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ASX & Media Release

FY14 Underlying Profit and FY15 Outlook Update

17 July 2014

AGL Energy Limited (AGL) today advised that, based on unaudited results, its FY14 Underlying Net Profit after Tax (Underlying Profit[1]) is expected to be in line with market consensus[2] of $561 million. This outcome is expected despite unseasonally warm weather in May and June, which has had an adverse impact on profitability.

AGL also advised that the passage of legislation through the Federal Parliament to remove the carbon tax from 1 July 2014 is expected to reduce FY15 Earnings before Interest and Tax (EBIT) by a gross amount of approximately $186 million[3]. This includes an expected net reduction of approximately $100 million in EBIT in relation to the operations of the Loy Yang A power station due to the cessation of transitional assistance arrangements associated with the carbon tax. It also includes an expected reduction in EBIT of approximately $86 million from AGL's renewable energy and gas generation portfolios due to the anticipated fall in wholesale electricity prices associated with the removal of the carbon tax.

AGL does not expect a recovery in the price of Large Generation Certificates in FY15 to offset the anticipated fall in wholesale electricity prices due to the current surplus of certificates and uncertainty surrounding the ongoing review of the Renewable Energy Target by the Federal Government.

AGL also advised that its LPG extraction plant (HCE) at Kurnell will be closing following the announced closure of the Caltex Oil Refinery. This will further reduce FY15 EBIT by approximately $14 million.

AGL expects this combined gross reduction in EBIT of approximately $200 million to be largely offset by very strong growth in the rest of AGL's business, underlining the strength of AGL's business model. This includes previously announced additional gas sales into the Queensland market.

This expectation does not include any profit uplift from the potential acquisition of Macquarie Generation (MacGen) following AGL's successful appeal against the ACCC's decision to oppose the acquisition before the Australian Competition Tribunal.

While the removal of the carbon tax and associated transitional assistance has a negative impact on the short term earnings of the Loy Yang A power station, it has a materially positive impact on its long term value. Any reduction in the Renewable Energy Target would also have a positive impact on the value of Loy Yang A.

AGL will announce its FY14 Full Year results on 20 August 2014 and, as per its usual practice, will provide formal guidance for FY15 at its Annual General Meeting on 23 October 2014.

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[1] Underlying Profit is the statutory net profit after tax adjusted for significant items and changes in the fair value of certain financial derivatives.

[2] Market consensus as calculated by AGL and shown in Appendix 1.

[3] A summary of the estimated impact of the removal of carbon is shown in Appendix 2 and is based upon estimated FY14 electricity generation and carbon costs.

Further inquiries:

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About AGL

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. 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. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.

About MacGen

MacGen is the largest producer of electricity in New South Wales. The assets include the Bayswater (2,640 MW) and Liddell (2,000 MW) black coal fired power stations, Hunter Valley Gas Turbines (50 MW), Bayswater B and Tomago development sites, Liddell solar farm, extensive coal handling infrastructure comprising rail unloaders and conveyor systems, 110 million tonnes of contracted coal and approximately 3.5 million tonne coal stockpile. MacGen employs approximately 660 people (full time equivalent).

Appendix 1 – Market Consensus (as at 15 July 2014)

FY14 Underlying NPAT	$ million
CBA	546
CIMB	575
CLSA	585
Credit Suisse	560
Deutsche	570
Goldman Sachs	539
JPMorgan	553
Macquarie	548
Merrill Lynch	561
Morningstar	587
Royal Bank of Canada	543
UBS	566
Range	
- Low	539
- High	587
Median	**561**

Appendix 2 – Estimated impact of removal of carbon tax based on FY14 electricity generation

FY14	Volume (GWh)	Intensity Factor t/MWh	Emissions (kt)	Direct Carbon Liability[1] $ million	Revenue Decrease[2] $ million	Fuel Cost Decrease[3] $ million	EBIT Impact $ million
Generation							
TIPS	1,610	0.6	1,014	24.5	(33.4)	3.0	(6.0)
Somerton	11	0.8	8	0.2	(0.2)	0.1	0.0
Yabulu	132	0.5	61	1.5	(2.7)	0.1	(1.2)
Oakey	57	1.0	56	1.3	(1.2)	0.0	0.2
Total - Gas generation							**(6.9)**
Hydro	1,105				(22.9)		(22.9)
SA Wind	1,531				(31.8)		(31.8)
Vic Wind	1,209				(25.1)		(25.1)
Total - Renewable generation							**(79.9)**
AGL Loy Yang	14,687	1.3	18,506	446.9	(305.0)		141.9
Government Assistance			(10,000)		(241.5)		(241.5)
Total - AGL Loy Yang							**(99.6)**
Total Generation	**20,342**		**9,645**	**474.4**	**(664.0)**	**3.2**	**(186.4)**

Notes:

1. Estimated Carbon Liability = Volume *Intensity factor *Carbon Price
2. Estimated Revenue decrease = Volume *estimated Average NEM Carbon intensity*Carbon Price
3. Reduction in cost of fuel from removal of carbon

Carbon price	$24.15
Assumed average NEM Carbon Intensity	0.86

These figures are unaudited and may be subject to revision arising from AEMO settlement data