

ASX Release

Operating segments reclassification

29 July 2015

AGL Energy Limited (AGL) today advises that it is amending the basis for segment reporting to align it with the organisational structure announced on 16 April 2015 and the subsequent review and restructure of the Upstream Gas business.

This change is in accordance with AASB 8, which requires companies to report segmental information on a similar basis as is used internally by management for reviewing segment performance. The revised segment reporting will commence with the financial results for the year ended 30 June 2015 to be released on 12 August 2015.

The previous segments were: Retail Energy, Merchant Energy, Upstream Gas, Investments and Centrally Managed Expenses.

The new segments are: Energy Markets, Group Operations, New Energy, Investments and Centrally Managed Expenses.

There is no change to the reported profit in any period, only movements between segments. To facilitate comparisons with performance in prior periods, AGL has provided the historical segment data and reconciliations in appendices to this release.

Consumer Market metrics

The change in segment reporting necessitates a change to the key metrics previously reported. Metrics for the Consumer Market business within Energy Markets will replace the previously reported metrics for the Retail Energy business unit. Restatement of the prior period comparatives is provided in Appendix 2.

Portfolio Market reporting

In its financial results for the six months ended 31 December 2014, AGL introduced additional reporting for the Merchant Energy business. With the change in the segment reporting, this business unit is now split between Energy Markets and Group Operations. There is no major change to the methodology used to calculate key metrics (e.g. \$/MWh). However, the metrics have been expanded to include Consumer Market and Business Customers Gross Margin. Prior period comparatives are included in Appendix 4.



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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is taking action toward creating a sustainable energy future for our investors, communities and customers.

Appendix 1 – Operating EBIT

| AGL Group | | | | | |
|--------------------------------------|--|-------------------------------|--|-------------------------------|--|
| \$ million | Half-year ended 31 December 2012 | Year ended 30 June 2013 | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
| Revised Structure: | | | | | |
| Energy Markets | 788 | 1,575 | 773 | 1,619 | 993 |
| Group Operations | (229) | (431) | (249) | (473) | (355) |
| New Energy | 11 | 26 | 13 | 21 | 7 |
| Investments | 16 | 26 | 13 | 23 | 12 |
| Centrally Managed Expenses | (83) | (165) | (95) | (186) | (109) |
| Operating EBIT | 503 | 1,031 | 455 | 1,004 | 548 |
| Previous Structure: | | | | | |
| Retail Energy | 136 | 356 | 136 | 318 | 159 |
| Merchant Energy | 460 | 853 | 433 | 899 | 522 |
| Upstream Gas | (3) | 0 | (13) | (13) | (10) |
| Investments | 16 | 26 | 14 | 23 | 4 |
| Centrally Managed Expenses | (106) | (204) | (115) | (223) | (127) |
| Operating EBIT | 503 | 1,031 | 455 | 1,004 | 548 |
| Energy Markets | | | | | |
| \$ million | Half-year ended 31 December 2012 | Year ended 30 June 2013 | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
| Consumer Market EBIT | 140 | 361 | 141 | 332 | 160 |
| Residential Electricity gross margin | 200 | 463 | 192 | 420 | 215 |
| Residential Gas gross margin | 117 | 238 | 150 | 277 | 160 |
| Net operating costs | (177) | (340) | (201) | (365) | (215) |
| Business Customers EBIT | 48 | 94 | 31 | 64 | 35 |
| Business Electricity gross margin | 33 | 66 | 19 | 39 | 19 |
| Business Gas gross margin | 34 | 64 | 32 | 62 | 34 |
| Net operating costs | (19) | (36) | (20) | (37) | (18) |
| Wholesale Markets EBIT | 600 | 1,120 | 601 | 1,223 | 798 |
| Wholesale Electricity gross margin | 519 | 971 | 523 | 1,038 | 588 |
| Wholesale Gas gross margin | 72 | 124 | 81 | 164 | 205 |
| Eco-markets gross margin | 29 | 71 | 16 | 54 | 25 |
| Net operating costs | (20) | (46) | (19) | (33) | (20) |
| Operating EBIT | 788 | 1,575 | 773 | 1,619 | 993 |

| Group Operations | | | | | |
|-----------------------|--|-------------------------------|--|-------------------------------|--|
| \$ million | Half-year ended 31 December 2012 | Year ended 30 June 2013 | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
| Thermal | (183) | (346) | (176) | (340) | (279) |
| Renewables | (25) | (47) | (40) | (78) | (40) |
| Natural Gas | (2) | 0 | (13) | (13) | (10) |
| Other | (19) | (38) | (20) | (42) | (26) |
| Operating EBIT | (229) | (431) | (249) | (473) | (355) |

| Group Operations Segments | | | |
|--|---|--|--|
| Thermal | Renewables | Natural Gas | Other |
| <ul style="list-style-type: none"> • AGL Macquarie • Loy Yang • AGL Torrens | <ul style="list-style-type: none"> • Wind farms • Hydro • Solar plants | <ul style="list-style-type: none"> • Camden • Moranbah • Silver Springs • Newcastle Gas Storage Facility • Gloucester | <ul style="list-style-type: none"> • Property & facilities • Technical functions • Safety & Environment |

The above list includes only major elements and is not all inclusive.

| New Energy | | | | | |
|-----------------------------|--|-------------------------------|--|-------------------------------|--|
| \$ million | Half-year ended 31 December 2012 | Year ended 30 June 2013 | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
| Revenue | 80 | 145 | 70 | 135 | 64 |
| Cost of goods sold | (53) | (88) | (41) | (73) | (33) |
| Gross margin | 27 | 57 | 29 | 62 | 31 |
| Operating costs (excl D&A) | (12) | (23) | (12) | (32) | (19) |
| Operating EBITDA | 15 | 34 | 17 | 30 | 12 |
| Depreciation & amortisation | (4) | (8) | (4) | (9) | (5) |
| Operating EBIT | 11 | 26 | 13 | 21 | 7 |



Appendix 2 – Consumer Market key metrics

| Metric | Half-year ended 31 December 2012 | Year ended 30 June 2013 | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|--|-------------------------------|--|-------------------------------|--|
| Cost to serve per customer account (\$) | 32 | 60 | 36 | 63 | 38 |
| Cost to acquire/retain per customer account (\$) | 61 | 65 | 90 | 86 | 93 |
| Net operating costs to gross margin (%) | 55.8 | 48.4 | 58.8 | 52.4 | 57.5 |
| Net operating costs per customer account (\$) | 51 | 97 | 55 | 98 | 58 |
| Gross margin per customer account (\$) | 91 | 201 | 93 | 187 | 100 |
| EBIT per customer account (\$) | 40 | 103 | 39 | 89 | 43 |

Appendix 3 – Business Unit reconciliations

| Energy Markets \$ million | Year ended 30 June 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|-------------------------------------|----------------------------------|----------------------------------|---|
| Retail Energy | 356 | 318 | 159 |
| Merchant Energy | 853 | 899 | 522 |
| <i>Adjustments:</i> | | | |
| Centrally Managed Expenses | 4 | 6 | 3 |
| Group Operations | 389 | 422 | 325 |
| New Energy | (27) | (26) | (16) |
| Energy Markets (new segment) | 1,575 | 1,619 | 993 |

| Group Operations \$ million | Year ended 30 June 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|---------------------------------------|----------------------------------|----------------------------------|---|
| Merchant Energy | 853 | 899 | 522 |
| Upstream Gas | 0 | (13) | (10) |
| <i>Adjustments:</i> | | | |
| Energy Markets | (1,209) | (1,281) | (832) |
| New Energy | (32) | (39) | (16) |
| Centrally Managed Expenses | (43) | (39) | (19) |
| Group Operations (new segment) | (431) | (473) | (355) |

| New Energy \$ million | Year ended 30 June 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|---------------------------------|----------------------------------|----------------------------------|---|
| Investments (New Energy) | 0 | 0 | (8) |
| Energy Markets | 27 | 26 | 16 |
| Centrally Managed Expenses | - | (3) | (1) |
| Other | (1) | (2) | - |
| New Energy (new segment) | 26 | 21 | 7 |

| Investments \$ million | Year ended 30 June 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|----------------------------------|----------------------------------|----------------------------------|---|
| Investments (previous segment) | 26 | 23 | 4 |
| <i>Adjustments:</i> | | | |
| New Energy | 0 | 0 | 8 |
| Investments (new segment) | 26 | 23 | 12 |



| Centrally Managed Expenses \$ million | Year ended 30 June 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|---|----------------------------------|----------------------------------|---|
| Centrally Managed Expenses (previous segment) | (204) | (223) | (127) |
| <i>Adjustments:</i> | | | |
| Energy Markets | (4) | (6) | (3) |
| Group Operations | 43 | 39 | 19 |
| New Energy | - | 3 | 1 |
| Other | - | 1 | 1 |
| Centrally Managed Expenses (new segment) | (165) | (186) | (109) |

Appendix 4 – Portfolio Market reporting

Electricity Portfolio

The gross margin for AGL's electricity portfolio is set out in the following table. This analysis combines the Wholesale Markets, Consumer Market, Business Customers and Generation businesses to reflect the procurement and hedging of AGL's electricity requirements, the costs of managing and maintaining AGL's owned and contracted generation assets and the margin from external customers.

| \$ million | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|---|-------------------------------------|----------------------------|-------------------------------------|
| Consumer Market | 192 | 420 | 215 |
| Business Customers | 19 | 39 | 19 |
| Wholesale Electricity | 523 | 1,038 | 588 |
| Eco Markets | 16 | 52 | 24 |
| Group Operations (Thermal & Renewables) | (216) | (418) | (319) |
| Portfolio margin | 534 | 1,131 | 527 |
| Revenue | | | |
| Consumer Market | 2,142 | 4,344 | 1,999 |
| Business Customers & Wholesale Electricity and Eco Markets | 1,182 | 2,314 | 1,108 |
| Group Operations (Thermal & Renewables) | 39 | 85 | 43 |
| Total revenue | 3,363 | 6,743 | 3,150 |
| Consumer Market network costs | (1,009) | (2,040) | (1,031) |
| Consumer Market other cost of sales | (211) | (427) | (202) |
| Business Customers network costs | (462) | (912) | (469) |
| Business Customers other cost of sales | (128) | (233) | (99) |
| Fuel | (136) | (230) | (249) |
| Generation costs | (183) | (372) | (257) |
| Carbon | (110) | (237) | - |
| Depreciation & Amortisation (Group Operations) | (82) | (162) | (117) |
| Cost of generation | (511) | (1,001) | (623) |
| Pool generation revenue | 572 | 1,104 | 578 |
| Pool purchase costs | (976) | (1,902) | (724) |
| Net derivative (cost)/revenue | (104) | (201) | (53) |
| Wholesale markets cost of sales | (1,019) | (2,000) | (822) |
| Total cost of sales | (2,829) | (5,612) | (2,623) |
| Portfolio margin | 534 | 1,131 | 527 |

The following table provides a volume and rate analysis of the electricity portfolio gross margin.

| | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|-------------------------------------|----------------------------|-------------------------------------|
| Generation volumes (GWh) | 9,818 | 19,577 | 16,019 |
| Consumer Market | 7,382 | 14,839 | 7,211 |
| Business Customers & Wholesale Markets | 7,849 | 15,306 | 10,335 |
| Sold volumes (GWh) | 15,231 | 30,145 | 17,546 |
| Consumer Market ¹ | 290.1 | 292.7 | 277.2 |
| Business Customers & Wholesale Markets ¹ | 150.6 | 151.2 | 107.2 |
| Revenue (\$/MWh)¹ | 220.8 | 223.7 | 179.5 |
| Consumer Market network costs (\$/MWh) ¹ | (136.7) | (137.4) | (142.9) |
| Consumer Market other cost of sales (\$/MWh) ¹ | (28.6) | (28.8) | (28.1) |
| Business Customers network costs (\$/MWh) ¹ | (69.7) | (70.4) | (73.4) |
| Business Customers other cost of sales (\$/MWh) ¹ | (19.3) | (18.0) | (15.4) |
| Fuel ² | (13.9) | (11.7) | (15.5) |
| Generation costs ² | (18.6) | (19.0) | (16.1) |
| Carbon ² | (11.2) | (12.1) | - |
| Depreciation & Amortisation (Group Operations) ² | (8.3) | (8.3) | (7.3) |
| Cost of generation (\$/MWh)² | (52.0) | (51.1) | (38.9) |
| Pool generation revenue ² | 58.2 | 56.4 | 36.1 |
| Pool purchase costs ³ | (60.5) | (59.5) | (39.2) |
| Net derivative (cost)/revenue ³ | (6.5) | (6.3) | (2.9) |
| Average Wholesale cost of sales (\$/MWh)³ | (63.1) | (62.5) | (44.6) |
| Total cost of sales (\$/MWh)¹ | (185.7) | (186.1) | (149.5) |
| Portfolio margin (\$/MWh)¹ | 35.1 | 37.5 | 30.0 |

Note: \$/MWh calculated on the basis of: 1) Sold volumes; 2) Generation volumes; or 3) Demand volumes.

The following table provides a breakdown of the supply and demand of volume across the electricity portfolio.

| | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|-------------------------------------|----------------------------|-------------------------------------|
| Consumer Market | 7,908 | 15,900 | 7,741 |
| Business Customers & Wholesale Markets | 8,228 | 16,073 | 10,712 |
| Total demand | 16,136 | 31,973 | 18,453 |
| AGL generated | 9,818 | 19,577 | 16,019 |
| Pool sales | (9,818) | (19,577) | (16,019) |
| Pool purchases | 16,136 | 31,973 | 18,453 |
| Total supply | 16,136 | 31,973 | 18,453 |
| Energy losses | (905) | (1,828) | (907) |
| Total sold | 15,231 | 30,145 | 17,546 |

Gas Portfolio

The gross margin for AGL's gas portfolio is set out in the following table. This analysis combines the Wholesale, Consumer and Business Customers businesses to reflect the procurement, production and hedging of AGL's gas requirements and the margin from external customers.

| \$ million | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|-------------------------------------|----------------------------|-------------------------------------|
| Consumer Market | 150 | 277 | 160 |
| Business Customers | 32 | 62 | 34 |
| Wholesale Gas | 81 | 164 | 205 |
| Eco Markets | 0 | 3 | 1 |
| Portfolio margin | 263 | 506 | 400 |
| Revenue | | | |
| Consumer Market | 739 | 1,362 | 780 |
| Business Customers & Wholesale Gas and Eco Markets | 545 | 966 | 701 |
| Total revenue | 1,284 | 2,328 | 1,481 |
| Consumer Market network costs | (302) | (577) | (328) |
| Consumer Market other cost of sales | (55) | (91) | (15) |
| Business Customers network costs | (37) | (76) | (41) |
| Business Customers other cost of sales | (31) | (57) | (7) |
| Gas purchases | (472) | (871) | (558) |
| Haulage & storage | (124) | (150) | (132) |
| Average Wholesale cost of sales | (596) | (1,021) | (690) |
| Total cost of sales | (1,021) | (1,822) | (1,081) |
| Portfolio margin | 263 | 506 | 400 |

The following table provides a volume and rate analysis of the gas portfolio gross margin. Note, all \$/GJ calculated on the basis of sold volumes.

| | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|-------------------------------------|----------------------------|-------------------------------------|
| Consumer Market | 32.2 | 57.6 | 34.6 |
| Business Customers & Wholesale Markets | 77.7 | 146.6 | 91.9 |
| Sold volumes (TJ) | 109.9 | 204.2 | 126.5 |
| Consumer Market | 23.0 | 23.7 | 22.6 |
| Business Customers & Wholesale Markets | 7.0 | 6.6 | 7.6 |
| Revenue (\$/GJ) | 11.7 | 11.4 | 11.7 |
| Consumer Market network costs (\$/GJ) | (9.4) | (10.0) | (9.5) |
| Consumer Market other cost of sales (\$/GJ) | (1.7) | (1.6) | (0.4) |
| Business Customers network costs (\$/GJ) | (0.9) | (0.9) | (0.9) |
| Business Customers other cost of sales (\$/GJ) | (0.8) | (0.7) | (0.2) |
| Gas purchases | (4.3) | (4.3) | (4.4) |
| Haulage & storage | (1.1) | (0.7) | (1.0) |
| Average Wholesale cost of sales (\$/GJ) | (5.4) | (5.0) | (5.5) |
| Cost of sales (\$/GJ) | (9.3) | (8.9) | (8.6) |
| Portfolio margin (\$/GJ) | 2.4 | 2.5 | 3.2 |

The following table provides a breakdown of the supply and demand of volume across the gas portfolio.

| | Half-year ended 31 December 2013 | Year ended 30 June 2014 | Half-year ended 31 December 2014 |
|--|-------------------------------------|----------------------------|-------------------------------------|
| Consumer Market | 32.2 | 57.6 | 34.6 |
| Business Customers, Wholesale Markets & Generation | 77.7 | 146.6 | 91.9 |
| Total demand | 109.9 | 204.2 | 126.5 |
| Gas purchases | (111.5) | (206.3) | (127.4) |
| Less Energy losses | 1.6 | 2.1 | 0.9 |
| Total supply | (109.9) | (204.2) | (126.5) |