

ASX Release

Changes to reporting of DUOS costs

22 January 2015

AGL Energy Limited (AGL) is scheduled to release its half year financial results to the Australian Securities Exchange on Wednesday, 11 February 2015. Included will be a reclassification of the reporting of Distribution Use of System (DUOS) costs in South Australia and Queensland. This will result in the grossing up of revenue and cost of sales in the Retail and Business Customers segments for both States.

There is no change to historical gross margin, earnings before interest and tax (EBIT), Underlying Profit¹ or Statutory Profit.

Background

Upon the privatisation of electricity network and retail assets in South Australia and Queensland, AGL entered into agreements in these States which resulted in the establishment of a triangular relationship between the distributor/network, the retailer and the customer. Under AASB 118, AGL adopted the agency basis of accounting, with DUOS costs netted against associated revenue.

This triangular relationship does not exist in Victoria and New South Wales. Revenue and DUOS costs in relation to these States have been reported on a gross basis under AASB 118.

To present a consistent reporting approach, AGL will now account for revenue and DUOS costs on a gross basis in all regions.

Retail

For the half year ended 31 December 2013, revenue and cost of sales as previously reported will increase by \$319 million. FY14 full year revenue and cost of sales will increase by \$666 million. There is no change to gross margin or EBIT for either the half year or full year.

Business Customers

For the half year ended 31 December 2013, revenue and cost of sales will increase by \$126 million. FY14 full year revenue and cost of sales will increase by \$229 million. There is no change to gross margin or EBIT for either the half year or full year.

Refer to Appendix 1 for additional information about the changes.

¹ Underlying Profit is the Statutory Profit adjusted for significant items and changes in the fair value of financial instruments.



Further inquiries:

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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 175 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has one of Australia's largest retail energy and dual fuel customer bases. 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 taking action toward creating a sustainable energy future for our investors, communities and customers.

Appendix 1 – Analysis Restatement

Table 1 – Retail, FY14

\$ million	Half year ended 31 December 2013			Year ended 30 June 2014		
	Restated	Previously Reported	Movement	Restated	Previously Reported	Movement
Electricity revenue	2,142	1,823	17.5%	4,345	3,679	18.1%
Gas revenue	739	739	-	1,362	1,362	-
Other fees and charges	37	37	-	74	74	-
Total revenue	2,918	2,599	12.3%	5,781	5,115	13.0%
Cost of sales - electricity	(1,949)	(1,630)	19.6%	(3,925)	(3,259)	20.4%
Cost of sales – gas	(590)	(590)	-	(1,085)	(1,085)	-
Gross margin	379	379	-	771	771	-
Operating costs (excl D&A)	(200)	(200)	-	(367)	(367)	-
Operating EBITDA	179	179	-	404	404	-
Depreciation and amortisation	(43)	(43)	-	(86)	(86)	-
Operating EBIT	136	136	-	318	318	-
Operating EBIT / Sales %	4.7%	5.2%	(0.5 ppts)	5.5%	6.2%	(0.7 ppts)

Table 2 – Retail, Historical

\$ million	Half year ended 31 December 2011	Half year ended 31 December 2012	Full year ended 30 June 2012	Full year ended 30 June 2013
	Restated	Restated	Restated	Restated
Electricity revenue	1,672	2,085	3,548	4,185
Gas revenue	583	698	1,118	1,302
Other fees and charges	38	37	67	82
Total revenue	2,293	2,820	4,733	5,569
Cost of sales - electricity	(1,444)	(1,886)	(3,111)	(3,722)
Cost of sales – gas	(476)	(581)	(901)	(1,064)
Gross margin	373	353	721	783
Operating costs (excl D&A)	(167)	(183)	(329)	(352)
Operating EBITDA	206	170	392	431
Depreciation and amortisation	(28)	(34)	(59)	(75)
Operating EBIT	178	136	333	356
Operating EBIT / Sales %	7.8%	4.8%	7.0%	6.4%



Table 3 – Business Customers, FY14

\$ million	Half year ended 31 December 2013			Year ended 30 June 2014		
	Restated	Previously Reported	Movement	Restated	Previously Reported	Movement
Revenue ²	1,065	939	13.4%	2,080	1,851	12.4%
Gross margin	19	19	-	39	39	-

Table 4 – Business Customers, Historical

\$ million	Half year ended 31 December 2011 Restated	Half year ended 31 December 2012 Restated	Full year ended 30 June 2012 Restated	Full year ended 30 June 2013 Restated
Revenue ²	1,071	1,235	2,186	2,344
Gross margin	30	32	57	66

Table 5 – Statement of Financial Position

The changes to DUOS have the effect of grossing up the receivables and payables in the Statement of Financial Position.

There is no change to historical net assets.

Below is a summary of the changes to the Consolidated Statement of Financial Position included in the FY14 Annual Report.

\$ million	As at 30 June 2014		
	Restated	Previously Reported	Movement
Trade and other receivables (current asset)	1,902	1,743	159
Trade and other payables (current liability)	(1,417)	(1,258)	(159)
Net assets	7,588	7,588	-

² Business Customers revenue disclosed only in Investor Presentation slides.