



asx and media release

AGL announces \$171 million takeover offer for Sydney Gas Limited

24 December 2008

The Board of AGL Energy Limited (AGL) announced today it had agreed the terms of a recommended transaction with the Board of Sydney Gas Limited (SGL) under which AGL will offer to acquire all the issued shares of SGL at \$0.425 cash per share by way of a formal off-market takeover bid ("Offer").

AGL has also entered into Pre-bid Agreements with SGL's two largest shareholders in respect of approximately 20% of SGL's issued shares.

Acquisition Rationale

- › Delivers highly prospective exploration acreage in close proximity to AGL's core NSW gas market.
- › Consolidates permit ownership across the Sydney/Hunter and Gloucester basins and delivers AGL full operational control.
- › Provides the opportunity to extract operational synergies by concurrent development across the Sydney/Hunter and Gloucester basins.

AGL Managing Director Michael Fraser said "Combining this acquisition with our recent purchase of the Gloucester Basin acreage will give us the opportunity to further increase our ownership of gas reserves in our core New South Wales market. The concurrent development of the Camden, Hunter and Gloucester gas projects will provide AGL with strategic benefits, optionality and a substantial source of long term wholesale gas supplies".

Of the acquisition price of \$171 million, approximately \$115 million is ascribed to the Hunter exploration permits.

Financial Impact

AGL has significantly strengthened its balance sheet over the past 12 months with asset sales totalling \$3.2 billion. AGL's acquisition of SGL will be funded from cash reserves.

The acquisition has no material impact on AGL's recently revised underlying FY2009 NPAT guidance of \$370 million to \$400 million.

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Acquisition Information

- › AGL's offer is to acquire all the issued shares of SGL for a 100% cash consideration of \$0.425 for each share. The all-cash offer capitalises the ordinary equity of SGL at approximately \$171 million.
- › The Offer represents a:
 - » 55% premium to the SGL closing price of \$0.275 on Monday 22 December 2008, the last full day of trading in SGL shares prior to this announcement;
 - » 117% premium to the 30 day volume weighted average price of SGL shares; and a
 - » 92% premium to the 90 day volume weighted average price of SGL shares.
- › The SGL Board has agreed to unanimously recommend the Offer in the absence of a superior proposal. All SGL Directors, have stated their intention to accept the Offer for SGL shares owned or controlled by them, in the absence of a superior proposal.
- › The Offer is supported by SGL's largest shareholders as follows:
 - » AJ Lucas Group Limited has entered into a Pre-bid Agreement with AGL for a portion of its holdings representing an approximate 14.8% shareholding in SGL.
 - » Babcock & Brown has entered into a Pre-bid Agreement with AGL for a portion of its holdings representing an approximate 5.0% shareholding in SGL.
 - » For its remaining SGL holdings, AJ Lucas Group Limited has announced its intention to accept the Offer in the absence of a superior proposal. This holding amounts to a further 5.2% of SGL.
 - » Babcock & Brown has announced its intention to convert 155,944 SGL convertible notes and accept the resultant issued shares into the Offer in the absence of a superior proposal. Upon conversion these shares will represent an approximate 8.4% shareholding in SGL. Babcock and Brown has also announced its intention to accept the Offer in respect of its remaining shareholding, in the absence of a superior proposal.

Indicative Offer Timing

Key Milestone Date	Date
Offer Announced	24 December 2008
AGL lodges and serves Bidder's Statement	24 December 2008
Bidder's Statement sent to SGL shareholders by	12 January 2009
Target's Statement lodged with ASIC	19 January 2009
Initial close of Offer (subject to extension)	13 February 2009

If, during or at the end of the offer period, AGL has acquired a relevant interest in 90% of SGL's shares, AGL will proceed to compulsorily acquire all outstanding SGL shares.

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As AGL's Offer is subject only to limited conditions, SGL shareholders can sell their SGL shares to AGL on market through the ASX. Under this sale path, accepting SGL shareholders will receive payment for the sale of SGL shares on the third trading day after the date of trade (T+3), which is earlier than they will receive payment under the Offer.

AGL has engaged ABN AMRO Corporate Finance as financial adviser and Gilbert + Tobin as legal adviser.

Further enquiries:

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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.

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