

ASX & Media Release

AGL announces increase to dividend payout ratio and \$596 million on-market share buy-back

28 September 2016

As part of its commitment to the efficient management of its capital position, AGL Energy Limited (AGL) today announced a change to its dividend policy and an on-market share buy-back.

Starting with the FY17 interim dividend, AGL will target a payout ratio of approximately 75 percent of Underlying Profit and a minimum franking level of 80 percent.

In addition, AGL intends to carry out an on-market buy-back¹ of up to five percent of its issued share capital, representing 33,735,619 shares with a market value of \$596 million, based on AGL's closing share price on 27 September 2016.

AGL Chairman Jerry Maycock said: "These initiatives reflect the strength of AGL's liquidity position and the highly cash-generative nature of our portfolio. This liquidity provides a strategic advantage as it enables us to invest in growth and fund improvements to our core business while retaining financial flexibility to respond to emerging opportunities as energy markets evolve.

"AGL will continue to prioritise and explore such investment opportunities, and to maintain a strong balance sheet within the parameters of our Baa2 credit rating. Within this context, our new dividend policy and our decision to deploy excess cash in the shorter-term via a share buy-back, reflect the Board's confidence in AGL's cash position."

AGL Managing Director & CEO, Andy Vesey, said: "AGL is investing in innovations that will benefit our customers and keep us at the forefront of the evolution of our industry, such as our \$300 million Digital Transformation Program. In addition, we are evaluating new growth opportunities to exploit our core energy markets capabilities, on which we expect to provide an update to investors in November of this year."

The introduction of a target payout ratio of approximately 75 percent of Underlying Profit replaces AGL's current "progressive" dividend policy. In each of the past five years, this has resulted in a payout ratio of approximately 60 to 65 percent.

The exact amount and franking of future dividend payments will continue to remain subject to the Board's assessment of economic and market conditions, cash requirements and potential investment opportunities.

Mr Maycock said: "Although the Board is mindful that some shareholders prefer fully-franked dividends, we believe it is more appropriate to provide a higher payout ratio with a minimum franking level of 80 percent than to allow a commitment to full franking to place an excessive constraint on dividend growth."

¹ An Appendix 3C is attached. It is intended that the buy-back will commence no earlier than 13 October 2016 and cease no later than 12 October 2017. AGL reserves the right to vary, suspend or terminate the share buy-back at any time and to buy back less than the 33,735,619 shares stated.



Further inquiries:

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About AGL

AGL is one of Australia's leading integrated energy companies. It is taking action to responsibly reduce its greenhouse gas emissions while providing secure and affordable energy to its customers. Drawing on over 175 years of experience, AGL serves its customers throughout eastern Australia with meeting their energy requirements, including gas, electricity, solar PV and related products and services. 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, solar, landfill gas and biomass.

Appendix 3C

Announcement of buy-back (except minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
AGL Energy Limited	74 115 061 375

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	On-market
2	⁺ Class of shares/units which is the subject of the buy-back (eg, ordinary/preference)	Ordinary shares
3	Voting rights (eg, one for one)	One for one
4	Fully paid/partly paid (and if partly paid, details of how much has been paid and how much is outstanding)	Fully paid
5	Number of shares/units in the ⁺ class on issue	674,712,378
6	Whether shareholder/unitholder approval is required for buy-back	No
7	Reason for buy-back	Ongoing capital management

Appendix 3C Announcement of buy-back

- 8 Any other information material to a shareholder's/unitholder's decision whether to accept the offer (eg, details of any proposed takeover bid)
- Nil

On-market buy-back

- 9 Name of broker who will act on the company's behalf
- Citigroup Global Markets Australia Pty Ltd
- 10 Deleted 30/9/2001.
- 11 If the company/trust intends to buy back a maximum number of shares - that number
- Note: This requires a figure to be included, not a percentage.
- Up to 33,735,619 shares (being approximately 5% of the entity's issued ordinary shares).
- 12 If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention
- 13 October 2016 to 12 October 2017
- 13 If the company/trust intends to buy back shares/units if conditions are met - those conditions
- Not applicable

Employee share scheme buy-back

- 14 Number of shares proposed to be bought back
- Not applicable
- 15 Price to be offered for shares
- Not applicable

+ See chapter 19 for defined terms.

Selective buy-back

- 16 Name of person or description of class of person whose shares are proposed to be bought back
- 17 Number of shares proposed to be bought back
- 18 Price to be offered for shares

Equal access scheme

- 19 Percentage of shares proposed to be bought back
- 20 Total number of shares proposed to be bought back if all offers are accepted
- 21 Price to be offered for shares
- 22 ⁺Record date for participation in offer
Cross reference: Appendix 7A, clause 9.

Compliance statement

- 1. The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

- 1. The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.
- 2. There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here: *J. Fitzgerald* Date: *28.9.16.*
(Company secretary)

Print name: John Fitzgerald.....

⁺ See chapter 19 for defined terms.