



Half Year Financial Results
6 months ended December 2004

Greg Martin
Managing Director

Six Months to December 2004

- Steady performance from portfolio
- Warmer winter than previous year
- Maintained retail market share
- Regulatory developments
 - Draft IPART tariff ruling for NSW gas network
 - SA retail price path
- Sale of investment in NGC : recognition of \$587.5 million gain on sale

Post 31 December 2004 Developments

- Capital management program announced
- Entry into tax consolidation
- Hallett wind farm DA
- PNG project: Call for tenders for pipeline FEED
- Organisational realignment

Key Financial Results



Reported performance

Six months to ...

	<u>Dec '03</u>	<u>Dec '04</u>	Change
EBIT	\$406.0m	\$1,018.2m	+ 150.8%
Profit after tax	\$205.7m	\$887.8m	+ 331.6%
Earnings per share	45.4c	194.4c	+ 328.2%
Operating cashflow	\$375.7m	\$344.9m	- 8.2%
Operating cashflow per share	82.8c	75.5c	- 8.8%
Interim dividend	29c	31c	+ 6.9%
% franking	76%	90%	

Performance excl significant items

	<u>Dec '03</u>	<u>Dec '04</u>	Change
EBIT	\$426.9m	\$419.7m	- 1.7%
Profit after tax	\$226.1m	\$226.6m	+ 0.2%
Earnings per share	49.9c	49.6c	- 0.6%

Profit and Loss Summary



Six months to ...	Dec '03 (\$m)	Dec '04 (\$m)	Change
Revenues	2,149.1	2,178.0	+ 1.3%
Expenses	- 1,660.8	- 1,693.8	+ 2.0%
Equity accounted share of JV profits	47.5	49.3	+ 3.8%
EBITDA	535.8	533.5	- 0.4%
Depreciation and amortisation	- 108.9	-113.8	+ 4.5%
EBIT	426.9	419.7	- 1.7%
Borrowing costs	- 64.6	- 65.8	+ 1.9%
Tax	- 119.9	- 107.4	- 10.4%
Outside equity interest	- 16.3	- 19.9	+ 22.1%
Profit after tax, interest and Outside equity interest	226.1	226.6	+ 0.2%

*Note: P&L - before significant items

Cash Flow Summary



Six months to ...	<u>Dec '03</u> (\$m)	<u>Dec '04</u> (\$m)	Change
EBITDA (reported)	514.9	1,132.0	+ 119.8%
Working capital	- 12.9	- 4.3	- 66.7%
Equity accounting associates and JV's	- 6.1	1.5	<i>n/a</i>
Borrowing costs	- 63.9	- 68.6	+ 7.4%
Tax payments	- 71.3	- 112.2	+ 57.4%
Non-current asset write-off/disposal	15.0	- 603.5	<i>n/a</i>
Operating cashflow	375.7	344.9	- 8.2%
Less: Stay-in-business capex (SIB)	- 53.3	- 48.9	- 8.2%
Cashflow after SIB capex	322.4	296.0	- 8.2%
Less: Dividends paid	- 144.5	- 170.1	+ 17.7%
Free Cashflow	177.9	125.9	- 29.2%

Significant Items



Six months to ...	<u>Dec '04</u> (\$m)
Gain on sale of investment in NGC	591.5
Tax on sale	- 4.0
	<u>587.5</u>
Property: Gain on sale of Breakfast Point (Stage 6)	14.7
Remediation	- 6.1
Tax deduction on remediation costs	0.3
	<u>8.9</u>
Impact of entry into tax consolidation	65.9
Costs incurred	- 1.6
Tax impact	0.5
	<u>64.8</u>
Net Significant Items	<u>661.2</u>

Operating and Financial Metrics



Six months to ...	<u>Dec '03</u>	<u>Dec '04</u>	Change
Average Funds Employed	\$5,422.4m	\$5,296.7m	- 2.3%
EBIT ¹	\$426.9m	\$419.7m	- 1.7%
EBIT ¹ / Average Funds Employed (6 months)	7.9%	7.9%	0.0
Return on Average Equity ¹ (6 months)	7.6%	7.1%	- 0.5
Interest expense	\$64.6m	\$65.8m	+ 1.9 %
Interest cover ¹	6.6x	6.4x	- 0.2 x
Net debt (at 31 December)	\$1,951.4m	\$842.2m	- 56.8%
Gearing (D/D+E) (%) (at 31 December)	38.3%	18.1%	- 20.2

¹ Excluding significant items

Capital Management



- \$515 million capital management program to be implemented comprising:

	Amount
• Special dividend * 30c per share	\$137 m
• Return of capital ** 50c per share	<u>\$228 m</u>
	\$365 m
• On market buyback	<u>\$150 m</u>
• Total	<u><u>\$515 m</u></u>

- Terms of draft ruling confirmed with ATO for 50cps capital return
- Special dividend to be paid at the same time as the interim dividend
- Balance sheet would be 29% geared with \$515m capital return
- Retain capacity to participate in future growth opportunities

* Special dividend franked to 90%

** Shareholder meeting to approve capital return expected to be held 6 April 2005



Segment Performance

Segment Results



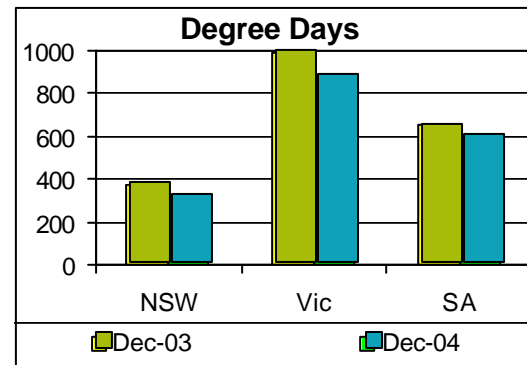
	Six months to ...	<u>Dec '03</u>	<u>Dec '04</u>	Change
		(\$m)	(\$m)	
EBIT				
Energy Sales and Marketing		156.3	132.3	- 15.4%
Networks				
Gas		89.4	89.9	+ 0.6%
Electricity		33.9	37.4	+ 10.3%
Agility		27.0	32.4	+ 20.0%
Power Generation		12.9	12.3	- 4.7%
New Zealand		71.7	73.7	+ 2.8%
Energy Investments		49.8	53.8	+ 8.0%
Telecommunications		- 0.9	1.0	
Property		- 0.1	0.0	
Unallocated		- 13.1	- 13.1	0.0%
Total		426.9	419.7	- 1.7%

* Before significant items

Energy Sales and Marketing

Six months to ...	<u>Dec '03</u>	<u>Dec '04</u>	<u>Change</u>
EBITDA (\$m)	178.1	157.9	- 11.3 %
EBIT (\$m)	156.3	132.3	- 15.4%
EBIT: sales (%)	8.7	7.3	- 1.4%

	<u>Jun '04</u>	<u>Dec '04</u>	
Dual fuel accounts ('000)	759.7	922.9	+ 21.5%



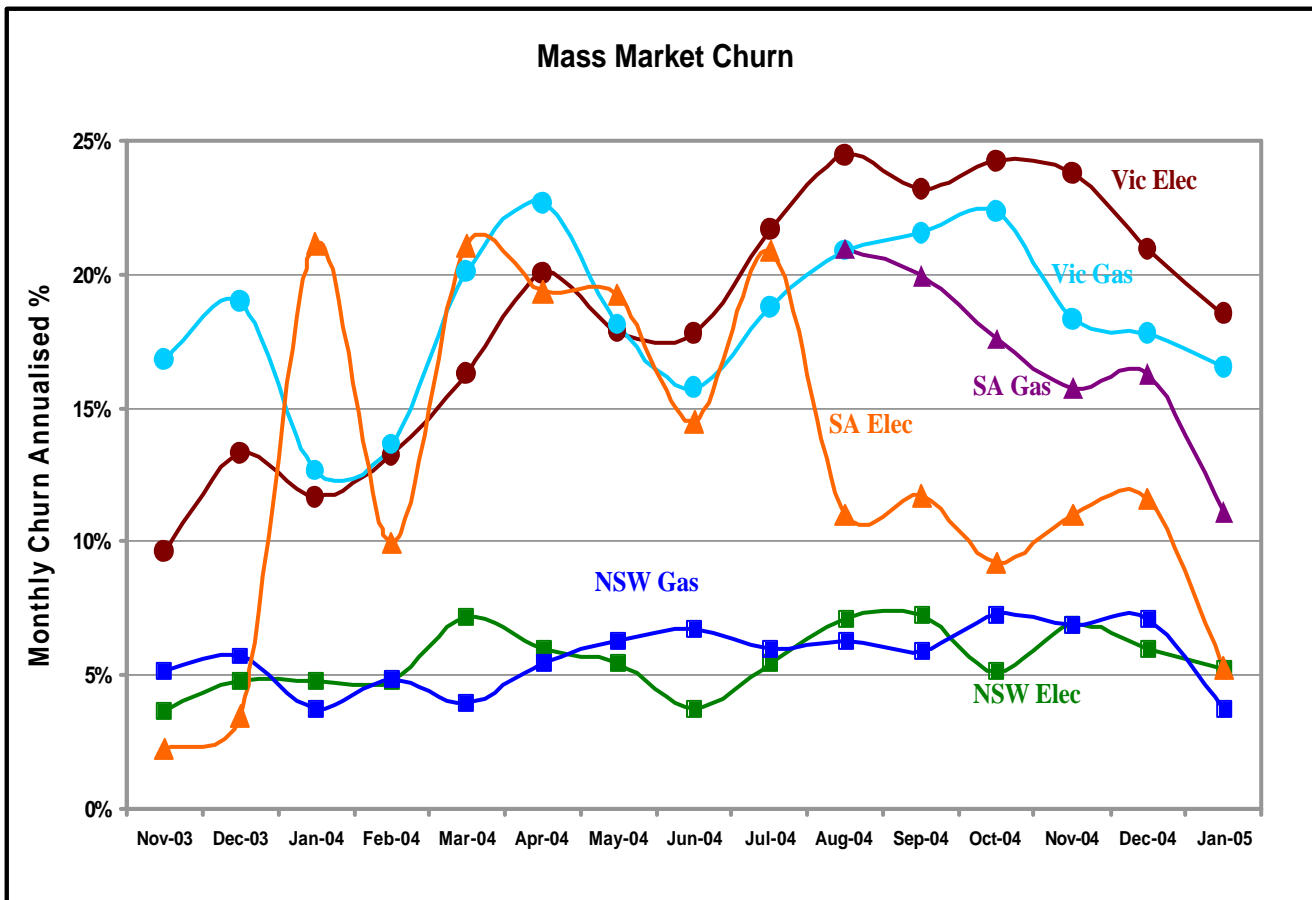
2005 - Half Year Outcomes

- Warmer winter and spring
- Increased licence fee amortisation
- Significant increase in AGL marketing activity
 - ◆ 163,000 increase in dual fuel accounts
 - ◆ 353,000 customer contracts signed
 - ◆ Typical contract term - 3 years
- Maintained market share

Current Priorities



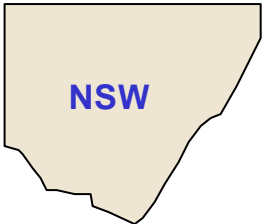
- Maintain EBIT in line with FY 2004
- Continue to maintain market share
- Retaining and winning high margin customers
- Call centre consolidation
- Process and system rationalisation

Energy Sales and Marketing (cont.)



Source: NEMMCO, Vencorp and company estimates.

Energy Sales and Marketing (cont.)

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Data is for the period July - December 2004

Six months to ...	<u>Gas</u>			<u>Electricity</u>		
	<u>Dec '03</u>	<u>Dec '04</u>	<u>Change</u>	<u>Dec '03</u>	<u>Dec '04</u>	<u>Change</u>
EBIT (\$m)	89.4	89.9	+ 0.6%	33.9	37.4	+ 10.3%
Cashflow (\$m)	120.5	129.8	+ 7.7%	47.1	50.2	+ 6.6%
Total sites*	910,000	939,100	+ 3.2%	275,600	281,900	+ 2.3%

2005 - Half Year Outcomes

- Increase in regulated tariffs
- Increase in customer numbers
- Offset by warmer winter

Current Priorities

- Finalisation of Gas tariff reset: July 2005
- Electricity tariff reset: January 2006

* As at 31 December 2004

Six months to ...	<u>Dec '03</u>	<u>Dec '04</u>	<u>Change</u>
Revenue(\$m)	199.6	210.4	+ 5.4%
EBIT (\$m)	27.0	32.4	+ 20.0%
EBIT: sales (%)	13.5	15.4	+ 1.9%



* As at 31 December 2004 (rhs)

2005 - Half Year Outcomes

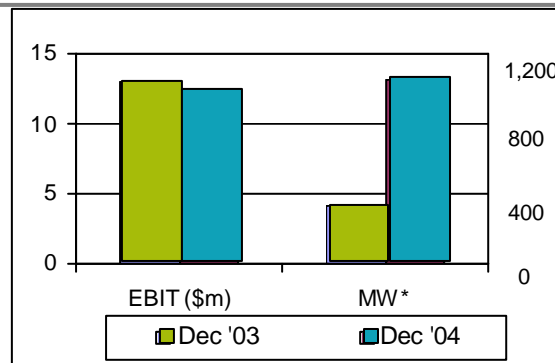
- Increase in forward orders
- Continue to increase 3rd party work: contracts with
 - ◆ Powerco
 - ◆ Sydney Water
 - ◆ Aurora
 - ◆ Apache
 - ◆ Santos
- Ongoing efficiency improvements

Current Priorities

- Expect full year EBIT approximately 15% higher than 2004
- Building position as nationwide provider of infrastructure services
- Continue to target 25% of revenue from 3rd party work by 2006

Power Generation

Six months to ...	<u>Dec '03</u>	<u>Dec '04</u>	<u>Change</u>
EBITDA (\$m)	19.6	20.0	+ 2.0%
EBIT (\$m)	12.9	12.3	- 4.7%
EBIT: avg FE (%)	4.3%	2.4%	- 1.9%



* Equity share of electricity generation (rhs)

2005 - Half Year Outcomes

- Strong underlying operating performance at Loy Yang
 - ◆ Total operating cash flow of \$56.3m
 - ◆ AGL reported profit (\$0.1m) impacted by:
 - High levels of acquisition related contract amortisation
 - Slower recontracting of Loy Yang output

Current Priorities

- Loy Yang Power
 - ◆ Remain on track to achieve returns forecast at the time of acquisition
(eps neutral in '04/'05, 3-4 cents per share accretive in '05/'06)
 - ◆ Environmental improvements
- Hallett
 - ◆ Approval of wind farm development
 - ◆ Assessing expansion of peaking plant

Power Generation (cont.)



- Existing Hallett Plant: 180MW gas fired peaking plant

- Hallett Wind Farm
 - ◆ No. Turbines = 45
 - ◆ Turbine size = 2–3 MW
 - ◆ Site capacity 90–135 MW
 - ◆ Capital cost \$180m - \$250m



- Assessing 260MW expansion of gas fired peaking capacity
- Integration of facilities
 - ◆ Provides backup support for continuous operation during peak periods

Energy Investments



Six months to ...	<u>Dec '03</u> (\$m)	<u>Dec '04</u> (\$m)	Change	Comment
ActewAGL (50%)	30.1	31.6	+ 5.0%	- Growth in customer numbers (offset by) - warmer winter and - regulatory reset
APT (30%)	7.4	8.1	+ 9.5%	- Includes contribution from GGT and Parmelia pipelines acquired in August 2004
Elgas (50%)	8.5	9.1	+ 7.1%	- Improved trading margin - Contribution from SwapNGo acquisition
HC Extractions (100%)	0.4	2.4	+ 500.0%	- Planned maintenance shutdown in prior period - Increase in Saudi propane price
Chile (100%)	3.4	2.6	- 23.5%	- Business restructure costs - New 13 year gas contract signed with ENAP
Total	49.8	53.8	+ 8.0%	
NGC (66%)	71.7	73.7	+ 2.8%	- Strong operating performance (reflects the period to 14 December 2004)



Looking Ahead

Strengthening our Market Position

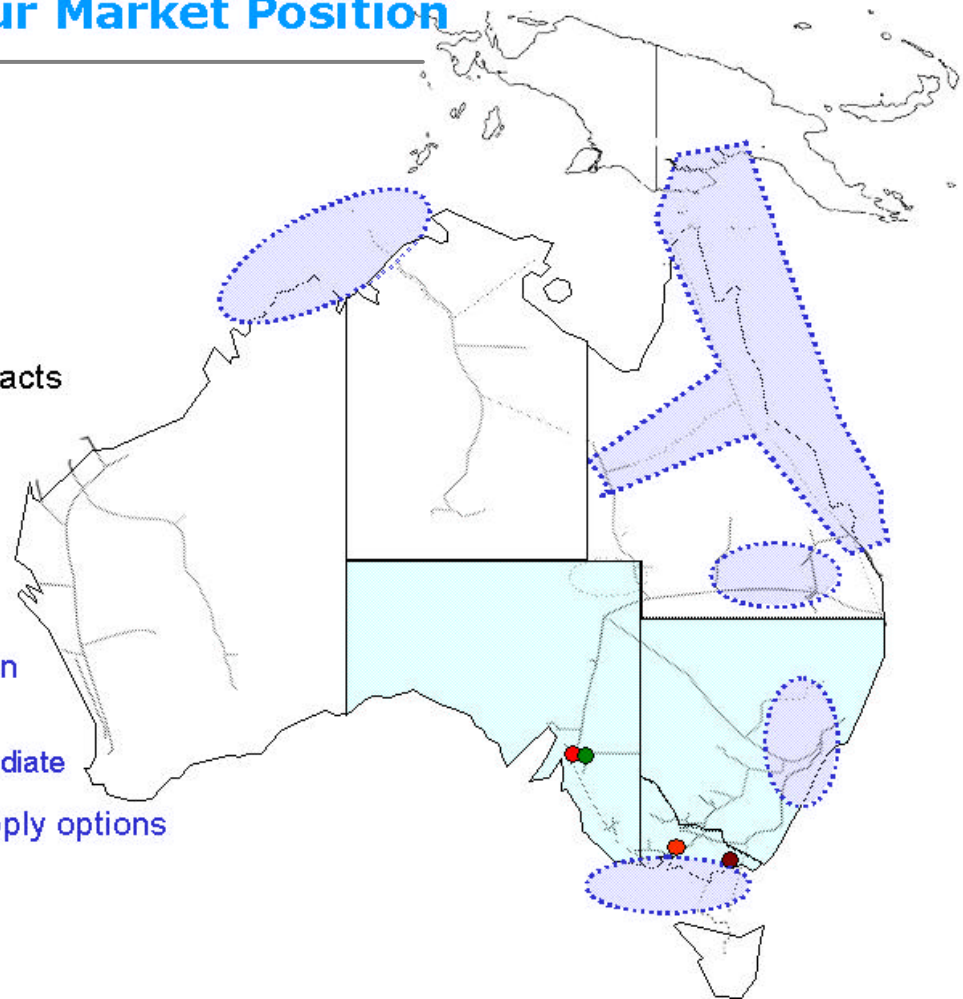


Today

- NSW gas retail
- Retail expansion
- Long term gas supply contracts
- Power Generation
 - Gas fired peaking plants
 - Loy Yang

Future opportunities

- Additional Power Generation
 - Renewable power
 - Gas fired peaking/intermediate
- Evolving wholesale gas supply options
 - Coal seam methane
 - Northern Australia
 - PNG




Organisational Realignment



Merchant Energy	
Michael Fraser Group General Manager	

- Power Assets
- Gas Development
- Wholesale Energy
- Wholesale Customers

Retail Energy	
Phil James Group General Manager	

- Retail Operations
- Marketing and Residential Sales
- Customer Service
- Retail Regulation

- The company expects underlying earnings per share from its portfolio of assets to deliver growth for the full year 2004/05 in the range 5 - 7%
- This outlook assumes current competitive conditions in the retail market will continue through 2005 and is subject to the impact of any unforeseen circumstances including summer electricity demand



Half Year Financial Results
6 months ended December 2004

Greg Martin
Managing Director