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asx & media release

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AGL wins Queensland Sun Gas retail business

AGL Energy Limited (AGL) has secured an entry into Australia's fastest growing energy market through the successful $75 million acquisition of the Queensland Government's Sun Gas retail business which includes approximately 70,800 residential and industrial and commercial customers located primarily in South-East Queensland consuming a sizeable 34 petajoules (PJ) of gas per year.

AGL Managing Director Mr Paul Anthony said "AGL is delighted to secure such a value-enhancing transaction at a price which is expected to yield a return on capital in the upper-teens and even though a modest investment, will provide a 1.4 per cent increase in earnings per share in fiscal 2008.

"Not only have we secured the gas business at an attractive price, we have also secured a strategic beachhead to aggressively grow our electricity and gas business in one of Australia's most attractive energy markets. We can now take full advantage of our leading cost to serve position and soon to be implemented new customer support systems, to organically build a very substantial energy business in this important market place."

Mr Anthony added that AGL had also offered a competitive bid for the Queensland Government's Sun Retail electricity business but was unsuccessful.

"We are naturally disappointed not to have secured the retail electricity business of Sun Retail," he said.

"However, we took a very disciplined approach to the transaction and bid for that business at a full price which we believed would have created value for our shareholders.

"The Sun Gas retail business is a great transaction delivering a substantial gas-load base in close proximity to AGL's newly developing equity interests in coal seam methane gas. We will now turn our focus into developing the business to act as our organic growth engine in the region and re-focus our efforts on bidding for the second-tranche of the government retail customers with the Powerdirect Australia sale package".

The Sun Gas acquisition will be funded from existing debt facilities and is expected to be completed in February 2007.

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About Sun Gas

- Sun Gas supplies around 70,800 residential and industrial and commercial customers in Queensland, Northern New South Wales and Victoria and is the second largest Queensland gas retailer.
- In Queensland, Sun Gas is the second largest gas retailer and has approximately 50 per cent of all mass market customers
- It has seven main gas supply agreements and buys natural gas and coal seam methane gas from a variety of producers in Queensland, (South West Queensland, the Roma area and the Surat and Bowen Basins and Victoria
- Sun Gas customers consume 34 PJs per annum of gas, Queensland/ Northern NSW - 23pj, Victoria - 11pj and reported total revenues of approximately $190 million for fiscal 2006
- Sun Gas has a diversified range of gas supply and transportation arrangements with duration out until 2014
- There are transitional arrangements with the Queensland Government (ENERGEX) which will cover call centre and billing functions for existing Sun Gas customers until they are migrated across to AGL's systems.

Sun Gas Service area