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ASX Release

Operating segments reclassification

29 July 2015

AGL Energy Limited (AGL) today advises that it is amending the basis for segment reporting to align it with the organisational structure announced on 16 April 2015 and the subsequent review and restructure of the Upstream Gas business.

This change is in accordance with AASB 8, which requires companies to report segmental information on a similar basis as is used internally by management for reviewing segment performance. The revised segment reporting will commence with the financial results for the year ended 30 June 2015 to be released on 12 August 2015.

The previous segments were: Retail Energy, Merchant Energy, Upstream Gas, Investments and Centrally Managed Expenses.

The new segments are: Energy Markets, Group Operations, New Energy, Investments and Centrally Managed Expenses.

There is no change to the reported profit in any period, only movements between segments. To facilitate comparisons with performance in prior periods, AGL has provided the historical segment data and reconciliations in appendices to this release.

Consumer Market metrics

The change in segment reporting necessitates a change to the key metrics previously reported. Metrics for the Consumer Market business within Energy Markets will replace the previously reported metrics for the Retail Energy business unit. Restatement of the prior period comparatives is provided in Appendix 2.

Portfolio Market reporting

In its financial results for the six months ended 31 December 2014, AGL introduced additional reporting for the Merchant Energy business. With the change in the segment reporting, this business unit is now split between Energy Markets and Group Operations. There is no major change to the methodology used to calculate key metrics (e.g. $/MWh). However, the metrics have been expanded to include Consumer Market and Business Customers Gross Margin. Prior period comparatives are included in Appendix 4.

Further inquiries:

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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is taking action toward creating a sustainable energy future for our investors, communities and customers.

Appendix 1 – Operating EBIT

AGL Group $ million	Half-year ended 31 December 2012	Year ended 30 June 2013	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Revised Structure:					
Energy Markets	788	1,575	773	1,619	993
Group Operations	(229)	(431)	(249)	(473)	(355)
New Energy	11	26	13	21	7
Investments	16	26	13	23	12
Centrally Managed Expenses	(83)	(165)	(95)	(186)	(109)
Operating EBIT	**503**	**1,031**	**455**	**1,004**	**548**
Previous Structure:					
Retail Energy	136	356	136	318	159
Merchant Energy	460	853	433	899	522
Upstream Gas	(3)	0	(13)	(13)	(10)
Investments	16	26	14	23	4
Centrally Managed Expenses	(106)	(204)	(115)	(223)	(127)
Operating EBIT	**503**	**1,031**	**455**	**1,004**	**548**

Energy Markets $ million	Half-year ended 31 December 2012	Year ended 30 June 2013	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market EBIT	**140**	**361**	**141**	**332**	**160**
Residential Electricity gross margin	200	463	192	420	215
Residential Gas gross margin	117	238	150	277	160
Net operating costs	(177)	(340)	(201)	(365)	(215)
Business Customers EBIT	**48**	**94**	**31**	**64**	**35**
Business Electricity gross margin	33	66	19	39	19
Business Gas gross margin	34	64	32	62	34
Net operating costs	(19)	(36)	(20)	(37)	(18)
Wholesale Markets EBIT	**600**	**1,120**	**601**	**1,223**	**798**
Wholesale Electricity gross margin	519	971	523	1,038	588
Wholesale Gas gross margin	72	124	81	164	205
Eco-markets gross margin	29	71	16	54	25
Net operating costs	(20)	(46)	(19)	(33)	(20)
Operating EBIT	**788**	**1,575**	**773**	**1,619**	**993**

Group Operations

$ million	Half-year ended 31 December 2012	Year ended 30 June 2013	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Thermal	(183)	(346)	(176)	(340)	(279)
Renewables	(25)	(47)	(40)	(78)	(40)
Natural Gas	(2)	0	(13)	(13)	(10)
Other	(19)	(38)	(20)	(42)	(26)
Operating EBIT	**(229)**	**(431)**	**(249)**	**(473)**	**(355)**

Group Operations Segments

Thermal	Renewables	Natural Gas	Other
• AGL Macquarie • Loy Yang • AGL Torrens	• Wind farms • Hydro • Solar plants	• Camden • Moranbah • Silver Springs • Newcastle Gas Storage Facility • Gloucester	• Property & facilities • Technical functions • Safety & Environment

The above list includes only major elements and is not all inclusive.

New Energy

$ million	Half-year ended 31 December 2012	Year ended 30 June 2013	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Revenue	80	145	70	135	64
Cost of goods sold	(53)	(88)	(41)	(73)	(33)
Gross margin	27	57	29	62	31
Operating costs (excl D&A)	(12)	(23)	(12)	(32)	(19)
Operating EBITDA	15	34	17	30	12
Depreciation & amortisation	(4)	(8)	(4)	(9)	(5)
Operating EBIT	**11**	**26**	**13**	**21**	**7**

Appendix 2 – Consumer Market key metrics

Metric	Half-year ended 31 December 2012	Year ended 30 June 2013	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Cost to serve per customer account ($)	32	60	36	63	38
Cost to acquire/retain per customer account ($)	61	65	90	86	93
Net operating costs to gross margin (%)	55.8	48.4	58.8	52.4	57.5
Net operating costs per customer account ($)	51	97	55	98	58
Gross margin per customer account ($)	91	201	93	187	100
EBIT per customer account ($)	40	103	39	89	43

Appendix 3 – Business Unit reconciliations

Energy Markets $ million	Year ended 30 June 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Retail Energy	356	318	159
Merchant Energy	853	899	522
Adjustments:			
Centrally Managed Expenses	4	6	3
Group Operations	389	422	325
New Energy	(27)	(26)	(16)
Energy Markets (new segment)	**1,575**	**1,619**	**993**

Group Operations $ million	Year ended 30 June 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Merchant Energy	853	899	522
Upstream Gas	0	(13)	(10)
Adjustments:			
Energy Markets	(1,209)	(1,281)	(832)
New Energy	(32)	(39)	(16)
Centrally Managed Expenses	(43)	(39)	(19)
Group Operations (new segment)	**(431)**	**(473)**	**(355)**

New Energy $ million	Year ended 30 June 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Investments (New Energy)	0	0	(8)
Energy Markets	27	26	16
Centrally Managed Expenses	-	(3)	(1)
Other	(1)	(2)	-
New Energy (new segment)	**26**	**21**	**7**

Investments $ million	Year ended 30 June 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Investments (previous segment)	26	23	4
Adjustments:			
New Energy	0	0	8
Investments (new segment)	**26**	**23**	**12**

Centrally Managed Expenses **$ million**	**Year ended 30 June 2013**	**Year ended 30 June 2014**	**Half-year ended 31 December 2014**
Centrally Managed Expenses (previous segment)	(204)	(223)	(127)
Adjustments:			
Energy Markets	(4)	(6)	(3)
Group Operations	43	39	19
New Energy	-	3	1
Other	-	1	1
Centrally Managed Expenses (new segment)	**(165)**	**(186)**	**(109)**

Appendix 4 – Portfolio Market reporting

Electricity Portfolio

The gross margin for AGL's electricity portfolio is set out in the following table. This analysis combines the Wholesale Markets, Consumer Market, Business Customers and Generation businesses to reflect the procurement and hedging of AGL's electricity requirements, the costs of managing and maintaining AGL's owned and contracted generation assets and the margin from external customers.

$ million	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market	192	420	215
Business Customers	19	39	19
Wholesale Electricity	523	1,038	588
Eco Markets	16	52	24
Group Operations (Thermal & Renewables)	(216)	(418)	(319)
Portfolio margin	**534**	**1,131**	**527**
Revenue			
Consumer Market	2,142	4,344	1,999
Business Customers & Wholesale Electricity and Eco Markets	1,182	2,314	1,108
Group Operations (Thermal & Renewables)	39	85	43
Total revenue	**3,363**	**6,743**	**3,150**
Consumer Market network costs	(1,009)	(2,040)	(1,031)
Consumer Market other cost of sales	(211)	(427)	(202)
Business Customers network costs	(462)	(912)	(469)
Business Customers other cost of sales	(128)	(233)	(99)
Fuel	(136)	(230)	(249)
Generation costs	(183)	(372)	(257)
Carbon	(110)	(237)	-
Depreciation & Amortisation (Group Operations)	(82)	(162)	(117)
Cost of generation	(511)	(1,001)	(623)
Pool generation revenue	572	1,104	578
Pool purchase costs	(976)	(1,902)	(724)
Net derivative (cost)/revenue	(104)	(201)	(53)
Wholesale markets cost of sales	(1,019)	(2,000)	(822)
Total cost of sales	**(2,829)**	**(5,612)**	**(2,623)**
Portfolio margin	**534**	**1,131**	**527**

The following table provides a volume and rate analysis of the electricity portfolio gross margin.

	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Generation volumes (GWh)	**9,818**	**19,577**	**16,019**
Consumer Market	7,382	14,839	7,211
Business Customers & Wholesale Markets	7,849	15,306	10,335
Sold volumes (GWh)	**15,231**	**30,145**	**17,546**
Consumer Market[1]	290.1	292.7	277.2
Business Customers & Wholesale Markets[1]	150.6	151.2	107.2
Revenue ($/MWh)[1]	**220.8**	**223.7**	**179.5**
Consumer Market network costs ($/MWh)[1]	(136.7)	(137.4)	(142.9)
Consumer Market other cost of sales ($/MWh)[1]	(28.6)	(28.8)	(28.1)
Business Customers network costs ($/MWh)[1]	(69.7)	(70.4)	(73.4)
Business Customers other cost of sales ($/MWh)[1]	(19.3)	(18.0)	(15.4)
Fuel[2]	(13.9)	(11.7)	(15.5)
Generation costs[2]	(18.6)	(19.0)	(16.1)
Carbon[2]	(11.2)	(12.1)	-
Depreciation & Amortisation (Group Operations)[2]	(8.3)	(8.3)	(7.3)
Cost of generation ($/MWh)[2]	(52.0)	(51.1)	(38.9)
Pool generation revenue[2]	58.2	56.4	36.1
Pool purchase costs[3]	(60.5)	(59.5)	(39.2)
Net derivative (cost)/revenue[3]	(6.5)	(6.3)	(2.9)
Average Wholesale cost of sales ($/MWh)[3]	(63.1)	(62.5)	(44.6)
Total cost of sales ($/MWh)[1]	**(185.7)**	**(186.1)**	**(149.5)**
Portfolio margin ($/MWh)[1]	**35.1**	**37.5**	**30.0**

Note: $/MWh calculated on the basis of: 1) Sold volumes; 2) Generation volumes; or 3) Demand volumes.

The following table provides a breakdown of the supply and demand of volume across the electricity portfolio.

	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market	7,908	15,900	7,741
Business Customers & Wholesale Markets	8,228	16,073	10,712
Total demand	**16,136**	**31,973**	**18,453**
AGL generated	9,818	19,577	16,019
Pool sales	(9,818)	(19,577)	(16,019)
Pool purchases	16,136	31,973	18,453
Total supply	**16,136**	**31,973**	**18,453**
Energy losses	(905)	(1,828)	(907)
Total sold	**15,231**	**30,145**	**17,546**

Gas Portfolio

The gross margin for AGL's gas portfolio is set out in the following table. This analysis combines the Wholesale, Consumer and Business Customers businesses to reflect the procurement, production and hedging of AGL's gas requirements and the margin from external customers.

$ million	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market	150	277	160
Business Customers	32	62	34
Wholesale Gas	81	164	205
Eco Markets	0	3	1
Portfolio margin	**263**	**506**	**400**
Revenue			
Consumer Market	739	1,362	780
Business Customers & Wholesale Gas and Eco Markets	545	966	701
Total revenue	**1,284**	**2,328**	**1,481**
Consumer Market network costs	(302)	(577)	(328)
Consumer Market other cost of sales	(55)	(91)	(15)
Business Customers network costs	(37)	(76)	(41)
Business Customers other cost of sales	(31)	(57)	(7)
Gas purchases	(472)	(871)	(558)
Haulage & storage	(124)	(150)	(132)
Average Wholesale cost of sales	(596)	(1,021)	(690)
Total cost of sales	**(1,021)**	**(1,822)**	**(1,081)**
Portfolio margin	**263**	**506**	**400**

The following table provides a volume and rate analysis of the gas portfolio gross margin. Note, all $/GJ calculated on the basis of sold volumes.

	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market	32.2	57.6	34.6
Business Customers & Wholesale Markets	77.7	146.6	91.9
Sold volumes (TJ)	**109.9**	**204.2**	**126.5**
Consumer Market	23.0	23.7	22.6
Business Customers & Wholesale Markets	7.0	6.6	7.6
Revenue ($/GJ)	**11.7**	**11.4**	**11.7**
Consumer Market network costs ($/GJ)	(9.4)	(10.0)	(9.5)
Consumer Market other cost of sales ($/GJ)	(1.7)	(1.6)	(0.4)
Business Customers network costs ($/GJ)	(0.9)	(0.9)	(0.9)
Business Customers other cost of sales ($/GJ)	(0.8)	(0.7)	(0.2)
Gas purchases	(4.3)	(4.3)	(4.4)
Haulage & storage	(1.1)	(0.7)	(1.0)
Average Wholesale cost of sales ($/GJ)	(5.4)	(5.0)	(5.5)
Cost of sales ($/GJ)	**(9.3)**	**(8.9)**	**(8.6)**
Portfolio margin ($/GJ)	**2.4**	**2.5**	**3.2**

The following table provides a breakdown of the supply and demand of volume across the gas portfolio.

	Half-year ended 31 December 2013	Year ended 30 June 2014	Half-year ended 31 December 2014
Consumer Market	32.2	57.6	34.6
Business Customers, Wholesale Markets & Generation	77.7	146.6	91.9
Total demand	**109.9**	**204.2**	**126.5**
Gas purchases	(111.5)	(206.3)	(127.4)
Less Energy losses	1.6	2.1	0.9
Total supply	**(109.9)**	**(204.2)**	**(126.5)**