

# Results

2004 full year results  
Greg Martin, Managing Director



- Growth in profit
- Healthy cashflow
- All operating businesses performed well
- Increased retail competition
- Acquisition of 32.5% interest in Loy Yang Power
- Satisfactory regulatory outcomes

# KEY FINANCIAL RESULTS



## Reported performance

	<u>2003</u>	<u>2004</u>	Change
EBIT	\$687.3m	\$701.0m	+ 2.0%
Profit after tax	\$295.0m	\$349.5m	+ 18.5%
Earnings per share	67.3c	76.8c	+ 14.1%
Operating cashflow	\$542.2m	\$637.2m	+ 17.5%
Operating cashflow per share	123.6c	140.1c	+ 13.3%
Final dividend	29c	31c	+ 6.9%
% franking	62%	74%	
Full Year dividend	55c	60c	+ 9.1%
% franking	62%	75%	

## Performance excl significant items

	<u>2003</u>	<u>2004</u>	Change
EBIT	\$688.6m	\$713.8m	+ 3.7%
Profit after tax	\$320.8m	\$361.8m	+ 12.8%
Earnings per share	73.2c	79.5c	+ 8.6%

Strong underlying profit growth of 8.6% per share

## ... DURING THE YEAR

- Power Generation
  - Loy Yang Power investment
  - Plans to expand Hallett Peaking Plant
- Retail price paths agreed
- Successful management of Moomba disruption
- New Zealand
  - Capital return and bond issue
  - Resolution of Maui & Indemnity Gas issues

## ... FOLLOWING YEAR END

- APT purchase of CMS WA assets
- Decision to sell investment in NGC

# FINANCIAL SUMMARY



## Profit and Loss \*

	<u>2003</u> (\$m)	<u>2004</u> (\$m)	Change
Revenues	3,924.1	4,183.4	+ 6.6%
Expenses	-3,058.7	-3,309.3	+ 8.2%
Equity accounted share of JV profits	73.1	84.0	+ 14.9%
EBITDA	938.5	958.1	+ 2.1%
Depreciation and amortisation	-249.9	-244.3	- 2.2%
EBIT	688.6	713.8	+ 3.7%
Borrowing costs	-174.6	-134.0	- 23.3%
Tax	-171.6	-188.0	+ 9.6%
Outside equity interest	-21.6	-30.0	+ 38.9%
Profit after tax, interest and Outside equity interest	320.8	361.8	+ 12.8%

\* Before significant items

**Underlying profit increased 12.8%**

## Cash Flows

	<u>2003</u> (\$m)	<u>2004</u> (\$m)	Change
EBITDA (before significant items)	938.5	958.1	+2.1%
Working capital	-155.5	-65.5	-57.9%
Equity accounting associates and JV's	-11.3	-9.9	-12.4%
Borrowing costs	-169.2	-132.2	-21.9%
Tax payments	-72.7	-118.9	+63.5%
Non-current asset write-off/disposal	12.4	5.6	-54.8%
Operating cashflow	542.2	637.2	+17.5%
Less: Stay-in-business capex (SIB)	-66.0	-80.4	+21.8%
Cashflow after SIB capex	476.2	556.8	+16.9%
Less: Dividends	-231.3	-262.8	+13.6%
Free Cashflow	244.9	294.0	+20.0%

**Healthy free cash-flow: increased by 20%**

## Operating and financial metrics

	<u>2003</u>	<u>2004</u>	Change
Average Funds Employed	\$5,834.7m	\$5,411.4m	-8.4%
EBIT <sup>1</sup>	\$688.6m	\$713.8m	+3.7%
EBIT <sup>1</sup> / Average Funds Employed	11.8%	13.2%	+1.4%
Return on Average Equity <sup>1</sup>	11.7%	12.2%	+0.5%
Interest expense	\$174.6m	\$134.0m	-23.3%
Interest cover <sup>1</sup>	4.1x	5.7x	1.6 x
Net debt (at 30 June)	\$1,977.5m	\$2,159.1m	+9.2%
Gearing (D/D+E) (%) (at 30 June)	38.5%	40.6%	+2.1%

<sup>1</sup> excluding significant items

**Steady improvement in key metrics**

## Significant items (after tax)

Write down associated with closure of Xstrata WA mine  
 Windimurra power station  
 Share of APT's Windimurra pipeline

2004  
 (\$m)

-3.7  
 -4.2     -7.9

APT: share of profit upon entry into tax consolidations

27.9     27.9

Telecommunication

Dingo Blue

16.2

TransACT

-25.0

COMindico

-23.5     -32.3

Net Significant items

-12.3

# Segment Performance

The background of the slide is a photograph of a worker wearing a hard hat and safety glasses, looking upwards. He is holding several large, blue and yellow gas pipes. The pipes have some text on them, including 'GAS' and '32MM P12'. The overall color scheme is blue and yellow.

Note: All numbers in the Segment Performance section of this presentation exclude significant items

- Energy Sales and Marketing up 11.3%
  - Full year of Pulse
  - Increased competition
- Energy Networks up 8.5%
  - Cooler winter (return toward 6yr average temperatures) regulatory tariff changes and increased customer numbers
  - Gas up 8.0%
  - Electricity up 9.5%
- Agility up 9.9%
  - Increased 3rd party contracts

**Note: All numbers in the Segment Performance section of this presentation exclude significant items**

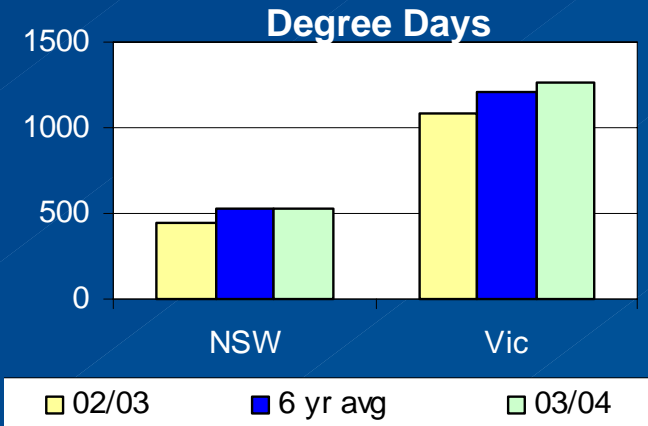
# FINANCIAL SUMMARY



Segment Results	<u>2003</u> (\$m)	<u>2004</u> (\$m)	Change
<b>EBIT</b>			
Energy Sales and Marketing	196.6	218.8	+11.3%
Networks			
Gas	151.9	164.1	+8.0%
Electricity	64.0	70.1	+9.5%
Agility	50.5	55.5	+9.9%
Power Generation	20.1	21.7	+8.0%
New Zealand	139.1	129.4	-7.0%
Energy Investments	88.4	86.7	-1.9%
Telecommunications	-0.7	-1.0	
Property	-1.3	0.5	
Unallocated	-20.0	-32.0	+60.0%
<b>Total</b>	<b>688.6</b>	<b>713.8</b>	<b>+3.7%</b>

The portfolio has performed well

	<u>2003</u>	<u>2004</u>	<u>Change</u>
EBITDA (\$m)	240.8	269.6	+ 12.0%
EBIT (\$m)	196.6	218.8	+ 11.3%
EBIT: sales (%)	6.3	6.3	0.0%
EBIT: avg FE (%)	11.7	11.5	- 0.2%



## 2004 - Outcomes

- Pulse Energy full year
- 67,700 increase in dual fuel customer accounts
- 76,000 net decrease in customer accounts
- Industrial & commercial sales growth

## Current Priorities

- Winning and keeping customers
- Retail effectiveness and efficiency
- SA Regulatory Price Review



- Gas - market only opened 28 July 2004
- Electricity - market opened Jan 2003, market churn 10% to June 2004
- Competition fuelled by Government rebate



- Gas - market churn 14% for FY 2004
- Electricity - market churn 14% for FY 2004
- New entrants and incumbents competing



- Gas - market churn 5% for FY 2004
- Electricity - market churn 5% for FY 2004
- Competition mainly amongst incumbents

	<u>Gas</u>			<u>Electricity</u>		
	<u>2003</u>	<u>2004</u>	<u>Change</u>	<u>2003</u>	<u>2004</u>	<u>Change</u>
EBIT (\$m)	151.9	164.1	+ 8.0%	64.0	70.1	+ 9.5%
Cashflow (\$m)	187.6	199.5	+ 6.3%	88.3	94.7	+ 7.2%
Total sites	892,900	924,600	+ 3.6%	272,400	279,100	+ 2.5%
New sites	32,300	31,700	- 1.9%	6,600	6,700	+ 1.5%

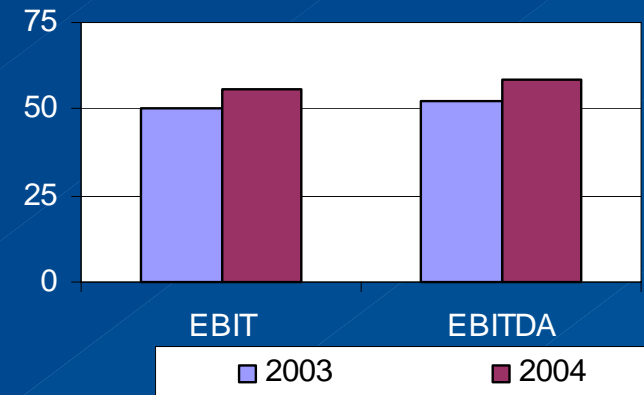
## 2004 Outcomes

- Cooler winter (return to 6yr averages)
- Increase in regulated tariffs
- Increase in customer numbers
- Increased usage per customer

## Current Priorities

- Customer connections
- Gas tariff reset Jan 2005
- Electricity tariff reset Jan 2006

	<u>2003</u>	<u>2004</u>	<u>Change</u>
Revenue (\$m)	379.0	404.3	+ 6.7%
EBIT (\$m)	50.5	55.5	+ 9.9%
EBIT: sales (%)	13.3	13.7	+ 0.4%



## 2004 Outcomes

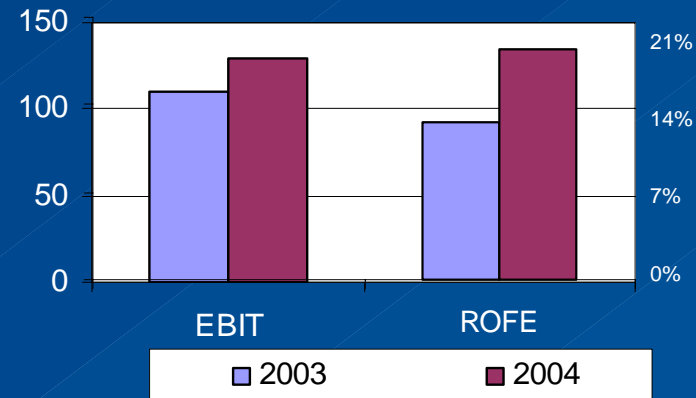
- Growth in customer base
- Increased 3rd party work
- Increasing efficiency
- Decreasing costs

## Current Priorities

- Building position as nationwide provider of infrastructure services
- Target 25% of revenue from 3rd party work by 2006
- Focus on water infrastructure

	<u>2003</u>	<u>2004</u>	<u>Change</u>
<b>EBIT (\$m)</b>	<b>139.1</b>	<b>129.4</b>	<b>- 7.0%</b>
<b>EBIT (\$m) *</b>	<b>122.2</b>	<b>129.4</b>	<b>+ 5.9%</b>
<b>EBIT: avg FE (%)</b>	<b>11.0</b>	<b>18.4</b>	<b>+ 7.4%</b>

\* Excluding businesses sold in '03



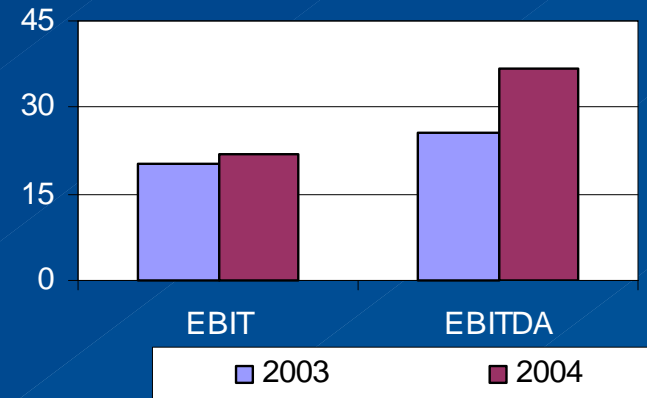
## 2004 Outcomes

- Benefits of business restructure
- Capital return and bond issue
- Resolution of Maui and Indemnity Gas

## NGC Current Priorities

- Maximising value from gas portfolio
- Energy infrastructure growth
- Growth in metering business
- LPG opportunities

	<u>2003</u>	<u>2004</u>	<u>Change</u>
EBITDA (\$m)	25.4	36.6	+ 44.1%
EBIT (\$m)	20.1	21.7	+ 8.0%
EBIT: avg FE (%)	7.4	6.2	- 1.2%



## 2004 Outcomes

- Equity interest in over 1,000 MW of generating capacity
- 32.5% interest in Loy Yang
- Full year of Somerton and Hallett

## Current Priorities

- Additional Peaking Power
  - expansion of Hallett
- Renewable power generation
- Identify greenfield sites for gas fired generation
- Market acquisition opportunities

# ENERGY INVESTMENTS



	2003 (\$m)	2004 (\$m)	Change	Comment
<b>ActewAGL</b> (50%)	44.4	50.9	+ 14.6%	Growth in customer numbers Colder than average winter Successful customer retention
<b>APT</b> (30%)	16.4	14.3	- 12.8%	Flat underlying operating result affected by pipeline bid costs
<b>Elgas</b> (50%)	12.8	13.9	+ 8.6%	Improved trading margin
<b>HC Extractions</b> (100%)	7.3	1.4	- 80.8%	Planned maintenance shutdown Movements in exchange rate
<b>Chile</b> (100%)	7.5	6.2	- 17.3%	Improvement in underlying EBIT adverse exchange rate change
<b>Total</b>	<b>88.4</b>	<b>86.7</b>	<b>- 1.9%</b>	

Mixed performance from investments

# Looking Ahead



- Decision to sell stake in NGC
- Current market conditions provide opportunity to unlock value to AGL shareholders
- AGL seeking higher growth investment opportunities aligned with Australian core business
- Appointed adviser to assist with sale process
- Form of sale still to be determined
  - Alternatives being reviewed
  - In discussions with NGC Board

## Opportunities for growth

- Retail
  - Capitalise on market position
  - Win and retain dual fuel customers
  - Establish SA electricity retail price path
  - NSW “trader model “
- Infrastructure
  - Continue to be supportive of appropriate investment
  - Actively seek to expand infrastructure management business
- Power Generation
  - Further investment in peaking and intermediate generation
  - Renewable power generation opportunities
- Seek acquisition opportunities which
  - Fit with strategy
  - Offer appropriate return (in excess of cost of capital)
- Manage capital to maximise shareholder value

## 2005 Result

- Based on current trading conditions and barring unforeseen circumstances expect higher underlying profit and eps in 2005
- Outcome of the sale of NGC and capital management initiatives will impact the 2005 result

# Results

2004 full year results  
Greg Martin, Managing Director

