media release

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AGL Half Year Profit Announcement

The Chairman of AGL, Mr John Phillips, has announced a less than expected profit of $82.9 million for the half year to December 2001. This compares with $208.1 million in the December 2000 half year (which included one-off benefits totalling $68 million).

The current six months result was after the previously foreshadowed residual loss arising from the problems in New Zealand during July 2001 and the Company's decision to write-off the telecom retailer dingo blue and exit the business.

These two factors reduced AGL's profits during the half year by a net $69 million. However, the consequence of these decisions is that the Company's remaining businesses in Australia and New Zealand are all operating profitably and that augurs well for earnings in the second half of 2001/2002.

Mr Phillips said "The objective of the past year was to clean out activities which were not fully consistent with the Company's skills and strategies and were unlikely to add to Proprietors' returns in the medium term. dingo blue has failed to meet these tests despite earlier more hopeful assessments. Benefits may yet come from some ability to offer ancillary services to gas or electricity customers. However if so, this now seems more likely to come from strategic alliances than from direct equity involvements."

Mr Phillips added "The write-down for dingo blue covered the costs of meeting staff entitlements and exiting the business in an orderly fashion so as to minimise disruption to dingo blue customers. However, it does not allow for possible tax offsets or claims under warranties given to AGL at the time of purchase. These are being pursued."

The Directors have declared an interim dividend of 25 cents per share for the half year, franked to 19 cents, payable on 11 April 2002. This is identical to the 25 cents per share paid for the corresponding period to December 2000, except that the franking has increased from 28% to 76%.

Mr Phillips said the dividend had been maintained, despite the lower profit, to keep faith with AGL Proprietors and in recognition that the core energy businesses were performing well.

The Dividend Reinvestment Plan will again be available to Proprietors with the discount remaining at 2.5%.

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AGL Managing Director Greg Martin said “Earnings from our energy businesses were very satisfactory. Underscoring the strength of AGL’s core energy businesses, earnings before borrowing costs, tax and significant items for the half year of $312.5 million were up slightly on the corresponding result last year of $308.5 million.

“Net operating cash flow for the half year was considerably stronger at $159.4 million compared with $133.5 million for the corresponding half year in 2000, a pleasing turn around reflecting the renewed emphasis on cash flow management.

“Gearing decreased from 54.9% as at 30 June 2001 to 52.8% and this is quite satisfactory given the present make-up of the Company’s business portfolio.

“During the period under review a great deal of time and effort has gone into cleaning up the balance sheet, concentrating on improving the operating businesses, reducing costs and refining the Company’s strategy for the next phase of growth. We still have more work to do, but we expect to see the benefits of these activities flowing through into results over the next twelve months.”

Chairman John Phillips said plans to complete the corporate conversion of AGL including the removal of the 5% shareholding limit were progressing and the Board sees no reason why the previously announced timetable cannot be met. This would mean that a Special General Meeting of Proprietors was likely before the end of the financial year.

At this time, and subject to no significant changes in market conditions, the Directors expect the profit for the full year to exceed the previous year.

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