

ASX and Media release

AGL to earn \$88 million in development fees from the sale of Hallett 4 Wind Farm

1 October 2009

AGL Energy Limited (AGL) today announced it has sold the 132.3 MW Hallett 4 wind farm to the Energy Infrastructure Investments (EII) consortium, made up of Marubeni Corporation (39.9%), Osaka Gas (39.9%) and APA Group (20.2%), and expects to realise a development fee of \$88 million from the transaction. The development fees will be recognised progressively on a "completion of construction" basis with \$50 million – \$60 million currently anticipated to be recognised in FY2010, and the balance in FY2011. AGL will continue to operate and maintain the wind farm, as well as retain the rights to all Renewable Energy Certificates and electricity output until 2036. EII will take an active role in the monitoring of construction and operation of the facility.

AGL's Chief Executive Officer, Mr Michael Fraser said: "The structure of this transaction where AGL retains all output, renewable energy certificates and operatorship, is consistent with the company's strategy to maintain its leadership position in renewable energy generation. The transaction demonstrates the solid appetite for quality projects which deliver significant benefits to both parties.

"AGL has a substantial pipeline of projects which include up to 2,600 MW of renewable generation and up to 1,600 MW of gas generation. Our renewable energy portfolio places AGL in a market leading position to benefit under the expanded Renewable Energy Target."

The Hallett 4 wind farm is currently under construction on the Hallett Hill range approximately 40km from Burra in South Australia. It will utilise 63 Suzlon S88v3 turbines and is being constructed by Suzlon under a fixed price turnkey contract.

Using a transaction structure similar to AGL's September 2008 sale of the Hallett 2 wind farm, EII has acquired Hallett 4 and will fund all remaining development and construction costs under project finance facilities established as part of the transaction. EII will own the wind farm, while AGL will buy all of the electricity and Renewable Energy Certificates produced as well as operate and maintain the facility under long term fixed cost arrangements.

From a cash flow perspective, the sale relieves AGL from ongoing development capital expenditure funding which is forecast to be approximately \$160 million from October 2009 through to anticipated project commissioning in May 2011 and recoups the development costs of approximately \$150 million incurred to date.

AGL is Australia's largest private owner and operator of renewable energy assets with over 900 MW of capacity currently in operation. The Hallett 1 wind farm (95 MW) was commissioned in June 2008, the Hallett 2 wind farm (71MW) and Bogong hydro power station (150 MW) are due to be commissioned in late 2009, and the Oaklands Hill wind farm (67MW) is under construction. Wind farms at Barn Hill (130MW), Hallett 3 (80MW) and, in a joint venture with Meridian Energy, at Macarthur (~330 MW) are currently under development.



KEY FACTS: Hallett 4 Wind Farm

Location	220km north of Adelaide
Total construction cost	\$310 million
Contractor	Suzlon Energy Australia Pty Ltd
Turbines	63 x 2.1 MW S88v3
Size	88m diameter, 80m hub. Tip 124m
Landowners	Agreements with 13 landowners for 25 years of operation
Employment	Up to 120 during construction, 10 during operation
Capacity	132.3 MW
Capacity factor	Approximately 40%
Average wind speed	>8.5 m/s
Expected output	Approximately 480GWh p.a.
Construction schedule	Completion scheduled for May 2011
Risk and benefits allocation	AGL assumes wind risk and O&M risk. All electricity and REC revenues are to AGL's account
Electricity + REC off-take price ¹	\$111/MWh (2009 dollars)
Development fees ^{2,3}	Total of \$88 million with \$50-60 million in FY10 and the balance in FY11.

1. At commencement of off-take
2. In accordance with accounting standards development fees are recognised on a percentage of completion basis
3. The final cash payment will be paid upon reaching practical completion



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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.