

# 2013 Annual General Meeting

Michael Fraser,  
Managing Director and CEO

23 October 2013

Energy in  
action.®

AGL

# FY13 Highlights

Strong cash performance and profit growth.

2

- › Statutory Profit of \$388.7 million up 238.3%
- › Underlying Profit of \$598.3 million up 24.1%
- › Underlying EPS of 108.8 cents per share up 8.8%
- › Dividend per share up 3.3% to 63.0 cents per share fully franked
- › Underlying Operating Cash Flow before interest and tax of \$1.2 billion up 64.1%
- › Provision for impairment of NSW gas projects of \$343.7 million (pre-tax)
- › Standard & Poors reaffirmed BBB credit rating
- › Total injury frequency rate down by 31%
- › Record level of employee engagement up 10%
- › Successfully integrated Loy Yang A and completed Macarthur wind farm (420 MW)
- › Improvement across all customer satisfaction measures

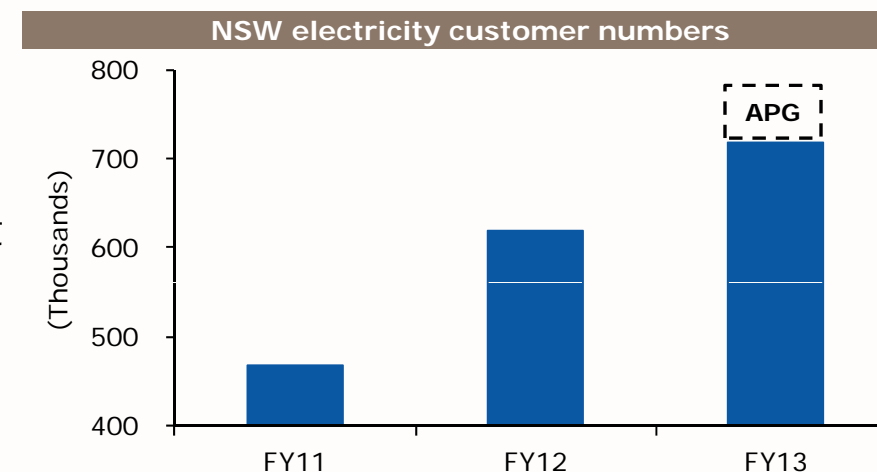
# Acquisition of Australian Power & Gas (APG)

Delivers 10% growth in AGL's customer base.

3

- › Acquisition targeted to complete October 2013
- › Acquisition increases AGL customer base to 3.85 million
  - » APG's largest customer base is in Victoria
  - » NSW electricity customer base set to exceed 800,000
- › AGL plans to:
  - » Improve quality of service and product offering
  - » Cease APG's door knocking activities
  - » Fully integrate within 12 months
  - » Substantially lower cost to serve (\$132/customer)
  - » Deliver superior debtor management

APG Customer Numbers			
('000)	Electricity	Gas	Total
Victoria	121	107	228
New South Wales	74	25	99
Queensland	22	4	26
<b>Total</b>	<b>217</b>	<b>136</b>	<b>353</b>

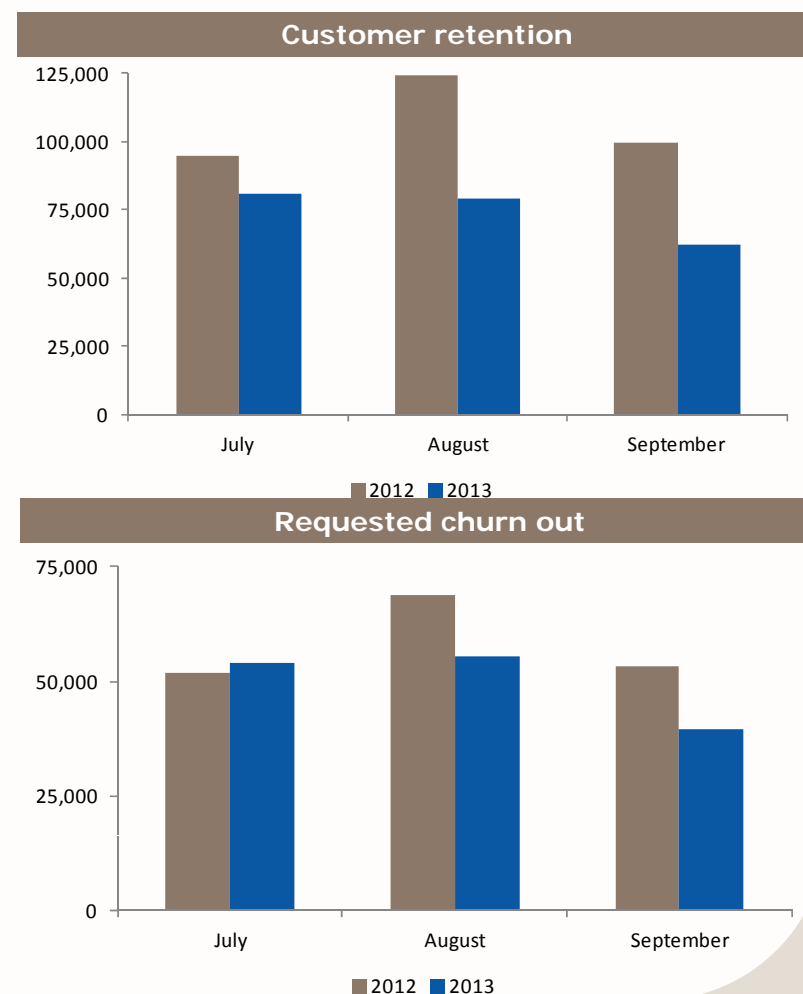


# Record level of retail competition begins to slow

Customer churn and discounts fall in first quarter of FY14.

4

- › Record levels of competition in FY13 resulted in:
  - » Retention activity increasing by 65%
  - » Acquisition and retention costs increasing by \$20 million
  - » Downward pressure on margins which will flow through into FY14 results
- › First quarter of FY14 has seen competition slow compared to first quarter of FY13:
  - » Retention activity down 30%
  - » Requested churn out down by 14%
  - » Discounts reduce in all States
- › All major retailers and a number of second tier retailers have now withdrawn from door knocking



# Regulatory pricing

Policy settings begin to improve

5

- › SA government implemented price deregulation effective 1 February 2013
- › Queensland announces deregulation effective 1 July 2015
- › AEMC<sup>1</sup> report to NSW government reaffirms that competition is effective
  - » Recommendation for NSW Government to deregulate electricity and gas prices
  - » Price monitoring and maintenance of consumer protections expected post deregulation
- › Price deregulation will foster competition, investment and improved service for customers
- › Deregulation removes a major risk from AGL's business
  - » Adverse regulatory outcomes reduced FY13 EBIT by ~\$68 million



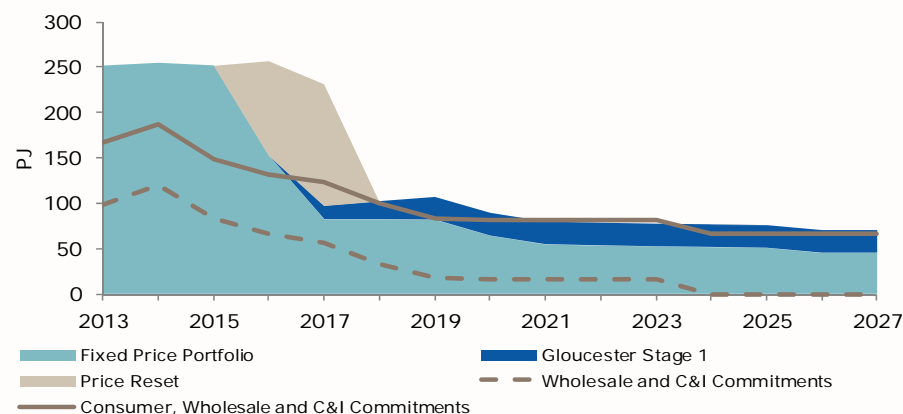
# Wholesale gas portfolio

AGL's gas portfolio provides substantial upside.

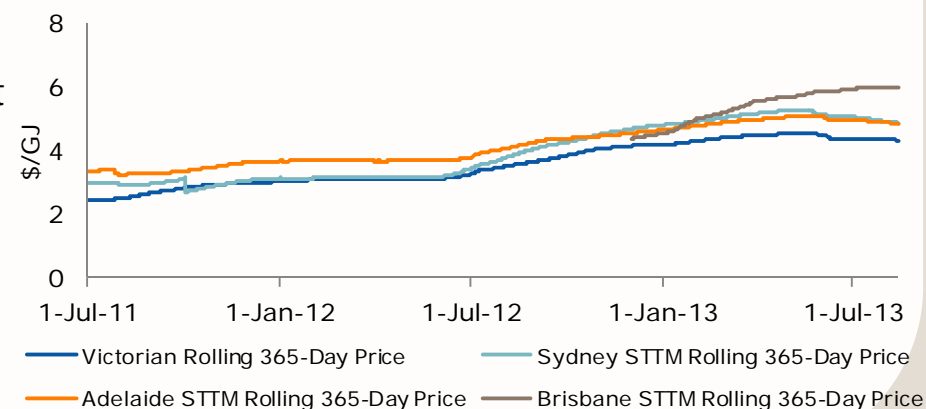
6

- > AGL is extremely well placed with a long gas position in QLD
  - » QLD sourced supply contracts in place to 2027
  - » Existing supply contracts allow for additional QLD sales of up to 40 PJ p.a. from 2015
  - » Good progress being made in large sales contract negotiations
- > Majority of AGL's existing gas supply contracts are now fixed
  - » Approximately 85% of supply contracted at fixed prices with CPI escalation
  - » Contracts subject to further market review confined to southern markets
- > Rising gas prices in all east coast markets
  - » Queensland market for FY15 forward now trading at \$9-10 per GJ

AGL Contracted Supply – Maximum Annual Quantity<sup>1</sup>



Wholesale gas prices



# Gloucester Gas Project

7

Targeting lowest cost gas supply into Sydney-Newcastle market.

- › FEED underway:
  - » WorleyParsons engaged
  - » Geotechnical and survey work for the pipeline
- › Cooperation Agreement entered into with Gloucester Council to undertake basin wide water study
- › Conducting irrigation trial with produced water
- › Work program underway to comply with conditions required to commence construction
  - » State development approval 92 conditions
  - » Federal EPBC approval 36 conditions
- › Applications made for petroleum production licence and pipeline licence in December 2012
- › Final investment decision target Q3 2014:
  - » First gas target Q4 2016
  - » Production target 20-30 PJ per annum



*Image of AGL's property near Gloucester, showing gas wells and irrigation trial*

- > 2013 Annual General Meeting
- > October 2013
- > AGL External

# Project Updates

8

## Solar projects

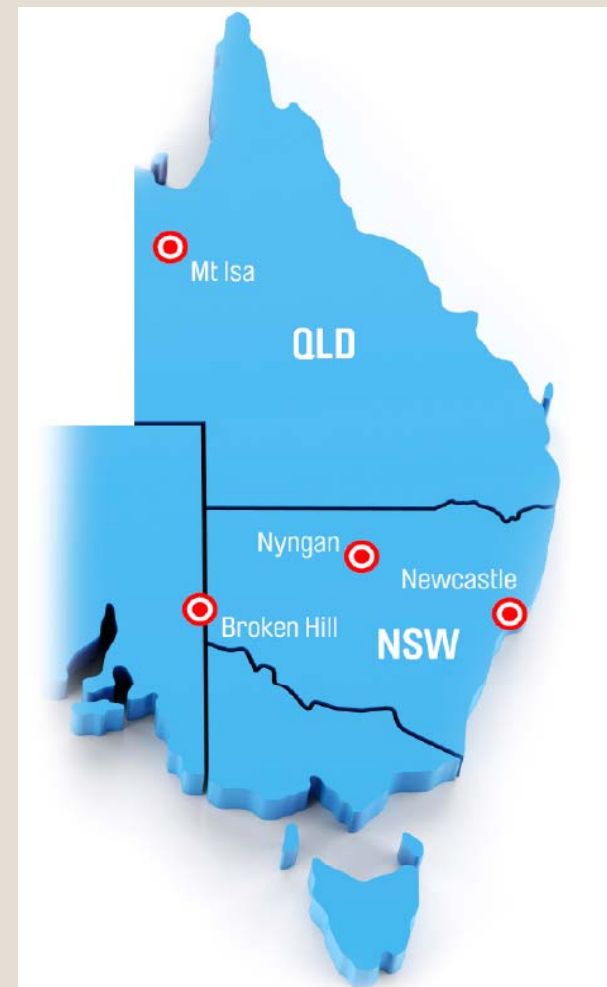
- › Total project cost of ~\$440 million, with funding support provided by ARENA (\$166.7 million) and the NSW Government (\$64.9 million)
- › Two sites: Nyngan, NSW (102 MW) and Broken Hill, NSW (53 MW), capacity factor of ~26-27%
- › Construction to start at Nyngan in Jan 2014, with completion expected in mid 2015. Construction at Broken Hill to commence in Jun 2014, with commissioning in late 2015

## Diamantina Power Station – Mount Isa (JV with APA)

- › 242 MW CCGT and 60 MW OCGT (dual fuel) power stations
- › CCGT operations targeted H1 2014
- › 10.5 year gas supply contract commenced May 2013 for 138 PJ

## Newcastle Gas Storage Facility

- › 1.5 PJ storage capacity, 120 TJ/day re-injection rate
- › Total project cost of ~\$310 million
- › Main LNG tank construction has commenced
- › Completion targeted mid 2015



- > 2013 Annual General Meeting
- > October 2013
- > AGL External



# Outlook

9

Solid operating performance to continue against backdrop of soft demand.

- › 2014 Underlying Profit (after tax) expected to be between \$560m - \$610m<sup>1,2</sup>
  - » After adjusting for a change in accounting standards that came into effect on 1 July 2013, this guidance compares with an Underlying Profit of \$585.4 million in FY13<sup>3</sup>
- › Key factors affecting FY14 Underlying Profit are:
  - » Change in accounting standard (AASB119) for defined benefit superannuation funds reduces FY14 by ~\$10 million (FY13 comparative impact \$12.9 million)
  - » Record warm July to September lowers energy demand and reduces FY14 Underlying Profit after tax by \$25-30 million
  - » Aggressive competition and discounting in FY13, while abating, flows through into FY14 earnings
- › Continued strong underlying operating cash flow performance expected in FY14
- › AEMC recommends NSW deregulates electricity and gas prices
- › Good progress on large Queensland gas sales contracts
- › Major capital projects and APG integration on track