



## ASX & Media Release

### Financial Results – Half Year Ended 31 December 2020

11 February 2021

Attached are the following documents relating to AGL Energy Limited's results for the half year ended 31 December 2020:

- Appendix 4D
- Half Year Report

John Fitzgerald  
Company Secretary

Authorised for release by AGL's Board of Directors.

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#### About AGL

Proudly Australian for more than 180 years, AGL supplies around 4.2 million energy and telecommunications customer services. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.



# AGL Energy Half-Year Report

For the period ended 31 December 2020



Progress for life

# Inside AGL's Half-Year Report

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## Directors' Report

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In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of AGL Energy Limited (AGL) and its controlled entities at the end of or during the half-year ended 31 December 2020 (the period). Financial comparisons used in this report are of results for the half-year ended 31 December 2019 (the prior corresponding period) for statement of profit or loss and cash flow analysis, and 30 June 2020 for statement of financial position analysis.

### Directors in Office

The Directors of AGL Energy Limited who held office during or since the end of the half-year were:

	First Appointed
<b>Current Directors</b>	
Graeme Hunt – Chairman	1 September 2012 (appointed as Chairman on 27 September 2017)
Brett Redman – Managing Director	1 January 2019
John Stanhope	9 March 2009
Jacqueline Hey	21 March 2016
Diane Smith-Gander	28 September 2016
Peter Botten	21 October 2016
Patricia McKenzie	1 May 2019
Mark Bloom	22 June 2020
<b>Former Directors</b>	
Leslie Hosking	1 November 2008 (Retired 7 October 2020)

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### Review and results of operations

A review of AGL's operations during the half-year and the results of those operations is set out in the Financial Review, commencing on page 3.

### Subsequent Events

Apart from the matters identified below and elsewhere in this Directors' Report and the Half-Year Financial Report, the Directors are not aware of any other matter or circumstance that has arisen since 31 December 2020 that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in the future.

### Dividends

The Directors have declared an ordinary interim dividend of 31.0 cents per share, as well as a special dividend of 10.0 cents per share, compared with 47.0 cents per share for the prior interim dividend. The dividend will be unfranked and will be paid on 26 March 2021. The record date to determine shareholders' entitlements to the interim dividend is 25 February 2021. Shares will commence trading ex-dividend on 24 February 2021.

AGL's dividend policy is to target a payout ratio of approximately 75% of annual Underlying Profit after tax. Before declaring the dividend the Directors satisfied themselves that: AGL's assets exceeded its liabilities immediately before declaring the dividend and the excess was sufficient for the payment of the dividend; the payment of the dividend was fair and reasonable to AGL's shareholders as a whole; and the payment of the dividend would not materially prejudice AGL's ability to pay its creditors.

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2021 interim dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted-average price on each of the 10 trading days commencing 1 March 2021. The last date for shareholders to elect to participate in the DRP for the 2021 interim dividend is 26 February 2021.

# Directors' Report

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## Non-IFRS Financial Information

The Financial Review attached to and forming part of this Directors' Report includes a number of non-International Financial Reporting Standards (IFRS) financial measures. AGL management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources.

Principal among these non-IFRS financial measures is Underlying Profit. This measure is Statutory Profit/(Loss) adjusted for:

- significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business); and
- changes in the fair value of financial instruments recognised in the statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

AGL believes that Underlying Profit provides a better understanding of its financial performance than Statutory Profit/(Loss) and allows for a more relevant comparison of financial performance between financial periods.

Underlying Profit is presented with reference to the Australian Securities & Investment Commission (ASIC) Regulatory Guide 230 "Disclosing non-IFRS financial information", issued in December 2011. AGL's policy for reporting Underlying Profit is consistent with this guidance. The Directors have had the consistency of the application of the policy reviewed by the external auditor of AGL.

## Rounding

AGL is an entity to which ASIC Corporations Instrument 2016/191 applies and, in accordance with that Instrument, amounts in the Half-Year Financial Report and this Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

## Auditor's Independence Declaration

The auditor's independence declaration is attached to and forms part of this Directors' Report.



**Graeme Hunt**

Chairman

11 February 2021

# Financial Review

For the half-year ended 31 December 2020

## 1. Financial performance

### Principal activities

The principal activities of AGL at reporting date consisted of the operation of energy businesses, and investments, including electricity generation, gas storage, the sale of electricity and gas to residential, business and wholesale customers and the retailing of broadband and mobile services.

### 1.1 Group results summary

#### 1.1.1 Reconciliation of Statutory (Loss)/Profit to Underlying Profit

##### 1.1.1.1 Profit after tax

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Statutory (Loss)/Profit after tax</b>	<b>(2,287)</b>	323
Adjust for:		
Significant items after tax	2,697	17
(Profit)/Loss on fair value of financial instruments after tax	(93)	92
<b>Underlying Profit after tax</b>	<b>317</b>	432

Statutory Loss after tax was \$(2,287) million, down \$2,610 million compared with the prior corresponding period. This included two items excluded from Underlying Profit:

- Significant items of \$(2,697) million from asset impairment losses, onerous contracts and costs associated with the acquisition of Click Energy. See section 1.1.1.2 for more detail.
- A movement in the fair value of financial instruments of \$93 million compared with \$(92) million in the prior corresponding period. This net gain reflected a positive fair value movement in AGL's net sold electricity derivative contracts as a result of lower forward prices and a positive fair value movement in net purchased oil and coal derivative contracts as a result of higher forward prices. See section 1.1.3 for more detail.

Underlying Profit after tax was \$317 million, down 26.6% from the prior corresponding period. A description of the factors driving Underlying Profit is included in section 1.1.2.

	31 Dec 2020	31 Dec 2019
<b>Earnings per share on Statutory (Loss)/Profit</b>	<b>(367.1) cents</b>	49.7 cents
<b>Earnings per share on Underlying Profit</b>	<b>50.9 cents</b>	66.4 cents

EPS calculations have been based upon a weighted average number of ordinary shares of 623,060,434 (31 December 2019: 650,471,038). The weighted average number of ordinary shares was 27,410,604 lower than the prior corresponding period due to the cancellation of 32,791,252 shares under the share buy back program completed in August 2020.

##### 1.1.1.2 Significant items

	31 Dec 2020 \$m		31 Dec 2019 \$m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Impairment losses and onerous contracts	(3,564)	(2,686)	-	-
Perth Energy acquisition and integration costs	-	-	(7)	(7)
Click Energy acquisition and integration costs	(11)	(11)	-	-
Powering Australian Renewables (PowAR) partial impairment	-	-	(14)	(10)
<b>Total significant items</b>	<b>(3,575)</b>	<b>(2,697)</b>	<b>(21)</b>	<b>(17)</b>

#### Asset impairments and onerous contract provision

##### Current period

AGL recognised impairments and onerous contracts totalling \$3,564 million pre-tax (\$2,686 million post-tax). The impairments follow an accelerated deterioration to long-term wholesale energy market forecasts in recent months, reflecting policy measures to underwrite new build of electricity generation and lower technology costs, leading to expectations of increased supply. As a result, the long-term outlook for wholesale electricity and renewable energy certificates now indicates a sustained and material reduction in prices. Combined with sharp reductions in near-term wholesale energy prices as a result of challenging macro-economic conditions, and the outcomes of AGL's three-yearly review of environmental restoration provisions substantially completed in recent weeks, this has reduced the recoverable amount of certain cash generating units.

## Financial Review

For the half-year ended 31 December 2020

This was represented by an impairment against goodwill, property, plant and equipment, and inventory; as well as by an onerous contract for certain legacy power purchase agreements as follows:

	31 Dec 2020 \$m	
	Pre-tax	Post-tax
Impairment loss on property, plant and equipment	(1,006)	(707)
Impairment loss on intangible assets	(626)	(626)
Impairment loss on inventories	(12)	(9)
Onerous contracts - renewable asset power purchase agreements (PPAs)	(1,920)	(1,344)
<b>Total impairment charges and onerous contracts</b>	<b>(3,564)</b>	<b>(2,686)</b>

### Prior corresponding period

During the prior corresponding period, AGL partially impaired the carrying value of its investments interest in Powering Australian Renewables (PowAR), reflecting revised market pricing and generation output assumptions for operations sites. A post-tax impairment loss of \$10 million was recognised as a Significant Item in the period.

### Acquisitions and disposals

#### Current period

On 30 September 2020, AGL completed the purchase of 100% of the outstanding share capital of Click Energy Holdings Pty Ltd. Acquisition related transaction and integration costs of \$11 million post-tax were recognised as a Significant Item in the period.

#### Prior corresponding period

On 2 September 2019, AGL completed the purchase of 100% of the outstanding share capital of Perth Energy Holdings Pty Ltd. Acquisition related transaction and integration costs of \$7 million post-tax were recognised as a Significant Item in the period.

### 1.1.1.3 Earnings Before Interest and Tax (EBIT)

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Statutory EBIT</b>	<b>(2,906)</b>	540
Significant items	3,575	21
(Gain)/Loss on fair value of financial instruments	(133)	132
<b>Underlying EBIT</b>	<b>536</b>	693

Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions.

#### Revised and previous structure from 1 July 2020:

AGL Group	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Revised Structure:</b>		
Customer Markets	102	138
Integrated Energy	636	753
Investments	5	10
Centrally Managed Expenses	(207)	(208)
<b>Underlying EBIT</b>	<b>536</b>	693
<b>Previous Structure:</b>		
Customer Markets	102	138
Wholesale Markets	1,190	1,295
Group Operations	(554)	(542)
Investments	5	10
Centrally Managed Expenses	(207)	(208)
<b>Underlying EBIT</b>	<b>536</b>	693

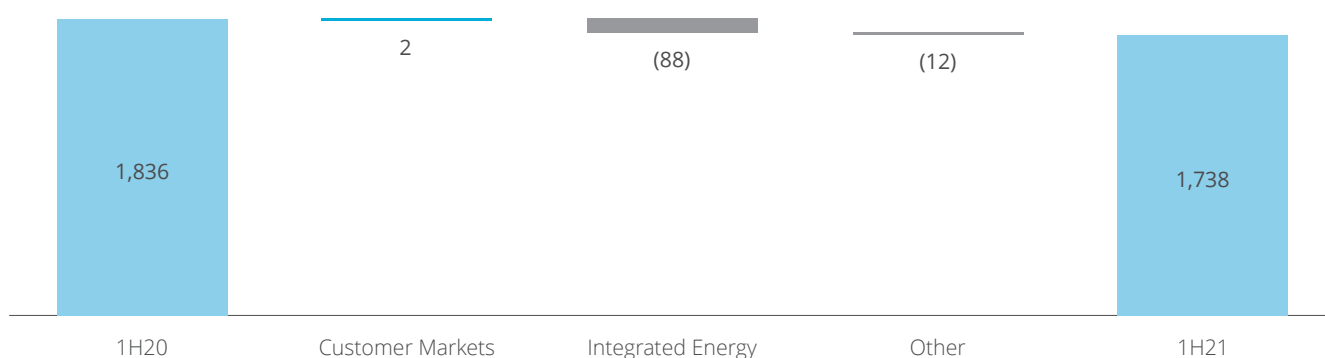
# Financial Review

For the half-year ended 31 December 2020

## 1.1.2 Group financial performance

	31 Dec 2020 \$m	31 Dec 2019 \$m
Revenue	5,414	6,312
Cost of sales	(3,783)	(4,481)
Other income	107	5
<b>Gross margin</b>	<b>1,738</b>	<b>1,836</b>
Operating costs (excluding depreciation and amortisation)	(812)	(768)
<b>Underlying EBITDA</b>	<b>926</b>	<b>1,068</b>
Depreciation and amortisation	(390)	(375)
<b>Underlying EBIT</b>	<b>536</b>	<b>693</b>
Net finance costs	(94)	(87)
Underlying Profit before tax	442	606
Income tax expense	(125)	(174)
<b>Underlying Profit after tax</b>	<b>317</b>	<b>432</b>

### 1.1.2.1 Period-on-period movement in gross margin (\$m)



Total gross margin was \$1,738 million, down 5.3%. The decrease was largely attributable to the Integrated Energy operating segment and reflected lower electricity and large-scale generation certificates (LGC) prices, lower electricity generation mainly due to outages at the AGL Macquarie power station complex in New South Wales, and lower gas gross margin driven by lower customer sales volumes, an increase in gas haulage and storage costs and the impact of legacy supply contracts maturing during the period. This was partly offset by proceeds related to insurance claims over the 2019 AGL Loy Yang Unit 2 outage.

In Customer Markets, increased gross margin from growth in customer service numbers, and the acquisitions of Perth Energy (in September 2019), Southern Phone Company (in December 2019) and Click Energy (in September 2020) was partly offset by more customers switching to lower-priced products within Consumer Electricity. Other gross margin included Perth Energy in the prior corresponding period. It has subsequently been fully integrated.

Refer to section 1.4 for further analysis on the movement in gross margin for each operating segment.

### 1.1.2.2 Operating costs

	31 Dec 2020 \$m	31 Dec 2019 \$m
Customer Markets	(244)	(218)
Integrated Energy	(401)	(373)
Investments	-	(5)
Centrally Managed Expenses	(167)	(172)
<b>Operating costs (excluding depreciation and amortisation)</b>	<b>(812)</b>	<b>(768)</b>

Total operating costs (excluding depreciation and amortisation) were \$(812) million, up 5.7%, primarily as a result of AGL's response to COVID-19. This included increased allowance for expected credit loss reflecting some customers' reduced ability to pay their bills and other customer support initiatives (\$18 million), pandemic restrictions related costs including costs to ensure employees and contractors were able to work safely and securely at AGL generation sites (\$11 million), and the reduction in the amount of leave taken by employees (\$12 million).



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For the half-year ended 31 December 2020

Excluding COVID-19 impacts (\$41 million) and costs attributed to acquired businesses (\$24 million), operating costs were down \$21 million, as ongoing savings from recent digital transformation initiatives and other efficiency programs of a combined \$33 million offset increased labour costs from Enterprise Agreement wage escalations (\$7 million), and restructuring and redundancy costs in response to more challenging operating conditions.

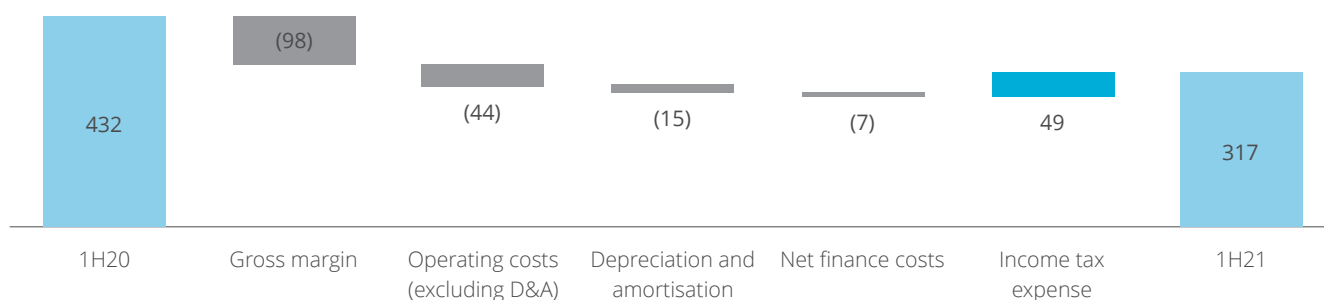
Refer to section 1.4 for further analysis on the movement in operating costs for each operating segment.

### 1.1.2.3 Depreciation and amortisation (D&A)

	31 Dec 2020 \$m	31 Dec 2019 \$m
Customer Markets	(75)	(63)
Integrated Energy	(275)	(274)
Investments	-	(2)
Centrally Managed Expenses	(40)	(36)
<b>Depreciation and amortisation</b>	<b>(390)</b>	<b>(375)</b>

Depreciation and amortisation of \$(390) million was up 4.0%. The increase in Customer Markets was driven by a full period of depreciation on capital expenditure spent in FY20 reflecting digital uplift and regulatory system upgrades. The increase in Centrally Managed Expenses was a result of the transition from work in progress to full capitalisation of AGL's enterprise resource planning software upgrade following completion in FY20.

### 1.1.2.4 Period-on-period movement in Underlying Profit after tax (\$m)



Underlying Profit after tax was \$317 million, down 26.6% on the prior corresponding period. The principal drivers of the decrease were lower electricity generation volumes, lower wholesale electricity and LGC prices, lower consumption volumes, increases in operating costs including \$41 million related to COVID-19 impacts, and the higher depreciation and amortisation noted above.

Net finance costs were \$(94) million, up 8.0% driven by lower capitalised interest due to the completion of the Barker Inlet Power Station construction in FY20. These impacts were partially offset by a 28.2% reduction in Underlying tax expense to \$125 million, primarily reflecting the decrease in profit. The underlying effective tax rate was 28.3%, a decrease of 0.4 ppts compared with the prior corresponding period.

### 1.1.3 Changes in fair value of financial instruments

#### 1.1.3.1 AGL's approach to hedging

AGL's approach to managing energy price risks, through physical ownership of energy generation, contracting for energy supply and financial hedging, reflects the need to provide pricing certainty to customers and limit exposure to adverse wholesale market outcomes. AGL generates electricity or has contracted gas supply in excess of its customers' demand in some states. In other states, AGL has sources of supply less than its customers' demand.

AGL uses certain financial instruments (derivatives) to manage these energy price risks and to manage its exposure to interest and foreign exchange rates arising in the normal course of business, provided the overall AGL risk appetite is not exceeded. The majority of these financial instruments exchange a fixed price for a floating market-based price of a given commodity, interest rate, currency or a quoted asset, with the net differential being settled with the counterparty. AGL is exposed to price volatility on the sale and purchase of energy-related commodities in the normal course of business, and therefore enters into contracts that minimise the price risk to AGL on both sold and purchased forecast exposures.

AGL has in place a governance framework that establishes the policy guidelines under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, earnings-at-risk limits, compliance management and regular

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For the half-year ended 31 December 2020

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reporting to the Board. The risk policy represents the Board's and Senior Management's commitment to an effective risk management function to ensure appropriate management and oversight of AGL's risks related to wholesale markets energy risk. The policy allows for commercial optimisation of the portfolio provided that AGL adheres to overall earnings-at-risk limits that reflects its risk appetite.

## 1.1.3.2 Energy price risk

Certain purchased contracts traded prior to 1 July 2019 are designated as hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring. Derivative instruments assigned to an effective hedge relationship have movements in fair value deferred to an equity hedge reserve until the transactions to which those instruments are matched occur. Derivative instruments not assigned to an effective hedge relationship have movements in fair value recognised in profit or loss.

AGL's energy-related derivatives assigned to hedge relationships are purchased derivative contracts, where AGL pays a fixed price in exchange for a floating price received from the counterparty. The energy-related derivatives recognised in profit or loss are net-sold positions, where AGL receives a fixed price from a counterparty in exchange for a floating price paid to the counterparty.

AGL is required to make margin payments in respect of futures contracts traded through the Australian Securities Exchange (ASX). Initial margin call payments are made at the time contracts are entered in order to manage intra-day credit exposure. The quantum of initial margin depends on the volume traded, the expected market volatility as well as forward electricity prices at the time. The initial margin call can move subsequently as forward prices move. AGL also receives or makes payments known as variation margin calls, which cover mark to market movements of AGL's open futures position. These typically reverse through future earnings as contract positions roll off.

## 1.1.3.3 Treasury related risk

AGL's treasury related risk primarily relates to interest and foreign currency rate fluctuations. Contracts to minimise the exposure to market-based fluctuations are executed pursuant to AGL's treasury risk management policy. These contracts primarily result in fixed interest and foreign currency rates. These contracts are designated in hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring.

In addition to the above, AGL is counterparty to cross-currency interest rate swap arrangements to convert its fixed interest rate US dollar private placement borrowing instruments to floating interest rate Australian dollar equivalent borrowing instruments. The cross-currency interest rate swap arrangements are designated as fair value and cash flow hedge relationships.

## Financial Review

For the half-year ended 31 December 2020

### 1.1.3.4 Movement in fair value

The initial fair value of a derivative is the consideration paid or received (the premium). Fair value movements in any given period are a function of changes to underlying indices, market prices or currencies and the roll-off of realised contractual volumes or amounts. A reconciliation of the movements in financial instruments carried at fair value, for the period ended 31 December 2020 is presented in the following table:

Net assets/(Liabilities)	31 Dec 2020 \$m	30 June 2020 \$m	Change \$m
Energy derivative contracts	358	239	119
Cross currency and interest rate swap derivative contracts	36	177	(141)
<b>Total net assets for financial instruments</b>	<b>394</b>	<b>416</b>	<b>(22)</b>
Change in net assets	(22)		
Derivatives from Click Energy acquisition	18		
Premiums paid	(31)		
Premium roll off	19		
Equity accounted fair value	28		
<b>Total change in fair value</b>	<b>12</b>		
Recognised in equity hedge and other reserve	24		
Recognised in borrowings	(137)		
Recognised in profit or loss – pre-tax	125		
<b>Total change in fair value</b>	<b>12</b>		

The movement in net derivative assets in the period of \$(22) million is summarised in the table below:

	30 June 2020 \$m	Derivatives from Click Energy acquisition	Profit or loss	Hedge reserve	Borrowings	Currency basis	Premiums and roll offs paid/ (received)	31 Dec 2020 \$m
Energy derivative contracts	239	(18)	95	30	–	–	12	358
Cross currency and interest rate swap contracts	177	–	2	1	(137)	(7)	–	36
<b>Net asset/(liability)</b>	<b>416</b>	<b>(18)</b>	<b>97</b>	<b>31</b>	<b>(137)</b>	<b>(7)</b>	<b>12</b>	<b>394</b>
Fair value recognised within equity accounted investments			28					
<b>Profit or loss</b>			<b>125</b>					
Realised fair value recognised in cost of sales			8					
<b>Fair value recognised in profit or loss</b>			<b>133</b>					

The fair value movement driving the change in the net derivative assets position reflected in unrealised fair value movements is as follows:

- An increase in the fair value of energy-related derivatives of \$95 million was recognised in profit or loss (excluded from Underlying Profit). This net gain reflected a positive fair value movement in AGL's net sold electricity derivative contracts as a result of lower forward prices and a positive fair value movement in net purchased oil and coal derivative contracts as a result of higher forward prices. The fair value movement also included derivatives acquired through the Click Energy acquisition.
- Certain purchased energy derivatives previously designated in a hedge relationship expired (movement of \$30 million).
- Currency related fair value loss of \$(137) million recognised in borrowings. This related primarily to the appreciation of the AUD/USD foreign exchange rate.

# Financial Review

For the half-year ended 31 December 2020

## 1.2 Cash flow

### 1.2.1 Reconciliation of Underlying EBITDA to cash flow

	31 Dec 2020 \$m	31 Dec 2019 \$m
Underlying EBITDA	926	1,068
Equity accounted income (net of dividends received)	(2)	(3)
Accounting for onerous contracts	(15)	(15)
Movement in other assets/liabilities and non-cash items	(28)	4
Working capital movements		
Decrease in receivables	21	50
Increase/(decrease) in payables	9	(131)
(Increase) in inventories	(30)	(5)
Net derivative premiums paid/roll-offs	(4)	5
(Increase)/decrease in other financial assets (margin calls)	(68)	156
Net movement in green assets/liabilities	(45)	73
Other	(1)	(3)
Total working capital movements	(118)	145
<b>Operating cash flow before significant items, interest and tax</b>	<b>763</b>	<b>1,199</b>
Net finance costs paid	(63)	(62)
Income taxes (paid)/received	(75)	5
Cash flow relating to significant items	(11)	(7)
Net cash provided by operating activities	614	1,135
Net cash used in investing activities	(411)	(462)
Net cash used in financing activities	(243)	(495)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(40)</b>	<b>178</b>

Operating cash flow before interest and tax was \$763 million, down \$436 million. The rate of conversion of EBITDA to cash flow was 82%, down from 112% in the prior corresponding period. Adjusting for margin calls, the cash conversion rate was 90%, down from 98% in the prior corresponding period.

The principal reason for decreased cash flow and cash conversion rate was a negative working capital movement, compared with a positive cash flow impact from working capital in the prior corresponding period. Total working capital movements were \$(118) million, compared with \$145 million in the prior corresponding period. Components of working capital movement were:

- Receivables cash flow of \$21 million reflected the seasonality of customer consumption which each year results in a higher opening receivables balance at 1 July compared with the closing balance at 31 December. This was partly offset in the period by receivables cash flow relating to the 2019 AGL Loy Yang Unit 2 insurance claim. The prior corresponding period receivables cash flow of \$50 million reflected a similar seasonality impact of customer consumption.
- Payables cash flow of \$9 million reflected lower electricity pool prices on Victorian long positions and the impact of high price events during periods where AGL was purchasing electricity from the pool due to outages at AGL Macquarie, largely offset by AGL Loy Yang mine coal royalty payments and network tariff decreases in Queensland and South Australia for electricity and in New South Wales for gas. The prior corresponding period payables cash flow of \$(131) million reflected lower electricity pool prices on contract positions, the impact of network tariff decreases in New South Wales for electricity and the timing of creditor payments.
- Inventory cash flow of \$(30) million reflected higher coal stockpile levels due to lower generation volumes, higher gas injection volumes due to cheaper available gas and a step-up in the Iona Gas Storage Facility storage capacity, an increase in batteries inventory as part of the ramp up of AGL's residential battery program and the timing of inventory used on a number of commercial solar projects.
- Margin call cash flow of \$(68) million reflected an increase in initial margin call requirements and a net cash outflow of variation margin calls due to a decrease of mark to market value of open future positions in the current period, with average contract prices decreasing by more than the forward curve across the same period. This contrasted to the prior corresponding period cash flow of \$156 million which reflected an increase in the mark to market value of open future positions across the period, due to forward electricity prices decreasing by more than the average contracted price.
- Green assets and liabilities cash flow of \$(45) million reflected higher SREC purchases in response to an anticipated compliance percentage increase in calendar year 2021. The prior corresponding period green assets and liabilities cash flow of \$73 million was driven by lower certificate purchases due to a higher balance carried forward from the previous period.

Movement in other assets/liabilities of \$(28) million included payments for rehabilitation works, insurance receipts and employee incentives.

# Financial Review

For the half-year ended 31 December 2020

The tax cash flow of \$5 million in the prior corresponding period was net of PAYG tax instalments and an earlier refund for FY19.

Investing cash flow of \$(411) million reflected capital expenditure and the \$104 million Click Energy acquisition, adjusted for cash acquired and completion payments. The prior corresponding period Investing cash flow of \$(462) million reflected capital expenditure, and the \$19 million Perth Energy (excluding cash paid to settle the external loans of the previous owner recorded within financing cash flow) and \$28 million Southern Phone Company acquisitions.

Financing cash flow of \$(243) million included dividends of \$(318) million and a net borrowings drawdown of \$79 million. The prior corresponding period Financing cash flow of \$(495) million included dividends of \$(420) million, \$(323) million of share buy-back and a net borrowings drawdown of \$255 million.

## 1.2.2 Capital expenditure

	31 Dec 2020 \$m	31 Dec 2019 \$m
Customer Markets	45	43
Integrated Energy	220	344
Centrally Managed Expenses	26	26
<b>Total capital expenditure</b>	<b>291</b>	<b>413</b>

### 1.2.2.1 Summary of capital expenditure split between growth and sustaining

Sustaining	211	296
Growth and transformation	80	117
<b>Total capital expenditure</b>	<b>291</b>	<b>413</b>

Total capital expenditure was \$291 million, a decrease of \$122 million compared with the prior corresponding period:

- Sustaining capital expenditure was \$211 million, a decrease of \$85 million compared with the prior corresponding period. This comprised \$145 million of expenditure on AGL's coal plants, down \$65 million, driven by the deferral of outage work at both AGL Macquarie and AGL Loy Yang due to COVID-19 related personnel restrictions on site. Other sustaining capital expenditure was \$66 million, down \$20 million largely reflecting the prior corresponding period investment in Customer Markets system spend on digital uplift and regulatory system upgrades.
- Growth capital expenditure was \$80 million, a decrease of \$37 million compared with the prior corresponding period, largely due to the \$61 million completion of construction on the Barker Inlet Power Station and phasing of work for the flexibility upgrade to the Bayswater Power Station in the prior corresponding period. This was partly offset by spend on systems to support AGL's expansion into the provision of broadband services, the ongoing development of the proposed liquified natural gas import jetty at Crib Point in Victoria and on expanding AGL's residential batteries business in the period.

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## 1.3 Review of financial position

### 1.3.1 Summary Statement of Financial Position

	31 Dec 2020 \$m	30 June 2020 \$m
<b>Assets</b>		
Cash and cash equivalents	101	141
Other current assets	3,277	2,981
Property, plant and equipment	6,666	6,640
Intangible assets	3,285	3,786
Other non-current assets	2,087	1,162
<b>Total assets</b>	<b>15,416</b>	<b>14,710</b>
<b>Liabilities</b>		
Borrowings	3,056	3,108
Other liabilities	6,867	3,527
<b>Total liabilities</b>	<b>9,923</b>	<b>6,635</b>
<b>Net assets / total equity</b>	<b>5,493</b>	<b>8,075</b>

At 31 December 2020 AGL's total assets were \$15,416 million, an increase from \$14,710 million at 30 June 2020, primarily due to an increase in deferred tax assets, green commodity certificates within other current assets, and property plant and equipment reflecting the increase in the estimated environmental rehabilitation costs. The increase in estimated environmental rehabilitation costs follows the alignment of the discount rates used for restoration cash flows with latest market practice and the substantial completion of a periodic review of future rehabilitation requirements. This was partly offset by an impairment loss on property plant and equipment and intangible assets (refer to section 1.1.1.2).

Total liabilities at 31 December 2020 were \$9,923 million, up from \$6,635 million at 30 June 2020, primarily reflecting an increase in provisions for environmental restoration as mentioned above and onerous contracts (refer to section 1.1.1.2).

Total equity at 31 December 2020 was \$5,493 million, down from \$8,075 million, reflecting the Statutory Loss for the period and dividends paid. AGL's return on equity, calculated on a rolling 12-month basis was 9.0%, down from 30 June 2020.

### 1.3.2 Net debt reconciliation

	31 Dec 2020 \$m	30 June 2020 \$m
<b>Net debt reconciliation</b>		
Borrowings	3,056	3,108
Less: Adjustment for cross currency swap hedges and deferred borrowing costs	(110)	(244)
Cash and cash equivalents	(101)	(141)
<b>Net debt</b>	<b>2,845</b>	<b>2,723</b>

Net debt at 31 December 2020 was \$2,845 million, up from \$2,723 million at 30 June 2020 due to increased debt facility drawdowns and a decrease in cash.

AGL's gearing (measured as the ratio of net debt to net debt plus adjusted equity) at 31 December 2020 was 33.9% compared with 25.0% at 30 June 2020.

AGL maintained its credit rating of Baa2 throughout the period as provided by Moody's Investors Service. Key metrics consistent with this credit rating at 31 December 2020:

- Interest cover: 9.1 times
- Funds from operations to net debt: 29.0%

AGL's funds from operations has been calculated with a similar methodology to Moody's whereby the movement in all current and non-current tax assets and liabilities is treated as working capital.

## 1.4 Review of operations

AGL manages its business in three key operating segments: Customer Markets, Integrated Energy and Investments. Further detail on the activities of each operating segment is provided below.

AGL manages and reports a number of expense items including Information Technology under Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

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Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions.

## 1.4.1 Customer Markets

Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

### 1.4.1.1 Customer Markets Underlying EBIT

	31 Dec 2020 \$m	31 Dec 2019 \$m
Consumer Electricity gross margin	229	271
Consumer Gas gross margin	129	111
Large Business Electricity gross margin	15	18
Large Business Gas gross margin	4	7
Fees, charges and other gross margin	11	12
Telecommunications gross margin	5	-
Perth Energy gross margin	8	-
Click Energy gross margin	20	-
<b>Gross margin</b>	<b>421</b>	<b>419</b>
Operating costs (excluding depreciation and amortisation)	(244)	(218)
<b>Underlying EBITDA</b>	<b>177</b>	<b>201</b>
Depreciation and amortisation	(75)	(63)
<b>Underlying EBIT</b>	<b>102</b>	<b>138</b>

Customer Markets Underlying EBIT was \$102 million, down 26.1%. Efficiencies from the Customer Experience Transformation investment in prior years helped absorb the increased expected credit loss due to COVID-19 and increased operating costs following successful acquisitions of Southern Phone Company, Perth Energy and Click Energy. The decrease in Consumer Electricity gross margin was largely offset by gross margin from acquired businesses and an increase in Consumer Gas gross margin due to growth in number of services and higher revenue rates in New South Wales.

Excluding Click Energy, underlying Consumer Electricity and Consumer Gas services increased by 16,200 and 2,100 respectively from 30 June 2020 to 31 December 2020. The increase in gross margin from the growth in Consumer Electricity services was offset by an increased uptake of lower priced products. Excluding the impact of the COVID-19 expected credit loss and operating costs associated with acquisitions, operating costs were down \$16 million or 7.3%, and net operating cost per service was down 9.6% compared with the prior corresponding period.

- Consumer Electricity gross margin was \$229 million, down 15.5%, due to changes in customer mix with more customers switching to lower-priced products compared with the prior corresponding period. Consumer Electricity volumes increased 4.5% (excluding Click Energy), largely driven by growth in the average number of electricity services in the period.
- Consumer Gas gross margin was \$129 million, up 16.2%, driven by growth in number of services and higher revenue rates in New South Wales compared with the prior corresponding period. Consumer Gas volumes were down 5.9% (excluding Click Energy), driven by milder weather and a shift in customer mix from small business to residential customers.
- Large Business Electricity gross margin was \$15 million, down 16.7% due to the impacts of COVID-19 on consumption and increased competition.
- Large Business Gas gross margin was \$4 million, down 42.9%, as lower wholesale gas costs were passed on to customers.
- Fees, charges and other gross margin was \$11 million, down 8.3%, due to a once off fee remediation in the period.
- Telecommunications gross margin includes retailing of telecommunications, specifically mobile, broadband and voice services. No telecommunications gross margin was included in the prior corresponding period due to the Southern Phone acquisition taking place in December 2019.
- Perth Energy gross margin reflects strong performance since acquisition and includes generation and retailing of electricity and gas to small and large business customers within Western Australia. Perth Energy was reported within Investments at 31 December 2019.
- Click Energy gross margin reflects strong performance since acquisition in September 2020 and includes retailing of electricity and gas to residential and small business customers, and connections margin from the On the Move business.
- Depreciation and amortisation was \$(75) million, up 19.0%, due to a full period of depreciation on capital expenditure spent during FY20 on digital uplift and regulatory system upgrades.

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### 1.4.1.2 Customer Markets operating costs

	31 Dec 2020 \$m	31 Dec 2019 \$m
Labour and contractor services	(95)	(89)
Allowance for expected credit loss	(53)	(36)
Campaigns and advertising	(47)	(52)
Other expenditure	(49)	(41)
<b>Operating costs (excluding depreciation and amortisation)</b>	<b>(244)</b>	<b>(218)</b>
Add: depreciation and amortisation	(75)	(63)
<b>Operating costs (including depreciation and amortisation)</b>	<b>(319)</b>	<b>(281)</b>

Customer Markets operating costs (excluding depreciation and amortisation) were \$(244) million, up \$26 million, primarily due to the introduction of operating costs associated with Perth Energy, Southern Phone and Click Energy, an increase in allowance for expected credit loss as a result of the impact of COVID-19 on some customers' ability to pay their bills and the COVID-19 payment support program.

Excluding the impact of the COVID-19 expected credit loss and operating costs attributed to new business acquisitions, operating costs (excluding depreciation and amortisation) were \$(202) million, down 7.3% due to efficiencies from improvement programs and the Customer Experience Transformation program, including lower call volumes and increase in digital sales, partially offset by the incremental cost to service the increase in average services.

- Labour and contractor services costs were \$(95) million, up 6.7% due to the inclusion of Perth Energy, Southern Phone and Click Energy and increased regulatory requirements, partly offset by increased customer digital adoption driving a decline in call volumes. Excluding the impact of acquired businesses, labour and contractor services costs were \$(85) million, down 4.5%.
- Allowance for expected credit loss was \$(53) million, up 47.2% driven by allowance for expected credit loss increases due to COVID-19, to reflect heightened repayment risk relating to COVID-19 and discounted settlements for impacted small business and large business customers, and allowance for Perth Energy and Click Energy. Excluding the impact of the COVID-19 expected credit loss and new business acquisitions, allowance for expected credit loss was down 11.1% compared with the prior corresponding period.
- Campaigns and advertising costs were \$(47) million, down 9.6%, due to reduced market activity and cost reductions achieved through efficiencies from the Customer Experience Transformation program, partly offset by the inclusion of Southern Phone and Click Energy. Churn declined 1.8 ppts compared with the prior corresponding period as lower pricing and simplified offers reduced the amount of retailer switching in the market.
- Other expenditure was \$(49) million, up 19.5%, due to the inclusion of Perth Energy, Southern Phone and Click Energy. Excluding the impact of acquired businesses, other expenditure was flat compared with the prior corresponding period.

### 1.4.1.3 Consumer profitability and operating efficiency

	31 Dec 2020 \$m	31 Dec 2019 \$m
Gross margin	<b>\$383m</b>	\$382m
Net operating costs (including fees, charges, recoveries and excluding depreciation and amortisation)	<b>\$(208)m</b>	\$(194)m
EBITDA	<b>\$175m</b>	\$188m
Average consumer services ('000)	<b>4,063</b>	3,711
Gross margin per consumer service	<b>\$94</b>	\$103
Net operating costs per consumer service	<b>\$(51)</b>	\$(52)
EBITDA per consumer service	<b>\$43</b>	\$51
Net operating costs as percentage of gross margin	<b>54.3%</b>	50.8%

Average consumer services increased compared with the prior corresponding period, largely due to the acquisition of Click Energy in September 2020. Underlying growth was driven by targeted campaign activity and lower churn, with growth in Victoria, Queensland and Western Australia.

AGL churn decreased 1.8 ppts to 13.9% from 15.7% reported at 31 December 2019, and Rest of Market churn decreased 3.0 ppts to 18.0% from 21.0% reported at 31 December 2019. Overall market churn has declined following a decrease in the number of customers moving premises due to COVID-19 impacts, and lower customers switching retailers due to lower pricing as a result of the regulatory environment. The gap between AGL and the rest of the market was 4.1 ppts, down from 5.3 ppts as at 31 December 2019.

Net operating costs per consumer service was \$(51), down 1.9% compared with the prior corresponding period. Excluding the impact of the COVID-19 expected credit loss and the operating costs associated with acquisitions, net operating cost per consumer service reduced to \$47 per service, down 9.6% compared with the prior corresponding period. This was due to efficiencies from the Customer Experience Transformation program, including lower call volumes and increased digital sales.



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EBITDA per consumer service was \$43, down 15.7%, due to changes in customer mix with more Consumer Electricity customers switching to lower-priced products in the period.

### 1.4.1.4 Customer services

The following table provides a breakdown of customer numbers by state, including 224,000 Click Energy services across all states selling Consumer Electricity and New South Wales and Victoria for Consumer Gas.

	31 Dec 2020 (‘000)	30 June 2020 (‘000)
<b>Consumer Electricity</b>	<b>2,475</b>	2,303
New South Wales	921	861
Victoria	764	704
South Australia	371	363
Queensland	419	375
<b>Consumer Gas</b>	<b>1,537</b>	1,466
New South Wales	641	622
Victoria	606	559
South Australia	135	132
Queensland	86	86
Western Australia	69	67
<b>Total Consumer energy services</b>	<b>4,012</b>	3,769
Dual fuel services	2,198	2,118
Average consumer energy services	3,893	3,734
<b>Total Large Business energy services</b>	<b>17</b>	17
<b>Total energy services</b>	<b>4,029</b>	3,786
<b>Total broadband and phone services</b>	<b>171</b>	168
<b>Total AGL customer services</b>	<b>4,200</b>	3,954

Total energy services increased 6.4% to 4.029 million, from 3.786 million reported at 30 June 2020. This increase was largely driven by the acquisition of Click Energy in September 2020, as well as continued organic customer growth. Underlying Consumer Electricity services excluding Click Energy have increased by 16,200 as a result of growth in Victoria, New South Wales and Queensland. Underlying Consumer Gas services excluding Click Energy have increased by 2,100 due to growth in Victoria and South Australia, partly offset by a decrease in New South Wales. Targeted campaign activity, revised product offerings and a decline in churn has contributed to the growth in underlying Consumer energy services.

### 1.4.2 Integrated Energy

Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions.

Trading and Origination comprises Trading and Origination - Electricity and Trading and Origination - Gas and is responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. Trading and Origination controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products.

- Trading and Origination - Electricity reflects the procurement of key fuel inputs and hedging of AGL's wholesale electricity requirements, for commercial management of the generation portfolio and for wholesale pricing to support AGL's consumer and business customer bases. Trading and Origination - Electricity also includes Eco Markets, which reflects the management of AGL's liabilities relating to both voluntary and mandatory renewable and energy efficiency schemes, the largest being the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).
- Trading and Origination - Gas reflects the sourcing and management of AGL's gas supply and transportation portfolio. Trading and Origination - Gas supplies other retailers, internal and third-party gas-fired generators, and other gas customers. Trading and Origination - Gas is also responsible for the management of the price exposures related to AGL's oil-linked wholesale gas contracts.
- Trading and Origination - Other reflects the Trading and Origination resourcing and support, in addition to the Decentralised Energy business, responsible for the management of the Residential Battery Program and Business Customer Demand Response products, along with other growth initiatives in AGL's orchestration pathway.

The other components of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas, Renewables, Natural Gas, and Other business units.

- Coal Operations primarily comprises: AGL Macquarie (4,665 MW), consisting of the Bayswater and Liddell black coal power stations in New South Wales and AGL Loy Yang (2,210 MW), generation and coal sales from a brown coal mine and power station in Victoria.

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- Gas Generation primarily comprises: AGL Torrens (1,040 MW), a gas power station in South Australia; Barker Inlet Power Station (211 MW); Kwinana Swift (116 MW), a dual fuel peaking power station acquired as part of the Perth Energy acquisition on 2 September 2019; and Somerton Power Station (170 MW), a gas power station in Victoria. Two Torrens A units, with a combined capacity of 240 MW, were closed in September 2020.
- Renewables primarily comprises: 787 MW of hydroelectric power stations in Victoria and New South Wales, the operation of 156 MW of solar power in New South Wales as well as 1,579 MW of wind power generation in South Australia, Victoria, New South Wales and Queensland. Operational costs to maintain the wind farms are reported within Trading and Origination – Electricity to align with the gross margin of the related power purchase agreements.
- Natural Gas includes the Newcastle Gas Storage Facility in New South Wales, the Silver Springs underground gas storage and production facility in Queensland, the natural gas compression and LPG separation facility at Wallumbilla Queensland, the natural gas production assets at Camden in New South Wales and the North Queensland gas assets, including the Moranbah Gas Project.
- Other primarily consists of the Major Projects business focused on the development and construction of greenfield growth opportunities, and technical and business support functions.

### 1.4.2.1 Integrated Energy Underlying EBIT

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Gross margin</b>	<b>1,312</b>	1,400
Operating costs (excluding depreciation and amortisation)	(401)	(373)
<b>Underlying EBITDA</b>	<b>911</b>	1,027
Depreciation and amortisation	(275)	(274)
<b>Underlying EBIT</b>	<b>636</b>	753

Integrated Energy Underlying EBIT was \$636 million, down 15.5%, largely due to lower gross margin from Trading and Origination, \$15 million of COVID-19 operating costs and a transfer of insurance premiums from Centrally Managed Expenses (\$14 million in the period and \$10 million in the prior corresponding period). This was partly offset by increased generation at AGL Loy Yang as a result of the Unit 2 extended outage in the prior corresponding period and related \$105 million of insurance proceeds recognised in the period, of which \$101 million was recognised in gross margin and \$4 million in operating costs.

Gross margin was down largely due to the impact of unplanned outages on availability at AGL Macquarie, lower electricity and LGC prices, lower customer volumes in gas driven by milder weather and a shift in customer mix from small business to residential customers, increases in gas haulage and storage costs and the impact of legacy gas supply contracts maturing during the period. COVID-19 operating costs included AGL's response to ensure employees were able to safely work on-site and a reduction in the amount of leave taken by employees. Additionally, there were increased labour costs due to Enterprise Agreement wage escalations, increased costs to maintain plant availability at AGL Macquarie, commencement of the first full year of operations at Barker Inlet Power Station and a full period of ownership of the Kwinana Swift Power Station.

### Integrated Energy Underlying EBIT

	31 Dec 2020 \$m	31 Dec 2019 \$m
Trading and Origination - Electricity	<b>1,048</b>	1,079
Trading and Origination - Gas	<b>173</b>	243
Trading and Origination - Other	<b>(23)</b>	(20)
Coal	<b>(214)</b>	(197)
Gas Generation	<b>(31)</b>	(27)
Renewables	<b>(11)</b>	(31)
Natural Gas	<b>(6)</b>	(2)
Other	<b>(25)</b>	(18)
<b>Underlying EBITDA</b>	<b>911</b>	1,027
Depreciation and amortisation	<b>(275)</b>	(274)
<b>Underlying EBIT</b>	<b>636</b>	753

- Trading and Origination - Electricity gross margin was \$1,048 million, down 2.9%. The decrease in gross margin was driven by lower generation at AGL Macquarie due to lower availability as a result of unplanned outages, including during a period of very high prices in New South Wales on 17 December 2020, the impact of lower spot and contracted electricity prices and LGC prices and lower ancillary service revenue. This was partly offset by increased generation at AGL Loy Yang with Unit 2 back in service, \$87 million of proceeds related to insurance claims for the AGL Loy Yang Unit 2 outage and lower unit fuel costs for AGL Macquarie driven by lower coal prices and a higher proportion of deliveries from legacy contracts. The impact of low spot prices was partly mitigated by the performance of wholesale electricity derivatives, with contracted prices significantly higher than spot price outcomes.

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- Trading and Origination – Gas gross margin was \$173 million, down 28.8%, driven by lower customer sales volumes and higher haulage and storage costs. Total volumes sold were 2 PJ lower than the prior corresponding period, driven by lower generation volumes due to lower electricity prices and lower Consumer volumes driven by milder weather and a shift in customer mix from small business to residential customers. Additionally, wholesale customer prices decreased due to the impact of lower oil prices on contracted prices. Gas supply costs decreased as a result of lower spot prices and lower oil prices on contracted supply, partly offset by an increase in gas haulage and storage costs and the impact of legacy supply contracts maturing during the period.
- Trading and Origination – Other Underlying EBITDA was \$(23) million, down 15.0% mainly due to expansion of the Decentralised Energy business to develop future growth opportunities.
- Coal Underlying EBITDA was \$(214) million, down 8.6%, driven by higher forced outage costs at AGL Macquarie, COVID-19 related costs incurred during the period including the impact of lower leave taken and costs to ensure employees were able to safely work on-site, increased labour costs due to Enterprise Agreement wage escalations, and the transfer of insurance premiums from Centrally Managed Expenses. This was partly offset by AGL Loy Yang Unit 2 insurance proceeds of \$18 million.
- Gas Generation Underlying EBITDA was \$(31) million, down 14.8%, due to commencement of the first full year of operations at Barker Inlet Power Station and the first full year of ownership of Kwinana Swift Power Station.
- Renewables Underlying EBITDA was \$(11) million, up 64.5% due to a reclassification of all AGL operated wind farm costs to Trading and Origination gross margin to align with the gross margin of the related power purchase agreements (PPAs). The hydroelectric power stations EBITDA was broadly flat compared with the prior corresponding period.
- Natural Gas Underlying EBITDA was \$(6) million, down 200.0% due to increased costs of well workover activities in the Surat Basin (AGL's joint operation in Queensland involved with oil and gas exploration and production), primarily driven by regulatory requirements.
- Other Underlying EBITDA was \$(25) million, down 38.9% reflecting the transfer of insurance premiums from Centrally Managed Expenses to Integrated Energy in the period, partly offset by lower consultancy spend.

Refer also to the Portfolio Review at section 1.5 for additional analysis of AGL's electricity and gas portfolios.

### 1.4.2.2 Integrated Energy operating costs

	31 Dec 2020 \$m	31 Dec 2019 \$m
Labour	(192)	(181)
Contracts and materials	(137)	(139)
Other	(72)	(53)
<b>Operating costs (excluding depreciation and amortisation)</b>	<b>(401)</b>	<b>(373)</b>

Integrated Energy operating costs (excluding depreciation and amortisation) of \$(401) million increased by 7.5% compared with the prior corresponding period:

- Labour costs were \$(192) million, up 6.1%. This was driven by Enterprise Agreement wage escalations primarily at AGL's coal operations and COVID-19 reducing the amount of leave taken.
- Contracts and materials costs were \$(137) million, down 1.4% driven by the reclassification of wind farm operational expenditure to Trading and Origination gross margin. This was partly offset by higher costs associated with increased forced outages at AGL Macquarie, commencement of the first full year of operations at Barker Inlet Power Station and a full period of ownership of the Kwinana Swift Power Station.
- Other operating costs were \$(72) million, up 35.8% due to a transfer of insurance premiums from Centrally Managed Expenses to Integrated Energy in the period (\$10 million in the prior corresponding period) and COVID-19 response costs to ensure employees were able to safely work on-site. This was partly offset by the reclassification of wind farm operational expenditure to Trading and Origination gross margin.

### 1.4.2.3 Integrated Energy depreciation and amortisation

	31 Dec 2020 \$m	31 Dec 2019 \$m
Coal	(184)	(188)
Gas Generation	(49)	(35)
Renewables	(17)	(26)
Natural Gas	(15)	(15)
Other Integrated Energy	(10)	(10)
<b>Depreciation and amortisation</b>	<b>(275)</b>	<b>(274)</b>

Integrated Energy depreciation and amortisation of \$(275) million was flat compared with the prior corresponding period.

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- Coal depreciation and amortisation was \$(184) million, down 2.1%, driven by the non-recurrence of accelerated asset depreciation in the prior corresponding period related to the Loy Yang Unit 2 outage in 2019, partly offset by a higher asset base at AGL Loy Yang from capital expenditure in the prior corresponding period.
- Gas Generation depreciation and amortisation was \$(49) million, up 40.0% due to the closure of two Torrens A station units leading to a rephasing of useful life, the commencement of the first full year of operations and ownership at Barker Inlet Power Station and a full period of ownership of the Kwinana Swift Power Station.
- Renewables depreciation and amortisation was \$(17) million, down 34.6% due to a reclassification of wind farm depreciation to Trading and Origination gross margin to align with the gross margin of the related PPAs.

### 1.4.3 Centrally Managed Expenses

AGL manages and reports a number of expense items including Information Technology under Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Gross margin</b>	-	-
Operating costs (excluding depreciation and amortisation)	(167)	(172)
<b>Underlying EBITDA</b>	(167)	(172)
Depreciation and amortisation	(40)	(36)
<b>Underlying EBIT</b>	(207)	(208)
<b>Breakdown of operating costs (excluding depreciation and amortisation)</b>		
Labour	(91)	(82)
Hardware and software costs	(49)	(46)
Consultants and contractor services	(11)	(13)
Insurance premiums	(3)	(13)
Other	(13)	(18)
<b>Operating costs (excluding depreciation and amortisation)</b>	(167)	(172)

Centrally Managed Expenses Underlying EBIT was \$(207) million, flat compared with the prior corresponding period and operating costs were down 2.9%, or \$5 million. This was primarily due to \$10 million of Integrated Energy related insurance premiums from the prior corresponding period being transferred to the Integrated Energy segment, and lower travel, training and recruitment costs due to reduced activity resulting from COVID-19. This was partly offset by restructuring and redundancy costs in response to more challenging operating conditions. Depreciation and amortisation increased compared with the prior corresponding period as a result of the transition from work in progress to full capitalisation of AGL's enterprise resource planning software upgrade following completion in FY20.

### 1.4.4 Investments

Investments comprises AGL's interests in the ActewAGL Retail Partnership, Powering Australian Renewables (PowAR) previously known as Powering Australian Renewables Fund (PARF), Energy Impact Partners' Fund, Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc and Ecobee Inc.

Perth Energy was reported in Investments at 31 December 2019. It has subsequently been fully integrated within Customer Markets, Integrated Energy and Centrally Managed Expenses.

	31 Dec 2020 \$m	31 Dec 2019 \$m
ActewAGL	5	6
Powering Australian Renewables (PowAR)	-	1
Perth Energy	-	3
<b>Underlying EBIT</b>	<b>5</b>	<b>10</b>

ActewAGL Retail partnership contributed an equity share of profits of \$5 million for the period compared with \$6 million in the prior corresponding period.

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## 1.5 Portfolio review

The portfolio review reporting for both the Electricity (section 1.5.2) and Gas (section 1.5.3) businesses provides a consolidated margin for each of the electricity and gas portfolios across operating segments. This is as an effective tool to present how value is generated in the business.

The portfolio review combines the revenue from external customers and associated network and other costs, the costs of the procurement and hedging of AGL's gas and electricity requirements, and the costs of managing and maintaining AGL's owned and contracted generation assets to calculate the consolidated margin. A per unit rate (\$/MWh for electricity and \$/GJ for gas) is derived from each category of revenue and cost using the relevant associated volumes.

The tables in section 1.5.2 and 1.5.3 should be read in conjunction with section 1.7 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

### 1.5.1 Portfolio Reporting Summary to Underlying Profit after Tax

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Electricity Portfolio</b>		
Total revenue	3,536	3,583
Customer network and other cost of sales	(1,750)	(1,600)
Fuel costs	(445)	(524)
Generation running costs	(313)	(368)
Depreciation and amortisation	(250)	(249)
Net portfolio management	30	22
<b>Electricity Portfolio Margin (a)</b>	<b>808</b>	<b>864</b>
<b>Gas Portfolio</b>		
Total revenue	1,241	1,337
Customer network and other cost of sales	(294)	(305)
Gas purchases	(467)	(529)
Haulage, storage and other	(170)	(142)
<b>Gas Portfolio Margin</b>	<b>310</b>	<b>361</b>
<b>Natural Gas</b>	<b>(21)</b>	<b>(17)</b>
<b>Gas Portfolio Margin (including Natural Gas) (b)</b>	<b>289</b>	<b>344</b>
<b>Other AGL</b>		
Other margin <sup>1</sup>	22	29
Customer Markets operating costs	(244)	(218)
Integrated Energy other operating costs	(47)	(38)
Investments operating costs	-	(5)
Centrally Managed Expenses operating costs	(167)	(172)
Other depreciation and amortisation	(125)	(111)
Net finance costs	(94)	(87)
Income tax expense	(125)	(174)
<b>Total Other AGL (c)</b>	<b>(780)</b>	<b>(776)</b>
<b>Underlying Profit after Tax (a + b + c)</b>	<b>317</b>	<b>432</b>

1. Other margin includes other income from investments, and gross margin from Customer Markets.

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### 1.5.2 Electricity portfolio

Electricity portfolio review reporting combines the Integrated Energy (Trading and Origination - Electricity), Customer Markets (Consumer and Large Business) and Integrated Energy (Operations - Coal, Gas Generation and Renewables) 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.

All volume generated is sold into either the National Electricity Market or Western Australian Wholesale Electricity Market ("the pool") for which AGL receives pool generation revenue. Pool generation revenue is driven by volume and pool prices, which are set by the real-time market and differ by state. In the NEM, the total volume demanded by AGL customers is then purchased from the pool according to the geographical profile of customer demand and is reported as pool purchase costs. Where pool generation volumes exceed volumes purchased for customers, the net generation volume surplus drives revenue from indirect customers, which is incorporated within the pool generation revenue. Costs incurred in generating volume sold into the pool are reported as costs of generation, of which Integrated Energy manages the cost of sales and generation operation costs and asset depreciation. In Western Australia, these costs are managed through the Western Australian Wholesale Electricity Market.

	31 Dec 2020 GWh	31 Dec 2019 GWh	Movement %
Consumer customers pool purchase volume	7,878	7,380	6.7%
Large Business customers and Trading and Origination pool purchase volume	13,296	13,424	(1.0)%
Pool purchase volume	21,174	20,804	1.8%
Add: Net generation volume (deficit)/surplus	(358)	989	(136.2)%
<b>Pool generation volume</b>	<b>20,816</b>	<b>21,793</b>	<b>(4.5)%</b>
Consumer customers sales	7,461	6,925	7.7%
Large Business customers sales	5,036	5,024	0.2%
Wholesale customers sales	8,045	8,191	(1.8)%
<b>Total customer sales volume</b>	<b>20,542</b>	<b>20,140</b>	<b>2.0%</b>
Energy losses	632	664	(4.8)%
<b>Pool purchase volume</b>	<b>21,174</b>	<b>20,804</b>	<b>1.8%</b>

- Pool generation volumes were 20,816 GWh, down 4.5%, driven by lower coal generation at AGL Macquarie due to higher unplanned outages, lower gas generation at AGL Torrens due to lower pool prices, and lower generation from AGL's Victorian wind due to unplanned network outages and Victorian hydroelectric assets driven by lower water authority releases, partly offset by the return of AGL Loy Yang Unit 2.
- Consumer volumes were 7,461 GWh, up 7.7%, largely due to growth in the average number of electricity services compared to the prior corresponding period, including the inclusion of Click Energy volumes in the period.
- Large Business customer volumes were 5,036 GWh, up 0.2%, as a result of the prior corresponding period reflecting a partial period of Perth Energy ownership, partly offset by the change in customer demand due to COVID-19 and increased competition.
- Wholesale customer sales volumes were 8,045 GWh, down 1.8%, driven by lower consumption from AGL's existing customer base.

## Financial Review

For the half-year ended 31 December 2020

Revenue	Portfolio Margin		Per Unit		Volume Denomination	
	31 Dec 2020 \$m	31 Dec 2019 \$m	31 Dec 2020 \$/MWh	31 Dec 2019 \$/MWh	31 Dec 2020 GWh	31 Dec 2019 GWh
Consumer customers	2,121	2,069	284.3	298.8	7,461	6,925
Large Business customers	819	866	162.6	172.4	5,036	5,024
Wholesale customers <sup>1</sup>	549	604	68.2	73.7	8,045	8,191
Operations (Coal, Gas generation and Renewables)	47	44				
<b>Total revenue</b>	<b>3,536</b>	<b>3,583</b>	<b>172.1</b>	<b>177.9</b>	<b>20,542</b>	<b>20,140</b>

1. Wholesale customers revenue includes amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Total revenue was \$3,536 million, down 1.3% compared with the prior corresponding period.

- Revenue from Consumer customers was \$2,121 million, up 2.5% due to growth in the number of average electricity services and the inclusion of Click Energy in the period.
- Large Business customer revenue was \$819 million, down 5.4%, driven by lower consumption as a result of COVID-19 and the decline in the revenue rate due to the decrease in wholesale costs, partly offset by the inclusion of revenue from the acquisition of Perth Energy.
- Wholesale customer revenue was \$549 million, down 9.1%, largely driven by a decrease in volumes and prices sold to Wholesale customers in addition to a reduction in green certificates sold compared with the prior corresponding period.
- Operations revenue was \$47 million, broadly flat compared with the prior corresponding period.

### Network and other cost of sales

Network costs	(1,205)	(1,142)	(96.4)	(95.6)	12,497	11,949
Consumer	(921)	(853)	(123.4)	(123.2)	7,461	6,925
Large Business	(284)	(289)	(56.4)	(57.5)	5,036	5,024
Green compliance costs	(328)	(270)	(26.2)	(22.6)	12,497	11,949
Other cost of sales	(217)	(188)	(17.4)	(15.7)	12,497	11,949
<b>Total customer network and other cost of sales</b>	<b>(1,750)</b>	<b>(1,600)</b>	<b>(140.0)</b>	<b>(133.9)</b>	<b>12,497</b>	<b>11,949</b>

Total customer network and other costs of sales were \$(1,750) million, up 9.4%.

- Total network costs were \$(1,205) million, an increase of 5.5%, driven by growth in the number of average electricity services and the inclusion of Click Energy and Perth Energy network costs in the period.
- Green compliance costs were \$(328) million, up 21.5%, due to higher scheme compliance percentages, increased cost of internally generated large scale generation certificates, growth in the number of average electricity services and the inclusion of Click Energy and Perth Energy green compliance costs in the period.
- Other cost of sales were \$(217) million, up 15.4%, due to the growth in the number of average electricity services, higher solar feed-in-tariff costs due to higher solar volumes, and the inclusion of Click Energy and Perth Energy costs in the period. Excluding the acquisitions of Click Energy and Perth Energy other cost of sales were \$(194) million, up 3.2%.

### Fuel costs

Coal	(329)	(382)	(19.1)	(21.0)	17,212	18,198
Gas	(116)	(142)	(103.0)	(104.5)	1,126	1,359
Renewables	-	-	-	-	2,478	2,236
<b>Total fuel costs (a)</b>	<b>(445)</b>	<b>(524)</b>	<b>(21.4)</b>	<b>(24.0)</b>	<b>20,816</b>	<b>21,793</b>

Total fuel costs were \$(445) million, down 15.1% compared with the prior corresponding period.

- Coal costs were \$(329) million, down 13.9%, and on a per MWh basis decreased by \$1.9 per MWh or 9.0%. This reflected the impact of lower contracted coal prices on short term purchases as well as a higher proportion of coal delivered from legacy contracts.
- Gas fuel costs were \$(116) million, down 18.3%, due to lower generation volumes as a result of lower electricity prices and the return of AGL Loy Yang Unit 2 resulting in reduced generation required from gas generation units in South Australia.

## Financial Review

For the half-year ended 31 December 2020

	Portfolio Margin		Per Unit		Volume Denomination	
	31 Dec 2020 \$m	31 Dec 2019 \$m	31 Dec 2020 \$/MWh	31 Dec 2019 \$/MWh	31 Dec 2020 GWh	31 Dec 2019 GWh
<b>Generation running costs</b>						
Coal	(199)	(176)	(11.6)	(9.7)	17,212	18,198
Gas	(31)	(27)	(27.5)	(19.9)	1,126	1,359
Renewables <sup>1</sup>	(154)	(135)	(62.1)	(60.4)	2,478	2,236
Other	(34)	(30)	(1.6)	(1.4)	20,816	21,793
AGL Loy Yang Unit 2 Insurance proceeds	105	-				
<b>Total generation running costs (b)</b>	<b>(313)</b>	<b>(368)</b>	<b>(15.0)</b>	<b>(16.9)</b>	<b>20,816</b>	<b>21,793</b>

1. Renewables includes PPA costs.

Total generation running costs were \$(313) million, down 14.9%.

- Coal operating costs were \$(199) million, up 13.1%, due to higher forced outage costs at AGL Macquarie, COVID-19 response related costs incurred during the period, increased labour costs due to Enterprise Agreement wage escalations, and the transfer of insurance premiums from Centrally Managed Expenses to Integrated Energy.
- Gas operating costs were \$(31) million, up 14.8%, due to a full period of operations at Barker Inlet Power Station and a full period of ownership of the Kwinana Swift Power Station, which was acquired as part of Perth Energy.
- Renewables costs were \$(154) million, up 14.1% driven by increased generation volumes from Silverton wind farm and Coopers Gap wind farm. Increased costs of sales due to a reclassification of depreciation relating to wind assets was largely offset by an increase in allocation of Wind PPA costs from generation running costs to green compliance costs as a result of the change in relative value of LGCs and Electricity.
- Other costs were \$(34) million, up 13.3% due to lower FCAS revenue.
- AGL Loy Yang Unit 2 insurance proceeds relates to the insurance proceeds recognised in the period for the AGL Loy Yang Unit 2 major outage that occurred in 2019.

<b>Depreciation and amortisation (c)</b>	<b>(250)</b>	<b>(249)</b>	<b>(12.0)</b>	<b>(11.4)</b>	<b>20,816</b>	<b>21,793</b>
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Depreciation and amortisation was \$(250) million, up 0.4%, due to the closure of two Torrens A station units, a full period of capitalisation and ownership at Barker Inlet Power Station and Kwinana Swift Power Station respectively, and a higher asset base at AGL Loy Yang from prior corresponding period capital expenditure. This was partly offset by a reclassification of wind farm depreciation to Trading and Origination gross margin to align with the margin of the related PPAs, and the non-recurrence of accelerated asset depreciation in the prior corresponding period related to the Loy Yang Unit 2 outage in 2019.

### Net Portfolio Management

Pool generation revenue <sup>1</sup>	1,038	1,815	49.9	83.3	20,816	21,793
Pool purchase costs <sup>1</sup>	(1,067)	(1,717)	(50.4)	(82.5)	21,174	20,804
Net derivative (cost)/revenue	59	(76)	2.8	(3.5)	20,816	21,793
<b>Net Portfolio Management (d)</b>	<b>30</b>	<b>22</b>	<b>1.5</b>	<b>1.1</b>	<b>20,542</b>	<b>20,140</b>

1. Pool generation revenue and pool purchase costs include amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Net pool generation revenue and pool purchase costs were \$(29) million, down 129.6%, reflecting lower generation volumes mainly driven by AGL Macquarie outages and lower pool price outcomes. The net derivative revenue of \$59 million has increased by \$135 million, or \$6.3 per MWh, driven largely by the performance of wholesale electricity derivatives, with contracted prices significantly higher than pool price outcomes in the period.



## Financial Review

For the half-year ended 31 December 2020

	Portfolio Margin		Per Unit		Volume Denomination	
	31 Dec 2020 \$m	31 Dec 2019 \$m	31 Dec 2020 \$/MWh	31 Dec 2019 \$/MWh	31 Dec 2020 GWh	31 Dec 2019 GWh
<b>Total wholesale costs (a + b + c + d)</b>	<b>(978)</b>	(1,119)	<b>(46.2)</b>	(53.8)	<b>21,174</b>	20,804
<b>Total costs</b>	<b>(2,728)</b>	(2,719)	<b>(132.8)</b>	(135.0)	<b>20,542</b>	20,140
<b>Portfolio margin</b>	<b>808</b>	864	<b>39.3</b>	42.9	<b>20,542</b>	20,140
Consumer customers	229	271				
Large Business customers	15	18				
Trading and Origination	1,048	1,079				
Perth Energy margin	6	-				
Click Energy margin	16	-				
Operations (Coal, Gas generation and Renewables)	(506)	(504)				

In addition to the commentary above, Electricity portfolio margin is discussed in sections 1.4.2.

### 1.5.3 Gas portfolio

The gas portfolio review reporting combines the Integrated Energy (Trading and Origination - Gas) and Customer Markets (Consumer and Large Business) businesses to reflect the procurement and hedging of AGL's gas requirements and the margin from external customers.

	31 Dec 2020 PJ	31 Dec 2019 PJ	Movement %
Consumer customers	30.7	32.2	(4.7)%
Large Business customers	9.3	7.1	31.0%
Wholesale customers and generation	42.5	45.2	(6.0)%
<b>Total customer sales volume</b>	<b>82.5</b>	84.5	(2.4)%
Energy losses	(0.8)	1.3	(161.5)%
<b>Gas purchase volume</b>	<b>81.7</b>	85.8	(4.8)%

Total customer sales volume were 82.5 PJ, a decrease of 2.0 PJ or 2.4%.

- Consumer customer volumes were 30.7 PJ, down 4.7%, due to milder weather and a shift in customer mix from small business to residential, partly offset by the inclusion of Click Energy customer volumes in the period.
- Large Business customer volumes were 9.3 PJ, up 31.0%, primarily due to the inclusion of Perth Energy volumes following acquisition.
- Wholesale customers and generation volume were 42.5 PJ, a decrease of 6.0%, driven by lower gas generation volumes due to lower electricity prices.

## Financial Review

For the half-year ended 31 December 2020

Revenue	Portfolio Margin		Per Unit		Volume Denomination	
	31 Dec 2020 \$m	31 Dec 2019 \$m	31 Dec 2020 \$/GJ	31 Dec 2019 \$/GJ	31 Dec 2020 PJ	31 Dec 2019 PJ
Consumer customers	807	820	26.3	25.5	30.7	32.2
Large Business customers	76	65	8.2	9.2	9.3	7.1
Wholesale customers	358	452	8.4	10.0	42.5	45.2
<b>Total revenue</b>	<b>1,241</b>	<b>1,337</b>	<b>15.0</b>	<b>15.8</b>	<b>82.5</b>	<b>84.5</b>

- Consumer revenue was \$807 million, down 1.6%, driven by revenue rate decreases in New South Wales and the impact of a shift in customer mix from small business to residential, partly offset by the inclusion of Click Energy revenue in the period.
- Large Business customers revenue was \$76 million, up 16.9% due to the inclusion of Perth Energy revenue in the period.
- Wholesale customer revenue was \$358 million, down 20.8%, largely driven by lower generation volumes. Revenue rates decreased due to the impact of lower oil prices and new customer contracts being won at lower prices.

### Network and other cost of sales

Consumer network costs	(254)	(274)	(8.3)	(8.5)	30.7	32.2
Consumer other cost of sales	(33)	(23)	(1.1)	(0.7)	30.7	32.2
Large Business customers network costs	(7)	(5)	(0.8)	(0.7)	9.3	7.1
Large Business customers other cost of sales	–	(3)	–	(0.4)	9.3	7.1
<b>Total network and other cost of sales</b>	<b>(294)</b>	<b>(305)</b>	<b>(7.4)</b>	<b>(7.8)</b>	<b>40.0</b>	<b>39.3</b>

Total network costs and other cost of sales were \$(294) million, down 3.6%, driven by network price decreases in New South Wales and the impact of a shift in customer mix from small business to residential, partly offset by the inclusion of Click Energy and Perth Energy network costs in the period.

### Wholesale costs

Gas purchases	(467)	(529)	(5.7)	(6.3)	82.5	84.5
Haulage, storage and other	(170)	(142)	(2.1)	(1.7)	82.5	84.5
<b>Total wholesale costs</b>	<b>(637)</b>	<b>(671)</b>	<b>(7.7)</b>	<b>(7.9)</b>	<b>82.5</b>	<b>84.5</b>

Total wholesale costs were \$(637) million, down 5.1%, due to lower customer volumes. The lower cost of gas was a result of lower spot prices and oil prices on contracted supply, partly offset by higher haulage and storage costs due to an increase in storage capacity.

<b>Total costs</b>	<b>(931)</b>	<b>(976)</b>	<b>(11.3)</b>	<b>(11.6)</b>	<b>82.5</b>	<b>84.5</b>
<b>Portfolio margin</b>	<b>310</b>	<b>361</b>	<b>3.8</b>	<b>4.3</b>	<b>82.5</b>	<b>84.5</b>
Natural Gas	(21)	(17)				
<b>Portfolio margin (including natural gas)</b>	<b>289</b>	<b>344</b>				
Consumer customers	129	111				
Large Business customers	4	7				
Trading and Origination	173	243				
Perth Energy margin	2	–				
Click Energy margin	2	–				
Natural Gas	(21)	(17)				

Natural Gas was \$(21) million, down 23.5%, due to increased cost of well workover activities in the Surat basin (AGL's joint operation in Queensland involved with oil and gas exploration and production), primarily driven by regulatory requirements.

In addition to the commentary above, Gas portfolio margin is discussed in sections 1.4.2.

## Financial Review

For the half-year ended 31 December 2020

### 1.6 Consolidated financial performance by operating segment

31 Dec 2020 \$m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	3,911	3,194	-	-	(1,691)	5,414
Cost of sales	(3,490)	(1,984)	-	-	1,691	(3,783)
Other income/(loss)	-	102	5	-	-	107
<b>Gross margin</b>	<b>421</b>	<b>1,312</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1,738</b>
Operating costs (excluding depreciation and amortisation)	(244)	(401)	-	(167)	-	(812)
<b>Underlying EBITDA</b>	<b>177</b>	<b>911</b>	<b>5</b>	<b>(167)</b>	<b>-</b>	<b>926</b>
Depreciation and amortisation	(75)	(275)	-	(40)	-	(390)
<b>Underlying EBIT</b>	<b>102</b>	<b>636</b>	<b>5</b>	<b>(207)</b>	<b>-</b>	<b>536</b>
Net finance costs						(94)
Underlying Profit before tax						442
Income tax expense						(125)
<b>Underlying Profit after tax</b>						<b>317</b>

31 Dec 2019 \$m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	3,842	4,372	45	-	(1,947)	6,312
Cost of sales	(3,423)	(2,971)	(34)	-	1,947	(4,481)
Other income/(loss)	-	(1)	6	-	-	5
<b>Gross margin</b>	<b>419</b>	<b>1,400</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>1,836</b>
Operating costs (excluding depreciation and amortisation)	(218)	(373)	(5)	(172)	-	(768)
<b>Underlying EBITDA</b>	<b>201</b>	<b>1,027</b>	<b>12</b>	<b>(172)</b>	<b>-</b>	<b>1,068</b>
Depreciation and amortisation	(63)	(274)	(2)	(36)	-	(375)
<b>Underlying EBIT</b>	<b>138</b>	<b>753</b>	<b>10</b>	<b>(208)</b>	<b>-</b>	<b>693</b>
Net finance costs						(87)
Underlying Profit before tax						606
Income tax expense						(174)
<b>Underlying Profit after tax</b>						<b>432</b>

# Financial Review

For the half-year ended 31 December 2020

## 1.7 Portfolio review reconciliation

31 Dec 2020 \$m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	2,940	883	66	(4)	3,885
Integrated Energy	596	358	41	534	1,529
<b>Revenue</b>	<b>3,536</b>	<b>1,241</b>	<b>107</b>	<b>530</b>	<b>5,414</b>
Customer Markets	(1,750)	(294)	(89)	317	(1,816)
Integrated Energy	(511)	(637)	28	(847)	(1,967)
<b>Cost of sales</b>	<b>(2,261)</b>	<b>(931)</b>	<b>(61)</b>	<b>(530)</b>	<b>(3,783)</b>
Other income	101	-	6	-	107
<b>Gross margin</b>	<b>1,376</b>	<b>310</b>	<b>52</b>	<b>-</b>	<b>1,738</b>
Operating costs (excluding depreciation and amortisation)	(318)	-	(494)	-	(812)
Depreciation and amortisation	(250)	-	(140)	-	(390)
<b>Portfolio Margin / Underlying EBIT</b>	<b>808</b>	<b>310</b>	<b>(582)</b>	<b>-</b>	<b>536</b>

31 Dec 2020 \$m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	3,536	1,241	1,038	-	5,815
Revenue reclass	(356)	-	(48)	-	(404)
Intragroup	(1)	(120)	-	-	(121)
Other	(136)	10	7	243	124
<b>Note 3 - Revenue</b>	<b>3,043</b>	<b>1,131</b>	<b>997</b>	<b>243</b>	<b>5,414</b>

31 Dec 2019 \$m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	2,935	885	21	(3)	3,838
Integrated Energy	648	452	41	1,289	2,430
Other	-	-	44	-	44
<b>Revenue</b>	<b>3,583</b>	<b>1,337</b>	<b>106</b>	<b>1,286</b>	<b>6,312</b>
Customer Markets	(1,600)	(305)	(12)	273	(1,644)
Integrated Energy	(570)	(671)	(5)	(1,559)	(2,805)
Other	-	-	(32)	-	(32)
<b>Cost of sales</b>	<b>(2,170)</b>	<b>(976)</b>	<b>(49)</b>	<b>(1,286)</b>	<b>(4,481)</b>
Other income	-	-	5	-	5
<b>Gross margin</b>	<b>1,413</b>	<b>361</b>	<b>62</b>	<b>-</b>	<b>1,836</b>
Operating costs (excluding depreciation and amortisation)	(300)	-	(468)	-	(768)
Depreciation and amortisation	(249)	-	(126)	-	(375)
<b>Portfolio Margin / Underlying EBIT</b>	<b>864</b>	<b>361</b>	<b>(532)</b>	<b>-</b>	<b>693</b>

31 Dec 2019 \$m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	3,583	1,337	1,815	-	6,735
Revenue reclass	(374)	-	(34)	-	(408)
Intragroup	(1)	(141)	-	(25)	(167)
Other	(118)	9	20	241	152
<b>Note 3 - Revenue</b>	<b>3,090</b>	<b>1,205</b>	<b>1,801</b>	<b>216</b>	<b>6,312</b>

## Financial Review

For the half-year ended 31 December 2020

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### Notes

(a) Other AGL includes Natural Gas Underlying EBIT.

(b) Key adjustments include:

- Integrated Energy electricity pool sales in the statutory accounts has been reallocated to cost of sales (net portfolio management) in the Portfolio Review where it is combined with pool purchase costs and derivatives to reflect AGL's net position.
- Integrated Energy other revenue in the statutory accounts has been reallocated to cost of sales (generation running costs) in the Portfolio Review including ancillary services revenue, brown coal sales and wind farm asset management fees.
- Within Integrated Energy, derivatives from certain wholesale contracts are recognised within cost of sales in the statutory accounts. In the Portfolio Review the revenue and costs have been separately disclosed.
- Intra-segment and inter-segment eliminations include: Gas sales from Trading and Origination - Gas to Trading and Origination - Electricity; gas sales from Natural Gas to Trading and Origination - Gas. Elimination adjustment also includes the reallocation of green costs from Trading and Origination - Electricity to Consumer and Business customer other cost of sales.

## Half-Year Financial Report

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## Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Continuing operations</b>			
Revenue	3	5,414	6,312
Other income	4	102	-
Expenses	5	(8,037)	(5,404)
Share of profits of associates and joint ventures	10	5	7
(Loss)/profit before net financing costs, depreciation and amortisation		(2,516)	915
Depreciation and amortisation		(390)	(375)
<b>(Loss)/profit before net financing costs</b>		<b>(2,906)</b>	540
Finance income	6	-	2
Finance costs	6	(94)	(89)
<b>Net financing costs</b>		<b>(94)</b>	(87)
<b>(Loss)/profit before tax</b>		<b>(3,000)</b>	453
Income tax benefit/(expense)	7	713	(130)
<b>(Loss)/profit for the period attributable to the shareholders of AGL Energy Limited</b>		<b>(2,287)</b>	323
<b>Earnings per share</b>			
Basic earnings per share	16	(367.1 cents)	49.7 cents
Diluted earnings per share	16	(367.1 cents)	49.6 cents

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the financial statements.

## Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>(Loss)/profit for the period</b>		<b>(2,287)</b>	323
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement (loss)/gain on defined benefit plans		(6)	33
Fair value gain on the revaluation of equity instrument financial assets		16	6
Income tax relating to items that will not be reclassified subsequently to profit or loss	7	(3)	(13)
		7	25
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedges			
(Loss) in fair value of cash flow hedges		(18)	(15)
Reclassification adjustments transferred to profit or loss		51	(9)
Cost of Hedging			
(Loss) in fair value cost of hedging		(4)	-
Reclassification adjustments transferred to profit or loss		(3)	
Income tax relating to items that may be reclassified subsequently to profit or loss	7	(8)	8
		18	(16)
<b>Other comprehensive income for the year, net of income tax</b>		<b>25</b>	9
<b>Total comprehensive (loss)/income for the period attributable to the shareholders of AGL Energy Limited</b>		<b>(2,262)</b>	332

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.



## Condensed Consolidated Statement of Financial Position

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$m	30 Jun 2020 \$m
<b>Current assets</b>			
Cash and cash equivalents		101	141
Trade and other receivables	9	1,599	1,571
Inventories		432	400
Current tax assets		142	99
Other financial assets		615	640
Other assets		489	271
<b>Total current assets</b>		<b>3,378</b>	<b>3,122</b>
<b>Non-current assets</b>			
Trade and other receivables	9	24	25
Inventories		46	59
Other financial assets		755	688
Investments in associates and joint ventures	10	160	135
Property, plant and equipment	11	6,666	6,640
Intangible assets	12	3,285	3,786
Deferred tax assets		1,098	252
Other assets		4	3
<b>Total non-current assets</b>		<b>12,038</b>	<b>11,588</b>
<b>Total assets</b>		<b>15,416</b>	<b>14,710</b>
<b>Current liabilities</b>			
Trade and other payables		1,554	1,351
Borrowings	13	629	38
Provisions	14	377	286
Current tax liabilities		93	25
Other financial liabilities		469	679
Other liabilities		21	9
<b>Total current liabilities</b>		<b>3,143</b>	<b>2,388</b>
<b>Non-current liabilities</b>			
Borrowings	13	2,427	3,070
Provisions	14	3,345	424
Deferred tax liabilities		318	273
Other financial liabilities		425	239
Other liabilities		265	241
<b>Total non-current liabilities</b>		<b>6,780</b>	<b>4,247</b>
<b>Total liabilities</b>		<b>9,923</b>	<b>6,635</b>
<b>Net assets</b>		<b>5,493</b>	<b>8,075</b>
<b>Equity</b>			
Issued capital	15	5,601	5,603
Reserves		(51)	(80)
Retained earnings		(57)	2,552
<b>Total equity attributable to owners of AGL Energy Limited</b>		<b>5,493</b>	<b>8,075</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

## Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2020

	Attributable to owners of AGL Energy Limited						Total equity \$m
	Issued capital \$m	Investment revaluation reserve \$m	Employee equity benefits reserve \$m	Hedge reserve \$m	Other reserve \$m	Retained earnings \$m	
<b>Balance at 1 July 2020</b>	<b>5,603</b>	<b>(6)</b>	<b>-</b>	<b>(75)</b>	<b>1</b>	<b>2,552</b>	<b>8,075</b>
(Loss) for the period	-	-	-	-	-	(2,287)	(2,287)
Other comprehensive income/(loss) for the period, net of income tax	-	11	-	23	(5)	(4)	25
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>23</b>	<b>(5)</b>	<b>(2,291)</b>	<b>(2,262)</b>
<b>Transactions with owners in their capacity as owners:</b>							
On-market share buy-back	(2)	-	-	-	-	-	(2)
Payment of dividends	-	-	-	-	-	(318)	(318)
Share-based payments	-	-	-	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>5,601</b>	<b>5</b>	<b>-</b>	<b>(52)</b>	<b>(4)</b>	<b>(57)</b>	<b>5,493</b>
<b>Balance at 1 July 2019</b>	<b>6,223</b>	<b>(5)</b>	<b>(2)</b>	<b>(29)</b>	<b>3</b>	<b>2,248</b>	<b>8,438</b>
Profit for the period	-	-	-	-	-	1,015	1,015
Other comprehensive (loss)/income for the period, net of income tax	-	(1)	-	(46)	(2)	8	(41)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(46)</b>	<b>(2)</b>	<b>1,023</b>	<b>974</b>
<b>Transactions with owners in their capacity as owners:</b>							
On-market share buy-back	(620)	-	-	-	-	-	(620)
Payment of dividends	-	-	-	-	-	(719)	(719)
Share-based payments	-	-	2	-	-	-	2
<b>Balance at 30 June 2020</b>	<b>5,603</b>	<b>(6)</b>	<b>-</b>	<b>(75)</b>	<b>1</b>	<b>2,552</b>	<b>8,075</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

## Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		5,954	7,003
Payments to suppliers and employees		(5,206)	(5,815)
Dividends received		4	4
Finance income received		-	2
Finance costs paid		(63)	(64)
Income taxes (paid)/received		(75)	5
<b>Net cash provided by operating activities</b>		<b>614</b>	<b>1,135</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and other assets		(299)	(395)
Proceeds from the sale of investments in joint ventures		5	-
Payments for equity instrument financial assets		(11)	(20)
Payments for subsidiaries and businesses, net of cash acquired		(104)	(47)
Payments of deferred consideration		(2)	-
<b>Net cash used in investing activities</b>		<b>(411)</b>	<b>(462)</b>
<b>Cash flows from financing activities</b>			
Payments for buy-back of shares		(2)	(323)
Purchase of shares on-market for equity based remuneration		(2)	(7)
Proceeds from borrowings		1,270	1,005
Repayment of borrowings		(1,191)	(750)
Dividends paid	8	(318)	(420)
<b>Net cash used in financing activities</b>		<b>(243)</b>	<b>(495)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(40)</b>	<b>178</b>
Cash and cash equivalents at the beginning of the financial period		141	115
<b>Cash and cash equivalents at the end of the financial period</b>		<b>101</b>	<b>293</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

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### 1. Summary of significant accounting policies

AGL Energy Limited (the Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The half-year financial report includes the condensed consolidated financial statements which comprise the Parent Entity and its controlled entities (together referred to as AGL).

#### (a) Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

#### (b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and equity instrument financial assets, which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Parent Entity is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the half-year financial report are rounded off to the nearest million dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in AGL's 2020 annual financial report for the year ended 30 June 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### (c) Adoption of new and revised Standards and Interpretations

AGL has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 July 2020. These did not have any material impact on the disclosures or on the amounts recognised in AGL's consolidated financial statements.

#### (d) Standards and Interpretations in issue not yet adopted

The following accounting standards, accounting standard amendments and interpretations are due for adoption for the year ending 30 June 2023:

- AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (AASB 10 and AASB 128)*
- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*

The standards and interpretations listed above will not have a material impact on AGL's financial results or financial position on adoption.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

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### 2. Segment information

#### Operating segments

AGL reports segment information on the same basis as the internal management reporting structure. The operating segments reflect the manner in which products are sold, whether retail or wholesale, and the nature of the services provided.

On 13 August 2020, AGL announced that effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of the previous Wholesale Markets and Group Operations operating segments, adjusted for any intra-segment transactions.

AGL views the business as three interrelated segments collectively servicing our customer's needs. AGL's segments are:

- **Customer Markets** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/ mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.
- **Integrated Energy** comprises of Trading and Origination - Electricity and Trading and Origination - Gas and is responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. Trading and Origination controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products. The other components of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas, Renewables, Natural Gas, and Other business units.
- **Investments** comprises AGL's interests in the ActewAGL Retail Partnership, Powering Australian Renewables (PowAR), Energy Impact Partners' Fund, Energy Impact Partners' Fund (Europe), Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc, and Ecobee Inc.

In the segment financial results, the 'Other' category consists of the various Corporate activities which includes head office and central support functions. These are not considered to be reportable segments.

#### Segment financial results

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their Underlying earnings before interest and tax (Underlying EBIT) contribution to AGL. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

AGL operates as an integrated business and uses a portfolio approach to manage the operations and assets to drive value and efficiency. AASB 8 *Operating Segments* requires AGL to report segment information on the same basis as the internal management structure. As a result, the Customer Markets segment reports the revenue and margin associated with satisfying the gas and electricity requirements of AGL's consumer and business customer portfolio, whilst the Integrated Energy segment reports the revenue, expenses and margin related to AGL's operating sites and AGL's wholesale energy portfolio.

For the purposes of reviewing the carrying values of AGL assets, the segments impute a revenue transfer between Customer Markets, and Integrated Energy. Revenues are derived to approximate prices similar to transactions with third parties.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

## 2. Segment information (cont.)

Period ended 31 December 2020	Customer Markets \$m <sup>1</sup>	Integrated Energy \$m	Investments \$m <sup>2</sup>	Other \$m	Total \$m
<b>Revenue</b>					
Total segment revenue	3,911	3,194	-	-	7,105
Inter-segment revenue	(26)	(1,665)	-	-	(1,691)
<b>External revenue</b>	<b>3,885</b>	<b>1,529</b>	<b>-</b>	<b>-</b>	<b>5,414</b>
<b>Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)</b>					
	177	911	5	(167)	926
Depreciation and amortisation	(75)	(275)	-	(40)	(390)
<b>Underlying EBIT</b>	<b>102</b>	<b>636</b>	<b>5</b>	<b>(207)</b>	<b>536</b>
Net financing costs					(94)
<b>Underlying profit before tax</b>					<b>442</b>
Underlying income tax expense					(125)
<b>Underlying profit after tax</b>					<b>317</b>
<b>Segment assets</b>	<b>2,607</b>	<b>9,586</b>	<b>309</b>	<b>482</b>	<b>12,984</b>
<b>Segment liabilities</b>	<b>675</b>	<b>4,736</b>	<b>-</b>	<b>156</b>	<b>5,567</b>
<b>Other segment information</b>					
Share of profits of associates and joint ventures	-	-	5	-	5
Investments in associates and joint ventures	-	-	160	-	160
Additions to non-current assets <sup>3</sup>	45	1,332	-	26	1,403
Other non-cash expenses	(53)	-	-	(5)	(58)

1. On 30 September 2020, AGL completed the purchase of 100% of the outstanding share capital of Click Energy Group Holdings Pty Ltd. The results are recognised in the Customer Markets segment.
2. Acquisition accounting was completed for Perth Energy Holdings Pty Ltd and Southern Phone Company Limited by 30 June 2020. The results from these two acquisitions are now embedded in the Customer Markets and Integrated Energy segments.
3. Additions to non-current assets includes uplift in the environmental restoration assets. Refer to Note 11.

Period ended 31 December 2019	Customer Markets \$m	Integrated Energy \$m <sup>1</sup>	Investments \$m	Other \$m	Total \$m
<b>Revenue</b>					
Total segment revenue	3,842	4,372	45	-	8,259
Inter-segment revenue	(4)	(1,942)	(1)	-	(1,947)
<b>External revenue</b>	<b>3,838</b>	<b>2,430</b>	<b>44</b>	<b>-</b>	<b>6,312</b>
<b>Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)</b>					
	201	1,027	12	(172)	1,068
Depreciation and amortisation	(63)	(274)	(2)	(36)	(375)
<b>Underlying EBIT</b>	<b>138</b>	<b>753</b>	<b>10</b>	<b>(208)</b>	<b>693</b>
Net financing costs					(87)
<b>Underlying profit before tax</b>					<b>606</b>
Underlying income tax expense					(174)
<b>Underlying profit after tax</b>					<b>432</b>

1. Effective 1 July 2020, AGL formed the Integrated Energy operating segment. Integrated Energy reflects the consolidation of Wholesale Markets and Group Operations, adjusted for any intra-segment transactions. The comparative has been restated due to this change.

At 30 June 2020

<b>Segment assets</b>	2,495	9,791	253	532	13,071
<b>Segment liabilities</b>	575	1,554	-	182	2,311

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 2. Segment information (cont.)

Period ended 31 December 2019

#### Other segment information

Share of profits of associates and joint ventures	-	1	6	-	7
Investments in associates and joint ventures	-	4	97	-	101
Additions to non-current assets	48	371	5	36	460
Other non-cash expenses	(36)	-	-	(3)	(39)

#### Segment Underlying EBIT reconciliation to the Condensed Consolidated Statement of Profit or Loss

Reconciliation of segment Underlying EBIT to profit before tax is as follows:

	31 Dec 2020 \$m	31 Dec 2019 \$m
Underlying EBIT for reportable segments	743	901
Other	(207)	(208)
	536	693
Amounts excluded from underlying results:		
- gain/(loss) in fair value of financial instruments	133	(132)
- significant items <sup>1</sup>	(3,575)	(21)
Finance income	-	2
Finance costs	(94)	(89)
<b>(Loss)/profit before tax</b>	<b>(3,000)</b>	<b>453</b>

1. Further details are contained in the Financial Review attached to and forming part of the Directors' Report.

### 3. Revenue

Revenue by product and customer type is disaggregated below:

Period ended 31 December 2020	Consumer \$m	Business \$m	Wholesale \$m	Other \$m	Total \$m
Electricity	2,202	703	138	-	3,043
Generation sales to pool	-	-	997	-	997
Gas	817	59	243	12	1,131
Rendering of services	19	21	33	54	127
Other revenue	1	-	74	41	116
<b>Total revenue</b>	<b>3,039</b>	<b>783</b>	<b>1,485</b>	<b>107</b>	<b>5,414</b>

Period ended 31 December 2019	Consumer \$m	Business \$m	Wholesale \$m	Other \$m	Total \$m
Electricity	2,056	845	153	36	3,090
Generation sales to pool	-	-	1,800	1	1,801
Gas	816	61	313	15	1,205
Rendering of services	16	21	27	32	96
Other revenue	-	-	77	43	120
<b>Total revenue</b>	<b>2,888</b>	<b>927</b>	<b>2,370</b>	<b>127</b>	<b>6,312</b>

### 4. Other income

	Note	31 Dec 2020 \$m	31 Dec 2019 \$m
Insurance proceeds		101	-
Gain on disposal of investment in joint ventures	10	1	-
<b>Total other income</b>		<b>102</b>	<b>-</b>

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 5. Expenses

	31 Dec 2020 \$m	31 Dec 2019 \$m
Cost of sales <sup>1</sup>	3,775	4,481
Administrative expenses	110	121
Employee benefits expenses	340	325
Other expenses		
Impairment and onerous contracts expenses <sup>2</sup>	3,564	-
(Gain)/loss on fair value of financial instruments	(125)	132
Contracts and materials	144	146
Impairment loss on trade receivables (net of bad debts recovered)	53	36
Marketing expenses	17	23
Short term lease and outgoings expenses	14	11
Impairment loss on investment in a joint venture	-	14
Acquisition and integration costs	11	7
Net loss on disposal of property, plant and equipment	-	2
Other	134	106
<b>Total expenses</b>	<b>8,037</b>	<b>5,404</b>

1. Includes \$8 million of depreciation expense for wind assets.

2. Refer to Notes 11, 12 and 14.

### 6. Net financing costs

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Finance income</b>		
Interest income	-	2
	-	2
<b>Finance costs</b>		
Interest expense <sup>1</sup>	57	52
Lease interest expense	5	5
Unwinding of discounts on provisions and other liabilities	18	18
Unwinding of discount on deferred consideration	10	11
Other finance costs	4	3
	94	89
<b>Net financing costs</b>	<b>94</b>	<b>87</b>

1. Interest expense for the half-year ended 31 December 2020 is presented net of capitalised interest of \$1 million (31 December 2019: \$8 million).

### 7. Income tax

#### Numerical reconciliation between tax expense and pre-tax accounting profit

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	31 Dec 2020 \$m	31 Dec 2019 \$m
(Loss)/profit before tax	(3,000)	453
Income tax (benefit)/expense calculated at the Australian tax rate of 30% (31 December 2019: 30%)	(900)	136
Non-deductible expenses	3	2
Recognition of previously derecognised capital losses	(2)	(2)
Impairment loss on non-current assets	191	-
Adjustments in relation to current tax of prior years	(5)	(6)
<b>Total income tax (benefit)/expense</b>	<b>(713)</b>	<b>130</b>



## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 7. Income tax (cont.)

#### Income tax recognised in other comprehensive income

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Deferred tax</b>		
Cash flow hedges	8	(8)
Equity instruments measured at fair value	5	3
Remeasurement (loss)/gain on defined benefit plans	(2)	10
<b>Total income tax recognised in other comprehensive income</b>	<b>11</b>	<b>5</b>

### 8. Dividends

#### Recognised amounts

	31 Dec 2020 \$m	31 Dec 2019 \$m
<b>Final dividend</b>		
Final dividend for 2020 of 51.0 cents per share, franked to 80%, paid 25 September 2020 (2019: Final dividend for 2019 64.0 cents per share, franked to 80%, paid 20 September 2019).	318	420
<b>Dividends paid as per the Consolidated Statement of Cash Flows</b>	<b>318</b>	<b>420</b>

#### Unrecognised amounts

Since the end of the financial year, the Directors have declared an interim dividend for 2021 of 41.0 cents per share, unfranked, payable 26 March 2021 (2019: 47.0 cents per share, franked to 80%, paid 27 March 2020).	255	300
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The interim dividend for 2021 of 41.0 cents per ordinary share consists of an interim ordinary dividend of 31.0 cents and an interim special dividend of 10.0 cents per share. The financial effect of this dividend has not been recognised as a liability in these financial statements but will be brought to account in subsequent financial reports.

#### Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2021 interim dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade during each of the 10 trading days commencing 1 March 2021. The last date for shareholders to elect to participate in the DRP for the 2021 interim dividend is 26 February 2021.

### 9. Trade and other receivables

	31 Dec 2020 \$m	30 Jun 2020 \$m
<b>Current</b>		
Trade receivables	1,122	816
Unbilled revenue	643	890
Allowance for expected credit loss	(220)	(196)
	1,545	1,510
Other receivables	54	61
<b>Total current trade and other receivables</b>	<b>1,599</b>	<b>1,571</b>
<b>Non-current</b>		
Other	24	25
<b>Total non-current trade and other receivables</b>	<b>24</b>	<b>25</b>

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 9. Trade and other receivables (cont.)

#### Expected credit loss assessment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables and unbilled revenue:

	31 Dec 2020		30 Jun 2020	
	Total \$m	Allowance \$m	Total \$m	Allowance \$m
Unbilled revenue	643	(38)	890	(47)
Not past due	701	(15)	439	(17)
Past due 0 – 30 days	91	(13)	96	(11)
Past due 31 – 60 days	53	(11)	45	(9)
Past due 61 – 90 days	36	(10)	23	(10)
Past 90 days	241	(133)	213	(102)
<b>Total</b>	<b>1,765</b>	<b>(220)</b>	<b>1,706</b>	<b>(196)</b>

### 10. Investments in associates and joint ventures

	31 Dec 2020 \$m	30 Jun 2020 \$m
Investments in joint ventures - unlisted	160	135
<b>Total investments in associates and joint ventures</b>	<b>160</b>	<b>135</b>

Principal activities	Ownership interest		Contribution to profit		
	31 Dec 2020 %	30 Jun 2020 %	31 Dec 2020 \$m	31 Dec 2019 \$m	
<b>Associates</b>					
Solar Analytics Pty Ltd	Solar PV monitoring	31.2	31.2	-	-
<b>Joint ventures</b>					
ActewAGL Retail Partnership	Gas and electricity retailer	50	50	5	6
Energy Infrastructure Management Pty Ltd <sup>1</sup>	Pipeline management services	-	50	-	-
Central Queensland Pipeline Pty Ltd	Gas pipeline development	50	50	-	-
Powering Australian Renewables (PowAR)	Development and owner of renewable energy generation projects	20	20	-	1
			5	7	

1. During the period ended 31 December 2020, AGL divested its investment in Energy Infrastructure Management Pty Ltd for a net gain on disposal of \$1 million which is recognised in Other Income, refer to Note 4.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

## 11. Property, plant and equipment

31 December 2020	Plant and equipment \$m	Right-of-use plant and equipment \$m	Other \$m	Right-of-use other \$m	Total \$m
Balance at 1 July 2020, net of accumulated depreciation and impairment	6,349	5	89	197	6,640
Additions	259	-	-	2	261
Change in estimate related to Provision for Environmental Restoration <sup>1</sup>	1,112	-	-	-	1,112
Reclassified to intangible assets	(53)	-	-	-	(53)
Disposals	(3)	-	-	-	(3)
Depreciation expense <sup>2</sup>	(279)	-	(3)	(3)	(285)
Impairment expense <sup>3</sup>	(1,006)	-	-	-	(1,006)
Balance at 31 December 2020 net of accumulated depreciation and impairment	6,379	5	86	196	6,666

1. Refer to Note 14 for further details.

2. \$8 million of depreciation expense for wind assets is recognised as cost of sales, refer to Note 4.

3. Refer to Note 12 for further details.

Balance at 1 July 2020, net of accumulated depreciation and impairment

Cost (gross carrying amount)	9,260	12	109	294	9,675
Accumulated depreciation and impairment	(2,911)	(7)	(20)	(97)	(3,035)
Net carrying amount	6,349	5	89	197	6,640

Balance at 31 December 2020

Cost (gross carrying amount)	10,559	12	109	296	10,976
Accumulated depreciation and impairment	(4,180)	(7)	(23)	(100)	(4,310)
Net carrying amount	6,379	5	86	196	6,666

30 June 2020	Plant and equipment \$m	Right-of-use plant and equipment \$m	Other \$m	Right-of-use other \$m	Total \$m
Balance at 1 July 2019, net of accumulated depreciation and impairment	6,295	5	92	196	6,588
Reclassified to intangible assets	(107)	-	-	-	(107)
Additions	704	1	-	16	721
Disposals	(9)	-	-	-	(9)
Depreciation expense	(534)	(1)	(3)	(15)	(553)
Balance at 30 June 2020, net of accumulated depreciation and impairment	6,349	5	89	197	6,640

Balance at 1 July 2019

Cost (gross carrying amount)	8,672	11	109	278	9,070
Accumulated depreciation and impairment	(2,377)	(6)	(17)	(82)	(2,482)
Net carrying amount	6,295	5	92	196	6,588

Balance at 30 June 2020

Cost (gross carrying amount)	9,260	12	109	294	9,675
Accumulated depreciation and impairment	(2,911)	(7)	(20)	(97)	(3,035)
Net carrying amount	6,349	5	89	197	6,640

## Notes to the Financial Statements

for the half-year ended 31 December 2020

## 12. Intangible assets

31 December 2020	Goodwill \$m	Software \$m	Licences \$m	Other \$m	Total \$m
Balance at 1 July 2020, net of accumulated amortisation and impairment	2,879	540	296	71	3,786
Reclassified from property, plant and equipment	-	53	-	-	53
Additions	122	35	-	28	185
Disposals	-	-	-	-	-
Amortisation expense	-	(102)	(4)	(7)	(113)
Impairment expense	(626)	-	-	-	(626)
Balance at 31 December 2020, net of accumulated amortisation and impairment	2,375	526	292	92	3,285

Balance at 1 July 2020, net of accumulated amortisation and impairment

Cost (gross carrying amount)	2,880	1,288	311	278	4,757
Accumulated amortisation and impairment	(1)	(748)	(15)	(207)	(971)
Net carrying amount	2,879	540	296	71	3,786

Balance at 31 December 2020

Cost (gross carrying amount)	3,002	1,376	311	306	4,995
Accumulated amortisation and impairment	(627)	(850)	(19)	(214)	(1,710)
Net carrying amount	2,375	526	292	92	3,285

30 June 2020	Goodwill \$m	Software \$m	Licences \$m	Other \$m	Total \$m
Balance at 1 July 2018, net of accumulated amortisation and impairment	2,881	-	311	79	3,271
Reclassified from property, plant and equipment	-	450	-	-	450
Additions	-	177	-	-	177
Disposals	(15)	-	-	-	(15)
Amortisation expense	-	(124)	(7)	(12)	(143)
Balance at 30 June 2019, net of accumulated amortisation and impairment	2,866	503	304	67	3,740

Balance at 1 July 2019

Cost (gross carrying amount)	2,867	1,072	311	258	4,508
Accumulated amortisation and impairment	(1)	(569)	(7)	(191)	(768)
Net carrying amount	2,866	503	304	67	3,740

Balance at 30 June 2020

Cost (gross carrying amount)	2,880	1,288	311	278	4,757
Accumulated amortisation and impairment	(1)	(748)	(15)	(207)	(971)
Net carrying amount	2,879	540	296	71	3,786

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 12. Intangible assets (cont.)

#### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

##### Impairment testing for period ended 31 December 2020

During the period, AGL recognised an impairment of property, plant and equipment of \$1,006 million and goodwill of \$626 million. The impairments follow an accelerated deterioration to long-term wholesale energy market forecasts in recent months, reflecting policy measures to underwrite new build of electricity generation and lower technology costs, leading to expectations of increased supply. As a result, the long-term outlook for wholesale electricity and renewable energy certificates now indicates a sustained and material reduction in prices.

Combined with sharp reductions in near-term wholesale energy prices as a result of challenging macro-economic conditions, and the outcomes of AGL's three-yearly review of environmental restoration provisions substantially completed in recent weeks, this has reduced the recoverable amount of certain cash generating units. As a result of the internal and external impairment indications identified for the Group Operations CGU and natural gas assets, an impairment assessment has been performed at December 2020 in line with the requirements under the accounting standards. It was determined that the Wholesale Markets Gas and Customer Markets CGUs did not have any indications of impairment.

The recoverable amounts for the Group Operations CGU and natural gas assets have been determined using value-in-use models including an appropriate terminal value. The key assumptions in the calculation of value in use include:

- corporate tax rates; discount rate;
- terminal growth rate;
- long run electricity prices; and
- energy procurement costs and generation volumes.

Corporate tax rates reflect the Australian company tax rate. Cash flow forecasts are based on Board approved budgets and the most recent three-year plan updated to reflect current market conditions. The terminal value is based on final year free cash flow, except for known site closures, with normalised operating and capital expenditure and aligned with long-term energy price forecasts, extrapolated into perpetuity with a growth rate of 2% (2020: 2.5%). Discount rates used are the pre-tax equivalent of a post-tax weighted average cost of capital of 7.1% (2020: 7.1%). Energy procurement costs are estimated based on the actual hedge portfolio, together with an estimate of future hedging prices and volumes beyond the period of the actual hedge portfolio.

If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced

to its recoverable amount with any impairment recognised immediately in the statement of profit or loss.

##### Group Operations

As a result of the material reduction in the outlook for wholesale prices in the long term, the carrying value of the Group Operations CGU is estimated to exceed its recoverable amount at 31 December 2020. The cash flows of the CGU include certain legacy power purchase agreements that contain purchase prices above the forward price for electricity and/or renewable energy certificates. These contracts have no assets associated with them. The cash flows associated with these contracts were therefore separately assessed and recognised as an onerous contract. Refer to Note 14.

The carrying value of the Group Operations CGU is estimated to exceed the recoverable amount at 31 December 2020 by \$1,413 million. This amount has been recognised as an impairment expense in the statement of profit or loss. Reasonably possible changes in circumstances will affect assumptions and the estimated recoverable value of the Group Operations CGU. These reasonably possible changes include:

- an increase of discount rate of 50 basis points in isolation will reduce the recoverable value by \$611 million; and
- a decrease in terminal growth rate of 50 basis points in isolation will reduce the recoverable value by \$581 million.

The recoverable amount is also sensitive to reasonably possible changes in long run electricity prices. When viewed in connection with the current low market prices, it is reasonably possible that a change in long run electricity price assumption could lead to a further reduction in recoverable value. The interrelationship of changes in this and other assumptions is very complex. Changes in the external operating environment, such as closure of aluminium smelters that consume significant volumes of electricity from the market; changes to the scheduled closure date of other power stations; or changes to government policies could result in the decrease in long run electricity prices which could give rise to a further impairment.

##### Natural Gas Assets

The carrying value of the natural gas assets are estimated to exceed the recoverable amount at 31 December 2020 by \$231 million. This amount has been recognised as an impairment expense in the statement of profit or loss. There are no reasonably possible changes in the assumptions for tariff and gas price that will have a material impact on the recoverable value of natural gas assets.

The impairment charges above are recognised within the Integrated Energy segment.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

## 13. Borrowings

	31 Dec 2020 \$m	30 Jun 2020 \$m
<b>Current</b>		
CPI bonds - unsecured	9	9
Medium term notes - unsecured	600	-
Other loans - unsecured	-	11
Lease liabilities	20	18
<b>Total current borrowings</b>	<b>629</b>	<b>38</b>
<b>Non-current</b>		
USD senior notes - unsecured	1,028	1,164
Medium term notes - unsecured	-	599
Bank loans - unsecured	1,200	985
CPI bonds - unsecured	61	66
Other loans - unsecured	-	111
Lease liabilities	147	156
Deferred transaction costs	(9)	(11)
<b>Total non-current borrowings</b>	<b>2,427</b>	<b>3,070</b>

## 14. Provisions

	31 Dec 2020 \$m	30 Jun 2020 \$m
<b>Current</b>		
Employee benefits	205	213
Environmental restoration	55	45
Onerous contracts	110	27
Restructuring	2	1
Other	5	-
<b>Total current provisions</b>	<b>377</b>	<b>286</b>
<b>Non-current</b>		
Employee benefits	14	14
Environmental restoration	1,394	299
Onerous contracts	1,934	111
Other	3	-
<b>Total non-current provisions</b>	<b>3,345</b>	<b>424</b>

The movements in the Environmental restoration provision and the Onerous contract provision is set out below:

	Environmental restoration \$m	Onerous Contracts \$m
Balance at 1 July 2020	344	138
Provisions recognised	1,112	1,920
Provisions utilised and derecognised	(23)	(16)
Unwinding of discount	16	2
Balance at 31 December 2020	<b>1,449</b>	<b>2,044</b>

# Notes to the Financial Statements

for the half-year ended 31 December 2020

## 14. Provisions (cont.)

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

#### Provision for environmental restoration

AGL estimates the future removal and restoration costs of electricity generation assets, oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of restoration activities required and available technologies.

The provisions for environmental restoration represents the best estimate of the present value of the expenditure required to settle the obligation. In line with AGL's accounting policy, the Provisions for Environmental Restoration is reviewed on a regular basis. The increase in environmental restoration provisions of \$1,112 million comprises \$799 million from a reduction in the discount rate used to derive the present value of future estimated restoration cash flows from 10 percent to 3 percent, and \$313 million from an increase in estimated future expenditure following the substantial completion of the three-yearly review of long-term rehabilitation requirements.

#### Provision for onerous contracts

As discussed in Note 12, recent changes to market forecasts for wholesale electricity and renewable energy certificates, now reflect a sustained and material reduction in the outlook for wholesale prices in the long term. As a result the carrying value of the Group Operations CGU is estimated to exceed its

recoverable amount at 31 December 2020. The cash flows of the Group Operations CGU include certain legacy power purchase agreements that contain purchase prices above the forward price for electricity and renewable energy certificates. These contracts have no assets associated with them. The cash flows associated with these contracts were therefore separately assessed and recognised as an onerous contract.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Under these legacy power purchase agreements, AGL makes periodic payments for the electricity and green certificates generated by these assets. The agreements were primarily entered between 2006 and 2012 to support the development of the renewables sector at that time. These offtake agreements were entered at prices significantly higher than current and forecast prices for electricity and renewable energy certificates today. As a result, a provision of \$1,920 million was recognised for these agreements during the period.

## 15. Issued capital

	31 Dec 2020		30 Jun 2020	
	Total \$m	Number of shares	Total \$m	Number of shares
Balance at beginning of reporting period	5,603	623,138,096	6,223	655,825,043
On-market share buy-back <sup>1</sup>	(2)	(104,305)	(620)	(32,686,947)
Balance at reporting date	5,601	623,033,791	5,603	623,138,096

1. During the period, AGL completed the buy-back of 104,305 shares. This is part of AGL's on-market share buy-back program for up to 5% of its issued share capital, or 32,791,252 shares from 23 August 2019 to 22 August 2020. As at 31 December 2020, the total consideration paid for shares bought back on market was \$622 million at an average price of \$18.97 per share.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Every ordinary Shareholder present at a meeting of the Parent Entity, in person or by proxy, is entitled to one vote per share.

## 16. Earnings per share

	31 Dec 2020	31 Dec 2019
<b>Statutory earnings per share</b>		
Basic earnings per share	(367.1 cents)	49.7 cents
Diluted earnings per share	(367.1 cents)	49.6 cents
<b>Underlying earnings per share</b>		
Basic earnings per share	50.9 cents	66.4 cents
Diluted earnings per share	50.8 cents	66.3 cents

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 16. Earnings per share (cont.)

#### Earnings used in calculating basic and diluted earnings per share

	31 Dec 2020 \$m	31 Dec 2019 \$m
Statutory earnings used to calculate basic and diluted earnings per share	(2,287)	323
Significant expense/(income) items after income tax	2,697	17
(Gain)/loss in fair value of financial instruments after income tax	(93)	92
<b>Underlying earnings used to calculate basic and diluted earnings per share</b>	<b>317</b>	<b>432</b>

#### Weighted average number of ordinary shares

	31 Dec 2020	31 Dec 2019
Number of ordinary shares used in the calculation of basic earnings per share	623,060,434	650,471,038
Effect of dilution - LTIP share performance rights	509,196	966,134
<b>Number of ordinary shares used in the calculation of diluted earnings per share</b>	<b>623,569,630</b>	<b>651,437,172</b>

### 17. Acquisition, incorporation and disposal of subsidiaries and businesses

#### 31 December 2020

##### Acquisition of Click Energy Group Holdings Pty Ltd

On 30 September 2020, AGL completed the purchase of 100% of the outstanding share capital of Click Energy Group Holdings Pty Ltd, a wholly owned subsidiary of ASX-listed amaysim Australia Limited, for \$109 million. The acquisition includes approximately 215,000 energy services to customers, increasing AGL's total services provided to almost 4.2 million services to homes and businesses across Australia.

#### 31 December 2019

##### Acquisition of Perth Energy Holdings Pty Ltd

On 2 September 2019, AGL completed the purchase of 100% of the outstanding share capital of Perth Energy Holdings Pty Ltd based on an enterprise value of \$93 million. Perth Energy was Western Australia's leading independent energy retailer, marketing electricity and gas to small and medium size enterprises and commercial and industrial users. The business also owns and operates the 120 MW Kwinana Swift dual fuel peaking power station.

##### Acquisition of Southern Phone Company Limited

On 18 December 2019, AGL completed the purchase of 100% of the outstanding share capital of Southern Phone Company Limited for consideration of \$28 million. Southern Phone Company is a provider of fixed line, mobile and internet communications services in regional Australia with 160,000 broadband and mobile accounts nationwide.

### 18. Contingent liabilities

#### Crib Point Liquefied natural gas jetty

AGL has executed certain key agreements in relation to its proposed liquefied natural gas import jetty at Crib Point in Victoria. As at 31 December 2020, if AGL does not proceed with the project, AGL's total financial exposure as a result of entering into the agreements is \$46 million which may increase up to \$60 million prior to Final Investment Decision (FID). AGL is progressing its environmental approvals and licencing requirements for the project and continues to negotiate further key commercial arrangements. A FID on the Crib Point project will be made subject to and following the outcome of the Environment Effects Statement which is expected in late FY21.

#### Other Contingent Liabilities

Certain entities in AGL are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on AGL.

Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.



## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 19. Financial instruments

#### Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 Dec 2020	Carrying Amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>					
<i>Equity instruments at FVOCI</i>					
Unlisted investment funds	149	-	-	149	149
<i>Derivative financial instruments</i>					
Cross currency swap contracts - cash flow and fair value hedges	96	-	96	-	96
Interest rate swap contracts - cash flow hedges	1	-	1	-	1
Energy derivatives - economic hedges	997	267	113	617	997
<b>Total financial assets</b>	<b>1,243</b>	<b>267</b>	<b>210</b>	<b>766</b>	<b>1,243</b>
<b>Financial liabilities</b>					
<i>Derivative financial instruments</i>					
Interest rate swap contracts - cash flow hedges	(58)	-	(58)	-	(58)
Forward foreign exchange contracts - cash flow hedges	(3)	-	(3)	-	(3)
Energy derivatives - economic hedges	(639)	(133)	(248)	(258)	(639)
<b>Total financial liabilities</b>	<b>(700)</b>	<b>(133)</b>	<b>(309)</b>	<b>(258)</b>	<b>(700)</b>

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 19. Financial instruments (cont.)

30 June 2020	Carrying Amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets</b>					
<i>Equity instruments at FVOCI</i>					
Unlisted investment funds	122	-	-	122	122
<i>Derivative financial instruments</i>					
Cross currency swap contracts - cash flow and fair value hedges	248	-	248	-	248
Energy derivatives - economic hedges	899	354	156	389	899
<b>Total financial assets</b>	<b>1,269</b>	<b>354</b>	<b>404</b>	<b>511</b>	<b>1,269</b>
<b>Financial liabilities</b>					
<i>Derivative financial instruments</i>					
Interest rate swap contracts - cash flow hedges	(71)	-	(71)	-	(71)
Energy derivatives - cash flow hedges	(31)	-	(31)	-	(31)
Energy derivatives - economic hedges	(629)	(227)	(347)	(55)	(629)
<b>Total financial liabilities</b>	<b>(731)</b>	<b>(227)</b>	<b>(449)</b>	<b>(55)</b>	<b>(731)</b>

Management have assessed that the carrying value of financial assets (excluding derivative financial assets) and financial liabilities (excluding derivative financial liabilities) to be comparable to fair value.

#### Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

- Receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value if the effect of discounting is material.
- The fair value of forward foreign exchange contracts and energy derivatives is calculated as the present value of expected future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties. Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties.
- The fair value of borrowings is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of energy derivatives is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of lease liabilities is estimated as the present value of future cash flows discounted where the effect of discounting is material.
- The fair value of deferred consideration is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

## Notes to the Financial Statements

for the half-year ended 31 December 2020

### 19. Financial instruments (cont.)

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

	31 Dec 2020 \$m	30 Jun 2020 \$m
Opening balance	456	255
Total gains or losses recognised in profit or loss		
Settlements during the year	45	(132)
Changes in fair value	19	277
Transfer from Level 3 to Level 2 <sup>1</sup>	-	50
Acquisition	(12)	-
Premiums	(11)	(23)
Purchases	11	29
Closing balance	508	456

1. Contract fell into observable market curve during the financial year.

Fair value gains or losses on energy derivatives are included in other expenses in the line item “(Gain)/loss on fair value of financial instruments” in Note 5.

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10% is (\$90) million and lower by 10% is \$91 million (profit after tax (decrease)/increase). Input changes were applied to forward prices, cost-based indexes, contract volumes and management assumption of long-term curve used.

### 20. Subsequent events

Apart from the matters identified in the financial statements or notes thereto, there has not been any matter or circumstance that has arisen since 31 December 2020 that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in the future.

## Directors' Declaration

for the half-year ended 31 December 2020

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The Directors of AGL Energy Limited declare that, in their opinion:

- (a) there are reasonable grounds to believe that AGL Energy Limited will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements and notes of AGL Energy Limited and its controlled entities for the half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position and performance of AGL Energy Limited and its controlled entities for the half-year ended 31 December 2020; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Signed in accordance with a resolution of the Directors



**Graeme Hunt**

Chairman

11 February 2021

## Auditor's Independence Declaration

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# Deloitte.

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The Board of Directors  
AGL Energy Limited  
200 George Street  
Sydney NSW 2000

11 February 2021

Dear Board Members

**AGL Energy Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the review of the financial statements of AGL Energy Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jason Thorne  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



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## Independent Auditor's Review Report to the Members of AGL Energy Limited

### *Conclusion*

We have reviewed the half-year financial report of AGL Energy Limited, which comprises the Condensed Consolidated Statement of Financial Position as at 31 December 2020 and the Condensed Consolidated Statement of Profit or Loss, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows and the Condensed Consolidated Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 27 to 49.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AGL Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of AGL Energy Limited in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Deloitte.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of AGL Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibilities for the Review of the Half-year Financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of AGL Energy Limited's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Jason Thorne  
Partner  
Chartered Accountants  
Sydney, 11 February 2021

# Corporate Directory and Financial Calendar

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## Directory

AGL Energy Limited

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## Financial Calendar

### 11 February 2021

Half-year result and interim dividend announced

### 25 February 2021

Record date of interim dividend

### 26 February 2021

Record date of interim DRP

### 26 March 2021

Payment date of interim dividend

### 12 August 2021

Full year result and final dividend announcement

### 26 August 2021

Record date of final dividend

### 27 August 2021

Record date of final DRP

### 24 September 2021

Payment date of final dividend

### 22 September 2021

Annual General Meeting

Please note – The above dates are indicative only and may be subject to change.



