



# media release

23 August, 2001

## Results for year ended 30 June 2001

Chairman of AGL, John Phillips, today released AGL's results for the financial year ended 30 June 2001.

Underlying profit for the year, before taking account of significant items, was \$224 million. This compares with \$249 million for the previous comparable year. This was broadly in line with the expectations canvassed during the year. However, whereas 1999/2000 was a year of abnormal profits for AGL, the past year produced an opposite outcome.

After taking account of this year's significant items (including the losses from AGL's 66% owned New Zealand subsidiary Natural Gas Corporation Holdings Limited and 100% owned dingo blue), profit attributable to Proprietors was \$115 million.

This compares with last year's profit attributable to Proprietors of \$450 million which included significant items totalling \$201 million, the largest component of which was the profit from the sale of pipeline assets to the Australian Pipeline Trust.

Director's have recommended a final dividend for the second half of the year of 27 cents per share ( 16 cents franked). This would bring the total dividend for the year to 52 cents ( 23 cents franked), compared to the previous year's "normal" dividend of 51cents ( 10 cents franked). Last year a special dividend of 23 cents relating to the sale of the Company's pipeline assets, was also paid.

AGL Managing Director Greg Martin said, "This was expected to be a year of change and challenge for AGL. The major unexpected item was the unfortunate outcome of the electricity supply situation in New Zealand.

"A number of other one-off factors also influenced the outcome, some positive, some negative. These factors included;

- The first full year's results for the South Australian electricity retailing business
- The first full year of trading for the new business unit Agility
- It was the first year after the float of the Australian Pipeline Trust

## The Australian Gas Light Company

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- Competition commenced from the new Eastern Gas Pipeline,
- AGL and Actew Corporation formed the ActewAGL joint ventures
- There were new regulatory arrangements for both gas and electricity networks
- The gas network assets in the Hutt Valley in New Zealand were sold
- AGL entered into two additional telecommunications ventures
- Stages 2 and 3 of the Breakfast Point land site were sold

“AGL’s core Australian businesses all delivered results in line with expectations.”

Gas Networks contributed \$222.0 million to operating profit (including significant items) before borrowing costs and tax. The result included \$49.3 million profit from the sale of the ACT gas networks into the ActewAGL joint venture.

The number of new sites connected to the gas network, 38,870, equalled last year’s record increase of 5%. The total number of sites connected is now 827,191.

Greg Martin continued, “Gas reticulation continues to expand across NSW. The five-year Blue Mountains project, west of Sydney, was completed with a total of 607 km of mains and 9,393 residential connections. Project work continued in the towns of Narromine, Wellington, Kiama and the regional city of Dubbo.”

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 \$1.67 billion. IPART has approved a formula for pricing based on a pre-tax real weighted average cost of capital of 7.75%.

In October 2000 AGL transferred its ACT gas network assets into ActewAGL, a joint venture with Actew Corporation. Returns from these assets are now derived from AGL’s 50% equity interest in the joint venture.

Electricity Networks contributed \$70.7 million to operating profit before borrowing costs and tax, an increase of \$7.8 million on the previous year.

Greg Martin said, “The Victorian Office of the Regulator General (ORG) finalised its review of distribution prices for the five-year period commencing January 2001. The key feature of the decision, based on a post-tax weighted average cost of capital of 6.8%. ORG. AGL will have the opportunity to receive additional revenue if it is able to exceed reliability targets.”

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Agility contributed \$28.4 million to operating profit before borrowing costs and tax. For the past year the bulk of this profit has come from asset management and services contracts with AGL related entities and APT. However, the proportion of income from unrelated entities is expected to rise in future years.

Greg Martin commented, "In October 2000 Agility contracted its services to the ActewAGL joint venture, representing another milestone in the diversification of AGL into a multi-utility operation.

"Another milestone in AGL's diversification into a multi-utility operation was Agility's achievement of its first non-gas construction contract. The contract, awarded by TransACT, was for the roll out of fibre-optic cable in Canberra."

AGL's Energy Sales & Marketing division is responsible for the sale and marketing of gas, electricity and energy services to AGL's 1.85 million customer base in south-eastern Australia.

The milestone of one-million electricity customers was passed during the year. AGL's combined share of gas and electricity customers is currently around 18% nationally.

For the twelve months to 30 June 2001 the division contributed \$115.4 million to operating profit (including significant items) before borrowing costs and tax, compared with \$58.5 million for the previous year. Included in the result is a profit of \$5.0 million arising on the sale by the Company of its ACT gas retail business to the ActewAGL joint venture.

Mr Martin said, "The increased profitability was due to a strong performance in contestable electricity markets in NSW and Victoria and the inclusion of results, for a full year, from AGL South Australia Pty Limited (formerly ETSA Power), which was acquired by AGL in January 2000. Our Sales and Marketing group also delivered a strong performance in the residential gas market."

Total natural gas sales were 12.6 PJ lower than the previous year's 106.7 PJ. This was a result of the completion of the Eastern Gas Pipeline which now supplies gas into NSW, and increased competition from other energy retailers for industrial and commercial business.

During the latter part of the year a \$1.3 billion sales campaign to business customers was successfully completed in South Australia.

Outside of South Australia, retail electricity results in Victoria and NSW demonstrated strong growth levels, with 5.8% (236 GWh) and 47.5% (409 GWh) growth, respectively, in total load supplied over the prior period.

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Greg Martin continued,” As one of the largest electricity retailers in Australia, we recognised that the best way to ensure availability of necessary electricity volumes and a level of price certainty during peak demand times was to achieve greater control over our own peaking generation.

“In May 2001 AGL announced it would build gas-fired peak generation plants – one in Victoria and one in South Australia. Both plants are planned to be in service during next summer and will supply 150 MW and up to 250 MW into the Victorian and South Australian markets respectively. Apart from providing additional energy supplies when electricity demand approaches the total capacity of generation available in the market, the generators will facilitate greater price stability and more reliable service to our customers during peak-demand periods.”

As already announced, as a result of the electricity trading conditions in New Zealand NGC, AGL'S 66% owned subsidiary, incurred significant losses. Essentially, write-downs associated with the carrying value of the electricity retailing assets and abnormal electricity trading losses during June 2001 were accommodated within the financial year. However electricity trading losses continued during July 2001, until the complete exit from electricity retailing on 1 August 2001.

In contrast, NGC's gas trading (retail and wholesale) infrastructure management and generation businesses performed strongly. Nevertheless, NGC's overall contribution to AGL, before borrowing costs, tax and outside equity interests, was a loss of \$182.3 million compared with a gain of \$92.5 million in the previous year.

As required by the New Zealand Commerce Commission, AGL's 100% owned Hutt Valley gas network and meter business was sold in July 2001 to Powerco for NZ\$118 million. Proceeds will be included in the 2001/2002 results.

During the year AGL made two important investment commitments in the telecommunications sector. In September 2000 a \$40 million commitment was made to invest in a 20% holding in COMindico, a national internet protocol (IP) based wholesale network. In December the acquisition of dingo blue, an online retailer of telephony and internet products and services, was made from Cable & Wireless Optus for \$21.0 million. These acquisitions add to the 20% direct investment in TransACT, a Canberra-based company rolling out a broadband fibre-optic telecommunications network throughout the ACT.

As at 30 June 2001 AGL had invested \$55.2 million in dingo blue, consisting of the original acquisition cost of \$21.0 million, plus loans of \$34.2 million advanced to fund operating cash flow and working capital requirements. In June 2001 the Company undertook a comprehensive operational review of its investment. As a result

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a \$22.2 million write-down before tax was made, relating primarily to goodwill and deferred expenditure.

Remediation of AGL's former gasworks site at Breakfast Point, formerly known as Mortlake, is approximately 95% complete, despite delays experienced in May 2001 due to wet weather. Completion of all site works is scheduled for the end of December 2001.

The purchaser of Breakfast Point, Rosecorp, settled the acquisition of Stage 2 on 24 November 2000 and exercised the call option on 30 April 2001 for the purchase of Stage 3, resulting in a profit to AGL of \$20.8 million pre-tax.

Work between AGL and the NSW Government on the modernisation of the Company's constitution and removal of official shareholding limitations is going ahead as planned. The intention is still for the process to be completed by the end of June 2002.

Chairman of AGL John Phillips concluded saying, "All in all, 2000/2001 was not one of AGL's better years. A number of events came together in such a way that the bad news overwhelmed the good. The New Zealand situation dominated the last few months of the year and those losses alone caused most of the negative outcome.

The Directors believe that most of the "bad news" arose from aberrant one-off factors. The New Zealand operations have been restructured and AGL's Australian core businesses produced results very similar to past performances.

The Company's strategic direction is in essence unchanged. We see a future involving managing and investing in energy infrastructure, marketing energy products and services and further development of opportunities in the energy sector. Despite the intense competition arising from the opening of energy markets, the Board expects significant improvement in returns to Proprietors in the coming year".

For more detailed information visit [www.aglinvestor.com](http://www.aglinvestor.com)

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