



ASX & Media Release

1H23 Results Announcement

9 February 2023

AGL Energy Limited (AGL) today announced its results for the first half of the financial year ended 31 December 2022 (1H23).

1H23 Results Highlights

- Statutory Loss after tax: \$(1,075) million, including \$(706) million of impairment charges (post-tax) due to AGL's accelerated decarbonisation plan, as announced in September 2022
- Underlying EBITDA: \$604 million, down 16 percent on 1H22
- Underlying Net Profit after tax: \$87 million, down 55 percent on 1H22
- Interim ordinary dividend of 8 cents per share (unfranked) declared
- Total AGL customer services: 4.3 million¹, up 61,000 on FY22; Strategic Net Promoter Score (NPS) reached a new record high of +12; 199 MW DER assets orchestrated, up 44 percent on 1H22
- Total Injury Frequency Rate (TIFR) down to 1.7 (per million hours worked)
- Total generation volumes: 19.1 TWh, down 7% on 1H22, primarily due to the Loy Yang Unit 2 prolonged forced outage and the closure of Liddell Power Station Unit 3 in April 2022
- Refreshed strategy announced in late-September that will deliver a responsible and accelerated low carbon future
- Inaugural Climate Transition Action Plan endorsed by shareholders at the 2022 AGM
- Highly experienced Board and Management teams in place – Patricia McKenzie confirmed as Chair; Damien Nicks as Managing Director and CEO; Gary Brown as CFO
- Strong progress made on AGL's existing 3.2-gigawatt development pipeline
 - 250 MW Torrens Island and 50 MW Broken Hill batteries anticipated to be operational in mid-2023
 - Advancing 500 MW Liddell battery and 250 MW, 8-hour storage Muswellbrook Pumped Hydro
- Guidance range for FY23 Underlying EBITDA narrowed to between \$1,250 to \$1,375 million (previously between \$1,250 and \$1,450 million)
- Guidance range for FY23 Underlying Net Profit after tax narrowed to between \$200 to \$280 million (previously between \$200 and \$320 million)

CEO Commentary

AGL Managing Director and CEO, Damien Nicks, said: "Our first half result reflects the impact of plant outages during challenging energy market conditions in July, the prolonged Loy Yang Unit 2 major outage caused by a generator rotor defect, and the closure of Liddell Unit 3 in April 2022, as we indicated in our FY23 financial guidance update in late-September 2022."

¹ Services to customers number is as at 31 December 2022 and excludes approximately 300,000 services to customers of ActewAGL.



"Importantly, as units have returned to service, we've seen a significant improvement in portfolio performance at the end of the first half. We expect to have higher earnings in the second half of FY23, in line with guidance, and continued positive momentum into FY24."

"In Customer Markets, we recorded strong organic customer service growth across both energy and telecommunications amidst a period of heightened market volatility. Our Strategic NPS has reached +12, which was a record high for AGL."

"We also made good progress in advancing our 3.2-gigawatt development pipeline and the transformation of our thermal sites to low-carbon industrial Energy Hubs. The 250 MW Torrens Island and 50 MW Broken Hill grid-scale batteries are on track to commence operations in mid-2023, and we are pleased that the Liddell battery will be backed by ARENA, with funding negotiations underway for the first 250 MW phase. Additionally, a feasibility study for the 250 MW, 8-hour storage Muswellbrook Pumped Hydro Project is now underway in partnership with Idemitsu."

"Although Government intervention via the National Energy Price Relief Plan has contributed to a reduction in wholesale electricity forward prices from historically high levels (through lower commodity fuel input prices), these prices remain elevated compared to recent years, which we expect to see reflected in earnings growth for FY24."

"While we support some of these measures, namely the customer bill rebates as well as the role of the Safeguard Mechanism, we are concerned that the temporary domestic commodity price caps and Mandatory Code of Conduct for gas producers has increased regulatory instability and uncertainty, impacting business and investment confidence, particularly for gas and coal producers. Policy certainty and clarity is key to encouraging new investment required for the transition."

"Despite these market interventions, AGL's underlying business fundamentals remain strong."

Refreshed Strategy

AGL Managing Director and CEO, Damien Nicks, said: "In late-September we announced a refreshed strategy that represents one of the most significant decarbonisation initiatives in Australia. The accelerated closure of Loy Yang A, together with our ambition to supply up to 12 gigawatts of new generation and firming capacity by the end of 2035 will reshape AGL's generation portfolio and represents a major step forward in Australia's decarbonisation journey. Importantly, our Inaugural Climate Transition Action Plan was endorsed by shareholders at the 2022 Annual General Meeting in November."

"In November, we also announced that we are bringing forward the closure of Torrens Island 'B' Power Station to 30 June 2026, as the site continues to progress its transformation into a low-carbon industrial Energy Hub. AGL is committed to working with its people, in conjunction with unions and government, to help transition and further develop the skills and capabilities required for new and existing energy industries as Australia's energy system transitions to a low-carbon future."

"With the CEO and CFO appointments confirmed, we now have highly experienced Board and Management Teams in place to execute our strategic plans and the accelerated decarbonisation pathway, setting up a stronger future for AGL and our shareholders. We also look forward to sharing further details on our business strategies at an Investor Day, targeted for mid-2023."

"Importantly, the planned closure of the Liddell Power Station in April 2023 will be the next key milestone of this accelerated decarbonisation pathway, reducing AGL's annual greenhouse gas emissions by approximately 8 million tonnes per annum. By closing and transitioning the Liddell Power Station and site to a clean energy hub, this represents one of the most significant decarbonisation initiatives in Australia in 2023."

Statutory and Underlying Profit

AGL's Statutory Loss after tax was \$(1,075) million. This included the \$(706) million of post-tax impairment charges relating to the carrying value of the AGL Energy Generation Fleet cash-generating unit,



predominantly a result of the decision to accelerate the targeted closure date of AGL's thermal generation assets, as announced in September 2022.

In addition to the impairment, the Statutory Loss included a negative movement in the fair value of financial instruments of \$(622) million, primarily reflecting the impact of a drop in forward prices for electricity relative to AGL's hedging of its electricity generation position to manage pricing risk through forward contracts. This movement is non-cash, albeit required under Australian accounting standards.

Underlying Net Profit after tax, which excludes the movements in the fair value of financial instruments and Significant Items, was \$87 million, down 55%.

Dividends and Capital Management

AGL delivered net cash from operating activities of \$37 million, down 94 percent on 1H22 due to lower Underlying EBITDA and a large outflow of working capital associated with payables and margin calls due to significant market price movements in the period. The payables cash outflow of \$(429) million was largely due to lower electricity pool prices at the period end. The sharp decline in forward electricity prices resulted in \$(119) million of margin variation outflows during the first half. Whilst it is expected cash conversion rates will revert to historical levels as the wholesale pricing environment stabilises and generation improves, these working capital outflows did result in lower operating cash flow for the half and a temporary reduction in AGL's credit metrics.

At 31 December 2022, AGL had \$485 million of cash and undrawn committed debt facilities available.

AGL has declared an interim unfranked dividend for FY23 of 8 cents per share. The interim dividend is consistent with AGL's dividend policy to target a full-year payout ratio of 75 percent of Underlying Profit after tax. The interim dividend will be paid on 24 March 2023. AGL's DRP will operate with respect to the FY23 interim dividend. AGL will buy shares on market to satisfy the DRP and will allot these shares at no discount to the volume weighted average price at which AGL's shares trade during each of the 10 days commencing 27 February 2023. The last date for shareholders to elect to participate in the DRP for the FY23 interim dividend is 24 February 2023.

Outlook

AGL has narrowed underlying earnings guidance ranges for FY23 as follows:

- Underlying EBITDA narrowed to between \$1,250 and \$1,375 million, previous guidance was between \$1,250 and \$1,450 million
- Underlying Net Profit after tax narrowed to between \$200 and \$280 million, previous guidance was between \$200 and \$320 million

FY23 guidance reflects an expected improvement in the second half in line with expectations, largely driven by an anticipated increase in generation, with improved plant availability and a reduction in outages, partly offset by lower forward electricity prices. Additionally, customer margin is expected to improve due to growth in customer services. Operating costs are forecast to increase half-on-half due to seasonal net bad debt expense and inflation.

The outlook beyond FY23 remains positive. Wholesale electricity pricing remains elevated compared to prior periods with AGL expected to benefit as historical contract positions are reset in FY24 and FY25. Additionally, sustained periods of higher wholesale electricity prices are expected to flow through to retail pricing outcomes, and the Torrens Island and Broken Hill batteries are anticipated to commence operations in mid-2023. This will be partly offset by lower earnings from the closure of the remaining three units of Liddell Power Station.

All guidance is subject to any impacts arising from regulatory and government intervention, variability in trading conditions and plant availability.



Presentation, Webcast and Conference Call

AGL will hold a webcast and conference call to discuss the 1H23 result at 10.45am (AEDT), today, Thursday, 9 February 2023. Questions will be taken at the conclusion of the webcast.

A copy of the presentation will be lodged with the ASX and made available on AGL's website.

All 1H23 documents, the pre-recorded presentation and webcast are accessible via [agl.com.au/interimfy23](https://www.agl.com.au/interimfy23). Pre-registration is required to access the conference call and the live question and answer session.

A transcript and archive of the webcast will be available on AGL's website in due course.

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for 185 years, AGL supplies around 4.3 million energy and telecommunications customer services. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

For more information visit [agl.com.au](https://www.agl.com.au)