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ASX & Media Release

AGL reports lower underlying earnings but stronger cash flow after record warm winter

26 February 2014

AGL Energy Limited (AGL) today reported a statutory net profit after tax of $261 million for the six months ended 31 December 2013. The statutory result included changes in the fair value of certain energy derivatives and the inclusion of $17 million of significant items associated with the acquisition of Australian Power and Gas Company Limited (APG), which was completed on 25 October 2013.

AGL's Underlying Profit of $242 million was down 11.4% on the prior corresponding period. Underlying Profit[1] is the statutory net profit after tax adjusted for significant items and changes in the fair value of certain energy derivatives.

Underlying Operating Cash Flow before interest and tax was up strongly to $963 million, a 49% increase on the prior corresponding period.

AGL reaffirmed guidance for 2014 Underlying Profit of $560 million to $610 million, subject to normal trading conditions.

AGL has declared an interim dividend of 30.0 cents per share, fully franked.

RESULT OVERVIEW:

- **Revenue $4,842 million, down 2.6%**
- **Statutory NPAT $261 million, down 27.1%**
- **Underlying Profit $242 million, down 11.4%**
- **Statutory EPS 46.9 cents per share, down 28.2%**
- **Underlying EPS 43.5 cents per share, down 12.7%**
- **Underlying Operating cash flow before interest & tax $963 million, up $318 million**
- **2014 interim dividend of 30.0 cents per share (100% franked), unchanged**

Commenting on the interim results, AGL Managing Director, Michael Fraser, said:

"This is a solid result in a difficult operating environment, with record warm weather conditions during the winter months and a further drop in customer demand for energy.

"We added to our customer base with the successful acquisition of APG and we continued to make big improvements in our customer service which was recognised with AGL being named Australia's favourite Utilities Brand by Canstar Blue. Looking forward, we'll see a big step up in our gas sales in Queensland next year and we should see the benefits of reduced customer churn and discounting begin to flow."

Macquarie Generation (MacGen) acquisition: AGL announced on 12 February 2014 that it had signed a contract with the New South Wales Government to purchase the MacGen assets for $1,505 million, subject to Australian Competition and Consumer Commission (ACCC) approval.

1. Underlying Profit has been presented with reference to the Australian Securities and Investment Commission 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 AGL's external auditors.

If approved, the transaction is expected to be completed in mid-April 2014. Funding of the acquisition is expected to be by way of a renounceable rights issue to existing shareholders to raise approximately $1.2 billion and $350 million of bank debt.

AGL has provided the ACCC with a draft undertaking to provide up to 500 MW of generation capacity to competitors in the NSW market for up to five years after acquisition.

The ACCC is expected to make its decision on 4 March 2014.

Dividends: AGL has declared a fully franked interim dividend of 30.0 cents per share.

The interim dividend will be paid on 4 April 2014. The record date to determine shareholders' entitlements to the interim dividend is 7 March 2014. Shares will commence trading ex-dividend on 3 March 2014.

The AGL Dividend Reinvestment Plan will operate in respect of the dividend. Shares will be allotted at the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on the ASX during each of the 10 trading days commencing on 11 March 2014. In view of the uncertainty about the acquisition of MacGen, and the potential for an overlap between the periods for determining the issue price of shares under the DRP and the exercise price in respect of a rights entitlement offer, the Directors have determined that no discount will apply in respect of the issue price of shares under the DRP.

Outlook: As was also the case last year, AGL expects an improved financial performance in the second half of the financial year which will include a full six months contribution from APG.

AGL reaffirmed Underlying Profit guidance of $560 million to $610 million for the 12 months ending 30 June 2014, subject to normal trading conditions. The successful acquisition of MacGen is not expected to alter guidance.

Conference call: A webcast and conference call will be held today to discuss AGL's 2014 interim profit result.

A copy of the investor presentation is attached.

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eWebcast via: www.aglinvestor.com
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About AGL
AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

FY14 Interim Results

Half Year ended 31 December 2013

Michael Fraser,
Managing Director and CEO

Brett Redman,
Chief Financial Officer

26 February 2014

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Disclaimer and important information

The information in this presentation:

- Is not an offer or recommendation to purchase or subscribe for securities in AGL Energy Limited or to retain any securities currently held.
- Does not take into account the potential and current individual investment objectives or the financial situation of investors.
- Was prepared with due care and attention and is current at the date of the presentation.

Actual results may materially vary from any forecasts (where applicable) in this presentation.

Before making or varying any investment in securities in AGL Energy Limited, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.

All references to prior period movements are references to the prior corresponding period ended 31 December 2012.

Statutory Profit and Underlying Profit

Statutory Profit is prepared in accordance with the Corporations Act 2001 and the Australian Accounting Standards, which comply with the International Financial Reporting Standards.

Underlying Profit is the Statutory Profit adjusted for significant items and changes in fair value of financial instruments.

Underlying Profit has been presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 “Disclosing non-IFRS financial information” issued in December 2011. AGL’s policy for reporting Underlying Profit is consistent with this guidance and the Directors have had the consistency of the application of the policy reviewed by the external auditors of AGL. For more information refer to slide 8.

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Agenda

IMPORTANT NOTE:
This presentation should be read in conjunction with the AGL Energy Limited Financial Results ASX Release for the Half Year ended 31 December 2013.

Half year FY14 highlights

Lower underlying earnings. Stronger cash flow. Strategy delivers structural improvements.

- Underlying Profit down 11% to $242 million
- Underlying Operating Cash Flow before interest and tax up 49% to $963 million
- Retail Operating EBIT of $136 million in line with prior period despite:
  - Record warm winter and lower average consumption
  - SA price deregulation tariff commitment
  - Flow through of prior year competition and price discounting
- Merchant Operating EBIT of $433 million down 5.9% driven by lower volumes and eco-markets
- APG acquisition strengthens AGL retail footprint
- NSW electricity customer base now exceeds 800,000
- AGL customer churn now showing significant and accelerating decline (down to ~16%)
- Good progress on QLD gas sales. Additional ~40 PJ in FY15 at margin of $3.40/GJ
  - Ongoing negotiations for additional sales
- Agreement executed to acquire Macquarie Generation from NSW Government for $1.5 billion, subject to ACCC approval

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Interim FY14 result

Statutory and Underlying Profit impacted by lower electricity and gas volumes.

FINANCIAL

Revenue:	$4,842m	↓ (2.6%)
Statutory Profit:	$261m	↓ (27.1%)
Underlying Profit:	$242m	↓ (11.4%)
Statutory EPS:	46.9 cps	↓ (28.2%)
Underlying EPS:	43.5 cps	↓ (12.7%)
Dividends Per Share (100% franked):	30.0 cps (Dec 12: 30.0 cps)	– 0.0%
Gearing (Net Debt / Net Debt + Equity):	26.2% (Jun 13: 27.8%)	↓ 1.6 ppts
Statutory operating cash flow after tax:	$748m	↑ $383m
Underlying operating cash flow before interest and tax:	$963m	↑ $318m

OPERATIONAL

- Revenue and Underlying Profit reduced because of lower volumes and competition
  - Electricity consumer volumes down 5%, gas consumer volumes down 5.8%
- Strong operating cash flow reflects lower working capital and monetisation of carbon units
- Interim dividend of 30.0 cents per share fully franked
- APG integration on track
- Core operations continue to perform well in difficult market conditions

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Macquarie Generation Acquisition

Subject to ACCC approval.

- AGL signed agreement with NSW Government to purchase Macquarie Generation assets on 12 February 2014
  - ACCC decision expected on 4 March 2014
  - Undertakings offered to ACCC consistent with business case
- AGL to acquire 100% of Macquarie Generation comprising:
  - Bayswater (2,640 MW) and Liddell (2,000 MW) power stations
  - Hunter Valley Gas Turbines (50 MW), Bayswater B and Tomago development sites, Liddell solar farm
  - Extensive coal handling infrastructure comprising rail unloaders and conveyor systems
  - 110 Mt of low cost contracted coal and ~3.5 Mt opening coal stockpile
- Purchase price of $1,505 million[1]
  - Coal book and stockpile valued at ~$600 million
- Transaction will be funded to maintain AGL's BBB credit rating
  - ~$1,200 million equity – fully underwritten renounceable rights issue
  - ~$350 million debt facility
- Modelled return substantially exceeds AGL's cost of capital and hurdle rate
  - Investment payback of ~7 years
- Immediately accretive to Underlying EPS[2] in FY15 and generates substantial future cash flows

1. Purchase price of $1,505m including $94m stamp duty but not other transaction costs of $33m
2. Refer to AGL presentation dated 12 February 2014 for key underlying assumptions

Group Financials

Brett Redman
Chief Financial Officer

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Statutory Profit to Underlying Profit reconciliation

Volatility of non-cash items highlights value of focus on Underlying Profit.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Statutory Profit	**261**	358	↓ (27.1%)
Adjust for the following after tax items:			
Significant items[1]	**17**	-	-%
Changes in fair value of financial instruments	**(36)**	(85)	↓ (57.6%)
Underlying Profit	**242**	273	↓ (11.4%)

- Changes in the fair value of financial instruments arise from an accounting standard requirement to value certain components of AGL's derivative portfolio differently from the value of the underlying asset to AGL's business. This is a non-cash accounting entry
- AGL believes Underlying Profit provides a better understanding of its financial performance because it:
  - removes significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods
  - removes changes in the fair value of financial instruments recognised in the income statement to remove the volatility caused by mismatches in valuing derivatives and the underlying asset

1. Costs associated with the APG acquisition.

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Underlying Profit

Underlying profit down 11% on prior period.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Revenue	**4,842**	4,970	(2.6%)
Operating EBITDA	**622**	641	(3.0%)
Operating EBIT			
Retail	**136**	136	0.0%
Merchant	**433**	460	(5.9%)
Upstream Gas	**(13)**	(3)	333.3%
Energy Investments	**14**	16	(12.5%)
Centrally managed expenses	**(115)**	(106)	8.5%
Total Operating EBIT	**455**	503	(9.5%)
Less: Net finance costs	**(113)**	(110)	2.7%
Underlying Profit before tax	**342**	393	(13.0%)
Less: Income tax expense	**(100)**	(120)	(16.7%)
Underlying Profit	**242**	273	(11.4%)

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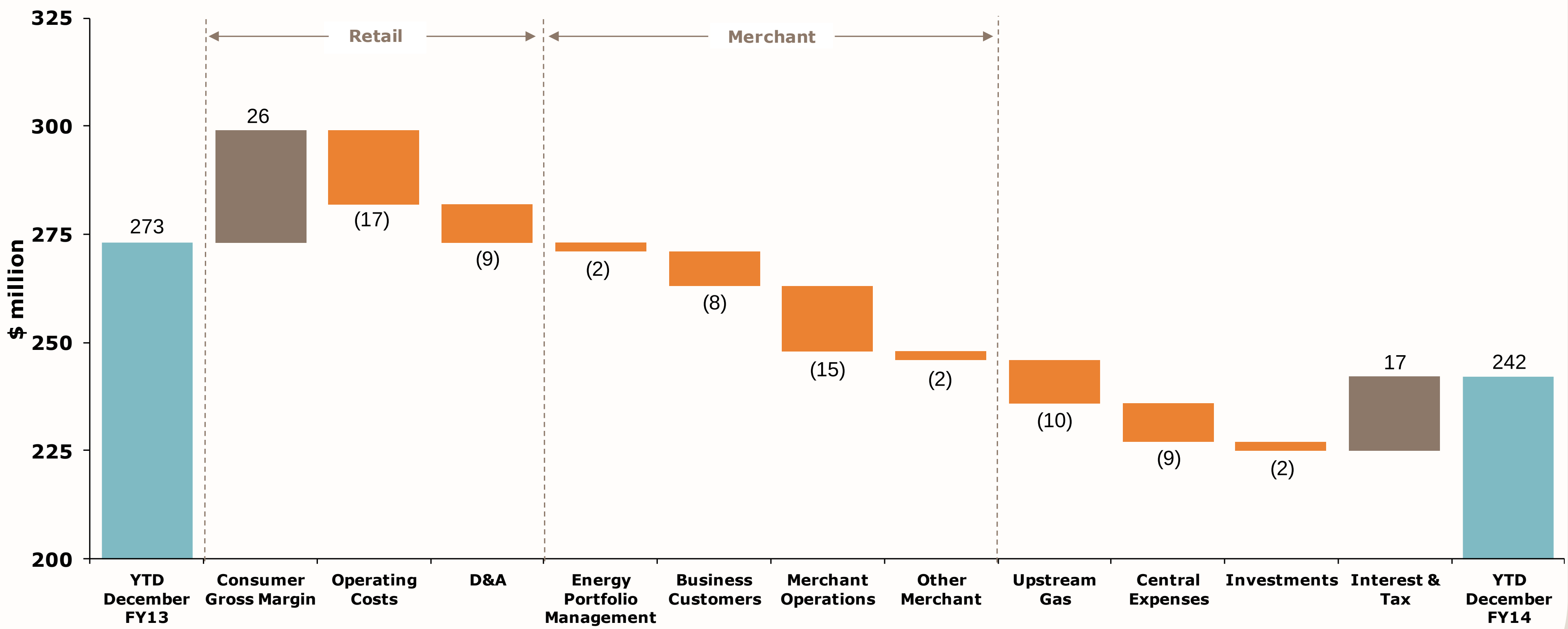
Group Underlying Profit

Record warm winter impacts first half earnings.



Retail – key financial metrics

Flat result achieved despite lower volumes and higher discounting.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Electricity Revenue	**1,823**	1,774	2.8%
Gas Revenue	**739**	698	5.9%
Other Revenue (Fees & Charges)	**37**	37	0.0%
Total Revenue	**2,599**	2,509	3.6%
Cost of Sales	**(2,220)**	(2,156)	3.0%
Gross Margin	**379**	353	7.4%
Operating Costs (excl. D&A)	**(200)**	(183)	9.3%
Operating EBITDA	**179**	170	5.3%
D&A	**(43)**	(34)	26.5%
Operating EBIT	**136**	136	0.0%

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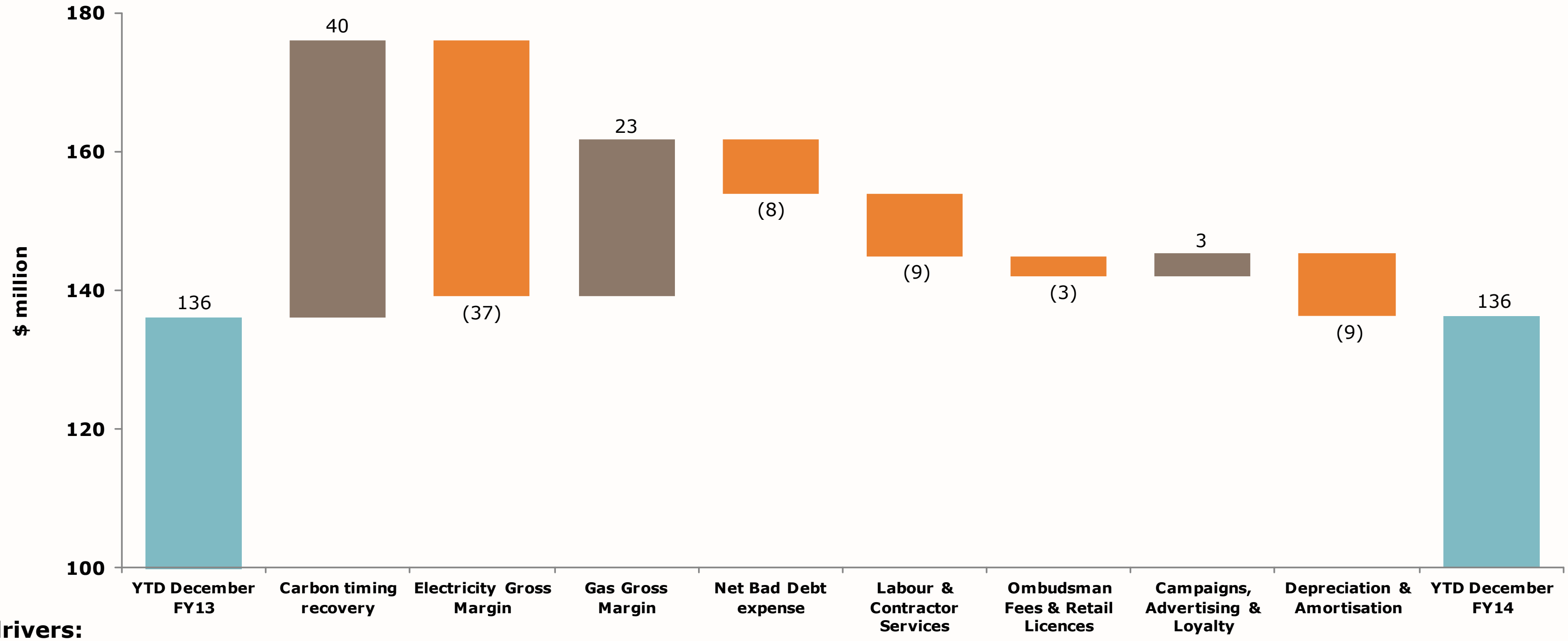
Retail – Operating EBIT drivers

Solid result in challenging environment.



Key drivers:

- Prior period electricity and gas gross margin reduced by $40 million due to delay in price increases to recover carbon cost.
- Electricity gross margin decline driven by lower volumes predominantly in Victoria, flow through of last year discounting and South Australian price deregulation agreement. Offset by net price increases in other states and the inclusion of APG.
- Gas gross margin improvement due to regulatory price increases offset by lower volumes largely in New South Wales.
- Labour and Contractor Services increase driven by the inclusion of APG, and one-off costs of ($4.5 million) being redundancies for Canberra call centre closure and other restructuring.
- Depreciation and amortisation increase due to success of NSW customer acquisitions and APG acquisition.

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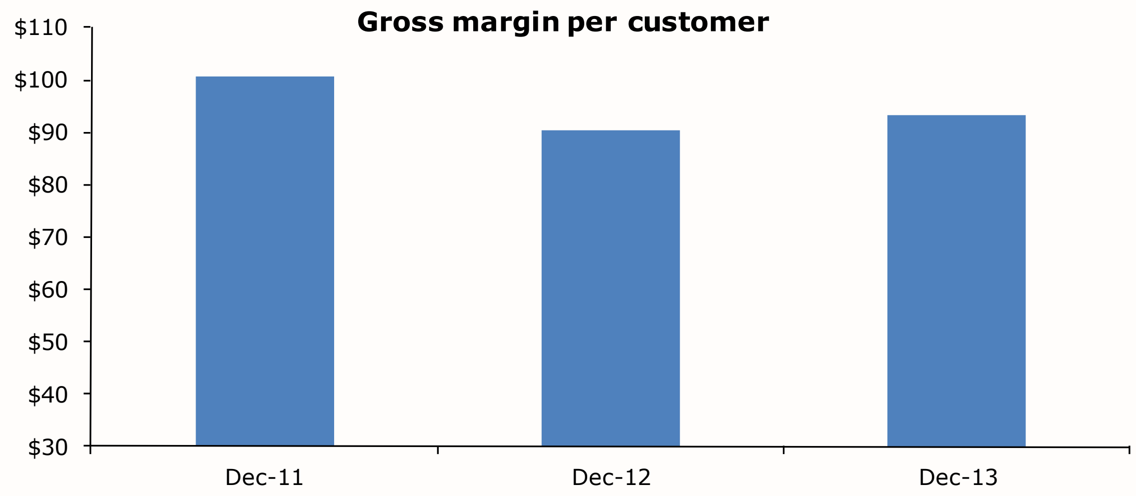
Retail – key operating metrics

Improved timing of price increases offset by discounting and lower volumes.

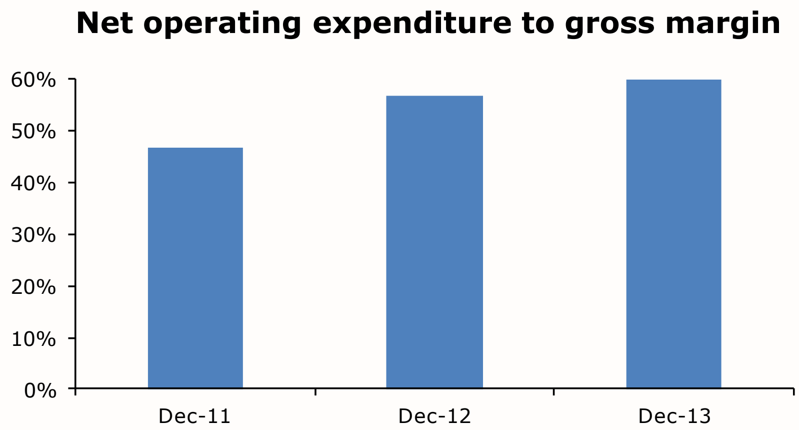
6 months to	31 Dec 2013	31 Dec 2012	Change
Consumer gross margin excluding fees and charges ($m)	**342**	316	8.2%
Average customer numbers (‘000)	**3,661.9**	3,494.6	4.8%
Gross margin per customer	**$93.41**	$90.54	3.2%

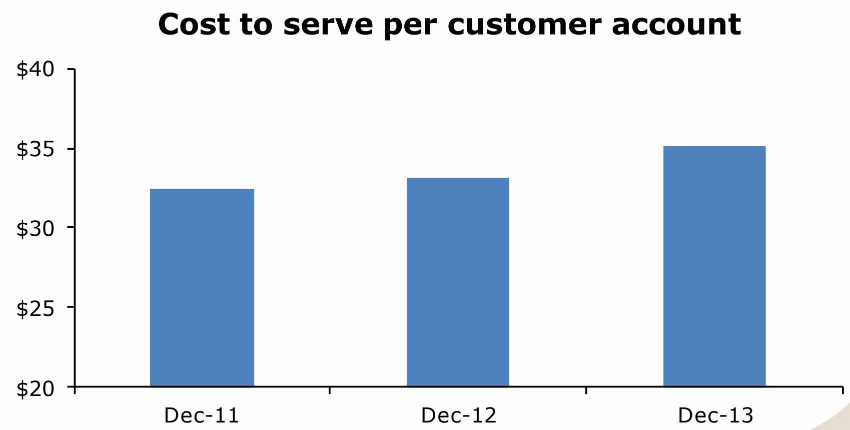


Retail – key operating metrics

Net opex to gross margin ratio impacted by one-off costs, APG and Project Storm amortisation.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Operating costs	**(200)**	(183)	9.3%
Depreciation and amortisation	**(43)**	(34)	26.5%
Less fees and charges	**37**	37	0.0%
Net operating costs	**(206)**	**(180)**	**14.4%**
Gross margin	**379**	353	7.4%
Less fees and charges	**(37)**	(37)	0.0%
Gross margin excluding fees and charges	**342**	**316**	**8.2%**
Net operating expenditure to gross margin ratio	**60.2%**	57.0%	3.2ppts





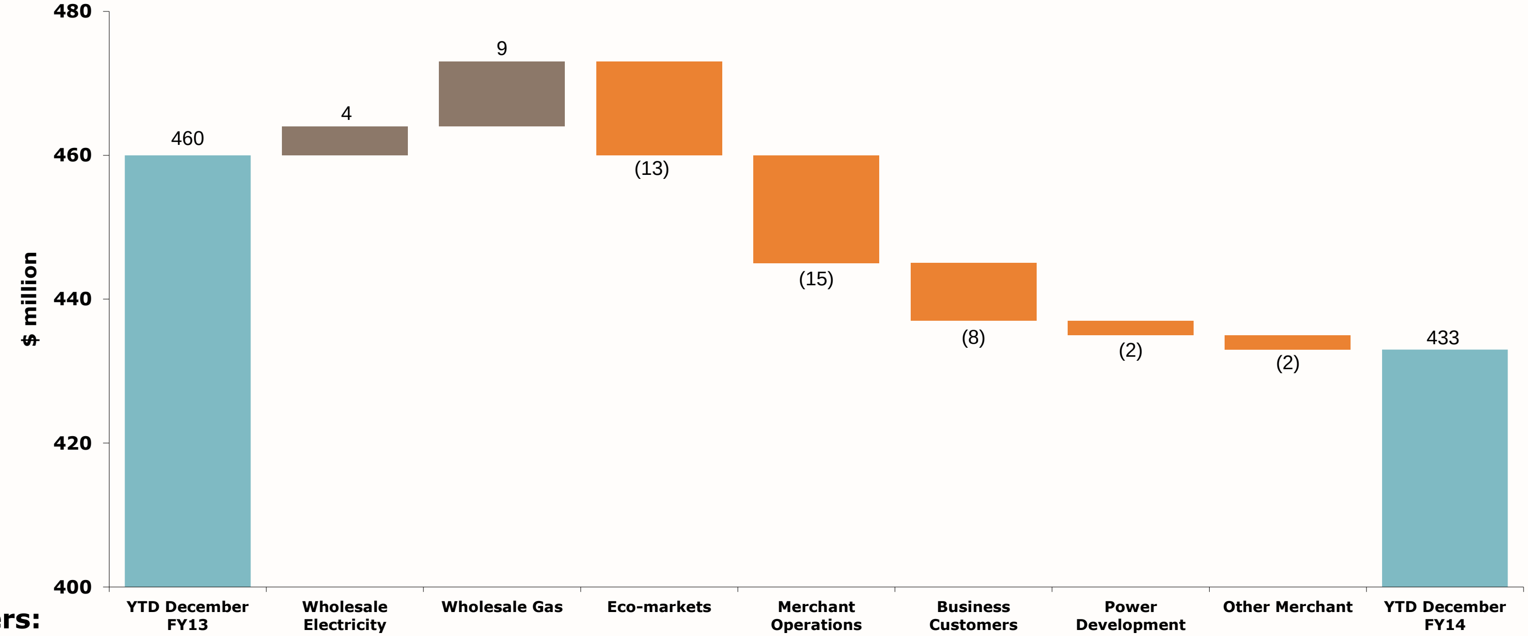
Merchant – key financial metrics

Operating EBIT decline reflecting lower electricity volumes.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Operating EBITDA	**531**	542	(2.0%)
Depreciation and amortisation	**(98)**	(82)	19.5%
Energy Portfolio Management (EPM)			
Wholesale Electricity Gross Margin	**523**	519	0.8%
Wholesale Gas Gross Margin	**81**	72	12.5%
Eco-markets Gross Margin	**16**	29	(44.8%)
EPM Operating Expenses (including D&A)	**(14)**	(12)	16.7%
Merchant Operations	**(213)**	(198)	7.6%
Business Customers			
Electricity Gross Margin	**19**	32	(40.6%)
Gas Gross Margin	**32**	35	(8.6%)
Operations, Sales and Customer Service	**(14)**	(15)	(6.7%)
Energy Services	**22**	15	46.7%
Depreciation & Amortisation	**(7)**	(7)	0.0%
Power Development	**(2)**	0	n/a%
Sundry	**(10)**	(10)	0.0%
Operating EBIT	**433**	460	(5.9%)

Merchant – Operating EBIT drivers

Operating EBIT impacted by lower electricity volumes and higher SREC costs.



Key drivers:

- Macarthur Wind Farm was not fully operational in the prior period. Revenue is included in Wholesale Electricity and depreciation in Merchant Operations.
- Wholesale Electricity impacted by lower consumer electricity volumes.
- Wholesale Gas increase driven by higher wholesale customer volumes and lower cost gas supply contracts, partly offset by lower consumer volumes.
- Eco-markets unfavourable due to increase in the cost of Small-scale Renewable Energy Certificates (SREC) and higher portfolio production cost of Large-scale Renewable Energy Certificates (LREC).
- Business Customers decrease due to lower electricity and gas volumes.

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Underlying Operating cash flow

Cash flow benefited from carbon timing and strong collections performance.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Operating EBITDA	**622**	641	(19)
Equity accounted income	**(1)**	(3)	2
Onerous contracts	**(18)**	(26)	8
Receivables	**137**	(194)	331
Inventories	**4**	9	(5)
Carbon transitional assistance	**117**	-	117
Creditors	**(217)**	(77)	(140)
Carbon Liability	**288**	296	(8)
Net derivative premiums paid / roll-offs	**16**	(14)	30
Net movement in GST recoverable / payable	**(11)**	17	(28)
Other	**26**	(4)	30
Total working capital movements	**360**	33	327
Underlying Operating cash flow before interest and tax	**963**	645	318

The impact of carbon on working capital movements is approximately $447 million (1H13 $171 million). This comprises the early cash receipt of carbon transitional assistance of $117 million (1H13 nil), increase in carbon liability of $288 million (1H13 $296 million), decrease in receivables of estimated $40 million (1H13 ($155 million)) and increase in creditors of estimated $2 million (1H13 $30 million). Expected to net back to approximately nil in the full year, as happened in FY13.

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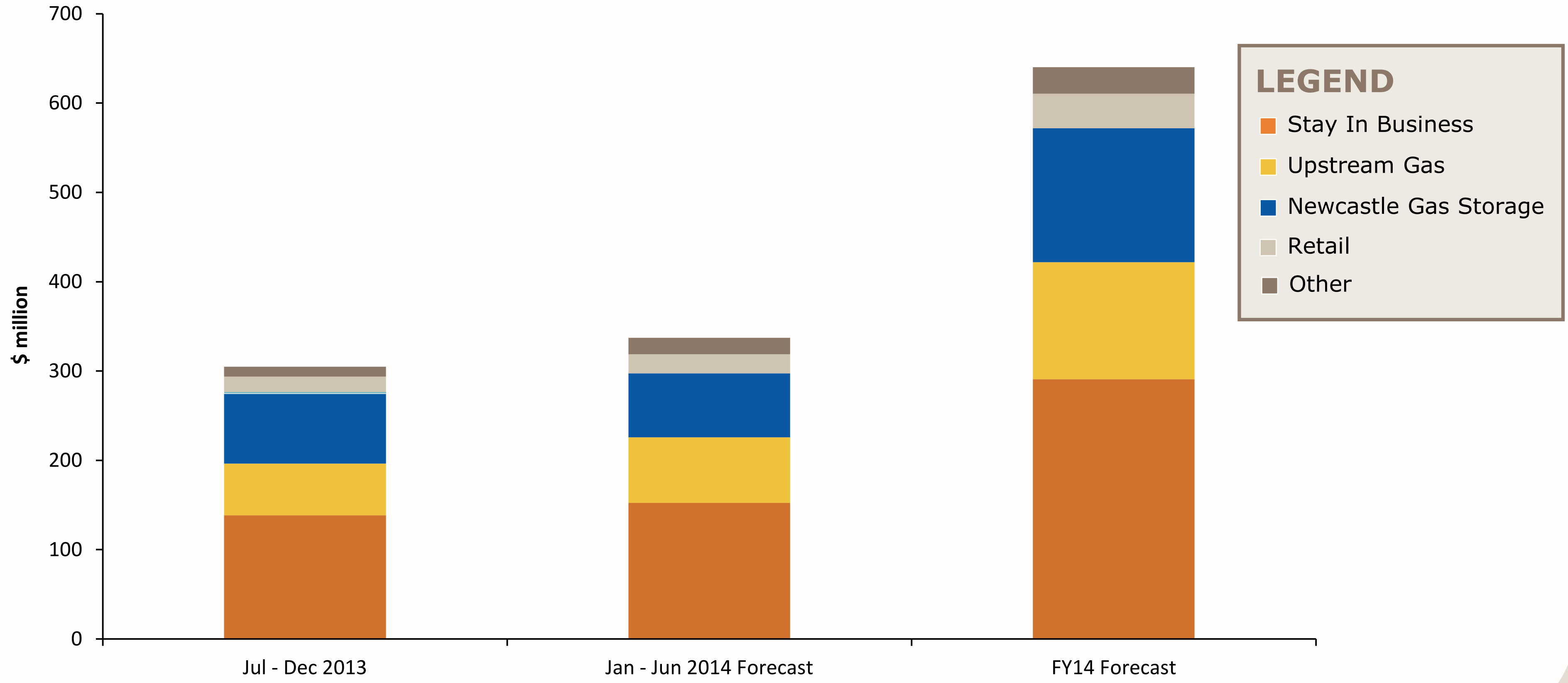
Capital expenditure

Stay in Business, Newcastle Gas Storage and Upstream Gas key drivers of spend.

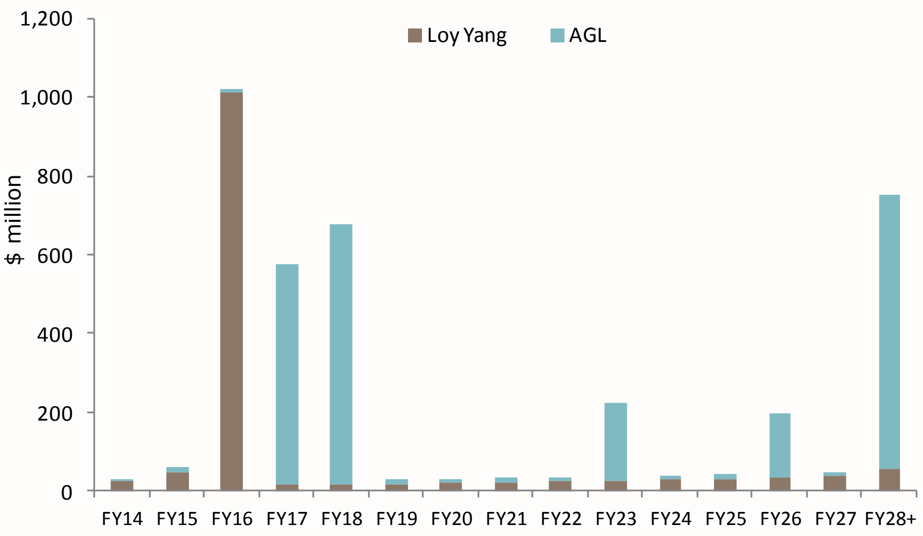


Debt structure

No material debt maturity until FY16.

- $600m syndicated term facility increased to $650m and extended to February 2018
- Refinanced facility signed in February 2014 with existing banking consortium
- Four year term sourced at lower margin than existing three year facility
- Refinancing Loy Yang debt will commence post June 2014

AGL Debt Maturity Profile[2]



Facilities at 31 December 2013	Limit $m	Usage $m
Current		
Loy Yang A Senior Debt	34	34
Export Credit Agency Facility	11	11
AGL – Term A[1]	600	600
Non Current		
AGL – Term B	400	0
Revolver Facilities	150	150
AGL – US Senior Notes	338	338
Export Credit Agency Facility	183	183
Hybrid Subordinated Notes	650	650
Loy Yang A Senior Debt	1,268	1,268
Total Debt	**3,634**	**3,234**
Less: Cash		570
Net Debt		**2,664**

1. "AGL – Term A" facility refinanced on 14 February 2014 for four year term.
2. Debt maturity profile as at 14 February 2014, post refinance of "AGL – Term" facility.

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Operational Review

Michael Fraser
Managing Director and CEO

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People and safety

Improvement in key safety and engagement measures.

Key safety statistics for 1H FY14:

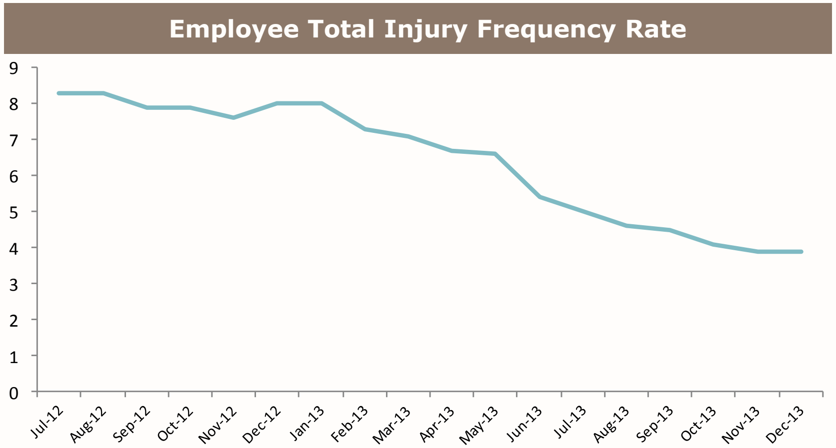
- Medical treatment injuries – 16
- Lost time injuries - 8

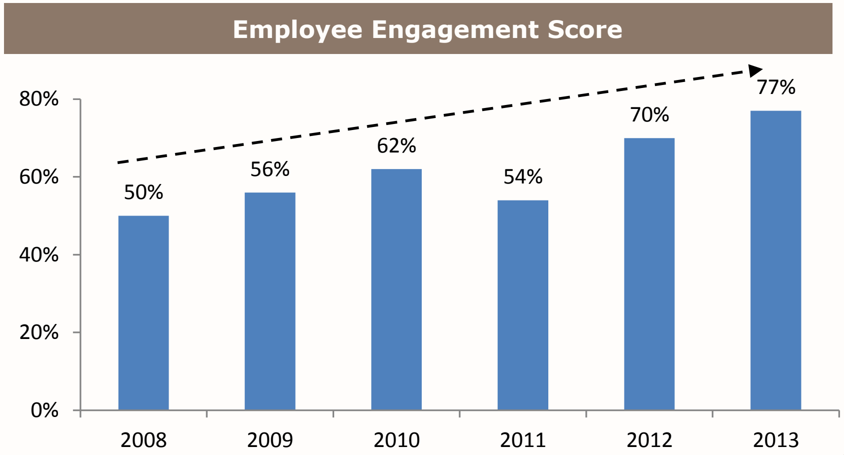
Key health and safety process improvements:

- Strengthened safety and incident systems
- Implementation of the fitness for life program
- Establishment of internal investigation and audit team
- Development of enhanced data analysis and reporting

Key people initiatives:

- Establish functional and operational areas of excellence
- Improving contractor safety
- Safety leadership programs



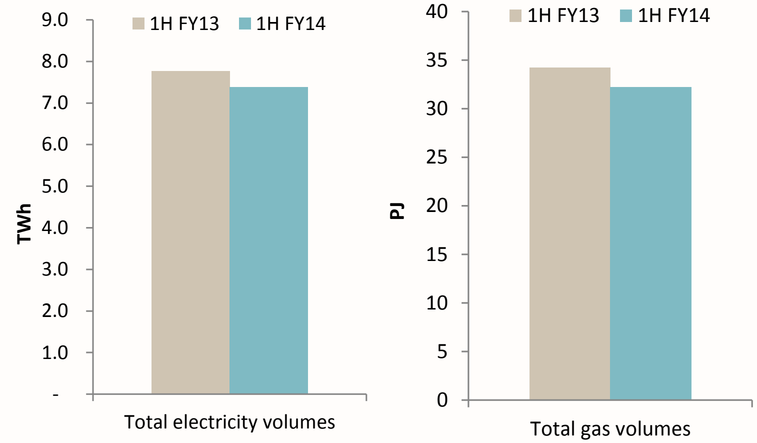


Weather and consumer demand

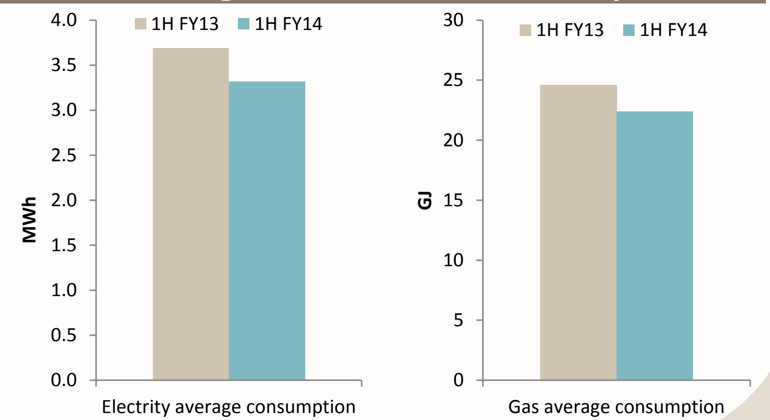
Record warm winter impacts demand.

- Record warm winter across southeast Australia impacted demand
- Decline in total consumer market volumes, partly offset by APG acquisition
  - Electricity down 5% (8% excluding APG)
  - Gas down 5.8% (9% excluding APG)
- Average consumer market demand declines in all states for both electricity and gas
  - Average electricity consumption down 10%
  - Average gas consumption down 9%
- AGL expects subdued demand conditions to continue

AGL Total Consumer Energy Volumes



AGL Average Consumer Market Consumption



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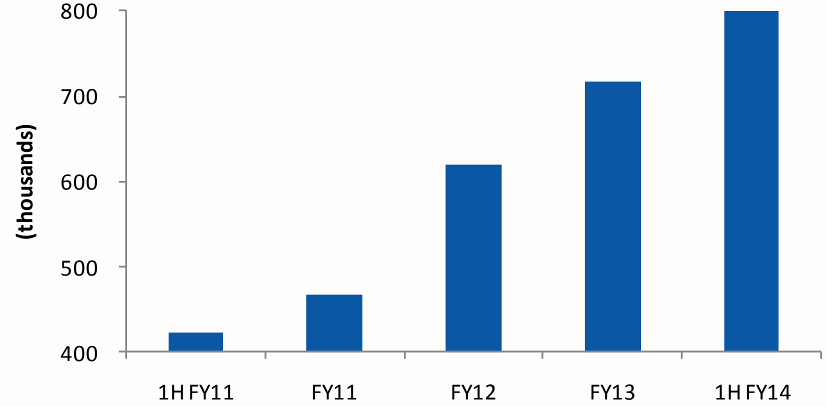
APG Integration – NSW Scale Achieved

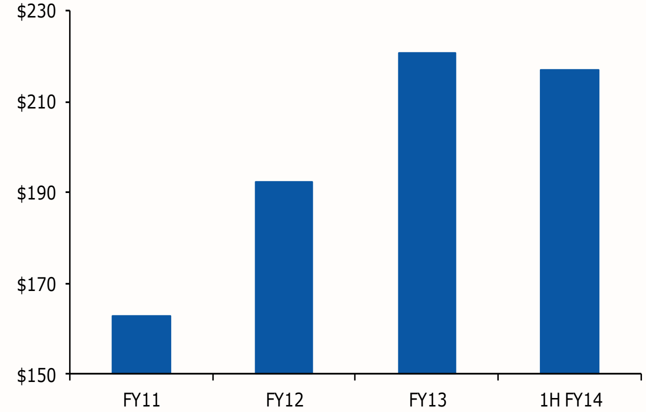
APG integration is progressing in line with acquisition expectations.

- Acquisition of APG successfully completed on 25 October 2013
- AGL customer base now at 3.85 million
- AGL's NSW electricity customer target of 800-900k by 30 June 2014 has been met (813,000 at 31 December 2013)
  - Net NSW growth since 1 January 2011 ~ 400,000
  - Average cost to acquire including APG $241[1]
- Integration on track, including migration of APG customers to AGL processes and systems
- APG customer churn out below acquisition assumptions

NSW electricity customer numbers



NSW Average Cost to Acquire (excluding APG)[2]



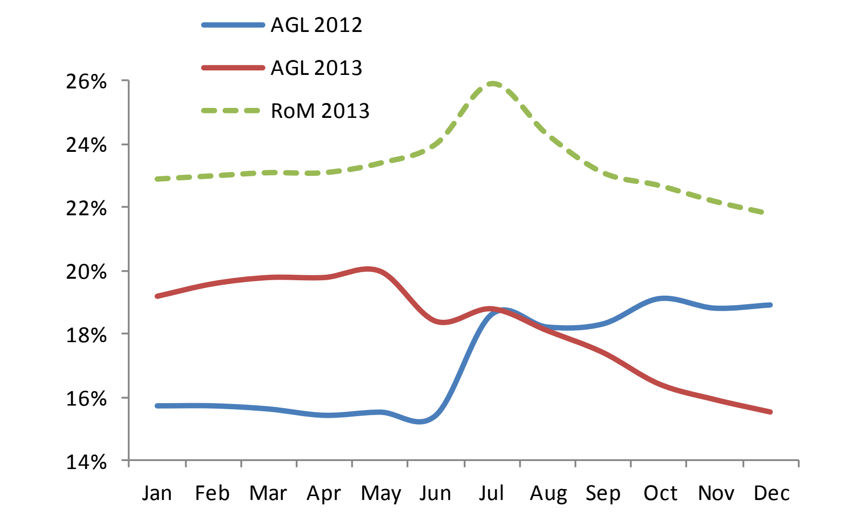
1. Assumes APG's NSW electricity customers acquired at $562 per customer
2. Includes capitalised costs only

AGL customer churn reduces

Reduced discounting and churn to benefit FY15.

- AGL customer churn reduced in all markets
  - AGL grows gap in national churn versus the Rest of Market (15.5% vs 21.8%)
  - Annualised reduction in churn is estimated at ~130,000 customers, as churn reduction accelerates in second half
- Net growth in customer accounts of 336,000
  - Victorian market remains intensely competitive
- AGL continued to increase sales performance of inbound enquiries since exiting door knocking
  - Internal channels deliver 58% of total sales
- AGL continues to moderate discounting with benefits expected to flow through in FY15 and FY16

AGL Customer Churn Reducing



AGL vs RoM Churn	FY13	1HFY14[1]	Change
AGL	18.4%	15.5%	(2.9 ppts)
Rest of Market (RoM)	24.0%	21.8%	(2.2 ppts)
Gap	5.6 ppts	6.3 ppts	0.7 ppts

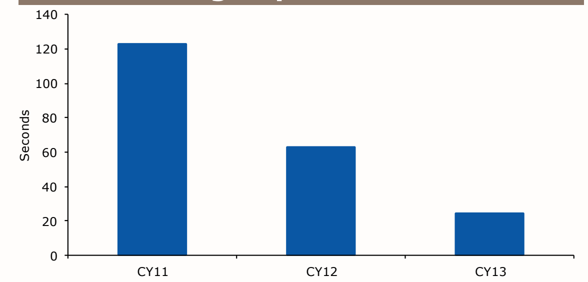
1.Half year churn, annualised

Retail Core Operations

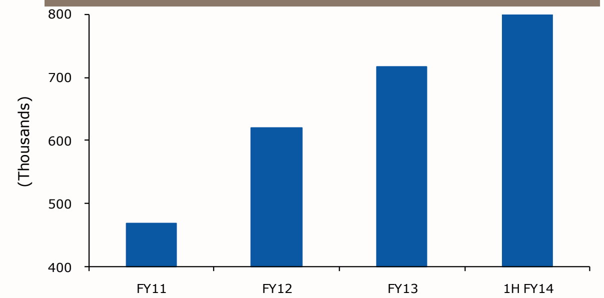
Delivering on-going improved performance and service.

- 61.9% improvement in average speed of answer down to 24 seconds
- Abandoned calls reduced by ~48% down to a rate under 2% which is significantly better than industry practice
- Call volumes down 492,000 (15%) driven by reduced customer churn further improving key operational metrics
- Satisfied customers
  - AGL named Australia's 'favourite utilities brand' by Canstar Blue[3]
    - AGL awarded Most Satisfied Customers in NSW for Gas and Electricity Providers 2013
  - Overall customer satisfaction continues to lead major competitors
  - Share of Ombudsman complaints of 14.0% remains well below market share of ~29%

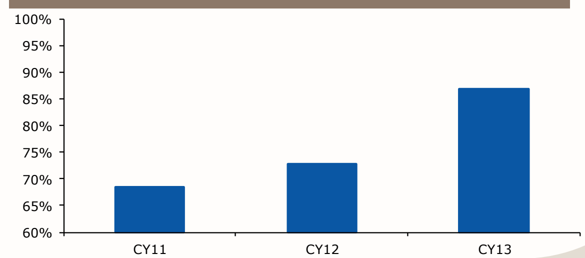
Average Speed of Answer



Customer Satisfaction [1]



Grade of Service [2]



1. *Customer Satisfaction score out of 10 as measured by AMR Australia*
2. *Grade of Service (% of calls answered in 30 seconds)*
3. *Canstar Blue are an independent customer services ratings agency*

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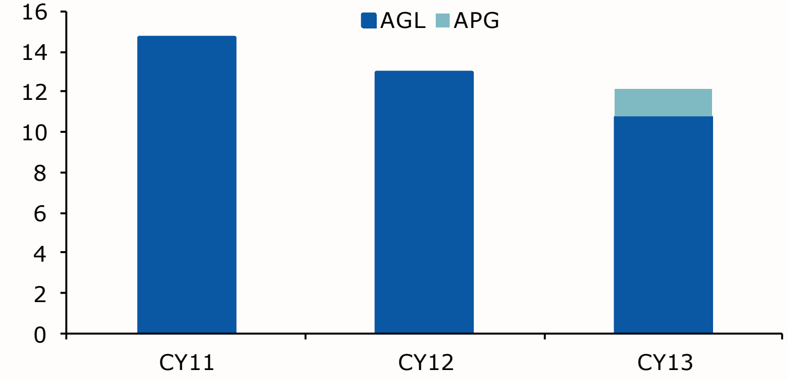
Customer Debt Management

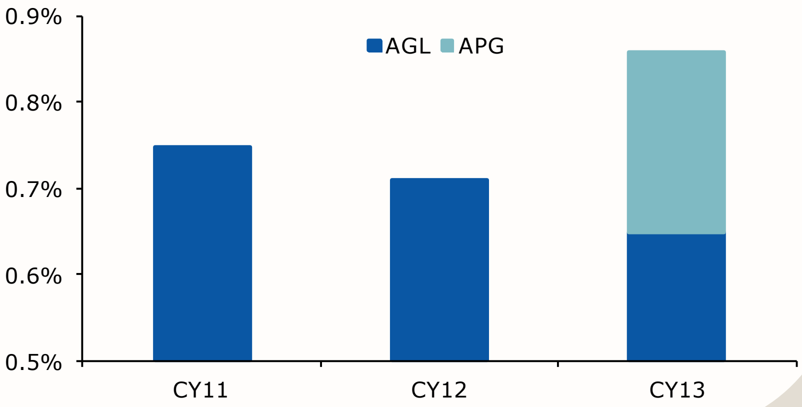
Further innovation drives improved cash management.

- Days Sales Outstanding improved by 12.9% driven by improved collection performance and lower winter billings. APG acquisition impacted DSO by 1.0 day
- On-going credit process improvements delivered an underlying Net Bad Debt Expense to revenue ratio of 0.65%, a reduction of (0.06 ppts) from prior period. The APG acquisition added 0.21 ppts to the underlying ratio
- Lower customer churn improves key credit metrics

Total Days Outstanding [1]



Total Bad Debt Expense Improvement

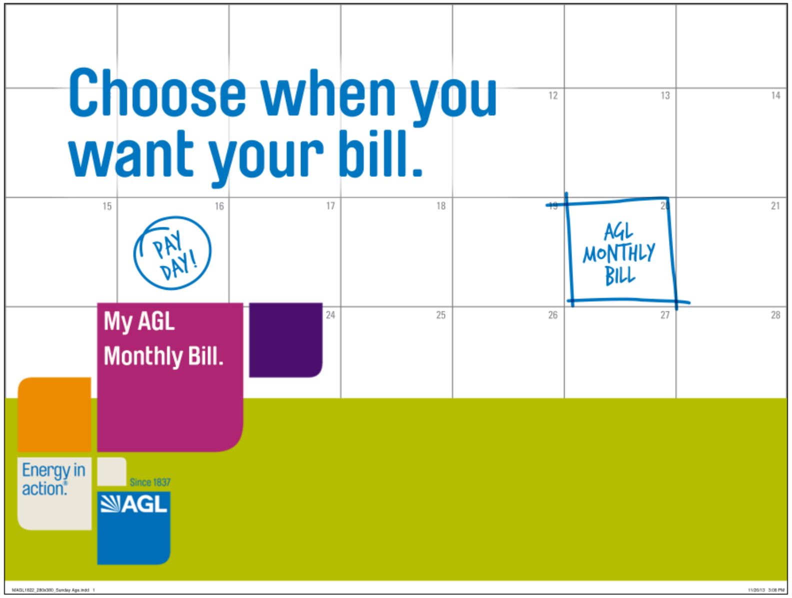


[1] Days Sales Outstanding = Overdue Debt / (12 months Billed Revenue/365)

My AGL Monthly Bill™ launched

Smaller, more regular electricity and gas bills.

- My AGL Monthly Bill™ launched
  - More than 70,000 customers since launch
  - Strong take-up rate peaking at 1,000 customers per day, and continuing to average in excess of 500 per day
- Provides customers more control over when and how they receive their energy bills
  - Regular, smaller, easier to manage payments
- Improves AGL's cashflow and debtor collection
- My AGL Monthly Bill™ enables customers to:
  - Select the day of the month bills are issued
  - Enter their own meter readings
  - Check their account balance
  - Generate a bill 'on demand'
- Only major Australian energy retailer to offer monthly bills to all customers, in all states, for all fuels



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Regulatory pricing

Deregulation and carbon uncertainty.

- South Australia price deregulation
  - Reduced 1H FY14 gross margin by $15 million compared with 1H FY13
  - Full year FY14 gross margin impact expected to be $30 to $35 million
  - AGL commitment on standing price expires January 2015
- QCA 2014/15 Draft Determination within expectation
  - Pass-through of draft network tariff increase of 14% in southeast Queensland
  - Average residential bill is expected to increase by 13.6% on a carbon inclusive basis or 5.4% if the carbon price is repealed
- NSW gas pricing proposal for 2014-2016 largely reflects increase in market prices due to LNG developments in QLD. Repeal of carbon price will reduce price increases
- QLD Government has announced move to price monitoring effective 1 July 2015
- NSW Government currently considering electricity price deregulation

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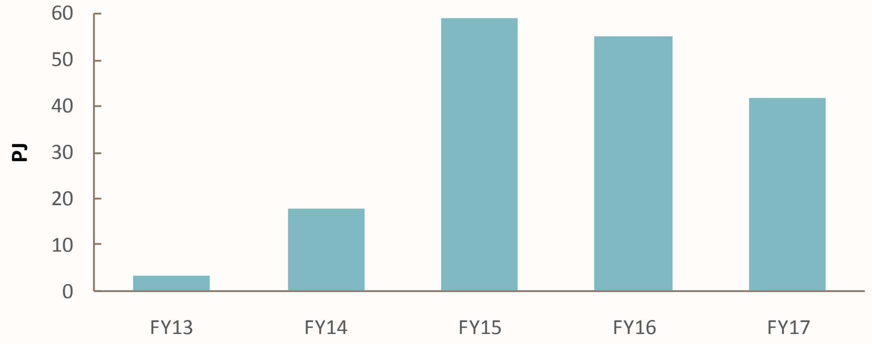
Gas Portfolio

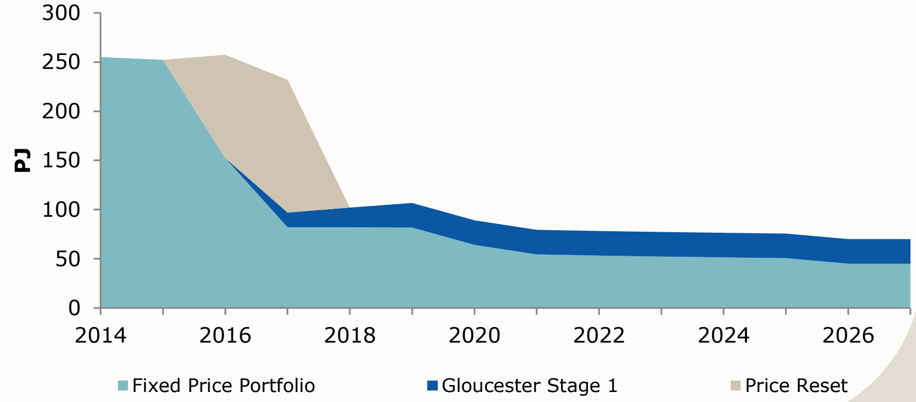
Additional gas sales of over 40 PJ p.a. to commence in FY15.

- Sales to QLD wholesale gas customers of 59 PJ expected in FY15[1], up from 18 PJ expected in FY14
  - Additional sales in FY15 contracted at average margin of $3.40/GJ
- New contracts negotiated in 1H FY14 to supply QLD LNG projects and industrial customers
  - Recent contracts negotiated at c. $10/GJ
- Ongoing negotiations for additional sales of 50 PJ across FY15 to FY17
- Discussions in progress to purchase additional supplies for AGL portfolio with delivery commencing in 2017 / 2018

Queensland Wholesale Gas Sales FY13 to FY17



AGL Contracted Supply – Maximum Annual Quantity



Note 1. Includes previously announced QGC and Diamantina transactions.

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Gloucester Gas Project

Front end engineering design (FEED) underway.

- Awaiting approval from the NSW Office of Coal Seam Gas to conduct the proposed Waukivory Pilot flow testing
- Petroleum production licence application re-submitted in December 2013
- Pipeline easement negotiations and geotechnical studies progressing
- Irrigation trial with blended produced water has shown very good results to date
- Work program underway to comply with conditions required to commence construction
- Production target 20-30 PJ per annum
- Final investment decision and first gas schedule subject to NSW Government approval timetable

AGL's property near Gloucester showing irrigation trial

Diamantina Power Station (DPS) – Mt Isa

Construction largely complete. Commissioning underway.

- EPC contractor, Forge Group, placed into receivership on 11 February 2014
  - Contingency plan implemented to provide construction continuity
  - DPS Co organising replacement construction manager
- DPS generating power from three of its four 40 MW OCGTs
- CCGT commissioning to commence in Q2 2014
  - Lifts total generation capacity to 242 MW
- Completion expected Q3 2014
- Leichhardt Power Station (60 MW OCGT) is unaffected and on schedule

Diamantina Power Station site

Newcastle Gas Storage and Solar Projects

Construction of both projects has commenced with completion due in 2015.

Newcastle Gas Storage Facility

- Critical infrastructure for NSW security of supply
- 1,500 TJ storage and 120 TJ/day peaking capacity
- All civil works complete
- Outer tank walls and dome roof of main LNG tank nearing completion. Majority of process equipment has been installed
- 5.5 kilometre high pressure gas pipeline linking the facility with Hexham is nearing completion. Electrical connection works are progressing
- Completion targeted mid 2015

AGL Solar Projects

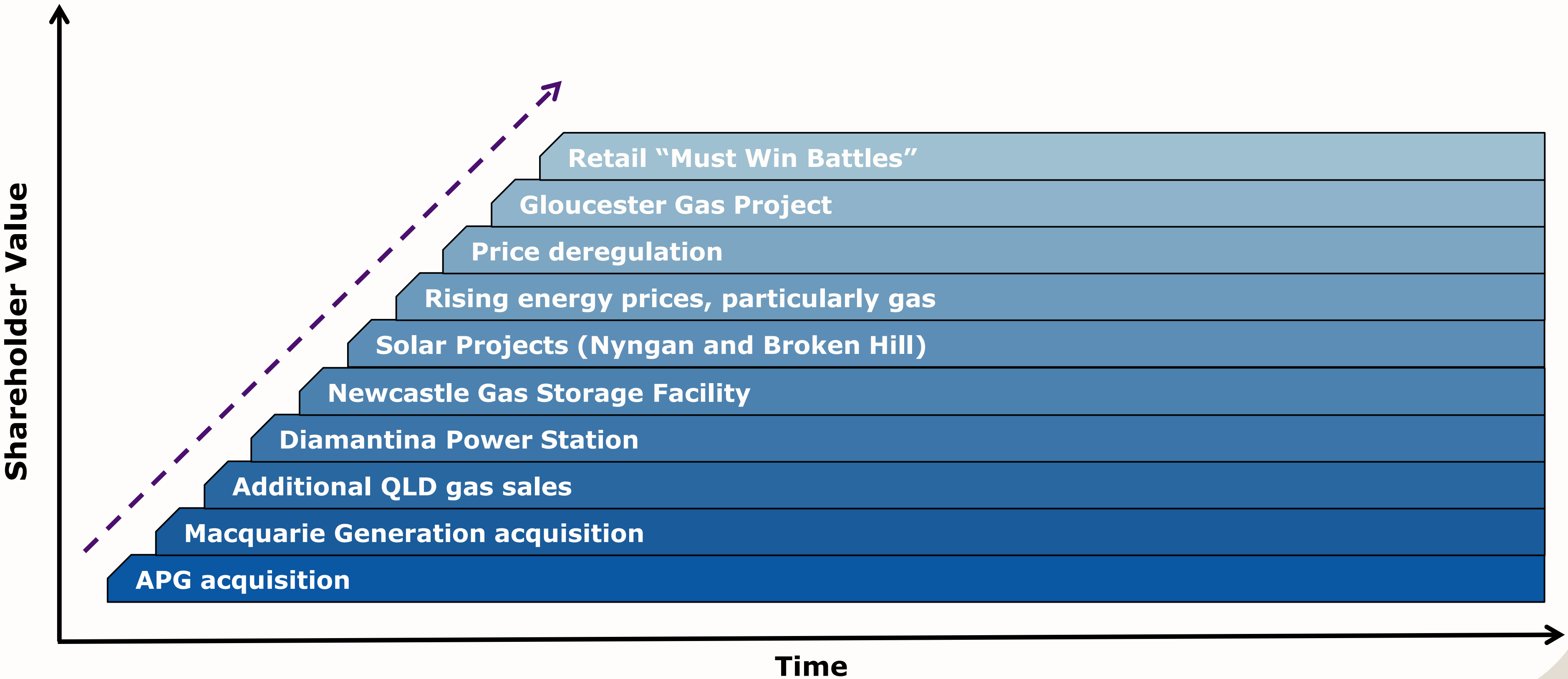
- Solar plants to be constructed at Nyngan, NSW (102 MW) and Broken Hill, NSW (53 MW)
- Construction commenced at Nyngan, with completion expected by mid 2015. Construction at Broken Hill commences June 2014, with commissioning late 2015

NGSF process area from the rim of the LNG tank

Impression of completed Nyngan Solar Project

AGL growth pipeline

AGL's integrated strategy creating significant growth pipelines.



Outlook FY14

Underlying NPAT guidance of $560 million to $610 million reaffirmed.

- Guidance of Underlying NPAT for FY14 of $560 million to $610 million reaffirmed subject to normal trading conditions
  - Successful acquisition of Macquarie Generation not expected to change guidance
- Energy demand forecast to remain subdued
- Retail expected to deliver stronger second half result, as per prior year
  - Key metrics including gross margin per customer and churn expected to improve
  - Second half to include full six months from APG
- Additional QLD wholesale gas sales under negotiation
- Subject to ACCC approval, Macquarie Generation acquisition to be completed in April 2014

Contact information

Sales - Electricity and gas	**www.agl.com.au**
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AGL Energy Online/My AGL IQ™	**https://aglenergyonline.agl.com.au**
Corporate Information	**www.agl.com.au/about/Pages/Default.aspx**

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Supplementary Information

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Electricity sales volume

6 months to GWh	31 Dec 2013	31 Dec 2012	Change
Consumer			
New South Wales	**2,795**	2,746	1.8%
Victoria	**2,093**	2,214	(5.5%)
South Australia	**1,240**	1,416	(12.4%)
Queensland	**1,254**	1,393	(10.0%)
Consumer Total	**7,382**	7,769	(5.0%)
Business			
New South Wales	**1,597**	2,078	(23.1%)
Victoria	**2,176**	2,486	(12.5%)
South Australia	**1,946**	2,247	(13.4%)
Queensland	**909**	1,100	(17.4%)
Business Total	**6,628**	7,911	(16.2%)
Total (excl. ActewAGL)	**14,010**	15,680	(10.7%)
Purchased volume ActewAGL	**1,272**	1,361	(6.5%)

Gas sales volume

6 months to PJ	31 Dec 2013	31 Dec 2012	Change
Consumer			
New South Wales	**12.2**	13.9	(12.2%)
Victoria	**17.0**	17.2	(1.2%)
South Australia	**1.6**	1.6	0.0%
Queensland	**1.4**	1.5	(6.7%)
Consumer Total	**32.2**	34.2	(5.8%)
Business			
New South Wales	**16.1**	19.3	(16.6%)
Victoria	**14.4**	13.9	3.6%
South Australia	**4.1**	5.3	(22.6%)
Queensland	**7.1**	7.5	(5.3%)
Business Total	**41.7**	46.0	(9.3%)
Wholesale Customers & Generation[1]	**36.0**	25.0	44.0%
Total	**109.9**	105.2	4.5%

1. Includes volumes sold to Torrens Island, Mt Isa, and Townsville power station during half year to Dec 2013 of 20.0 PJ (Dec 2012 of 13.5 PJ).

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Customer numbers

Customer Numbers	31 Dec 2012	30 Jun 2013	31 Dec 2013	Change since 30 Jun 2013
Electricity				
New South Wales	684,140	717,089	**812,883**	95,794
Victoria	623,850	610,728	**705,820**	95,092
South Australia	458,125	443,901	**436,421**	(7,480)
Queensland	378,412	374,048	**389,818**	15,770
	2,144,527	2,145,766	**2,344,942**	199,176
Gas				
New South Wales	692,809	683,330	**712,369**	29,039
Victoria	490,652	482,218	**587,431**	105,213
South Australia	127,454	129,192	**128,881**	(311)
Queensland	75,235	76,919	**79,597**	2,678
	1,386,150	1,371,659	**1,508,278**	136,619
Total	3,530,677	3,517,425	**3,853,220**	335,795
Dual fuel accounts	1,673,660	1,675,602	**1,790,951**	115,349

Consumer market - key indicators

6 months to Electricity	31 Dec 2013	31 Dec 2012	Change
Volume (GWh)	**7,382**	7,769	(5.0%)
Avg. Consumer Accounts ('000)	**2,224**	2,106	5.6%
Revenue ($m)	**1,823**	1,774	2.8%
Gross Margin ($m)	**193**	199	(3.0%)
Gross Margin	**10.6%**	11.2%	(0.6 ppts)
Gross Margin per customer	**$86.55**	$94.72	(8.6%)
Gas			
Volume (PJ)	**32.2**	34.2	(5.8%)
Avg. Consumer Accounts ('000)	**1,438**	1,389	3.5%
Revenue ($m)	**739**	698	5.9%
Gross Margin ($m)	**150**	117	28.2%
Gross Margin	**20.3%**	16.8%	3.5 ppts
Gross Margin per customer	**$104.03**	$84.21	23.5%

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Business Customers – Key indicators

6 months to Electricity	31 Dec 2013	31 Dec 2012	Change
Volume (GWh)	**6,628**	7,911	(16.2%)
Business Accounts ('000)	**19.0**	19.5	(2.6%)
Revenue ($m)	**938**	1,082	(13.3%)
Gross Margin ($m)	**19**	32	(40.6%)
Gross margin per MWh	**$2.75**	$4.16	(33.9%)
Gas			
Volume (PJ)	**41.7**	46.0	(9.3%)
Business Accounts ('000)	**1.1**	0.9	22.2%
Revenue ($m)	**330**	343	(3.8%)
Gross Margin ($m)	**32**	35	(8.6%)
Gross margin per GJ	**$0.79**	$0.76	3.9%

Retail – Cost to Serve

6 months to	31 Dec 2013	31 Dec 2012 Restated	Change
Net Operating Costs	**206**	180	14.4%
Net operating cost per customer account	**$56.36**	**$51.43**	**9.6%**
Cost to acquire/retain ($m)	**72**	64	12.5%
Cost to acquire/retain per account acquired/retained[1]	**$103.11**	**$67.84**	**52.0%**
Cost to serve ($m)	**134**	116	15.5%
Cost to serve per customer account[2]	**$36.74**	**$33.12**	**10.9%**

- Cost to acquire/retain per acquisition/retention increased due to project Storm amortisation, APG costs and 26% lower acquisition and retention activity.
- Cost to serve per customer account increased due to the acquisition of APG, closure of the Canberra call centre and other restructuring, and inclusion of AGL Solar. Excluding these costs, cost to serve would have been $33.81.

1. *Cost to acquire/retain per account acquired/retained = costs to win and retain market contracts and transfer customers to AGL DIVIDED by contracts acquired PLUS contracts retained.*
2. *Cost to serve per customer account = net operating costs LESS cost to grow DIVIDED by average customer accounts.*

Generation: Operational Performance

1. 'Availability capacity factor' is used to measure Loy Yang A performance, and represents the percentage of time the plant is available to operate. International benchmark used in North American Electricity Reliability Corporation 2006-2010 Historic Generation Unit statistics

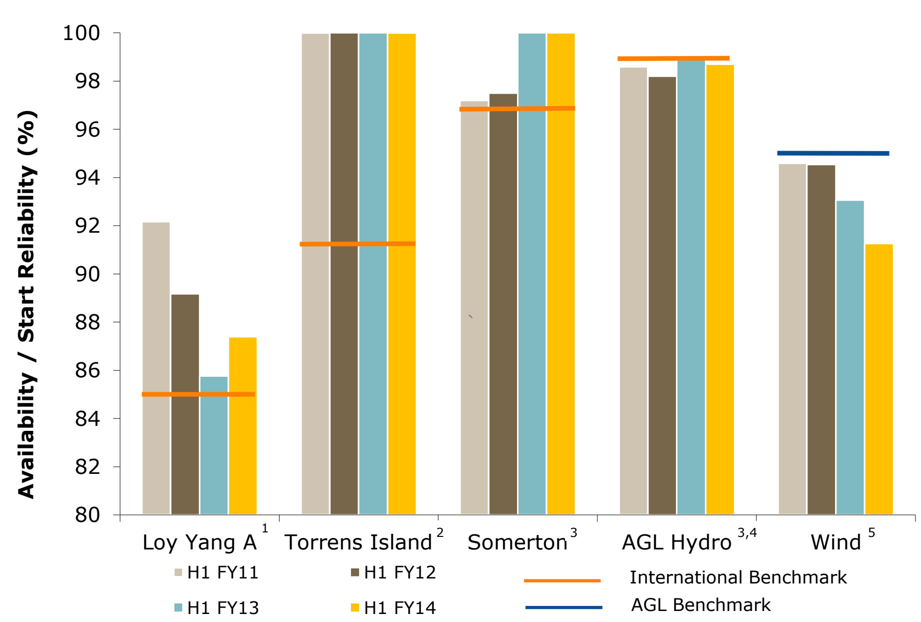
2. 'Commercial availability' is used to measure Torrens Island performance, and represents the percentage of times the plant is available to operate when required

3. 'Start reliability' is used to measure the performance of Somerton and AGL Hydro. Start reliability is the percentage of times the plant started successfully when asked to start

4. NERC – North American Electric Reliability Corporation's 5 Year average for hydro facilities adjusted for the difference in operating regime between the North American fleet and AGL's fleet which operate as peaking plant which increases the frequency of starts and stops

5. Availability weighted by plant capacity is used to measure wind farm performance. There is no international benchmark for wind farms, however AGL targets 95%. Recent performance impacted by Macarthur commissioning

Availability / Start Reliability (%)



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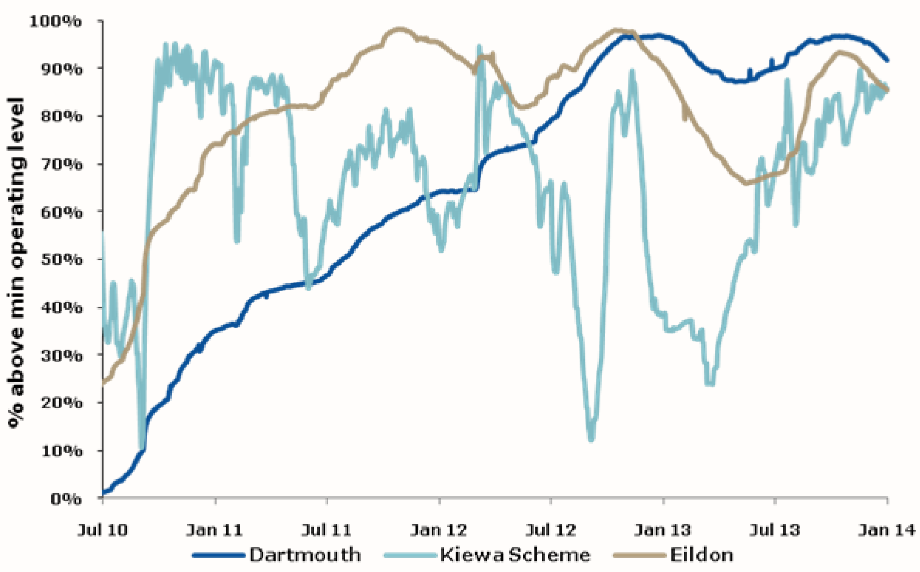
Hydrology

- 52.6% of hydro capacity is linked to drought resistant Kiewa Scheme
- Dartmouth is in service and available for 170 MW. Dam is above 93% with the water authority planning releases over the coming months
- Eildon is available for full capacity (120 MW), the water authority is releasing for irrigation requirements downstream

AGL Hydro % Above Minimum Operating Level



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Generation portfolio

Asset	Location	Type	Status	Capacity (MW)	H1 FY14 Sent out generation (GWh)	Implied Capacity Factor (%)	Carbon Intensity (tonnes CO2e/MWh)
Wattle Point	SA	Wind	Control dispatch	91	154	39%	0.0
Hallett 1	SA	Wind	Control dispatch	95	200	48%	0.0
Hallett 2	SA	Wind	Control dispatch	71	151	49%	0.0
Hallett 4	SA	Wind	Control dispatch	132	261	45%	0.0
Hallett 5	SA	Wind	Control dispatch	53	93	40%	0.0
Oaklands Hill	VIC	Wind	Control dispatch	63	102	37%	0.0
Macarthur	VIC	Wind	Control dispatch	420	620	34%	0.0
VIC Hydro	VIC	Hydro	Owned	733	617	19%	0.0
NSW Hydro	NSW	Hydro	Owned	62	72	27%	0.0
Total Renewable				**1,720**	**2,270**		
Torrens Island	SA	Gas Steam Turbine	Owned	1,280	897	16%	0.6
Somerton	VIC	OCGT	Owned	150	2	0%	0.9
Moranbah	QLD	OCGT	Owned	12	31	59%	0.6
Oakey	QLD	OCGT	Control dispatch	282	24	2%	0.9
Yabulu	QLD	CCGT	Control dispatch	121	33	6%	0.4
Total Gas				**1,845**	**987**		
Loy Yang A	VIC	Coal	Owned	2,210	6,974	72%	1.3
Other	Various	Biogas & Cogen	Various	71	163	N/A	0.2
Total at 31 December 2013				**5,846**	**10,394**		**0.9**
Industry Average							**0.8**

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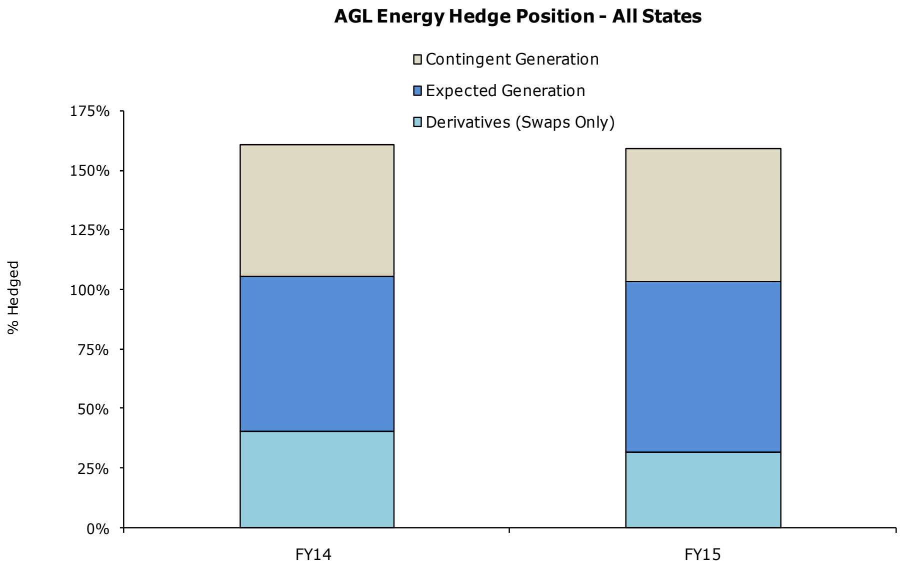
Electricity hedging

- AGL Risk Management Policy is set by the Board and establishes the requirements for the management of wholesale risk
- Limit unhedged load to ensure stability of profit, cash flow and dividends
- Clearly defined and approved commodity and transaction limits
- Counterparty credit limit tier allocation
- Market price risk is contained with requirements for hedging based upon physical limits and financial limits:
  - **Physical Limits**: Appropriate hedges to meet expected energy load
  - **Financial Limits**: Additional limits defined on basis of detailed economic analysis of portfolio dynamics of load, hedge contracts, generation and volatile prices



- Positions across all states and time periods have been aggregated
- Reference load is average annual energy (in MWh) for 100% of the expected load (C&I contracted load + expected mass market load)
- Expected Generation represents AGL's internal estimate of the amount of energy likely to be generated based on pool price, fuel cost and hydrology assumptions
- Contingent Gas Fired Generation is the maximum amount of energy that AGL's portfolio could generate if required

Upstream Gas – key financial metrics

Increased operating expenses impact Operating EBIT.

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Operating EBITDA	**(1)**	9	(111.1%)
Depreciation and amortisation	**(12)**	(12)	0.0%
Operating EBIT			
Upstream Gas			
Queensland	**(7)**	1	(800.0%)
New South Wales	**0**	1	(100.0%)
Equity Investments	**0**	0	-%
Sundry	**(6)**	(5)	20.0%
Operating EBIT	**(13)**	(3)	333.3%

Key drivers:

- Higher operating expenses at Moranbah and Galilee, and reduced revenue at NQE and Silver Springs
- Sundry includes additional costs aimed at engaging with local communities

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Upstream Gas – Reserves

AGL share of gas reserves	As at 31 Dec 13		As at 30 Jun 13		Change	
PJ	**2P**	**3P**	**2P**	**3P**	**2P**	**3P**
Gloucester (100%)	**454**	**565**	454	565	-	-
Moranbah (50%) - Bowen Basin	**288**	**484**	291	487	(1.0%)	(0.6%)
Camden (100%)	**48**	**48**	50	50	(4.0%)	(4.0%)
Hunter (100%)	**0**	**0**	0	0	-	-
Silver Springs (various)	**58**	**150**	58	150	-	-
Spring Gully (various, small)	**8**	**9**	8	9	-	-
Sub-Total	**856**	**1,256**	**861**	**1,261**	**(0.6%)**	**(0.4%)**
ATP 1103 back-in rights (50%) - Bowen Basin [1]	**968**	**2,191**	868	2,065	11.5%	6.1%
Total	**1,824**	**3,447**	**1,729**	**3,326**	**5.5%**	**3.6%**

1. Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs.

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Upstream Gas – Permits

Basin	Project	Permits: Exploration (Area km²)	Permits: Production (Area km²)	Working Interest
Sydney	Camden Gas Project	PEL 2 (6,694)**r**	-	100%
		PEL 5 (398)**r**	-	100%
		-	PPL 1 (48)	100%
		-	PPL 2 (1)	100%
		-	PPL 4 (56)	100%
		-	PPL 5 (103)	100%
		-	PPL 6 (7)	100%
	Hunter Gas Project	PEL 4 (5,081)	-	100%
		PEL 267 (4,906)**r**	-	100%
Gloucester	Gloucester Gas Project	PEL 285 (1,016)**r**	-	100%
Cooper/Eromanga	Conventional oil and gas	ATP 934P (1,462)**a**	-	20%
	Conventional oil and gas	ATP 1056P (3,907)	-	40%**f**
Galilee	Galilee JV	ATP 529P (3,962)	-	50%

Basin	Project	Permits: Exploration (Area km²)	Permits: Production (Area km²)	Working Interest
Surat	Silver Springs Project	ATP 471P (445)**r**	-	28.71-100%
		ATP 709P (146)	-	100%
		-	PL 1 (55)	15%
		-	PL 15 (259)	75%
		-	PL 30 (37)	10%
		-	PL 48 (6)**r**	100%
		-	PL 49 (21)**r**	100%
		-	PL 66 (125)	100%
		-	PL 74 (18)**r**	16%
		-	PL 192 (92)	100%
		-	PL 202 (91)	100%
		-	PL 213 (46)	100%
		-	PL 446 (259)	100%
Bowen	Moranbah Gas Project	ATP 1103 (4,153)	-	99%**p**
		-	PL 191 (220)	50%
		-	PL 196 (38)	50%
		-	PL 222 (108)**a**	50%
		-	PL 223 (166)	50%
		-	PL 224 (70)	50%
	Spring Gully Project	ATP 592P (1,677)	-	0.75%
		-	PL 195 (257)	0.75%
		-	PL 203 (259)	0.75%
		-	PL 204 (220)	0.0375%

a Under application.

f Subject to farm in; working interests reflect AGL's final position after farm in is completed.

r Under renewal.

p Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 1103 as these were assigned to Arrow Energy. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs.

Reconciling Statutory to Underlying cash flow

6 months to $m	31 Dec 2013	31 Dec 2012	Change
Statutory net cash provided by operating activities	**748**	365	
Cash flow relating to significant items	**22**	-	
Increase / (decrease) in futures margin calls	**(5)**	21	
Increase / (decrease) in net green position	**(39)**	(54)	
Unwind of carbon assistance	**-**	120[1]	
Underlying operating cash flow	**726**	452	↑ 61%
Net finance costs paid	**99**	121	↓ 18%
Income tax paid	**138**	72	↑ 92%
Underlying operating cash flow before interest and tax	**963**	645	↑ 49%

[1] Represents 50% of the carbon transitional assistance of $240 million received by GEAC in June 2012, which was not included in Operating Cashflow in FY12 as this cash was provided to partially offset the cost of carbon for FY13.

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Energy Investments

6 months to $m	31 Dec 2013	31 Dec 2012	Change
ActewAGL	**14**	16	(12.5%)
Diamantina Power	**0**	-	-%
Total EBIT	**14**	16	(12.5%)

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Capital expenditure

6 months to 31 Dec 2013 $m	SIB	Discretionary	Total
Merchant	127	5	**132**
Upstream Gas	0	136	**136**
Retail	0	17	**17**
Corporate and Other	12	6	**18**
Capital expenditure	**139**	**164**	**303**
Less: AGL Solar Projects net of advance government funding [1]	0	(19)	**(19)**
Net capital expenditure	**139**	**145**	**284**

Note 1. In FY14 grant payments received from the government for Solar Projects are forecast to exceed project expenditure.

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Balance Sheet

As at $m	31 Dec 2013	30 Jun 2013
Current assets	**3,066**	2,836
PPE, E&E and oil & gas assets	**6,417**	6,176
Other non current assets	**4,451**	4,354
Total Assets	**13,934**	13,366
Current debt	**645**	45
Other current liabilities	**2,416**	2,147
Non current debt	**2,594**	3,064
Other non current liabilities	**767**	770
Total Liabilities	**6,422**	6,026
Net Assets	**7,512**	7,340
Contributed equity	**5,417**	5,354
Reserves	**(26)**	(2)
Retained earnings	**2,121**	1,988
Total Equity	**7,512**	7,340

Fair Value Reconciliation

As at $m	Net Assets (Liabilities) 31 Dec 2013	30 Jun 2013	Change
Energy derivative contracts	**94**	113	(19)
Interest rate swaps and foreign currency derivative contracts	**(51)**	(56)	5
Total net assets (liabilities) for derivative contracts	**43**	57	(14)
Change in derivative net assets	**(14)**		
Premiums paid	**(41)**		
Premium roll off	**60**		
Fair value of derivatives acquired	**20**		
Total change in fair value	**25**		
Recognised in equity hedge reserve	**(31)**		
Recognised in borrowings	**(2)**		
Recognised in profit and loss (fair value – pre-tax)	**51**		
Recognised in profit and loss (interest – pre-tax)	**7**		
Total change in fair value	**25**		

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Comparative information

AGL has restated the result for the half-year ended 31 December 2012 to reflect the following changes:

- Adoption of the revised accounting standard AASB 119 Employee Benefits
- A minor amendment to the basis of segment reporting which reclassified some administrative costs associated with AGL Loy Yang from Merchant Energy to Centrally managed expenses

The following table summarises the affects of these changes:

As at $m	31 Dec 2012 As published	AASB 119 restatement	Segment reporting restatement	31 Dec 2012 Restated
Operating EBIT				
Retail Energy	**136**	-	-	**136**
Merchant Energy	**454**	(8)	14	**460**
Upstream Gas	**(3)**	-	-	**(3)**
Energy Investments	**16**	-	-	**16**
Centrally managed expenses	**(91)**	(1)	(14)	**(106)**
EBIT	**512**	(9)	-	**503**
Depreciation and amortisation	**138**	-	-	**138**
EBITDA	**650**	(9)	-	**641**

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