Performance measures & outlook

Brett Redman

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AGL

Financial scorecard

Eight initiatives will be reported, commencing with full year results.

1
- One-off cash flow benefit from optimising working capital and asset sales

2
- Recurring free cash flow benefit through transformation

3
- Cost of generation ($/MWh)

4
- EBIT per customer

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Financial scorecard
(continued)

5
- New Energy – Break-even by 2018[1]

6
- New Energy – Smart connections

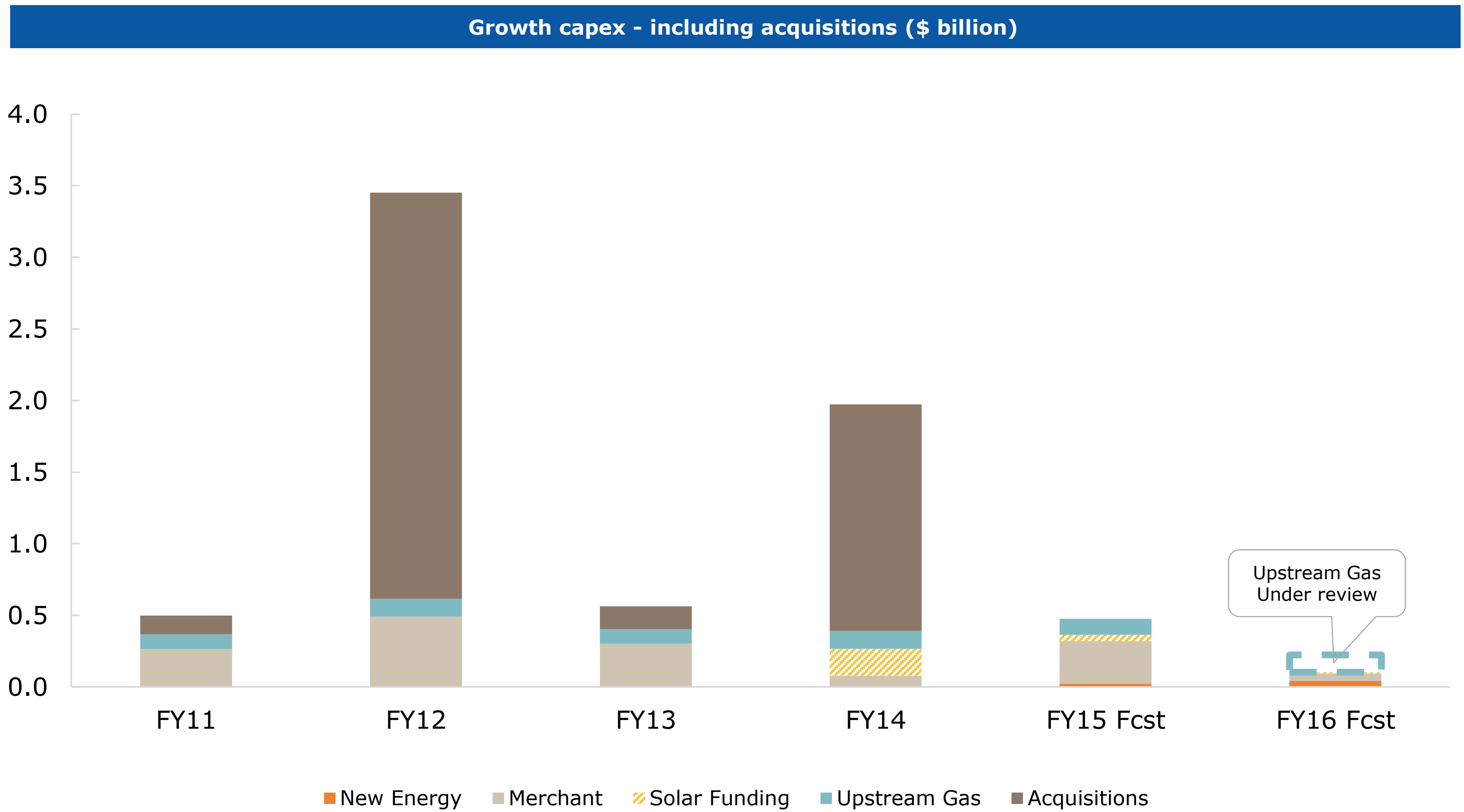
7
- New Energy – Revenue growth

8
- Return on Funds Employed – Leading indicator for TSR

1. New Energy business unit as previously reported including solar and meters. May adjust target if new product lines added.

Additional cash available

For growth, debt repayment and/or distribution to shareholders.



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Looking ahead

AGL well placed to respond to and manage industry challenges.

- Expectation that electricity, gas and REC wholesale prices will rise modestly
- Higher retail margins targeted however competition to remain intense
- Retail markets change and AGL response ongoing:
  - Average consumer electricity consumption expected to decline ~1% p.a.
  - Early signs of lower average consumer gas consumption
  - New Energy business unit up and running, initial pre tax loss running ~$45m p.a.
- Transformation and organisation restructure to deliver opex and cash benefits from FY16
- Non cash accounting changes expected to reduce pre tax profit in FY16 ~$50 million
  - Higher depreciation from review of key asset lives
  - Loy Yang mine plan update likely to reduce overburden cost capitalised under AASB Interpretation 20, increasing operating costs and reducing sustaining capital expenditure
- AGL Macquarie continuing to perform ahead of investment case
- Loy Yang EBA negotiations commence in H1 FY16

FY15 Outlook

Guidance reconfirmed.

- Guidance range of $575-$635 million reconfirmed[1,2]
  - Result expected to be in the top half of the range
  - Consumer volumes tracking in line with expectation
  - Generation volumes above expectation with some wholesale price improvement
  - Better than expected performance of Macquarie acquisition
- Organisational review in progress
  - Restructure costs ~$30 million pre tax expected to be booked as significant item
  - Upstream Gas operations and asset valuations under review
- GHG policy released April 2015
- Installation of 1.36 million solar PV modules at Nyngan solar farm completed
- Newcastle Gas Storage Facility completed on time and on budget

1. Subject to normal market conditions.
2. Moranbah is classified as "held for sale" and, in accordance with accounting standards, is no longer depreciated. If at 30 June 2015 Moranbah is not sold and is no longer classified as held for sale, then non-cash depreciation of approximately $25 million (pre-tax), for the period 1 January 2014 to 30 June 2015, would need to be recognised. No profit on sale is assumed for providing Underlying Profit guidance.