

ASX & Media release

Weather events to reduce AGL's 2011 Underlying NPAT by \$30 million to \$35 million.

7 February 2011

AGL Energy Limited (AGL) today advised that recent extreme weather events in Queensland, New South Wales, Victoria and South Australia are expected to reduce forecast 2011 underlying net profit after tax (NPAT) by \$30 million to \$35 million.

Recent weather events which have affected the national electricity market include:

- Co-incident very high temperatures in South Australia, Victoria and New South Wales;
- A record heat wave in Sydney;
- Cyclone Yasi; and
- Major flooding in Queensland.

These events have resulted in:

- Several days of record electricity demand in New South Wales and the highest recorded electricity demand in South Australia, coupled with extended periods of high and volatile electricity prices;
- The shut down, ahead of Cyclone Yasi, of the Yabulu power station (242MW) over which AGL has dispatch rights; and
- Disruption of gas supplies and transmission constraints to the Oakey power station (282MW) over which AGL has dispatch rights.

These events exposed AGL to increased customer demand for electricity during a period of higher underlying pool prices of up to \$12,500 per MW hour (compared with recent wholesale electricity pool prices of below \$40 per MW hour).

The estimated cumulative impact to underlying NPAT for the financial year ending 30 June 2011 is \$30 million to \$35 million.

AGL has previously advised that underlying NPAT for FY2011 would be in the range of \$450 million to \$480 million. In light of the above events, and a relatively flat preliminary first half result (see below), 2011 underlying NPAT earnings guidance has been revised to between \$415 million and \$440 million.

2011 Interim Results and Dividend

The first half to 31 December 2010 was characterised by mild temperatures across the four states in which AGL operates. This resulted in relatively flat electricity consumption despite solid growth in customer numbers. Low wholesale electricity prices resulted in the first half contribution from AGL's 32.5% interest in the Loy Yang power station declining by \$22 million compared with the previous corresponding period. The net effect (subject to completion of the half year review by AGL's auditors and to Board approval) is that the interim FY2011 underlying NPAT to be announced on 23 February 2011 is expected to be approximately the same as in the previous corresponding half year.

Subject to Board approval, the FY2011 interim dividend is anticipated to be similar to the FY2010 interim dividend of 29.0 cents per share, and, as previously advised, will be unfranked.



AGL's Electricity Hedging

AGL hedges its exposure to electricity demand and price volatility by using a combination of owned or controlled physical electricity generation assets and forward agreements and option contracts entered into with other electricity market participants.

AGL hedges its electricity exposures in accordance with a Board approved, and independently reviewed, risk management policy. The policy sets limits on the amount of earnings at risk from movements in electricity demand and electricity prices. The hedge cover that is put in place at any time is based on forecasts of weather patterns over peak demand periods of winter and summer, and on a statistically based assessment of the correlation of customer demand for electricity with variations in temperature. AGL's hedging does not attempt to cover extreme events which statistical analysis indicates will occur less frequently than once every 20 years. The cumulative cost of purchasing hedging instruments to mitigate such extreme exposure will substantially exceed the potential occasional losses from such an unusual sequence of events.

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About AGL

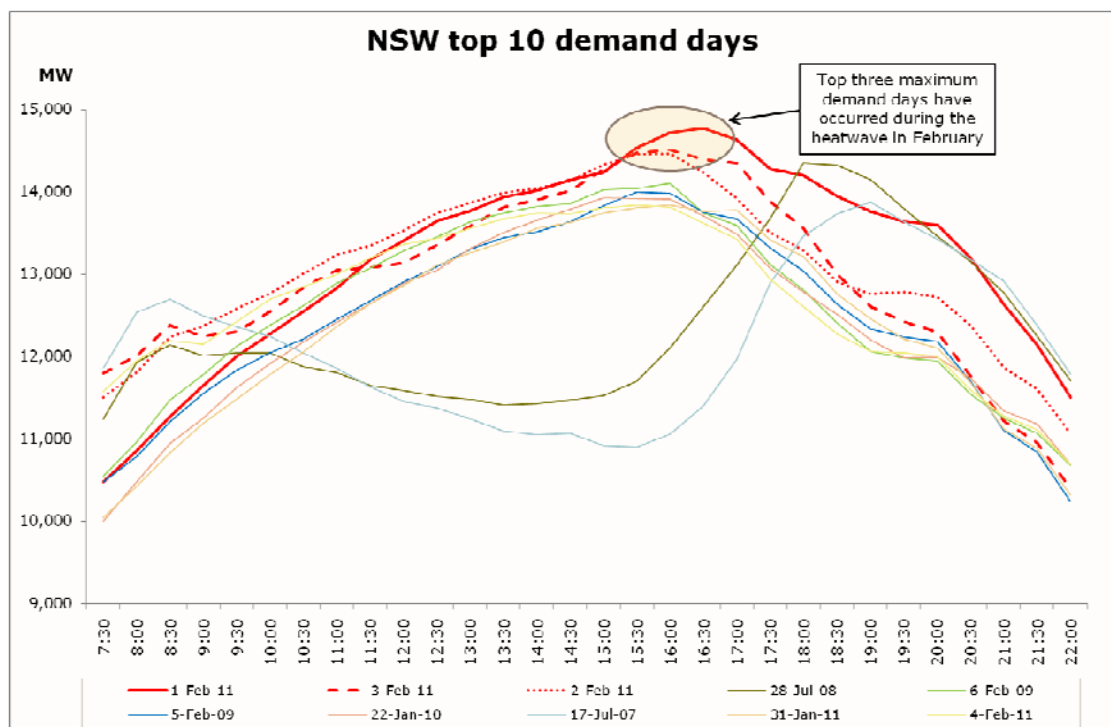
AGL is Australia's largest integrated renewable energy company and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest dual fuel customer base. 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.

Appendix – Recent Weather Events

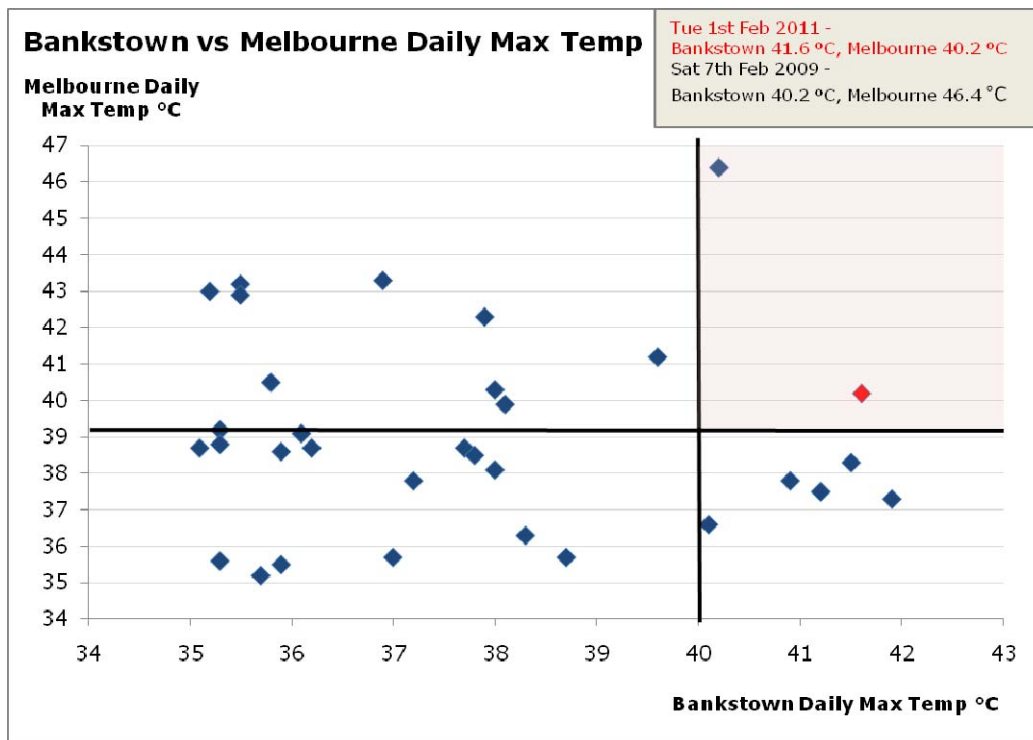
1. Maximum daily temperatures

	<i>Bankstown</i>	<i>Melbourne</i>	<i>Adelaide</i>
Date	(° C)	(° C)	(° C)
30-Jan	33.6	38.1	42.5
31-Jan	39.5	32.5	42.9
1-Feb	41.6	40.2	33.2
2-Feb	34.2	27.8	36.0
3-Feb	37.5	25.6	31.3
4-Feb	34.9	30.4	34.5
5-Feb	41.3	20.3	22.4
6-Feb	33.0	20.0	22.7

2. Consecutive record NSW demand



3. Co-incident high temperatures in Sydney and Melbourne*



* Over the past 30 years, there has been only one other occasion when temperatures in both Melbourne and Sydney have exceeded 40°C on the same day.