

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. 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.

AGL views the business as four interrelated segments collectively servicing our customers' needs. AGL's segments are:

- **Customer Markets** comprises the Consumer and Large Business customer portfolios and is responsible for the retailing of electricity, gas, solar and energy efficiency products and services to residential, small and large business customers. Customer Markets sources its energy from Wholesale Markets 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 product innovation, sales, marketing, brand and operations.
- **Wholesale Markets** comprises Wholesale Electricity, Wholesale Gas and Eco Markets and is 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. Wholesale Markets also controls the dispatch of AGL's owned and contracted generation assets and associated portfolio of energy hedging products.
- **Group Operations** comprises AGL's power generation portfolio and other key sites and operating facilities.
- **Investments** comprises AGL's interests in the ActewAGL Retail Partnership, Powering Australian Renewables Fund, Digital Energy Exchange, Advanced Microgrid Solutions Inc, Energy Impact Partners' Fund, Activate Capital Partners, Solar Analytics Pty Limited, Sunverge Energy Inc and Ecobee Inc.

In the segment financial results, the 'Other' category consists of various Corporate activities. These are not considered to be reportable segments.

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.

AGL operates as an integrated business and uses a portfolio approach to manage the operations and assets to drive value and efficiency. AASB 8 *Operating Segments* requires AGL to report segment information on the same basis as the internal management structure. As a result, the Customer Markets and Wholesale Markets segments report the revenue and margin associated with satisfying the gas and electricity requirements of AGL's wholesale consumer and business customer portfolio. In contrast, the Group Operations segment reports the majority of expenses associated with these operations and is therefore a cost centre.

For the purposes of reviewing the carrying values of AGL's assets, the segments impute a revenue transfer between Customer Markets, Wholesale Markets and Group Operations. Revenues are derived to approximate prices similar to transactions with third parties.

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1. Segment information (cont.)

2019	Customer Markets \$m	Wholesale Markets \$m	Group Operations \$m	Investments \$m	Other \$m	Total \$m
Revenue						
Total segment revenue	7,554	9,100	188	1	-	16,843
Inter-segment revenue	(14)	(3,539)	(44)	-	-	(3,597)
External revenue	7,540	5,561	144	1	-	13,246
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)						
	295	2,778	(556)	33	(265)	2,285
Depreciation and amortisation	(101)	(21)	(480)	-	(23)	(625)
Underlying EBIT	194	2,757	(1,036)	33	(288)	1,660
Net financing costs						(193)
Underlying profit before tax						1,467
Underlying income tax expense						(427)
Underlying profit after tax						1,040
Segment assets						
	2,576	2,951	7,560	239	266	13,592
Segment liabilities						
	543	884	887	-	181	2,495
Other segment information						
Share of profits of associates and joint ventures	-	-	1	32	-	33
Investments in associates and joint ventures	-	-	4	146	-	150
Additions to non-current assets	134	71	688	60	104	1,057
Other non-cash expenses	(120)	-	-	-	(6)	(126)

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1. Segment information (cont.)

Restated 2018 ¹	Customer Markets \$m	Wholesale Markets \$m	Group Operations \$m	Investments \$m	Other \$m	Total \$m
Revenue						
Total segment revenue	7,746	8,624	234	-	1	16,605
Inter-segment revenue	(50)	(3,680)	(59)	-	-	(3,789)
External revenue	7,696	4,944	175	-	1	12,816
Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)						
Depreciation and amortisation	(102)	(10)	(424)	-	(32)	(568)
Underlying EBIT	202	2,665	(919)	33	(313)	1,668
Net financing costs						(224)
Underlying profit before tax						1,444
Underlying income tax expense						(426)
Underlying profit after tax						1,018
Segment assets	2,690	2,599	7,444	162	208	13,103
Segment liabilities	575	862	823	-	202	2,462
Other segment information						
Share of profits of associates and joint ventures	-	-	1	38	-	39
Investments in associates and joint ventures	-	-	2	98	-	100
Additions to non-current assets	163	17	504	77	99	860
Other non-cash expenses	(94)	-	-	-	(6)	(100)

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. Segment information (cont.)

Segment revenue reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of segment revenue to total revenue is as follows:

	2019 \$m	2018 \$m
Segment revenue for reportable segments	16,843	16,604
Elimination of inter-segment revenue	(3,597)	(3,789)
Revenue for reportable segments	13,246	12,815
Other	-	1
Total revenue	13,246	12,816

Revenue from major products and services

The following is an analysis of AGL's revenue from its major products and services:

	2019 \$m	2018 \$m
Electricity	6,029	6,063
Generation sales to pool	4,469	3,901
Gas	2,346	2,379
Rendering of services	206	158
Other revenue	196	315
Total revenue	13,246	12,816

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

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

	2019 \$m	Restated 2018 \$m ¹
Underlying EBIT for reportable segments	1,948	1,981
Other	(288)	(313)
	1,660	1,668
Amounts excluded from underlying results:		
- (loss)/gain in fair value of financial instruments	(198)	803
- significant items ²	10	(3)
Finance income included in Underlying EBIT	-	(4)
Finance income	10	10
Finance costs	(203)	(230)
Profit before tax	1,279	2,244

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1. Segment information (cont.)

Segment assets reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment assets to total assets is as follows:

	2019 \$m	Restated 2018 \$m ¹
Segment assets for reportable segments	13,326	12,895
Other	266	208
	13,592	13,103
Cash and cash equivalents	115	463
Current tax assets	89	147
Deferred tax assets	261	280
Derivative financial instruments	764	640
Total assets	14,821	14,633

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

Segment liabilities reconciliation to the Consolidated Statement of Financial Position

Reconciliation of segment liabilities to total liabilities is as follows:

	2019 \$m	Restated 2018 \$m ¹
Segment liabilities for reportable segments	2,314	2,260
Other	181	202
	2,495	2,462
Borrowings	2,850	2,963
Current tax liabilities	27	81
Deferred tax liabilities	97	-
Derivative financial instruments	715	615
Deferred consideration	199	211
Total liabilities	6,383	6,332

1. Comparatives have been restated for the adoption of AASB 9 Financial Instruments and AASB 16 Leases. Refer to Note 38(c).

Geographical information

AGL principally operates in one geographical area being Australia. All non-current assets and total external revenue from customers is attributed to Australia.

Information about major customers

No single customer amounts to 10 percent or more of AGL's total external revenue (2018: none).

ACCOUNTING POLICY

Segment reporting

An operating segment is a component of AGL that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of AGL. Operating segments are identified on the basis of internal reports about components of AGL that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Board of Directors.