



AGL Energy Limited
ABN 74 115 061 375

Tel: +61 2 9921 2999
Fax: +61 2 9921 2552

AGL Centre, 72 Christie Street
St Leonards, 2065

Locked Bag 1837
St Leonards, 2065

www.agl.com.au

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AGL signs IT outsourcing deal to save \$12m a year

Australia's largest integrated energy company AGL Energy (AGL) has today signed an agreement to outsource its information technology support in a deal which will save the company an estimated \$12 million a year for the next five years.

The \$16 million agreement with TATA Consultancy Services (TCS) supports AGL's strategy of moving from internal IT to an outsourced solution. It will also enable the implementation of AGL's major IT change program, which is estimated to save around \$60 million a year once its new retail solution is fully implemented. This saving is part of AGL's company-wide, cost-saving program previously disclosed to the market.

AGL Managing Director Paul Anthony said: "This agreement will achieve a step change in efficiency gains, support our new integrated retail platform, and build competitive advantage in the use of information to derive superior service and products for our growing customer base.

"It is a decisive move which will allow AGL to significantly reduce the cost of operations in running our existing information management systems.

"With this deal, we will save an estimated \$12 million per year assisting us to reduce the number of fulltime employees engaged by AGL in IT support from more than 300 to about 20, which is already more than 80 per cent complete.

"It provides us with access to a world's best-practice capability and experience that cannot be achieved in an internal IT function.

"This initiative is not only about an efficiencies drive, it is also about using information as a source of competitive advantage.

"By tapping into the global intellect of a provider such as TCS, AGL can benefit from best-of-breed solutions and a global currency in the use of information from a truly international provider to secure enduring competitive advantage in a highly contestable marketplace."

The agreement also assists AGL in realising the efficiency gains from its IT change program. The first phase of this program will go live later this year, with the full-year benefits occurring next year. AGL will be converting more than 100 legacy systems to a single retail operating platform.

"The TCS agreement enhances the innovative outputs-based deal we have with Accenture to provide a single SAP platform which replaces our legacy systems," Mr Anthony said.

"By taking the early opportunity to select an appropriate outsourced partner to run our SAP retail and enterprise resource planning systems, AGL has captured the benefits of outsourcing ahead of the anticipated changes from the IT change program development.

"We are delighted to be working with TCS who have a global reputation for their innovation and customer support."

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Further enquiries:

Media

Matt Horan

Direct: + 61 403 934 958

e-mail: matthew@catocounsel.com.au

Analysts & Investors

Graeme Thompson, Head of Investor Relations

Direct: + 61 2 9921 2789

Mobile: + 61 (0) 412 020 711

e-mail: gthompson@agl.com.au

About AGL

AGL is one of Australia's leading integrated energy companies. Drawing on 170 years of experience, it includes retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base supplying around 4.1 million customer accounts. This includes customers supplied with gas and electricity through AGL's joint venture partnerships, ActewAGL and AlintaAGL. 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. One of Australia's largest renewable energy producers, AGL is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

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