AGL Energy Limited
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ASX & Media Release

Financial Results – Half Year Ended 31 December 2022

9 February 2023

Attached are the following documents relating to AGL Energy Limited's results for the half year ended 31 December 2022:

- Appendix 4D
- Half Year Report

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for 185 years, AGL supplies around 4.2 million energy and telecommunications customer services. We're committed to becoming a leading multi-service energy retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

For more information visit agl.com.au

Appendix 4D

AGL Energy Limited

ABN 74 115 061 375

Half-year Report

Results for announcement to the market
for the half-year ended 31 December 2022

				31 December 2022 $A million	31 December 2021 $A million
Revenue	**Up**	**36.7%**	to	**7,808**	5,713
Statutory (Loss)/Profit after tax attributable to shareholders		**NM[1]**	to	**(1,075)**	555
Underlying Profit after tax attributable to shareholders	**Down**	**55.2%**	to	**87**	194
				31 December 2022 cents	31 December 2021 cents
Statutory Earnings per share		**NM[1]**	to	**(159.8)**	86.6
Underlying Earnings per share	**Down**	**57.4%**	to	**12.9**	30.3
				31 December 2022 $A	30 June 2022 $A
Net tangible asset backing per share	**Down**	**33.0%**	to	**3.25**	4.85
				Amount cents	Franked amount cents
Interim dividend per ordinary share				8.0	0.00
Prior interim dividend per ordinary share				16.0	0.00

[1] Not Meaningful

Record date for determining entitlements to the interim dividend:
23rd February 2023 and payable 24th March 2023.

Dividend reinvestment plan:
The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2023 interim dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade on each of the 10 trading days commencing 27th February 2023. The last date for shareholders to elect to participate in the DRP for the 2023 interim dividend is 24th February 2023.

Brief explanation of Underlying Profit after tax and Underlying Earnings per share:
Statutory Profit or Loss after tax and Statutory Earnings per share are prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Statutory loss after tax of $1,075 million includes a loss of $540 million after tax treated as significant items and a loss of $622 million after tax from the changes in the fair value of financial instruments. Excluding these items, the Underlying Profit after tax was $87 million, 55.2% down on the prior corresponding period.

Underlying Profit after tax is reported to give information to shareholders that provides a greater understanding of the performance of AGL Energy Limited's (AGL's) operations. AGL believes Underlying Profit after tax is useful as it removes significant items and timing mismatches between the fair value of derivatives and the underlying asset being hedged thereby facilitating a more representative comparison of financial performance between financial periods.

This report should be read in conjunction with the AGL Directors' Report (including the Operating and Financial Review) and the Half-Year Financial Report for the period ended 31 December 2022 released to the market on 9 February 2023.

The consolidated financial statements contained within the Half-Year Report, of which this report is based upon, have been reviewed by Deloitte Touche Tohmatsu.

AGL Energy Half-Year Report

For the period ended 31 December 2022

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Directors' Report

for the half-year ended 31 December 2022

In accordance with a resolution of the Board, the Directors present their report on the consolidated entity consisting of AGL Energy Limited (AGL) and its controlled entities at the end of or during the half-year ended 31 December 2022 (the period). Financial comparisons used in this report are of results for the half-year ended 31 December 2021 (the prior corresponding period) for statement of profit or loss and cash flow analysis, and 30 June 2022 for statement of financial position analysis.

Directors in Office

The Directors of AGL Energy Limited who held office during or since the end of the half-year were:

	First Appointed
Current Directors	
Patricia McKenzie - Chair	1 May 2019 (appointed as Chair on 19 September 2022)
Mark Bloom	1 July 2020
Graham Cockroft	1 January 2022
Vanessa Sullivan	1 March 2022
Miles George	19 September 2022
Christine Holman	15 November 2022
John Pollaers	15 November 2022
Kerry Schott	15 November 2022
Mark Twidell	15 November 2022
Former Directors	
Peter Botten	21 October 2016 (retired 19 September 2022)
Diane Smith-Gander	28 September 2016 (retired 19 September 2022)
Graeme Hunt	22 April 2021 (appointed as a Non-executive Director on 1 September 2012 and Managing Director on 22 April 2021) (retired 30 September 2022)

Review and results of operations

A review of AGL's operations during the half-year and the results of those operations is set out in the Operating & Financial Review, commencing on page 3.

Subsequent Events

Apart from the matters identified below and elsewhere in this Directors' Report and the Half-Year Financial Report, the Directors are not aware of any other matter or circumstance that has arisen since 31 December 2022 that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in the future.

Dividends

The Directors have declared an interim dividend of 8.0 cents per share, compared with 16.0 cents per share for the prior interim dividend. The dividend will be unfranked and will be paid on 24 March 2023. The record date to determine shareholders' entitlements to the interim dividend is 23 February 2023. Shares will commence trading ex-dividend on 22 February 2023.

AGL's dividend policy is to target a payout ratio of approximately 75% of annual Underlying Profit after tax. Before declaring the dividend, the Directors satisfied themselves that: AGL's assets exceeded its liabilities immediately before declaring the dividend and the excess was sufficient for the payment of the dividend; the payment of the dividend was fair and reasonable to AGL's shareholders as a whole; and the payment of the dividend would not materially prejudice AGL's ability to pay its creditors.

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2023 interim dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade on each of the 10 trading days commencing 27 February 2023. The last date for shareholders to elect to participate in the DRP for the 2023 interim dividend is 24 February 2023.

Directors' Report

for the half-year ended 31 December 2022

Non-IFRS Financial Information

The Financial Review attached to and forming part of this Directors' Report includes a number of non-International Financial Reporting Standards (IFRS) financial measures. AGL management uses these non-IFRS financial measures to assess the performance of the business and make decisions on the allocation of resources.

Principal among these non-IFRS financial measures is Underlying Profit. This measure is Statutory Profit/(Loss) adjusted for:

- significant items (which are material items of revenue or expense that are unrelated to the underlying performance of the business); and
- changes in the fair value of financial instruments recognised in the statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

AGL believes that Underlying Profit provides a better understanding of its financial performance than Statutory Profit/(Loss) and allows for a more relevant comparison of financial performance between financial periods.

Underlying Profit is presented with reference to the Australian Securities & Investment Commission (ASIC) 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 the external auditor of AGL.

Rounding

AGL is an entity to which ASIC Corporations Instrument 2016/191 applies and, in accordance with that Instrument, amounts in the Half-Year Financial Report and this Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Auditor's Independence Declaration

The auditor's independence declaration is attached to and forms part of this Directors' Report.

P. McKenzie

Patricia McKenzie
Chair
9 February 2023

Operating & Financial Review

for the half-year ended 31 December 2022

Principal activities

The principal activities of AGL as of the reporting date comprised the operation of energy businesses and investments, including electricity generation, gas storage, the sale of electricity and gas to residential, business and wholesale customers and the retailing of broadband and mobile services.

1. Key Operating Metrics

Key Operating Metrics – These performance measures have a direct influence on AGL's H123 financial performance. The six key operating metrics comprise:

- Customer numbers and churn;
- Customer energy demand;
- Wholesale electricity prices;
- Generation volumes;
- Fuel costs; and
- Operating costs and capital expenditure.

1.1 Key Operating Metrics performance

A summary of performance in relation to the six key operating metrics over H123 is provided in the following sections.

1.1.1 Customer numbers and churn

Total services to customers increased 1.4% to 4.276 million, from 4.215 million as at 30 June 2022. This increase of 61,000 was driven by strong growth in energy services, lower churn and continued growth in telecommunications services.

Consumer Electricity services increased by 19,000 due to targeted acquisition and decreased churn, particularly within Victoria. Consumer Gas services increased by 18,000 services with Victoria growing by 11,000 and Western Australia growing by 8,000 services with the remaining states relatively flat to FY22.

Total Telecommunication services increased 10.2% to 271,000 due to continued growth.

Services to customers	H123 ('000)	FY22 ('000)
Consumer Electricity	**2,462**	2,443
New South Wales	**904**	908
Victoria	**760**	737
South Australia	**357**	361
Queensland	**441**	437
Consumer Gas	**1,528**	1,510
New South Wales	**615**	618
Victoria	**593**	582
South Australia	**137**	136
Queensland	**89**	88
Western Australia	**94**	86
Total Consumer energy services	**3,990**	3,953
Dual fuel services	**2,343**	2,304
Average consumer energy services	**3,985**	3,963
Total Large Business energy services	**15**	16
Total energy services	**4,005**	3,969
Total Telecommunication services	**271**	246
Total services to customers[1]	**4,276**	4,215

1. Excluding approximately 300,000 services to ActewAGL customers.

AGL churn decreased 1.7 ppts to 13.9% from 15.6% as reported at 30 June 2022, and Rest of Market churn decreased 0.1 ppts to 19.5%, from 19.6% at 30 June 2022. AGL churn remains lower than Rest of Market due to resilience in our business model and improved customer experience. Rest of Market churn rose sharply in July due to the impact of higher wholesale prices, price changes and Retailer of Last Resort (RoLR) events, however has since continued to decline. The gap between AGL and Rest of the Market was 5.6 ppts, improvement from 4.0 ppts at 30 June 2022.

Operating & Financial Review

for the half-year ended 31 December 2022

1.1.2 Customer energy demand

Total electricity customer sales volumes were 19,401 GWh, down 340 GWh or 1.7%.

- Consumer customer electricity sales volumes were 7,382 GWh, down 14 GWh or 0.2%, with the growth in solar customers impacting market volumes, partly offset by growth in average customer base and favourable weather.
- Large Business customer electricity sales volumes were 5,336 GWh, up 280 GWh or 5.5% primarily due to volume growth in New South Wales and Victoria.
- Wholesale customer electricity sales volumes were 6,683 GWh, down 606 GWh or 8.3%, driven by lower consumption from AGL's existing customer base as well as re-contracting of Alcoa at lower volumes.

Customer energy demand	H123 GWh	H122 GWh
Consumer customers electricity sales	**7,382**	7,396
Large Business customers electricity sales	**5,336**	5,056
Wholesale customers electricity sales	**6,683**	7,289
Total customer electricity sales volume	**19,401**	19,741

Total gas customer sales volumes were 78.2 PJ, down 3.3 PJ or 4.0%.

- Consumer customer gas sales volumes were 31.0 PJ, down 0.2 PJ or 0.6%, with the decline in average customer base compared to prior corresponding period followed by lower average demand.
- Large Business customer gas sales volumes were 8.7 PJ, flat to the prior corresponding period, with an increase in volume relating to the Weston Energy RoLR event offset by volume reduction due to competitive market conditions.
- Wholesale customer gas sales and internal gas volumes for power generation were 38.5 PJ, down 3.1 PJ or 7.5%, primarily driven by roll-off of wholesale customer volumes from AGL's existing customer base, with internal gas volumes used for power generation in Victoria and South Australia in line with the prior corresponding period.

	H123 PJ	H122 PJ
Consumer customers gas sales	**31.0**	31.2
Large Business customers gas sales	**8.7**	8.7
Wholesale customers gas sales and generation	**38.5**	41.6
Total customer gas sales volume	**78.2**	81.5

1.1.3 Wholesale electricity prices

Wholesale electricity spot prices were higher across all states compared with the prior corresponding period. The increase was more pronounced towards the beginning of H123 due to various factors including the impact on international coal and gas prices, overall supply chain delays due to ongoing COVID-19 impacts and flooding affecting coal supply. Prices were also impacted by the market suspension in June 2022, when AEMO intervened in the NEM spot market in response to sustained high prices, initially triggering administered pricing followed by market suspension in response to challenges in market operation.

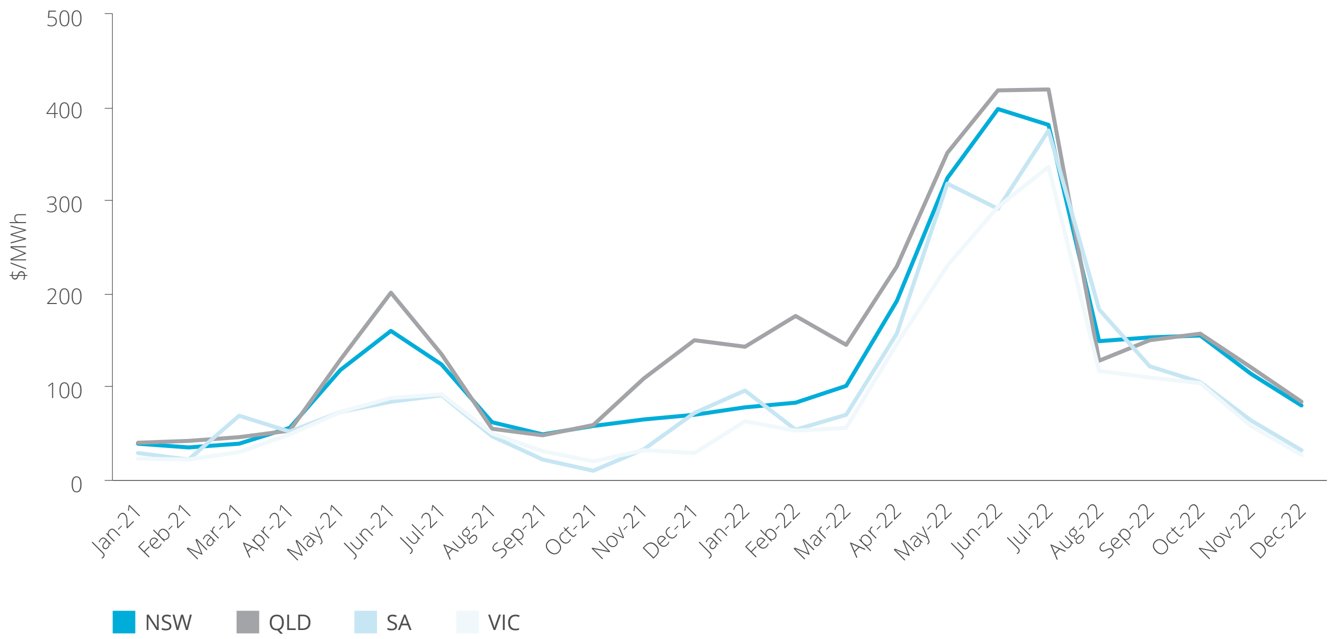
In November and December 2022 spot prices dropped in the NEM driven by milder weather and increased renewable generation, with rooftop and commercial solar increasing generation capacity.

AGL's generation assets are exposed to electricity spot prices which are hedged with customer load and financial derivatives. Contracted prices in H123 were higher than the prior corresponding period in all states except Victoria, which had lower contracted rates. AGL's practice of resetting prices to consumer customers annually on a rolling forward curve and recontracting C&I and derivatives on a two to three year forward time frame, means the current higher prices will translate into higher contracted prices in the future.

Operating & Financial Review

for the half-year ended 31 December 2022

Wholesale electricity prices (AEMO spot prices)



1.1.4 Generation volumes

Generation sold to the pool decreased by 7.4%, driven by lower generation at AGL Loy Yang due to the Unit 2 major outage, in addition to lower generation at the Liddell Power Station due to the closure of Unit 3 in April 2022. Bayswater Power Station benefited from more flexible running allowing units to lower output during periods of lower demand and to support more stable Liddell Power Station running as the Liddell Power Station units approach end of life. Higher Gas Generation was largely driven by improved availability at Kwinana Swift Power Station. Higher Renewable generation at the Victorian hydroelectric power stations was driven by significant rainfall in the region, partly offset by lower volumes of wind generation in Victoria due to outages at Macarthur Wind Farm.

Pool generation volumes	H123 GWh	H122 GWh
AGL Macquarie (Bayswater Power Station)	**6,411**	6,781
AGL Loy Yang Power Station	**6,095**	6,498
AGL Macquarie (Liddell Power Station)	**2,897**	4,087
Gas Generation	**800**	702
Renewable generation	**2,885**	2,551
Total pool generation volumes	**19,088**	20,619

1.1.5 Fuel costs

Total fuel costs for the electricity generation portfolio were $(427) million, up 8.4%.

- Coal costs were $(339) million, up 6.6%. On a per MWh basis, costs increased by $3.7 per MWh or 20.2%, due to increased purchase of coal at spot prices, partly offset by higher coal procured from lower cost legacy supply contracts compared to prior corresponding period.
- Gas fuel costs were $(88) million, up 15.8%, due to higher generation volumes, particularly in Victoria, in response to higher pool prices in the first quarter of the year and managing AGL's position as part of the major outage of Unit 2 at AGL Loy Yang and higher market prices.

Generation fuel costs	H123 $m	Restated H122 $m	H123 $/MWh	Restated H122 $/MWh
Coal	**(339)**	(318)	**(22.0)**	(18.3)
Gas[1]	**(88)**	(76)	**(110.0)**	(108.3)
Total generation fuel costs	**(427)**	(394)	**(22.4)**	(19.1)

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.

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Total wholesale gas costs were $(813) million, up 9.4% largely driven by international events impacting gas prices, partly offset by lower haulage costs. On a per GJ basis, costs increased by $1.3 per GJ or 14.3%.

Total wholesale gas costs	H123 $m	H122 $m	H123 $/GJ	H122 $/GJ
Gas purchases	**(647)**	(565)	**(8.3)**	(6.9)
Haulage, storage & other	**(166)**	(178)	**(2.1)**	(2.2)
Total wholesale gas costs	**(813)**	(743)	**(10.4)**	(9.1)

1.1.6 Operating costs and capital expenditure

Total operating costs (excluding depreciation and amortisation) were $(770) million, up 1.2%, driven by inflationary pressures and increased costs to maintain plant availability across coal assets. This was partly offset by labour efficiencies.

Operating costs	H123 $m	H122 $m
Customer Markets	**(244)**	(248)
Integrated Energy	**(381)**	(366)
Investments[1]	**(7)**	(9)
Centrally Managed Expenses	**(138)**	(138)
Total operating costs (excluding depreciation and amortisation)	**(770)**	(761)

1. Includes $(3) million (H122: $(4) million) attributable to the 49% non-controlling interest in Ovo Energy Pty Limited.

Total capital expenditure was $267 million, a decrease of $11 million:

- Sustaining capital expenditure was $195 million, a decrease of $21 million. This comprised of $130 million of expenditure on AGL's coal-fired plants, down $32 million, predominantly due to one less major outage at AGL Loy Yang compared to the prior corresponding period. Other sustaining capital expenditure has increased through the Retail Next transformation program and rollout of the Consumer Data Rights regulatory program.
- Growth and transformation capital expenditure was $72 million, an increase of $10 million, due to the ongoing spend on the Torrens Island battery project and commencement of the Broken Hill battery project.

Capital expenditure	H123 $m	H122 $m
Customer Markets	**47**	37
Integrated Energy	**208**	226
Centrally Managed Expenses	**12**	15
Total capital expenditure	**267**	278
Sustaining	**195**	216
Growth and transformation	**72**	62
Total capital expenditure	**267**	278

Operating & Financial Review
for the half-year ended 31 December 2022

2. Group Financial Performance and Position

2.1 Group results summary

Statutory Loss after tax attributable to AGL shareholders was $(1,075) million, a decrease of $1,630 million compared to the Statutory Profit of $555 million in the prior corresponding period. The principal drivers of the decrease were asset impairments taken in H123 compared to prior corresponding period, favourable movements on onerous contracts and fair value movements on financial instruments and underlying profit after tax.

2.1.1 Reconciliation of Statutory (Loss)/Profit to Underlying Profit

AGL uses Underlying Profit as a key measure of financial performance. Underlying Profit is derived from Statutory Profit, as measured in accordance with Australian Accounting Standards, and excluding significant items and movements in the fair value of financial instruments. The use of Underlying Profit enhances comparability of results by excluding non-recurring events and transactions that materially affect the financial results of AGL for the reporting period.

Underlying Profit after tax was $87 million, down 55.2% from the prior corresponding period. A description of the factors driving Underlying Profit is included in Section 2.1.4.

	H123 $m	H122 $m
Statutory (Loss)/Profit after tax attributable to AGL shareholders	**(1,075)**	555
Adjusted for:		
Significant items after tax[1]	**540**	(276)
Loss/(Profit) on fair value of financial instruments after tax	**622**	(85)
Underlying Profit after tax	**87**	194
Earnings per share on Statutory (Loss)/Profit	**(159.8) cents**	86.6 cents
Earnings per share on Underlying Profit	**12.9 cents**	30.3 cents

1. Refer to Section 2.1.2 for further information.

Earnings per share (EPS) calculations have been based upon a weighted average number of ordinary shares of 672,747,233 (31 December 2021: 641,090,661). The weighted average number of ordinary shares was 31,656,572 higher than the prior corresponding period largely due to the underwriting of the FY22 interim dividend payment.

2.1.2 Significant items

	H123 $m		H122 $m	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Movement in onerous contracts	**186**	**131**	451	316
Impairments	**(1,008)**	**(706)**	(6)	(4)
Separation and re-integration costs	**(10)**	**(7)**	(34)	(24)
Restructuring and integration costs	**–**	**–**	(17)	(12)
Wellington North Solar Farm	**17**	**12**	–	–
Movement in rehabilitation provision	**43**	**30**	–	–
Total significant items	**(772)**	**(540)**	394	276

H123

During the period AGL:

- Recorded a reduction in the valuation of onerous contracts of $186 million pre-tax ($131 million post-tax) as a result of higher large-scale generation certificate forward prices along with higher discount rates, partly offset by lower electricity forward prices.
- Recognised an impairment of $1,008 million pre-tax ($706 million post-tax) relating to the carrying value of the AGL Energy Generation Fleet cash-generating unit, predominantly as a result of the decision to bring forward the targeted closure date of AGL thermal generation assets and additional Environmental, Social and Governance (ESG) costs.
- Recognised $10 million pre-tax ($7 million post-tax) in separation and re-integration costs related to the proposed demerger of AGL.
- Recognised $17 million pre-tax ($12 million post-tax) revenue related to contingent milestones under the FY21 Wellington North Solar Farm sale being met in the current period.
- Recognised $43 million pre-tax ($30 million post-tax) due to the reduction in rehabilitation provision for assets that had previously been impaired. The reduction in rehabilitation provision was driven by an increase in the discount rate following market changes in base rates.

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for the half-year ended 31 December 2022

H122

During the prior corresponding period AGL:

- Revalued $451 million pre-tax ($316 million post-tax) onerous contract provision related to various renewable asset Power Purchase Agreements (PPAs), driven by the uplift in the forward prices on both electricity and large-scale generation certificates prices (FY23 onwards) since 30 June 2021.
- Recognised an impairment of $6 million pre-tax ($4 million post-tax) related to the carrying value of the 644 Collins Street Right-of-use and make good assets.
- Recognised $34 million pre-tax ($24 million post-tax) in separation costs related to preparing for the proposed demerger of AGL's retail business.
- Recognised $17 million pre-tax ($12 million post-tax) in restructuring and integration costs. Costs related to the delivery of cost reduction initiatives and related redundancy costs.

2.1.3 Earnings Before Interest and Tax (EBIT)

	H123 $m	H122 $m
Statutory EBIT	**(1,426)**	894
Significant items	**772**	(394)
Loss/(Gain) on fair value of financial instruments	**889**	(122)
Underlying EBIT	**235**	378
Customer Markets	**95**	74
Integrated Energy	**309**	480
Investments	**6**	(1)
Centrally Managed Expenses	**(175)**	(175)
Underlying EBIT	**235**	378

Following the withdrawal of the proposed demerger, AGL reverted to preparing and reporting financial information on the basis of Customer Markets, Integrated Energy, and Investments segments. Refer to Note 2 of the Financial Statements within the Consolidated Financial Statements for further information.

2.1.4 Group financial performance

Underlying Profit after tax attributable to AGL shareholders was $87 million, down 55.2%. The principal drivers of the decrease were lower Trading and Origination electricity gross margin due to the impact of short positions exposed to high pool prices mainly during the month of July 2022, planned and unplanned outages, predominantly the major outage of Unit 2 at AGL Loy Yang and the retirement of Liddell Unit 3 in April 2022 reducing generation volumes. Consumer electricity gross margin was lower than the prior corresponding period driven by the timing of retail tariff increases relative to wholesale cost increases. This was partly offset by higher Trading and Origination gas gross margin driven by higher oil prices on a net long position, higher consumer gas gross margin due to favourable price changes and labour efficiencies.

	H123 $m	H122 $m
Revenue	**7,808**	5,713
Cost of sales	**(6,447)**	(4,236)
Other income	**13**	7
Gross margin	**1,374**	1,484
Operating costs (excluding depreciation and amortisation)	**(770)**	(761)
Underlying EBITDA	**604**	723
Depreciation and amortisation	**(369)**	(345)
Underlying EBIT	**235**	378
Net finance costs	**(119)**	(112)
Underlying Profit before tax	**116**	266
Income tax expense	**(31)**	(76)
Underlying Profit after tax	**85**	190
Non-controlling interests[1]	**2**	4
Underlying Profit after tax attributable to AGL shareholders	**87**	194

1. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

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Refer to Section 3 for further analysis on the movement in gross margin for each operating segment and Section 1.1.6 for commentary on Group operating costs.

Depreciation and amortisation of $(369) million was up 7.0%, driven by the impact of the earlier closure dates of Bayswater Power Station and AGL Loy Yang and due to the higher asset base predominantly at Bayswater Power Station due to increased capital expenditure in FY22. This is partly offset by the impact of the impairments resulting from AGL's Review of Strategic Direction (RoSD) outcomes announced in September 2022.

Net finance costs were $(119) million, up 6.3% largely driven by rehabilitation provision interest costs.

Underlying tax expense was $(31) million, primarily reflecting the decrease in Underlying profit before tax. The underlying effective tax rate was 26.7%, a reduction of 1.9 ppts.

2.2 Cash flow

2.2.1 Reconciliation of Underlying EBITDA to cash movement

Operating cash flow before significant items, interest and tax was $105 million, down $702 million. The rate of conversion of EBITDA to cash flow was 17%, down from 112% in the prior corresponding period. Adjusting for margin calls, the cash conversion rate was 37%, down from 95% in the prior corresponding period.

		H123 $m		H122 $m
Underlying EBITDA		**604**		723
Equity accounted income (net of dividends received)		**(9)**		(3)
Accounting for onerous contracts		**(43)**		(67)
Other assets/liabilities and non-cash items		**(61)**		17
Working capital movements				
Decrease in receivables	**331**		37	
(Decrease) in payables	**(429)**		(216)	
(Increase)/decrease in inventories	**(17)**		34	
Net derivative premiums (paid)/roll-offs	**(43)**		1	
(Increase)/decrease in financial assets (margin calls)	**(119)**		122	
Net movement in green assets/liabilities	**(47)**		161	
Other working capital movements	**(62)**		(2)	
Total working capital movements		**(386)**		137
Operating cash flow before significant items, interest and tax		**105**		807
Net finance costs paid		**(49)**		(42)
Income taxes paid		**(27)**		(53)
Cash flow relating to significant items		**8**		(51)
Net cash provided by operating activities		**37**		661
Net cash used in investing activities		**(322)**		(552)
Net cash used in financing activities		**492**		(93)
Net increase in cash and cash equivalents		**207**		16

The principal reasons for lower operating cash flow and cash conversion rates, were lower Underlying EBITDA and a negative working capital movement, compared with a positive cash flow impact from working capital in the prior corresponding period. Total working capital movements were $(386) million, compared with $137 million in the prior corresponding period. Components of working capital movement were:

- Receivables cash flow of $331 million reflected the reversal of the AEMO deposit and security requirement driven by the market volatility in June 2022 and seasonality of customer consumption, which each year results in a higher opening receivables balance at 1 July compared with 31 December. This was partly offset by proceeds related to contingent milestones under the FY21 Wellington North Solar Farm sale being met in the current period. The prior corresponding period receivables cash flow of $37 million reflected a similar seasonality impact of customer consumption. This was partly offset by the impact of lower inventory holdings of green certificates. There is an offsetting positive cash flow impact for this transaction within the net movement in green assets/liabilities line in the cash flow.
- Payables cash flow of $(429) million reflected lower electricity pool prices, higher gas spot market purchases at high market prices during winter, higher oil prices on gas supply agreements, and AGL Loy Yang mine coal royalty payments. The prior corresponding period payables cash flow of $(216) million reflected the decrease in energy payables across the period as a result of AGL being a net purchaser of electricity during periods of high spot prices in New South Wales and Queensland during unprecedented market intervention in June 2022. It also reflected higher gas spot market sales, lower gas purchases leading to a lower accounts payable balance at December 2021, and AGL Loy Yang mine coal royalty payments.

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- Inventory cash flow of $(17) million reflected additional coal purchased from short term Mangoola contracts at higher prices. The prior corresponding period inventory cash flow of $34 million reflected higher gas net withdrawals from storage to meet winter demand.
- Net derivative premiums paid cash flow of $(43) million reflecting the timing differences of the premiums amortised and the premiums paid.
- Financial assets (margin calls) cash flow of $(119) million reflected higher long term market prices on a buy position, partly offset by lower prices in the near term. The prior corresponding period financial assets (margin calls) cash flow of $122 million reflected the variation margin reduction with an increased buy position at a lower strike price against a lifting market curve between June 2021 and December 2021, partly offset by an increase in initial margin due to an increase in net volume traded.
- Green assets and liabilities cash flow of $(47) million reflected higher VEET purchases in response to anticipated rising prices as a result of supply constraints and low liquidity in the forward market. The prior corresponding period green assets and liabilities cash flow of $161 million largely reflected the impact of a short term cash flow management strategy to lower inventory holdings of green certificates (offsetting impact to receivables above). This short term transaction impact was reversed in H222, coinciding with the timing of surrender. It also reflected the impact of timing with certificates purchased in FY20 and surrendered in H122.
- Other working capital movement cash flow of $(62) million reflected the settled Brent Oil derivatives reallocated from Underlying EBITDA to align timing to the physical delivery.

The onerous contracts cash flow of $(43) million reflected the onerous portion of payments made to suppliers under legacy wind farm offtake agreements and Yabulu PPA and Gas Transport Agreements (GTAs), previously recognised as onerous.

The movement in other assets/liabilities of $(61) million related to employee provisions and payments for rehabilitation works. The prior corresponding period cash flow of $17 million largely related to a movement in unearned revenue.

Cash tax paid during H123 was lower than H122, in line with lower profit before tax and utilisation of prior period tax losses.

Investing cash flow of $(322) million reflected capital expenditure, and a capital injection to Tilt Renewables as required by Tilt Renewables equity call. The prior corresponding period Investing cash flow of $(552) million reflected capital expenditure, the acquisition of Tilt Renewables, and the sale of EIP Funds and Ecobee Inc. For further details on capital expenditure, see Section 1.1.6.

Financing cash flow of $492 million reflected the lower than expected operating cash flow mainly driven by market volatility with net borrowing drawdown of $559 million, partly offset by dividend payments of $(67) million. The prior corresponding year cash flow of $(93) million reflected the net repayment of borrowings.

2.3 Financial position

Summary Statement of Financial Position

At 31 December 2022 AGL's total assets were $15,830 million, a decrease from $19,270 million at 30 June 2022, primarily due to a $1,222 million decrease in trade receivables reflecting significant energy price decreases affecting the closing balances, a $2,390 million decrease in energy derivatives and a $512 million decrease in property, plant and equipment due to an impairment loss recognised in the current period, partly offset by an increase in rehabilitation assets reflecting the increases in estimated environmental rehabilitation costs.

Total liabilities at 31 December 2022 were $10,432 million, a decrease from $12,753 million at 30 June 2022, primarily reflecting a $1,562 million movement in energy derivatives and a decrease in onerous contracts provisions, and $1,409 million decrease in trade payables reflecting significant energy price decrease affecting the closing balances. This is partly offset by an increase in environmental rehabilitation provisions driven by the earlier targeted closure date of AGL thermal generation assets, additional ESG costs, and borrowings.

Total equity at 31 December 2022 was $5,398 million, down from $6,517 million, reflecting the Statutory Loss for the period and dividends paid. AGL's return on equity, calculated on a rolling 12-month basis was 1.9%, down from 30 June 2022.

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	H123 $m	FY22 $m
Assets		
Cash and cash equivalents	**334**	127
Other current assets	**4,692**	8,504
Property, plant and equipment	**5,501**	6,013
Intangible assets	**3,211**	3,252
Other non-current assets	**2,092**	1,374
Total assets	**15,830**	19,270
Liabilities		
Borrowings	**3,267**	2,878
Other liabilities	**7,165**	9,875
Total liabilities	**10,432**	12,753
Net assets/total equity[1]	**5,398**	6,517

1. Total equity includes $2 million attributable to non-controlling interests (FY22: $1 million).

2.3.1 Movement in fair value of financial instruments

Approach to hedging

AGL's approach to managing energy price risks, through physical ownership of energy generation, contracting for energy supply and financial hedging, reflects the need to provide pricing certainty to customers and limit exposure to adverse wholesale market outcomes. AGL generates electricity or has contracted gas supply in excess of its customers' demand in some states. In other states, AGL has sources of supply less than its customers' demand.

AGL uses certain financial instruments (derivatives) to manage these energy price risks and to manage its exposure to interest and foreign exchange rates arising in the normal course of business, provided the overall AGL risk appetite is not exceeded. The majority of these financial instruments exchange a fixed price for a floating market-based price of a given commodity, interest rate, currency or a quoted asset, with the net differential being settled with the counterparty. AGL is exposed to price volatility on the sale and purchase of energy-related commodities in the normal course of business, and therefore enters into contracts that minimise the price risk to AGL on both sold and purchased forecast exposures.

AGL has in place a governance framework that establishes the policy guidelines under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, earnings-at-risk limits, compliance management and regular reporting to the Board. The risk policy represents the Board and Senior Management's commitment to an effective risk management function to ensure appropriate management and oversight of AGL's risks related to wholesale markets energy risk. The policy allows for commercial optimisation of the portfolio provided that AGL adheres to overall earnings-at-risk limits that reflect its risk appetite.

Energy price risk

AGL's energy-related derivatives recognised in profit or loss include sell and buy positions, where AGL receives or pays a fixed price from or to a counterparty in exchange for a floating price paid or received.

AGL is required to make margin payments in respect of futures contracts traded through the Australian Securities Exchange (ASX). Initial margin call payments are made at the time contracts are entered in order to manage intra-day credit exposure. The quantum of initial margin depends on the volume traded, the expected market volatility as well as forward electricity prices at the time. The initial margin call can move subsequently as forward prices move. AGL also receives or makes payments known as variation margin calls, which cover mark to market movements of AGL's open futures position. These typically reverse through future earnings as contract positions roll off.

Treasury related risk

AGL's treasury related risk primarily relates to interest and foreign currency rate fluctuations. Contracts to minimise the exposure to market-based fluctuations are executed pursuant to AGL's treasury risk management policy. These contracts primarily result in fixed interest and foreign currency rates. These contracts are designated in hedge relationships when they can be matched to forecast transactions with sufficient probability of the forecast transaction occurring.

In addition to the above, AGL is counterparty to cross-currency interest rate swap arrangements to convert its fixed interest rate US dollar private placement borrowing instruments to floating interest rate Australian dollar equivalent borrowing instruments. The cross-currency interest rate swap arrangements are designated as fair value and cash flow hedge relationships.

Movement in fair value

The initial fair value of a derivative is the consideration paid or received (the premium). Fair value movements in any given period are a function of changes to underlying indices, market prices or currencies and the roll-off of realised contractual volumes or amounts. A reconciliation of the movements in financial instruments carried at fair value for H123 is presented in the following table.

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Net assets/(liabilities)	H123 $m	FY22 $m	Change $m
Energy derivative contracts	**108**	937	(829)
Cross currency and interest rate swap derivative contracts	**142**	219	(77)
Total net assets for financial instruments	**250**	1,156	(906)
Change in net assets	**(906)**		
Premiums paid	**(64)**		
Premium roll off	**24**		
Equity accounted fair value	**42**		
Total change in fair value	**(904)**		
Recognised in equity hedge and other reserve	**8**		
Recognised in borrowings	**(77)**		
Recognised in profit or loss – pre-tax	**(835)**		
Total change in fair value	**(904)**		

The movement in net derivative assets in the period of $(906) million is expanded on in the table below.

		Unrealised fair value recognised in:					
	FY22 $m	Profit or loss	Hedge reserve	Borrowings	Currency basis	Premiums and roll offs paid	H123 $m
Energy derivative contracts	**937**	(869)	-	-	-	40	**108**
Cross currency and interest rate swap contracts	**219**	-	2	(77)	(2)	-	**142**
Net asset	**1,156**	**(869)**	**2**	**(77)**	**(2)**	**40**	**250**
Fair value recognised within equity accounted investments		34					
Profit or loss		**(835)**					
Realised fair value to be recognised in cost of sales		(54)					
Fair value recognised in profit or loss		**(889)**					

The fair value movement driving the change in the net derivative assets position reflected in unrealised fair value movements is as follows:

- A decrease in the fair value of energy-related derivatives of $869 million was recognised in profit or loss (excluded from Underlying Profit). The net loss reflected a negative fair value movement in net buy electricity derivatives mainly due to the significant short to medium term forward curve drop in December 2022, partly offset by the positive fair value movement in net sell electricity derivatives. Furthermore, a negative fair value movement in oil and gas derivative contracts resulted from higher forward prices.
- A decrease in fair value of $77 million recognised in borrowings was due to the maturity of $54 million cross currency swaps with the repayment of USD senior notes and $23 million fair value reduction mainly driven by the increase of forward curves.

2.3.2 Net Debt Reconciliation

Net debt at 31 December was $2,920 million, up from $2,662 million at 30 June 2022 driven by volatile market conditions impacting margin call obligations.

AGL's gearing (measured as the ratio of net debt to net debt plus adjusted equity) at 31 December 2022 was 35.4% compared with 29.7% at 30 June 2022.

Moody's Investors Services restated AGL's Baa2 rating to a stable outlook in November 22. AGL maintained its credit rating of Baa2 throughout the period. Key metrics consistent with this credit rating at 31 December 2022:

- Interest cover: 6.2 times
- Funds from operations to net debt: 25.5%

	H123 $m	FY22 $m
Net debt reconciliation		
Borrowings	**3,267**	2,878
Less: Adjustment for cross currency swap hedges and deferred borrowing costs	**(13)**	(89)
Cash and cash equivalents	**(334)**	(127)
Net debt	**2,920**	2,662

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3. Segmental Analysis

AGL manages its business in three key operating segments: Customer Markets, Integrated Energy and Investments. Further detail on the activities of each operating segment is provided below.

AGL manages and reports a number of expense items including Technology within Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

A reconciliation of segment results and Underlying Profit after tax is provided in the Consolidated Financial Statements Note 2 of the Financial Statements.

3.1 Customer Markets

Customer Markets comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.

Following the integration of Telecommunications, certain costs associated with Telecommunications Technology and Corporate functions were transferred from Customer Markets to Centrally Managed Expenses.

3.1.1 Underlying EBIT

Customer Markets Underlying EBIT was $95 million, up 28.4% due to higher gas gross margin across Consumer and Large Business and higher Sustainable Business Energy Solutions (SBES) and Telecommunications gross margin, partly offset by lower Consumer Electricity gross margin.

	H123 $m	H122 $m
Consumer Electricity gross margin	**203**	227
Consumer Gas gross margin	**148**	127
Large Business Electricity gross margin	**14**	17
Large Business Gas gross margin	**9**	4
Fees, charges and other gross margin	**6**	5
Telecommunications gross margin	**8**	5
Perth Energy gross margin	**5**	2
Sustainable Business Energy Solutions gross margin	**11**	6
Gross margin	**404**	393
Operating costs (excluding depreciation and amortisation)	**(244)**	(248)
Underlying EBITDA	**160**	145
Depreciation and amortisation	**(65)**	(71)
Underlying EBIT	**95**	74

- Consumer Electricity gross margin was $203 million, down 10.6%, due to timing of retail tariff increases relative to wholesale cost increases, partly offset by favourability in underlying margin rate from focused customer value management.
- Consumer Gas gross margin was $148 million, up 16.5%, driven by favourable price changes, partly offset by lower average demand due to change in customer behaviour.
- Large Business Electricity gross margin was $14 million, down 17.6%, driven by increased competition.
- Large Business Gas gross margin was $9 million, up 125.0%, driven by improved margin rate due to increase in customer contracting and favourable consumption mix.
- Fees, charges and other gross margin was broadly in line to the prior corresponding period.
- Telecommunication gross margin was $8 million, up 60.0%, driven by growth in telecommunications services and improved margin rates from economies of scale across the fixed network cost.
- Perth Energy gross margin was $5 million, up 150.0%, driven by higher Kwinana Swift Power Station generation volumes due to fewer forced outages compared to the prior corresponding period, as well as improved margins in Gas. This was partly offset by margin compression in the Electricity portfolio due to market conditions driving up higher wholesale costs.
- Sustainable Business Energy Solutions (SBES) gross margin was $11 million, up 83.3%, due to the increase in volume and margin of solar engineering, procurement and construction (EPC) projects delivered.
- Depreciation and amortisation was $(65) million, down 8.5% driven by assets reaching their end of depreciated life, largely related to the Customer Experience Transformation (CXT) program.

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3.1.2 Operating costs

Customer Markets operating costs (excluding depreciation and amortisation) were $(244) million, down 1.6%, due to labour efficiencies and a decrease in net bad debt expense due to lower bad debt write offs and debt settlements. This is partly offset by increased channels and marketing activity during the first quarter relative to the prior corresponding period.

	H123 $m	H122 $m
Labour and contractor services	**(111)**	(116)
Net bad debt expense	**(36)**	(40)
Campaigns and advertising	**(39)**	(38)
Other expenditure	**(58)**	(54)
Operating costs (excluding depreciation and amortisation)	**(244)**	(248)
Add: depreciation and amortisation	**(65)**	(71)
Operating costs (including depreciation and amortisation)	**(309)**	(319)

- Labour and contractor services costs were $(111) million, down 4.3%, due to labour efficiencies, partly offset by the realignment of the Decentralised Energy Resources from Integrated Energy.
- Net bad debt expense was $(36) million, down 10.0% due to lower bad debt write offs and debt settlements. In the prior corresponding period debt collection operations remained impacted by COVID-19 market regulatory restrictions.
- Campaigns and advertising costs were $(39) million, up 2.6% due to timing of channel and marketing activity compared to the prior corresponding period.
- Other expenditure was $(58) million, up 7.4% due to increase in travel and recruitment costs post COVID-19 restrictions, increased property costs due to an increase in SBES inventory holdings and integration costs of Solgen and Epho.

3.1.3 Consumer profitability and operating efficiency

Net operating costs per consumer service was $(46), down 6.1% compared to the prior corresponding period, due to the impact of higher average consumer services, and lower net operating costs due to labour efficiencies and net bad debt expense.

	H123	H122
Gross margin ($m)	**359**	359
Net operating costs ($m)[1]	**(195)**	(204)
EBITDA ($m)	**164**	155
Average consumer services ('000)	**4,244**	4,189
Gross margin per consumer service ($)	**85**	86
Net operating costs per consumer service ($)	**(46)**	(49)
EBITDA per consumer service ($)	**39**	37
Net operating costs as a percentage of gross margin	**54.3%**	56.8%

1. Includes fees, charges, and recoveries. Excludes depreciation and amortisation, and the impact of digital uplift expenses (Software as a Service).

Average consumer services increased compared with the prior corresponding period largely due to growth in electricity and Telecommunications services offsetting the decline in average gas services.

Gross Margin per consumer service decreased compared with the prior corresponding period driven by timing of electricity retail tariff increases and lower average demand in consumer gas, largely offset by favourable gas price changes and improved Telecommunications margins following growth in Telecommunications services.

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3.2 Integrated Energy

The Trading and Origination components of Integrated Energy are responsible for managing the price risk associated with procuring electricity and gas for AGL's customers and for managing AGL's obligations in relation to renewable energy schemes. They also control the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.

- Trading and Origination - Electricity reflects the procurement of key fuel inputs and hedging of AGL's wholesale electricity requirements, and also includes Eco Markets, which reflects the management of AGL's liabilities relating to both voluntary and mandatory renewable and energy efficiency schemes.
- Trading and Origination - Gas reflects the sourcing and management of AGL's gas supply and transportation portfolio. Trading and Origination - Gas is also responsible for the management of the price exposures related to AGL's oil-linked wholesale gas contracts.
- Trading and Origination – Other reflects the Trading and Origination resourcing and support, in addition the Decentralised Energy Resources business is responsible for the management of other growth initiatives in AGL's orchestration pathway alongside Customer Markets.

The other components of Integrated Energy comprises AGL's power generation portfolio and other key sites and operating facilities across the Coal, Gas Generation, Renewables, Natural Gas, and Other business units.

- Coal primarily comprises AGL Macquarie (Bayswater and Liddell power stations) and AGL Loy Yang.
- Gas Generation primarily comprises AGL Torrens, Barker Inlet Power Station, Kwinana Swift Power Station and Somerton Power Station.
- Renewables primarily comprises hydroelectric power stations, the operation of solar power as well as wind power generation. Operational costs to maintain the wind farms are reported within Trading and Origination – Electricity to align with the gross margin of the related power purchase agreements.
- Natural Gas includes the Silver Springs underground gas storage and production facility, the natural gas compression and LPG separation facility, the natural gas production assets at Camden in New South Wales, the Newcastle Gas Storage Facility and the North Queensland gas assets, including the Moranbah Gas Project.
- Other primarily consists of the Energy Hubs business focused on the development and construction of greenfield growth opportunities, and technical and business support functions.

3.2.1 Underlying EBIT

Integrated Energy Underlying EBIT was $309 million, down $171 million or 35.6% largely due to lower gross margin from Trading and Origination - Electricity and an increase in depreciation and amortisation. This was partly offset by higher gross margin from Trading and Origination – Gas.

	H123 $m	H122 $m
Gross margin	**957**	1,083
Operating costs (excluding depreciation and amortisation)	**(381)**	(366)
Underlying EBITDA	**576**	717
Depreciation and amortisation	**(267)**	(237)
Underlying EBIT	**309**	480

Gross margin was down largely due to exposure to high pool prices mainly during the month of July 2022, coupled with the major outage of Unit 2 at AGL Loy Yang and the retirement of Liddell Unit 3 in April 2022 resulting in lower generation. This was partly offset by higher contracted electricity prices outside of Victoria and higher hydroelectric generation revenue. High oil prices on a net long position, haulage optimisation and higher rates for wholesale and consumer customers resulted in favourability within the gas portfolio.

Operating costs (excluding depreciation and amortisation) were $(381) million, an increase of $15 million compared with the prior corresponding period due to higher labour costs driven by Enterprise Agreement wage escalations, increased costs to maintain plant availability across the thermal fleet. This was partly offset by labour efficiencies. For further details see Section 3.2.2.

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The following table provides a breakdown of the contributors to Underlying EBITDA and Underlying EBIT:

	H123 $m	H122 $m
Trading and Origination - Electricity	**658**	866
Trading and Origination - Gas	**214**	132
Trading and Origination - Other	**(16)**	(20)
Coal	**(228)**	(209)
Gas Generation	**(19)**	(22)
Renewables	**(12)**	(10)
Natural Gas	**3**	6
Other	**(24)**	(26)
Underlying EBITDA	**576**	717
Depreciation and amortisation	**(267)**	(237)
Underlying EBIT	**309**	480

- Trading and Origination – Electricity gross margin was $658 million, down 24.0% due to the exposure to high pool prices mainly during the month of July 2022, the major outage of Unit 2 at AGL Loy Yang and the retirement of Liddell Unit 3 reducing generation volumes. This was partly offset by higher customer contracted electricity prices outside of Victoria. Gross margin was also down as a result of higher input costs, primarily gas and diesel costs impacted by recent international market events. There is also the unfavourable timing impact of lagged recovery with increasing LREC prices coupled with the timing of SREC compliance cost recovery from customers.
- Trading and Origination – Gas gross margin was $214 million, up 62.1%, driven by higher oil and haulage optimisation, in addition to higher rates for wholesale and consumer customers and internal generation. Consumer customer volumes were 0.2 PJ lower as per commentary in Section 1.1.2.
- Trading and Origination – Other Underlying EBITDA was $(16) million, up 20% mainly due to the realignment of the Decentralised Energy Resources business, higher orchestration revenue and labour efficiencies.
- Coal Underlying EBITDA was $(228) million, down 9.1%, driven by increased labour costs due to Enterprise Agreement wage escalations, higher costs to maintain plant availability. This was partly offset by labour efficiencies.
- Gas Generation Underlying EBITDA was $(19) million, up 13.6%, predominantly driven by labour efficiencies.
- Renewables Underlying EBITDA was $(12) million, down 20.0%, predominantly driven by increased labour costs due to Enterprise Agreement wage escalations.
- Natural Gas Underlying EBITDA was $3 million, down 50.0%, driven by a decrease in Silver Springs outerfield gas and oil production. This was partly offset by lower field development costs for the Moranbah Gas Project joint venture.
- Other Underlying EBITDA was $(24) million, up 7.7%, driven by lower insurance premiums, partly offset by an increase in feasibility studies for the energy hub sites.

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3.2.2 Operating costs

Integrated Energy operating costs (excluding depreciation and amortisation) of $(381) million increased by 4.1% compared with the prior corresponding period.

	H123 $m	H122 $m
Labour	**(183)**	(195)
Contracts and materials	**(135)**	(117)
Other	**(63)**	(54)
Operating costs (excluding depreciation and amortisation)	**(381)**	(366)

- Labour costs were $(183) million, down 6.2%, driven by labour efficiencies. This was partly offset by increased labour costs due to Enterprise Agreement wage escalations primarily at AGL's Coal operations.
- Contracts and materials costs were $(135) million, up 15.4%, driven by an increase in costs to maintain plant availability across the thermal fleet and higher costs associated with increased forced outages at AGL Loy Yang.
- Other operating costs were $(63) million, up 16.7%, due to lower capitalisation of costs driven by reduced AGL Loy Yang major outage activity, and higher feasibility studies for the energy hub sites. This was partly offset by a decrease in field development costs relating to the Moranbah Gas Project joint venture and lower insurance premiums.

3.2.3 Depreciation and amortisation

Integrated Energy depreciation and amortisation of $(267) million increased by 12.7% compared with the prior corresponding period.

	H123 $m	H122 $m
Coal	**(207)**	(182)
Gas Generation	**(22)**	(23)
Renewables	**(17)**	(17)
Natural Gas	**(4)**	(4)
Other Integrated Energy	**(17)**	(11)
Depreciation and amortisation	**(267)**	(237)

- Coal depreciation and amortisation was $(207) million, up 13.7% driven by the impact of the earlier closure dates of Bayswater Power Station and AGL Loy Yang. This was partly offset by the impact of the impairments resulting from AGL's RoSD outcomes announced in September 2022 and a higher asset base predominantly at Bayswater Power Station due to increased capital expenditure in FY22.
- Gas Generation depreciation and amortisation was $(22) million, broadly flat to the prior corresponding period.
- Renewables depreciation and amortisation was $(17) million, flat to the prior corresponding period.
- Natural Gas depreciation and amortisation was $(4) million, flat to the prior corresponding period.
- Other Integrated Energy depreciation and amortisation was $(17) million, up 54.5% driven by a higher asset base due to the completion of the leased Wandoan battery in June 2022.

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3.3 Centrally Managed Expenses

AGL manages and reports certain expense items including Technology within Centrally Managed Expenses. These costs are not reallocated to AGL's operating segments because their management is the responsibility of various corporate functions.

Following the integration of Telecommunications, certain costs associated with Telecommunications Technology and Corporate functions were transferred from Customer Markets to Centrally Managed Expenses.

Centralised Managed Expenses Underlying EBIT was $(175) million, in line with the prior corresponding period. Operating costs (excluding depreciation and amortisation) increased primarily due to higher Directors and Officers insurance, consulting costs, and hardware and software costs associated with the Telecommunications functions. This was offset by the savings from labour efficiencies.

	H123 $m	H122 $m
Gross margin	**–**	–
Operating costs (excluding depreciation and amortisation)	**(138)**	(138)
Underlying EBITDA	**(138)**	(138)
Depreciation and amortisation	**(37)**	(37)
Underlying EBIT	**(175)**	(175)
Breakdown of operating costs (excluding depreciation and amortisation)		
Labour	**(65)**	(70)
IT hardware and software costs	**(51)**	(49)
Consultants and contractor services	**(6)**	(4)
Insurance premiums	**(5)**	(4)
Other	**(11)**	(11)
Operating costs (excluding depreciation and amortisation)	**(138)**	(138)

3.4 Investments

Investments comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables previously known as Powering Australian Renewables (PowAR), Solar Analytics Pty Limited, Energy Impact Partners Europe, Sunverge Energy Inc, RayGen Resources Pty Ltd, Honey Insurance Pty Ltd and Ovo Energy Australia Pty Ltd (Ovo).

	H123 $m	H122 $m
ActewAGL	**9**	8
Ovo[1]	**(7)**	(9)
Tilt Renewables	**4**	–
Other	**–**	–
Underlying EBIT	**6**	(1)

1. Includes $(3) million (H122: $(4) million) attributable to the 49% non-controlling interest in Ovo.

- ActewAGL Retail Partnership contributed an equity share of profits of $9 million, up $1 million compared to the prior corresponding period, driven by favourable sales volumes.
- Ovo was $(7) million, up 22.2% driven by higher customer acquisition and localisation costs in the prior corresponding period.
- Tilt Renewables contributed an equity share of profits of $4 million, up $4 million driven by PowAR's acquisition of Tilt Renewables in August 2021.

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3.5 Consolidated financial performance by operating segment

H123 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	4,199	5,545	10	–	(1,946)	7,808
Cost of sales	(3,794)	(4,588)	(11)	–	1,946	(6,447)
Other income	(1)	–	14	–	–	13
Gross margin	404	957	13	–	–	1,374
Operating costs (excluding depreciation and amortisation)	(244)	(381)	(7)	(138)	–	(770)
Underlying EBITDA	160	576	6	(138)	–	604
Depreciation and amortisation	(65)	(267)	–	(37)	–	(369)
Underlying EBIT	95	309	6	(175)	–	235
Net finance costs						(119)
Underlying Profit before tax						116
Income tax expense						(31)
Underlying Profit after tax						85
Non-controlling interests[1]						2
Underlying Profit after tax attributable to AGL shareholders						87

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

H122 $m	Customer Markets	Integrated Energy	Investments	Centrally Managed Expenses	Inter-segment	Total Group
Revenue	3,938	3,533	4	–	(1,762)	5,713
Cost of sales	(3,545)	(2,450)	(3)	–	1,762	(4,236)
Other income	–	–	7	–	–	7
Gross margin	393	1,083	8	–	–	1,484
Operating costs (excluding depreciation and amortisation)	(248)	(366)	(9)	(138)	–	(761)
Underlying EBITDA	145	717	(1)	(138)	–	723
Depreciation and amortisation	(71)	(237)	–	(37)	–	(345)
Underlying EBIT	74	480	(1)	(175)	–	378
Net finance costs						(112)
Underlying Profit before tax						266
Income tax expense						(76)
Underlying Profit after tax						190
Non-controlling interests[1]						4
Underlying Profit after tax attributable to AGL shareholders						194

1. Relates to the 49% attributable to non-controlling interest in Ovo Energy Pty Limited.

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4. Portfolio Review Summary

The portfolio review for the Electricity (Section 4.2) and Gas (Section 4.3) businesses outlines the margin achieved for each of AGL's portfolios across operating segments, and demonstrates how value is generated within each business. The portfolio reviews in Section 4.2 and 4.3 start with volume information before summarising external customer revenue, customer network and other costs, fuel and gas costs net of hedging, and costs of managing and maintaining owned and contracted generation assets, to arrive at a portfolio's margin. A per unit rate ($/MWh for electricity and $/GJ for gas) is derived from each category of revenue and cost using the relevant associated volumes.

The tables in Sections 4.2 and 4.3 should be read in conjunction with Section 4.4 to reconcile the segmental revenue and costs allocated to each portfolio with Group Underlying EBIT.

4.1 Portfolio Review Summary to Underlying Profit after Tax

	H123 $m	Restated H122 $m
Electricity Portfolio		
Total revenue	**3,439**	3,344
Customer network, green compliance, and other cost of sales	**(1,807)**	(1,758)
Fuel costs[1]	**(427)**	(394)
Generation running costs[1]	**(388)**	(352)
Depreciation and amortisation	**(246)**	(222)
Net portfolio management	**(200)**	31
Electricity Portfolio Margin (a)	**371**	649
Gas Portfolio		
Total revenue	**1,507**	1,301
Customer network and other cost of sales	**(319)**	(295)
Gas purchases	**(647)**	(565)
Haulage, storage and other	**(166)**	(178)
Gas Portfolio Margin	**375**	263
Natural Gas	**(1)**	2
Gas Portfolio Margin (including Natural Gas) (b)	**374**	265
Other AGL		
Other margin[2]	**40**	23
Customer Markets operating costs	**(244)**	(248)
Integrated Energy other operating costs	**(42)**	(44)
Investments operating costs	**(7)**	(9)
Centrally Managed Expenses operating costs	**(138)**	(138)
Other depreciation and amortisation	**(119)**	(120)
Net finance costs	**(119)**	(112)
Income tax expense	**(31)**	(76)
Total Other AGL (c)	**(660)**	(724)
Underlying Profit after Tax (a + b + c)	**85**	190
Non-controlling interests[3]	**2**	4
Underlying Profit after tax attributable to AGL shareholders	**87**	194

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.
2. Other margin includes other income from investments, and gross margin from Customer Markets.
3. Relates to the 49% non-controlling interest in Ovo Energy Pty Limited.

Operating & Financial Review

for the half-year ended 31 December 2022

4.2 Electricity portfolio

The Electricity portfolio review combines Integrated Energy's Trading and Origination (Electricity), Operations (Coal, Gas Generation and Renewables), with Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

All electricity volumes generated by AGL are sold into either the National Electricity Market (NEM) or Western Australian Wholesale Electricity Market (collectively the "pool") for which AGL receives pool generation revenue. Pool generation revenue is a function of volume and pool prices, which are set by the real-time market in each state. In the NEM, the total volume demanded by AGL customers is then purchased from the pool according to the geographical profile of customer demand and is reported as pool purchase volumes and costs. Where AGL's customer demand volumes exceed pool generation volumes, the generation volume deficit needs to be purchased from the pool by AGL.

	H123 GWh	H122 GWh	Movement %
Pool purchase volume to satisfy Consumer customers	**7,792**	7,789	0.0%
Pool purchase volume to satisfy Large Business customers and Wholesale customers	**12,148**	12,580	(3.4)%
Pool purchase volume[1]	**19,940**	20,369	(2.1)%
Add: Net generation volume (deficit)/surplus	**(852)**	250	(440.8)%
Pool generation volume	**19,088**	20,619	(7.4)%
Consumer customers sales	**7,382**	7,396	(0.2)%
Large Business customers sales	**5,336**	5,056	5.5%
Wholesale customers sales	**6,683**	7,289	(8.3)%
Total customer sales volume	**19,401**	19,741	(1.7)%
Energy losses	**539**	628	(14.2%)
Pool purchase volume[1]	**19,940**	20,369	(2.1)%

1. Includes 1,405 GWh residential solar volumes purchased from consumers (H122: 1,385 GWh).

Refer to Section 1.1.4 for commentary on generation volumes.

Refer to Section 1.1.2 for commentary on customer energy demand.

	Portfolio Margin		Per Unit		Volume Denomination	
Revenue	H123 $m	H122 $m	H123 $/MWh	H122 $/MWh	H123 GWh	H122 GWh
Consumer customers	**2,092**	2,044	***283.4***	*276.4*	**7,382**	7,396
Large Business customers	**813**	762	***152.4***	*150.7*	**5,336**	5,056
Wholesale customers[1]	**484**	488	***72.4***	*67.0*	**6,683**	7,289
Operations (ancillary revenue)	**50**	50	**–**	–	**–**	–
Total revenue	**3,439**	3,344	***177.3***	*169.4*	**19,401**	19,741

1. Wholesale customers revenue includes amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Total revenue was $3,439 million, up 2.8%.

- Revenue from Consumer customers was $2,092 million, up 2.3% due to the impact of retail tariff increases and growth in electricity services.
- Large Business customer revenue was $813 million, up 6.7%, driven primarily by higher consumption in New South Wales and an increase in average revenue rates due to an increase in wholesale prices.
- Wholesale customer revenue was $484 million, down 0.8%, driven by a decrease in volumes sold to wholesale customers in addition to a reduction in green certificates sold compared to the prior corresponding period.
- Operations revenue was $50 million, flat compared with the prior corresponding period. Operations revenue predominantly comprises external revenue from the sale of coal from AGL's mine at AGL Loy Yang to the Loy Yang B Power Station.

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	Portfolio Margin		Per Unit		Volume Denomination	
Network and other cost of sales	H123 $m	H122 $m	H123 $/MWh	H122 $/MWh	H123 GWh	H122 GWh
Network costs	**(1,195)**	(1,200)	***(94.0)***	*(96.4)*	**12,718**	12,452
Consumer	**(908)**	(915)	***(123.0)***	*(123.7)*	**7,382**	7,396
Large Business	**(287)**	(285)	***(53.8)***	*(56.4)*	**5,336**	5,056
Green compliance costs	**(360)**	(301)	***(28.3)***	*(24.2)*	**12,718**	12,452
Consumer solar costs	**(126)**	(143)	***(91.6)***	*(103.2)*	**1,376**	1,385
Other cost of sales	**(126)**	(114)	***(9.9)***	*(9.2)*	**12,718**	12,452
Total customer network and other cost of sales	**(1,807)**	(1,758)	**(142.1)**	(141.2)	**12,718**	12,452

Total customer network and other costs of sales were $(1,807) million, up 2.8%.

- Total network costs were $(1,195) million, a decrease of 0.4%, driven by tariff decreases.
- Green compliance costs were $(360) million, up 19.6%, due to higher prices and higher cost of internally generated large scale generation certificates impacted by lower Macarthur wind volumes.
- Consumer solar costs were $(126) million, down 11.9%, due to a decrease in solar volumes and the reduction in average feed-in-tariffs compared to prior corresponding period.
- Other cost of sales were $(126) million, up 10.5%, due to higher metering costs associated to increased volume of digital meters.

	Portfolio Margin		Per Unit		Volume Denomination	
Fuel costs	H123 $m	Restated H122 $m	H123 $/MWh	Restated H122 $/MWh	H123 GWh	H122 GWh
Coal	**(339)**	(318)	***(22.0)***	*(18.3)*	**15,403**	17,366
Gas[1]	**(88)**	(76)	***(110.0)***	*(108.3)*	**800**	702
Renewables	**–**	–	**–**	–	**2,885**	2,551
Total fuel costs (a)	**(427)**	(394)	***(22.4)***	*(19.1)*	**19,088**	20,619

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.

Refer to Section 1.1.5 for commentary on fuel costs.

Generation running costs						
Coal power plants	**(193)**	(181)	***(12.5)***	*(10.4)*	**15,403**	17,366
Gas power plants[1]	**(24)**	(27)	***(30.0)***	*(38.5)*	**800**	702
Renewables[2]	**(114)**	(94)	***(39.5)***	*(36.8)*	**2,885**	2,551
Other	**(57)**	(50)	***(3.0)***	*(2.4)*	**19,088**	20,619
Total generation running costs (b)	**(388)**	(352)	***(20.3)***	*(17.1)*	**19,088**	20,619

1. Comparatives have been restated to reclass directional services from generation running costs to fuel costs.
2. Renewables includes Power Purchase Agreements (PPA) costs.

Total generation running costs were $(388) million, up 10.2%.

- Coal operating costs were $(193) million, up 6.6%, driven by increased labour costs due to Enterprise Agreement wage escalations, additional costs to maintain plant availability, and higher forced outages at AGL Loy Yang. This was partly offset by savings related to labour efficiencies.
- Gas operating costs were $(24) million, down 11.1%, predominantly driven by savings related to labour efficiencies.
- Renewables costs were $(114) million, up 21.3%, driven by higher contracted offtake prices and higher operational costs.
- Other costs were $(57) million, up 14.0%, driven by higher meter and market fees.

	Portfolio Margin		Per Unit		Volume Denomination	
	H123 $m	H122 $m	H123 $/MWh	H122 $/MWh	H123 GWh	H122 GWh
Depreciation and amortisation (c)	**(246)**	(222)	***(12.9)***	*(10.8)*	**19,088**	20,619

Depreciation and amortisation was $(246) million, up 10.8%, driven by the impact of the early closure dates of Bayswater Power Station and AGL Loy Yang announced in February 2022 and September 2022. This was partly offset by the impact of the impairments resulting from AGL's RoSD outcomes announced in September 2022 and a higher asset base predominantly at Bayswater Power Station.

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for the half-year ended 31 December 2022

Net Portfolio Management	Portfolio Margin H123 $m	Portfolio Margin H122 $m	Per Unit H123 $/MWh	Per Unit H122 $/MWh	Volume Denomination H123 GWh	Volume Denomination H122 GWh
Pool generation revenue[1]	**3,033**	1,327	***158.9***	*64.4*	**19,088**	20,619
Pool purchase costs[1]	**(3,377)**	(1,418)	***(169.4)***	*(69.6)*	**19,940**	20,369
Net derivative revenue	**144**	122	***7.5***	*5.9*	**19,088**	20,619
Net Portfolio Management (d)	**(200)**	31	***(10.3)***	*1.6*	**19,401**	19,741

1. Pool generation revenue and pool purchase costs include amounts from certain wholesale contracts that are treated as derivatives for statutory reporting purposes. In the statutory accounts the amounts associated with these contracts are recognised within cost of sales.

Net pool generation revenue and pool purchase costs were $(344) million, down $253 million, reflecting lower generation volumes mainly driven by AGL Loy Yang Unit 2 major outage when extended periods of volatility occurred in the market. Higher prices in the first quarter of H123, particularly in July, coupled with a number of thermal outages resulted in significantly higher pool generation and pool purchase rates. The net derivative revenue of $144 million has increased by $22 million, driven largely by the performance of the wholesale electricity derivatives due to closing future earnings at risk positions combined with contracted prices lower than pool price outcomes on a bought position in New South Wales and Queensland partly offset by a sold position in Victoria.

	Portfolio Margin H123 $m	Portfolio Margin H122 $m	Per Unit H123 $/MWh	Per Unit H122 $/MWh	Volume Denomination H123 GWh	Volume Denomination H122 GWh
Total wholesale costs (a + b + c + d)	**(1,261)**	(937)	***(63.2)***	*(46.0)*	**19,940**	20,369
Total costs	**(3,068)**	(2,695)	***(158.1)***	*(136.5)*	**19,401**	19,741
Electricity Portfolio Margin	**371**	649	***19.1***	*32.9*	**19,401**	19,741
Consumer customers	**203**	227				
Large Business customers	**14**	17				
Trading and Origination	**658**	866				
Perth Energy margin	**1**	2				
Operations (Coal, Gas Generation and Renewables)	**(505)**	(463)				

In addition to the commentary above, Electricity portfolio margin is discussed in Section 3.1 and 3.2.

4.3 Gas portfolio

The gas portfolio review combines the Integrated Energy Trading and Origination (Gas) and Customer Markets (Consumer and Large Business) businesses to outline the portfolio's performance across operating segments.

	H123 PJ	H122 PJ	Movement %
Consumer customers sales	**31.0**	31.2	(0.6)%
Large Business customers sales	**8.7**	8.7	0.0%
Wholesale customer sales and internal generation usage volumes	**38.5**	41.6	(7.5)%
Total customer sales volume	**78.2**	81.5	(4.0)%
Energy losses	**2.2**	2.0	10.0%
Gas purchase volume	**80.4**	83.5	(3.7)%

Refer to Section 1.1.2 for commentary on customer energy demand.

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	Portfolio Margin		Per Unit		Volume Denomination	
Revenue	H123 $m	H122 $m	H123 $/GJ	H122 $/GJ	H123 PJ	H122 PJ
Consumer customers	**869**	805	***28.0***	*25.8*	**31.0**	31.2
Large Business customers	**110**	69	***12.6***	*7.9*	**8.7**	8.7
Wholesale Gas & Eco Markets	**528**	427	***13.7***	*10.3*	**38.5**	41.6
Total revenue	**1,507**	1,301	***19.3***	*16.0*	**78.2**	81.5

- Consumer customers revenue was $869 million, up 8.0%, driven by retail tariff increases.
- Large Business customers revenue was $110 million, up 59.4%, due to higher revenue rates driven by an increase in wholesale costs and favourable revenue rate mix.
- Wholesale customer revenue was $528 million, up 23.7%, largely driven by an increase in revenue rates due to the impact of higher oil prices and new customer contracts at higher prices, partly offset by lower demand from existing customers.

Network and other cost of sales						
Consumer network costs	**(264)**	(254)	***(8.5)***	*(8.1)*	**31.0**	31.2
Consumer other cost of sales	**(40)**	(29)	***(1.3)***	*(0.9)*	**31.0**	31.2
Large Business customers network costs	**(13)**	(11)	***(1.5)***	*(1.3)*	**8.7**	8.7
Large Business customers other cost of sales	**(2)**	(1)	***(0.2)***	*(0.1)*	**8.7**	8.7
Total network and other cost of sales	**(319)**	(295)	***(8.0)***	*(7.4)*	**39.7**	39.9

Total network costs and other cost of sales were $(319) million, up 8.1%, driven by network tariff increases, partly offset by decrease in volumes.

Wholesale costs						
Gas purchases	**(647)**	(565)	***(8.3)***	*(6.9)*	**78.2**	81.5
Haulage, storage and other	**(166)**	(178)	***(2.1)***	*(2.2)*	**78.2**	81.5
Total wholesale costs	**(813)**	(743)	***(10.4)***	*(9.1)*	**78.2**	81.5

See Section 1.1.5 for commentary on wholesale gas costs.

Total costs	**(1,132)**	(1,038)	***(14.5)***	*(12.7)*	**78.2**	81.5
Gas Portfolio Margin	**375**	263	***4.8***	*3.2*	**78.2**	81.5
Natural Gas	**(1)**	2				
Gas Portfolio Margin (including Natural Gas)	**374**	265				
Consumer customers	**148**	127				
Large Business customers	**9**	4				
Trading & Origination - Gas	**214**	132				
Perth Energy margin	**4**	–				
Natural Gas	**(1)**	2				

Natural Gas was $(1) million, down $3 million, driven by a decrease in Silver Springs outerfield gas and oil production. This was partly offset by a decrease in field development costs relating to the Moranbah Gas Project joint venture.

In addition to the commentary above, Gas portfolio margin is discussed in Sections 3.1 and 3.2.

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for the half-year ended 31 December 2022

4.4 Portfolio Review Reconciliation

H123 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	2,905	979	187	21	4,092
Integrated Energy	534	528	47	2,595	3,704
Other	–	–	12	–	12
Revenue	3,439	1,507	246	2,616	7,808
Customer Markets	(1,807)	(319)	(161)	272	(2,015)
Integrated Energy	(706)	(813)	(9)	(2,888)	(4,416)
Other	–	–	(16)	–	(16)
Cost of sales	(2,513)	(1,132)	(186)	(2,616)	(6,447)
Other income	–	–	13	–	13
Gross margin	926	375	73	–	1,374
Operating costs (excluding depreciation and amortisation)	(309)	–	(461)	–	(770)
Depreciation and amortisation	(246)	–	(123)	–	(369)
Portfolio Margin/Underlying EBIT	371	375	(511)	–	235

H123 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	3,439	1,507	3,033	–	7,979
Revenue reclass	(319)	140	(182)	–	(361)
Intragroup	–	(133)	–	–	(133)
Other	(128)	9	17	425	323
Note 2 - Revenue	2,992	1,523	2,868	425	7,808

H122 $m	Electricity Portfolio	Gas Portfolio	Other AGL (a)	Adjustments (b)	Total Group
Customer Markets	2,806	874	148	5	3,833
Integrated Energy	538	427	48	863	1,876
Other	–	–	4	–	4
Revenue	3,344	1,301	200	868	5,713
Customer Markets	(1,758)	(295)	(136)	233	(1,956)
Integrated Energy	(423)	(743)	(10)	(1,101)	(2,277)
Other	–	–	(3)	–	(3)
Cost of sales	(2,181)	(1,038)	(149)	(868)	(4,236)
Other income	–	–	7	–	7
Gross margin	1,163	263	58	–	1,484
Operating costs (excluding depreciation and amortisation)	(292)	–	(469)	–	(761)
Depreciation and amortisation	(222)	–	(123)	–	(345)
Portfolio Margin/Underlying EBIT	649	263	(534)	–	378

H122 $m	Electricity	Gas	Pool revenue	Other	Total Group
Portfolio Margin Reporting	3,344	1,301	1,327	–	5,972
Revenue reclass	(310)	–	(81)	–	(391)
Intragroup	–	(92)	–	–	(92)
Other	(134)	9	9	340	224
Note 2 - Revenue	2,900	1,218	1,255	340	5,713

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for the half-year ended 31 December 2022

Notes

(a) Other AGL includes Natural Gas Underlying EBIT.

(b) Key adjustments include:

- Integrated Energy electricity pool sales in the statutory accounts has been reallocated to cost of sales (net portfolio management) in the Portfolio Review where it is combined with pool purchase costs and derivatives to reflect AGL's net position.
- Integrated Energy other revenue in the statutory accounts has been reallocated to cost of sales (generation running costs) in the Portfolio Review including ancillary services revenue, brown coal sales and wind farm asset management fees.
- Within Integrated Energy, derivatives from certain wholesale contracts are recognised within cost of sales in the statutory accounts.
- In the Portfolio Review the revenue and costs have been separately disclosed. Intra-segment and inter-segment eliminations include: Gas sales from Trading and Origination - Gas to Trading and Origination - Electricity; gas sales from Natural Gas to Trading and Origination - Gas. Elimination adjustment also includes the reallocation of green costs from Trading and Origination - Electricity to Consumer and Business customer other cost of sales.

Half-Year Financial Report

Contents

Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Continuing operations			
Revenue	3	**7,808**	5,713
Other income	4	**17**	-
Expenses	5	**(8,895)**	(4,481)
Share of profits of joint ventures	10	**13**	7
(Loss)/profit before net financing costs, depreciation and amortisation		**(1,057)**	1,239
Depreciation and amortisation		**(369)**	(345)
(Loss)/profit before net financing costs		**(1,426)**	894
Finance income	6	**5**	-
Finance costs	6	**(124)**	(112)
Net financing costs		**(119)**	(112)
(Loss)/profit before tax		**(1,545)**	782
Income tax benefit/(expense)	7	**468**	(231)
(Loss)/profit for the period		**(1,077)**	551
Loss attributed to non-controlling interest		**2**	4
(Loss)/profit for the period attributable to the Shareholders of AGL Energy Limited		**(1,075)**	555
Earnings per share			
Basic earnings per share	16	**(159.8 cents)**	86.6 cents
Diluted earnings per share	16	**(159.8 cents)**	86.5 cents

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
(Loss)/profit for the period		**(1,077)**	551
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit plans		**22**	24
Fair value gain on the revaluation of equity instrument financial assets		**-**	18
Income tax relating to items that will not be reclassified subsequently to profit or loss	7	**(7)**	(13)
		15	29
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
Gain in fair value of cash flow hedges		**17**	30
Reclassification adjustments transferred to profit or loss		**(7)**	18
Cost of Hedging			
(Loss)/Gain in fair value cost of hedging		**(2)**	6
Income tax relating to items that may be reclassified subsequently to profit or loss	7	**(2)**	(16)
		6	38
Other comprehensive income for the period, net of income tax		**21**	67
Total comprehensive (loss)/income for the period		**(1,056)**	618

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 Dec 2022 $m	30 Jun 2022 $m
Current assets			
Cash and cash equivalents		**334**	127
Trade and other receivables	9	**1,622**	3,130
Inventories		**363**	369
Current tax assets		**126**	67
Other financial assets		**2,006**	4,639
Other assets		**575**	299
Total current assets		**5,026**	8,631
Non-current assets			
Trade and other receivables	9	**93**	93
Inventories		**46**	46
Other financial assets		**580**	384
Investments in joint ventures	10	**513**	426
Property, plant and equipment	11	**5,501**	6,013
Intangible assets	12	**3,211**	3,252
Deferred tax assets		**769**	344
Other assets		**91**	81
Total non-current assets		**10,804**	10,639
Total assets		**15,830**	19,270
Current liabilities			
Trade and other payables		**1,755**	3,164
Borrowings	13	**748**	355
Provisions	14	**365**	374
Current tax liabilities		**43**	55
Other financial liabilities		**2,297**	3,611
Other liabilities		**53**	48
Total current liabilities		**5,261**	7,607
Non-current liabilities			
Borrowings	13	**2,519**	2,523
Provisions	14	**2,119**	1,961
Deferred tax liabilities		**11**	-
Other financial liabilities		**363**	491
Other liabilities		**159**	171
Total non-current liabilities		**5,171**	5,146
Total liabilities		**10,432**	12,753
Net assets		**5,398**	6,517
Equity			
Issued capital	15	**5,918**	5,918
Reserves		**104**	97
(Accumulated losses)/retained earnings		**(626)**	501
Non-controlling interest		**2**	1
Total equity		**5,398**	6,517

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2022

	Attributable to owners of AGL Energy Limited								
	Issued capital $m	Investment revaluation reserve $m	Employee equity benefits reserve $m	Hedge reserve $m	Other reserve $m	Retained earnings / (Accumulated losses) $m	Equity $m	Non-controlling Interests $m	Total Equity $m
Balance at 1 July 2022	**5,918**	**17**	**(1)**	**77**	**4**	**501**	**6,516**	**1**	**6,517**
(Loss) for the period	**-**	**-**	**-**	**-**	**-**	**(1,075)**	**(1,075)**	**(2)**	**(1,077)**
Other comprehensive income/(loss) for the period, net of income tax	**-**	**-**	**-**	**8**	**(2)**	**15**	**21**	**-**	**21**
Total comprehensive (loss)/ income for the period	**-**	**-**	**-**	**8**	**(2)**	**(1,060)**	**(1,054)**	**(2)**	**(1,056)**
Transactions with owners in their capacity as owners:									
Payment of dividends	**-**	**-**	**-**	**-**	**-**	**(67)**	**(67)**	**-**	**(67)**
Share-based payments	**-**	**-**	**1**	**-**	**-**	**-**	**1**	**-**	**1**
Capital contributed by non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**3**
Balance at 31 December 2022	**5,918**	**17**	**-**	**85**	**2**	**(626)**	**5,396**	**2**	**5,398**

Balance at 1 July 2021	5,601	40	(1)	(24)	-	(115)	5,501	5	5,506
Profit/(Loss) for the period	-	-	-	-	-	555	555	(4)	551
Other comprehensive income for the year, net of income tax	-	12	-	34	4	17	67	-	67
Total comprehensive income/ (loss) for the year	-	12	-	34	4	572	622	(4)	618
Transactions with owners in their capacity as owners:									
Issue of shares[1]	212	-	-	-	-	-	212		212
Payment of dividends	-	-	-	-	-	(212)	(212)	-	(212)
Share-based payments	-	-	1	-	-	-	1	-	1
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	1	1
Balance at 31 December 2021	5,813	52	-	10	4	245	6,124	2	6,126

1. Issue of shares to satisfy fully underwritten dividend and dividend reinvestment plan.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2022

	Note	31 Dec 2022 $m	31 Dec 2021 $m
Cash flows from operating activities			
Receipts from customers		**9,085**	6,472
Payments to suppliers and employees		**(8,978)**	(5,720)
Dividends received		**4**	4
Finance income received		**5**	-
Finance costs paid		**(52)**	(42)
Income taxes		**(27)**	(53)
Net cash provided by operating activities		**37**	661
Cash flows from investing activities			
Payments for property, plant and equipment and other assets		**(286)**	(289)
Payments for investments in associates and joint ventures		**(36)**	(358)
Proceeds from disposal of equity instrument financial assets		**-**	95
Net cash used in investing activities		**(322)**	(552)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	212
Purchase of shares on-market for equity based remuneration		**(2)**	(1)
Proceeds from borrowings		**1,617**	1,125
Repayment of borrowings		**(1,059)**	(1,217)
Dividends paid	8	**(67)**	(212)
Capital contributed from non-controlling interests in subsidiaries		**3**	-
Net cash provided/(used) in financing activities		**492**	(93)
Net increase in cash and cash equivalents		**207**	16
Cash and cash equivalents at the beginning of the financial period		**127**	88
Cash and cash equivalents at the end of the financial period		**334**	104

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

for the half-year ended 31 December 2022

1. Summary of significant accounting policies

AGL Energy Limited (the Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The half-year financial report includes the condensed consolidated financial statements which comprise the Parent Entity and its controlled entities (together referred to as AGL).

(a) Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for derivative financial instruments and equity instrument financial assets, which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Parent Entity is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument, amounts in the half-year financial report are rounded off to the nearest million dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in AGL's 2022 annual financial report for the year ended 30 June 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The December 2022 half year financial report is prepared on a going concern basis. At 31 December 2022, the current assets of the Group were $5,026 million which is $235 million lower than current liabilities of $5,261 million. The deficiency was predominantly caused by bank loans being classified as current with $700 million of the bank loans expected to mature between July 2023 and December 2023 (i.e within 12 months of the balance sheet date).

The preparation of the half year report on a going concern basis is appropriate as:

- AGL has existing undrawn bank loan facilities of $151 million which can be drawn down to meet working capital requirements or to contribute to repaying maturing facilities;
- AGL holds a credit rating of Baa2 and it is expected that replacement funding will be secured within 12 months of the balance sheet date for maturing bank loan facilities based on AGL's history of refinancing and renewals; and
- AGL is expected to generate sufficient net operating cash inflows to meet its debts and obligations as they become due and payable.

(c) Adoption of new and revised Standards and Interpretations

AGL has applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period for the first time for the financial year commencing 1 July 2022. These did not have any material impact on the disclosures or on the amounts recognised in AGL's consolidated financial statements.

(d) Standards and Interpretations in issue not yet adopted

The following accounting standards, accounting standard amendments and interpretations are due for adoption for the year ending 30 June 2024:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current;
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent – Deferral of Effective Date;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates;
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants;
- AASB 2021-7b Amendments to Australian Accounting Standards –Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections; and
- 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information.

The standards and interpretations listed above are not expected to have a material impact on AGL's financial results or financial position on adoption.

Notes to the Financial Statements

for the half-year ended 31 December 2022

2. Segment information

Operating segments

AGL reports segment information on the same basis as the internal management reporting structure. The operating segments reflect the manner in which products are sold, whether retail or wholesale, and the nature of the services provided.

Following the withdrawal of the proposed demerger in May 2022, management commenced the process of re-integrating the businesses, including realigning the operating segments into Customer Markets, Integrated Energy, and Investments (the 'Re-integrated Segments').

In order to compare the Proposed Demerged Segments reported in the prior half-year report and the Re-integrated Segments that have been in use for the current half-year, the segment information for the comparative period is presented under both Proposed Demerged Segments and Re-integrated Segments, along with a reconciliation of the two.

Re-integrated Segments

- **Customer Markets:** comprises the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, broadband/mobile/voice, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Integrated Energy at a transfer price based on methodologies that reflect the prevailing wholesale market conditions and other energy costs in each state. Customer Markets also includes sales, marketing, brand, and AGL's customer contact and call centre operations.
- **Integrated Energy:** operates AGL's power generation portfolio and other key assets, including coal, gas and renewable generation facilities, natural gas storage and production facilities, and development projects. Integrated Energy manages price risk associated with procuring electricity and gas for AGL's customers, manages AGL's obligations in relation to renewable energy schemes, and controls the dispatch of AGL's owned and contracted generation assets, third party gas agreements and associated portfolio of energy hedging products.
- **Investments:** comprises AGL's interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe and other investments.

Proposed Demerged Segments

Accel:

- **Operations:** comprised the power generation portfolio and other assets that were to be allocated to Accel. The segment included the costs associated with the operation and maintenance of the baseload generation fleet and other assets.
- **Trading and Origination:** comprised the wholesale electricity and C&I customer portfolio that were to be allocated to Accel. This segment included the revenues for the sale of energy to the AGL Australia Supply and Trading segment and wholesale and C&I customers, along with costs of generation, and the outcomes of the trading and hedging strategies employed.

AGL Australia:

- **Customer:** comprised the Consumer and Large Business customer portfolios responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers and the retailing of telecommunications that were to be allocated to AGL Australia. This segment included revenue from the sale of energy, telecommunications and other products to customers, and the cost of supply and operating costs to support AGL Australia's 4.2 million customer services.
- **Supply and Trading:** comprised the wholesale electricity, gas and eco markets trading and operating activities that were to be allocated to AGL Australia. This segment sources the electricity and gas required to serve AGL Australia's customers. It also operated and maintained the flexible generation assets that were to be allocated to AGL Australia. This segment earned inter-segment revenue through sales to the Customer segment.
- **Investments:** comprised interests in the ActewAGL Retail Partnership, Tilt Renewables, Energy Impact Partners Europe and other investments that were to be allocated to AGL Australia.

In the segment financial results, the 'Other' category consists of the various corporate activities which includes head office and central support functions. These are not considered to be reportable segments.

Notes to the Financial Statements

for the half-year ended 31 December 2022

Segment financial results

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their Underlying earnings before interest and tax (Underlying EBIT) contribution to AGL. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

AASB 8 Operating Segments requires AGL to report segment information on the same basis as the internal management structure. As a result, the AGL Australia Customer segment reports the revenue and margin associated with satisfying the gas, electricity and telecommunication requirements of AGL's consumer and business customer portfolio, whilst Accel Energy Operations, Accel Energy Trading and Origination and AGL Australia Supply and Trading segment reports the revenue, expenses and margin related to AGL's operating sites and AGL's wholesale energy portfolio. The same approach also applies to the Re-integrated Segments, in that the Customer Markets segment reports the revenue and margin associated with satisfying the gas, electricity and telecommunication requirements of AGL consumer and business customer portfolio and Integrated Energy reports the revenue, expenses and margin related to AGL's operating sites and AGL's wholesale energy portfolio.

Period ended 31 December 2022	Customer Markets $m	Integrated Energy $m	Investments $m	Other $m	Total $m
Revenue					
Total segment revenue	4,107	5,372	10	-	9,489
Inter-segment revenue	(14)	(1,667)	-	-	(1,681)
External revenue	4,093	3,705	10	-	7,808
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	160	576	6	(138)	604
Depreciation and amortisation	(65)	(267)	-	(37)	(369)
Underlying EBIT	95	309	6	(175)	235
Net financing costs					(119)
Underlying profit before tax					116
Underlying income tax expense					(31)
Underlying profit after tax					85
Non-controlling interest					2
Underlying profit after tax (attributable to AGL shareholders)					87
Segment assets	2,686	8,564	529	246	12,025
Segment liabilities	710	3,578	6	157	4,451
Other segment information					
Share of profits of joint ventures	-	-	13	-	13
Investments in associates and joint ventures	-	-	513	-	513
Additions to non-current assets	43	314	-	11	368
Other non-cash expenses	(36)	-	-	(3)	(39)

Notes to the Financial Statements

for the half-year ended 31 December 2022

2. Segment information (cont.)

Re-integrated segments

Period ended 31 December 2021	Customer Markets $m	Integrated Energy $m	Investments $m	Other $m	Total $m
Revenue					
Total segment revenue	3,849	3,403	4	-	7,256
Inter-segment revenue	(16)	(1,527)	-	-	(1,543)
External revenue	3,833	1,876	4	-	5,713
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	145	717	(1)	(138)	723
Depreciation and amortisation	(71)	(237)	-	(37)	(345)
Underlying EBIT	74	480	(1)	(175)	378
Net financing costs					(112)
Underlying profit before tax					266
Underlying income tax expense					(76)
Underlying profit after tax					190
Non-controlling interest					4
Underlying profit after tax (attributable to AGL shareholders)					194

At 30 June 2022	Customer Markets $m	Integrated Energy $m	Investments $m	Other $m	Total $m
Segment assets	2,743	10,267	440	272	13,722
Segment liabilities	699	4,805	5	209	5,718

Period ended 31 December 2021	Customer Markets $m	Integrated Energy $m	Investments $m	Other $m	Total $m
Other segment information					
Share of profits of joint ventures	-	-	7	-	7
Investments in associates and joint ventures	-	-	475	-	475
Additions to non-current assets	39	227	-	17	283
Other non-cash expenses	(41)	-	-	(4)	(45)

Notes to the Financial Statements

for the half-year ended 31 December 2022

Proposed Demerged Segments

Period ended 31 December 2021	Accel Energy Operations $m	Accel Energy Trading and Origination $m	AGL Australia Customer $m	AGL Australia Supply and Trading $m	Investments $m	Other $m	Total $m
Revenue							
Total segment revenue	69	2,365	3,746	1,157	4	-	7,341
Inter-segment revenue	(18)	(863)	(16)	(731)	-	-	(1,628)
External revenue	51	1,502	3,730	426	4	-	5,713
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(246)	816	145	151	(1)	(142)	723
Depreciation and amortisation	(197)	-	(71)	(40)	-	(37)	(345)
Underlying EBIT	(443)	816	74	111	(1)	(179)	378
Net financing costs							(112)
Underlying profit before tax							266
Underlying income tax expense							(76)
Underlying profit after tax							190
Non-controlling interest							4
Underlying profit after tax (attributable to AGL shareholders)							194
At 30 June 2022							
Segment assets	4,929	1,599	2,743	3,744	435	272	13,722
Segment liabilities	1,582	2,547	699	676	5	209	5,718
Period ended 31 December 2021							
Other segment information							
Share of profits of joint ventures	-	-	-	-	7	-	7
Investments in associates and joint ventures	-	-	-	-	475	-	475
Additions to non-current assets	179	-	39	48	-	17	283
Other non-cash expenses	-	-	(41)	-	-	(4)	(45)

Reconciliation between the different segment presentation

The following table presents the reconciling difference between the demerged and re-integrated segment information. The reconciling difference for Integrated Energy presented below is the difference between the aggregation of Operations, Trading and Origination and Supply and Trading segments and the Integrated Energy segment. The Customer Markets, Investments and Other column presents the difference between each of their respective segments. The reconciliation difference explained below is driven by the different internal management reporting structure under the proposed demerged businesses and the re-integrated business.

Notes to the Financial Statements

for the half-year ended 31 December 2022

2. Segment information (cont.)

Customer Markets Reconciliation

Period ended 31 December 2021	Customer $m	Customer Markets $m	Variance $m	Timing Differences $m[1]	Differences in Profit Centre allocation $m[2]
Revenue					
Total segment revenue	3,746	3,849	(103)	(3)	(100)
Inter-segment revenue	(16)	(16)	-	-	-
External revenue	3,730	3,833	(103)	(3)	(100)
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	145	145	-	-	-
Depreciation and amortisation	(71)	(71)	-	-	-
Underlying EBIT	74	74	-	-	-
At 30 June 2022					
Segment assets	2,743	2,743	-	-	-
Segment liabilities	699	699	-	-	-

1. Field service and electric vehicles profit centres in HY23 have been reallocated to Integrated Energy from Customer Markets.
2. Post re-integration, C&I customer revenue in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.

Integrated Energy Reconciliation

Period ended 31 December 2021	Operations $m	Trading and Origination $m	Supply and Trading $m	Combined $m	Integrated Energy $m	Variance $m	Timing Differences $m[1,2]	Differences in Profit Centre Allocation $m[3,4]	Inter-segment revenue elimination $m[5]
Revenue									
Total segment revenue	69	2,365	1,157	3,591	3,403	188	3	100	85
Inter-segment revenue	(18)	(863)	(731)	(1,612)	(1,527)	(85)	-	-	(85)
External revenue	51	1,502	426	1,979	1,876	103	3	100	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(246)	816	151	721	717	4	4	-	-
Depreciation and amortisation	(197)	-	(40)	(237)	(237)	-	-	-	-
Underlying EBIT	(443)	816	111	484	480	4	4	-	-
At 30 June 2022									
Segment assets	4,929	1,599	3,744	10,272	10,267	5		5	-
Segment liabilities	1,582	2,547	676	4,805	4,805	-		-	-

1. Field service and electric vehicles profit centres in HY23 have been reallocated to Integrated Energy from Customer Markets.
2. Safety and environment profit centres in HY23 have been reallocated to Integrated Energy from Other.
3. Post re-integration, C&I customer revenue in relation to a number of customers were reallocated from Trading and Origination to Customer Markets.
4. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.
5. The difference in total revenue and inter-segment revenue is due to elimination following the re-integration of Integrated Energy.

Notes to the Financial Statements

for the half-year ended 31 December 2022

Investments Reconciliation

Period ended 31 December 2021	Investment - Demerged $m	Investment - Re-Integrated $m	Variances $m	Differences in Profit Centre Allocation $m[1]
Revenue				
Total segment revenue	4	4	-	-
Inter-segment revenue	-	-	-	-
External revenue	4	4	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(1)	(1)	-	-
Depreciation and amortisation	-	-	-	-
Underlying EBIT	(1)	(1)	-	-
At 30 June 2022				
Segment assets	435	440	(5)	(5)
Segment liabilities	5	5	-	-

1. Post re-integration RayGen investment was reallocated from Trading and Origination to Investments.

Corporate Reconciliation

Period ended 31 December 2021	Other $m	Other $m	Variance $m	Timing Differences $m[1]
Revenue				
Total segment revenue	-	-	-	-
Inter-segment revenue	-	-	-	-
External revenue	-	-	-	-
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)	(142)	(138)	(4)	(4)
Depreciation and amortisation	(37)	(37)	-	-
Underlying EBIT	(179)	(175)	(4)	(4)
At 30 June 2022				
Segment assets	272	272	-	-
Segment liabilities	209	209	-	-

1. Safety and environment profit centres in HY23 have been reallocated to Integrated Energy from Other.

Segment Underlying EBIT reconciliation to the Condensed Consolidated Statement of Profit or Loss

Reconciliation of segment Underlying EBIT to profit before tax is as follows:

	31 Dec 2022 $m	31 Dec 2021 $m
Underlying EBIT for reportable segments	**410**	557
Other	**(175)**	(179)
	235	378
Amounts excluded from underlying results:		
- gain/(loss) in fair value of financial instruments	**(889)**	122
- significant items[1]	**(772)**	394
Finance income	**5**	-
Finance costs	**(124)**	(112)
(Loss)/profit before tax	**(1,545)**	782

1. Further details are contained in the Operating Financial Review attached to and forming part of the Directors' Report.

Notes to the Financial Statements

for the half-year ended 31 December 2022

3. Revenue

Revenue by product and customer type is disaggregated below:

Period ended 31 December 2022	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	**2,196**	**675**	**121**	**-**	**2,992**
Generation sales to pool	**-**	**-**	**2,868**	**-**	**2,868**
Gas	**886**	**86**	**538**	**13**	**1,523**
Rendering of services	**27**	**22**	**75**	**192**	**316**
Other revenue	**2**	**-**	**63**	**44**	**109**
Total revenue	**3,111**	**783**	**3,665**	**249**	**7,808**

Period ended 31 December 2021	Consumer $m	Business $m	Wholesale $m	Other $m	Total $m
Electricity	2,152	623	125	-	2,900
Generation sales to pool	-	-	1,255	-	1,255
Gas	818	48	336	16	1,218
Rendering of services	21	19	41	146	227
Other revenue	1	-	69	43	113
Total revenue	2,992	690	1,826	205	5,713

4. Other Income

	31 Dec 2022 $m	31 Dec 2021 $m
Sale of Wellington North Solar Development Rights[1]	**17**	-
Total other income	**17**	-

1. Revenue related to deferred consideration received from the FY21 Wellington North Solar Farm sale due to a contractual milestone being met in the current period.

5. Expenses

	31 Dec 2022 $m	31 Dec 2021 $m
Cost of sales	**6,499**	4,230
Administrative expenses	**111**	106
Employee benefits expenses	**320**	342
Other expenses		
Movement in onerous contract provision[1]	**(186)**	(451)
Movement in rehabilitation provision[2]	**(43)**	-
Impairment losses on property plant & equipment[3]	**984**	6
Impairment losses on inventory	**24**	-
Loss/(gain) on fair value of financial instruments	**835**	(116)
Contracts and materials	**143**	131
Impairment losses on trade receivables (net of bad debts recovered)	**36**	41
Marketing expenses	**20**	20
Short term lease and outgoings expenses	**15**	11
Restructuring and integration costs	**-**	17
Separation and re-integration costs	**10**	34
Other	**127**	110
Total expenses	**8,895**	4,481

1. Refer to Note 14
2. $43m (Dec 2022: nil) relates to the movements in rehabilitation provisions where the corresponding rehabilitation assets were fully impaired in prior periods.
3. Refer to Note 11

Notes to the Financial Statements

for the half-year ended 31 December 2022

6. Net financing costs

	31 Dec 2022 $m	31 Dec 2021 $m
Finance income		
Interest income	5	-
Total financing income	5	-
Finance costs		
Interest expense[1]	48	38
Lease interest expense	7	4
Unwinding of discounts on provisions and other liabilities	59	58
Unwinding of discount on deferred consideration	8	9
Other finance costs	2	3
Total financing costs	124	112
Net financing Costs	119	112

1. Interest expense for the half-year ended 31 December 2022 is presented net of capitalised interest of $3 million (31 December 2021: $1 million).

7. Income tax

Numerical reconciliation between tax expense and pre-tax accounting profit

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax (benefit)/expense in the financial statements as follows:

	31 Dec 2022 $m	31 Dec 2021 $m
(Loss)/profit before tax	(1,545)	782
Income tax (benefit)/expense calculated at the Australian tax rate of 30% (31 December 2021: 30%)	(463)	235
Adjustments in relation to current tax of prior years	(4)	(4)
Other	(1)	-
Total income tax (benefit)/expense	(468)	231

Income tax recognised in other comprehensive income

	31 Dec 2022 $m	31 Dec 2021 $m
Deferred tax		
Cash flow hedges	2	16
Equity instruments measured at fair value	-	6
Remeasurement gain on defined benefit plans	7	7
Total income tax recognised in other comprehensive income	9	29

Notes to the Financial Statements

for the half-year ended 31 December 2022

8. Dividends

Recognised amounts

	31 Dec 2022 $m	31 Dec 2021 $m
Final dividend		
Final dividend for 2022 of 10.0 cents per share, unfranked, paid 27 September 2022 (2021: Final dividend for 2021 of 34.0 cents per share, unfranked, paid 29 September 2021).	**67**	212
Dividends paid as per the Consolidated Statement of Cash Flows	**67**	212

Unrecognised amounts

	31 Dec 2022 $m	31 Dec 2021 $m
Since the end of the financial year, the Directors have declared an interim dividend for 2023 of 8.0 cents per share, unfranked, payable 24 March 2023 (2022: 16.0 cents per share, unfranked, paid 30 March 2022).	**54**	105

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will operate in respect of the 2023 interim dividend. AGL will acquire shares on market and allot them to DRP participants at no discount to the simple average of the daily weighted average price at which AGL's ordinary shares trade on each of the 10 trading days commencing 27 February 2023. The last date for shareholders to elect to participate in the DRP for the 2023 interim dividend is 24 February 2023.

9. Trade and other receivables

	31 Dec 2022 $m	30 Jun 2022 $m
Current		
Trade receivables	**1,073**	2,295
Unbilled revenue	**681**	787
Allowance for expected credit loss	**(187)**	(183)
	1,567	2,899
Other receivables	**55**	231
Total current trade and other receivables	**1,622**	3,130
Non-current		
Other	**93**	93
Total non-current trade and other receivables	**93**	93

Expected credit loss assessment

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables and unbilled revenue:

	31 Dec 2022		30 Jun 2022	
	Total $m	Allowance $m	Total $m	Allowance $m
Unbilled revenue	**681**	**(27)**	787	(39)
Not past due	**706**	**(9)**	2,008	(12)
Past due 0 – 30 days	**96**	**(15)**	69	(12)
Past due 31 – 60 days	**54**	**(14)**	38	(9)
Past due 61 – 90 days	**34**	**(12)**	20	(7)
Past 90 days	**183**	**(110)**	160	(104)
Total	**1,754**	**(187)**	3,082	(183)

Notes to the Financial Statements
for the half-year ended 31 December 2022

10. Investments in joint ventures

	31 Dec 2022 $m	30 Jun 2022 $m
Investments in joint ventures - unlisted	**513**	426
Total investments in joint ventures	**513**	426

		Ownership interest		Contribution to profit	
	Principal activities	31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 $m	31 Dec 2021 $m
Joint ventures					
ActewAGL Retail Partnership	Gas and electricity retailer	**50**	50	**9**	7
Central Queensland Pipeline Pty Ltd	Gas pipeline development	**50**	50	**-**	-
Tilt Renewables	Development and owner of renewable energy generation projects	**20**	20	**4**	-
Total contribution to profit				**13**	7

Notes to the Financial Statements

for the half-year ended 31 December 2022

11. Property, plant and equipment

31 December 2022	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2022, net of accumulated depreciation and impairment	**5,762**	**3**	**164**	**84**	**6,013**
Additions	**200**	**103**	**2**	**-**	**305**
Impairment loss recognised in profit or loss[1]	**(984)**	**-**	**-**	**-**	**(984)**
Change in estimate related to provision for environmental rehabilitation	**432**	**-**	**-**	**-**	**432**
Depreciation expense	**(253)**	**(3)**	**(9)**	**-**	**(265)**
Balance at 31 December 2022 net of accumulated depreciation and impairment	**5,157**	**103**	**157**	**84**	**5,501**

1. Refer to Note 12

Balance at 1 July 2022					
Cost (gross carrying amount)	**10,578**	**12**	**301**	**107**	**10,998**
Accumulated depreciation and impairment	**(4,816)**	**(9)**	**(137)**	**(23)**	**(4,985)**
Net carrying amount	**5,762**	**3**	**164**	**84**	**6,013**

Balance at 31 December 2022					
Cost (gross carrying amount)	**11,210**	**115**	**303**	**107**	**11,735**
Accumulated depreciation and impairment	**(6,053)**	**(12)**	**(146)**	**(23)**	**(6,234)**
Net carrying amount	**5,157**	**103**	**157**	**84**	**5,501**

30 June 2022	Plant and equipment $m	Right-of-use plant and equipment $m	Other Right-of-use assets $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated depreciation and impairment	6,025	4	180	74	6,283
Additions	483	-	4	-	487
Impairment loss recognised in profit or loss	(237)	-	(9)	-	(246)
Change in estimate related to provision for environmental rehabilitation	(231)	-	-	-	(231)
Disposals	(7)	-	-	(2)	(9)
Reclassified from held for sale	211	-	-	12	223
Depreciation expense	(482)	(1)	(11)	-	(494)
Balance at 30 June 2022 net of accumulated depreciation and impairment	5,762	3	164	84	6,013

Balance at 1 July 2021					
Cost (gross carrying amount)	10,323	12	297	97	10,729
Accumulated depreciation and impairment	(4,298)	(8)	(117)	(23)	(4,446)
Net carrying amount	6,025	4	180	74	6,283

Balance at 30 June 2022					
Cost (gross carrying amount)	10,578	12	301	107	10,998
Accumulated depreciation and impairment	(4,816)	(9)	(137)	(23)	(4,985)
Net carrying amount	5,762	3	164	84	6,013

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for the half-year ended 31 December 2022

12. Intangible assets

31 December 2022	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2022, net of accumulated amortisation and impairment	**2,446**	**447**	**275**	**84**	**3,252**
Additions	**-**	**61**	**-**	**2**	**63**
Amortisation expense	**-**	**(87)**	**(5)**	**(12)**	**(104)**
Balance at 31 December 2022, net of accumulated amortisation and impairment	**2,446**	**421**	**270**	**74**	**3,211**

Balance at 1 July 2022					
Cost (gross carrying amount)	**3,073**	**1,488**	**311**	**331**	**5,203**
Accumulated amortisation and impairment	**(627)**	**(1,041)**	**(36)**	**(247)**	**(1,951)**
Net carrying amount	**2,446**	**447**	**275**	**84**	**3,252**

Balance at 31 December 2022					
Cost (gross carrying amount)	**3,073**	**1,549**	**311**	**333**	**5,266**
Accumulated amortisation and impairment	**(627)**	**(1,128)**	**(41)**	**(259)**	**(2,055)**
Net carrying amount	**2,446**	**421**	**270**	**74**	**3,211**

30 June 2022	Goodwill $m	Software $m	Licences $m	Other $m	Total $m
Balance at 1 July 2021, net of accumulated amortisation and impairment	2,440	482	285	95	3,302
Additions	6	155	-	12	173
Amortisation expense	-	(190)	(10)	(23)	(223)
Balance at 30 June 2022, net of accumulated amortisation and impairment	2,446	447	275	84	3,252

Balance at 1 July 2021					
Cost (gross carrying amount)	3,067	1,333	311	319	5,030
Accumulated amortisation and impairment	(627)	(851)	(26)	(224)	(1,728)
Net carrying amount	2,440	482	285	95	3,302

Balance at 30 June 2022					
Cost (gross carrying amount)	3,073	1,488	311	331	5,203
Accumulated amortisation and impairment	(627)	(1,041)	(36)	(247)	(1,951)
Net carrying amount	2,446	447	275	84	3,252

Notes to the Financial Statements

for the half-year ended 31 December 2022

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment assessment for the half year ended 31 December 2022

AGL announced on 29 September 2022, the outcome of its review of strategic direction. The announcement included a target exit from coal-fired generation by the end of FY35. The decision to bring forward the closure date of the Loy Yang A power station and the expectation of additional ESG related costs, resulted in the recognition of an impairment expense of $706 million (post tax) to the carrying value of PPE and inventory in September 2022.

The material CGUs for the purpose of impairment assessment at 31 December 2022 were:

- Generation Fleet
- Customer Markets
- Wholesale Gas
- Flexible Generation

Impairment indicators assessment

AASB 136 Impairment of Assets (AASB 136) requires an entity to assess at each reporting date, whether there are any indicators that assets may be impaired. An entity is required to consider information from both external and internal sources. If any indicators exist, the entity shall estimate the recoverable amount of the asset.

Additionally, the recoverable value of CGUs containing goodwill, intangible assets with indefinite useful lives or intangible assets in development is determined at least annually. The recoverable amount is defined in AASB 136 as the higher of fair value less costs to sell and value in use.

Impairment testing methodology

AGL is subject to a number of external factors that impact the performance of its cash generating units. This includes, but is not limited to, market prices, external regulatory and social factors that may impact the life of assets, competitor behaviour and new entrants and technological change. To respond to the range of potential outcomes that can result from these factors, AGL applies to certain CGUs a scenario analysis approach when determining the recoverable value of assets subject to impairment testing pursuant to accounting standards. Each of the scenarios are assigned a probability weighting to estimate the recoverable value of the CGU overall. The methodology of analysing several modelled outcomes is consistent with AGL's external reporting disclosures such as the TCFD reports. The scenarios modelled represent a range of outcomes including differing wholesale market prices, asset lives, and operating costs.

The key assumptions in the calculation of value in use include:

- Electricity pool prices;
- Station closure dates;
- Discount rate;
- Terminal growth rate;
- Customer numbers and churn;
- Gas margins and volumes;
- Generation volumes;
- Gross margin including assumptions around regulatory outcomes, constraints that impact pricing of market contracts, customer product swaps and customer discounts;
- Assumptions associated with regulatory outcomes impacting upon operations; and
- Probability weighting applied to each scenario.

If the recoverable amount of a CGU is estimated to be less than the carrying amount, the carrying amount of the CGU is reduced to its recoverable amount with any impairment recognised immediately in the statement of profit or loss.

Generation Fleet CGU

As part of the review of strategic direction undertaken in September 2022, the estimated recoverable value of the Generation Fleet CGU resulted in the recognition of an impairment expense of $706 million (post tax) in September 2022, utilising a post-tax weighted average cost of capital of 8.5% (FY22: 6.7%).

For AGL's fleet of finite life generation assets, cash flow forecasts are based on discrete and long-term cash flow forecasts that reflect the life of the assets. The long-term modelling reflects AGL's view of the cash flows anticipated from operations, factoring in known events such as planned outages and expectations, and allows for quantification of sensitivities and scenarios.

At 31 December 2022, an impairment indicators assessment was performed for the Generation Fleet CGU to determine if there was any indicator of further impairment since September 2022, or reversal of impairment. The assessment has not identified any internal or external indicator that the asset within this CGU is further impaired or the previous impairment expense recognised should be reversed and accordingly, no further recoverable value assessment was required.

The recoverable amount is sensitive to reasonably possible changes in assumed electricity pool prices, discount rates, and expected asset closure dates. It is reasonably possible that a change in these assumptions could lead to a reduction in recoverable value. The interrelationship of changes in these and other assumptions is complex. Changes in the external operating environment, such as closure of large load consumers such as aluminium smelters; significant new generation capacity or delays in the closure of other non-AGL owned power stations; or changes to government policies could result in the decrease in pool prices or may reduce the operating lives of AGL's assets which could give rise to a further impairment.

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for the half-year ended 31 December 2022

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impact of climate change related risk

AGL recognises that there is an increased pace of change in the energy industry, community perspectives and associated political landscape.

The scenario analysis undertaken as part of AGL's impairment analysis in September 2022 includes scenarios that are consistent with the TCFD analysis performed and reflects AGL's commitments as set out in the Climate Transition Action Plan. AGL's assessment shows that a change to the planned closure dates of AGL's coal-fired/thermal generation plants may have a material impact on the National Electricity Market and is likely to result in a material change to AGL's estimated cash inflows. Similarly, any change to government policy or intervention action in relation to climate change may have a material impact on the National Electricity Market and is likely to result in a material change to AGL's estimated cash inflows.

Customer Markets CGU

The estimate of regulatory outcomes is based on actual regulatory decisions for the current reporting period, which are publicly available, together with AGL's expectations of regulated network prices and regulated pricing (Victorian Default Market Offer/Default Market Offer) beyond the current reset period. The assumed future gross margin in unregulated markets is determined with reference to historic achieved revenue rates along with AGL's expectations of future price changes, and the impact of expected customer discounts. Customer numbers and consumption volumes are estimated based on historical experience in various segments, together with marketing strategies for the retention and winning of customers and the expected competition from new entrants.

A post-tax weighted average cost of capital of 7.5% (FY22: 6.7%) has been utilised to discount the cash flows for the Customer Markets CGU recoverable value assessment at 31 December 2022.

Management do not believe that any reasonably possible change in the key assumptions would result in an impairment.

Wholesale Gas CGU

Gas procurement costs are estimated based on the actual contract portfolio, together with an estimate of future margins and volumes beyond the period of the actual contract portfolio.

A post-tax weighted average cost of capital of 7.5% (FY22: 6.7%) has been utilised to discount the cash flows for the Wholesale Gas CGU recoverable value assessment at 31 December 2022.

The recoverable amount is sensitive to reasonably possible changes in assumptions. At 31 December 2022, the recoverable amount of the CGU would equal its carrying amount if the long-term gas margin forecast is reduced by $0.24/GJ in isolation.

The Wholesale Gas CGU benefits from favourable supply costs associated with existing contractual arrangements. As these contracts lapse and costs reset to terms more consistent with current market conditions, the recoverable value of the Wholesale Gas CGU could potentially decrease. A decreasing recoverable value could give rise to the risk that the recoverable value may be lower than the carrying value and therefore potential impairment in future periods.

Flexible Generation CGU

At 31 December 2022, an impairment indicators assessment was performed for the Flexible Generation CGU. The assessment has not identified any internal or external indicator that the assets within this CGU are impaired and accordingly, no further recoverable value assessment was required.

13. Borrowings

	31 Dec 2022 $m	30 Jun 2022 $m
Current		
Bank loans - unsecured	**700**	80
USD senior notes - unsecured	**-**	239
CPI bonds - unsecured	**12**	11
Lease liabilities	**36**	25
Total current borrowings	**748**	355
Non-current		
Bank loans - unsecured	**1,530**	1,590
USD senior notes - unsecured	**743**	766
CPI bonds - unsecured	**45**	49
Lease liabilities	**208**	125
Deferred transaction costs	**(7)**	(7)
Total non-current borrowings	**2,519**	2,523

Notes to the Financial Statements

for the half-year ended 31 December 2022

14. Provisions

	31 Dec 2022 $m	30 Jun 2022 $m
Current		
Employee benefits	**190**	219
Environmental rehabilitation	**71**	64
Onerous contracts	**91**	57
Restructuring	**8**	27
Other	**5**	7
Total current provisions	**365**	374

	31 Dec 2022 $m	30 Jun 2022 $m
Non-current		
Employee benefits	**6**	6
Environmental rehabilitation	**1,489**	1,092
Onerous contracts	**624**	863
Total non-current provisions	**2,119**	1,961

The movements in the Environmental rehabilitation provision, Restructuring Provision and Onerous contract provision is set out below:

	Environmental rehabilitation $m	Restructuring $m	Onerous Contracts $m	Total $m
Balance at 1 July 2022	**1,156**	**27**	**920**	**2,103**
Changes in estimated provision	**(344)**	**-**	**(186)**	**(530)**
Provisions recognised	**733**	**1**	**-**	**734**
Provisions utilised and derecognised	**(20)**	**(20)**	**(43)**	**(83)**
Unwinding of discount	**35**	**-**	**24**	**59**
Balance at 31 December 2022	**1,560**	**8**	**715**	**2,283**

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Provision for environmental rehabilitation

AGL estimates the future removal and rehabilitation costs of electricity generation assets, oil and gas production facilities, wells, pipelines, mine and related assets at the time of installation of the assets. In most instances, removal of these assets will occur many years into the future. The requirement for rehabilitation is also subject to community and regulatory expectations which may evolve over time and in practice negotiation is required to arrive at a practical rehabilitation strategy. The calculation of this provision requires management to make assumptions regarding the removal date, application of environmental legislation, the extent of rehabilitation activities required and available technologies. The assumptions are highly judgemental and represents management's best estimate of the present value of the expenditure required to settle the obligation, given known facts and circumstances at a point in time.

In line with AGL's accounting policy, the Provisions for Environmental Rehabilitation are reviewed on a regular basis. The provision for environmental rehabilitation amounts to $1,560 million as at 31 December 2022.

Provision for onerous contracts

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

AGL recognised a number of legacy power purchase agreements as onerous for the year ended 30 June 2021. Under these legacy power purchase agreements, AGL makes periodic payments for the electricity and green certificates generated by these assets. The agreements were primarily entered between 2006 and 2012 to support the development of the renewables sector at that time. These offtake agreements were entered at prices significantly higher than current and forecast prices for electricity and renewable energy certificates today.

In line with AGL's accounting policy, the onerous contract provisions are reviewed on a regular basis. The onerous contract provision amounts to $715 million as at 31 December 2022.

Notes to the Financial Statements

for the half-year ended 31 December 2022

15. Issued capital

	31 Dec 2022 Total $m	31 Dec 2022 Number of shares	30 Jun 2022 Total $m	30 Jun 2022 Number of shares
Balance at beginning of reporting period	**5,918**	**672,747,233**	5,601	623,033,791
Issue of shares to satisfy the dividend reinvestment plan	**-**	**-**	317	49,713,442
Balance at reporting date	**5,918**	**672,747,233**	5,918	672,747,233

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Parent Entity in proportion to the number of shares held. Every ordinary Shareholder present at a meeting of the Parent Entity, in person or by proxy, is entitled to one vote per share.

16. Earnings per share

	31 Dec 2022	31 Dec 2021
Statutory earnings per share		
Basic earnings per share	**(159.8 cents)**	86.6 cents
Diluted earnings per share	**(159.8 cents)**	86.5 cents
Underlying earnings per share		
Basic earnings per share	**12.9 cents**	30.3 cents
Diluted earnings per share	**12.9 cents**	30.2 cents

Earnings used in calculating basic and diluted earnings per share

	31 Dec 2022 $m	31 Dec 2021 $m
Statutory (loss)/earnings used to calculate basic and diluted earnings per share attributable to owners of AGL	**(1,075)**	555
Significant expense/(income) items after income tax	**540**	(276)
Loss/(gain) in fair value of financial instruments after income tax	**622**	(85)
Underlying earnings used to calculate basic and diluted earnings per share	**87**	194

Weighted average number of ordinary shares

	31 Dec 2022 Number	31 Dec 2021 Number
Number of ordinary shares used in the calculation of basic earnings per share	**672,747,233**	641,090,661
Effect of dilution - LTIP share performance rights	**2,025,256**	907,714
Number of ordinary shares used in the calculation of diluted earnings per share	**674,772,489**	641,998,375

17. Acquisition, incorporation and disposal of subsidiaries and businesses

31 December 2022

AGL did not complete any material acquisitions or disposals during the six-month period to 31 December 2022.

30 June 2022

Acquisition of Energy360

On 29 April 2022, AGL completed the purchase of 100% of the outstanding share capital of Energy 360 Pty Ltd. Energy360 provides biogas solutions for commercial and industrial customers in Australia.

Capital Contribution to Tilt Renewables

On 3 August 2021, AGL made a $358 million capital contribution into Powering Australian Renewables (PowAR) to fund its 20% interest in PowAR's acquisition of Tilt Renewables Limited's Australian business. Subsequent to the acquisition, PowAR changed its name to Tilt Renewables.

Notes to the Financial Statements

for the half-year ended 31 December 2022

18. Contingent liabilities

Certain entities in AGL are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on AGL.

Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

19. Financial instruments

Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2022	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	8	-	-	8	8
Unlisted investment funds	5	-	-	5	5
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	43	-	43	-	43
Interest rate swap contracts - cash flow hedges	124	-	124	-	124
Forward foreign exchange contracts - cash flow hedges	1	-	1	-	1
Energy derivatives - economic hedges	2,385	1,226	593	566	2,385
Other	5	-	-	5	5
Total financial assets	2,571	1,226	761	584	2,571
Financial liabilities					
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	(25)	-	(25)	-	(25)
Energy derivatives - economic hedges	(2,277)	(964)	(421)	(892)	(2,277)
Total financial liabilities	(2,302)	(964)	(446)	(892)	(2,302)

Notes to the Financial Statements
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30 June 2022	Carrying Amount $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets					
Equity instruments at FVOCI					
Unlisted equity securities	8	-	-	8	8
Unlisted investment funds	5	-	-	5	5
Derivative financial instruments					
Cross currency swap contracts - cash flow and fair value hedges	108	-	108	-	108
Interest rate swap contracts - cash flow hedges	122	-	122	-	122
Energy derivatives - economic hedges	4,775	3,080	1,277	418	4,775
Other	5	-	-	5	5
Total financial assets	5,023	3,080	1,507	436	5,023
Financial liabilities					
Derivative financial instruments					
Interest rate swap contracts - cash flow hedges	(8)	-	(8)	-	(8)
Forward foreign exchange contracts - cash flow hedges	(1)	-	(1)	-	(1)
Energy derivatives - economic hedges	(3,839)	(2,269)	(332)	(1,238)	(3,839)
Total financial liabilities	(3,848)	(2,269)	(341)	(1,238)	(3,848)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

- Receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value if the effect of discounting is material.
- The fair value of forward foreign exchange contracts and energy derivatives is calculated as the present value of expected future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties. Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates that reflect the credit risk of various counterparties.
- The fair value of borrowings is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of energy derivatives is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.
- The fair value of lease liabilities is estimated as the present value of future cash flows discounted where the effect of discounting is material.
- The fair value of deferred consideration is determined as the present value of future contracted cash flows and credit adjustments. Cash flows are discounted using standard valuation techniques at applicable market yield having regard to timing of cash flows.

The following table provides a reconciliation of fair value movements in Level 3 financial instruments.

	31 Dec 2022 $m	30 Jun 2022 $m
Opening balance	**(801)**	741
Total gains or losses recognised in profit or loss		
Settlements during the year	**(410)**	(456)
Changes in fair value	**938**	(917)
Transfer from Level 3 to Level 2	**-**	(1)
Purchases	**(35)**	(12)
Disposals	**-**	(156)
Closing balance	**(308)**	(801)

Fair value gains or losses on energy derivatives are included in other expenses in the line item "Loss/(Gain) on fair value of financial instruments" in Note 5.

Notes to the Financial Statements

for the half-year ended 31 December 2022

19. Financial instruments (cont.)

The sensitivity of Level 3 contracts with significant unobservable inputs, where the inputs are higher by 10 percent is $(197) million and lower by 10 percent is $197 million (profit after tax increase/(decrease)). Input changes were applied to forward prices with references to electricity market and emissions schemes, cost-based indexes, contract volumes and management's assumptions on long-term commodity curves.

20. Subsidiaries

			Ownership interest and voting power held	
Name of subsidiary	Note	Country of incorporation	31 Dec 2022 %	30 Jun 2022 %
AGL Limited		New Zealand	**100**	100
AGL ACT Retail Investments Pty Limited	(a)	Australia	**100**	100
AGL Australia Limited	(a)	Australia	**100**	100
AGLA Vic Hydro Assets Pty Limited	(a)	Australia	**100**	100
AGL Barker Inlet Pty Limited	(a)	Australia	**100**	100
AGL Community Legacy Program Pty Limited	(a)	Australia	**100**	100
AGL Corporate Services Pty Limited	(a)	Australia	**100**	100
AGL Electricity (VIC) Pty Limited	(a)	Australia	**100**	100
OVO Energy Pty Limited		Australia	**51**	51
Victorian Energy Pty Limited	(a)	Australia	**100**	100
AGL Sales Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland) Pty Limited	(a)	Australia	**100**	100
AGL Sales (Queensland Electricity) Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Holdings Pty Limited	(a)	Australia	**100**	100
AGL SA Generation Pty Limited	(a)	Australia	**100**	100
AGL Torrens Island Pty Limited	(a)	Australia	**100**	100
AGL South Australia Pty Limited	(a)	Australia	**100**	100
AGL APG Holdings Pty Limited	(a)	Australia	**100**	100
Australian Power and Gas Company Limited	(a)	Australia	**100**	100
AGL Australia Markets Pty Limited	(a)	Australia	**100**	100
APG Operations Pty Ltd	(a)	Australia	**100**	100
Australian Power and Gas (NSW) Pty Ltd	(a)	Australia	**100**	100
Torrens Island Battery Pty Limited	(a)	Australia	**100**	100
AGL Dalrymple Pty Limited	(a) (c)	Australia	**100**	100
IQ Energy Services Pty Ltd	(a)	Australia	**100**	100
Energy 360 Pty Ltd	(a)	Australia	**100**	100
Carbon Green Pty Ltd	(a)	Australia	**100**	100
Access Way SPV Pty Ltd	(a)	Australia	**100**	100
Epho Holding Pty Limited	(a)	Australia	**100**	100
Epho Services Pty Limited	(a)	Australia	**100**	100
Epho Pty Limited	(a)	Australia	**100**	100
Epho Asset Management Pty Limited	(a)	Australia	**100**	100
BTPS 1 Pty Limited	(a)	Australia	**100**	100
SEGH Pty Limited	(a)	Australia	**100**	100
Sustainable Business Energy Solutions Pty Ltd	(a)	Australia	**100**	100
Sol Install Pty Limited	(a)	Australia	**100**	100
Sol Distribution Pty Limited	(a)	Australia	**100**	100
Sunlease Pty Limited	(a)	Australia	**100**	100
SolarServe Pty Limited	(a)	Australia	**100**	100
AGL Energy Limited		New Zealand	**100**	100
AGL Energy Sales & Marketing Limited	(a)	Australia	**100**	100
AGL Energy Services Pty Limited	(a)	Australia	**100**	100
AGL Financial Energy Solutions Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Hunter) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (PNG) Pty Limited	(a)	Australia	**100**	100
AGL Gas Developments (Sydney) Pty Limited	(a)	Australia	**100**	100

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Name of subsidiary	Note	Country of incorporation	Ownership interest and voting power held 31 Dec 2022 %	30 Jun 2022 %
AGL Generation Holdco Pty Ltd		Australia	**99.99**	99.99
AGL Loy Yang Pty Ltd		Australia	**75**	75
AGL Loy Yang Partnership		Australia	**75**	75
AGL Loy Yang Projects Pty Ltd		Australia	**75**	75
AGL Generation Proprietary Limited	(b)	Australia	**100**	100
AGL Loy Yang Pty Ltd	(b)	Australia	**25**	25
AGL Loy Yang Partnership	(b)	Australia	**25**	25
AGL Loy Yang Projects Pty Ltd	(b)	Australia	**25**	25
Loy Yang Marketing Holdings Pty Limited	(b)	Australia	**100**	100
AGL Loy Yang Marketing Pty Ltd	(b)	Australia	**100**	100
Great Energy Alliance Corporation Pty Limited	(b)	Australia	**100**	100
GEAC Operations Pty Limited	(b)	Australia	**100**	100
AGL LYP 1 Pty Ltd	(b)	Australia	**100**	100
AGL LYP 2 Pty Ltd	(b)	Australia	**100**	100
AGL LYP 3 Pty Ltd	(b)	Australia	**100**	100
AGL Gloucester MG Pty Ltd	(a)	Australia	**100**	100
AGL HP1 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**49.5**	49.5
AGL Southern Hydro (NSW) Pty Limited	(a)	Australia	**100**	100
AGL HP2 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**20**	20
AGL HP3 Pty Limited	(a)	Australia	**100**	100
AGL Hydro Partnership		Australia	**30.5**	30.5
AGL LNG Pty Ltd	(a)	Australia	**100**	100
AGL Macquarie Pty Limited	(a)	Australia	**100**	100
AGL New Energy Pty Limited	(a)	Australia	**100**	100
AGL New Energy ACP Pty Limited	(a)	Australia	**100**	100
AGL New Energy EIF Pty Limited	(a)	Australia	**100**	100
AGL New Energy Investments Pty Limited	(a)	Australia	**100**	100
AGL PARF NSW Pty Limited	(a)	Australia	**100**	100
AGL PARF QLD Pty Limited	(a)	Australia	**100**	100
AGL Power Generation Pty Limited	(a)	Australia	**100**	100
AGL Power Generation (Wind) Pty Limited	(a)	Australia	**100**	100
Australia Plains Wind Farm Pty Ltd	(a)	Australia	**100**	100
AGL Energy Hubs Pty Ltd	(a)(d)	Australia	**100**	100
Box Hill Wind Farm Pty Limited	(a)	Australia	**100**	100
Crows Nest Wind Farm Pty Ltd	(a)	Australia	**100**	100
Highfields Wind Farm Pty Limited	(a)	Australia	**100**	100
Worlds End Wind Farm Pty Ltd	(a)	Australia	**100**	100
AGL PV Solar Holdings Pty Limited	(a)	Australia	**100**	100
AGL PV Solar Developments Pty Limited	(a)	Australia	**100**	100
AGL Retail Energy Limited	(a)	Australia	**100**	100
AGL Share Plan Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Camden) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) (Hunter) Operations Pty Limited	(a)	Australia	**100**	100
AGL (SG) Operations Pty Limited	(a)	Australia	**100**	100
AGL Australia Services Pty Limited	(a)	Australia	**100**	100
AGL Upstream Gas (Mos) Pty Limited	(a)	Australia	**100**	100
AGL Cooper Basin Pty Ltd	(a)	Australia	**100**	100
AGL Gas Storage Pty Ltd	(a)	Australia	**100**	100
AGL Upstream Infrastructure Investments Pty Limited	(a)	Australia	**100**	100
AGL Upstream Investments Pty Limited	(a)	Australia	**100**	100

Notes to the Financial Statements

for the half-year ended 31 December 2022

			Ownership interest and voting power held	
Name of subsidiary	Note	Country of incorporation	31 Dec 2022 %	30 Jun 2022 %
AGL Wholesale Gas Limited	(a)	Australia	**100**	100
AGL Wholesale Gas (SA) Pty Limited	(a)	Australia	**100**	100
Barker Inlet Trust	(a)	Australia	**100**	100
Barn Hill Wind Farm Pty Ltd	(a)	Australia	**100**	100
Click Energy Group Holdings Pty Limited	(a)	Australia	**100**	100
Click Energy Pty Ltd	(a)	Australia	**100**	100
On the Move Pty Limited	(a)	Australia	**100**	100
A.C.N 133 799 149 Pty Limited	(a)	Australia	**100**	100
M2C Services Pty Limited	(a)	Australia	**100**	100
Connect Now Pty Ltd	(a)	Australia	**100**	100
Coopers Gap Wind Farm Pty Ltd	(a)	Australia	**100**	100
Digital Energy Exchange Australia Pty Limited	(a)	Australia	**100**	100
Geogen Victoria Pty Ltd	(a)	Australia	**100**	100
GRCI Australia Pte Ltd		Singapore	**100**	100
H C Extractions Pty Limited	(a)	Australia	**100**	100
AGL Newcastle Power Station Pty Limited	(a)	Australia	**100**	100
NGSF Assets Trust		Australia	**100**	100
NGSF Finance Pty Limited	(a)	Australia	**100**	100
NGSF Operations Pty Limited	(a)	Australia	**100**	100
NGSF Operations Trust		Australia	**100**	100
Perth Energy Holdings Pty Ltd	(a)	Australia	**100**	100
Perth Energy Pty Ltd	(a)	Australia	**100**	100
WA Power Exchange Pty Limited	(a)	Australia	**100**	100
Western Energy Holdings Pty Limited	(a)	Australia	**100**	100
Western Energy Pty Limited	(a)	Australia	**100**	100
Powerdirect Pty Ltd	(a)	Australia	**100**	100
Silverton Wind Farm Holdings Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Developments Pty Limited	(a)	Australia	**100**	100
Silverton Wind Farm Transmission Pty Limited	(a)	Australia	**100**	100
Southern Phone Company Limited	(a)	Australia	**100**	100
The Australian Gas Light Company	(a)	Australia	**100**	100

Names inset indicate that shares are held by the company immediately above the inset.

(a) Parties to a Deed of Cross Guarantee with AGL Energy Limited.
(b) Parties to a Deed of Cross Guarantee with AGL Generation Proprietary Limited.
(c) On the 6th October 2022 Accel Energy Retail Pty Limited name changed to AGL Dalrymple Pty Limited.
(d) On the 6th October 2022 Accel Energy Hubs Pty Ltd name changed to AGL Energy Hubs Pty Ltd.

21. Subsequent events

Apart from the matters identified in the financial statements or notes thereto, there has not been any matter or circumstance that has arisen since 31 December 2022 that has significantly affected or may significantly affect the operations of AGL, the results of those operations, or the state of affairs of AGL in the future.

Directors' Declaration

for the half-year ended 31 December 2022

The Directors of AGL Energy Limited declare that, in their opinion:

(a) there are reasonable grounds to believe that AGL Energy Limited will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes of AGL Energy Limited and its controlled entities for the half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position and performance of AGL Energy Limited and its controlled entities for the half-year ended 31 December 2022; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Signed in accordance with a resolution of the Directors

P. McKenzie

Patricia McKenzie
Chair

9 February 2023

Deloitte Touche Tohmatsu
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The Board of Directors
AGL Energy Limited
200 George Street
Sydney NSW 2000

9 February 2023

Dear Board Members

Auditor's Independence Declaration to AGL Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the review of the half year financial report of AGL Energy Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Review Report to the Members of AGL Energy Limited

Conclusion

We have reviewed the half-year financial report of AGL Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprises the Condensed Consolidated Statement of Financial Position as at 31 December 2022 and the Condensed Consolidated Statement of Profit or Loss, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows and the Condensed Consolidated Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration as set out on pages 27-55.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue
Partner
Chartered Accountants
Sydney, 9 February 2023

Corporate Directory

Directory

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