2015 Annual General Meeting

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Managing Director and CEO

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AGL

FY15 highlights

Strong result driven by acquisition of Macquarie and underlying business.

- Statutory Profit of $218 million, down 61.8%
- Underlying Profit of $630 million, up 12.1%
  - Excluding carbon repeal impact of $118 million NPAT
  - Macquarie delivered $112 million NPAT which was $38 million above investment case with the integration completed under budget and three months ahead of schedule
  - Queensland wholesale gas sales added $90 million NPAT
- Underlying Operating Cash Flow before interest and tax of $1,527 million
  - Up $378 million driven by Macquarie and disciplined working capital management
- Consumer electricity volumes down 4.4% with residential decline flattening
- Consumer gas volumes up 9.4% following return to more normal weather conditions
- Revitalised strategy positions AGL for the future
- Upstream Gas review resulting in focus on fewer projects
  - Gloucester Gas Project Waukivory Pilot progressing

AGL's strategic roadmap

Strategic transformation continues.

1 Organise for Transformation

- Align structure with strategy
- Create anticipatory culture

2 Drive Productivity

- Improve capital allocation
- Improve operational efficiency

3 Unlock Growth

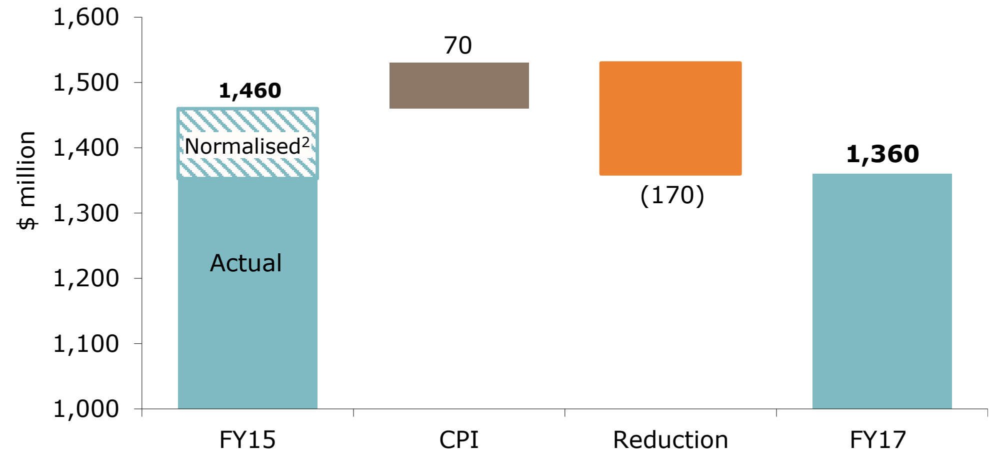
- Grow Consumer Market's share of value
- Invest in business models which exploit new technology

Operating costs and sustaining capex

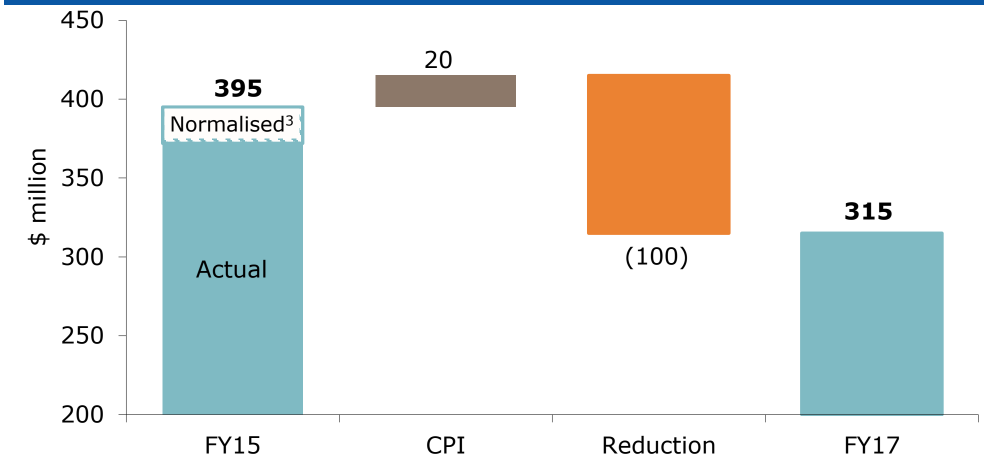
Targeting $200 million[1] of cash flow savings by FY17.

- Targeting $170 million (real) operating cost reduction over FY16-FY17:
  - $100 million – Identified opportunities in major maintenance, IT and other supply contracts
  - $15 million – Upstream Gas restructure
  - $55 million – Work underway across the business to identify further savings
- Targeting $100 million (real) sustaining capital expenditure reductions over FY16-FY17:
  - Continued focus on capital investments with risk based assessment and prioritisation of projects

Operating cost



Sustaining capital expenditure



1. Recurring cash flow benefit:

Operating costs	$170 million
Sustaining capital expenditure	$100 million
Real operating cost benefit	**$270 million**
Less: Pre-tax PPA costs from divestments	*~($70 million)*
Total recurring benefit by FY17	**$200 million**

2. FY15 operating expenses adjusted for growth (primarily a full year of AGL Macquarie, New Energy, Solar and NGSF), and reclassification of Loy Yang overburden.

3. FY15 sustaining capex adjusted for full year of Macquarie and reclassification of Loy Yang overburden.

Energy in action.® Since 1837 AGL

Improve capital efficiency

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

Asset Sales

- Macarthur (50%) wind farm sold for $532 million
- Rationalisation of Upstream Gas assets
  - Cooper Oil interest sold
  - Galilee Oil interest sold
  - PELs[1] 2, 4 and 267 sold

One-off Benefits	$m
Asset Sales	1,000
Working Capital Reduction	200
Total one-off benefit by FY17	**1,200**

Working Capital

- Reduce inventory:
  - Reduce surplus of Large-Scale Renewable Certificates
  - Optimisation of Macquarie coal stockpile (4.2 Mt at acquisition)
  - Excess gas bank to be naturally consumed
- Improvement in Consumer Markets credit management
  - Enhanced credit systems and technology
  - Monthly payment products

1. Petroleum Exploration Licence

Retail strategy

AGL's retail strategy is to grow its market share of customer value.

1. Target higher value market segments
2. Build loyalty with existing customers
3. Pursue digital solutions
4. Provide innovative products and services
5. Understand the unique needs of vulnerable customers
6. Maintain the lowest cost tier 1 retailer position

New Energy

Targeting 1 million smart connections by FY20.

Exiting under-performing areas

- Closing AGL Smarter Living Stores to focus on connected products

Unlocking growth

- Increased Solar PV revenue by 23% between FY14 and FY15
- Increased commercial energy efficiency project revenue by 41% between FY14 and FY15

Investing in new products and propositions

- Launched Activestream, AGL's digital metering business
- Established strategic partnerships with Greenbox and Solar Analytics to fill capability gap
- First major Australian energy retailer to launch key products:
  - Solar power purchase agreement (PPA), 'Solar Smart Plan'
  - Energy Storage proposition 'Power Advantage'

Outlook

Transformation to deliver operating cost and cash benefits in FY16.

- FY16 Underlying Profit (after tax) expected to be between $650 - $720 million[1]
  - Non cash accounting changes[2] expected to reduce pre tax by ~$50 million
  - New Energy operating loss expected to increase by $25 million[3]
- Restructure costs ~$30 million pre tax expected to be booked as Significant Item
- Macquarie continuing to perform ahead of investment case
- AGL Loy Yang EBA negotiations commence in 1H FY16
- Electricity, gas and REC wholesale prices expected to rise modestly
- Consumer competition remains intense but AGL remains focused on improving value
- Decline in average residential electricity consumption appears to have slowed
  - Retail electricity prices decline from July 2015 in SA and NSW as network charges decline

1. Subject to normal market conditions.
2. Higher depreciation from review of key asset lives and Loy Yang mine plan update to reduce overburden cost capitalised under AASB Interpretation 20, increasing operating costs and reducing sustaining capital expenditure.
3. New Energy business unit break even target in FY18 is revised to $20 million EBIT taking into account the transfer of Energy Services as part of the organizational restructure. Target may be adjusted if new product lines added.