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asx & media release

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Innovative funding for AGL Hallett Wind Farm

AGL Energy Limited (AGL) today announced it has secured an innovative, \$258 million funding deal for the 95 megawatt (MW) AGL Hallett Wind Farm with Perpetual's Diversified infrastructure Fund that will see AGL retain all renewable, electricity output and asset naming rights through until 2033. Perpetual will fund Hallett's remaining development and construction costs and take ownership of the physical asset while AGL will continue to own the output and operate and maintain the wind farm.

AGL Managing Director Mr Paul Anthony said the transaction represented a continued rollout of AGL's strategy by enhancing its existing, sizeable renewable generation mix as well as providing financial benefits commensurate with its integrated energy company capital structure.

"This is an innovative way of funding our future capex requirements for plants of this nature, where AGL can effectively arbitrage the differing cost of capital between infrastructure investors and AGL," Mr Anthony said.

"Under these arrangements, we secure all of the vital operations, output and naming rights while extracting a development premium over and above the capital cost of construction. This transaction avoids both the funding requirements and associated cash flow impacts while at the same time delivering an Internal Rate of Return on our development well into double digits."

Mr Anthony added that the transaction was consistent with AGL's strategy and efforts to optimise capital structure to support the company's growth aspirations as a focussed energy company and deliver sustainable and competitive returns to its shareholders.

"The returns delivered to AGL from this transaction exceed those originally envisaged when the wind farm was approved for construction in its current ownership structure in January," he said.

Perpetual's Head of Infrastructure, Mr Roger Lloyd, added that the Wind Farm had significant benefits for Perpetual's Diversified Infrastructure portfolio and provided a very solid base for Perpetual's entry into the renewable energy infrastructure sector.

The AGL Hallett Wind Farm will also provide around 24 per cent of AGL's future Renewable Energy Certificate (REC) requirements. In calendar year 2008, AGL forecasts that it will generate approximately 69 per cent of its total REC requirements from internal, environmentally-friendly generation sources.

"AGL is a market leader in growing its portfolio of renewable generation output and Australia's largest retail energy developer of renewable wind energy. When you combine our existing Wattle Point Wind Farm offtake arrangements with the AGL Hallett Wind Farm and our plans to develop the world leading Macarthur Wind Farm, AGL is truly a wind farm developer of international scale," Mr Anthony added.

AGL is committed to the continued development of a carbon clean generation portfolio and sources with a current mix that comprises approximately 60 per cent from renewables and cleaner burn gas. "We continue to develop an energy business that can operate effectively and efficiently in a carbon constrained environment. Our current generation mix is already very competitive in terms of its environmental friendliness and within five years we will have a truly world class mix that is some 84 per cent sourced from renewable and cleaner burn gas sources," Mr Anthony said.

The total \$258 million AGL Hallett Wind Farm transaction is payable by way of an initial \$64 million payment in December 2006 with the balance of \$194 million payable over the remaining period of the development and construction phase to May 2008. There is no change to AGL's prior 2007 financial year earnings guidance as the development gain on this transaction was incorporated into the guidance provided to the market within previous corporate cost-out numbers and the recent QGC market announcement.

The 45 turbine AGL Hallett Wind Farm, currently under construction, is scheduled for final commissioning in the fourth quarter of 2007 and at that time will be Australia's largest wind farm. AGL will continue to complete construction of the wind farm with Perpetual responsible for all ongoing project funding.

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