Appendix 4D

AGL Energy Limited
ABN 74 115 061 375

Half Year Report

Results for announcement to the market for the half year ended 31 December 2009

Extracts from this report for announcement to the market				*$A Million*
Revenue	**Up**	**6.9%**	To	**3,200.8**
Profit after tax attributable to shareholders (Statutory)	**Down**	**88.9%**	To	**183.7**
Underlying profit after tax attributable to shareholders	**Up**	**22.0%**	To	**234.8**

Dividends	Amount per ordinary share	Franked amount per ordinary share
Interim dividend	29.0¢	29.0¢
Prior Interim dividend	26.0¢	26.0¢

Record date for determining entitlements to the dividends:

Interim dividend: 11 March 2010 and payable on 7 April 2010

Brief explanation of underlying profit:

Profit after tax of $183.7 million included a loss after tax of $14.7 million from significant items and a loss after tax of $36.4 million from the changes in the fair value of financial instruments. Excluding these items, the underlying profit after tax was $234.8 million.

Underlying profit is reported to give information to shareholders that provides a greater understanding of the performance of AGL's operations.

An analysis of these results is in the Directors' Report attached to this announcement.

AGL Energy Limited and Subsidiaries
Half Year Report
For the half year ended 31 December 2009

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Directors' Report for the half year ended 31 December 2009 (incorporating the commentary by Directors and dividend announcement made to the Australian Securities Exchange Limited on 26 February 2010)

The Directors report on the AGL Energy Limited (AGL) consolidated entity for the half year ended 31 December 2009 in accordance with the Corporations Act 2001.

1. Results

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Profit after tax attributable to shareholders (Statutory)	**183.7**	1,654.8
Adjust for the following after tax items:		
Significant items	**14.7**	(1,523.5)
Changes in fair value of financial instruments	**36.4**	88.2
Pro-forma adjustment	**-**	(27.0)
Underlying Profit	**234.8**	192.5

Underlying Profit is the Statutory Profit adjusted for significant items, changes in fair value of financial instruments and, for the half year ended 31 December 2008, a pro-forma adjustment relating to AGL's PNG oil and gas assets. AGL believes that Underlying Profit provides a better understanding of its financial performance and allows for more relevant comparison of financial performance between financial periods.

1.1 Earnings per Share

Earnings per share calculated on the profit after tax attributable to shareholders (Statutory) were 41.0 cents compared with 372.0 cents in the prior corresponding period.

Earnings per share calculated on the Underlying Profit attributable to shareholders were 52.4 cents compared with 43.3 cents in the prior corresponding period.

1.2 Dividend

The Directors have declared a fully franked interim dividend of 29.0 cents per share for the half year, an 11.5% increase on the prior corresponding period's interim dividend of 26.0 cents per share. The interim dividend will be paid on 7 April 2010. The record date to determine shareholders' entitlements to the interim dividend is 11 March 2010 and shares will commence trading ex-dividend on 4 March 2010.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on ASX during each of the 10 trading days commencing on the second trading day after the dividend record date.

2. Underlying Profit

Underlying Profit adjusts Statutory Profit to:

2.1 Exclude significant items,
2.2 Exclude changes in fair value of financial instruments,
2.3 Include a pro-forma adjustment for the half year ended 31 December 2008.

2.1 Significant Items

	Half year ended 31 December 2009		Half year ended 31 December 2008	
	Pre-tax	**PAT**	Pre-tax	PAT
	$m	**$m**	$m	$m
Divestment of non-core businesses	**-**	**-**	1,693.6	1,457.3
Gain in fair value of oil derivatives	**-**	**-**	160.8	75.0
Demerger adjustments	**-**	**-**	(6.7)	9.1
Phoenix change program costs	**(11.7)**	**(8.2)**	(22.4)	(15.7)
Other items	**(6.2)**	**(6.5)**	(3.1)	(2.2)
Total significant items	**(17.9)**	**(14.7)**	1,822.2	1,523.5

Phoenix change program costs

One-off costs totalling $11.7 million before tax and $8.2 million after tax were incurred in relation to Project Phoenix, which has rationalised and redesigned core Retail Energy operating processes and replaced the disparate mass market billing systems. This brings to completion the implementation of the Phoenix program and accordingly no further significant items are anticipated.

Other items

Other significant items include redundancy, termination and restructuring costs of $3.6 million before tax ($2.5 million after tax),loss on disposal of the 100% ownership interest in Hallett 4 (nil pre-tax, $2.2 million after tax) and acquisition related costs of $2.6 million before tax ($1.8 million after tax).

2.2 Changes in Fair Value of Derivative Financial Instruments

AGL uses derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and electricity purchase price risks arising in the normal course of business. All derivative financial instruments transacted are economic hedges but may not be "effective" hedges for accounting purposes.

Accounting standards require that economic hedges only be treated as "effective" hedges where the change in the fair value of the item being hedged and the change in the fair value of the derivative instrument substantially offset each other. In these circumstances the change in the fair value of the derivative instrument is reported in equity in the hedge reserve. When the item being hedged is settled, the cumulative change in the fair value of the derivative is transferred from the hedge reserve to offset the financial impact on the Income Statement of the item being hedged.

All other economic hedges are deemed to be "ineffective" hedges. During periods of volatile prices these hedges can create substantial volatility in AGL's earnings.

The change in fair value of financial instruments recognised in profit and loss for the half year was a loss of $52.8 million before tax.

A reconciliation of the balance sheet movement in the derivative balances to the amount included in the income statement is presented in the following table:

	Net Assets (Liabilities)		
	31 December 2009	30 June 2009	Change
	$m	$m	$m
Electricity derivative contracts	**(84.1)**	(48.2)	(35.9)
Interest rate swap and foreign currency derivative contracts	**(8.6)**	(22.8)	14.2
Total net liabilities for derivative contracts	**(92.7)**	(71.0)	(21.7)
Change in derivative net liability	**(21.7)**		
Premiums paid	**(65.1)**		
Equity accounted Loy Yang fair value	**2.3**		
Premium roll off	**37.4**		
Total change in fair value	**(47.1)**		
Recognised in equity hedge reserve	**5.7**		
Recognised in profit and loss	**(52.8)**		
Total change in fair value	**(47.1)**		

2.3 Pro-Forma Adjustment

Due to the reclassification of PNG as an asset held for sale, AGL did not charge the income statement with any depreciation or amortisation relating to the PNG assets from 1 May 2008, the date the asset was deemed to be held for sale. For the half year ended 31 December 2008 the net impact of the reduced depreciation and amortisation was to increase profit by $27.0 million.

3. Review of Operations

The following review of operations focuses on the Earnings before Interest and Tax ("EBIT") before changes in fair value of financial instruments and significant items ("Operating EBIT"). Operating EBIT better reflects the underlying performance of the business. Each section commences with a table reconciling Statutory EBIT with the Operating EBIT. All discussion and analysis of the results refers to the Operating EBIT.

Operating EBIT for the half year ended 31 December 2009 was $358.9 million compared with $386.1 million for the prior corresponding period. The Statutory and Operating EBIT by segment is presented in the following table:

	EBIT (Statutory)		**EBIT (Operating)**	
	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	**Half year ended 31 December 2009 $m**	Half year ended 31 December 2008 $m
Retail Energy [(1)]	**170.7**	122.4	**183.5**	145.7
Merchant Energy [(2)]	**139.9**	144.3	**195.1**	215.5
Upstream Gas [(3)(6)]	**2.9**	1,725.9	**3.0**	55.4
Energy Investments [(4)]	**40.8**	179.8	**43.4**	33.0
Centrally managed expenses [(5)]	**(71.6)**	(73.1)	**(66.1)**	(63.5)
Total	**282.7**	2,099.3	**358.9**	386.1
Depreciation and amortisation			**66.8**	57.8
Operating EBITDA			**425.7**	443.9
Average funds employed			**6,953.9**	6,577.2
EBIT / Average funds employed			**5.2%**	5.9%

Detailed reconciliations of movements between Statutory EBIT and Operating EBIT are shown in:

(1) Section 3.1
(2) Section 3.2
(3) Section 3.3
(4) Section 3.4
(5) Section 3.5
(6) Excludes PNG pro forma adjustment of $27.0 million for the half year 31 December 2008

3.1 Retail Energy Operating EBIT: Increased 25.9% to $183.5 million from $145.7 million

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory EBIT	**170.7**	122.4
Significant items	**12.2**	22.5
Finance income included in EBIT	**0.6**	0.8
Operating EBIT	**183.5**	145.7
Add back:		
Depreciation and amortisation	**20.4**	15.6
Operating EBITDA	**203.9**	161.3
Average funds employed	**3,150.8**	3,096.2
EBIT/Average funds employed	**5.8%**	4.7%

Retail Energy is responsible for servicing customers and growing AGL's position in downstream gas and electricity markets. Retail Energy currently services 3.2 million residential, small business commercial and industrial customers across New South Wales, Victoria, South Australia and Queensland.

The key business priorities for Retail Energy are to build AGL's retail capability, achieve operational excellence and continue improving customer service.

Retail Energy sources its energy from AGL's Merchant Energy business. For mass market customers, the transfer price for this energy is calculated based on methodologies adopted by regulators for determining wholesale energy costs in setting tariffs. For AGL's commercial and industrial (C&I) customers, the transfer price reflects the market price at the time of contracting.

3.1.1 Analysis of Operating EBIT

Retail Energy contributed $183.5 million to Operating EBIT for the half year, up 25.9% on the prior corresponding period. A number of factors provided the increase in Operating EBIT and they have been summarised in the table below.

	$m
Operating EBIT for the half year ended 31 December 2008	**145.7**
Increase in gas and electricity gross margin	63.0
Increase in depreciation and amortisation	(4.8)
Increase in net operating expenditure	(20.4)
Operating EBIT for the half year ended 31 December 2009	**183.5**

3.1.1.1 Gross Margin

Gross margin during the half year increased $63.0 million compared with the prior corresponding period, $41.5 million in mass market gross margin and $21.5 million in C&I gross margin.

Despite a mild winter period where gas sales were down by 13.3% on the prior corresponding period, mass market gross margin performed strongly. Increases were primarily driven by regulatory and contract outcomes in New South Wales and Queensland and contract performance in Victoria. C&I gross margin increases were due to targeting higher value customers through acquisition and recontracting activities.

3.1.1.2 Depreciation and Amortisation

Depreciation and amortisation increased by $4.8 million as a result of the full impact of depreciation associated with Project Phoenix.

3.1.1.3 Net Operating Expenditure

Retail Energy's net operating expenditure increased by $25.2 million during the half year compared with the corresponding prior period. The following table provides the breakdown of the material increases in net operating expenditure:

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	Movement $m
Labour	**(56.9)**	(43.7)	(13.2)
Bad and doubtful debt	**(26.9)**	(22.2)	(4.7)
Campaigns and advertising	**(32.2)**	(28.2)	(4.0)
Other expenditure	**(53.4)**	(49.2)	(4.2)
Total excluding depreciation and amortisation	**(169.4)**	(143.3)	(26.1)
Depreciation and amortisation	**(20.4)**	(15.6)	(4.8)
Fees and charges	**31.1**	25.4	5.7
Net operating expenditure	**(158.7)**	(133.5)	(25.2)

Labour increased as a result of:

1) the work effort required to maintain low unbilled levels. There were under 25,000 unbilled accounts at 31 December 2009 of which only 5% were unbilled for greater than 60 days;
2) increased sales and sales support to achieve C&I gross margin uplift; and
3) more resources in the sales fulfilment team to cope with the increase in new connections and transfers.

Bad and doubtful debt expense increased largely due to the increase in the revenue base.

Campaign and advertising expenditure increased due to higher spending on retention and acquisition activities driving increased gross margin and increased customer numbers.

3.1.2 Hansen Hub Conversion

Approximately 100,000 mass market customers were successfully migrated from Hansen Hub, a legacy mass market billing system, onto AGL's new SAP billing system in November 2009 with minimal exceptions or disruption. Consequently, all AGL branded mass market customers now reside on SAP.

3.1.3 Dual Fuel Strategy

Retail Energy continued to pursue its dual fuel strategy in the face of increasingly competitive markets. AGL now services 1.32 million dual fuel customer accounts, compared with 1.24 million as at 30 June 2009.

3.1.4 Customer Profitability

AGL focuses on gross margin per customer as the primary measure for customer profitability. As a secondary measure, an EBIT/Sales metric is also analysed.

3.1.4.1 Mass Market Gross Margin per Mass Market Customer

	Half year ended 31 December 2009	Half year ended 31 December 2008	Movement %
Mass market gross margin	**$291.6m**	$250.2m	16.5
Average customer numbers	**3,190,000**	3,196,500	(0.2)
Mass market gross margin per customer	**$91.41**	$78.27	16.8

Gross margin per mass market customer has increased driven mainly by more appropriate tariff structures that reflect fixed and market based costs together with targeting higher value customers.

3.1.4.2 EBIT / Sales Analysis

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	Movement %
Electricity revenue	**1,953.1**	1,675.0	16.6
Gas revenue	**771.9**	809.9	(4.7)
Other fees and charges	**31.1**	25.4	22.4
Total revenue	**2,756.1**	2,510.3	9.8
Cost of sales	**(2,382.8)**	(2,205.7)	8.0
Gross margin	**373.3**	304.6	22.6
Operating costs (excl D&A)	**(169.4)**	(143.3)	18.2
EBITDA	**203.9**	161.3	26.4
Depreciation and amortisation	**(20.4)**	(15.6)	30.8
EBIT	**183.5**	145.7	25.9
EBIT / Sales %	**6.7%**	5.8%	0.9 ppts

EBIT / Sales benefited from increased mass market gross margin as detailed in Section 3.1.4.1. Increased gross margin in C&I also contributed to the improved outcome. While operating expenditure partially offset the increased gross margin, EBIT / Sales still improved overall.

3.1.5 Operating Efficiency

AGL focuses on net operating expenditure as a percentage of gross margin as the primary measure for operating efficiency. As a secondary measure, cost to serve is also analysed.

3.1.5.1 Net Operating Expenditure as a Percentage of Gross Margin

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	Movement %
Net operating expenditure	**(158.7)**	(133.5)	18.9
Gross margin	**373.3**	304.6	22.6
Fees and charges	**(31.1)**	(25.4)	22.4
Gross margin less fees and charges	**342.2**	279.2	22.6
Net operating expenditure as percentage of gross margin (less fees and charges)	**46.4%**	47.8%	1.4ppts

Net operating expenditure as a percentage of gross margin improved by 1.4ppts. Gross margin increased by 22.6% primarily as a result of stronger pricing outcomes in both C&I and mass market. Operating costs increased by 18.9% largely as a result of higher labour costs, bad and doubtful debts and campaigning incurred in order to achieve the gross margin growth.

3.1.5.2 Cost to Serve Analysis

	Half year ended 31 December 2009 $	Half year ended 31 December 2008 $	Movement %
Net operating expenditure	**(158.7)m**	(133.5)m	18.9
Net operating cost per customer account	**(49.51)**	(41.59)	19.0
Cost to grow/retain	**(36.9)m**	(34.9)m	5.7
Cost to grow per account acquired/retained	**(81.21)**	(82.70)	(1.8)
Cost to serve	**(121.8)m**	(98.6)m	23.5
Cost to serve per customer account	**(37.99)**	(30.72)	23.7

The underlying net operating cost per customer account for the half year was $49.51, a 19.0% increase on the prior corresponding period. This increase in cost to serve for the half year is largely explained in Section 3.1.1.3 and, in particular, the table contained in that Section.

3.1.6 Customer Numbers and Competition

Relatively high levels of competitor activity persisted throughout the half year ended 31 December 2009. The following table provides a breakdown of customer numbers by state.

	31 December 2009 ('000)	30 June 2009 ('000)	Movement ('000)	Movement %
Electricity				
Victoria	**644**	652	(8)	(1.2)
South Australia	**470**	464	6	1.3
New South Wales	**358**	329	29	8.8
Queensland	**367**	362	5	1.4
	1,839	1,807	32	1.8
Gas				
Victoria	**471**	473	(2)	(0.4)
South Australia	**92**	85	7	8.2
New South Wales	**740**	752	(12)	(1.6)
Queensland	**78**	79[1]	(1)	(1.3)
	1,381	1,389	(8)	(0.6)
Total	**3,220**	3,196	24	0.8

[1.] Following the Hansen Hub conversion (see section 3.1.2) and relevant customer account reconciliations, an adjustment has been made to the opening balance for the year of 7,400 in Queensland Gas.

3.2 Merchant Energy Operating EBIT: Decreased 9.5% to $195.1 million from $215.5 million

Merchant Energy is responsible for developing, operating and maintaining AGL's power generation assets, developing AGL's carbon strategy and managing the risks associated with the procurement and delivery of gas and electricity for AGL's Wholesale and Retail portfolios. The business uses financial hedges, bilateral contracts and physical generation to ensure adequacy of competitively priced supply. Generation assets include Australia's largest privately owned and operated renewable portfolio and a pipeline of development opportunities that positions AGL to benefit from an expansion of the Mandatory Renewable Energy Target.

Operating EBIT for the half year was $195.1 million compared with $215.5 million for the prior corresponding period. A reconciliation of Statutory EBIT to Operating EBIT and EBITDA is presented below.

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory EBIT	**139.9**	143.3
Significant items	**0.1**	(0.3)
Change in fair value of financial instruments	**55.1**	71.5
Operating EBIT	**195.1**	215.5
Add back:		
Depreciation and amortisation	**30.3**	29.4
Operating EBITDA	**225.4**	244.9
Average funds employed	**2,515.4**	2,166.4
EBIT/Average funds employed	**7.8%**	9.9%

The Merchant Energy group is structured into four business units: Energy Portfolio Management, Merchant Operations, Energy Services and Power Development.

The contribution of each business unit to Merchant Energy's Operating EBIT and EBITDA is set out in the following table, together with sundry expenses.

	Operating EBIT		**Operating EBITDA**	
	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	**Half year ended 31 December 2009 $m**	Half year ended 31 December 2008 $m
Energy Portfolio Management	**229.0**	240.1	**234.6**	245.0
Merchant Operations	**(50.0)**	(48.6)	**(29.6)**	(28.2)
Energy Services	**6.7**	13.9	**11.0**	17.9
Power Development	**14.7**	14.2	**14.7**	14.2
Sundry	**(5.3)**	(4.1)	**(5.3)**	(4.0)
Total Merchant Energy	**195.1**	215.5	**225.4**	244.9

3.2.1 Energy Portfolio Management Operating EBIT: Decreased 4.6% to $229.0 million from $240.1 million

Energy Portfolio Management (EPM) is responsible for managing the price risk associated with procuring electricity, gas and green product obligations. It also controls the dispatch of owned and contracted generation assets which complement the portfolio of electricity hedges.

To effectively manage risk, AGL has in place an extensive governance framework which establishes the policy under which energy hedging activities are conducted. Key components of that policy include segregation of duties, independent risk oversight, routine reporting to the Board and Earnings at Risk limits.

The risk policy mandates that the principal purpose of electricity trading is to hedge AGL's market price exposure resulting from operating an integrated energy business. The policy allows for commercial optimisation of the portfolio provided that overall Earnings at Risk limits are adhered to. Commercial optimisation activities include:

- Reducing hedging costs through optimising load diversity between customer classes and regions;
- Harnessing the implicit optionality of the generation portfolio including arbitraging fuel types;
- Accelerating or decelerating hedging programs based on a view of market price;
- Utilising a variety of instruments including weather derivatives in order to optimise risk and return.

The following table provides the component parts of EPM's Operating EBIT and EBITDA:

	Half year ended 31 December 2009	Half year ended 31 December 2008
	$m	$m
Wholesale Electricity	**179.7**	185.5
Wholesale Gas	**48.3**	65.6
Eco-Markets	**13.8**	5.1
Gross margin	**241.8**	256.2
Operating costs	**(7.2)**	(11.2)
Operating EBITDA	**234.6**	245.0
Depreciation and amortisation	**(5.6)**	(4.9)
Operating EBIT	**229.0**	240.1

3.2.1.1 Wholesale Electricity Gross Margin: Decreased 3.1% to $179.7 million from $185.5 million

The Wholesale Electricity business unit is responsible for managing the procurement and hedging of AGL's wholesale electricity requirements, commercial management of the generation portfolio and wholesale pricing to support AGL's retail business.

The overall small decline in Operating EBIT was the result of a number of somewhat offsetting influences.

The half year was characterised by mild weather, which reduced volumes. Consequently, Wholesale Electricity did not receive full value for its capacity based hedges compared to the prior corresponding period. Notwithstanding the overall mild weather, there were some periods of very high volatility associated with high temperatures in November and AGL's portfolio benefited from this. However, unrelated interregional constraints between New South Wales and Queensland meant that

Wholesale Electricity could no longer rely on the portfolio benefits between the two states and this increased the cost of hedging.

3.2.1.2 Wholesale Gas Gross Margin: Decreased 26.4% to $48.3 million from $65.6 million

The Wholesale Gas business unit is responsible for sourcing and managing AGL's gas supply and transportation portfolio to maximise wholesale price effectiveness for the Retail business. Wholesale Gas also supplies other retailers and internal and third party gas fired generators.

During the half year ended 31 December 2008, gas constraints in the Victorian market led to a short period of high volatility which allowed the Wholesale Gas business to realise additional portfolio benefits of approximately $27.0 million. Despite the same level of volatility not repeating in the half year ended 31 December 2009 and particularly mild weather in July 09 and September 09, effective management of the gas portfolio limited the overall gross margin decrease to $17.3 million or 26.4%.

3.2.1.3 Eco-Markets Gross Margin: Increased 170.6% to $13.8 million from $5.1 million

Eco-Markets is responsible for managing the purchase, internal creation and hedging of AGL's Green Product needs. This activity involves balancing the internal and external sources of Green Products with the state based compliance liabilities driven by AGL's operations in those state. Eco-Markets helps to shape AGL's carbon strategy and was responsible for Australia's first carbon trade.

The improvement in gross margin was driven by:

- Expanding market opportunities increasing the volume of green products sold;
- Growth in AGL's renewable generation portfolio increasing the proportion of green products sourced internally;
- A reduction in the cost of meeting green product obligations, predominantly in relation to Renewable Energy Certificates.
- Effective portfolio management resulting in a relatively lower net purchase cost for the half year.

3.2.2 Merchant Operations Operating Expense: Increased 2.9% to $50.0 million from $48.6 million

Merchant Operations is responsible for managing and maintaining both owned and third party generation assets. AGL's thermal and renewable generation portfolio primarily consists of the 1,280MW gas fired Torrens Island Power Station, the 150MW gas fired Somerton Power Station, 646MW of hydro generation and asset management agreements for Wattle Point Wind Farm and Hallett 1 Wind Farm.

Merchant Operations is largely a cost centre with all generation revenues and variable fuel costs included in the Energy Portfolio Management division.

The following table provides the component parts of the business unit Operating EBIT and EBITDA:

	Operating EBIT		Operating EBITDA	
	Half year ended 31 December 2009	Half year ended 31 December 2008	**Half year ended 31 December 2009**	Half year ended 31 December 2008
	$m	$m	**$m**	$m
Merchant Operations	**(50.0)**	(48.6)	**(29.6)**	(28.2)

The increase in Merchant Operations operating expense was largely due to increased labour, maintenance and insurance costs partly offset by targeted reductions in other operating expenses. Hallett 1 wind farm was also in operation for a full six months during the period to 31 December 2009 (only three months in the prior corresponding period).

Merchant Operations major operational achievements for the half year ended 31 December 2009 were:

- Continued refurbishment of the 60MW West Kiewa Power Station, which will take four years to complete. During the half year, Unit 1 refurbishment was completed with the unit being returned to service two weeks ahead of schedule;

- At Torrens Island Power Station, the operations team continued work on modernising the majority of the plant's control systems. This is a three year project forecast to cost approximately $39 million with the final stage to be commissioned in November 2011. The project is on schedule.

The Kiewa scheme experienced an average snow melt from winter 2009 and dam levels rose accordingly.

The Dartmouth hydro facility was unable to generate during the half year due to insufficient water levels. However, inflows to the dam continued to improve over the period with a commensurate rise in water level resulting in an increase in dam levels to 30.4% at 31 December 2009 from 22.7% at 31 December 2008.

3.2.3 Energy Services Operating EBIT: Decreased 51.8% to $6.7 million from $13.9 million

The Energy Services business unit is responsible for assisting customers to make their businesses more sustainable and energy efficient. It also manages the HC Extractions LPG facility. The Energy Services business continued to build upon its expertise in program maintenance, gas combustion, customer energy infrastructure, customer based asset development and energy efficiency related carbon benefits.

HC Extractions produces LPG and naptha by processing refinery off-gases supplied by the adjacent Caltex oil refinery in Kurnell, Sydney, with all production sold back to Caltex.

During the half year, the Brisbane City Council Compressed Natural Gas (CNG) bus facility at Willawong and the expansion of the CNG refuelling facility at Leichhardt in New South Wales commenced operations. The Coffs Harbour landfill gas flaring project achieved practical completion in December 2009 and an expansion of the Rockingham landfill is currently in progress.

Other major projects include the Melbourne Water Stage 3 expansion which is expected to be fully operational by the end of June 2010.

The decline in earnings arose largely from HC Extractions where lower LPG prices and planned outages reduced Operating EBIT by $5.1 million compared with the prior corresponding period. The remaining reduction in Operating EBIT related to planned outages at Moranbah Power Station and a loss on disposal of a biogas asset.

3.2.4 Power Development Operating EBIT: Increased 3.5% to $14.7 million from $14.2 million

Power Development Operating EBIT consists of wind farm profits less operating expenses associated with the business unit. Development profits are recognised from the construction of wind farms sold to third parties over which AGL has a long term off-take agreement.

Development profits are recognised on a percentage of completion basis. Development profits of $16.0 million were recognised in the half year compared with $16.5 million in the prior corresponding period.

During the period commissioning of Hallett 2 wind farm continued, construction of Hallett 4 wind farm commenced and commitment to the Oaklands Hill wind farm was made.
Bogong Power Station was officially opened on 20 November 2009.

3.3 Upstream Gas Operating EBIT (including pro-forma adjustments): Decreased by 89.4% to $3.0 million from $28.4 million

Operating EBIT for the half year was $3.0 million compared with $28.4 million for the prior corresponding period. A reconciliation of Statutory EBIT to Operating EBIT and EBITDA is presented below:

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory EBIT	**2.9**	1,725.9
Significant items	**0.1**	(1,704.1)
Changes in fair value of financial instruments	**-**	33.6
Operating EBIT	**3.0**	55.4
Pro-forma depreciation adjustment	**-**	27.0
Operating EBIT including pro-forma adjustment	**3.0**	28.4
Add back:		
Depreciation and amortisation (including pro-forma)	**10.8**	34.4
Operating EBITDA	**13.8**	62.8

Upstream Gas is responsible for AGL's investments and operations in gas exploration, development and production tenements, as well as exploration and development of geothermal renewable energy sources. The portfolio is divided into two broad regions: (i) Queensland / South Australia and (ii) New South Wales.

The following table provides a further breakdown of the contributors to Operating EBIT and EBITDA:

	Operating EBIT		**Operating EBITDA**	
	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m	**Half year ended 31 December 2009 $m**	Half year ended 31 December 2008 $m
PNG upstream investment [(1)] (including pro-forma adjustment)	**-**	22.4	**-**	49.4
Queensland / South Australia	**3.4**	3.7	**9.1**	8.7
New South Wales	**2.0**	0.7	**6.9**	3.0
Equity investments	**(0.1)**	2.4	**(0.1)**	2.4
Sundry	**(2.3)**	(0.8)	**(2.1)**	(0.7)
Total Upstream Gas	**3.0**	28.4	**13.8**	62.8

[(1)] On 18 December 2008, AGL completed the sale of its oil and gas exploration and production interests in Papua New Guinea.

3.3.1 Queensland / South Australia Operating EBIT: Decreased 8.1% to $3.4 million from $3.7 million

The Queensland / South Australia portfolio includes the Moranbah Gas Project joint venture, the upstream elements of the North Queensland Energy (NQE) joint venture, the Galilee Basin, Cooper Basin and Spring Gully joint ventures and the gas market development services agreement with Queensland Gas Company (QGC) (part of BG Group).

Moranbah gas sales increased by 21% from 3.3 PJ to 4.0 PJ. The prior corresponding period was impacted by production being shut in for six weeks during scheduled maintenance at the Yabulu Power Station. Operating EBIT contribution from Moranbah was $0.9 million compared with a loss of $0.8 million for the prior corresponding period.

Operating EBIT contribution from AGL's interests in the Cooper Basin, acquired in January 2009, was a loss of $0.8 million, which was caused mainly by oil production being shut in for almost all the half year.

3.3.2 New South Wales Operating EBIT: Increased to $2.0 million from $0.7 million

The New South Wales portfolio includes the Camden Gas Project, Sydney Basin exploration and Gloucester Basin assets.

Operating EBIT contribution from the Camden Gas Project was $2.0 million compared with $0.7 million for the prior corresponding period. Gas sales increased by 123% from 1.3 PJ to 2.9 PJ, largely as a result of AGL increasing its interest in the Project from 50% to 100% from April 2009 following completion of the acquisition of Sydney Gas Limited.

Three horizontal wells were drilled and completed at Camden during the half year. The three wells have been connected to the production network and are being dewatered.

3.3.3 Equity Investments Operating EBIT: Decreased to ($0.1) million from $2.4 million

Equity investments include AGL's share investments in CSM Energy Limited (CSME), Torrens Energy Limited (TEY) and previously QGC.

AGL has a 35% shareholding in CSME, an unlisted public company. The Operating EBIT contribution from this investment was a loss of $0.1 million compared with a loss of $0.2 million for the prior corresponding period.

AGL's investment in TEY did not contribute to Operating EBIT in the half year.

AGL disposed of its shareholding in QGC on 5 November 2008, hence the Operating EBIT contribution from this investment was nil compared with $2.6 million for the prior corresponding period.

3.3.4 Gas Sales and Reserves Position

The following table summarises the sales volume and associated revenue from each operating region during the period:

AGL share of operations	Half year ended 31 December 2009	Half year ended 31 December 2008
Gas sales (PJ)		
Queensland / South Australia	**4.0**	3.3
New South Wales	**2.9**	1.3
Total gas sales	**6.9**	4.6
Sales revenue ($m)		
Queensland / South Australia	**9.2**	7.2
New South Wales	**10.3**	4.5
Total sales revenue	**19.5**	11.7
Average gas price ($/GJ)	**2.83**	2.54

AGL's share of certified proved plus probable (2P) and proved plus probable plus possible (3P) coal seam gas (CSG) reserves by project is summarised in the table below:

AGL share of CSG reserves (PJ)	31 December 2009		30 June 2009	
	2P	**3P**	2P	3P
Moranbah Gas Project (50%) [1]	**506**	**1,027**	497	1,079
Gloucester Gas Project (100%) [1]	**423**	**630**	423	630
Camden Gas Project (100%)[1]	**126**	**170**	129	173
Spring Gully Project (various)	**7**	**9**	7	9
Sub-Total	**1,062**	**1,836**	1,056	1,891
ATP 364P back-in rights (50%) [2]	**246**	**1,307**	51	413
Total	**1,308**	**3,143**	1,107	2,304

(1) Reserves certification is planned during the six months to June 2010.

(2) Under a 50-year project agreement that commenced in 2000, AGL has no effective exploration rights (or ongoing cost obligations) within exploration tenement ATP 364P as these were assigned to Arrow Energy Limited. However, AGL is entitled to participate up to a 50% interest in any commercial development by contributing its share of past costs. Past costs are anticipated to be less than $0.05/GJ.

3.4 Energy Investments Operating EBIT: Increased 31.5% to $43.4 million from $33.0 million

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory EBIT	**40.8**	179.8
Significant items	**-**	(149.9)
Finance income from Loy Yang investment	**4.9**	5.4
Change in fair value of financial instruments (Loy Yang)	**(2.3)**	(2.3)
Operating EBIT	**43.4**	33.0
Add back:		
Depreciation and amortisation	**-**	-
Operating EBITDA	**43.4**	33.0

The following table provides a further breakdown of the contributors to the Operating EBIT:

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
ActewAGL	**17.5**	17.1
Elgas (50% ownership disposed)	**-**	10.6
Loy Yang	**22.8**	2.5
Other	**3.1**	2.8
Operating EBIT	**43.4**	33.0

3.4.1 ActewAGL (50% AGL Ownership) Operating EBIT: Increased 2.3% to $17.5 million from $17.1 million

ActewAGL is a 50/50 partnership between AGL and Actew Corporation, an ACT Government owned enterprise. Established in 2000, it was the first utility joint venture in Australia between a private company and a publicly owned enterprise. AGL holds a 50% interest in ActewAGL's retail business.

ActewAGL contributed an equity share of profits of $17.5 million for the half year compared with $17.1 million for the prior corresponding period.

The favourable outcome resulted from increased volumes and margins in both the gas and electricity markets. Improved electricity margins resulted from tariff increases and generally higher electricity volumes from an increase in the number of electricity customers. Increased gas margins were driven by increased consumption, particularly in commercial markets.

Notwithstanding the overall continued competitive pressures, the partnership has delivered a sound financial performance while maintaining the number of gas customers and growing the number of electricity customers.

3.4.2 Loy Yang Investment Operating EBIT: Increased 812% to $22.8 million from $2.5 million

Operating EBIT of $22.8 million comprised an equity share of profit of $17.8 million compared with a loss of $2.9 million for the corresponding prior period and interest income of $4.9 million compared with $5.4 million for the prior corresponding period.

Loy Yang's operating result improved largely due to an improved sold contract position and higher generation offset by a reduction in the pool price as shown in the following table

Average Victorian Reference Pool Price and Loy Yang Generation

	$/MWh	Generation Volumes GWh
1H09	36.17	7,400
1H10	25.60	7,775

Loy Yang also benefited from a 7.6% reduction in interest expense somewhat offset by a 9.8% increase in operating costs driven by increased labour and maintenance costs.

3.5 Centrally Managed Expenses: Increased 4.1% to $66.1 million from $63.5 million

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory EBIT	**(71.6)**	(73.1)
Significant items	**5.5**	9.6
Operating EBIT	**(66.1)**	(63.5)
Add back:		
Depreciation and amortisation	**5.3**	5.4
Operating EBITDA	**(60.8)**	(58.1)

The following table provides a more detailed breakdown of centrally managed expenses.

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Labour	**(17.6)**	(17.2)
Office leases	**(8.2)**	(6.5)
Hardware and software costs	**(19.5)**	(17.0)
Consultants and contractor fees	**(3.0)**	(4.3)
Insurance premiums	**(2.0)**	(3.8)
Depreciation and amortisation	**(5.3)**	(5.4)
Other	**(10.5)**	(9.3)
Total	**(66.1)**	(63.5)

Overall, centrally managed expenses broadly increased in line with inflation. Hardware and software costs increased due to higher software license fees, infrastructure and application support costs associated with company-wide productivity projects. Office lease costs increased due to increased floor space at the Sydney and Melbourne offices plus office space associated with the Sydney Gas Limited acquisition.

4. Net Finance Costs
Decreased 56% to $26.8 million from $60.9 million

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory finance costs	**(38.5)**	(76.4)
Statutory finance income	**17.2**	21.7
Remove finance income included in EBITDA	**(5.5)**	(6.2)
Net financing costs	**(26.8)**	(60.9)

Net financing costs decreased $34.1 million to $26.8 million for the half year compared with $60.9 million from the prior corresponding period. The decrease in net financing costs was mainly due to lower average net debt. Average net debt for the half year was $445 million compared with $1,520 million for the prior corresponding period. Average net debt decreased during the half year due largely to the impact of AGL's divestment of non-core assets in November and December 2008.

The average net interest rate increased from 7.53% to 7.88% due largely to tightening credit markets increasing the cost of funding.

5. Tax Expense
Decreased 7.9% to $97.3 million from $105.7 million

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory income tax expense	**(77.7)**	(389.8)
Income tax (benefit) / expense from significant items	**(3.2)**	298.7
Income tax (benefit) from fair value movements	**(16.4)**	(14.6)
Underlying tax expense	**(97.3)**	(105.7)

The underlying effective tax rate was 29.3% compared with 32.5% for the prior corresponding period. The effective tax rate reduced due to the divestment of PNG, which had a tax rate of 50% and a higher contribution from Loy Yang, which is equity accounted on an after tax basis.

6. Operating Cash Flow

6.1 Reconciliation of Operating EBITDA to Statutory Cash Flow:

The following table provides a reconciliation of Operating EBITDA to Statutory Cash Flow.

		Half year ended 31 December 2009 $m		Half year ended 31 December 2008 $m
Operating EBITDA		**425.7**		443.9
Equity accounted income (net of dividend received)		**(19.1)**		4.6
Accounting for onerous gas contract		**(10.4)**		(10.4)
Working capital movements				
(Increase) / decrease in receivables	**67.7**		125.5	
Net movement in green assets / liabilities	**2.9**		2.0	
(Increase) / decrease in inventories	**(33.1)**		(4.4)	
Net PNG oil and foreign exchange hedge payments	**-**		(8.8)	
Increase / (decrease) in creditors	**(23.3)**		(146.9)	
(Increase) / decrease in futures margin calls	**14.5**		(10.7)	
Net derivative premiums paid / roll-offs	**(27.7)**		(58.7)	
Net movement in GST recoverable / payable	**(31.7)**		5.4	
Timing of Hallett 1 construction payments	**-**		(23.6)	
Other	**(10.0)**	**(40.7)**	(15.1)	(135.3)
Operating cash flow before interest, tax & significant items		**355.5**		302.8
Net finance costs paid		**(28.9)**		(63.4)
Income tax (paid) / refunded		**(181.9)**		59.3
Cash flow relating to significant items		**(17.9)**		(32.2)
Statutory net cash provided by operating activities		**126.8**		266.5

6.2 Underlying Operating Cash Flow before Tax: Increased 14.0% to $312.1 million from $273.7 million

The statutory net cash flow provided by operating activities does not take into account a number of material items that impact operating cash flow. AGL has made adjustments to take this into consideration to produce an underlying operating cash flow.

	Half year ended 31 December 2009 $m	Half year ended 31 December 2008 $m
Statutory net cash provided by operating activities	**126.8**	266.5
Cash flow relating to significant items	**17.9**	32.2
Increase / (decrease) in futures margin calls	**(14.5)**	10.7
Timing of Hallett 1 construction payments	**-**	23.6
Underlying Operating Cash Flow	**130.2**	333.0
Income tax paid / (refunded)	**181.9**	(59.3)
Underlying Operating Cash Flow before tax	**312.1**	273.7

6.2.1 Significant Items

AGL incurred cash expenses in the half year relating to Phoenix change program one-off costs, redundancy, termination and restructuring costs as well and merger and acquisition related costs. These costs are explained in detail in Section 2.1.

6.2.2 Futures Margin Calls

AGL posts deposits with the futures exchange at the inception of a contract. Depending on market movements, AGL subsequently pays or receives cash. The net receipt for the half year was $14.5 million compared with a payment of $10.7 million for the prior corresponding period.

Directors in Office

The Directors of AGL Energy Limited who held office during or since the end of the half-year were:

	First Appointed
Mark Roderick Granger Johnson – Chairman	17 February 2006
Michael Anthony Fraser – Managing Director	22 October 2007
Maxwell Gilbert Ould	17 February 2006
Graham John Reaney	5 July 2006 (retired 29 October 2009)
Jeremy Charles Roy Maycock	9 October 2006
Sandra Veronica McPhee	9 October 2006
Bruce John Phillips	23 August 2007
Leslie Victor Hosking	1 November 2008
John Victor Stanhope	9 March 2009

Rounding of Amounts to Nearest $0.1 Million

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and this Directors' Report have been rounded off to the nearest tenth of a million dollars, unless otherwise stated.

Auditor's Independence Declaration

The auditor's independence declaration is on page 52.

Mark Johnson

Mark Johnson
Chairman

AGL Energy Limited and Subsidiaries
Condensed consolidated Income Statement
For the half year ended 31 December 2009

		Half year ended	
		31 Dec 2009	31 Dec 2008
	Note	**$m**	$m
Continuing operations			
Revenue	3	**3,200.8**	2,908.4
Other income	4	**1.0**	905.1
Expenses	5	**(2,890.2)**	(2,641.9)
Share of profits of associates and jointly controlled entities using the equity method	13	**37.9**	19.2
Profit before net financing costs, depreciation and amortisation		**349.5**	1,190.8
Depreciation and amortisation	6	**(66.8)**	(57.8)
Profit before net financing costs		**282.7**	1,133.0
Finance income		**17.2**	21.4
Finance costs		**(38.5)**	(73.9)
Net financing costs	7	**(21.3)**	(52.5)
Profit before tax		**261.4**	1,080.5
Income tax expense	9	**(77.7)**	(316.4)
Profit for the period from continuing operations		**183.7**	764.1
Discontinued operations			
Profit for the period from discontinued operations	12	**-**	890.7
Profit for the period attributable to owners of AGL Energy Limited		**183.7**	1,654.8
Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		**41.0**	372.0
Diluted earnings per share (cents)		**40.9**	371.7
From continuing operations:			
Basic earnings per share (cents)		**41.0**	171.8
Diluted earnings per share (cents)		**40.9**	171.6
Weighted average number of ordinary shares			
Basic (millions)		**448.2**	444.8
Diluted (millions)		**448.7**	445.2

The income statement should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Condensed consolidated Statement of Comprehensive Income
For the half year ended 31 December 2009

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Profit for the period attributable to owners of AGL Energy Limited	**183.7**	1,654.8
Other comprehensive income		
Gain/(loss) on cash flow hedges taken to equity	**42.2**	(259.7)
Gain on cash flow hedges transferred to profit or loss	**(36.5)**	(40.9)
Gain/(loss) on available-for-sale investments taken to equity	**0.5**	(1.5)
Net loss on hedge of net investment in foreign operations	**-**	(62.8)
Exchange differences arising on translation of foreign operations	**-**	163.1
Exchange differences transferred to profit or loss on disposal of foreign operation	**-**	(72.9)
Actuarial gain/(loss) on defined benefit plans	**15.4**	(90.2)
Share of other comprehensive income of an associate accounted for using the equity method	**8.6**	(72.7)
Share of gain in reserves transferred to profit or loss on disposal of jointly controlled entity accounted for using the equity method	**-**	(0.3)
Income tax relating to components of other comprehensive income	**(6.3)**	97.1
Other comprehensive income for the period, net of income tax	**23.9**	(340.8)
Total comprehensive income for the period attributable to owners of AGL Energy Limited	**207.6**	1,314.0

The statement of comprehensive income should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Condensed consolidated Statement of Financial Position
As at 31 December 2009

	Note	As at 31 Dec 2009 $m	As at 30 June 2009 $m
Current assets			
Cash and cash equivalents		**576.5**	623.1
Trade and other receivables		**1,166.3**	1,209.7
Inventories		**84.4**	51.2
Other financial assets		**463.7**	438.3
Other assets		**224.0**	151.4
		2,514.9	2,473.7
Non-current assets classified as held for sale	14	**79.5**	-
Total current assets		**2,594.4**	2,473.7
Non-current assets			
Trade and other receivables		**0.6**	0.7
Investments accounted for using the equity method		**212.5**	182.6
Exploration and evaluation assets		**588.5**	569.9
Oil and gas assets		**319.8**	295.2
Property, plant and equipment	15	**1,968.4**	2,109.1
Intangible assets	16	**3,159.0**	3,161.1
Other financial assets		**158.0**	186.0
Other assets		**31.3**	56.4
Total non-current assets		**6,438.1**	6,561.0
Total assets		**9,032.5**	9,034.7
Current liabilities			
Trade and other payables		**828.5**	800.8
Provisions		**25.8**	29.6
Current tax liabilities		**156.6**	229.9
Other financial liabilities		**493.7**	444.0
Other liabilities		**1.3**	1.4
Total current liabilities		**1,505.9**	1,505.7
Non-current liabilities			
Trade and other payables		**-**	19.0
Borrowings		**1,099.0**	1,120.2
Provisions		**202.6**	202.9
Deferred tax liabilities		**193.5**	218.4
Other financial liabilities		**42.7**	59.0
Other liabilities		**43.5**	63.8
Total non-current liabilities		**1,581.3**	1,683.3
Total liabilities		**3,087.2**	3,189.0
Net assets		**5,945.3**	5,845.7
Equity			
Issued capital	17	**4,048.6**	4,030.3
Reserves		**24.4**	13.0
Retained earnings		**1,872.3**	1,802.4
Total equity		**5,945.3**	5,845.7

The statement of financial position should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Condensed consolidated Statement of Changes in Equity
For the half year ended 31 December 2009

	Attributable to owners of AGL Energy Limited							
	Issued capital $m	Investments revaluation reserve $m	Foreign currency translation reserve $m	Employee equity benefits reserve $m	Hedging reserve $m	Other reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2009	**4,030.3**	**(1.1)**	**-**	**2.0**	**12.2**	**(0.1)**	**1,802.4**	**5,845.7**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**183.7**	**183.7**
Gain on cash flow hedges	**-**	**-**	**-**	**-**	**42.2**	**-**	**-**	**42.2**
Gain on cash flow hedges transferred to profit or loss	**-**	**-**	**-**	**-**	**(36.5)**	**-**	**-**	**(36.5)**
Gain on available-for-sale investments	**-**	**0.5**	**-**	**-**	**-**	**-**	**-**	**0.5**
Actuarial gain on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**-**	**15.4**	**15.4**
Share of other comprehensive income of an associate accounted for using the equity method	**-**	**-**	**-**	**-**	**8.0**	**(0.3)**	**0.9**	**8.6**
Income tax relating to components of other comprehensive income	**-**	**-**	**-**	**-**	**(1.7)**	**-**	**(4.6)**	**(6.3)**
Total comprehensive income for the period	**-**	**0.5**	**-**	**-**	**12.0**	**(0.3)**	**195.4**	**207.6**
Shares issued	**18.3**	**-**	**-**	**-**	**-**	**-**	**-**	**18.3**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(125.5)**	**(125.5)**
Share-based payment transactions	**-**	**-**	**-**	**(0.8)**	**-**	**-**	**-**	**(0.8)**
Balance at 31 December 2009	**4,048.6**	**(0.6)**	**-**	**1.2**	**24.2**	**(0.4)**	**1,872.3**	**5,945.3**
Balance at 1 July 2008	3,971.6	-	(24.5)	1.0	524.9	(0.1)	507.0	4,979.9
Profit for the period	-	-	-	-	-	-	1,654.8	1,654.8
Loss on cash flow hedges	-	-	-	-	(259.7)	-	-	(259.7)
Gain on cash flow hedges transferred to profit or loss	-	-	-	-	(40.9)	-	-	(40.9)
Loss on available-for-sale investments	-	(1.5)	-	-	-	-	-	(1.5)
Net loss on hedge of net investment in foreign operations	-	-	(62.8)	-	-	-	-	(62.8)
Exchange differences arising on translation of foreign operations	-	-	163.1	-	-	-	-	163.1
Exchange differences transferred to profit or loss on disposal of foreign operation	-	-	(72.9)	-	-	-	-	(72.9)
Actuarial loss on defined benefit plans	-	-	-	-	-	-	(90.2)	(90.2)
Share of other comprehensive income of an associate accounted for using the equity method	-	-	-	-	(47.8)	0.3	(25.2)	(72.7)
Share of gain in reserves transferred to profit or loss on disposal of jointly controlled entity accounted for using the equity method	-	-	-	-	-	(0.3)	-	(0.3)
Income tax relating to components of other comprehensive income	-	-	(2.9)	-	72.8	-	27.2	97.1
Total comprehensive income for the period	-	(1.5)	24.5	-	(275.6)	-	1,566.6	1,314.0
Shares issued	38.4	-	-	-	-	-	-	38.4
Dividends paid	-	-	-	-	-	-	(119.9)	(119.9)
Share-based payment transactions	-	-	-	(0.5)	-	-	-	(0.5)
Balance at 31 December 2008	4,010.0	(1.5)	-	0.5	249.3	(0.1)	1,953.7	6,211.9

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

AGL Energy Limited and Subsidiaries
Condensed consolidated Statement of Cash Flows
For the half year ended 31 December 2009

		Half year ended	
		31 Dec 2009	31 Dec 2008
	Note	**$m**	$m
Cash flows from operating activities			
Receipts from customers		**3,792.8**	3,507.2
Payments to suppliers and employees		**(3,471.7)**	(3,268.7)
Dividends received		**16.5**	32.1
Finance income received		**16.9**	14.7
Finance costs paid		**(45.8)**	(78.1)
Income taxes (paid)/refunded		**(181.9)**	59.3
Net cash provided by operating activities		**126.8**	266.5
Cash flows from investing activities			
Payments for property, plant and equipment		**(141.6)**	(211.7)
Payments for exploration and evaluation assets		**(20.5)**	(16.0)
Payments for oil and gas assets		**(33.8)**	(48.2)
Payments for investments		**-**	(12.9)
Payments for other		**-**	(0.9)
Payments for businesses and subsidiaries, net of cash acquired:			
acquisitions in current period	19	**(7.0)**	(414.9)
acquisitions in prior period		**(1.2)**	-
Proceeds from sale of property, plant and equipment		**1.0**	0.7
Proceeds from sale of investments		**-**	1,397.3
Proceeds from sale of business and subsidiaries, net of cash disposed:			
discontinued operations	12	**-**	1,183.2
subsidiary disposed in current period	20	**157.1**	42.1
subsidiary disposed in prior period		**-**	3.6
Net cash (used in)/provided by investing activities		**(46.0)**	1,922.3
Cash flows from financing activities			
On-market share purchases		**(2.4)**	(1.9)
Proceeds from borrowings		**1.9**	445.5
Repayment of borrowings		**(20.0)**	(785.0)
Loans advanced to related parties		**-**	(6.1)
Proceeds from repayment of related party loans		**0.3**	-
Dividends paid	10	**(107.2)**	(81.5)
Net cash used in financing activities		**(127.4)**	(429.0)
Net (decrease)/increase in cash and cash equivalents		**(46.6)**	1,759.8
Cash and cash equivalents at the beginning of the period		**623.1**	73.2
Effect of exchange rate changes on the balance of cash held in foreign currencies		**-**	25.0
Cash and cash equivalents at the end of the period		**576.5**	1,858.0

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Note 1 - Summary of significant accounting policies

AGL Energy Limited (Parent Entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The half year financial report includes the condensed consolidated financial statements which comprise the Parent Entity and its subsidiaries (together referred to as the consolidated entity).

(a) Statement of compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting.* Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.*

The half year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by AGL Energy Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

(b) Basis of preparation

The half year financial report has been prepared on the basis of historical cost, except for derivative financial instruments and available-for-sale financial assets, which are measured at fair value.

The Parent Entity is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the financial report are rounded off to the nearest tenth of a million dollars, unless otherwise indicated. The financial report is presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computations adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2009, except as described below.

(c) Adoption of new and revised standards

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have resulted in changes to the consolidated entity's accounting policies and presentation of, or disclosure in, its half year financial statements in the following areas:

Presentation of financial statements

The consolidated entity has adopted the revised AASB 101 (2007) *Presentation of Financial Statements* from 1 July 2009. The revised Standard separates owner and non-owner changes in equity. As a result, all non-owner changes in equity are presented in a statement of comprehensive income and all owner changes in equity are presented in a statement of changes in equity.

The revised Standard also changes the title of other financial statements; the balance sheet is now termed the statement of financial position and the cash flow statement is now termed the statement of cash flows.

Comparative information has been re-presented to comply with the revised Standard. Since the change in accounting policy only effects presentation aspects, there is no impact on the financial position or performance of the consolidated entity.

Segment reporting

The consolidated entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* AASB 8 requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Board of Directors.

The consolidated entity determined that the operating segments were the same as the business segments reported in the annual financial report for the year ended 30 June 2009.

Comparative segment information has been restated to comply with the requirements of AASB 8. Since the change in accounting policy only effects presentation and disclosure aspects, there is no impact on the financial position or performance of the consolidated entity. Refer to Note 2 for further details.

Note 1 - Summary of significant accounting policies (continued)

(c) Adoption of new and revised standards (continued)

Business combinations

The consolidated entity has adopted the revised AASB 3 (2008) *Business Combinations* from 1 July 2009. AASB 3 (2008) applies prospectively to business combinations occurring on or after this date and alters the manner in which business combinations and changes in ownership interest in subsidiaries are accounted for. Accordingly, while its adoption has no impact on previous acquisitions made by the consolidated entity, the application of the Standard has affected the accounting for acquisitions in the current period.

All consideration to purchase a business is now recorded at fair value at the acquisition date, with contingent consideration classified as a liability and subsequently remeasured through the income statement. Under the previous version of the Standard, contingent consideration was only recognised when the payment was probable and could be measured reliably and was accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are accounted for separately from the business combination, generally leading to those costs being expensed when incurred. Previously such costs were accounted for as part of the cost of the acquisition of the business.

Non-controlling interests (previously referred to as 'minority' interests) in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous version of the Standard, the non-controlling interest was always recognised at its share of the acquiree's net assets.

The adoption of revised AASB 3 (2008) has affected the accounting for the acquisition of Barn Hill Wind Farm Pty Ltd disclosed in Note 19. Acquisition-related costs of $0.3 million in respect of this acquisition were recognised in the income statement.

Changes in ownership interests in subsidiaries

The consolidated entity has adopted the revised AASB 127 (2008) *Consolidated and Separate Financial Statements* from 1 July 2009. The revised Standard applies prospectively and has resulted in changes in the consolidated entity's accounting policies regarding increases and decreases in ownership interests in its subsidiaries. AASB 127 (2008) requires that a change in the ownership of a subsidiary (without a change of control) is to be accounted for as a transaction with owners in their capacity as owners and recognised in equity. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the income statement.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the consolidated entity derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in a former subsidiary is recognised at its fair value at the date control is lost. A gain or loss is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

The adoption of revised AASB 127 (2008) did not have any impact on the financial position or performance of the consolidated entity as at and for the half year ended 31 December 2009.

Note 2 - Segment information

The consolidated entity has adopted AASB 8 *Operating Segments* from 1 July 2009. Under AASB 8, the consolidated entity reports segment information on the same basis as the internal reporting structure, which drives how the consolidated entity is organised and managed.

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used for the purposes of resource allocation and assessment of performance. The consolidated entity has four reportable operating segments as follows:

• **Retail Energy** is responsible for selling natural gas, electricity and energy-related products and services to residential, small business and commercial and industrial customers.

• **Merchant Energy** is responsible for developing, operating and maintaining power generation assets and managing the risks associated with the procurement and delivery of gas and electricity for its wholesale portfolio and for the Retail Energy segment. Merchant Energy also provides energy efficiency and carbon management services.

• **Upstream Gas** is responsible for exploration, development and production of coal seam gas and also exploration and development of geothermal renewable energy sources.

• **Energy Investments** includes equity accounted investments in the ActewAGL Retail Partnership and Greater Energy Alliance Corporation Pty Limited.

No operating segments have been aggregated to form the above reportable operating segments.

In the segment financial results, the 'Other' category consists of the various Corporate activities which includes the head office and central support functions. Corporate is not considered a reportable operating segment.

During the 31 December 2008 financial period, the consolidated entity disposed of its oil and gas interests in Papua New Guinea and the North Queensland Gas Pipeline. For AASB 8 purposes, these discontinued operations are included within the Upstream Gas reportable segment for the prior period.

The measurement of segment results is in line with the basis of information presented to the Board of Directors for internal management reporting purposes. The performance of each segment is measured based on their 'Operating EBIT contribution' to the consolidated entity. Certain items of income and expense are excluded from the segment results to show a measure of underlying performance. These items include changes in fair value of financial instruments and significant items.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. Inter-segment revenue is eliminated on consolidation.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8.

Note 2 - Segment information (continued)

	Retail Energy $m	Merchant Energy $m	Upstream Gas $m	Energy Investments $m	Other	Total $m
Half year ended 31 December 2009						
Total segment revenue	**2,754.1**	**1,956.7**	**39.7**	**3.1**	**-**	**4,753.6**
Inter-segment revenue	**(15.3)**	**(1,511.8)**	**(25.7)**	**-**	**-**	**(1,552.8)**
External revenue	**2,738.8**	**444.9**	**14.0**	**3.1**	**-**	**3,200.8**
Operating EBIT	**183.5**	**195.1**	**3.0**	**43.4**	**(66.1)**	**358.9**
Other segment information						
Depreciation and amortisation	**20.4**	**30.3**	**10.8**	**-**	**5.3**	**66.8**
Finance income	**0.7**	**0.6**	**-**	**4.9**	**11.0**	**17.2**
Finance costs	**-**	**-**	**-**	**-**	**38.5**	**38.5**
Share of equity accounted profits	**-**	**-**	**0.2**	**37.7**	**-**	**37.9**
Acquisition of non-current assets	**11.3**	**120.8**	**61.7**	**-**	**10.1**	**203.9**
Half year ended 31 December 2008						
Total segment revenue	2,508.1	1,812.4	115.3	13.4	-	4,449.2
Inter-segment revenue	(15.5)	(1,423.9)	(15.6)	-	-	(1,455.0)
External revenue	2,492.6	388.5	99.7	13.4	-	2,994.2
Operating EBIT	145.7	215.5	55.4	33.0	(63.5)	386.1
Other segment information						
Depreciation and amortisation	15.6	29.4	7.4	-	5.4	57.8
Finance income	1.0	0.7	0.4	5.4	14.2	21.7
Finance costs	-	-	2.5	-	73.9	76.4
Share of equity accounted profits	-	-	2.5	16.7	-	19.2
Acquisition of non-current assets	44.7	131.0	546.7	5.0	7.6	735.0
Total assets						
As at 31 December 2009	**3,383.3**	**3,626.8**	**1,053.7**	**324.6**	**644.1**	**9,032.5**
As at 30 June 2009	3,469.0	3,571.3	1,036.7	292.9	664.8	9,034.7

A reconciliation of Operating EBIT for reportable segments to profit before tax from continuing operations is provided as follows:

	31 Dec 2009 $m	31 Dec 2008 $m
Operating EBIT for reportable segments	**425.0**	449.6
Other	**(66.1)**	(63.5)
	358.9	386.1
Amounts excluded from underlying results:		
- loss in fair value of financial instruments (refer Note 5)	**(52.8)**	(69.2)
- significant (expense)/income items (refer Note 8)	**(17.9)**	872.5
Elimination of Operating EBIT from discontinued operations	**-**	(50.2)
Finance income included in Operating EBIT	**(5.5)**	(6.2)
Finance income	**17.2**	21.4
Finance costs	**(38.5)**	(73.9)
Profit before tax from continuing operations	**261.4**	1,080.5

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 3 - Revenue		
Continuing operations		
Revenue from sale of goods	**3,141.1**	2,841.4
Revenue from rendering of services	**59.7**	56.4
Dividends		
Jointly controlled entity	**-**	10.6
	3,200.8	2,908.4
Discontinued operations		
Revenue from sale of goods	**-**	71.5
Gain in fair value of oil derivatives	**-**	13.6
	-	85.1
Revenue from rendering of services	**-**	0.7
	-	85.8
Note 4 - Other income		
Continuing operations		
Gain on disposal of investments	**-**	904.3
Gain on disposal of subsidiary	**-**	0.4
Net foreign exchange gains	**0.6**	-
Other	**0.4**	0.4
	1.0	905.1
Discontinued operations		
Gain on disposal of businesses and subsidiaries	**-**	788.9
Gain in fair value of oil derivatives	**-**	160.8
Other	**-**	4.3
	-	954.0

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 5 - Expenses		
Continuing operations		
Cost of sales	**2,529.0**	2,278.5
Loss in fair value of electricity derivatives	**52.8**	69.2
	2,581.8	2,347.7
Administrative expenses	**74.2**	76.7
Employee benefits expense	**154.7**	136.3
Other expenses		
Impairment of trade receivables (net of bad debts recovered)	**25.1**	20.8
Phoenix change program costs	**11.7**	22.4
Redundancy, termination and restructure costs	**3.6**	3.1
Demerger costs	**-**	6.7
Merger and acquisition related costs	**2.6**	-
Net loss on disposal of property, plant and equipment	**1.0**	0.6
Operating lease rental expenses	**9.9**	7.9
Other	**25.6**	19.7
	2,890.2	2,641.9
Discontinued operations		
Cost of sales	**-**	18.0
Employee benefits expense	**-**	0.1
Other expenses		
Net foreign exchange losses	**-**	53.0
Other	**-**	2.4
	-	73.5
Note 6 - Depreciation and amortisation		
Property, plant and equipment	**43.6**	37.8
Oil and gas assets	**9.2**	6.0
Intangible assets	**11.1**	11.1
Other	**2.9**	2.9
	66.8	57.8

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 7 - Net financing costs		
Finance income		
Interest income		
Associates	**4.9**	5.4
Other entities	**12.3**	16.3
	17.2	21.7
Attributable to:		
Continuing operations	**17.2**	21.4
Discontinued operations	**-**	0.3
	17.2	21.7
Finance costs		
Interest expense		
Other entities	**38.3**	74.7
Less finance costs capitalised	**(12.9)**	(9.9)
Unwinding of discounts on provisions	**6.0**	8.0
Other finance costs	**7.1**	3.6
	38.5	76.4
Attributable to:		
Continuing operations	**38.5**	73.9
Discontinued operations	**-**	2.5
	38.5	76.4
Net financing costs		
Attributable to:		
Continuing operations	**21.3**	52.5
Discontinued operations	**-**	2.2
	21.3	54.7

Note 8 - Significant (expense)/income items

Profit before tax from continuing and discontinued operations includes the following significant (expense)/income items:

	Half year ended 31 Dec 2009 $m	Half year ended 31 Dec 2008 $m
Gain on disposal of investment in Queensland Gas Company Limited	**-**	754.4
Gain on disposal of investment in Auscom Holdings Pty Limited	**-**	149.9
Gain on disposal of PNG oil and gas interests	**-**	765.8
Gain on disposal of North Queensland gas pipeline business	**-**	23.1
Gain on disposal of subsidiary	**-**	0.4
Gain in fair value of oil derivatives	**-**	160.8
Demerger costs	**-**	(6.7)
Phoenix change program costs	**(11.7)**	(22.4)
Redundancy, termination and restructure costs	**(3.6)**	(3.1)
Merger and acquisition related costs	**(2.6)**	-
	(17.9)	1,822.2
Attributable to:		
Continuing operations	**(17.9)**	872.5
Discontinued operations	**-**	949.7
	(17.9)	1,822.2
Income tax income/(expense) applicable:		
Gain on disposal of investment in Queensland Gas Company Limited	**-**	(247.5)
Gain on disposal of investment in Auscom Holdings Pty Limited	**-**	(29.0)
Gain on disposal of PNG oil and gas interests	**-**	(18.0)
Gain on disposal of North Queensland gas pipeline business	**-**	(9.5)
Gain on disposal of subsidiary	**(2.2)**	(0.1)
Gain in fair value of oil derivatives	**-**	(85.8)
Demerger costs	**-**	1.4
Phoenix change program costs	**3.5**	6.7
Redundancy, termination and restructure costs	**1.1**	0.9
Merger and acquisition related costs	**0.8**	-
	3.2	(380.9)
Reversal of previous write-down of deferred tax assets relating to PNG operations	**-**	67.8
Overprovision for income tax relating to demerger of AGL Energy Limited tax-consolidated group	**-**	14.4
	3.2	(298.7)
Attributable to:		
Continuing operations	**3.2**	(253.2)
Discontinued operations	**-**	(45.5)
	3.2	(298.7)
Significant (expense)/income items before income tax	**(17.9)**	1,822.2
Income tax income/(expense)	**3.2**	(298.7)
	(14.7)	1,523.5

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 9 - Income tax		
Income tax recognised in the income statement		
Income tax expense attributable to:		
Continuing operations	**77.7**	316.4
Discontinued operations	**-**	73.4
Total income tax expense	**77.7**	389.8

Numerical reconciliation between tax expense and pre-tax profit
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before tax from continuing operations	**261.4**	1,080.5
Profit before tax from discontinued operations	**-**	964.1
Profit from operations	**261.4**	2,044.6
Income tax expense calculated at 30%	**78.4**	613.4
Non-deductible expenses	**3.4**	25.6
Gain on disposal of investments	**-**	5.2
Gain on disposal of businesses and subsidiaries	**2.2**	(221.8)
Non-assessable income	**-**	(1.8)
Share of profits of associates and jointly controlled entities	**(6.2)**	(3.7)
Effect of different tax rates in foreign jurisdictions	**-**	47.4
Reversal of previous write-down of deferred tax assets	**-**	(67.8)
Other	**(0.1)**	0.5
Adjustments in respect of current income tax of prior years	**-**	(7.2)
	77.7	389.8

	Half year ended	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 10 - Dividends		
Recognised amounts		
Final dividend		
Final dividend of 28.0 cents per share, fully franked at 30%, paid 30 September 2009 (2008: Final dividend of 27.0 cents per share, fully franked at 30%, paid 26 September 2008)	**125.5**	119.9
Total dividends	**125.5**	119.9
Dividends satisfied by the issue of shares under the AGL Dividend Reinvestment Plan (Note 17)	**(18.3)**	(38.4)
Dividends paid as per the cash flow statement	**107.2**	81.5
Unrecognised amounts		
Since the end of the financial period, the Directors have declared an interim dividend for the half year ended 31 December 2009 of 29.0 cents per share (2008: 26.0 cents), fully franked at 30%, payable 7 April 2010	**130.2**	116.0

The financial effect of this dividend has not been recognised as a liability in this financial report but will be brought to account in subsequent financial reports.

Dividend reinvestment plan

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on the ASX during each of the 10 trading days commencing on the second trading day after the dividend record date.

	As at	
	31 Dec 2009	30 June 2009
	$	$
Note 11 - Net tangible asset backing		
Net tangible asset backing per ordinary share	**6.21**	6.00

Note 12 - Discontinued operations

Half year ended 31 December 2008

Disposal of Papua New Guinea oil and gas interests

On 22 May 2008, the consolidated entity announced its decision to proceed with the sale of its Papua New Guinea (PNG) oil, gas and LNG project assets. This followed execution of a gas agreement by the PNG LNG joint venture participants and the PNG Government and the subsequent formal decision by the joint venture participants to commence Front End Engineering and Design for the PNG LNG project.

On 30 October 2008, the consolidated entity announced that it had executed sale and purchase agreements (SPAs) for all of its oil and gas exploration and production interests in PNG, which included a 3.6% interest in the PNG LNG project. The agreed sale price under the SPA was US$800 million. The SPA was unconditional, other than Government approvals and was subject to a pre-emptive rights process.

The disposal of the PNG oil and gas interests was completed on 18 December 2008, on which date control of the business passed to the acquirers.

Merlin Petroleum Company (Merlin), an affiliate of Nippon Oil Exploration Limited, exercised its pre-emptive rights and acquired the consolidated entity's interests in production licences PDL 2 and PDL 4 for US$795 million. Both Merlin and Petroleum Resources Kutubu Limited exercised their pre-emptive rights in respect of the pipeline licence PL 2 and acquired 6.0% and 5.9% of the consolidated entity's 11.9% interest in this licence respectively for US$5 million.

Disposal of North Queensland gas pipeline business

On 30 June 2008, the consolidated entity and its 50/50 joint venture partner, Arrow Energy Limited (Arrow), announced they had entered into a sale and purchase agreement with Victorian Funds Management Corporation (VFMC) for the sale of the North Queensland gas pipeline. The disposal was completed on 1 August 2008, on which date control of the business passed to the acquirer.

The sale follows the purchase by the consolidated entity and Arrow of the Enertrade assets in November 2007, and relates to the on-sale of the gas pipeline asset only. The joint venture retained ownership of the gas processing and compression facility located at Moranbah, which has been integrated into the Moranbah Gas Project joint venture.

The sale of the pipeline is consistent with the intentions outlined at the time the consolidated entity acquired this asset. Ownership of the pipeline was non-core to the consolidated entity's integrated strategy.

Under the terms of the sale, the consolidated entity and Arrow will continue to operate the pipeline through a 50/50 jointly owned company, which will provide contracted operating and maintenance services to VFMC.

Financial performance of operations disposed

The results of the discontinued operations which have been included in the income statement were as follows:

	31 Dec 2009 $m	PNG oil and gas interests 31 Dec 2008 $m	North Queensland gas pipeline 31 Dec 2008 $m	Total 31 Dec 2008 $m
Revenue	-	84.7	1.1	85.8
Other income	-	165.1	-	165.1
Expenses	-	(73.2)	(0.3)	(73.5)
Net financing costs	-	(2.2)	-	(2.2)
Profit before tax	-	174.4	0.8	175.2
Income tax expense	-	(45.9)	-	(45.9)
	-	128.5	0.8	129.3
Profit on disposal of operations (a)	-	765.8	23.1	788.9
Income tax expense	-	(18.0)	(9.5)	(27.5)
	-	747.8	13.6	761.4
Profit after tax from discontinued operations	-	876.3	14.4	890.7

(a) Includes gains of $nil (2008: $72.9 million) recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

Note 12 - Discontinued operations (continued)

Cash flows from discontinued operations

The combined net cash flows of operations disposed which have been included in the statement of cash flows were as follows:

	31 Dec 2009 $m	31 Dec 2008 $m
Net cash flows from operating activities	-	42.5
Net cash flows from investing activities	-	1,160.3
Net cash flows from discontinued operations	-	1,202.8

Operations disposed

Details of the disposals were as follows:

The major classes of assets and liabilities disposed were as follows:

	31 Dec 2009 $m	PNG oil and gas interests 31 Dec 2008 $m	North Queensland gas pipeline 31 Dec 2008 $m	Total 31 Dec 2008 $m
Assets				
Cash and cash equivalents	-	7.5	-	7.5
Trade and other receivables	-	7.9	0.6	8.5
Inventories	-	25.3	0.2	25.5
Exploration and evaluation assets	-	61.7	-	61.7
Oil and gas assets	-	445.2	-	445.2
Property, plant and equipment	-	-	90.4	90.4
Other assets	-	0.6	-	0.6
	-	548.2	91.2	639.4
Liabilities				
Trade and other payables	-	(17.9)	(0.2)	(18.1)
Provisions	-	(38.3)	(0.1)	(38.4)
Deferred tax liabilities	-	-	(13.1)	(13.1)
	-	(56.2)	(13.4)	(69.6)
Net assets disposed	-	492.0	77.8	569.8
Consideration received or receivable:				
Cash consideration received	-	1,168.5	102.7	1,271.2
Consideration receivable	-	20.4	-	20.4
Costs directly attributable to the disposal	-	(4.0)	(1.8)	(5.8)
Total disposal consideration	-	1,184.9	100.9	1,285.8
Net assets disposed	-	(492.0)	(77.8)	(569.8)
	-	692.9	23.1	716.0
Transferred from foreign currency translation reserve to profit or loss on disposal of foreign operation	-	72.9	-	72.9
Profit on disposal	-	765.8	23.1	788.9
Net cash inflow on disposal:				
Cash consideration received	-	1,168.5	102.7	1,271.2
Costs directly attributable to the disposal paid	-	(1.1)	(1.8)	(2.9)
Net payments for settlement of foreign currency and oil hedges	-	(77.6)	-	(77.6)
Cash and cash equivalent balances disposed of	-	(7.5)	-	(7.5)
Net cash inflow on disposal	-	1,082.3	100.9	1,183.2

Note 13 - Interests in associates, jointly controlled entities and jointly controlled operations and assets

	Ownership interest		**Contribution to net profit**	
	As at		**Half year ended**	
Name of entity	**31 Dec 2009 %**	31 Dec 2008 %	**31 Dec 2009 $m**	31 Dec 2008 $m
Associates				
Greater Energy Alliance Corporation Pty Limited	**32.5**	32.5	**20.2**	(0.5)
Queensland Gas Company Limited (a)	**-**	-	**-**	2.6
Gascor Pty Ltd	**33.3**	33.3	**-**	-
CSM Energy Limited	**35.0**	35.0	**(0.1)**	(0.2)
Jointly controlled entities				
ActewAGL Retail Partnership	**50.0**	50.0	**17.5**	17.2
Energy Infrastructure Management Pty Ltd	**50.0**	50.0	**0.3**	0.1
Central Queensland Pipeline Pty Ltd	**50.0**	50.0	**-**	-
MWF JV Pty Limited	**50.0**	50.0	**-**	-
			37.9	19.2

(a) The consolidated entity disposed of its 21.5% ownership interest in Queensland Gas Company Limited on 5 November 2008.

Jointly controlled operations and assets		
Camden Gas Project (a)	**-**	50.0
Sydney Basin Exploration (a)	**-**	50.0
Hunter Exploration (a)	**-**	50.0
Moranbah Gas Project	**50.0**	50.0
Moranbah Exploration	**50.0**	50.0
Galilee Basin Exploration	**50.0**	50.0
Spring Gully Project	**0.75**	0.75
Cooper Basin	**35.0 - 37.5**	-
North Queensland Energy	**50.0**	50.0

(a) On 31 March 2009, the consolidated entity completed the acquisition of Sydney Gas Limited. This transaction moved the consolidated entity's ownership interest in the Camden Gas Project, Sydney Basin Exploration and Hunter Exploration projects from 50% to 100%.

Note 14 - Non-current assets classified as held for sale

Property, plant and equipment

The consolidated entity intends to sell its recently constructed and commissioned 113km, Berwyndale to Wallumbilla gas pipeline in south-east Queensland. The consolidated entity will enter into a long-term gas transportation agreement on appropriate terms prior to the sale. Efforts to sell the pipeline have commenced, and a sale is expected to be completed by the end of June 2010. No impairment loss was recognised on reclassification of property, plant and equipment with a carrying amount of $79.5 million as held for sale.

Note 15 - Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2009, the consolidated entity acquired assets with a cost of $140.6 million including capitalised finance costs of $12.9 million.

Assets with a carrying amount of $157.1 million were disposed of as part of subsidiaries disposed (refer Note 20). Other assets with a carrying amount of $1.1 million were disposed of during the six months ended 31 December 2009, resulting in a net loss on disposal of $1.0 million. Assets with a carrying amount of $79.5 million were transferred to held for sale (refer Note 14).

	As at	
	31 Dec 2009	31 Dec 2008
	$m	$m
Note 16 - Intangible assets - Goodwill		
Balance at 1 July, net of accumulated impairment	**2,624.4**	2,624.4
Acquisitions through business combinations (Note 19)	**-**	-
Impairment loss	**-**	-
Balance at 31 December, net of accumulated impairment	**2,624.4**	2,624.4
Balance at 1 July		
Cost (gross carrying amount)	**2,624.4**	2,624.4
Accumulated impairment losses	**-**	-
Net carrying amount	**2,624.4**	2,624.4
Balance at 31 December		
Cost (gross carrying amount)	**2,624.4**	2,624.4
Accumulated impairment losses	**-**	-
Net carrying amount	**2,624.4**	2,624.4

Note 17 - Issued capital

	31 Dec 2009		30 June 2009	
	Number of shares	**$m**	Number of shares	$m
Movement in fully paid ordinary shares				
Balance at beginning of financial year	**447,536,000**	**4,030.3**	443,354,097	3,971.6
Shares issued under AGL Dividend Reinvestment Plan (a)	**1,332,339**	**18.3**	4,181,903	58.7
Balance at end of financial period	**448,868,339**	**4,048.6**	447,536,000	4,030.3

(a) On 30 September 2009, 1,332,339 ordinary shares were issued at $13.71 per share to participating shareholders under the AGL Dividend Reinvestment Plan.

	31 Dec 2009	30 June 2009
Note 18 - Contingent liabilities	**$m**	$m
Contingent liabilities		
Nil	**-**	-

Other contingent liabilities

Details of other contingent liabilities which Directors consider should be disclosed are set out below. The Directors are of the opinion that provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

(a) The consolidated entity has various contingent liabilities arising in connection with the sale of certain subsidiaries and a jointly controlled entity. Under the various sale agreements the consolidated entity has given warranties and indemnities in relation to tax related matters, environmental and other specific liabilities.

(b) Pursuant to ASIC Class Order 98/1418 (as amended), the Parent Entity and certain wholly-owned Australian subsidiaries entered in to a Deed of Cross Guarantee on 27 June 2008. The effect of the Deed is that the Parent Entity guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The subsidiaries have also given a similar guarantee in the event that the Parent Entity is wound up. No liabilities subject to the Deed of Cross Guarantee at 31 December 2009 are expected to arise.

(c) As detailed in Note 44 of AGL's annual financial report for the year ended 30 June 2009, the consolidated entity recognised income of approximately $27.0 million derived from gas sales in the Victorian gas market and furthermore it was party to a dispute with TRUenergy regarding this income. The matter has concluded with the result being that AGL will retain this income.

(d) Certain entities in the consolidated entity are party to various other legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the consolidated entity.

Note 19 - Acquisition of subsidiaries and businesses

Half year ended 31 December 2009

Acquisition of wind farm development projects

On 17 June 2009, the consolidated entity entered into a sale and purchase agreement with Transfield Services Limited to acquire 100% of the issued capital of Barn Hill Wind Farm Pty Ltd and the business assets of the Crows Nest wind farm development. The acquisition was completed on 14 December 2009, on which date the consolidated entity obtained control of Barn Hill Wind Farm Pty Ltd. The consideration transferred comprised cash of $9.0 million.

The assets acquired comprised the rights to the Barn Hill wind farm development project in South Australia and the Crows Nest wind farm development project in Queensland.

Acquisition-related costs amounting to $0.3 million have been excluded from the consideration transferred and have been recognised as an expense in the period, within 'other expenses' line item in the income statement.

From the date of acquisition, the entity has contributed $nil to revenue and $nil to operating profit before net finance costs, significant items, changes in fair value of financial instruments and income tax.

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:

Net assets acquired	Fair value on acquisition $m
Assets	
Intangible assets	9.0
	9.0
Fair value of identifiable net assets	9.0
Goodwill arising on acquisition	-
	9.0
Consideration transferred	
Cash paid in current period	7.0
Cash paid in prior period	2.0
	9.0
Net cash outflow on acquisition	
Cash paid in current period	7.0

The initial accounting for the above acquisition has only been provisionally determined at reporting date. Subject to the finalisation of the provisional acquisition accounting, all identifiable intangible assets have been recognised separately from goodwill. In accordance with the requirements of AASB 3 Business Combinations, the consolidated entity has 12 months from the date of acquisition to finalise its acquisition accounting, and therefore the information presented should be considered provisional.

Note 19 - Acquisition of subsidiaries and businesses (continued)

Half year ended 31 December 2008

Acquisition of wind farm development projects

On 23 July 2008, the consolidated entity acquired 100% of the issued capital of Allco Wind Energy Investments Pty Limited (now AGL Power Generation (Wind) Pty Limited) and its subsidiaries from Allco Finance Group Limited for $14.7 million including costs directly attributable to the acquisition of $2.2 million.

The assets acquired comprised six wind farm development projects in Queensland, New South Wales and South Australia.

On 9 December 2008, the consolidated entity acquired 100% of the issued capital of Coopers Gap Wind Farm Pty Ltd and Oaklands Hill Pty Ltd from Investec Wind Holdings Pty Ltd for $14.3 million including costs directly attributable to the acquisition of $0.3 million.

The assets acquired comprised two wind farm development projects in Queensland and Victoria.

Acquisition of 50% of Tri-Star's interests in the Spring Gully Project

On 5 November 2008, the consolidated entity acquired 50% of Tri-Star Petroleum Company's (Tri-Star) joint venture working interests and related assets in the Spring Gully Project in Queensland for $15.8 million including costs directly attributable to the acquisition of $0.1 million.

Tri-Star held a 1.5% interest in the project agreement in relation to ATP 592P, PL 195 and PL 203 and a 0.075% interest in the project agreement in relation to PL 204. The consolidated entity acquired 50% of these interests and became a participant in the associated joint ventures.

The consolidated entity also acquired the rights to take 400 terajoules of Tri-Star's banked gas from the Spring Gully Project comprising past production where it had elected not to participate in gas sales agreements.

Acquisition of Gloucester Basin coal seam gas assets

On 19 December 2008, the consolidated entity acquired 100% of the issued capital of Lucas Energy Pty Limited (now AGL Gloucester LE Pty Ltd) from AJ Lucas Group Limited and 100% of the issued capital of Molopo (Gloucester) NL (now AGL Gloucester MG Pty Ltd) from Molopo Australia Limited for $372.6 million including costs directly attributable to the acquisition of $2.6 million.

The acquired entities hold 100% of the interests in petroleum exploration licence PEL 285, the Gloucester Basin gas project in New South Wales.

The fair value of the identifiable assets and liabilities of each acquisition as at the respective dates of acquisition were as follows:

Net assets acquired	Wind farm development projects Fair value on acquisition $m	Spring Gully Project interests Fair value on acquisition $m	Gloucester Basin CSG assets Fair value on acquisition $m	Total fair value on acquisition $m
Assets				
Inventories	-	1.3	-	1.3
Exploration and evaluation assets	-	-	372.6	372.6
Oil and gas assets	-	14.5	-	14.5
Intangible assets	29.0	-	-	29.0
	29.0	15.8	372.6	417.4
Fair value of identifiable net assets	29.0	15.8	372.6	417.4
Goodwill arising on acquisition	-	-	-	-
	29.0	15.8	372.6	417.4
Consideration				
Cash paid including directly attributable costs	29.0	15.8	370.1	414.9
Directly attributable costs payable	-	-	2.5	2.5
	29.0	15.8	372.6	417.4
Net cash outflow on acquisitions				
Cash paid including directly attributable costs	29.0	15.8	370.1	414.9

Note 20 - Disposal of subsidiaries

Half year ended 31 December 2009

Disposal of Hallett 4 Pty Ltd and Brown Hill North Pty Ltd
On 30 September 2009, the consolidated entity disposed of 100% of the issued capital in Hallett 4 Pty Ltd and on 1 October 2009, the consolidated entity disposed of 100% of the issued capital in Brown Hill North Pty Ltd. The proceeds on disposal of $157.1 million were received in cash.

Half year ended 31 December 2008

Disposal of North Queensland Pipeline No 1 Pty Ltd (discontinued operation)
On 1 August 2008, the consolidated entity disposed of 100% of the issued capital in North Queensland Pipeline No 1 Pty Ltd. Refer Note 12 for further details.

Disposal of AGL Power Generation (Hallett Hill) Pty Limited
On 29 August 2008, the consolidated entity disposed of 100% of the issued capital in AGL Power Generation (Hallett Hill) Pty Limited. The proceeds on disposal of $42.1 million were received in cash.

The major classes of assets and liabilities disposed were as follows:

	31 Dec 2009	31 Dec 2008
	$m	$m
Assets		
Property, plant and equipment	**157.1**	42.1
Liabilities		
Deferred tax liabilities	**-**	(0.4)
Net assets disposed	**157.1**	41.7
Gain on disposal	**-**	0.4
Total consideration	**157.1**	42.1
Net cash inflow on disposal		
Cash consideration received	**157.1**	42.1

Note 21 - Subsequent events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods other than:

Interim dividend

On 26 February 2010, the Directors of AGL resolved to pay a fully franked interim dividend of 29.0 cents per share, amounting to $130.2 million. The record date for the interim dividend is 11 March 2010 with payment to be made on 7 April 2010. Shares will commence trading ex-dividend on 4 March 2010.

The AGL Dividend Reinvestment Plan (DRP) will be in operation and shares will be allotted at the simple average of the daily weighted average market price at which AGL's ordinary shares are traded on the ASX during each of the 10 trading days commencing on the second trading day after the dividend record date.

Note 22 - Information on audits or review

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations or other standards acceptable to ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.

☐	The accounts have been audited.	√	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subiect to review.	☐	The accounts have not yet been audited or reviewed.

5. The entity has a formally constituted Audit and Risk Management committee.

Mark Johnson
Chairman

26 February 2010

AGL Energy Limited and Subsidiaries

Directors' Declaration
For the half year ended 31 December 2009

The Directors of AGL Energy Limited declare that, in their opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

(a) compliance with accounting standards; and

(b) giving a true and fair view of the financial position and performance of the consolidated entity.

The Directors also declare that, in their opinion:

(a) there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable;

This declaration is made in accordance with a resolution of the Directors.

Mark Johnson
Chairman

Sydney, 26 February 2010

Deloitte.

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26 February 2010

The Board of Directors
AGL Energy Limited
101 Miller Street
North Sydney NSW 2060

Dear Board members,

AUDITOR'S INDEPENDENCE DECLARATION TO AGL ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of AGL Energy Limited.

As lead audit partner for the review of the financial statements of AGL Energy Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

Deloitte.

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Independent Auditor's Review Report to the members of AGL Energy Limited

We have reviewed the accompanying half-year financial report of AGL Energy Limited which comprises the statement of financial position as at 31 December 2009 and the income statement**,** the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 27 to 51.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the AGL Energy Limited's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AGL Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AGL Energy Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants
Sydney, 26 February 2010