

AGL RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2004 HIGHLIGHTS

February 24, 2005

Steady performance in a period of strong retail competition

<u>Underlying</u>	<u>Reported</u>
<ul style="list-style-type: none">• Revenue of \$2.2 billion, up 1.3%• Net profit steady at \$226.6 million• EPS down marginally to 49.6 cps• Operating cash flow down 8.2% to \$344.9 million• "A" credit rating maintained	<ul style="list-style-type: none">• Revenue of \$3.0 billion, up 38.3%• Net profit up 331.6% to \$887.8 million; impact of sale of stake in NGC• EPS up 328.2% to 194.4cps

Major Items of Note

- Sale of 66% stake in NGC – net profit of \$587.5 million
- Tax consolidation - \$64.8 million net impact
- Maintaining market share in a highly competitive retail environment
- Warmer weather than prior corresponding period
- SA Retail price path decision and draft IPART tariff ruling for NSW gas network
- Agility grows 3rd party order book by 19% over the last 12 months

Post End December 2004

- Interim dividend of 31c per share; up 6.9% franked to 90.3%
- \$515 million capital management program
 - Special dividend of 30c per share franked to 90%
 - Proposed Capital Return of 50c per share
 - On-market buy-back of \$150 million
- Hallett Wind Farm development approval
- Tenders to be called for PNG gas pipeline front end engineering and design
- Organisational changes to drive improved business performance



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media release

February 24, 2005

Steady result in competitive environment

The Australian Gas Light Company (AGL) today announced a steady underlying profit result for the six months to 31 December 2004, an increase in the interim dividend, as well as releasing details of a \$515 million capital management program.

Over the six month period underlying net profit, excluding significant items and outside equity interests, remained steady, as compared to the previous corresponding period, at \$226.6 million.

Reported profit attributable to Shareholders rose 331.6 per cent to \$887.8 million impacted by net profit of \$587.5 million from the sale of AGL's 66.05 interest in NGC Holdings Limited in New Zealand.

The decision to enter into tax consolidation, effective from 1 July 2003, favourably affected the reported result through a one-off net accounting benefit of \$64.8 million. Tax consolidation will simplify tax management of AGL's intra group transactions and improve the ability to distribute franking credits to Shareholders.

AGL Shareholders will receive an interim ordinary dividend of 31 cents per share franked to 90.3 per cent, up 6.9 per cent, compared to 29 cents per share franked to 75.9 per cent in the prior corresponding period.

In addition, as a result of the capital management program, Shareholders will receive a special dividend of 30 cents per share, franked to 90%. The other elements of the capital management program are a proposed 50 cents per share return of capital to Shareholders and a \$150 million on-market share buy-back (see separate media statement for full details).

AGL Chairman Mark Johnson said, "AGL's underlying results were achieved in an environment of increased competition in retail markets and a warmer winter than experienced in the previous corresponding period.

"AGL's balance sheet was strengthened by the sale of the company's stake in NGC, allowing it to implement the capital management program announced today."

AGL Managing Director Greg Martin said, "AGL remains on track to achieve growth in underlying net profit and earnings per share for the full year of 5-7 per cent.

“AGL continues to build a more integrated energy company. The company is committed to a portfolio of power generation assets supported by a flexible and complementary long-term wholesale gas portfolio. The potential increased supply of gas from coal seam methane, additional new sources of gas from Northern Australia and PNG, as well as energy from renewable sources, will all play an important role in shaping AGL’s future.

“AGL also continues to develop its strong retail market position. Maintaining market share and margins in highly competitive retail energy markets, together with superior customer service, are central to AGL’s growth strategy. Managing wholesale electricity and gas costs is also important to the financial performance of our retail business”, Mr Martin said.

These components of AGL’s business are complemented by the strong cash flow from the gas and electricity networks and the infrastructure management expertise of Agility.

“Recent organisational changes will help drive improved business performance. They position the company to be the most efficient and effective Australian energy company and help us achieve growth through sound investments”, Mr Martin concluded.

BUSINESS SEGMENT PERFORMANCE¹

Energy Sales & Marketing

EBIT of \$132.3 million was 15.4 per cent lower than the previous corresponding half due to a combination of factors including a warmer winter and spring, increased retail competition and increased licence fee amortisation in Victoria.

AGL remains committed to maintaining its market share, as well as retaining a strong focus on winning and retaining high margin customers. Despite strong competition, AGL increased its dual fuel customer accounts to 922,900, up 21 per cent, with 353,000 retail customer contracts signed during the period.

Energy Networks

EBIT of \$127.3 million was 3.2 per cent higher than the previous corresponding half principally due to an increase in customer numbers and higher regulated tariffs. Although the five year access arrangement for the NSW gas networks is well advanced, the final decision of the NSW regulator will not commence until 1 July 2005. The Victorian pricing decision for the electricity network will be effective from 1 January 2006.

Agility

EBIT of \$32.4 million was 20 per cent higher than the previous corresponding period, in part due to increased revenue from third party work and continuing efficiency benefits. Agility continues to build its position as a nationwide provider of infrastructure services, recently winning contracts with Powerco, Aurora Energy, Apache, Santos and Sydney Water. Its third party order book grew by \$28 million over the last 12 months to \$175.3 million, an increase of 19 per cent.

¹ Business segments are shown excluding significant items

Power Generation

EBIT of \$12.3 million was 4.7 per cent lower than the previous half. The operating result was affected by a change in the depreciation method resulting in an increased charge.

Loy Yang reported a good operating cash flow during the six months. AGL anticipates an improved EBIT contribution from Loy Yang in the second half of the year in line with forecasts made at the time of acquisition. The company continues to pursue greenfield renewable generation opportunities, such as the Hallett Wind Farm in South Australia, as well as the expansion of the existing Hallett gas fired peaking power station.

Investments

ActewAGL (50%) - EBIT of \$31.6 million was up five per cent on the previous corresponding period. ActewAGL was able to increase its customer numbers although its results were affected by a warmer winter and a five year regulatory electricity tariff reset.

APT (30%) - EBIT of \$8.1 million was up 9.5 per cent on the previous period principally due to the contribution from the acquisition of interests in Western Australia's Goldfields Gas Transmission & Parmelia pipelines in August 2004.

LPG Investments - Elgas (50%) - EBIT of \$9.1 million was up 7.1 per cent due to improved margin and contribution from the SwapNGo acquisition.

Chile (100%) - GasValpo - EBIT of \$2.6 million was down \$0.8 million on the previous period. Post year end, GasValpo signed a 13 year gas supply contract with Chilean Government-owned oil company, Emprosa Nacional de Petroleo.

OUTLOOK

The company expects underlying earnings per share growth for the full year of 5-7 per cent. This outlook assumes current competitive conditions in the retail market will continue through 2005 and is subject to the effect of factors such as summer electricity demand and any unforeseen circumstances in the second half of the year.

For more detailed information visit www.aglinvestor.com

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