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# asx & media release

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## AGL Energy posts inaugural profit result

AGL Energy Limited (AGL) has today posted its inaugural interim profit result and secured future growth opportunities through the acquisition of Powerdirect from the Queensland Government.

On a pro-forma basis for the six months to December 31, 2006, AGL posted revenue of \$2.2 billion, a net profit of \$134.8 million and underlying earnings per share of 31.6 cents.<sup>1</sup>

Commenting on the profit result, AGL Managing Director Mr Paul Anthony said; "As this is the first profit result of the new AGL, the statutory accounts are not comparable to the previous corresponding six-month period. However on a pro-forma basis, the results clearly illustrate that our merchant and retail energy businesses are tracking to expectations and performing strongly."

Mr Anthony said AGL was also delighted to have secured an additional 473,000 retail, industrial & commercial and SME customers through the purchase of the Queensland Government's Powerdirect business.<sup>2</sup>

"Powerdirect provides AGL with significant scale and a substantial entry platform into the Queensland energy market and will help cement AGL's position as the pre-eminent retailer of choice in Australia," he said.

### Result Highlights

<b>Statutory result<sup>1</sup></b>	<b>Pro-forma result</b>
<ul style="list-style-type: none"><li>• <b>Revenue of \$1.3 billion</b></li><li>• <b>EBIT of \$72 million</b></li><li>• <b>Net profit of \$3.4 million</b></li><li>• <b>Underlying earnings per share of 44.6c</b></li><li>• <b>Significant items of (\$57.5) million</b></li><li>• <b>Retail Energy EBIT of \$66.9 million</b></li><li>• <b>Merchant Energy EBIT of \$90.2 million</b></li><li>• <b>Interim dividend of 9.5c per share fully franked, payable on March 22</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Revenue of \$2.2 billion</b></li><li>• <b>EBIT of \$327 million</b></li><li>• <b>Net profit of \$134.8 million</b></li><li>• <b>Underlying earnings per share of 31.6c</b></li><li>• <b>Significant items of (\$62.6 million)</b></li><li>• <b>Retail Energy EBIT of \$136.6 million</b></li><li>• <b>Merchant Energy EBIT of \$200.1 million</b></li><li>• <b>Interim dividend of 9.5c per share fully franked, payable on March 22</b></li></ul>

<sup>1</sup> The controlled entities of AGL Energy Ltd as at 31 December 2006, were acquired by the company, at various dates prior to completion of the demerger transaction on 25 October 2006. Therefore neither the statutory results of the current period nor the prior year comparative are representative of what the reported results would have been if the controlled entities had been held by AGL Energy Ltd for the entirety of both.

<sup>2</sup> See separate statement "AGL announces the acquisition of Powerdirect".

The retail energy business contributed pro-forma EBIT of \$136.6 million, up 18.5 per cent on the back of strong performance in both electricity and gas markets. In the face of continued competition, AGL achieved further penetration of dual fuel customer accounts and now has 1.1 million dual fuel customer accounts nationally.

"AGL achieved continued improvement in our retail energy business, helped by improved margins and lower net operating costs" Mr Anthony said.

"Our key priorities are continuing to drive down cost to serve through the Project Phoenix change program which we expect will deliver the first substantial benefits by the end of this financial year. The Powerdirect acquisition will further enhance this process by enabling the costs of this change program to be spread over a larger customer base."

Mr Anthony said the merchant energy business, which contributed a pro-forma EBIT of \$200.1 million, up 107.8 per cent, continued to deliver against AGL's four corners strategy. The business made a number of strategic investments during the period including acquiring a 50 per cent share in the Moranbah Gas Project in Queensland and announcing the development of the 140 megawatt Bogong hydro power station in Victoria.

"Merchant Energy's improved EBIT result is a reflection of AGL's ongoing vertical integration process and the ensuing financial benefits this delivers to the company," Mr Anthony said.

"In the next six months we will bed down a number of transactions which will continue to cement our position as Australia's leading integrated energy company including our Torrens Island power station acquisition and our proposed investment of up to 30 per cent of Queensland Gas Company (QGC)."

Mr Anthony said that AGL remains committed to the proposed nil-premium merger of equals with Origin Energy. AGL believes that the unique combination of benefits which flow from such a merger would be material and is only achievable for both companies' shareholders through the merger.

"The business case for a merger is compelling, with the benefits widely recognised by the market," Mr Anthony concluded.

Given the status of discussions, a range of outcomes is possible and there is no certainty these discussions will result in an agreed merger of equals.

## **Outlook**

AGL has today announced plans for an equity placement to raise a minimum of \$A882 million<sup>3</sup> to help fund the acquisition of Powerdirect. A prospectus will be lodged with the Australian Securities & Investments Commission with full details of the proposal on Wednesday February 21.

### **Further enquiries:**

#### **Media**

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<sup>3</sup> Equity placement amount is based upon a bookbuild floor price of \$15.60 per share.

**Please note the following arrangements to discuss the Powerdirect acquisition, provide an update on the AGL/Origin merger discussions and present AGL's 2007 interim profit result.**

**Analyst webcast ([www.agl.com.au](http://www.agl.com.au)) and conference call:**

**10.15am AEST**

**Dial-in numbers:**

**Freecall Australia: 1800 268 195**

**International: +61 2 9696 0770**

#Please note only analysts will be able to ask questions during this presentation. An archived version of the webcast will be available on the AGL website following the close of business today.

**Media teleconference**

**12.15pm AEST**

**Dial-in number**

**Freecall Australia: 1800 268 165**