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ASX and Media release

Sale of NSW electricity assets

14 December 2010

AGL Energy Limited ("AGL") confirms that it has not acquired any assets in the New South Wales government's sale process for its energy retail businesses and electricity gentrader contracts.

AGL has consistently stated throughout the sale process that it would benchmark any bids for assets against the alternative of pursuing a strategy of organic growth given the strength of the AGL business in New South Wales. AGL has also said it would only bid for assets at prices that achieved the required returns for shareholders. AGL's bids for assets were at prices consistent with this principle.

AGL already has a strong market presence in New South Wales with more than 1.1 million customer accounts. AGL now intends to pursue the alternative strategy of leveraging its market position, its strong brand and its operational platform to drive organic customer growth in New South Wales and deliver a superior outcome for its shareholders.

Plans are also well advanced for the construction of new gas fired electricity generation plant in New South Wales.

Costs of approximately \$13 million incurred during the bid process will be included as a significant item in the FY2011 interim results.

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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.

