

ASX release

2013 Earnings Guidance

23 October 2012

AGL Energy Limited (AGL) is today holding its Annual General Meeting at which it is the normal practice of the company to provide earnings guidance for the current year.

Assuming normal trading conditions continue, Underlying Profit for the year ending 30 June 2013 ("FY13") is expected to be in the range of \$590 million to \$640 million, compared with \$482 million in FY12. Underlying Profit is the statutory net profit after tax, adjusted for significant items and changes in the fair value of certain electricity derivatives. One of the main reasons for the expected increase in earnings is the contribution from the Loy Yang A power station acquired on 29 June 2012.

FY13 Underlying Profit guidance also includes the anticipated effects of the adverse regulatory pricing decision of the Queensland Competition Authority ("QCA") in Queensland and the draft regulatory pricing decision of the Essential Services Commission of South Australia ("ESCOSA") in South Australia. If the draft South Australian decision, to reduce the price of electricity by \$27.20/MWh, is ultimately confirmed, the combined effect of these decisions is to reduce FY13 Underlying Profit by approximately \$45 million. On a full year basis, both decisions together would reduce Underlying Profit by approximately \$60 million.

Commenting on the regulatory pricing decisions, AGL's Chairman, Jeremy Maycock, said;

"Sharp increases in the price of electricity in recent years have raised the public profile of the energy industry. Over many years, we have called for a consistent and co-ordinated evolution of the National Electricity Market where competition replaces regulation as the driver of efficiency and productivity. We have advocated consistently for policy responses such as smart meters and time of use pricing to address some of the root causes of the price increases such as the growth in peak demand for energy.

"The ill-considered reactions of energy regulators in Queensland and South Australia, to simply regulate down retail prices, will cause significant long term cost increases for consumers, damage competition and innovation and make the National Electricity Market an unviable investment proposition for new generation of all forms, including renewables.

"When these decisions are added to the current policy uncertainty around the future of carbon pricing and the 2020 renewable energy target, no-one should be surprised to see new investment in the NEM evaporate, with all the consequences that would follow.

"The continued regulation of retail prices and overlapping State and Federal regulatory structures creates a real risk of systemic failure of the National Electricity Market."



The material effect of the QCA's decision on retail margins has resulted in AGL substantially reducing its marketing activities in Queensland, including the removal of all door knockers and the cutting of discounts available to customers. A substantial reduction in churn rates, retail competition and customer choice is already evident in the Queensland market.

AGL has today announced it will take similar steps in South Australia with a significant scaling back of marketing activity, including cessation of all door knocking activity.

AGL will also suspend any further investment in power generation, including renewable energy, in South Australia as a result of ESCOSA's draft decision.

AGL's Managing Director, Michael Fraser said, "ESCOSA has effectively put up a sign saying do not invest in South Australian power generation just as the QCA has done in Queensland."

In addition, AGL is reviewing its future level of retail activity in New South Wales (including consideration of whether to suspend door knocking activities) as a result of the potential flow-on consequences of the ESCOSA and QCA decisions on regulatory pricing decisions and competitive conditions in New South Wales.

Mr Fraser said, "In a national electricity market, the consequences of regulatory decisions in different States cannot be viewed in isolation. We are reviewing our level of marketing activity in New South Wales in light of the direction of regulatory pricing outcomes and their effect on the competitive landscape. Although we have already gained approximately 35,000 new electricity customers in New South Wales in the first quarter of this financial year, we have always said our level of activity will only continue while it makes economic sense for our shareholders."

In relation to the FY13 Underlying Profit guidance, AGL advises that earnings are expected to be more skewed to the second half of the 2013 financial year with approximately 55 per cent of the full year profit being recognised in the second six month period. This is largely due to the imposition of a carbon cost from 1 July 2012 but recovery of that cost from retail customers not commencing until after that date. This will most significantly affect the split of earnings for AGL's retail business with approximately 65 to 70 per cent of the full year profit to be recognised in the second half of the year.

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About AGL

AGL is one of Australia's leading integrated 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 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.