If you have any questions regarding your shareholding
or your dividend entitlements please contact:
AGL Share Registry (02) 9922 8259 or
Manager Investor Relations Barry Gilbert (02) 9922 8257

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THE COMPANY REPORT TO PROPRIETORS

HALF YEAR ENDING 31 DECEMBER 2000

THE AUSTRALIAN GAS LIGHT COMPANY ABN 95 052 167 405
FORMED IN NEW SOUTH WALES WITH LIMITED LIABILITY

AGL

THE PROFIT ATTRIBUTABLE TO PROPRIETORS FOR THE HALF YEAR ENDED 31 DECEMBER 2000 WAS $208.1 MILLION, UP 14.5% FROM $181.7 MILLION FOR THE DECEMBER 1999 RESULT.

Commentary by the Directors on the Half Yearly Report and Dividend Announcement made to the Australian Stock Exchange Limited on 8 March 2001

The result reflects a number of factors:

- The replacement of the Group's 100% direct ownership in the natural gas transmission pipelines with a 30% investment in the Australian Pipeline Trust (APT);
- The impact of Bass Strait gas being delivered via the Eastern Gas Pipeline;
- The first full half year addition of the former ETSA electricity retail business in South Australia;
- Acquiring the remaining 50% of Gas Valpo;
- Commencement of the ActewAGL joint venture including the sale of AGL's Canberra gas distribution network;
- The change in the NZD/AUD exchange rate; and
- Increased customer numbers and a cooler start to winter.

Earnings before borrowing costs, tax and abnormal items for the half year was up 15.7% to $306.1 million.

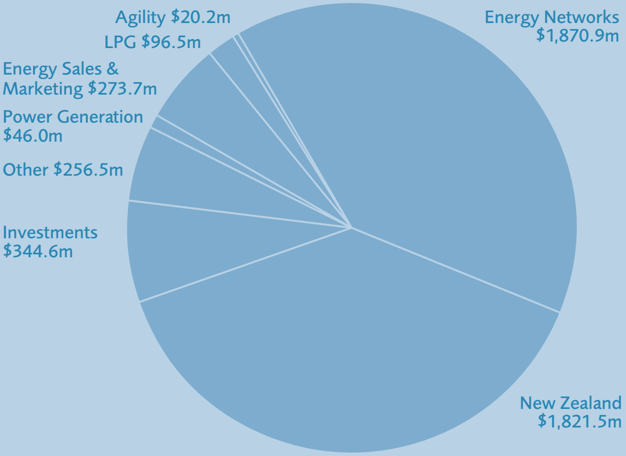
Net borrowing costs rose to $87.4 million from $59.7 million for the previous corresponding half year, principally due to a general increase in interest rates and higher borrowings required to fund the investment in the ActewAGL joint venture.

Tax expense on operating profits before abnormal items of $68.7 million was up $10.4 million, mainly as a result of the impact of lower equity accounted profits for the period. The abnormal items after tax for the year were $68.0 million, comprising the profit on the sale of AGL's Australian Capital Territory assets ($65.7 million) and profit from the sale of Stage 2, Breakfast Point ($2.3 million).

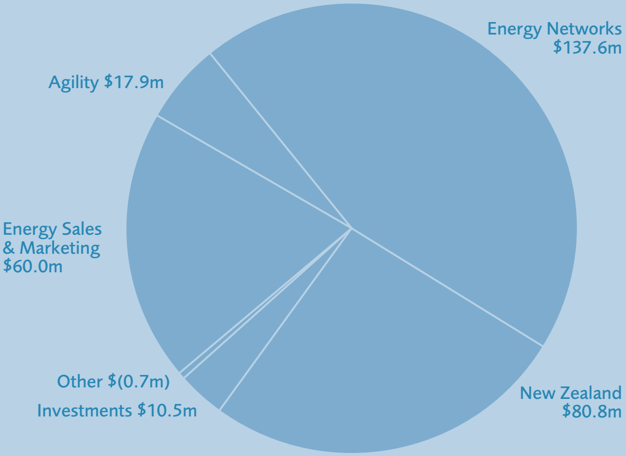
INTERIM DIVIDEND

The Directors have declared an interim dividend of 25 cents per share for the half year, franked to 7 cents (28% of the dividend), payable on Thursday 12 April 2001.

FUNDS INVESTED (TOTAL $4,729.9m)



EARNINGS (TOTAL $306.1m)



This is an increase of one cent (4%) per share on the 16.7% franked dividend of 24 cents per share paid for the corresponding half year to 31 December 1999.

No Foreign Dividend Account amount has been declared in respect of the half year dividend.

The Company's share register will be examined at the close of processing the transfers for Friday 30 March 2001 to determine Proprietors' entitlements to the interim dividend.

Proprietors who have elected to participate in the Dividend Reinvestment Plan (DRP) will receive AGL shares in lieu of receiving a cash dividend. Shares under the DRP will be issued at a discount of 2.5% on the ex-dividend weighted average market price.

The continuation of the DRP, along with its terms and conditions, will be reviewed by the Board in conjunction with the determination of the final dividend.

REVENUE

Sales revenue was $1,596.0 million, up from $937.6 million for the previous corresponding half year, mainly reflecting the inclusion of South Australian electricity sales, the consolidation of TransAlta New Zealand (TANZ) into the Natural Gas Corporation (NGC) and the loss of natural gas transmission pipelines' revenue to APT.

CASH FLOW & BORROWINGS

Operating cash flow for the half year was $133.5 million compared with $176.6 million for the corresponding half year in 1999. Higher receipts from customers and lower income tax payments were more than offset by higher payments to suppliers and employees primarily due to timing issues, higher borrowing costs and lower dividends received.

Net borrowings increased from $2,019.7 million at 30 June 2000 to $2,360.9 million at 31 December 2000. To fund investments in COMindico ($21.4 million), TransACT ($9.8 million), Dingo Blue ($12.7 million), the purchase of the remaining 50% of Gas Valpo ($35.3 million) and to fund the equalisation payments on the divestment and subsequent investment in the ActewAGL joint venture ($164.5 million), increased borrowings were required.

The debt to equity ratio at 31 December 2000 was 100% compared with 103.9% at 31 December 1999. Net borrowing costs for the half year were covered 3.5 times compared with 4.4 times at 31 December 1999.

INDICATORS

Earnings per share were 59.8 cents, up from 54.6 cents for the comparable 1999 half year. Net tangible asset backing per share at the half year was $2.22 compared with $2.98 for the previous corresponding period primarily due to the increase in intangible assets resulting from the TANZ acquisition and the purchase of electricity licenses in South Australia.

OPERATIONS

INFRASTRUCTURE MANAGEMENT & SERVICES

The Infrastructure Management & Services division contributed $166.1 million to earnings before borrowing costs and tax, a decrease of $17.6 million from the figure reported by the former Energy Infrastructure division for the previous corresponding half year, reflecting the sale of most of AGL's natural gas transmission pipeline assets to APT.

Gas Networks

Gas Networks contributed $97.3 million to earnings before borrowing costs and tax in line with its contribution for the corresponding period last year. In October 2000 AGL transferred its ACT gas networks assets into a joint venture with the Australian Capital Territory Electricity and Water Authority (Actew). Returns from these assets are now derived from AGL's 50% equity interest in the joint venture.

Gas transported on the AGL gas network in New South Wales was 54.5 PJ, an increase of 0.5 PJ over the corresponding period last year, reflecting cooler weather in the first two months of the financial year and a focus on residential site growth. A further 21,233 sites were added to the network during the six months to December 2000. This is a 28% increase compared to the corresponding period last year and reflects Gas Networks' emphasis on cost effective line of mains extensions and new home connections.

The five-year Blue Mountains project has been completed with a total of 607 km of mains and 9,393 residential connections. Project work was also completed in Temora, Kiama and the LPG network in Parkes was converted to natural gas. Progress is being achieved in securing the foundation loads necessary to construct the 303 km extension of natural gas to Tamworth and other Central Ranges towns in NSW.

Gas Networks is subject to a regulated business environment and a revised Access Arrangement for the transportation of gas through the NSW network was approved by the Independent Pricing and Regulatory Tribunal (IPART) of NSW and commenced in October 2000. This Arrangement will prevail until 30 June 2004.

A key feature of the decision was the establishment of an initial capital base for the NSW network as at 1 July 1996 of $1.55 billion, which means that at 1 July 2000 the network capital base, including working capital, is approximately $1.7 billion. IPART has approved a formula for pricing based on a pre-tax real weighted average cost of capital of 7.75%.

Gas Networks transports natural gas in accordance with non-discriminatory third-party arrangements to a number of licensed gas retailers including Energy Australia, Citipower, Boral Energy and Great Southern Energy, in addition to AGL's own gas retail businesses, which remain the largest shippers.

Gas Networks commissioned work to extend the Canberra primary distribution main to ensure system reliability and additional capacity to meet the winter peak demand. The ACT section of this work was completed and the NSW section is progressing according to plan and will be commissioned in 2001. The primary distribution main is now included in the ActewAGL joint venture.

AGL is continuing to promote the use of natural gas as an environmentally friendly fuel for vehicles, particularly as a replacement for diesel-engine vehicles and those covering greater than average annual distance. The NSW State Transit Authority has increased the number of its buses using the fuel to a total of 404, equivalent to approximately 27,000 average residential customers' gas usage.

Electricity Networks

Electricity Networks contributed $40.4 million to earnings before borrowing costs and tax. Electricity transported was 2,054 GWh to 258,577 sites, an increase in transportation of 2.4% compared to the same period last year.

In the six months to December 2000 Electricity Networks added 2,319 sites to its network and a further 238 km of distribution network bringing the total to 6,982 km.

In addition to seeking profitable growth, particularly in the attraction of new customers to greenfields industrial and business parks, Electricity Networks has continued to invest more than 50% of its capital expenditure of $15.8 million in asset augmentation and replacement to underpin system reliability.

The Office of the Regulator General (ORG) finalised its review of distribution prices for the five-year period commencing January 2001. Key features of the decision, which was based on a post-tax real return of 6.8%, are that AGL Electricity will be allowed to increase prices each year by a factor of CPI, less an 'X' factor determined by the ORG and there are opportunities for AGL to receive additional revenue if it is able to exceed reliability targets. Initially, the Determination will require Electricity Networks to reduce prices by 14.8% from January 2001.

In November 2000 an industrial strike resulted in a shutdown of power stations and consequent load shedding directed by the National Electricity Market Management Company. This had a negative impact of 23 minutes on the Electricity Networks measure of Customer Minutes-Off Supply (CMOS). After taking this forced load shedding into account and severe storm weather in December, Electricity Networks CMOS performance was comparable to the same period last year. As a result of this load shedding and one in February 2000, the Victorian Energy Network Corporation established revised crisis management procedures for all distributors and Electricity Networks confirmed that its procedures comply.

Full retail contestability is scheduled to commence in January 2002 with the 40-160 MWh market already opened to retail contestability in January 2001. For Electricity Networks the first stage involved approximately 2,600 customers and a number of procedural and systems changes were made to facilitate the new arrangements.

Agility

Agility comprises the businesses of Agility Management (providing management services to asset owners), Agility Services (delivering field services for asset owners and managers) and Agility Team Build (focussing on asset construction).

In the first six months of its maiden year Agility contributed $17.9 million earnings before borrowing costs and tax.

The transfer of AGL's pipeline ownership interests to APT also saw the establishment of Agility, to provide asset owners and managers with a comprehensive, whole-of-life portfolio of infrastructure management and services. Whilst clearly an important aspect of AGL's strategy regarding its energy assets, Agility will seek to establish contractual agreements with other asset owners and managers and derive its revenue from asset construction, asset management fees and service charges.

In addition to establishing efficient business systems and procedures, Agility is realising synergy benefits from organising its resources based on skill, rather than asset type. Agility has secured foundation asset management contracts with APT and the ActewAGL joint venture. Agility has also won a number of construction contracts, including further development of the Roma to Brisbane pipeline, extension to the Canberra primary main, pipeline compressor projects in Western Australia, natural gas distribution construction in Cooma, Singleton, Temora, and Tumut and the roll out of fibre-optic cable in

Canberra for TransACT. Agility is also constructing a pipeline to facilitate the use of coal-bed methane in Camden for the Sydney Gas Company.

In its inaugural year, Agility is also actively pursuing a range of other development opportunities to market its products and services, build its order book and broaden its customer base.

ENERGY SALES & MARKETING

The Energy Sales & Marketing (ES&M) division is responsible for the sale and marketing of gas, electricity and energy services to AGL's customer base across Australia. During the six months ended 31 December 2000, ES&M contributed $60.0 million to earnings before borrowing costs and tax compared with $35.7 million for the corresponding period to 31 December 1999. The increased profitability is due primarily to the inclusion of results from AGL South Australia (the former business of ETSA Power), which was acquired by the AGL Group in January 2000, as well as a strong performance in the residential gas market.

Natural Gas

Total natural gas sales were 6.4 PJ lower than in the corresponding period last year at 59.2 PJ. This result was affected by the completion of the Eastern Gas Pipeline which now transports gas into NSW and increased competition from energy retailers for industrial and commercial business.

Sales of natural gas to the residential market increased over the level of the prior corresponding period by 0.4 PJ to 14.1 PJ. This was mainly due to the cold end of winter, with higher sales in the months of July and August, as well as successful endeavours in the new homes area, where a record 21,457 new customers were added during the six months. This increase was achieved even though the sales to ACT/Queanbeyan customers were transferred to the ActewAGL joint venture for the three months from October through December.

The fit-out of a new Call Centre in Canberra was completed in November, being part of AGL's regional development commitments under the ActewAGL joint venture arrangements.

Sales to Origin Energy's Victorian operations, via the NSW to Victoria interconnect, totalled 2.5 PJ under a five-year, 5 PJ per annum contract signed in 1998. Sales in the six months also included 0.9 PJ to Great Southern Energy and 0.6 PJ to National Power.

Electricity

The acquisition of the AGL South Australia (AGLSA) business added approximately 734,000 customers to AGL's base and 5,041 GWh for the half year.

ES&M passed the milestone of its one millionth electricity customer during the period. This was achieved through the addition of the AGLSA customers as well as organic growth of the customer base.

Retail electricity results in Victoria and NSW also demonstrated strong growth levels, with 7% (142 GWh) and 76% (266 GWh) growth respectively, in total load supplied over the prior period.

During December 2000 a comprehensive demand-side management programme was implemented in South Australia, involving press, radio and outdoor advertising, supported by a comprehensive public relations campaign. The programme asked customers to conserve electricity during periods of high temperatures and was designed to reduce the potential for blackouts. The programme has been very successful, especially during January 2001, achieving average reductions estimated at between 100 MW and 150 MW (4% to 5%) in customer demand during the hottest January since 1908.

The balance of energy supply and demand in South Australia will be further improved in the future by the full commissioning of operations of National Power's gas turbine generator at Pelican Point, South Australia. The Pelican Point plant will have a capacity of approximately 470 MW.

Energy Services

The Sydney Olympics provided AGL with a high profile opportunity to showcase its capabilities in Energy Services. AGL was commissioned to design and install the spectacular 'Ring of Fire' which was the centrepiece of the lighting ceremony for the Olympic cauldron. The design and operation of the 'Ring of Fire' was extremely complicated with the combination of natural gas, hydrogen, LPG, cascading streams of water, safety aspects, and the distance travelled between the place where it was lit and its final position within the cauldron. AGL's engineers excelled in the challenges of this project and provided a highly memorable result for the huge international audience.

AGL is carrying out its first Energy Performance Contract (EPC) with the Greater Murray Health Service. This contract is one of the first EPCs to be executed under the NSW Government's Greenhouse Gas Reduction Programme, administered by the Sustainable Energy Development Authority (SEDA).

Power Generation

Through a subsidiary, AGL has a 20 MW plant operating at Cawse (60 km north-west of Kalgoorlie) and through the Southern Cross Energy business, 250 MW of plants over four sites between Mt Keith and Kambalda in Western Australia.

A 13 MW plant has been operating for about one year at Windimurra (70 km east of Mt Magnet, Western Australia).

All plants are producing and selling electricity under long-term agreements to a mixture of gold, nickel and vanadium mining, mineral processing companies and other customers.

INTERNATIONAL

During 2000 there has been significant growth in AGL's position in the New Zealand energy market. In March NGC completed the purchase of TransAlta Canada's 75.8% holding in TANZ, a major electricity retailer and generator, for NZ$824 million. This acquisition was partially funded by a 4 for 5 rights issue by NGC raising NZ$366 million and AGL took up its full entitlement (NZ$262 million).

In September NGC successfully concluded an agreement with the Hutt Mana Energy Trust to acquire its key remaining stake in TANZ, allowing NGC to launch a scrip or cash alternative bid for the outstanding minorities in TANZ. TANZ was subsequently de-listed in November. The TANZ acquisition represents a significant consolidation of the NZ energy sector and has propelled NGC to become one of New Zealand's largest downstream energy companies with over 520,000 gas and electricity customers, gas and hydro power generation, significant wholesale gas entitlements and major infrastructure investments in gas transmission and distribution.

AGL now has a 66.1% shareholding in NGC (diluted from 74.4% following the acquisition of the TANZ minorities) and it is actively developing energy related opportunities in the NZ market in line with AGL's overall strategy of developing a balanced and sustainable business.

NGC's earnings contribution to AGL before borrowing costs, tax and outside equity interests was $74.7 million compared with $38.8 million for the corresponding previous half year.

The increased result was due to the TANZ acquisition, offset by milder weather and the weakening of the NZ dollar.

AGL's 20.5% investment in TrustPower Limited contributed $3.0 million to earnings before borrowing costs and tax, up $0.8 million from the corresponding previous half year.

Following the acquisition of 100% ownership of Gas Valpo in July 2000, AGL is completing the process of rehabilitating existing distribution systems, converting towns gas customers to natural gas and expanding the market for natural gas. Customer numbers increased by 25% to 25,397. Due to the timing of operating costs, Gas Valpo made an operating loss of $0.6 million before borrowing costs and tax for the six months to 31 December 2000.

LPG

Elgas (AGL 50%) made a $2.6 million contribution to earnings before borrowing costs and tax for the six months ended 31 December 2000. This compares with $7.4 million for the previous half year which included a one-off adjustment to deferred tax balances of $3.1 million.

Elgas' profit was adversely impacted by substantial rises in the cost of LPG. Saudi contract prices continued to set new records, in sympathy with the price of oil. The weak Australian dollar has further lifted local LPG costs. Although Elgas has passed on these cost increases, consumer resistance has caused a weakening in sales volumes. The immediate outlook for LPG costs is not encouraging.

HC Extractions contributed $3.5 million to earnings before borrowing costs and tax, an increase of $0.4 million over the corresponding period last year. Production of LPG and naphtha decreased by 1,508 tonnes to 18,821 tonnes.

TECHNOLOGY COMMERCE

In Technology Commerce (related telecommunications and e-commerce activities) AGL has commenced to implement its strategy to develop other products and services for its customers.

In September 2000 AGL completed a $40 million (20%) investment in COMindico, Australia's first national Internet Protocol (IP) based wholesale network.

In December 2000 AGL was successful in acquiring Dingo Blue, an online retailer of telephony and internet products and services, from Cable & Wireless Optus for $20.2 million.

These two investments, together with AGL's 20% stake in TransACT, give AGL a significant presence in the technology commerce arena and enable AGL to offer a suite of telecommunications products and services to its substantial gas and electricity customer base.

PROPERTY

Remediation of AGL's former gasworks site at Breakfast Point continues to progress well with approximately 85% of the work completed at the end of December 2000.

The purchaser of Breakfast Point, the Rosecorp Consortium, exercised the call option for Stage 2 in November 2000 for an amount of $4.7 million, and Stage 3 is on programme for the exercise of the call option by the purchaser in June 2001 for a further amount of $30.6 million.

All of the allotments within the industrial land subdivision of Mars Road, Lane Cove, have now been sold, with settlement outstanding on two allotments.

OUTLOOK

At this time, and subject to no significant changes to market conditions, the Directors expect the operating profit for the full year to be in line with the previous year. Operations' profitability for the second six months of the current financial year will be lower than the first six months for the usual seasonal reasons.

M J Phillips
Chairman

8 March 2001