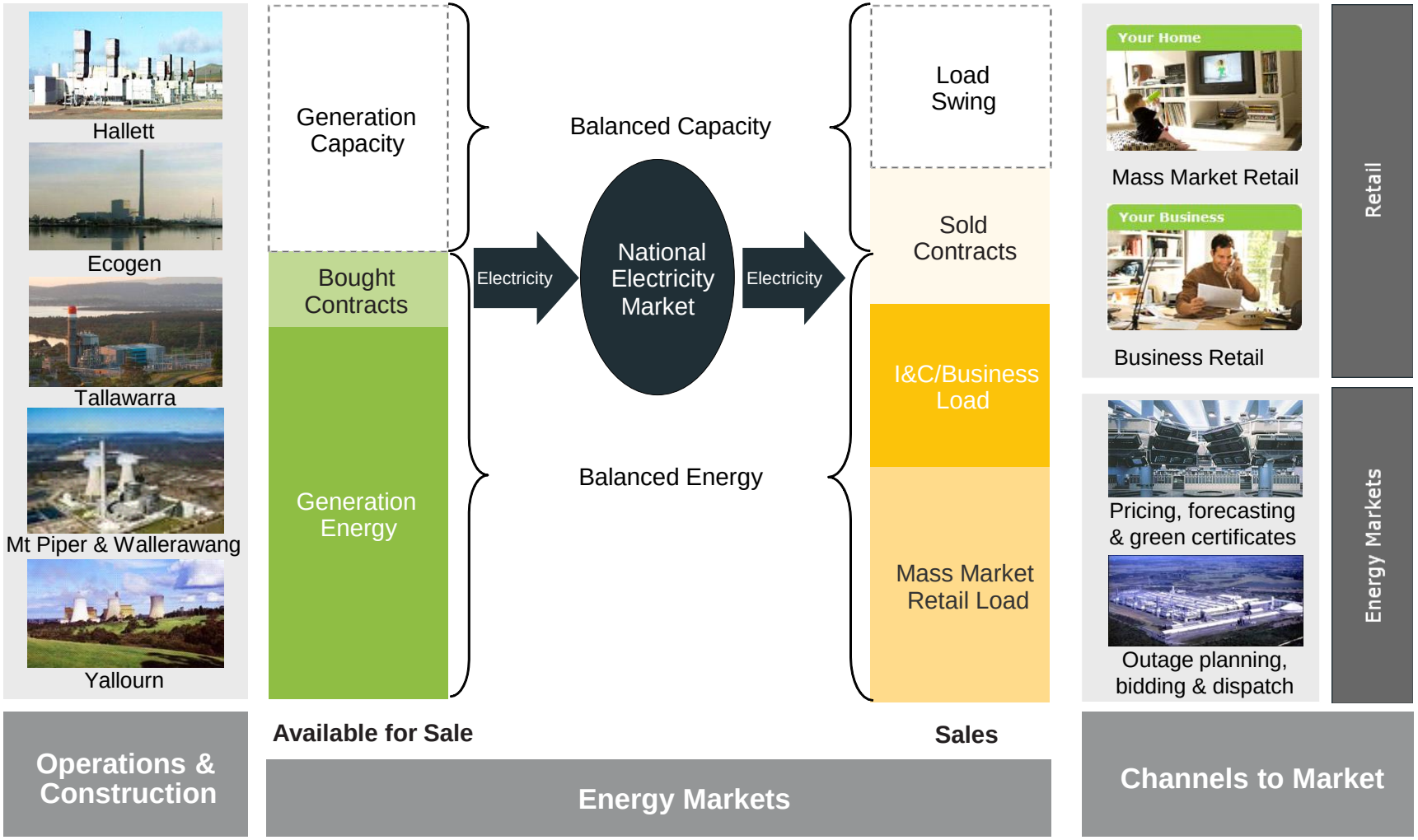
Owns the largest underground gas storage facility in Australia with long-term gas supply contracts

Pipeline of development opportunities in retail, generation and coal seam gas

Brighter Energy for Today and Tomorrow

EnergyAustralia

EnergyAutralia has a deeply integrated position, providing a flexible, well balanced portfolio with scale and diversity



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Business Update

We have invested in a world class brand with broad reach - complemented by new web presence and functionality

- The new web portal is designed around the customer experience
- Flexible back-end so that we can move quickly, and customise customer interactions
- Powerful channel to market

We also deployed our new billing platform, which will drive improved customer experience and operational efficiency

Our new billing system now gives us:

- ***Better information*** for decision making
- Links to the ***data warehouse***
- A ***single view of the customer***
- ***Automation and accuracy*** of billing
- Enhanced ***credit capabilities***
- ***Scalability*** for growth
- ***Readiness*** for the migration of TSA accounts

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EnergyAustralia remains actively involved in advocacy with Governments and regulators regarding energy price regulation

Electricity Retail Price Regulation	VIC	NSW	QLD	SA
Retail price path period	No Price Regulation	July 2013 – June 2016	July 2013 – June 2016	Jan 2011 - June 2014
Wholesale cost approach		75% LRMC 25% Market Cost	Currently Market Cost	Draft determination indicates SA will move to Market Cost in Jan 2013
Retail margin allowance		5.4% of EBITDA	5.7% on total costs + 5% headroom	~5.2% of EBITDA (10% of wholesale + retail operating costs)
Next likely reprice date		1st July 2013	1st July 2013	1st Jan & 1st July 2013
Total EA customer base	~ 600 k	~ 1.1 million	~ 100 k	~ 100 K

- EnergyAustralia believes that in the long run market competition should set retail prices
- The removal of price regulation in Victoria has resulted in:
  - Flexible pricing
  - Innovative products
  - High levels of competition (one of the highest churning markets in the world)
- EnergyAustralia also believes that to preserve an appropriate environment for investment in power generation wholesale energy prices must as a minimum reflect the genuine long-run cost of building new generation in the NEM

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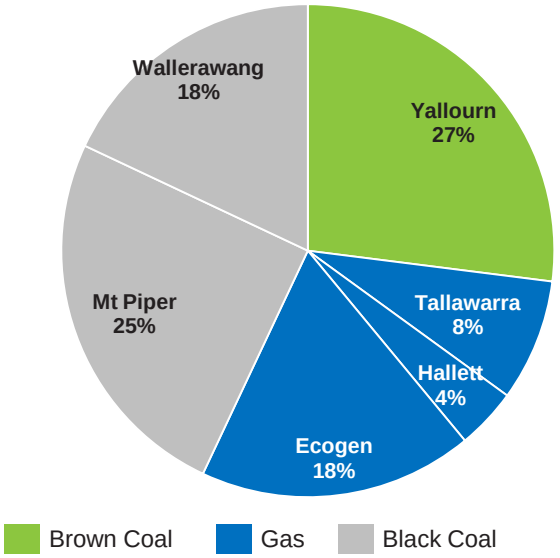
EnergyAustralia's generation portfolio broadly reflects NEM intensity

- Largest privately-owned energy portfolio in the NEM by output
- EnergyAustralia's portfolio carbon intensity of 0.95 compared with NEM of ~0.89
- Yallourn's captive coal mine provides a fixed low cost fuel source, contributing to a low-cost generation portfolio
- Yallourn is well positioned to benefit from a rising wholesale gas price market, despite the introduction of the carbon tax from 1 July 2012

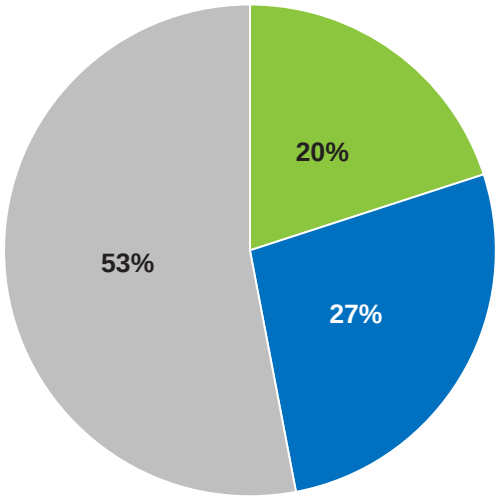
EnergyAustralia Fuel Mix[1]



1. Excludes wind

Source: EnergyAustralia estimates and ACIL Tasman market model data

NEM Fuel Mix[2]



2. Excludes hydro, wind and others

Source: EnergyAustralia estimates and ACIL Tasman market model data

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Impact of carbon and gas price on Energy Australia's asset portfolio

Asset	CO2 Int.* (kg/kWh)	Increase in carbon price	Increase in gas price	Comment
Yallourn	1.4	✗	✓	▪ Impairment of $350 million (pre-tax) ▪ Transitional Assistance (cash and free carbon permits)
Delta Western (Mt Piper/Wallerawang)	0.90 / 0.92	✗	✓	▪ Lower gross margins following introduction of carbon pricing but offset by increasing gas prices
Ecogen (Newport / Jeeralang)	0.56 / 0.94	✓	✗	▪ Improved position in merit order following introduction of carbon
Tallawarra	0.37	✓	✗	▪ Higher efficiency reduces its exposure to increases in gas prices relative to other gas power plants
Hallett	1.05	✓	-	▪ Increase market price volatility results in higher usage and profitability
Wind	n/a	✓	✓	▪ Higher pool prices with no change to cost base
Iona Gas Storage	n/a	✓	✓	▪ Value of inventory and gross margins increases with increases in carbon and gas prices
Narrabri CSM	n/a	✓	✓	▪ Increase in underlying asset value

* Calculated on a "sent out" basis

- Directionally, EnergyAustralia sees the decision in 2012 to remove the floor price of $15 per tonne in the Australian carbon regime and instead link to the European ETS as positive

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Remediation of the Yallourn mine has progressed well

- Collapse of the Morwell River Diversion (MRD) in early June temporarily disrupted operations at the Yallourn Power Station
- Coal supply was swiftly restored – two conveyors now operational
- Dewatering operations continue
- Majority of water from the MRD now being piped around the mine
- Full repair design for the MRD is nearing completion – with reconstruction works expected to be completed in mid 2013
- All four power generation units have been available since early August

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Conclusion

EnergyAustralia is one of Australia's leading energy companies

The Company's deeply integrated position provides a flexible, well balanced portfolio with scale and diversity

Rebranding and the new billing system provide greater recognition, improved customer experience, greater operational efficiency and the ability to bring new and innovative products to market

EnergyAustralia remains actively involved in advocacy with Governments and regulators regarding energy policy and energy price regulation – focussed on the need to build a sustainable future for this critical industry

Brighter Energy for Today and Tomorrow

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Appendix

EnergyAustralia's generation portfolio is diversified by fuel source and geography

Plant	Fuel	Capacity (MW)	Ownership	Merit Order	VIC	NSW	SA
Yallourn	Brown Coal	1,480	Own	Base			
Mt Piper	Black Coal	1,400	Contract (until 2043)	Base			
Wallerawang	Black Coal	1,000	Contract (until 2029)	Base			
Tallawarra	Gas	420	Own	Intermediate			
Hallett	Gas	203	Own	Peak			
Newport	Gas	500	Contract (until 2019)	Peak			
Jeeralang	Gas	466	Contract (until 2019)	Peak			
Waterloo	Wind	111	Own	Semi-scheduled			
Cathedral Rocks	Wind	66[1]	Own (50%)	Non-scheduled			

1. Total capacity, EnergyAustralia's equity share is 33MW

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EnergyAustralia's generation assets are supported by long term fuel supply contracts

Fuel	Plant		Fuel Arrangement
Brown Coal	Yallourn		• EnergyAustralia owns the brown coal mine adjacent to power station • Operating licence to 2026 and reserves beyond 2032
Black Coal	Mt Piper		Portfolio of long term coal supply contracts through to 2029 • Diversity of coal supply from different mines • Volume flexibility in existing supply contracts and ability to defer to take advantage of uplift in pool prices • Continue to negotiate longer term coal supply contract on competitive prices
	Wallerawang		
Gas	Tallawarra		Portfolio of long term gas contracts through to 2021 (plus equity gas from Narrabri) • Subject to Take-or-Pay arrangements, but with rights to bank gas for use at later times • Gas storage provides considerable flexibility in managing gas requirements
	Hallett		
	Newport		
	Jeeralang		

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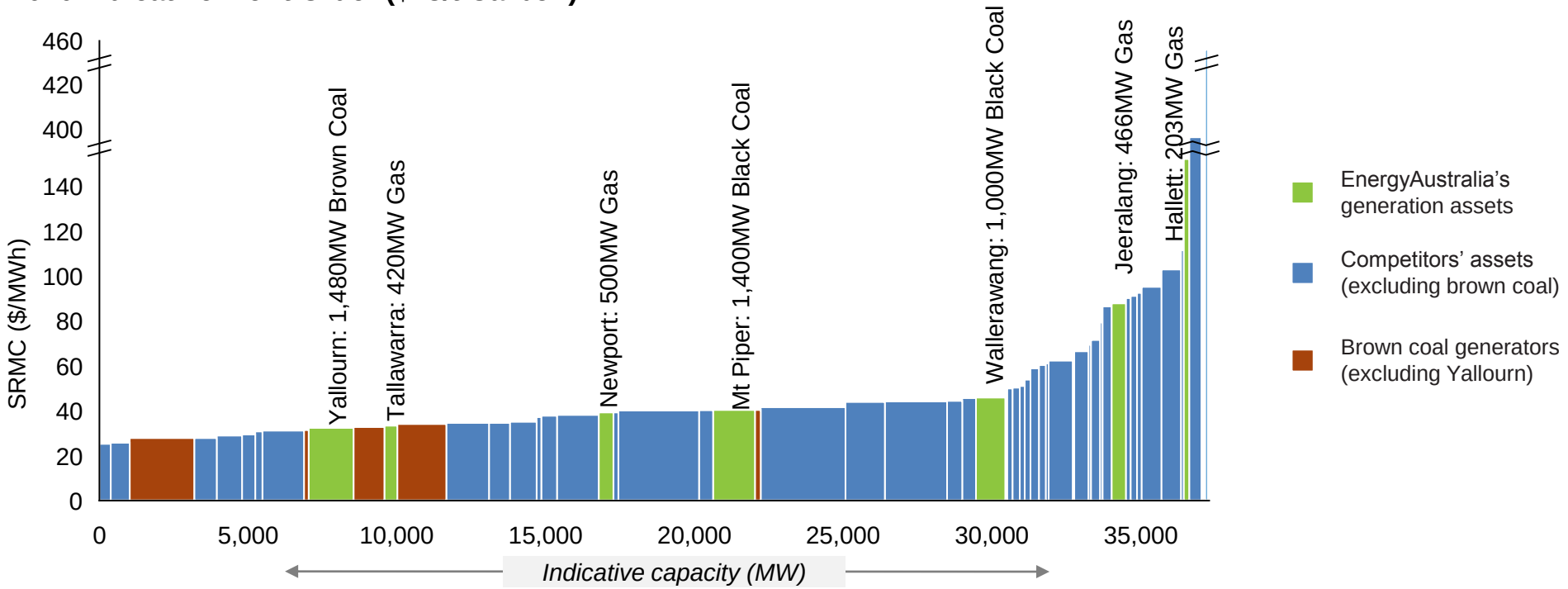
Merit order adjusted for carbon price

- Portfolio of generation assets with strength in both geographic and fuel diversity
- EnergyAustralia's average weighted short run marginal cost to generate is slightly below the NEM weighted average

2010 Indicative Merit Order ($23/t Carbon)



Source: EnergyAustralia modelling, excludes semi scheduled capacity (such as wind power) and hydro, which effectively has zero SRMC, and assumes fuel cost is held constant

EnergyAustralia's portfolio is lower than market average merit order with or without carbon

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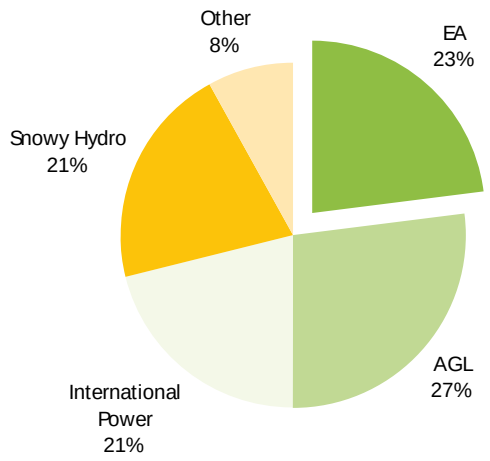
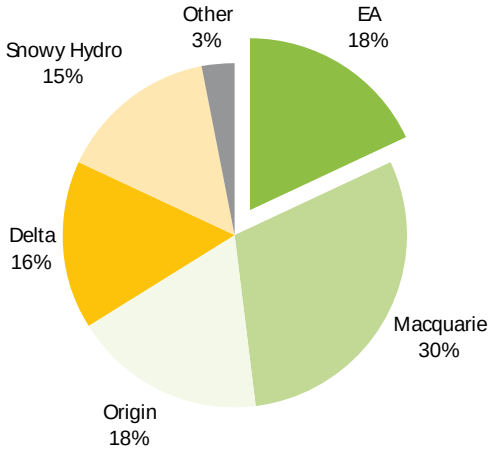
2011 market share of generation capacity; by State

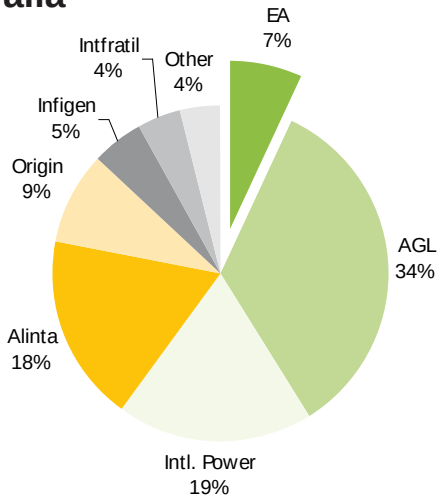
Victoria[1]



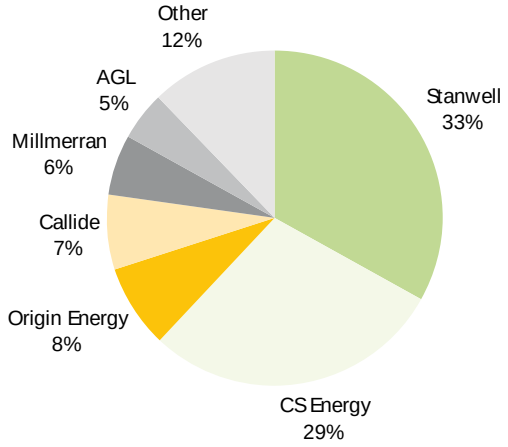
NSW



South Australia



Queensland



Source: AER, 'Sate of the Energy Market', 2011
Note 1: AGL includes acquisition of LYA

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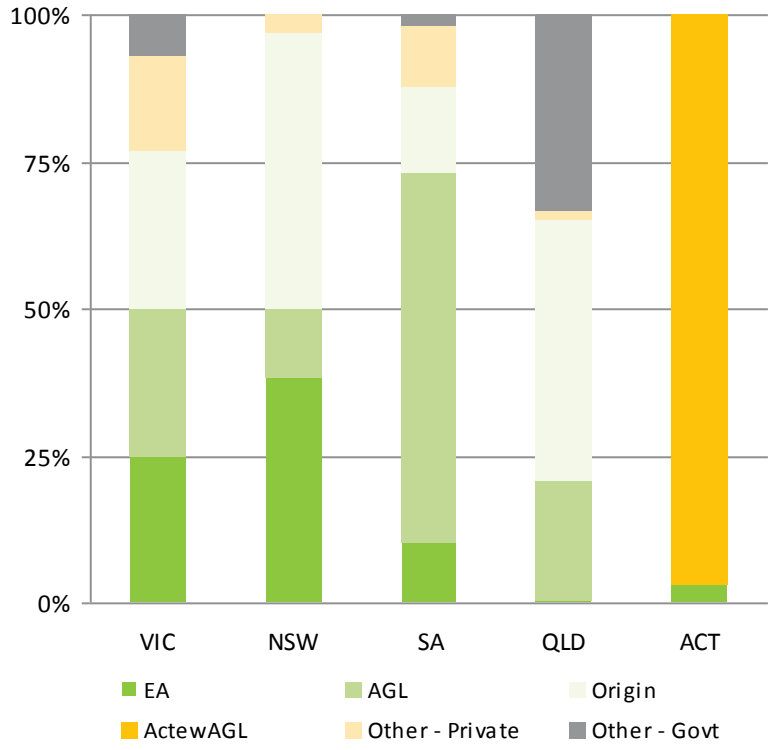
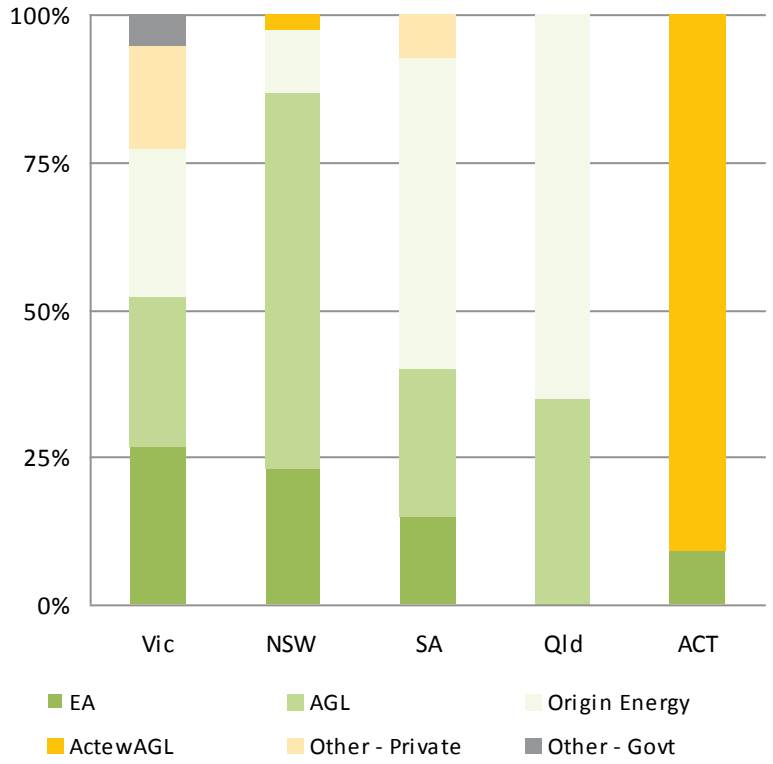
2011 market share of retail customers; by fuel type

Electricity



Source: AER, 'State of the Energy Market', 2011

Gas



Source: UBS broker research

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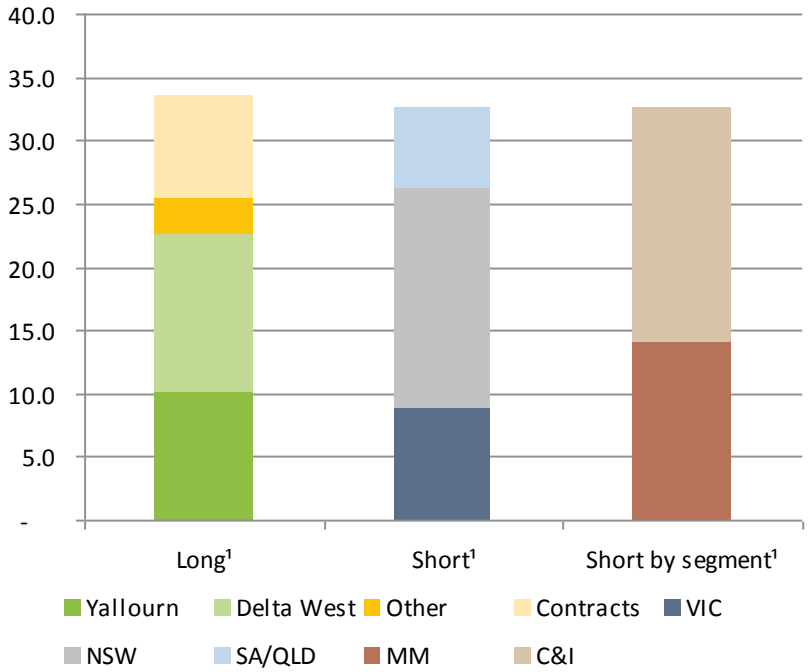
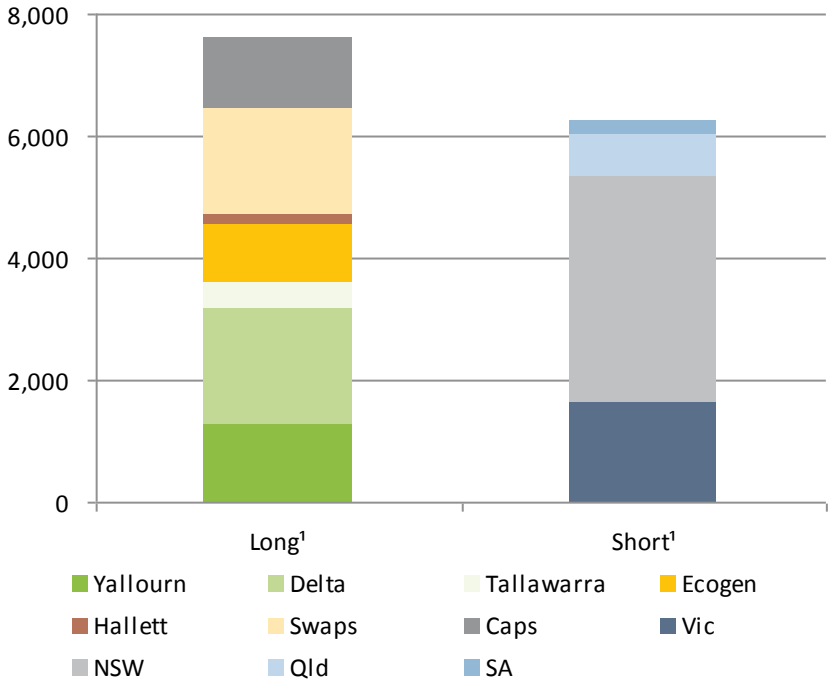
EnergyAustralia is effectively internally hedged[2]

Actual 2011 Volume (TWh)



Source: EnergyAustralia

Actual 2011 Generation Capacity and Retail Load (MW)



Source: EnergyAustralia

1. Long position refers to electricity sources such as generation and contracts while short position refers to uses of electricity from retail customer base
2. Internal hedging refers to the netting off of an entity's electricity sales and purchases from the wholesale pool (reducing net exposure to the pool electricity price)

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Clean Energy Legislation in Australia

Australian Government's Clean Energy legislation was passed by the Senate in November 2011 including the following components

- Default target of 5% abatement on 2000 emissions by 2020
- A carbon pricing mechanism which commenced on 1 July 2012, starting with a fixed carbon price of A$23 per tonne rising at 2.5% per annum in real terms for the first three years (up to 1 July 2015)
- From 1 July 2015, Australia will move to an emissions trading scheme with the carbon price set by the market
- A floor price of $15 / tonne was originally proposed under the scheme post July 2015. However the scheme was changed in August 2012 to remove the floor price and instead link the Australian scheme to the European ETS. Consequently post 2015 up to 50% of an entity's liability may be met through international permits (either EUAs or CERs etc) with a limit of 12.5% from CERs. As a result Australian carbon prices from July 2015 onwards are expected to be somewhat lower than under the original scheme - given that the current price of carbon in Europe is lower than the previous price floor of $15 / tonne;
- An Energy Security Fund was established to administer
  - Transitional assistance provided for generators with emissions intensity of over 1.0 tonnes/MWh (rate capped at 1.3 tonnes/MWh)
  - Transitional assistance is in the form of cash compensation of A$1 billion in the first year and annual permits (free carbon units) of 41.7 million per annum for four years from 1 July 2013[2]
  - Negotiation for the closure of 2,000MW of electricity generation capacity by 2020 was originally proposed (generator intensity at least 1.2 tonnes/MWh will be eligible). However no commercial agreement could be reached and this has subsequently lapsed.
  - EnergyAustralia is expected to receive the following transitional carbon assistance payments and permits from the federal government:

FY - June year end	Cash compensation (A$m)	Permits[2]	Carbon price (A$)	Total compensation (A$m)
FY12	$257.5m	-	-	$257.5m
FY13[1]	-	-	23.0	-
FY14	-	10.7m	24.2	$259.4m
FY15	-	10.7m	25.4	$272.3m
FY16	-	10.7m	Floating price	-
FY17	-	10.7m	Floating price	-

1. The absence of compensation in FY13 is a function of timing. Cash compensation was received in FY12, prior to the commencement of carbon pricing, while the first set of permits are allocated in FY14, the second year of carbon pricing
2. Each permit represents one tonne of carbon equivalent pollution

Source: Company estimates and Clean Energy Act 2011

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