

HD **UPDATE 1-Australia's AGL H1 profit down 11 pct, backs MacGen sale**

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* Underlying H1 profit A\$242 mln vs A\$279.4 mln year ago

* Profit down on warm winter, competition

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* AGL says competition not hurt by MacGen sale (Adds CEO comment, Macquarie Generation detail)

By Byron Kaye

SYDNEY, Feb 26 (Reuters) - AGL Energy Ltd said it is confident it will clear regulatory hurdles to its A\$1.5 billion (\$1.35 billion) purchase of New South Wales state's coal-fired power stations, as it posted an 11.4 percent fall in underlying first-half profit.

Australia's second-largest gas and electricity firm on Wednesday posted an underlying profit of A\$242 million for the six months to Dec. 31, compared with A\$279.4 million a year ago.

Underlying profit excludes gains from revaluing financial instruments, which halved from A\$85 million to A\$36 million after tax, AGL said. Including those changes, interim net profit fell by 27.1 percent to A\$261 million.

AGL, which has 800,000 customers but no power generation assets in NSW, is hoping the Australian Competition and Consumer Commission lets it buy the state government's Macquarie Generation so it can compete with Sydney-based Origin Energy Ltd and Hong Kong-based CLP Holdings Ltd's Energy Australia selling power to retail customers.

The commission said on Feb. 19 undertakings proposed by AGL failed to address its concerns that the takeover would make it more difficult for smaller players in the state's wholesale energy market. The regulator will make its final decision on the sale on Tuesday.

"The facts don't support the concerns that have been raised by the commission," AGL Chief Executive Michael Fraser told Reuters.

"There is more than enough liquidity in the market, more than enough contracts, to support whoever wants to compete."

In October, AGL warned intense competition and the warmest winter on record would drag its annual profit down to the A\$560-\$610 million range, from its previous forecast of A\$590-A\$640 million. The previous full-year profit was A\$482 million.

On Wednesday, it confirmed that guidance and said first-half revenue fell 2.6 percent to A\$4.84 billion. Electricity consumer volumes fell 5 percent and gas volumes fell 5.8 percent.

AGL declared an interim dividend of A\$0.30, unchanged from the previous year.

AGL shares were trading 2.5 percent lower, having fallen as much as 3 percent, in a flat overall market. (\$1 = 1.1078 Australian dollars) (Editing by Stephen Coates)

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