



## AGL Energy announces profit of \$410.5 million

22 August 2007

### Statutory result

- Revenue of \$3,765.3 million
- EBIT of \$686.4 million
- Net profit after tax of \$410.5 million
- Earnings per share of 148.5 cents
- Retail Energy EBIT of \$107.1 million
- Merchant Energy EBIT of \$736.8 million
- Final dividend of 26 cents per share fully franked

### Pro-forma result<sup>1</sup>

- Revenue of \$4,773.9 million
- EBIT of \$574.7 million
- Net profit after tax of \$325.6 million
- Earnings per share of 77.3 cents
- Retail Energy EBIT of \$192.4 million
- Merchant Energy EBIT of \$410.7 million
- Final dividend of 26 cents per share fully franked

Australia's largest integrated energy company AGL Energy Limited (AGL) today announced a net profit after tax of \$410.5 million in the first financial year of operations since its demerger.

AGL Chairman Mark Johnson said the underlying pro-forma<sup>1</sup> profit of \$326 million included profit before any acquisitions of \$320 million, directly comparable to the forecast of \$321 million in last year's Scheme Booklet which detailed the merger with Alinta and subsequent demerger of the group's energy assets.

"This is a very pleasing result given the tumultuous times experienced in the energy markets, where we have seen the most volatile pricing periods in the history of the National Electricity Market," Mr Johnson said.

"This volatility meant our electricity derivatives book had a fair value at year end of nearly \$4 billion. Under international accounting standards, more than \$400 million of these fair value movements have been added to statutory earnings before interest and tax (EBIT). We do not consider this increase in EBIT to be underlying business and it has been removed from the pro-forma result.

"When we established the new AGL we said we would deliver significant growth in earnings per share, with a target of 15 per cent in the medium term.

"Even during these volatile times we have solidly delivered our first year's results, which is a testament to the ingenuity of our people, our new 'four corners' strategy and to the robustness of our developing and diverse upstream portfolio.

AGL reported revenue of \$3,765.3 million, earnings before interest, tax, depreciation and amortisation (EBITDA) of \$849.9 million and earnings per share of 148.5 cents.

AGL shareholders will receive a fully franked final dividend of 26 cents per share, bringing the total dividend to 35.5 cents per share, fully franked. Mr Johnson said including the stub dividend paid for the period 1 July 2006 to 25 October 2006, dividends were 61 cents per share.

AGL Managing Director Paul Anthony said: "This has been a year of significant change for AGL, not just in completing one of Australia's largest mergers and the subsequent demerger.

"We have substantially reduced our cost base by a restructuring that cut almost 1,000 staff numbers, and embarked on a full replacement of our retail IT base to enable enhanced customer support and innovative product design.

"We have pursued non-organic growth to increase AGL's generating base by more than 100 per cent to become one of the largest privately owned generators in the land.

"We have acquired significant upstream gas interests to increase our equity gas base to around 900 petajoules (2P) of reserves taking our total contract and equity gas to over 4,000 petajoules, and scaled-up our retailing base, increasing it by 36 per cent to more than four million customers. "This has all happened as we have successfully steered the company through the turbulent times in the gas and electricity markets.

"AGL has proved its proficiency in sophisticated hedging and prudent risk-mitigation capabilities, demonstrated by the fact at year end AGL's forward hedge book when marked-to-market had a value of nearly \$4 billion.

"At the same time we were scaling up our businesses and laying the foundations for future earnings growth, we delivered on our demanding growth targets.

"This happened even though earnings from many of our acquisitions will, in their early years, be less than our EPS target, especially when we were purchasing reserves today for use at a later stage. This means our underlying businesses will have to produce an EPS growth in excess of the 15 per cent target to achieve the aggregate 15 per cent EPS growth for FY2008 which we have reconfirmed."

Mr Anthony said in the past year AGL had helped lead Australian companies prepare for potential changes to the market in a carbon constrained world.

"AGL now has one of the most significant suites of renewable generation in Australia, including the Hallet Wind Farm, our hydro-electric plants in NSW and Victoria, solar and biomass generation. We are well positioned to meet the growing demand for clean energy, with more than 700 megawatts of renewable generation and a further 235 megawatts of capacity under construction.

"In addition to building physical renewable capacity, we have also joined the Chicago Climate Exchange, the first non-US utility to do so.

"In the future, carbon credits will be a valuable currency, traded on a global stage, and AGL intends to be at the lead in Australia in trading this commodity."

Mr Anthony said AGL's results were complex, given many reporting entities were not part of the group from the start of the reporting period.

"Our pro-forma EBIT of \$574.7 million and NPAT of \$325.6 million demonstrates AGL has a robustness underpinning strong future growth," he said.

"By way of a simple comparison to the old AGL, we divested half of our business under the Alinta transaction yet our earnings per share this year from the new AGL are more than 80 per cent of that of the combined entity last year."

## **Outlook**

AGL confirms a forecast underlying profit on a business-as-usual basis for FY2008 of \$380 to \$400 million.

This includes forecast full year results from the investment in QGC and the acquisition of Sun Gas, Powerdirect and the Torrens Island Power Station.

On an EPS basis, this equates to a range of 88 to 92 cents per share, a 10 to 15 per cent accretion on the underlying scheme booklet FY2007 result. AGL currently anticipates FY2008 underlying profit to be at the upper end of this range.

**A telephone briefing for analysts and media will be held at 11am AEST today and webcast at [www.agl.com.au](http://www.agl.com.au).**

**Participant dial-in number is 1800 148 258, or +61 2 8524 6650.**

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<sup>1</sup> The controlled entities of AGL were acquired by the company at various dates prior to completion of the demerger transaction on 25 October 2006 or, in the case of new acquisitions, 1 February 2007 or 1 March 2007. The pro-forma result has been calculated assuming the entities involved in the demerger were subsidiaries of AGL for the entire year. The proforma result has also been adjusted to exclude significant items and profit on fair value movements and amortisations on derivatives.

AGL is Australia's leading energy provider and the only energy producer with a full suite of renewable generation, providing gas and electricity to more than six million Australians.

AGL is a world-class integrated energy company, with major investments in the supply of gas and electricity, as well as a substantial base of customers across Australia.

AGL is committed to leading Australia in minimising the effects of climate change, investing in sustainable energy businesses such as wind farms and innovative environmentally friendly projects such as the underground Bogong hydroelectric power station in Victoria's High Country.

Listed on the Australian Securities Exchange (ASX code: AGK), AGL is an S&P/ASX 50 company with a market capitalisation of about A\$7billion. AGL has a heritage of 170 years of operations as an energy provider in Australia. AGL maintains a BBB investment grade credit rating from Standard & Poor's.