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ASX and Media release

Strong half-year result positions AGL for growth

25 February 2009

AGL Energy Limited (AGL) today released half-yearly financial results consistent with its upgraded full year earnings guidance.

Underlying net profit after tax (NPAT) for the half-year was $192.5 million, up 5.3% on the previous corresponding period.

RESULT OVERVIEW:

- **Revenue $2,977.7 million, up 5.1%**
- **Operating EBIT from continuing operations $322.7 million, up 10.2%**
- **Statutory NPAT $1,654.8 million**
- **Underlying NPAT $192.5 million, up 5.3%**
- **Interim dividend of 26.0 cents per share, fully franked**
- **Dividend payout maintained at 60 per cent**
- **Non-core asset sales deliver $1.5 billion profit after tax**
- **Credit rating restored to ‘BBB’ stable outlook**
- **FY09 earnings guidance of $370 million to $400 million maintained**

Commenting on the half-year results, AGL Managing Director, Michael Fraser, said: “It’s pleasing that we have been able to deliver a strong set of results for the half-year, confirming that we are on track to meet our upgraded full-year guidance. This has been a particularly busy and productive period for AGL. The business is performing well, we have strengthened our balance sheet and we are continuing to implement our integrated energy company strategy.

“In addition, we have maintained our interim dividend at 26 cents at a time when many companies are under pressure to suspend or reduce dividend payments.”

AGL’s Retail Energy business has recorded an Operating EBIT of $145.7 million for the half-year, up 8.1% on the previous corresponding period. The increase was primarily due to higher winter gas sales and tariff increases, partly offset by a temporary increase in operating costs associated with the implementation of the new SAP billing platform. Operating EBIT/Sales was 5.8%, up from 5.7% in the previous corresponding period.

AGL's Merchant Energy business delivered an Operating EBIT result of $211.9 million, up 35.1% on the previous corresponding period. Wholesale Electricity EBIT rose 20.6% to $182.9 million. Wholesale Gas EBIT rose 124.5% to $61.3 million.

Gas & Power Development Operating EBIT was down 57.9% to $34.5 million due largely to a lower contribution from PNG and to timing differences which resulted in reduced wind farm development fees.

Strengthening the Balance Sheet

During the half-year, AGL completed its program of divesting non-core assets. The PNG oil and gas assets were sold for more than $1.1 billion and the stake in QGC sold for nearly $1.2 billion. AGL's investment in Elgas was sold for $221 million. AGL also disposed of its interest in the North Queensland Gas Pipeline.

Following completion of the non-core asset divestment program, the ratings agency Standard & Poor's affirmed AGL's 'BBB' long-term credit rating and revised the rating outlook to stable from negative.

Integrated energy company strategy

During the half-year, AGL continued to deliver on its integrated energy company strategy.

In December, AGL acquired 100% of the interests in PEL 285 in the Gloucester Basin for $370 million, expanding its equity gas footprint in its core NSW market. AGL also launched the ultimately successful takeover bid for Sydney Gas Limited shortly before year's end.

The final release of Project Phoenix was successfully implemented in November 2008, with the remaining 1.6 million mass market customers transferred to the SAP billing platform. The Phoenix project now moves to the business transformation stage with annualised benefits of $35 million expected to be realised in FY2010.

AGL is Australia's largest private owner and operator of renewable energy assets. During the half-year, additional wind farm developments were acquired from Allco and Investec to further add to a pipeline of renewable generation projects. AGL also acquired a cornerstone investment in Torrens Energy Limited through a Geothermal Alliance to commercialise base load geothermal projects close to the National Electricity Market.

Looking ahead

The construction of the 140MW Bogong hydro power station and 71MW Hallett II wind farm continued on schedule and on budget, with both assets on track to be fully operational during the first half of FY2010.

Mr Fraser said: "AGL will continue to pursue the ongoing disciplined roll out of our integrated strategy. This will include expanding our renewable energy portfolio; exploring and developing our gas acreage and reserves; developing our gas generation portfolio; and delivering benefits through the Phoenix Business Transformation Program.

"The integrated strategy supports the delivery of sustainable shareholder returns in challenging economic conditions and through various market cycles," Mr Fraser concluded.

A webcast and conference call will be held today to discuss AGL's 2009 half-year profit result.

Analyst & Media webcast via: www.agl.com.au
10.30am AEDT
Dial In numbers:
Toll Free Australia:1800 148 258 (no PIN)
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Please note that questions from analysts will immediately follow the briefing, followed by questions from the media.

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About AGL
AGL is Australia's largest integrated renewable energy company 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 retail energy and 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.