

Other Required Disclosures

The two penalty infringement notices were issued on 24 January 2019 for an alleged failure to comply with two conditions of environmental protection licence (EPL) 779. These notices included fines of \$15,000 each.

The two official cautions were also issued on 24 January 2019 for an alleged:

- failure to comply with a condition of EPL 779; and
- pollution of waters offence.

In June 2017 the NSW EPA commenced proceedings against AGL Upstream Investments Pty Limited, alleging that AGL had contravened a condition of its EPL 12003. The alleged offence relates to a flood event that occurred in early June 2016 and impacted the Camden Gas Project. As at the date of this Report the proceedings are ongoing. There is no allegation that environmental harm occurred.

On 16 January 2019, AGL suspended coal ash sales from Bayswater and Liddell power stations as a precautionary measure. This step was taken after a number of test results identified elevated levels of metals including chromium and copper, which could exceed limits set by the EPA in the Coal Ash Order 2014. AGL notified the EPA, SafeWork and NSW Health and the four companies in the Upper Hunter that buy and use the coal ash, predominantly in engineering applications for concrete based products.

At the time, AGL sought advice from an external expert who confirmed through a comprehensive human health risk assessment that, based on AGL's current coal ash sample test results, the use of the coal ash for all known uses does not pose a risk to human health and is not considered to be of concern to the environment. In June 2019 AGL resumed supply of fly ash supply from site, with the resumption of cenosphere supply commencing in July 2019. AGL continues to cooperate fully with the EPA in relation to this matter.

Approval of Directors' Report

This Directors' Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 8th day of August 2019.



Graeme Hunt
Chairman

Operating and Financial Review

For the year ended 30 June 2019

13. Financial performance

Principal activities

AGL's principal activities consisted of the operation of energy businesses and investments, including electricity generation, gas storage and the sale of electricity and gas to residential, business and wholesale customers. There were no significant changes in the principal activities of AGL during the year.

13.1 Group results summary

Adoption of new standards

AGL has adopted AASB 9 Financial Instruments and AASB 16 Leases and restated 2018 comparative figures to reflect the adoption of these new standards. The tables in section 13.8 summarise the adjustments recognised against each individual line item within the Group Financial Performance statement and the Summary Statement of Financial Position for all standards. AGL also adopted AASB 15 Revenue from Contracts with Customers, which did not have a material impact.

13.1.1 Reconciliation of Statutory Profit to Underlying Profit

13.1.1.1 Profit after tax

	2019 \$m	Restated 2018 \$m
Statutory Profit after tax	905	1,582
Adjust for:		
Significant items after tax		
National Assets gain on divestment	(37)	-
Residential Solar operations impairment	38	-
Proceeds from Yandin wind farm development rights	(5)	-
Sunverge impairment	-	27
Active Stream gain on divestment	-	(29)
Loss/(gain) on fair value of financial instruments after tax	139	(562)
Underlying Profit after tax	1,040	1,018

Statutory Profit after tax was \$905 million, down \$677 million compared with the prior year. This included two items excluded from Underlying Profit:

- The loss on fair value of financial instruments of \$(139) million compared with a \$562 million gain in the prior year. This net loss reflected a negative fair value movement in AGL's net sold electricity derivatives as a result of higher forward electricity prices, and a negative fair value movement in AGL's purchased oil and coal derivative contracts as a result of lower forward oil and coal prices. See section 13.1.5 for more detail.
- Significant items of net \$4 million from divestments and impairments.

Underlying Profit after tax was \$1,040 million, up 2.2% from the prior year. A description of the factors driving Underlying Profit is included in section 13.1.2.5.

	2019	Restated 2018
Earnings per share on Statutory Profit¹	138.0 cents	241.2 cents
Earnings per share on Underlying Profit¹	158.6 cents	155.2 cents

1. Earnings per share calculations have been based upon a weighted average number of ordinary shares of 655,825,043 (30 June 2018: 655,825,043).

13.1.1.2 Earnings Before Interest and Tax (EBIT)

	2019 \$m	Restated 2018 \$m
Statutory EBIT	1,472	2,464
Significant items	(10)	3
Loss/(gain) on fair value of financial instruments	198	(803)
Finance income included in Underlying EBIT	-	4
Underlying EBIT	1,660	1,668