2 February, 2009

Argo Investing in Australia

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Dear Shareholder,

The Directors of Argo Investments Limited ("the Company"), a leading Australian listed investment company with total assets of $2.9 billion, are pleased to report the Company's result for the six months ended 31 December, 2008.

Financial Result
Operating profit after tax and before net realised gains and unrealised impairment losses on long-term investments increased to a record $93.8 million compared with $93.1 million in the previous corresponding half-year. The Company's operating profit relies upon the income received from its diverse Australian investment portfolio and is influenced by the profitability and dividend paying capacity of the investments held. For the period under review, the income generated from our portfolio was strong.

Accounting Standards require net realised gains on the sale of long-term investments to be included in the reported profit of the Company. As stated on previous occasions, due to Argo's long-term investment philosophy, we do not consider these gains are part of the Company's ordinary operating activities and they have been identified separately from its operating profit. Net realised gains on the sale of long-term investments after tax amounted to $17.3 million, compared with $103.7 million in the previous corresponding period. Due to inconsistent levels of corporate takeover activity and volatility in financial markets, this item can vary markedly from year to year.

In addition, Accounting Standards also require us to assess whether there is any objective evidence that any of our investments are impaired. In view of the severity of the global financial crisis, a number of the Company's long-term investments are having their business models challenged to the extent that we are not currently satisfied that the cost of these investments will be recovered in the future. The accounting cost base of these investments has therefore been reduced to their market value at 31 December, 2008, resulting in unrealised impairment losses after tax of $30.1 million, compared with nil in the previous corresponding period. As the Company's policy is to revalue its investments continuously through the Investment Revaluation Reserve, the impairment losses have no effect on Argo's net assets. Again, we do not consider these losses are part of the Company's ordinary operating activities and they have been identified separately from its operating profit.

Profit for the half-year, represented by the Company's operating profit, the net realised gains and unrealised impairment losses on long-term investments, amounted to $81.0 million, compared with $196.8 million in the previous corresponding period. The net realised gains and unrealised impairment losses on long-term investments have been transferred to the Company's Capital Profits Reserve.

Operating earnings per share, excluding net realised gains and unrealised impairment losses on long-term investments, was 16.3 cents, compared with 16.6 cents in the previous corresponding half-year.

Interim Dividend
The Directors have declared a steady fully franked interim dividend of 14 cents per share.

The interim dividend absorbs $81.1 million and will be paid on 4 March, 2009. The shares will trade ex-dividend on 12 February, 2009 and the record date to establish shareholder dividend entitlements is 18 February, 2009.

Dividend Reinvestment Plan
The Company's Dividend Reinvestment Plan (DRP) will operate for the 14 cents per share interim dividend payable on 4 March, 2009.

The Directors have resolved that the shares will be allotted at a discount of 2.5% from the market price of Argo shares, as defined by the DRP, to eligible shareholders participating in the DRP.

Eligible shareholders, being those shareholders with registered addresses in Australia or New Zealand, who wish to participate in the DRP and who have not already lodged their intention, must do so by 18 February, 2009. Any variation to an existing election must be lodged by this date.

Net Asset Backing
Net tangible asset backing per share was $4.98 as at 31 December, 2008 compared with $6.76 as at 30 June, 2008.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains were to be deducted, the net tangible asset backing per share would be $4.74 as at 31 December, 2008 compared with $5.98 as at 30 June, 2008.

Investment Portfolio
The Company's objective is to maximise long-term secure returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio.

For the past 10 years, Argo's investment portfolio has produced a compound annual return of 8.5% as measured by the movement in net asset backing per share plus dividends paid. This return is after payment of all administration costs and tax and compares with a return of 7.1% from the S&P ASX All Ordinaries Accumulation Index, which makes no allowance for these items. As a result of the recent significant decline in investment values generally, the total return from the Company's portfolio in the 2008 calendar year was negative 36.1%. The S&P ASX All Ordinaries Accumulation Index fell 40.1% over the same period.

Significant investment purchases made by the Company in the half-year to 31 December, 2008 were:-

	$M
Rio Tinto Ltd.	13.2
National Australia Bank Ltd.	12.4
Commonwealth Bank of Australia	12.2
Westpac Banking Corporation	9.6
Orica Ltd.	8.1
QBE Insurance Group Ltd.	7.1

There were no major sales, however, Queensland Gas Company Ltd. and St. George Bank Ltd. were taken over.

A list of the Company's principal equity investments as at 31 December, 2008 is set out below.

	Market Value $M
BHP Billiton Ltd.	215.1
Westpac Banking Corporation	148.2
Telstra Corporation Ltd.	119.5
Macquarie Group Ltd.	114.0
Milton Corporation Ltd.	112.4
Woolworths Ltd.	102.4
National Australia Bank Ltd.	99.3
Australian United Investment Company Ltd.	89.2
Origin Energy Ltd.	87.1
QBE Insurance Group Ltd.	75.9
Australia and New Zealand Banking Group Ltd.	72.6
Wesfarmers Ltd.	68.9
Commonwealth Bank of Australia	63.5
Rio Tinto Ltd.	59.6
Woodside Petroleum Ltd.	51.7
Westfield Group	46.2
Foster's Group Ltd.	41.0
Santos Ltd.	39.9
AMP Ltd.	38.6
AGL Energy Ltd.	37.4

Outlook

While governments around the world are working very hard to resolve the global credit crisis, unfortunately the economic fallout which is well underway internationally is really only just beginning in Australia. This will place downward pressure on company profits and dividends in the period ahead.

The global economic headwinds have been strong enough to interrupt the growth of China and India, however, at this stage it is unclear to what extent and for what length of time.

It is still too early to predict the extent of the economic downtown in Australia and the Federal Government seems intent on doing what it can to limit the effect on employment. On a brighter note for consumers, commodity prices, interest rates and petrol prices have all fallen sharply, negating recent fears of an upsurge in inflation and assisting to underpin the ability of households to weather the storm.

We remain confident in the long-term outlook for the Australian sharemarket, while acknowledging that the immediate outlook will remain difficult.

With cash reserves of about $170 million and no debt, Argo remains ready to take advantage of opportunities as they present themselves in the market.

Share Purchase Plan

The Share Purchase Plan (SPP) will be offered in March 2009 to allow eligible shareholders the opportunity to purchase additional Argo shares up to a maximum value of $2,500. The maximum amount that a shareholder can invest in any twelve-month period pursuant to the SPP is $5,000 and it is the Directors' current intention to offer the SPP to shareholders each half-year at which time up to $2,500 can be invested.

Entitlement to the SPP is non-renounceable and in order to establish SPP entitlements for eligible shareholders, the same ASX ex date and record date will be used as that to establish entitlement to the fully franked dividend payable on 4 March, 2009.

Some features of the SPP are as follows:

- Participation in the SPP is entirely at the option of shareholders and is open to all shareholders, other than shareholders who have registered addresses in countries outside Australia where regulatory requirements make participation by the shareholder unlawful or impracticable. The Directors have determined that shareholders whose registered addresses are outside Australia and New Zealand will be unable to participate in the SPP.

- Shares will be offered at a discount of 2.5% from the market price of Argo shares, as defined by the SPP.

- No brokerage or other transaction costs will be payable by shareholders in respect of the application for, and allotment of, shares purchased through the SPP.

An application form advising the issue price and other relevant information will be mailed to all eligible shareholders on 4 March, 2009 at the time of the payment of the abovementioned dividend. The offer will close on 27 March, 2009.

Yours faithfully,
ARGO INVESTMENTS LIMITED

C.L. Harris
Chairman

R.J. Patterson
Managing Director