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asx and media release

AGL to sell PNG assets for approximately A$1.1 billion net.

30 October 2008

AGL Energy Limited (AGL) advises that it has executed Sale and Purchase Agreements (SPA) for all of its oil and gas exploration and production interests in Papua New Guinea (PNG), which include a 3.6% interest in the PNG LNG Project.

Net proceeds as a result of the sale, after closing out oil hedges, will be approximately A$1.1 billion.

No capital gains tax will be payable in either PNG or Australia on proceeds from the sale.

The agreed sale price under the SPA is US$800 million. The purchaser, whose identity is confidential at this stage, is an international oil and gas company. The SPA is unconditional, other than Government approvals, and is subject to the pre-emptive rights process.

Commenting on the transaction, AGL Managing Director Michael Fraser said, "This is an excellent outcome for AGL, particularly in light of current global market conditions. Importantly, the PNG sale is a milestone for us as it finalises the non-core asset sale program we commenced late last year and again demonstrates the company's ability to deliver on its strategy.

"Coming on top of the announcements earlier this week in relation to our QGC investment, we now have considerable balance sheet strength and strategic optionality across our retail, merchant and gas and power development businesses" Mr Fraser added.

Notices will soon be issued to joint venture partners advising of the commencement of their pre-emptive rights, with the pre-emption process anticipated to take approximately 30 to 45 days to complete. Joint venture partners have the right to match the agreed sale price on the same terms and conditions.

As noted in AGL's 2008 statutory accounts, US$280 million of the proceeds were previously hedged at an exchange rate of A$/US$0.9369. The remainder of the cash proceeds has been hedged at an average exchange rate of approximately $A/$US0.65.

A further update, which will include final details of the sale, its accounting treatment and its impact on FY2009 earnings guidance, is anticipated following completion of the pre-emption process and final settlement, currently anticipated for mid-December.

As advised at AGL's Annual General Meeting on 15 October 2008, the sale of PNG assets will reduce Earnings Before Interest, Tax, Depreciation and Amortisation, but would not have any negative impact on AGL's existing FY2009 underlying Net Profit After Tax guidance of A$360m[1] to $390m[1].

1. Excludes fair value adjustments to hedging contracts and customer amortisation charges but assumes ongoing depreciation of the PNG assets.

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About AGL

AGL is one of Australia's leading integrated energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on over 170 years of experience, AGL operates retail and merchant energy businesses, power generation assets and an upstream gas portfolio. AGL has Australia's largest retail energy and dual fuel customer base. AGL has a diverse power generation portfolio including base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources including hydro, wind, landfill gas and biomass. AGL is Australia's largest private owner and operator of renewable energy assets and is looking to further expand this position by exploring a suite of low emission and renewable energy generation development opportunities.