



THE MARKET

The Australian Gas Light Company (AGL) is the largest retail energy supplier in Australia, offering gas and electricity services to around 3 million customers. The company's interests are concentrated in the populous south-eastern corner of Australia, where AGL has been operating since 1837 when it was established to light the streets of Sydney with town gas.

From these humble beginnings, AGL has expanded its focus beyond NSW and beyond its origins as a gas company, taking advantage of growth opportunities provided by the continuing deregulation of Australia's energy industry. Originally founded upon state lines, the Australian energy industry is gradually evolving into a national industry, of which AGL is one of a handful of major players.

Deregulation of the energy industry remains at different stages of evolution around Australia, but there is now a stronger commitment from the Federal and State Governments to a national energy policy. This will bring greater clarity and consistency to the industry and in turn encourage continued investment in the sector. Against this backdrop, industry consolidation is continuing. The focus is now moving to securing generation and gas transmission assets to help energy companies further integrate their downstream energy businesses.

Households all around Australia continue to embrace the use of both gas and electricity to enhance their lives. As a result, electricity and gas consumption is expected to continue to increase steadily, particularly during peak periods when factors like the weather produce greater immediate demand for power for cooling and heating.

Australians now use about 550 petajoules of gas and 186,300 gigawatts of electricity a year. One gigawatt hour is enough electricity to power about 150 households. But the Australian Bureau of Agriculture and Resource Economics has forecast that by 2020 the annual demand for energy will have grown by another five per cent to more than 995



insertion of gas mains) to reduce greenhouse gas emissions.

2000: NSW Sustainable Energy Development Authority - Green Globe Award, for AGL as an energy-smart business partner reaching the silver milestone of the program, by "achieving energy efficient upgrades in 50 per cent of operations and showing strong commitment to economic and environmental responsibility".

HISTORY

AGL was Australia's first energy company, empowered by an Act of Parliament, and is the second oldest company in the country still trading under

petajoules of gas and 283,700 gigawatts of electricity per annum.

ACHIEVEMENTS

From street lights powered by town gas to the development of gas and electricity networks and pipeline technology across Australia, AGL boasts a proud history of leadership in Australia's downstream energy industry. With expertise as the cornerstone of AGL's reputation, the company has been at the forefront of the use of energy in the home and workplace, creating a level of comfort and dependability to which the average Australian has now become accustomed.

In addition to these achievements, in more recent years AGL's commitment to a cleaner environment also has been recognised through a number of awards including:

2003: Engineers Australia's South Australia Engineering Excellence

Awards - Environment Award for Cooper's Brewery Cogeneration Plant in South Australia.

2000: Greenhouse Challenge Award (Australian Greenhouse Office and Institution of Engineers Australia) – Winner, Large Enterprise Category, in recognition of contribution of the Goldline project (nylon

its original name.

Established in 1837 by private interests to light the streets of Sydney with town gas, the company became known as the supplier of gas to residential and business consumers throughout Sydney.

In 1858 an amendment of the Act was passed, allowing AGL to expand its operations into rural areas. On the shores of Darling Harbour, where gas was manufactured from coal, the plant grew as AGL sought to keep ahead of the demand.

In 1886, AGL opened new gas works at Mortlake. This investment represented the company's faith in the future. Not only was the site large enough to satisfy demand for many years to come, but the plant was also the most advanced that was available at the time.

In the 1890s, a serious depression and the competition of electric lighting became the main challenges for AGL. The company met these challenges by opening the first gas showroom at Haymarket in 1893, with free lectures designed to popularise gas cooking and increase daytime use of gas within the home

Householders began to invest in other gas-fired luxuries such as water heaters, coppers and fires. New laboratories at Camperdown developed more efficient

appliances and later assisted in manufacturing gas appliances in World War II. AGL still maintains a gas appliance testing laboratory in Auburn, Sydney.



In 1976, AGL introduced natural gas, and growth continued through the 1990s. In recent years, the privatisation of the Victorian and South Australian energy industries has enabled AGL to expand its business for the first time into electricity through the addition of new customers and network infrastructure. Retail competition in SA, Victoria and NSW has also added a new element of challenge for AGL which will define the company's future as it moves into this new century.

THE PRODUCT

Customers' changing energy requirements continue to define AGL, which has developed a full suite of competitive gas and electricity products, tailored to suit customer needs. As well as having the capability to offer customers the convenience of electricity and gas from one provider, AGL also is now catering for those customers with a green preference. AGL has introduced a suite of green products under the banner of AGL Green Choice™, including AGL Green Balance™ which is the first Australian Greenhouse Friendly product to be officially certified by the Australian Greenhouse Office.

Beyond the supply of gas and electricity AGL also provides a range of additional services to meet the needs of consumers. AGL's Energy Shop franchises have been established in South Australia and New South Wales to provide value and advice on energy efficient appliances. AGL also offers commercial and residential gas appliance repair, electrical repairs and maintenance, and hot water repair or replacement services through AGL Assist in New South Wales, Victoria and South Australia.

AGL infrastructure and services company, Agility, provides operational and maintenance services to AGL Gas Networks for both natural gas and electricity distribution. It also provides the diverse skills of its personnel to other asset owners and developers. Services include project commercialisation; design, construction and commissioning; commercial and technical asset management and regulatory support; and a comprehensive range of field operating services including maintenance, communications and business systems.



RECENT DEVELOPMENTS

The largest single change in Australia's energy market came with the move to deregulation. This began in 1994 when Professor Fred Hilmer's report suggested that major economic benefits could arise from the creation of a free and deregulated energy market.

Energy market reform began in August 1997 with deregulation of the natural gas industry in New South Wales.

The deregulation of the electricity market in New South Wales, Victoria and South Australia occurred in parallel with the corporatisation of state-owned utilities. In 1995, AGL acquired 50 per cent of one of the Victorian electricity distribution and retailing companies, Solaris Power. In January 1998, AGL acquired the remaining half share in Solaris Power, which is now branded as AGL.

Similarly, AGL acquired the retail arm of The Electricity Trust of South Australia, ETSA Power, in January 2000 and Pulse Energy, a Victorian gas and electricity retailer, in 2002.

These acquisitions have led to AGL's emergence as the nation's largest combined energy transmission, distribution, energy retailing and marketing company with \$4.5 billion worth of assets in Australia and New Zealand.

AGL is now focused on further growing the business both organically and through appropriate investments in power generation and renewable energy. AGL is specifically seeking investments which will deliver appropriate returns and further diversify the company's portfolio of downstream energy assets.

PROMOTION

In 1974 AGL transformed its image in preparation for the new fuel, natural gas. The company adopted a new logo symbolising the change to environmentally friendly natural gas. The 'Living Flame' advertising campaign in 1979 signalled a new beginning as AGL set out to recapture its historic position of dominance in the energy market.

A number of other campaigns, including the highly-recognised Mimi the Mouse campaign, were introduced during the next decade. More recently, AGL launched a new campaign to better reflect the

needs and aspirations of Australians. This campaign shows slices of everyday life - capturing some true moments in life that everyone can relate to - and demonstrates how AGL's range of energy products and services are an integral part of that.

All of these campaigns have been successful in making AGL one of the most recognised gas and electricity companies in Australia.

BRAND VALUES

In all that it does, AGL helps people to get on with their lives. Every day, the company strives to provide customers with value, expertise and friendly service.

The brand values, including being Australian, dependable and expert, reflect AGL's long history while propelling the company into the future. AGL is uniquely Australian because the company was there more than 165 years ago when Australia was beginning to take its present shape. Its presence made an enormous difference to the everyday lives of people and business. AGL is dependable because it knows what to do when the going gets tough - people can depend on AGL whether it's fixing a gas hot water heater or helping them during a crisis.

And the company uses its wide-ranging expertise to solve the really hard problems - AGL believes in energy know-how as a strength in all of its people.



THINGS YOU DIDN'T KNOW ABOUT AGL

- AGL provided the engineering expertise that designed and built the burner for the Olympic flame at the Sydney 2000 games.
- In 1959, AGL became one of the first companies in Australia to employ computerised record-keeping systems.
- In 1871, AGL was one of the first companies listed on the Sydney (now the Australian) Stock Exchange.
- AGL is the second-oldest company in Australia still trading under its original name.
- AGL was the first gas and electricity retailer to offer a greenhouse-friendly product, Green Balance™, approved by the Australian Greenhouse Office.