

## ASX Release

### AGL Half Yearly Report to Shareholders

**19 March 2015**

AGL Energy Limited advises that it has today commenced mailing the attached Half Yearly Report to Shareholders.

#### Further inquiries:

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#### About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. 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 taking action toward creating a sustainable energy future for our investors, communities and customers.

### The latest

To see presentations, webcasts and ASX announcements and keep up-to-date with the latest information on AGL, visit our Investor Centre at [agl.com.au](http://agl.com.au)

### Shareholding enquiries

Link Market Services Limited  
[linkmarketservices.com.au](http://linkmarketservices.com.au)

Telephone: 1800 824 513

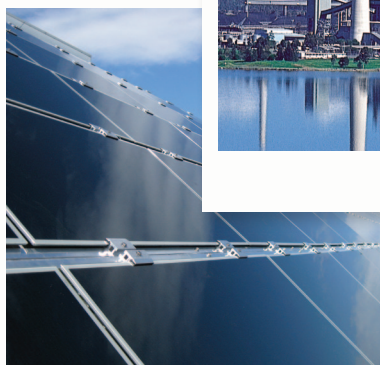
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### Other enquiries

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## Half Yearly Report to Shareholders

Half Year ended  
31 December 2014

### AGL Energy Limited

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Since 1837

 **AGL**

# Dear Shareholder

**AGL announced its 2015 Interim Results on 11 February 2015. At the same time, AGL welcomed a new Managing Director and CEO, Mr Andy Vesey. Andy joined AGL on 12 January 2015. Michael Fraser stepped down on 11 February 2015 following the FY15 half year results announcement, after which time Andy officially took over leadership of the Company.**

I would like to take this opportunity to thank Michael for his vision, dedication and strong leadership throughout his seven years at the helm and for his valuable contribution to AGL during his 31 years of service with the Company. And I look forward to a new chapter for AGL with Andy leading the way forward.

Mr Vesey is the former Executive Vice President and Chief Operating Officer of The AES Corporation (NYSE: AES), a US based global power generation utility company operating across 20 countries. He has more than 30 years' experience in the energy sector ranging from power development and generation to distribution and retail businesses. He has a strong understanding of generation technologies across coal, gas, hydro, solar and wind, as well as pertinent skills and experience in creating value in energy companies. He is highly qualified to manage AGL's portfolio of assets and vertically integrated business, and lead the Company's future direction.

Andy has remarked "I am thrilled to work for such an iconic Australian company, and excited about the opportunity to grow the business in the years ahead."

## Interim results

The financial result for the first six months of the 2015 financial year was an Underlying profit of \$302 million, an increase of 24.8% on the prior corresponding period. Underlying profit is the statutory net profit after tax adjusted for significant items and changes in the fair value of financial instruments. Strong performances in our Retail and Merchant businesses, and the contribution from AGL Macquarie, more than offset the effect of the repeal of the carbon tax on our earnings.

AGL's statutory net profit after tax was \$308 million.

## Dividend

The Directors have declared an interim dividend of 30.0 cents per share, fully franked.

In response to shareholder feedback, the date for payment of the interim dividend has been brought forward by approximately three weeks and will be paid on 25 March 2015.

AGL's Dividend Reinvestment Plan (DRP) will continue to operate in respect of the interim dividend. The DRP enables shareholders to reinvest all or part of their dividend paid in additional shares instead of receiving the dividend in cash.

## Outlook

AGL confirmed that Underlying profit for the full year ending 30 June 2015 was expected to be in the range \$575 million to \$635 million, subject to normal trading conditions.



**Jeremy Maycock**  
Chairman



**"I am thrilled to work for such an iconic Australian company, and excited about the opportunity to grow the business in the years ahead."**

Andy Vesey

# Business Overview



## Retail Energy

**Retail Energy is responsible for growing and servicing AGL's customers, which consists of residential and small business customers. Retail Energy currently services approximately 3.8 million customer accounts.**

Retail Energy contributed \$159 million to Operating EBIT for the half year, up 16.9% on the prior corresponding period, driven by higher gas billing rates and lower operating costs.

The key business priority for Retail Energy is to deliver customer value and volume growth through evolving sales channels, and retaining customers through building deep and broad relationships with the people that we supply energy to.

The retail market remains competitive with tier 1 competitors continuing to offer rebate products in addition to already high discount offers. In the last six months, we launched *AGL Anytime 24/7™*, an around the clock customer service line which is proving successful with customers.

AGL has also recently launched *Free Power Saturdays™* for eligible Victorian residential customers<sup>1</sup>, giving customers who sign up to the plan free electricity on Saturdays for one year, including all consumption and supply charges.

*Free Power Saturdays™* is the first of a number of energy plans AGL will introduce to help customers take advantage of the capability of digital smart meters. Products will be able to be tailored to customers' lifestyles, giving them greater flexibility and control over their power bills.

## Merchant Energy

**Merchant Energy is responsible for developing, operating and maintaining AGL's power generation assets, and for managing the risks associated with the procurement and delivery of gas and electricity for AGL's wholesale and retail portfolios.**

Merchant Energy also manages the business relationship with AGL's commercial and industrial customers. In addition to providing gas and electricity, Merchant Energy provides energy efficiency advice and broader carbon emissions management services.

On 2 September 2014, AGL completed the acquisition of Macquarie Generation, adding scale and diversity to AGL's generation portfolio with the Bayswater and Liddell power stations in the Hunter Valley, NSW. Macquarie Generation is expected to generate substantial cash flows for AGL.

Operating EBIT for the half year was \$522 million, up 20.6% on the prior corresponding period.

Additional generation and strong cash flow from the new assets at AGL Macquarie and effective portfolio management all contributed to the strong result.

Merchant Energy now operates the largest portfolio of power generation assets in the National Electricity Market, responsibly managing assets including the lowest cost black coal and brown coal plants, and renewable generation including the southern hemisphere's largest wind farm. AGL is currently developing Australia's largest solar farm.

## Upstream Gas

**Upstream Gas is responsible for AGL's investments and operations in gas exploration, development and production assets, and development and operation of gas storage facilities.**

Operating EBIT for the half year was a loss of \$10 million compared with a loss of \$13 million for the prior corresponding period.

In February 2015, a comprehensive review of the management and operations of the Upstream Gas business was initiated.

In November 2014, AGL commenced the Waukivory Pilot Program, a four-well hydraulic fracturing and pilot testing program at Gloucester, NSW. This was undertaken to appraise and evaluate the quantity and quality of CSG in the area, and to provide information about gas and water resources.

AGL has installed 47 water monitoring bores to research the groundwater and underground geological faults beneath the Avon River to provide comfort about the role of geological faults in groundwater flow.

Flowback water from hydraulic fracturing is sent to EPA-licensed and approved facilities for disposal.

Results from AGL's environmental monitoring and compliance programs are reported to government and the community. A final decision on AGL's investment in the Gloucester Gas Project is expected in early 2016.

Total 2P gas reserves decreased by 0.3% since 30 June 2014 to 1,886 PJ.

<sup>1</sup> Victorian residential customers with a digital meter installed.

# Upstream Gas FAQ

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**A number of our stakeholders – local residents, regulators, shareholders and media – have asked questions about aspects of the Company's operations. Below are answers to the most recurrent of these questions.**

## **Q1. Isn't everyone in the local community opposed to the Gloucester Gas Project?**

While AGL acknowledges that some members of the community remain opposed to the project, there is also support from farmers, local businesses and residents in Gloucester and the surrounding region.

## **Q2. Has AGL consulted with groups opposed to CSG in the region?**

Yes. AGL continues to undertake consultation in Gloucester and the surrounding regions, including participating in 28 community sessions over the past 12 months which are open to the public and advertised widely. AGL also has an online community where people can ask questions and obtain information, and meetings with interested stakeholders are held regularly.

## **Q3. What is the Chief Scientist's opinion about coal seam gas?**

In September 2014, the Final Report of the Independent Review of Coal Seam Gas Activities in NSW concluded that "CSG extraction and related technologies are mature, and Australia is well equipped to manage their application".

The report also found that with appropriate safeguards and controls, natural gas from coal seams can be safely extracted. View the report at [chiefscientist.nsw.gov.au/coal-seam-gas-review](http://chiefscientist.nsw.gov.au/coal-seam-gas-review)

## **Q4. Why has AGL suspended the Waukivory Pilot Project in Gloucester?**

On 27 January 2015, AGL announced that it had voluntarily suspended pilot testing at its Waukivory Pilot Project, following the detection of BTEX (benzene, toluene, ethyl benzene and xylene) in samples of flowback water taken from two of the four wells and from an aboveground water storage tank.

From the five samples taken, four were within the range of 12–70 parts per billion and the fifth showed 555 parts per billion. By comparison, ordinary petrol contains 10 to 20 million parts per billion of BTEX.

BTEX chemicals can naturally occur in water sources, including coal seams.

BTEX levels would need to be above 1,000 parts per billion before having any effect on marine life.

However, because of the community's concern about any BTEX detection and in the interest of acting prudently, AGL suspended the project and reported the findings to the EPA.

As at 9 March at the time of printing, the Environment Protection Authority and NSW Trade & Investment – Division of Resources & Energy are investigating AGL in relation to the BTEX detections and the results will be made public when the review is final.

## **Q5. How does AGL manage the flowback water from the Waukivory Pilot Project?**

AGL has engaged contractors that are experienced and licensed to deal with the transport and treatment of flowback water from the Waukivory Pilot Project.

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If you would like further information about coal seam gas, an informative video can be viewed at [agl.com.au/about-agl/how-we-source-energy/natural-gas/about-coal-seam-gas](http://agl.com.au/about-agl/how-we-source-energy/natural-gas/about-coal-seam-gas)

You can also contact AGL's Upstream Gas team via Facebook, Twitter and [yoursayagl.com.au](http://yoursayagl.com.au)

# Financial Highlights

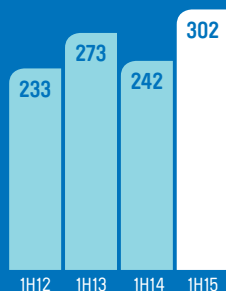
Six months	31 Dec 2013 \$m	31 Dec 2014 \$m	Change %
Revenue	5,287	<b>5,183</b>	(2.0)
Operating EBITDA <sup>1</sup>	622	<b>735</b>	18.2
Depreciation and amortisation	(167)	<b>(187)</b>	12.0
Operating EBIT <sup>2</sup>	455	<b>548</b>	20.4
Net financing costs	(113)	<b>(117)</b>	3.5
Profit before tax	342	<b>431</b>	26.0
Income tax	(100)	<b>(129)</b>	29.0
Underlying profit <sup>3</sup>	242	<b>302</b>	24.8

1 EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortisation.

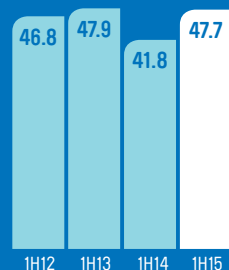
2 EBIT refers to Earnings before Interest and Tax.

3 Underlying profit provides a better understanding of AGL's performance and for more relevant comparison of financial performance between financial periods.

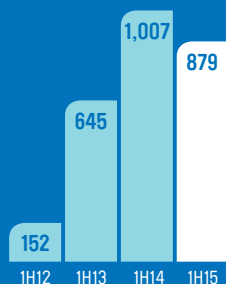
## Underlying profit (\$ million)



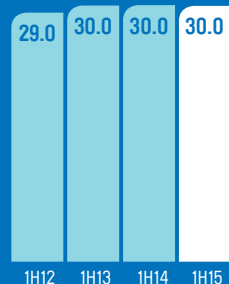
## EPS – underlying (cents)



## Operating cash (\$ million)



## DPS (cents)



## Customer numbers (million)

3.8

## Underlying profit<sup>4</sup> (\$ million)

302

**24.8%**  
INCREASE

## Statutory profit (\$ million)

308

**18.0%**  
INCREASE

## Earnings per share (EPS) – underlying (cents per share)

47.7

**14.1%<sup>5</sup>**  
INCREASE

## Interim dividend per share – maintained and fully franked (cents)

30.0

4 Underlying profit is the statutory net profit after tax adjusted for significant items and changes in the fair value of financial instruments.

5 EPS adjusted to reflect time weighted shares on issue and bonus element of 1 for 5 rights issues.

# Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) will again operate in relation to the interim dividend. Under the DRP, shareholders are able to elect to receive additional AGL shares instead of cash. No fees or brokerage are paid on the DRP shares.

No discount will apply to AGL shares provided to participants under the DRP.

If you are not already participating in the DRP, but would like to do so in future, please go to the web link shown below to download the form, or call Link Market Services on 1300 554 474 or (02) 8280 7111.

The Terms & Conditions of the DRP will be slightly amended to carry forward outstanding balances to the next dividend payment rather than the current practice of rounding up to the next whole share. The revised terms and conditions will take effect from the payment of the FY15 final dividend. These changes will be communicated to DRP participants shortly. A copy of the terms and conditions will also be available on the AGL website.

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## Updating shareholder details – bank accounts, postal and email address

Dividends to Australian and New Zealand resident shareholders are now paid only by electronic funds transfer to a nominated bank account.

Many shareholders have not provided up-to-date bank account details, which continues to delay payment of their dividends. After 12 months, outstanding dividend amounts are converted to AGL shares.

AGL encourages shareholders to ensure their latest bank account details, postal address and email address have all been provided to AGL's share registry, Link Market Services. The relevant forms can be downloaded at the following link.  
[investorcentre.linkmarketservices.com.au](http://investorcentre.linkmarketservices.com.au)