

ASX and Media release

AGL to earn \$38 million in development fees from the sale of Oaklands Hill Wind Farm

27 June 2011

AGL Energy Limited (AGL) today announced it has sold the 67.2 MW Oaklands Hill Wind Farm to an Australian corporation and will realise a development fee of \$38 million from the transaction. The development fee will be recognised on a "completion of construction" basis with approximately \$30 million anticipated to be recognised in FY2011 and the balance in FY2012. AGL will construct, operate and maintain the facility, as well as retaining until 2036 the rights to all renewable energy certificates and electricity output.

The Oaklands Hill Wind Farm is currently under construction approximately 3 kilometres south of Glenthompson in western Victoria. It is being constructed by Suzlon under a fixed price turnkey contract utilising 32 Suzlon S88v3A turbines. Construction is scheduled for completion in early 2012.

Using a transaction structure similar to that previously used for the Hallett wind farm sales, the buyer has acquired the Oaklands Hill Wind Farm and will fund all remaining development and construction costs under project finance facilities established as part of the transaction. AGL will buy all of the electricity and renewable energy certificates produced by the facility as well as operate and maintain the facility under long term arrangements. Unlike the previous Hallett wind farm sales, the payments made by AGL under the off take arrangements will reflect a sharing of the risks associated with the wind speed variability at the site.

The sale recoups AGL's development costs incurred to-date of approximately \$164 million and relieves AGL from further ongoing development capital expenditure funding of approximately \$38 million required to reach project completion.

The construction of Oaklands Hills supports AGL's 27-year contract to supply an annual requirement of up to 860 GWh of electricity and associated renewable energy certificates to Victoria's desalination plant, which is expected to commence operations in 2012.

AGL is Australia's largest private owner and operator of renewable energy assets with over 1,280 MW of capacity currently in operation. Over the past five years, AGL has announced the construction of renewable electricity generation projects totalling \$2.2 billion. These projects are shown in Table 1.

Table 1: AGL's Renewable generation construction projects

Asset	Type	Capacity	Status	Completion Date
Hallett 1	Wind	95 MW	Completed	2008
Bogong	Hydro	140 MW	Completed	2009
Hallett 2	Wind	71 MW	Completed	2010
Hallett 4	Wind	132 MW	Completed	2011
Oaklands	Wind	67 MW	Under construction	2012
Hallett 5	Wind	53 MW	Under construction	2012
Macarthur ¹	Wind	420 MW	Under construction	2013

¹ Joint Venture with Meridian Energy

KEY FACTS: Oaklands Hill Wind Farm

Location	3km south of Glenthompson, western Victoria
Total construction cost	\$202 million
Contractor	Suzlon Energy Australia Pty Ltd
Turbines	32 x 2.1 MW S88v3A
Size	88m diameter, 80m hub. Tip 124m
Landowners	Agreements with 7 landowners for 25 years of operation. AGL retains two 25-year extension options
Employment	Up to 140 during construction, 5 during operation
Capacity	Nameplate 67.2 MW
Capacity factor	Approximately 38%
Average wind speed	8.1 m/s
Expected output	Approximately 221 GWh p.a.
Construction schedule	Completion scheduled for early 2012
Risk and benefits allocation	Buyer's revenue reflects a sharing of wind speed variability. AGL takes O&M risk. All electricity and REC revenues are to AGL's account
Electricity + REC off-take price ¹	Jan 2012-Jun 2014: \$98.00/MWh Jul 2014: \$115.50/MWh
Development fees ^{2,3}	Total of \$38 million with approximately \$30 million in FY2011 and the balance in FY2012

1. Based upon December 2010 dollars
2. Development fees are recognised on a percentage of completion basis
3. Development fees will be paid upon completion of commissioning

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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 one of Australia's largest retail energy and dual fuel customer bases. 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.