AGL Energy Limited
ABN: 74 115 061 375

Level 22, 101 Miller St
North Sydney NSW 2060

Locked Bag 1837
St Leonards NSW 2065

T: +61 02 9921 2999
F: +61 02 9921 2552
www.agl.com.au

Energy in action.®

ASX and Media release

AGL delivers profit at top end of guidance, up 11.1%

20 August 2009

AGL Energy Limited (AGL) today released its 2009 full year financial results confirming underlying net profit after tax (NPAT) of $378.8 million, an 11.1% increase on the previous year.

This result is at the top end of AGL's upgraded full year earnings guidance of $352 million to $382 million.

RESULT OVERVIEW:

- Revenue $5,995.7 million, up 6.1%
- Underlying NPAT $378.8 million, up 11.1%
- Underlying Earnings Per Share 85.0 cents, up 8.6%
- Statutory NPAT $1,596.1 million, up 597%
- Final dividend of 28 cents per share, bringing full year dividend to 54 cents per share, fully franked, an increase of 1 cent per share on the FY08 dividend
- Completion of program to sell non-core assets including PNG oil and gas interests, Elgas, and shares in Queensland Gas Company Limited. Net debt $497.1 million, down $1540.8 million
- Merchant Energy Operating EBIT $447.3 million, up 32.5% on prior year
- Retail Energy Operating EBIT $266.8 million, down 1.8% on prior year
- Increased gross margin per customer (up 4.2%), dual fuel customer accounts up 60,000
- Certified 2P gas reserves 1,056PJ, up 56% since 31 December 2008

Commenting on the full year results, AGL Managing Director, Michael Fraser, said: "This was another very good year for AGL. We have delivered on our upgraded profit guidance, strengthened our Balance Sheet, and strategically positioned the company to grow across all aspects of our business.

"We have also increased dividends to our shareholders, with the final dividend of 28 cents bringing the total dividend for the year to 54 cents, an increase of one cent per share."

Restoring Balance Sheet strength

During the year, AGL significantly improved the strength of its Balance Sheet as a result of the completion of a $3.2 billion non-core assets sale program over the past 18 months. At 30 June, AGL's net debt was $497.1 million, approximately $1.5 billion lower than at the same time last year. AGL also refinanced $800 million of debt facilities, leaving it with no debt facilities due for repayment until FY12. Standard and Poor's reaffirmed AGL's "BBB" long-term credit rating, with a stable outlook.

Mr Fraser said: "Financial strength was a priority last year and continues to be so. We now have a Balance Sheet which allows us to continue developing our pipeline of renewable and low-emission generation, and upstream gas, projects and positions us to take advantage of other opportunities as they arise."

Merchant Energy

AGL's Merchant Energy business recorded an Operating EBIT of $447.3 million, up 32.5%.

Operating EBIT from Energy Portfolio Management increased by $91.6 million to $447.9 million. Wholesale electricity, gas and eco-market energy procurement costs were well managed in markets that fluctuated through the year, with some periods of high price volatility and other periods of low, stable energy prices. This demonstrates the benefits of diversity in AGL's portfolio and the value of AGL's vertical integration strategy.

Operating EBIT from AGL's investment in Loy Yang Power increased by $18.4 million to $30.8 million.

AGL recognised income from development fees of $54.6 million, an increase of $14.6 million on the prior year.

AGL continued to expand its portfolio of wind farm development opportunities during the year with the acquisition of six development projects from Allco Finance Group Limited, two development projects from Investec Wind Holdings Pty Ltd, and a further two developments from Transfield Services Limited.

Retail Energy

AGL's Retail Energy business recorded Operating EBIT of $266.8 million, down 1.8% from the prior year's $271.7 million result.

Gross margin (excluding fees and charges) was up $48.5 million, driven by increased tariffs and the acquisition and retention of higher margin customers in both mass market and commercial and industrial customer segments. This was largely offset by an increase of $40.5 million in operating expenditure, up 18.7%, due to transitional cost increases. Additional resources were employed to resolve process and billing issues associated with bedding down the Company's new customer service and billing platform, and returning customer service levels to acceptable standards.

The process and billing issues have now been resolved. However, they have resulted in a six month delay in AGL realising the full benefits from the new customer service and billing platform. The first full year of benefits from Project Phoenix is now expected to be FY11.

Upstream Gas

The new Upstream Gas group was created out of the former Gas and Power Development business unit, with Power Development moving into the Merchant Energy business. Upstream Gas is responsible for AGL's investments in gas exploration, development and production tenements, as well as exploration and development of geothermal renewable energy sources.

Although the sale of AGL's PNG oil and gas assets significantly reduced the EBIT of Upstream Gas, the overall impact on AGL was not material due to the reduction in interest costs as a result of applying sales proceeds to pay down debt.

Upstream Gas's principal focus is on developing AGL's equity interests in gas reserves to meet the medium term objective of owning 2,000PJ of gas. During the year, good progress was made toward achieving that objective with the acquisition of Petroleum Exploration Licence (PEL) 285 in the Gloucester Basin in New South Wales and the successful takeover of Sydney Gas Limited.

At 30 June 2009, AGL's certified 2P gas reserves were 1,056 PJ, an increase of 56% on its direct interests since 31 December 2008. AGL's 3P reserves were 1,891 PJ, up 23%.

Delivering on strategy

Although a major focus for the year was the asset sales program to build Balance Sheet strength, AGL also continued to execute its integrated strategy.

AGL has built on its position as Australia's leading owner, operator and developer of renewable energy generation assets. During the year, AGL commenced commissioning the Hallett 2 Wind Farm; commenced construction of the Hallett 4 Wind Farm; and neared completion of the 140MW Bogong hydro electric power station in the Victorian high country. AGL continued to build Australia's largest portfolio of renewable energy development opportunities through the acquisition of some of the best wind farm development projects in Australia.

Since the end of the reporting period, AGL has secured a 27-year agreement to supply renewable energy to the Victorian government's new desalination plant and committed to build the Oaklands Hill Wind Farm. The firm price contract for up to 880GWh per annum is expected to commence in FY12.

Following AGL's acquisition of coal seam gas reserves in the Gloucester basin and the takeover of Sydney Gas, AGL now owns the majority of the certified gas reserves surrounding its core gas markets in Sydney and Newcastle.

Mr Fraser said: "AGL has performed strongly in a difficult environment. We have the skilled people, the asset base and the financial strength to play a leading role in contributing to Australia's future energy needs in a low-carbon environment."

AGL will provide earnings guidance for FY10 at its Annual General Meeting on 29 October 2009.

Mr Fraser concluded: "The company is well positioned and, despite the warm winter, we expect to deliver another improved result in 2010."

A webcast and conference call will be held today to discuss AGL's 2009 full year profit result.
Analyst & Media webcast via: www.agl.com.au or www.aglinvestor.com
10:30am AEST
Dial In Numbers:
Toll Free Australia: **1800 148 258**
International Dial In: **+61 2 8524 6650**
Journalists should identify themselves as Media. Questions from analysts will immediately follow the briefing, followed by questions from the media.

Further inquiries:

Media:
Andrew Scannell, Head of Media
Direct: +61 3 8633 6167
Mobile: +61 (0) 407 290 658
e-mail: ascannell@agl.com.au

Analysts and Investors:
Stephen Mikkelsen, Chief Financial Officer
02 9921 2777
smikkelsen@agl.com.au

Media and Retail Investors:
Nathan Vass, Senior Media Adviser
Direct: + 61 2 9921 2264
Mobile: + 61 (0) 405 040 133
e-mail: nvass@agl.com.au

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.