



ASX statement

Segmental Earnings Reclassification

10 January 2012

AGL Energy Limited (AGL) will amend the basis for segmental analysis reporting commencing with the 2012 interim results to be released on 24 February 2012. Accounting Standard AASB 8 requires companies to report segmental information on a similar basis as is used internally by management for reviewing operating segment performance.

There is no change to the reported profit in any prior periods, only a reallocation between business units.

The two main changes are:

- > Business Customers (formerly Commercial and Industrial) transferred to Merchant Energy, previously reported in Retail Energy; and
- > Some administration costs (mainly finance and IT) now reported in centrally managed expenses, previously reported in the business units.

The historical segment data in Appendix 1 is provided to facilitate comparisons with performance in prior periods.

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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 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 1 - Segmental Analysis Restatement



Table 1 – Operating EBIT

	1H11	FY11	1H10	FY10	1H09	FY09
Operating EBIT						
A\$ million						
As previously reported:						
Retail Energy	193.8	373.0	183.5	318.7	145.7	266.8
Merchant Energy	186.1	378.2	195.1	386.1	215.5	402.8
Upstream Gas ⁽¹⁾	16.9	13.6	3.0	5.5	28.4	29.9
Energy Investments	20.4	40.5	43.4	81.7	33.0	74.8
Centrally managed expenses	(73.1)	(148.8)	(66.1)	(139.9)	(63.5)	(131.2)
Total	344.1	656.5	358.9	652.1	359.1	643.1
New reporting structure:						
Retail Energy	158.4	305.1	147.6	247.9	130.4	230.0
Merchant Energy	224.0	453.2	233.6	459.9	233.3	444.2
Upstream Gas ⁽¹⁾	17.3	14.3	3.5	6.5	28.9	30.8
Energy Investments	20.4	40.5	43.4	81.7	33.0	74.8
Centrally managed expenses	(76.0)	(156.6)	(69.2)	(143.9)	(66.5)	(136.7)
Total	344.1	656.5	358.9	652.1	359.1	643.1

(1) Includes PNG pro-forma adjustment of \$27.0 million for 1H09 and FY09

Merchant Operating EBIT

A\$ million

As previously reported:

Energy Portfolio Management	215.4	430.1	229.0	426.1	240.1	434.2
Merchant Operations	(57.1)	(114.7)	(50.0)	(103.8)	(48.6)	(97.0)
Energy Services	7.7	17.8	6.7	17.3	13.9	22.4
Power Development	26.1	56.3	14.7	56.9	14.2	51.1
Sundry	(6.0)	(11.3)	(5.3)	(10.4)	(4.1)	(7.9)
Total	186.1	378.2	195.1	386.1	215.5	402.8
New reporting structure:						
Energy Portfolio Management	214.8	428.7	228.4	424.9	239.8	433.2
Merchant Operations	(57.1)	(114.7)	(50.0)	(103.8)	(48.6)	(97.1)
Business Customers	44.4	90.4	44.0	88.6	30.9	61.9
Power Development	26.1	56.3	14.7	56.9	14.2	51.1
Sundry	(4.2)	(7.5)	(3.5)	(6.7)	(3.0)	(4.9)
Total	224.0	453.2	233.6	459.9	233.3	444.2

Table 2 – Operating Costs as a Percentage of Gross Margin

Retail Energy

Net Operating Costs as a Percentage of Gross Margin

A\$ million

As previously reported:

Net Operating Costs	(161.5)	(324.4)	(158.7)	(312.9)	(133.5)	(293.7)
Gross Margin	389.7	773.4	373.3	695.3	304.6	611.4
Fees and charges	(34.4)	(76.0)	(31.1)	(63.7)	(25.4)	(50.9)
Gross Margin less fees and charges	355.3	697.4	342.2	631.6	279.2	560.5

Net Operating Costs as a percentage of gross margin (less fees and charges)

	45.4%	46.5%	46.4%	49.5%	47.8%	52.4%
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New reporting structure:

Net Operating Costs	(145.9)	(290.7)	(144.0)	(285.3)	(119.8)	(263.8)
Gross Margin	336.3	668.9	320.0	590.6	274.1	541.4
Fees and charges	(31.9)	(73.0)	(28.4)	(57.3)	(23.9)	(47.6)
Gross Margin less fees and charges	304.4	595.9	291.6	533.3	250.2	493.8

Net Operating Costs as a percentage of gross margin (less fees and charges)

	47.9%	48.8%	49.4%	53.5%	47.9%	53.4%
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Table 3 – Cost to Serve Analysis

	<u>1H11</u>	<u>FY11</u>	<u>1H10</u>	<u>FY10</u>	<u>1H09</u>	<u>FY09</u>
Cost to Serve Analysis						
As previously reported:						
Net operating costs (\$m)	(161.5)	(324.4)	(158.7)	(312.9)	(133.5)	(293.7)
Net operating costs per customer account (\$)	(49.49)	(99.12)	(49.51)	(97.11)	(41.59)	(91.47)
Cost to grow/retain (\$m)	(38.5)	(75.9)	(38.6)	(77.5)	(34.9)	(67.5)
Cost to grow per account acquired/retained (\$)	(81.21)	(84.08)	(84.82)	(86.84)	(82.70)	(81.63)
Cost to serve (\$m)	(123.0)	(248.5)	(120.1)	(235.4)	(98.6)	(226.2)
Cost to serve per customer account (\$)	(37.69)	(75.93)	(37.45)	(73.06)	(30.72)	(70.46)
New reporting structure						
Net operating costs (\$m)	(145.9)	(290.7)	(144.0)	(285.3)	(119.8)	(263.8)
Net operating costs per customer account (\$)	(44.97)	(89.34)	(45.13)	(89.01)	(37.49)	(82.53)
Cost to grow/retain (\$m)	(38.5)	(75.9)	(38.6)	(77.5)	(30.4)	(60.7)
Cost to grow per account acquired/retained (\$)	(81.21)	(84.08)	(84.82)	(86.84)	(71.98)	(73.39)
Cost to serve (\$m)	(107.4)	(214.8)	(105.4)	(207.8)	(89.4)	(203.1)
Cost to serve per customer account (\$)	(33.10)	(66.01)	(33.04)	(64.84)	(27.98)	(63.54)