



ASX and Media Release

FY22 Results Announcement

19 August 2022

AGL Energy Limited (AGL) today announced its results for the financial year ended 30 June 2022 (FY22).

FY22 Results Highlights

- Statutory Profit after tax: \$860 million, including \$486 million of significant items related to onerous contract provision revaluations, impairments, and costs associated with separation, restructuring and integrations, and a movement in the fair value of financial instruments of \$149 million
- Underlying EBITDA: \$1,218 million, down 27 percent on FY21
- Underlying Profit after tax: \$225 million, down 58 percent on FY21
- Total AGL customer services: 4.2 million¹, broadly flat on FY21
- Total generation volumes: 40,755 GWh, broadly flat on FY21
- Final dividend of 10 cents per share (unfranked) declared, total dividend for FY22 26 cents per share (unfranked)
- Over \$150 million of targeted operating cost reductions delivered in FY22; on track to deliver \$100 million of sustaining capital expenditure reductions by the end of FY23
- AGL's development pipeline continues to progress, with the 250 MW Torrens Island grid-scale battery anticipated to be operational in the first half of 2023, FID reached on the Broken Hill battery project, and approval received for the 500 MW Liddell and the 200 MW Loy Yang grid-scale batteries
- Review of strategic direction underway with the initial outcomes to be presented in late September, in conjunction with an expected update on FY23 guidance
- Process for Board and CEO renewal well underway

CEO Commentary

AGL Managing Director and CEO, Graeme Hunt, said: "AGL's FY22 results delivered an Underlying Profit after tax within guidance, reflecting the resilience of AGL's underlying business against a backdrop of challenging energy industry and market conditions that have intensified in the second half."

"As we anticipated, Underlying EBITDA and Underlying Profit after tax were both down year on year, reflecting the expected step down in Trading and Origination Electricity earnings due to lower realised contracted and wholesale customer prices, increased costs of capacity to cover periods of peak electricity demand, and the absence of the Loy Yang Unit 2 insurance proceeds recognised in FY21. Other factors that negatively impacted the result included planned and unplanned plant outages, unprecedented market volatility and suspension, milder weather, increased residential solar volumes and margin compression via customer switching."

¹ Services to customers number is as at 30 June 2022 and excludes approximately 300,000 services to customers of ActewAGL.

"This was partly offset by decreased operating costs as our focus on cost discipline saw a reduction of more than \$150 million in targeted operating costs in FY22 compared with FY20. We also remain on track to achieve our targeted \$100 million reduction in sustaining capital expenditure by the end of FY23."

"Total services to customers remained stable at 4.2 million² as at 30 June 2022, during a period of unprecedented market volatility. This was achieved through growth in telecommunication services offset by a reduction in energy services primarily driven by the expected churn related to Click Energy services and heightened competition in the energy market. Our Net Promoter Score, measuring customer advocacy, remains strong increasing to +6 from +5 in FY21. AGL remains well positioned in the highly competitive energy market, with lower churn rates than the rest of the market, and prudent margin management in place."

"Electricity prices have trended upwards since 1H22 with unprecedented volatility and price increases impacting the fourth quarter. This spike was driven by a confluence of international and local factors with international geopolitical events elevating global commodity coal and gas pricing, and plant outages across the National Electricity Market (NEM)."

"AGL's approach to managing energy price risks reflects the need to provide price certainty to customers. The exposure to electricity spot prices is hedged via a combination of customer load, generation fleet and financial derivatives. AGL's position was largely hedged when wholesale prices were lower, and with customer pricing rolling over a 24-month time frame, this resulted in the average wholesale price realised in FY22 being lower than the prior year. As these lower priced historical hedge positions progressively roll off, AGL will see the recent higher market prices translate into higher realised prices beyond FY23."

"In mid-June 2022, AEMO intervened in the NEM spot market in response to sustained high prices. AGL recognised the net cost of its share of AEMO costs during this period, acknowledging that there are likely to be further costs associated with the finalisation of generator compensation claims which will be concluded in FY23."

"The AGL generation fleet had a strong performance for the first three quarters of the year, however, the combination of planned and unplanned outages across the fleet in the fourth quarter resulted in a two-percentage point reduction in commercial availability year on year. There were three key causes of the unplanned outages – an earth fault in the Loy Yang Unit 2 generator rotor which we expect to return to service in late September; COVID related delays to planned outages at Bayswater; and a rise in boiler tube leaks across Liddell, Bayswater, and Loy Yang. Action is underway to address these issues and improve availability in the year ahead."

"Despite these headwinds, AGL has weathered the rises in global input prices due to long-term fuel supply agreements, effective trading activity and AGL's consistent coal supply through the Wilpinjong contract supporting Liddell and Bayswater, and the Loy Yang adjacent mine. Additionally, to support monitoring and improve operating conditions, we have established digital twins for both the Loy Yang A and Bayswater plants. These will support operational and maintenance optimisation from FY23 onwards enabling AGL to minimise physical testing and optimise operating conditions and capital works."

"Against a challenging backdrop, our Integrated Energy trading team has performed well, managing AGL's risk position and mitigating downside with the majority of the generation portfolio hedged across FY22 and FY23."

"AGL has also made significant progress with its development pipeline and Energy Hubs projects. At the Torrens Hub, construction is underway on the 250 MW grid-scale battery which is expected to be operational in the first half of 2023, and a feasibility study to assess development of a green hydrogen production facility is progressing well. At the Hunter Hub, approval has been received for the 500 MW Liddell grid-scale battery, along with approval for the 200 MW grid-scale battery at Loy Yang. Also at the

² Services to customers number is as at 30 June 2022 and excludes approximately 300,000 services to customers of ActewAGL.

Hunter Hub, MOUs have been signed with Fortescue Future Industries to investigate hydrogen and Nu-Rock to investigate the feasibility of waste recycling technology, and a feasibility study for Muswellbrook Pumped Hydro is currently underway. We also expect construction of the Broken Hill grid-scale battery to be completed in FY23.”

“In May the AGL Board made the decision to withdraw the Demerger proposal that would have seen AGL separated into two separately listed entities. At the same time, a review of the organisation’s strategic direction was announced. This is progressing well and we look forward to updating shareholders in more detail in late September along with an expected update on FY23 guidance.”

“The underlying fundamentals for the business remain strong and resilient and AGL is well positioned from FY24 to benefit from sustained higher wholesale electricity prices, as historical hedging positions progressively roll off. The strength of AGL’s long-term owned and contracted coal position and gas supply contracts ensures we are well positioned to manage the impact of the rise in commodity prices on our cost base and continue to provide affordable and reliable electricity to our customers.”

Statutory and Underlying Profit

AGL’s Statutory Profit after tax was \$860 million and included \$486 million of significant items related to onerous contract provision revaluations, impairments, and costs associated with separation, restructuring and integrations, and a movement in the fair value of financial instruments of \$149 million.

Costs associated with the demerger withdrawal of \$125 million were included as a significant item in FY22. Additional costs are expected in FY23 for reintegration and unwind of duplicated costs, with the total demerger costs expected to be \$145 million, lower than the \$160 million estimate previously provided.

Underlying Profit after tax, which excludes movements in the fair value of financial instruments and Significant Items, was \$225 million, down 58 percent from the prior year.

Dividends and Capital Management

AGL delivered net cash from operating activities of \$1,227 million, down 2 percent on FY21 due to lower underlying EBITDA, partly offset by a strong working capital outcome driven by favourable creditor balances on the high June energy prices, a large inflow of margin calls compared to a small outflow in FY21, and effective management of coal and green inventories.

At 30 June 2022, AGL had over \$609 million of cash and undrawn debt facilities available.

AGL has declared a final unfranked dividend for FY22 of 10 cents per share. The final dividend is consistent with AGL’s dividend policy to target a payout ratio of 75 percent of Underlying Profit after tax. The final FY22 dividend will be paid on 27 September 2022.

Given the status of the review of AGL’s strategic direction, the Board has determined that the Dividend Reinvestment Plan (DRP) will not operate for the final FY22 dividend. It is our intention to reinstate the DRP when circumstances allow.

Review of Strategic Direction and Board Renewal

After the decision to withdraw the proposed demerger, AGL announced a review of strategic direction. From the outset of the review AGL has remained committed to delivering long-term shareholder value through the review process. The review is focused on four key areas: 1. Review of existing strategies; 2. Decarbonisation objectives; 3. Optimal energy mix; and 4. Capital structure.

The review is actively considering multiple options for how an integrated AGL can deliver long-term value for shareholders. The review is being overseen by a Board sub-committee. Progress is continuing and an update on the initial outcomes of the review is expected at the end of September.

The selection process for a new Chair is well advanced and AGL expects to announce a new Chair before the AGM. AGL has also commenced a global search for the Managing Director and CEO. AGL is committed



to ensuring both processes are thorough and timely to ensure new leadership is in place to take AGL forward as soon as possible.

Outlook

AGL believes FY23 earnings will remain resilient amidst the current challenging energy industry and market conditions. This is underscored by the strength of AGL's large and diversified customer base, low-cost baseload generation position supported by strong fuel supply arrangements, robust risk management, with prudent margin management ensuring retail strength and stability in a highly volatile market.

AGL is largely hedged for FY23 and well positioned from FY24 to benefit from sustained higher wholesale electricity pricing as historical hedge positions progressively roll-off.

FY23 guidance is expected to be provided in late-September as previously disclosed, in conjunction with the initial outcomes of the review of strategic direction.

Presentation, Webcast and Conference Call

AGL will hold a webcast and conference call to discuss the FY22 result at 11.00am (AEST), today, Friday, 19 August 2022. Questions will be taken at the conclusion of the webcast.

A copy of the presentation will be lodged with the ASX and made available on AGL's website.

All FY22 documents, the pre-recorded presentation and webcast are accessible via agl.com.au/fy22. Pre-registration is required to access the conference call and the live question and answer session.

A transcript and archive of the webcast will be available on the AGL's website in due course.

Authorised for release by AGL's Board of Directors.

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About AGL

Proudly Australian for 185 years, AGL supplies around 4.2 million energy and telecommunications customer services. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

For more information visit agl.com.au