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ASX statement

9 March 2011

Attached is AGL's Half Yearly Report to Shareholders.

Paul McWilliams
Company Secretary

Dear Shareholders

The first six months of the 2011 financial year saw a continued solid performance from our Retail Energy business with increased profits, growth in customer numbers and improvements in customer service. Earnings from our Merchant Energy business were marginally lower, primarily due to the mild spring weather. Together with a significantly reduced contribution from our interest in Loy Yang A power station, the result was an Underlying Profit of $226.2 million, a decline of 3.7% on the prior corresponding period.

During the half year the most significant event affecting AGL was the outcome of the New South Wales (NSW) electricity privatisation process. The Company thoroughly evaluated this opportunity and continued its disciplined approach in finalising offers for assets. Rather than paying more than our assessment of fair value for acquisitions, we decided instead to concentrate on organic growth in NSW customer numbers, utilising the solid marketing platform we have developed over the last three years.

If you are not already an AGL customer, we would encourage you to make the switch and benefit from our attractive product offerings.

Dividend – Directors maintained the interim dividend of 29.0 cents per share, unfranked.

Dividend Reinvestment Plan (DRP) – Your Company has a strong pipeline of growth projects for the next few years, and progressively requires additional equity to contribute to funding this. The Board has decided to give preference to current shareholders during this process and will therefore apply a discount of 1.5% to the price at which shares are issued to participants of the DRP commencing with the April 2011 dividend. We suggest you consider this Plan carefully if you do not already participate.

Outlook – AGL recently provided revised earnings guidance for the full year ending 30 June 2011 of $415 million to $440 million, compared to an Underlying Profit of $428.9 million achieved in the prior corresponding period.

Jeremy Maycock
Chairman

Michael Fraser
Managing Director

Retail Energy

Retail Energy contributed $193.8 million to Operating EBIT for the half year, up 5.6% on the prior corresponding period.

Retail Energy is responsible for servicing customers and growing AGL's position in gas and electricity retail markets. Retail Energy currently sells energy products and services to 3.3 million residential and small business customer accounts, as well as to commercial and industrial (C&I) customers in NSW, Victoria, South Australia and Queensland.

Competition for customers continues to be fierce. In the six months to 31 December 2010, industry market churn increased by 1.7 percentage points, from 18.7% to 20.4%. AGL's customer churn across all markets was 15.9%, 4.5 percentage points below the industry average. Against this backdrop, Retail Energy continued to pursue its dual fuel strategy. AGL now services 1.43 million dual fuel customer accounts, compared with 1.36 million as at 30 June 2010.

Customer service levels have continued to improve with further reductions in the number of customer complaints, and the virtual elimination of delays in issuing bills to customers.

Merchant Energy

Operating EBIT for the half year was $186.1 million compared with $195.1 million for the prior corresponding period.

The Merchant Energy group 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.

During the previous half year ended 31 December 2009, high temperatures in South Australia resulted in a period of high prices volatility which allowed the Wholesale Electricity business to realise significant portfolio benefits. Mild spring weather this financial year was the primary reason for the current half year's result being lower than the prior corresponding period.

During September 2010 heavy rain fell across Victoria resulting in significant inflows to Eildon and Dartmouth Dams. This has allowed power generation to resume at Dartmouth, with a current capacity of 132 MW. The additional water at Eildon has increased the generation capacity there by 30 MW compared with the prior corresponding period.

Wind farms owned and operated by AGL performed well in the half, generating 380,400 MWh at an average capacity factor of 36.0%.

On 12 August 2010, AGL and Meridian announced the construction of a 420 MW wind farm at Macarthur in Victoria's south west at a total capital cost of $1 billion. Upon completion in 2013, this will be the largest wind farm in the southern hemisphere.

Upstream Gas

Operating EBIT for the half year was $16.9 million compared with $3.0 million for the prior corresponding period.

AGL completed the acquisition of Mosaic Oil NL on 20 October 2010. This has enabled AGL to develop the depleted Silver Springs and Renlim gas fields as a gas storage facility and to enter into a long-term storage agreement with QGC Pty Limited (a wholly owned subsidiary of British company, BG Group plc).

Total 2P gas reserves increased by 451 PJ since 30 June 2010 to 2,029 PJ. AGL's combined 2P gas reserves entitlement, net of production, for the Moranbah Gas Project (MGP) and ATP 1103, increased by 312 PJ (41.8%) to 1,059 PJ. We expect the operator of ATP 1103 to undertake an aggressive exploration program over the next two years which could result in further upgrades in gas reserves.

During the half year, AGL also booked its first gas reserves in relation to its interests in the Hunter Valley in NSW.

Extreme Weather

At AGL, we were saddened by the destruction from the extensive flooding across Queensland, northern NSW and Victoria. In addition to the ongoing support of the AGL Rescue Helicopter in Queensland, we have already donated $50,000 to the Queensland Premier's Disaster Relief Appeal and $50,000 to the Salvation Army Disaster Flood Appeal. AGL also provided infrastructure, such as utes and trucks, and employee labour to move community belongings from affected areas and onto safer ground.

Recent weather events which have affected the national electricity market include:

- Co-incident very high temperatures in South Australia, Victoria and NSW;
- A record heat wave in Sydney;
- Cyclone Yasi; and
- Major flooding in Queensland.

These events have resulted in:

- Several days of record electricity demand in NSW and the highest recorded electricity demand in South Australia, coupled with extended periods of high and volatile electricity prices;
- The shut down, ahead of Cyclone Yasi, of the Yabulu power station (242 MW) over which AGL has dispatch rights; and
- Disruption of gas supplies and transmission constraints to the Oakey power station (282 MW) over which AGL has dispatch rights.

During these events AGL was exposed to increased customer demand for electricity during a period of higher underlying pool prices of up to $12,500 per MW hour (compared with recent wholesale electricity pool prices of below $40 per MW hour).

AGL's hedging program is designed to produce profitable outcomes from a wide range of possible weather scenarios, whilst acknowledging that infrequent extreme events may adversely affect expected profits on a non recurring basis.
The above combination of events is such an example and on 7 February 2011, AGL advised the market that forecast 2011 Underlying Profit would be reduced by $30 million to $35 million.

Dividend Reinvestment Plan – 1.5% discount

The Dividend Reinvestment Plan (DRP) will again operate in relation to the interim dividend. Under the DRP, shareholders are able to elect to receive additional AGL shares instead of cash. No fees or brokerage are paid on the DRP shares. Additionally, with effect from this dividend, shares will be issued at a discount of 1.5%.

Currently 14% of AGL shareholders participate in the DRP.

If you are not already participating in the DRP, and would like to, please complete the form accompanying this letter or go to the web link shown below to download the form, or call Link Market Services on 1300 554 474 or (02) 8280 7111.

Updating Shareholder details – Bank accounts, Postal/Email address

AGL dividends to Australian and New Zealand resident shareholders are now paid only via electronic funds transfer to a nominated bank account.

Currently, more than 4,000 AGL shareholders have not provided up-to-date bank account details, delaying the payment of their dividends. In addition, almost 1,500 shareholders haven't provided an up-to-date postal or email address.

Shareholders are encouraged to ensure their latest bank account details, postal address and email address have all been provided to our share registry, Link Market Services. The relevant forms can be downloaded at the following web link.

www.linkmarketservices.com.au/public/investors/login.html

Please check carefully that the information you enter is correct.

For shareholders that have not already provided their bank account details, the required form has been enclosed.

Financial Highlights

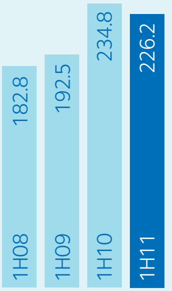
Six months to	31 Dec 2009 $m	31 Dec 2010 $m	% chg
Revenue	3,200.8	3,488.0	9.0
Operating EBITDA[1]	425.7	416.0	-2.3
Depreciation and amortisation	(66.8)	(71.9)	7.6
Operating EBIT[2]	358.9	344.1	-4.1
Net financing costs	26.8	22.1	-17.5
Profit before tax	332.1	322.0	-3.0
Income tax	97.3	95.8	-1.5
Underlying profit[3]	234.8	226.2	-3.7

1 EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortisation

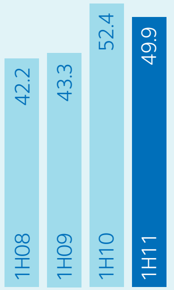
2 EBIT refers to Earnings before Interest and Tax

3 Underlying profit provides a better understanding of AGL's financial performance and allows for more relevant comparison of financial performance between financial periods.

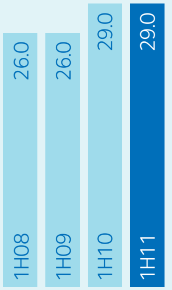
Underlying NPAT ($ million)



EPS (cents)



DPS (cents)



Significantly reduced contribution from Loy Yang power station impacts interim result.

$3,488.0m

Revenue up 9.0%

$226.2m

Underlying Profit down 3.7%

49.9 cents*

EPS – Underlying down 4.8%

29.0 cents*†

Interim dividend per share – maintained

* per share † unfranked

The latest
To see presentations, webcasts and ASX announcements and keep up-to-date with the latest information on AGL, visit our Investor Centre at the following web link:

www.agl.com.au

Shareholding enquiries
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For the Half Year ended 31 December 2010

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