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ASX & Media Release

Presentation to Macquarie Australia Conference 2020

5 May 2020

AGL Energy Limited's Managing Director & Chief Executive Officer, Brett Redman, will present at the Macquarie Australia Conference today. A copy of the presentation and speech is attached.

The presentation covers AGL's response to the COVID-19 pandemic and business update. It includes an update of FY20 guidance, reconfirming the broad guidance range as stated in AGL's FY19 financial results, and commentary on ongoing market conditions (refer to slide 12).

Authorised for release by AGL's Market Disclosure Committee.

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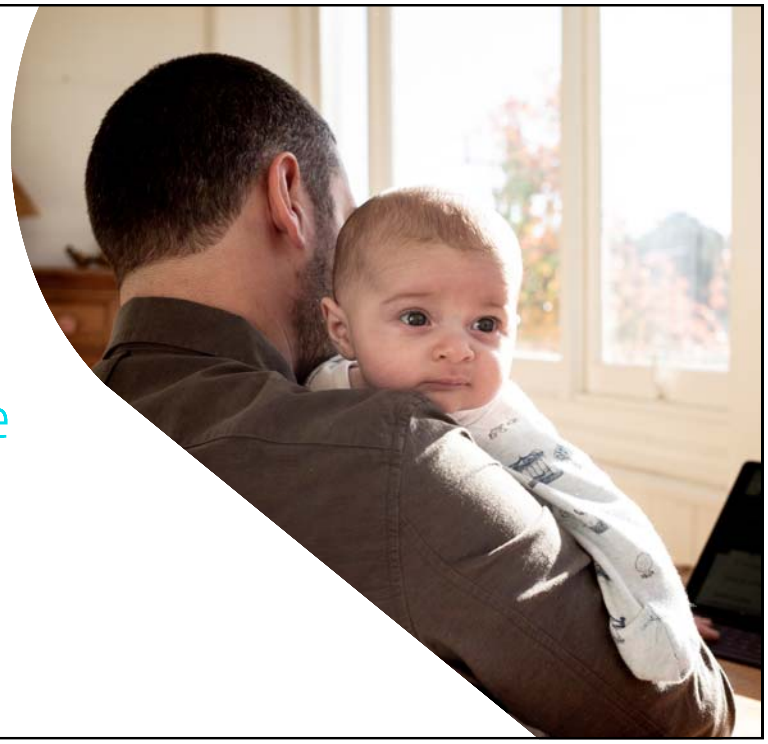
About AGL

Proudly Australian for more than 180 years, AGL supplies energy and other services to 3.8 million customer accounts. We're committed to making energy, alongside other essential services, simple, fair and transparent. AGL operates the largest electricity portfolio in the National Electricity Market made up of traditional coal and gas-fired generation, and renewables such as wind, hydro and solar. We also operate gas storage and production assets. We're focussed on developing flexible supply, building on our history as Australia's leading private investor in renewable energy, to support the transition to a new energy system. 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.



COVID-19 response and business update

Brett Redman, Managing Director & CEO

5 May 2020

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Key messages

1. AGL has acted quickly, is operating full-service business during lockdown and is positioned well for crisis and economic downturn

2. Underlying market and customer demand holding up well and wholesale prices materially impacted

3. Bad debt and opex will increase as a result of ongoing COVID-19 impacts

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AGL's strategic priorities remain unchanged in challenging and uncertain times

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STRATEGIC PRIORITIES

Growth
Accelerate growth to meet evolving customer needs

Transformation
Reposition, refresh and reinvigorate AGL

Social Licence
Meet and exceed rising community expectations

OPERATIONAL GOALS

Safety
Safety of our employees, contractors and customers is central to everything we do

Customers
Hardship measures in place to support customers affected by COVID-19

People
Supporting our people will ensure business continuity

Financial
AGL has a strong balance sheet, material headroom and significant liquidity

Safety

Safety of our employees and customers is central to everything we do

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- **Crisis Management Team,** stood up to manage business continuity and stakeholder engagement, they regularly report to the Board
- **Pandemic Working Group,** meets daily to monitor the evolving situation
- **Pandemic Action Group**, established to implement the actions which arise out of the Working Group
- An operational pandemic working group has been stood up **for each geographical location**, reporting and acting on specific requirements for each location
- Working with whole of industry to ensure **safe continuity of supply**

Customers

Measures to support our vulnerable customers

- Full service 24/7 call centre restored working from home with minimum disruption
- **AGL COVID-19 Customer Support Program – for customers in financial stress because they have lost their job or business, or their health has been impacted.**
  - Fast-tracked access to a program allowing deferred payments until 31 July
  - Access to a payment plan that allows customers to pay in instalments
  - No disconnections during the deferred payment period for Support Program customers
  - Waiving disconnection and reconnection fees for small businesses that have been forced to temporarily close
  - Maintaining AGL's existing priority service to customers on life support
- Small business suppliers to AGL further assisted by reducing payment terms to 14 days
- **Progress team established, assessing what customers will need post COVID-19 to support the recovery**

People

Supporting our people will ensure business continuity

- Measures in place to **reduce risk to workforce** with more than 4,000 staff and outsourced partners working from home
- Our teams whose roles are essential to maintaining generation are **continuing to work on site,** with appropriate support
- **Measures to protect our people** and mitigate the risk of infection at our generation sites include:
  - 24 hour medical assistance on site
  - Restricted access, increased cleaning and social distancing
  - Staggered meal breaks, separated shift teams and reduced entry and exit points
  - Isolation panning and communication to operational staff and their families
- **Looking forward our new and smarter ways of working will continue**

Financial strength

AGL has a strong balance sheet and significant liquidity

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- **Approximately $1 billion in cash and undrawn facilities**
  - Baa2 rating, stable outlook, with significant headroom
  - 41% FFO to net debt[1]
  - Significant headroom to debt covenants:
    - Gearing covenant, less than 50% → currently 26.5%[1]
    - Funds from operations (FFO)/interest cover covenant, more than 2.5x → currently 13.8x[1]
  - No bond debt to refinance until FY22
- **AGL is engaging with government to assist and participate in creating jobs and economic stimulus through investment during recovery**

[1] As at March 31st 2020

Customers metrics are positive despite the uncertainty

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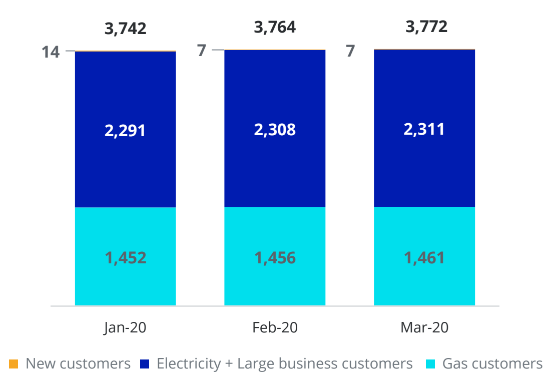
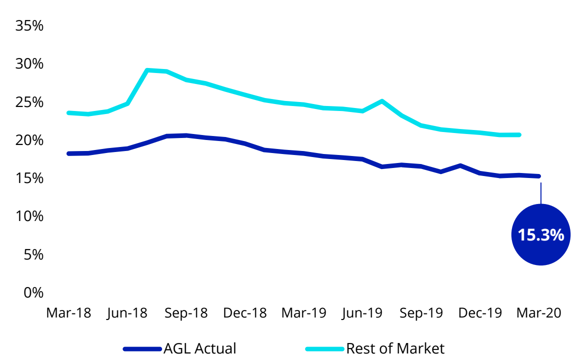
- **Customer accounts have grown by more than 28,000 since 31 December 2019 and up 65,000 in FY20 to date**
- **Lowest churn level in over four years amid continued active market conditions**

Energy customer accounts (k) grew Jan–Mar 2020



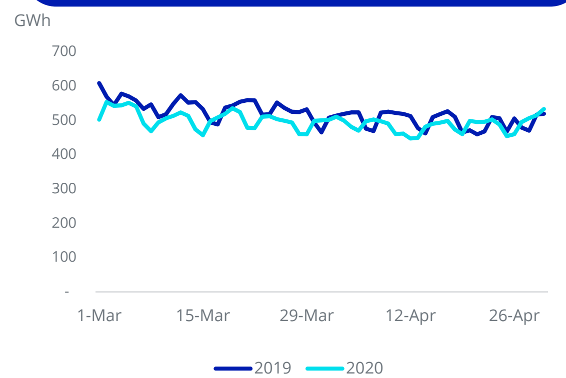
AGL churn decreased 3ppts year on year to 15.3%



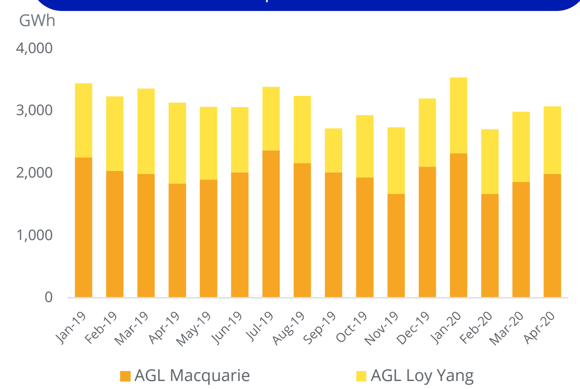
NEM demand and AGL generation has shown resilience

- **NEM demand broadly stable despite COVID-19; reductions to date have been driven by milder weather**
- **AGL coal generation is down only 1% YTD on the prior corresponding period**

NEM demand has seen a 5% reduction in March and April (unadjusted for weather)



AGL coal generation YTD is broadly unchanged compared to 2019



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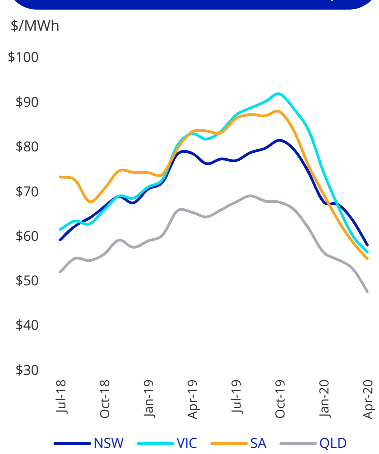
Wholesale energy prices have declined materially and FY20 impact largely offset by hedging

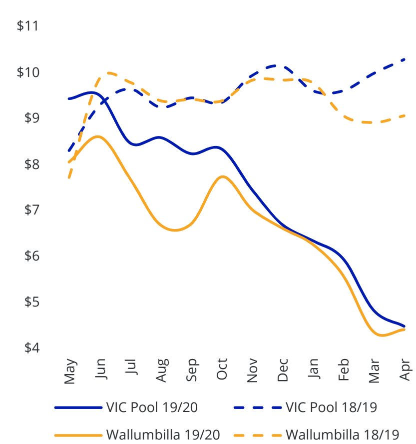
Electricity forward curve monthly across NEM states (FY21 flat swaps)



Large-scale Generation Certificate price ($/certificate), actual and forecast

Source | ICAP data

Gas spot price per month ($/GJ)



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AGL's investment proposition is robust amid uncertain economic and market condition

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1	Essential service cash flows relatively resilient to economic cycles	- Demand relatively resilient, impacted by ~5% - Largest private generator in NEM with highly competitive cost base - 27% of Australian households served
2	Building bigger, broader business from a strong base	- Customer account numbers continuing to grow - Multi-product retailing strategy improving customer choice and value - Expansion of portfolio: gas firming, batteries etc
3	Strong and flexible financial position	- Maintenance of Baa2 credit rating - Approximately $1 billion of cash and undrawn borrowings - Significant capacity to fund growth from organic cash flows
4	Disciplined capital allocation	- Dividend policy at 75% of Underlying Profit after tax - Hurdle rate lowered in line with interest rate falls, maintained at ~300bps above WACC - On-market share buy-back returning excess liquidity
5	Responsible and transparent transition to low carbon economy	- Greenhouse Gas Policy commitments to transition from coal - Early adopter of TCFD reporting - Expanded scenario modelling in 2020 (including "1.5 degree" scenario)

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Outlook statement: resilient to initial COVID-19 impacts but headwinds are increasing into FY21

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Guidance range for FY20 Underlying Profit after tax of $780 million to $860 million

- Guidance range (initially provided August 2019) maintained despite recent increase in customer bad debt expense and other unanticipated operating costs arising from COVID-19 lockdown
- Result in "upper half" of range (as forecast in February 2020) now less likely, given potential for worsening of COVID-19 lockdown impacts on bad debt expense, other costs and wholesale energy prices

Market and economic headwinds are increasing heading into FY21:

- Aggregate demand largely steady but significant shift in mix with uncertain outlook for some sectors
- Further and much more rapid falls in wholesale electricity and renewable energy certificate prices
- Increases in customer bad debt expense associated with increase in economic hardship
- Gas margin impacts from maturing low-cost supply contracts and reduced wholesale prices

All guidance is subject to no further deterioration in market conditions or regulatory impacts on operations

AGL is monitoring the situation closely and will provide an update in the event of material changes

Cash conversion and liquidity remains strong, supporting robust and flexible financial position

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Supplementary information

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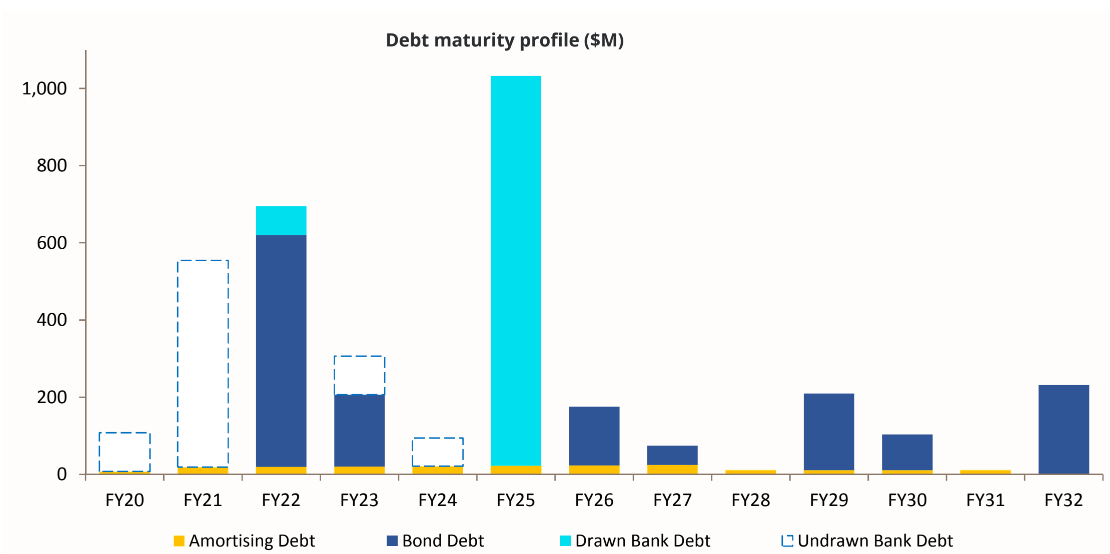
Strong balance sheet with flexibility and headroom



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Disclaimer and important information

- The material in this presentation is general information about AGL's activities as at the date of this presentation. It is provided in summary form and does not purport to be complete. It should be read in conjunction with AGL's periodic reporting and other announcements lodged with the Australian Securities Exchange.
- This presentation is not an offer or recommendation to purchase or subscribe for securities in AGL Energy Limited or to retain any securities currently held. It does not take into account the potential and current individual investment objectives or the financial situation of investors.
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- This presentation includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results may materially vary from any forecasts in this presentation. Future major expenditure remains subject to standard Board approval processes.

Statutory Profit and Underlying Profit:

- Statutory Profit is prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards.
- Underlying Profit is Statutory Profit adjusted for significant items and changes in fair value of financial instruments.
- Underlying Profit is presented with reference to the Australian Securities & Investments Commission's 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 Energy Limited.
- Amounts presented as Statutory Profit and Underlying Profit are those amounts attributable to owners of AGL Energy Limited.

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Macquarie Equities conference – 5 May

Slide 1 – COVID-19 response and business update

Thanks Ian and Good Morning everyone listening in.

It's an unusual experience making this presentation at home rather than in front of you all. These are challenging times and it's been amazing to see how quickly people have adapted.

On that note, today I want to update you on how AGL is responding to the COVID-19 pandemic crisis and how it's affecting our outlook.

Slide 2 – Key Messages

Today I want to get across three things.

First, AGL has acted quickly to put in place significant measures for our people and customers to ensure our impacted customers are looked after, our assets continue to function and our people are cared for. We are well positioned for the gradual recovery from the lockdown.

Second, underlying market and customer demand is holding up well albeit with some significant shifts between segments. Wholesale prices have been materially impacted. Last year, we flagged falling wholesale prices as a headwind. An influx in supply and a significant fall in fuel costs is now driving prices down further and for longer.

Finally, we expect an increase in bad debts in 2020, and a further more pronounced impact in 2021.

Slide 3 - AGL's strategic priorities remain unchanged in challenging and uncertain times

Our strategic priorities have not changed. Our strategy continues to be guided by the three priorities you know well, Growth, Transformation and Social Licence.

And as always operationally, to deliver our strategy, we need to ensure our people are safe, our customers are engaged and our business is robust and resilient.

I want to spend a bit of time now taking you through each of these operational goals and looking in more detail at the action we have taken.

Slide 4 – Safety of our employees and customers is central to everything we do

Safety of our people, customers and the communities in which we operate is central to everything we do.

On this we have acted quickly setting up robust reporting lines and working groups across our geographies, with clear responsibilities. Our focus has been on ensuring we have plans, safety measures and systems in place for business continuity.

More broadly, we are actively collaborating through the market operator and government to ensure safe continuity of supply.

Slide 5 – Customers, supporting our vulnerable customers

Our teams are working extremely hard to meet the needs of customers during these difficult times. Our investment of around $500 million in our systems in recent years means customers experienced minimal disruption to service. Our full service 24/7 call centre is now working from home with minimal disruption.

We understand many of our customers are directly impacted by the pandemic and affordability will become problematic for many.

As a result AGL has implemented an industry leading COVID-19 Customer Support Program, providing direct relief to AGL residential and small to medium business customers who aren't able to pay their bills because they have lost their job or business, or their health has been impacted.

The support program defers payments and suspends disconnections until July 31 for customers experiencing financial stress as a result of the pandemic.

To date approximately 20,000 customers have signed up to the program. It is doing exactly what we needed it to – protecting our customers impacted by this crisis while taking pressure off the call centres by allowing digital sign up.

We are also supporting small business suppliers to AGL with our commitment to pay them within 14 days to lend support as the economy is hit by the impacts of COVID-19.

We're working hard across the industry, to ensure the impact is minimised for everyone.

Looking ahead, now conditions in Australia have stabilised somewhat, we have established an internal 'Progress team' to think about how AGL comes out of this crisis in a positive way. They have started looking at what we can learn from the crisis including how we can work smarter and what new growth opportunities might exist as the market evolves. For example, we are seeing increasing interest in home batteries which we expect to really take off once things start to return to normal, and AGL is well positioned to support that growth.

Slide 6 – Supporting our people will ensure business continuity

Thanks to our operational teams in regional locations across Australia, AGL's generation sites continue to operate.

Our people are working tirelessly to make sure the energy that cooks your dinner, cools or heats your home, or powers your business is provided without interruption. On site, we have bolstered precautionary measures including splitting teams, providing 24 hour medical assistance, increasing deep cleaning and adding temperature testing to help keep our operational teams safe.

All our non-operational AGL people are now working from home. Our offshore partners managing our call centres have also moved more than half their staff to work remotely. Together, that's more than 4,000 people and it's a testament to the investments we've made over the last three years in our systems.

We have worked hard to find flexible working arrangements that will help our people sustain new ways of working while managing new and changing demands outside of work with family and at home. And as we look forward to the post recovery phase we will look to incorporate those new and smarter ways of working into the normal everyday.

Slide 7 – Financial strength, AGL has a strong balance sheet and significant liquidity

Now moving to our financial position, the strength of which is a real advantage in the current uncertain environment.

The low gearing ratio, significant headroom and liquidity means AGL is well positioned to manage through this crisis. We have approximately $1 billion in cash and undrawn bank facilities. And we have material headroom not only to our debt covenants but also within our ratings metrics.

And we have no bond market refinancings until the 2022 financial year.

This gives the company a great deal of flexibility as the crisis progresses and for our capital management thereafter.

We continue our disciplined allocation of capital, which includes the current share buy back, now 90% complete.

In any crisis preparedness is crucial, and so AGL has run a multitude of severe scenarios to test the strength of our liquidity and credit metrics under stress. Even in the most prolonged and severe scenario analysis our liquidity and headroom is sufficient and we understand the business levers we can pull if necessary.

AGL has a number of high-quality large-scale projects in the works, the development of which have the ability to support job recovery and economic stimulus. Our progress team will look to engage with government to find ways to collaborate on these projects.

Slide 8 – Customers metrics are positive even amid the uncertainty

My next slide looks at our key customer metrics, customer numbers and churn. Over the first three months of the year, we have seen positive customer account momentum and the lowest churn level in over four years.

We now have 3.8 million customer accounts and including Southern Phones that number increases to over 3.9 million. Call centre volumes are up while churn has fallen, demonstrating we are providing quality customer service and we're staying focused on delivering all customers with the best rate for them.

Our investment in systems, our rebuilt brand and our focus on customers continues to drive growth even in these difficult times.

One of the other interesting data points we have seen recently is a material increase in residential battery quotes and sales (albeit off a small base). This has been particularly driven by the South Australian subsidy change, and uptick in government grants. I have spoken previously about the "dawn of the battery age" and I believe it. Despite COVID-19 the energy transition will continue and we now forecast residential battery installations to reach 150,000 by 2025. So, when it comes to post-COVID recovery for the energy industry, residential batteries is a great opportunity that we are leaning into.

Slide 9 – NEM demand and AGL generation has shown significant resilience

Now, I want to give you a sense of the demand and generation impacts we are seeing.

On the left chart, overall electricity system demand is marginally reduced but stable, across the states we have broadly seen a decline of 5% for March and April. Importantly this decline includes the impact of milder weather which, if normalised, shows total market demand is roughly flat year on year.

This contrasts to the overseas experience, which has seen much larger drops, Italy down 25% and China at the peak of its restrictions down 35%. The key difference has been Australia maintaining heavy industry.

By segment we see expected larger movements. There are significant declines in retail, food and beverage customers and smaller declines in utilities, finance, health and agriculture. There is little observable impact on government, manufacturing, mining and communications which is good news for the economy. Residential demand has increased significantly and the change in work patterns means we now observe the morning and evening peaks happening later in the day.

It is clear the impact of COVID-19 restrictions are flowing through to some sectors more than others. Impacts are likely to be specific to customer circumstances, rather than system wide, so we are focusing on understanding and responding to individual customer needs.

Consistent with demand holding up, you can see on the right hand chart coal generation year to date is broadly unchanged, down only 1% lower calendar year to date compared to 2019 as a result of planned outages at Bayswater.

Slide 10 – Wholesale energy prices have declined materially and FY20 impact largely offset by hedging

Moving on now to Wholesale markets and what we are seeing with forward electricity and gas prices.

Electricity forward curves have decreased in FY21 as supply has increased, through new generation, along with falling short-term gas and coal costs. This is not a new trend, we have seen falling wholesale electricity prices for some time, however FY21 forward prices have dropped significantly further than previously forecast.

Current spot electricity prices are partially being influenced by the COVID-19 driven deferral of outages across the NEM. This will need to be caught up by either increased planned or unplanned outages in the future, both of which will put upward pressure on prices.

Short to medium-term price is likely to remain depressed due to current macro economic conditions. However we don't expect this to continue long term. We expect as black coal, gas and oil prices revert to longer term levels, electricity prices will revert to the mean.

It's too early to say if our longer-term electricity price expectations have changed, but ultimately the market needs new capacity to replace ageing coal assets and prices will need to reflect the cost of that investment.

In the green certificate market, we've seen the large-scale renewable certificate price fall again to the $30 mark, and the forward outlook remains for further falls. As I've mentioned previously, we still expect certificates to maintain some value, and we are watching the market closely in the in context of demand for carbon offsets, which may be a conceptual floor for LREC prices.

In recent months gas prices have also fallen due to excess domestic gas supply and lower demand from gas generation. We do not expect gas prices to remain at these levels given the observable supply side response pulling back on investment in new wells where the costs of incremental gas developments are higher.

AGL has a long-term short gas position which may create opportunity noting that we are well contracted for calendar year 2020 and with limited opportunity for 2021. Our longer-term focus continues on building optionality and flexibility into the portfolio through diverse contracting both for supply and storage and projects like Crib Point.

So, given our hedge and contract position, the fall in wholesale prices will have a limited impact on FY20. Longer term declines in gas and electricity wholesale prices will likely compress margins and create earnings headwinds, noting our multi asset platform and investment in capacity will in part defray these headwinds.

Slide 11 – AGL's investment proposition is robust amid uncertain economic and market condition

When I think about past crises, what I've learned is, customers, people and planning are integral to how a company emerges. AGL is an essential services provider, with a strong and robust business model, which has not changed.

Our business is underpinned by our 3.8 million strong customer base, or in other words 27% of Australian households are customers of ours, and that number is growing. We are the largest and lowest cost generator in the National Energy Market and the largest investor in renewable energy on the ASX.

This means our cash flows are relatively resilient to economic cycles, but it also makes the vulnerable customer support measures we have put in place so powerful.

Our market position and customer proposition is bolstered by our multi-product platform, which as you know we are looking to expand further, electricity, gas, renewables and now telco services. This offers our customers value, choice and convenience while at the same time building a bigger, broader customer base which is resilient to ongoing uncertainty. We are also investing further in gas infrastructure, large scale batteries and peaker assets, which expands and diversifies our generation fleet.

We can't do any of this with out having a strong foundation from which to grow, diversify and deliver for our customers. Our foundation is the balance sheet and liquidity position. Our continued strong cash position and prudent credit metrics going into this difficult period have enabled AGL to continue to pay dividends, maintain our payout ratio and continue the buyback – while maintaining ample headroom to support investment in the business.

Our dividend policy, buyback and rigorous hurdle rate of around 300 basis points over WACC provides strong capital discipline for the business.

AGL believes that sustainability is fundamental to our growth over the next 180 years. We are carefully and responsibly leading the energy transition using our assets of today to fund the investments needed for the grid of tomorrow, in a low carbon future.

As Australia's largest carbon emitter but also the country's largest private investor in renewable energy, we have a clear path forward to lead the energy transition for Australia. Australia's future is to again be a domestic energy superpower, this time driven by plentiful renewable energy, and AGL will be at the forefront of this change.

Slide 12 - Outlook statement: resilient to initial COVID-19 impacts but headwinds are increasing into FY21

I will close out the presentation with our outlook.

AGL's business is resilient to economic shocks by nature of being an essential services provider – but the economic impacts of the lockdown mean headwinds we were already expecting have worsened, and that some new ones have arisen.

We are maintaining our guidance range for this financial year of 780 to 860 million dollars, despite the increased provisions for bad debts and increased operating costs at our plants.

However, we now consider a result in the upper half of that range, as we flagged in February, to be less likely given the potential for these expenses to worsen and for some margin impact from reduced wholesale energy prices.

Looking into FY21, the headwinds are increasing.

Aggregate demand is largely steady, but mix is shifting and the outlook uncertain for some sectors.

We were already expecting lower prices for wholesale electricity and renewable energy certificates to weigh on our margin, but – even after taking into account the protection provided by our hedging practices – this will be exacerbated should the rapid falls in wholesale prices we have seen in recent weeks endure.

Increases in customer bad debt expense associated with having more customers in hardship, are also likely to impact on next year's result, subject to the length of the lockdown and pace of recovery.

As always, our guidance is subject to no further change in conditions, and we continue to monitor the situation closely.

Lastly, our cash flow and liquidity position remains strong, and AGL is very well placed not only to weather the market and economic impacts of this lockdown but to emerge from it stronger and able to capitalise on opportunities that arise as a result.

I thank you for your time and am now happy to answer your questions.