ASX Announcement

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AMP update on results and debt repayment program

1. 2003 Annual Results

AMP Limited has today provided an update on its annual results for the year to 31 December 2003. These results are due for finalisation and release on 4 March 2004.

AMP Chief Executive Officer Andrew Mohl said the underlying business results were now expected to be considerably higher than the pro-forma forecasts provided in the Explanatory Memorandum (EM) for the demerger.

The EM forecast net profit after tax (before goodwill amortisation and other items) in a range from A$402 million to A$535 million. AMP indicated at the time the EM was released on 16 October 2003 that it expected the result to be closer to the top end of the forecast range.

Mr Mohl said it was now likely that net profit after tax (before goodwill amortisation and other items) would be in the range of A$600 million to A$620 million.

“The better-than-expected profit result reflects, in roughly equal parts, improved business unit performance, particularly in the final months of the year, and a number of positive one-off items that emerged in the end of year review process,” Mr Mohl said.

“The stronger business unit performance has seen AMP Financial Services, AMP Capital Investors and Cobalt/Gordian all exceed the top end of their respective ranges provided in the EM.”

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Mr Mohl said the balance sheet of AMP was also significantly stronger at year-end than had been anticipated at the time of the release of the EM. In particular, AMP Life was in a position at the end of December 2003 to transfer A$725 million to AMP Limited due to:

- higher operating profits;
- capital management initiatives;
- investment outperformance; and
- improved market conditions.

The solvency position of AMP Life, even after this transfer of A$725 million, was significantly stronger at the end of 2003 than mid-year. It was also stronger than at the end of 2001 and 2002 due to the same factors.

2. Acceleration of debt repayment program

AMP currently has debt of A$3.2 billion. The company indicated in the EM that it intended to pay down a net A$600 million of existing debt securities to achieve the EM pro-forma debt level of A$2.6 billion with the nature and allocation of this restructure to be determined. With its improved balance sheet, AMP is now in a position to pay down over A$1.2 billion of external debt, in effect immediately, and reduce its debt to around A$2 billion.

AMP has determined that the first step to achieve this reduction is to buy back as much of its A$1.24 billion in outstanding Income Securities (AMQHA) as possible. AMP will make an offer to all Income Securities holders to buy back their holdings at a premium to the current market price.

Mr Mohl said AMP was taking this step because interest rate changes have increased the cost of the Income Securities to the company relative to other debt instruments, and it has too much hybrid debt, most of which is Income Securities.

AMP therefore plans to write to all Income Securities holders with an offer to buy back their holdings at A$98.00 plus accrued interest. The closing price of the securities on Friday 20 February 2004 was A$94.10.

Income Securities holders do not need to accept this offer, as the securities are perpetual instruments that will continue to trade on the Australian Stock Exchange while they are on issue.

AMP has separately reached agreement with a third party who was contesting the impact of the demerger on the status of AMP's Income Securities in the Federal Court. AMP will acquire the party's stake at the same price of A$98.00 plus accrued interest and the party has agreed to cease its legal proceedings.

"With the demerger now successfully completed, our focus is on rebuilding and rejuvenating AMP as quickly as possible," Mr Mohl said.

"The improved performance in underlying results and acceleration in our ability to repay debt are both very good news for our shareholders."

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