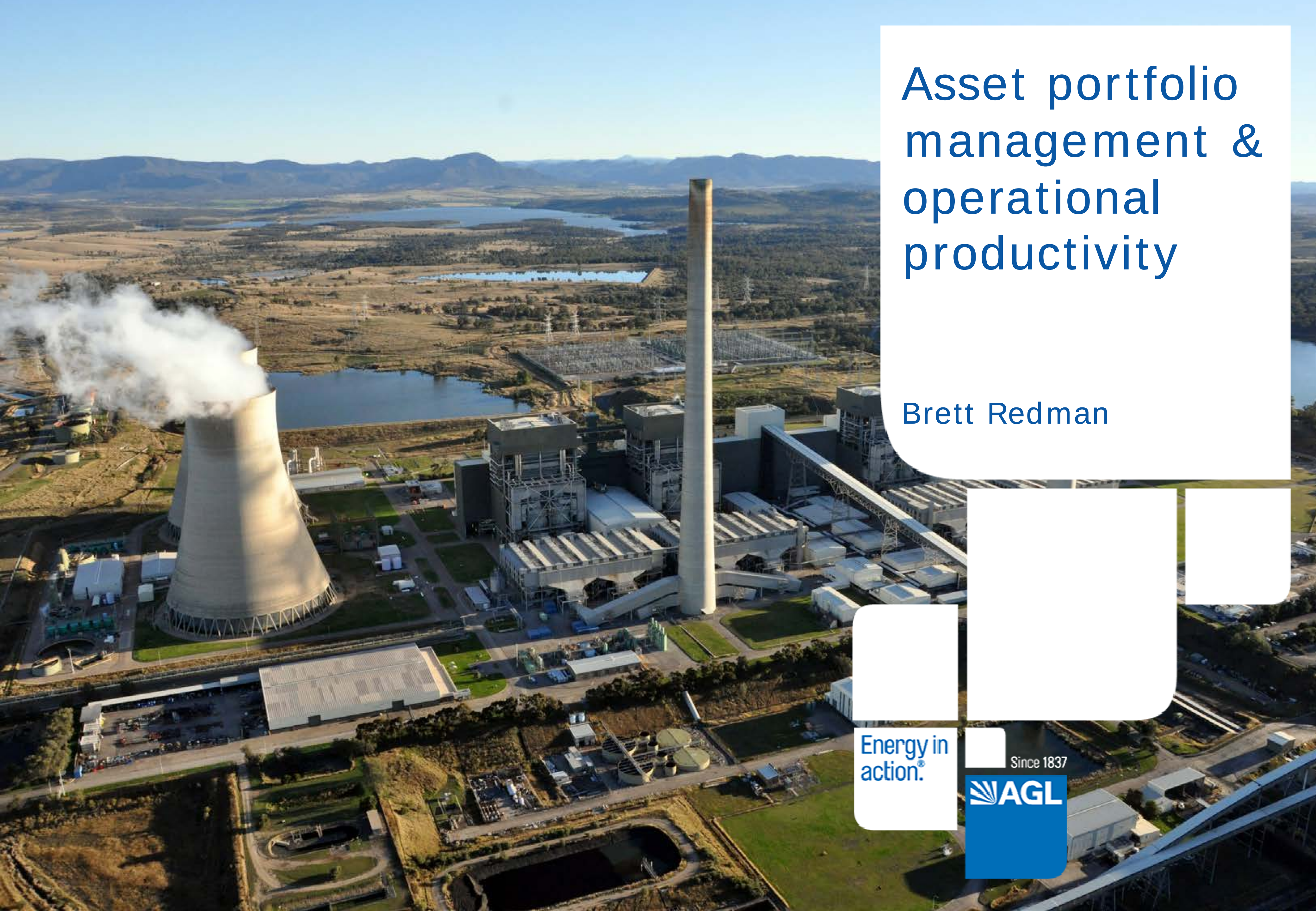
Asset portfolio management & operational productivity

Brett Redman



Drive Productivity

Focus on productivity improvements to deliver improved returns.

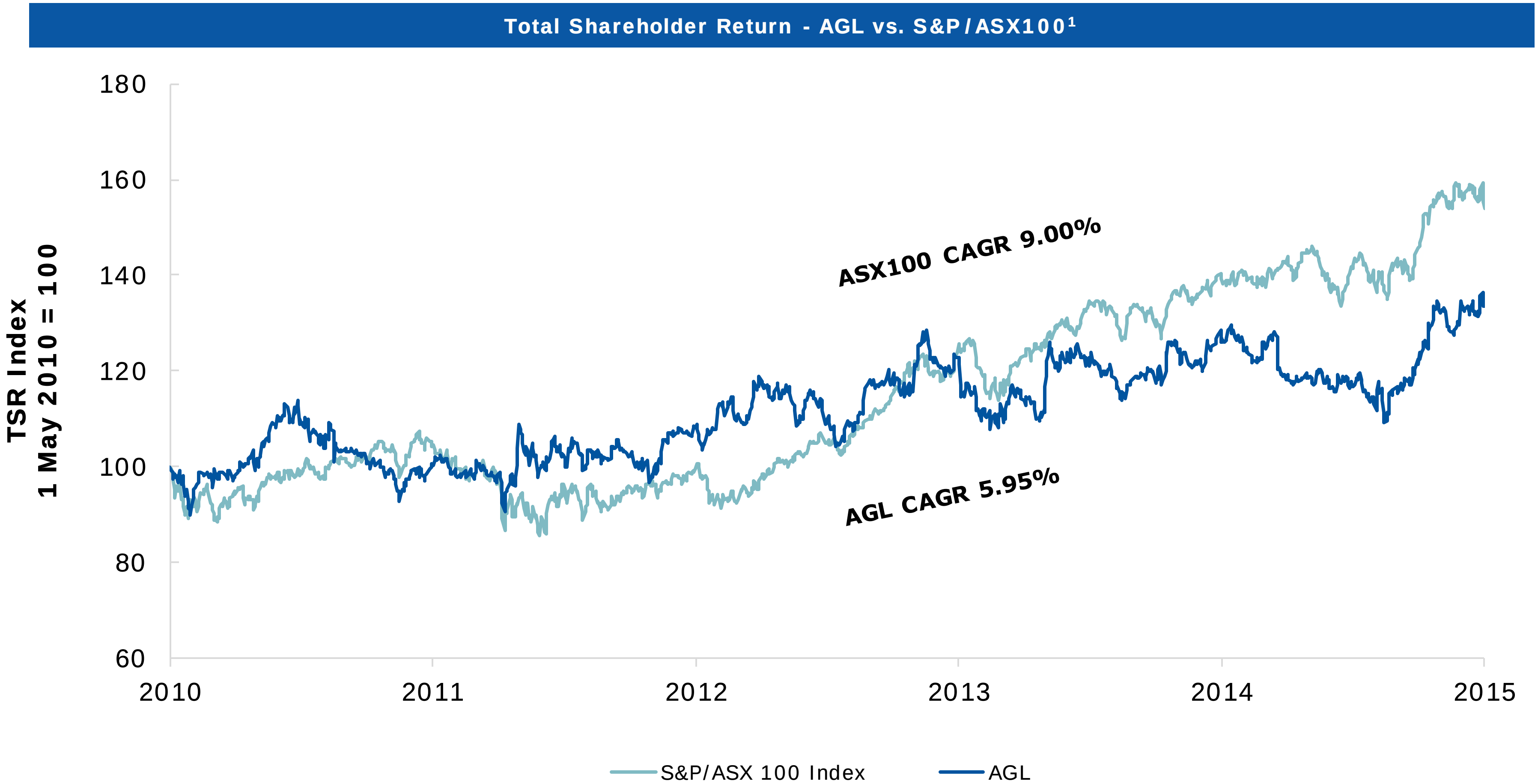
1

Drive Productivity

- While AGL has grown profits over the last five years, it has not met expected returns from its assets
- AGL will **Drive Productivity** by:
  - **Improving asset allocation**
  - **Improving operational productivity**

AGL TSR vs Market

In the last five years, AGL's TSR has underperformed relative to market.

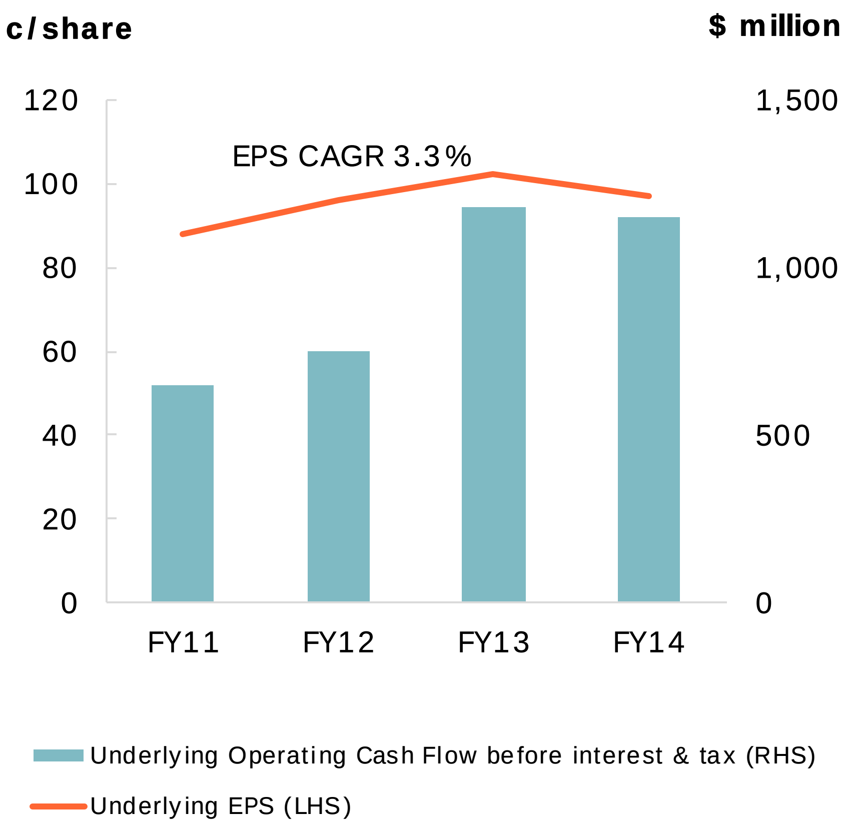


1. 1 May 2010 to 30 April 2015

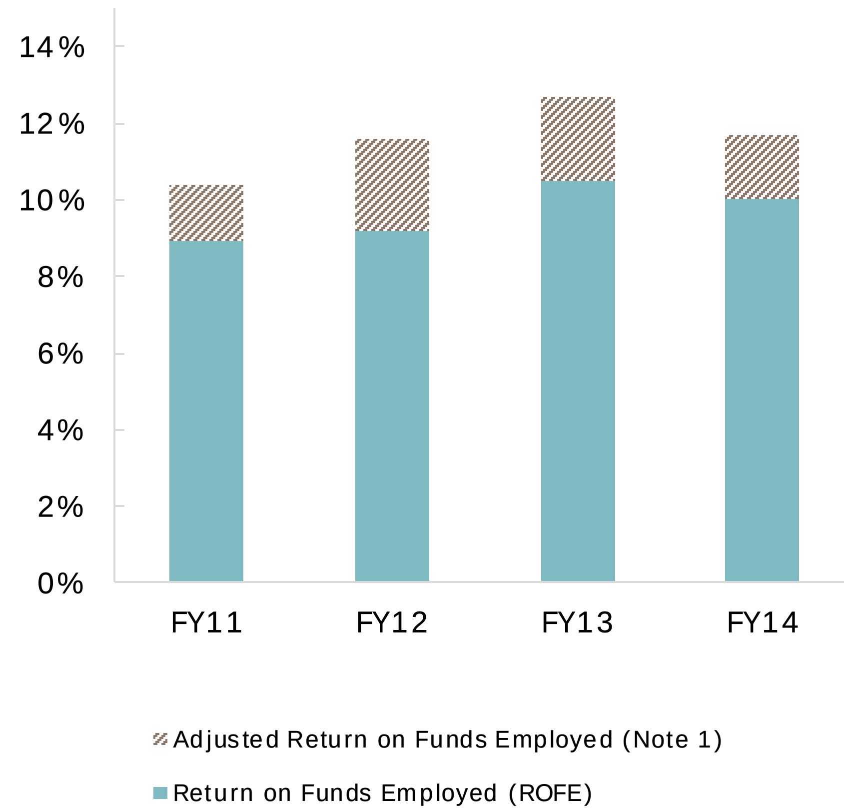
Historic profitability & ROFE

Strong growth in cash flow however EPS and ROFE below expectations.

Operating Cash Flow and EPS



Return on Funds Employed



1. Adjusted for assets under construction and Upstream Gas

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Looking forward

Initiatives in place to significantly increase free cash flow by FY17.

Improve capital efficiency including divestments

Reduce recurring sustaining capital expenditure

Reduce recurring cash costs through transformation

→

One off free cash flow benefit of ~$1.2 billion over FY16 and FY17.

Recurring free cash flow benefit ~$200 million[1] real delivered in FY17.

1. Reduction in sustainable capital expenditure and reduction in operating expenses less increase in PPA expenses from some asset sales, pre tax.

Improve capital efficiency

One-off benefit to free cash flow of ~$1.2b targeted for FY16 and FY17.

Target ~$1 billion through divestment of assets

- Sale of AGL's 50% interest in Macarthur wind farm has commenced
  - Net proceeds ~$500 million
  - No development profit
  - Structured to provide lower ongoing PPA price
  - Likely to be recurring net PPA cost of ~$40 million
- Majority of divestments to occur in FY16, completed by end of FY17

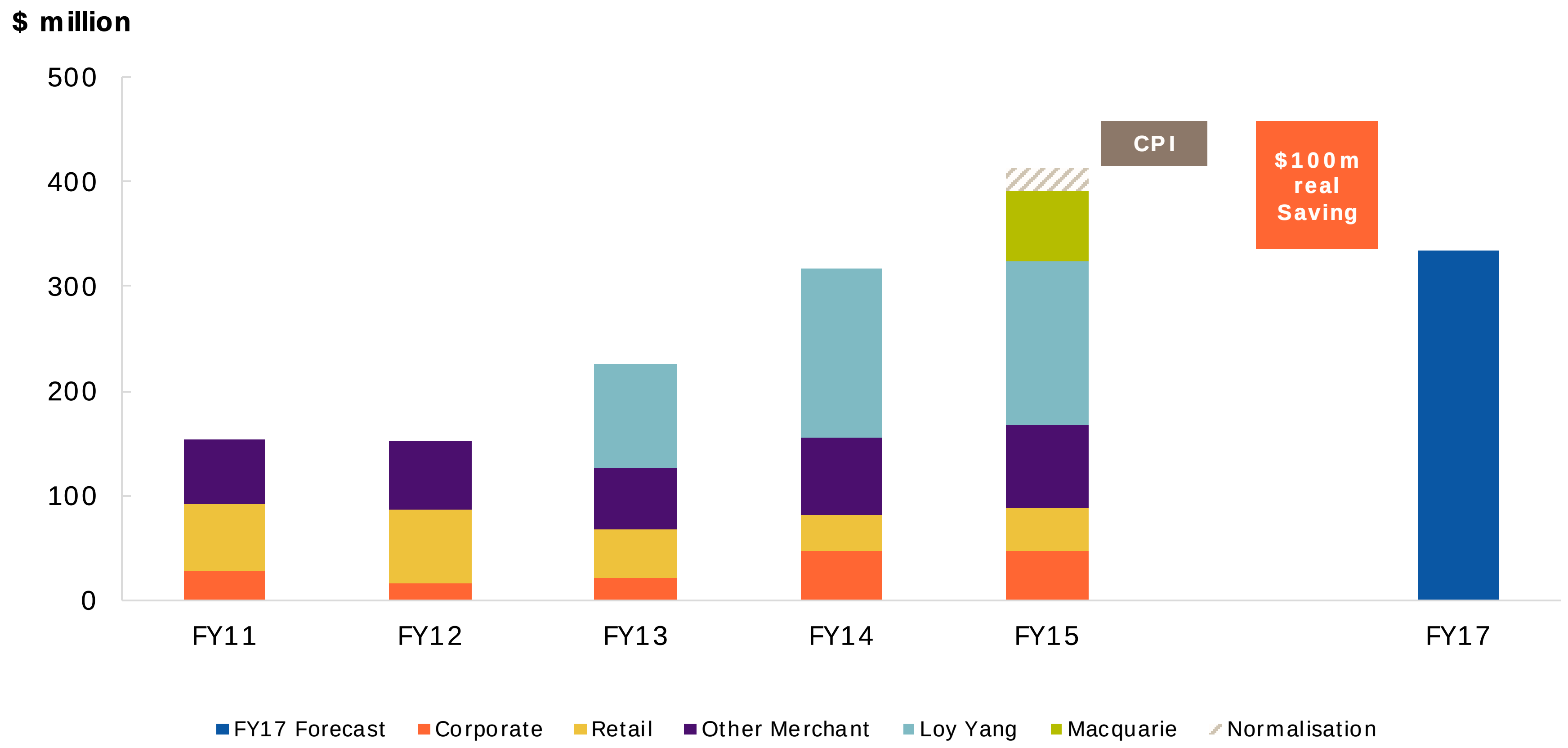
Target ~$200 million working capital reduction by end of FY17

- Reduce surplus of LGCs and other green assets
- Excess gas bank to be naturally consumed
- Optimise coal stockpile at AGL Macquarie
- Consumer credit and monthly billing initiatives

Reduce sustaining capex

Saving of $100m p.a. real targeted by FY17.

Sustaining capex

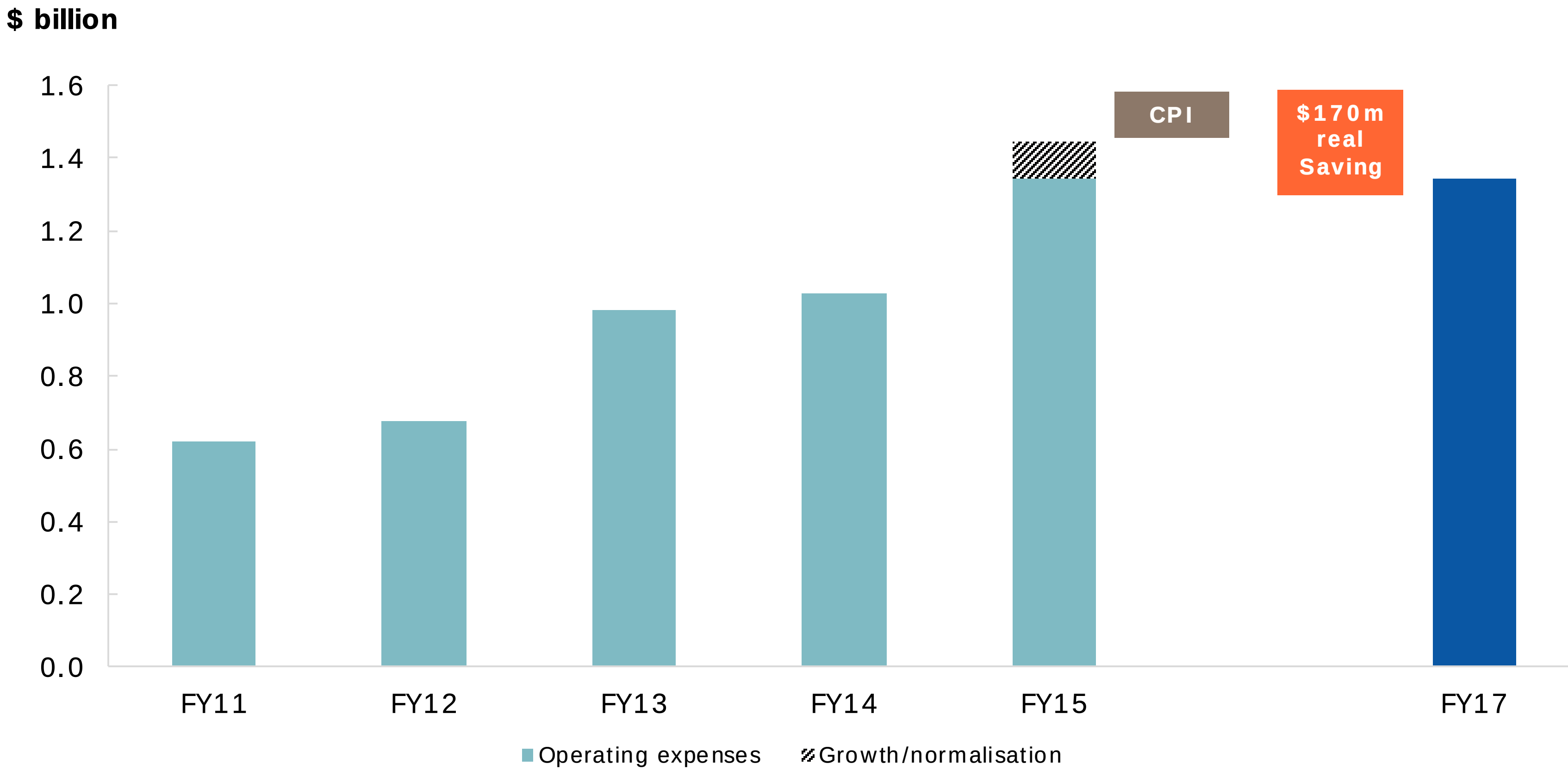


1. FY15 capital expenditure normalised for full year of AGL Macquarie, and forecast change in AGL Loy Yang mine plan switching treatment of overburden cost from capitalised to directly expensed under AASB Interpretation 20.

Reduce recurring operating cash costs

Saving of $170m real targeted by FY17.

Normalised operating expenses[1] (excluding fuel and PPA costs)



1. FY15 operating expenses adjusted for growth (primarily a full year of AGL Macquarie, New Energy, Solar and NGSF), and forecast change in AGL Loy Yang mine plan switching treatment of overburden cost from capitalised to directly expensed under AASB Interpretation 20.

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Executing the program

Programs in place to deliver the productivity targets.

› Organisation structure, leadership and accountability

  » EGM Organisational Transformation (Alistair Preston) to drive productivity program across entire business

  » EGM Group Operations (Doug Jackson - Acting) to drive major productivity improvement in Group Operations

› Disciplined and comprehensive programs being created with metrics and targets

› Initial focus on high-value, near-term wins:

  » Significant progress expected during FY16

  » Targeting to deliver benefits in FY17 with full run-rate benefit in FY18