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## ASX and Media release

24 May 2012

### **ACCC allows AGL to proceed with acquisition of Loy Yang A power station and adjacent coal mine**

### **AGL announces \$900 million 1 for 6 pro rata renounceable entitlement offer**

AGL Energy Limited (AGL) today announced that the Australian Competition & Consumer Commission (ACCC) has advised the company that it can proceed with the acquisition of the Loy Yang A power station and adjacent coal mine. AGL will now apply to the Federal Court for removal of certain undertakings and expects completion around 30 June 2012.

Subsequently, AGL today announced it is seeking to raise approximately \$900 million via a fully underwritten 1 for 6 pro rata accelerated renounceable entitlement offer with retail entitlements trading (Entitlement Offer).

The key details of the Entitlement Offer are:

- Fully underwritten 1 for 6 pro rata accelerated renounceable entitlement offer with retail entitlements trading to raise approximately \$900 million
- Offer price of \$11.60 per new share
- Institutional Entitlement Offer is accelerated
- Retail entitlements may be traded on ASX from Tuesday, 29 May 2012 to Tuesday, 12 June 2012

The offer price of \$11.60 per new share represents:

- a 22.3% discount to last close; and
- a 19.7% discount to the theoretical ex-rights price (TERP).<sup>1</sup>

AGL's CEO and Managing Director Michael Fraser said: "This acquisition represents a unique opportunity to acquire a high quality generation asset and a long term fuel resource. The acquisition is expected to be accretive to underlying earnings per share from FY2013 and the entitlement offer presents an excellent opportunity for AGL shareholders to further increase their investment in AGL as part of a transaction that AGL considers highly attractive."

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<sup>1</sup> The theoretical ex-rights price is the theoretical price at which AGL shares should trade immediately after the ex-date for the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which AGL shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price.

Proceeds from the Entitlement Offer will be used to fund the acquisition of the 67.5% of Great Energy Alliance Corporation Pty Limited (GEAC) not currently owned by AGL, which was announced on 24 February 2012 (Acquisition), to allow partial repayment of existing GEAC bank loans, and for general corporate purposes including renewable energy generation. GEAC is the owner of the 2,210 MW Loy Yang A power station and an adjacent brown coal mine which supplies all the coal required to meet the current and future operating requirements of the power station.

Loy Yang A is the largest power station in Victoria, producing approximately 30% of Victoria's electricity requirements. The adjacent coal mine is the largest brown coal mine in Australia, with an estimated coal reserve of 2.5 billion tonnes<sup>2</sup>, providing a long term dedicated fuel resource.

### **Status of the Acquisition**

Following the announcement of the Acquisition on 24 February 2012, the ACCC today has indicated it will not oppose the transaction.

Financial close of the Acquisition is expected to be finalised around 30 June 2012, subject to the satisfaction of a number of conditions, including:

- removal of current Federal Court undertakings which limit AGL's ownership of GEAC to a maximum of 35 per cent; and
- GEAC having received, or having an enforceable right to receive, the first carbon assistance payment from the Federal Government.

AGL is confident that both of these conditions are likely to be met in the coming weeks.

### **Business update**

AGL reaffirms 2012 Underlying Profit<sup>3</sup> guidance of \$470 million to \$500 million, assuming normal market conditions.

AGL expects to pay the 2012 final dividend (fully franked) on the expanded share capital.

### **Entitlement Offer**

The Entitlement Offer comprises an accelerated institutional entitlement offer and a retail entitlement offer that includes the ability to trade retail entitlements on the ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new AGL ordinary share (New Shares) for every 6 existing AGL ordinary shares held as at 7.00pm (Sydney time) on Tuesday, 29 May 2012 (Record Date) (Entitlement).

New Shares will be fully paid and rank equally in all respects with existing AGL ordinary shares from allotment and will be entitled to dividends on the same basis as existing Shares, starting with the 2012 final dividend expected to be declared as part of AGL's full year results announcements for the financial year ending 30 June 2012.

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<sup>2</sup> See the investor presentation which AGL has filed with ASX today for further details regarding the coal reserves.

<sup>3</sup> Underlying Profit is defined as Statutory Profit adjusted for significant items and changes in fair value of financial instruments.

## **Institutional Entitlement Offer**

Eligible institutional shareholders will be invited to participate in the institutional entitlement offer which will take place from Thursday, 24 May 2012 to Friday, 25 May 2012 (Institutional Entitlement Offer).

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Institutional entitlements cannot be traded on the ASX.

Institutional entitlements which are not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Monday, 28 May 2012. Any proceeds from the sale of institutional Entitlements under the institutional shortfall bookbuild will be remitted proportionally to those institutional shareholders less any applicable withholding tax. There is no guarantee that the highest price will be accepted or that there will be any proceeds remitted to those institutional shareholders.

## **Retail Entitlement Offer**

Eligible retail shareholders will be invited to participate in the retail entitlement offer at the same offer price and offer ratio as the Institutional Entitlement Offer (Retail Entitlement Offer). The Retail Entitlement Offer will open on Wednesday, 30 May 2012 and close at 5.00pm (Sydney time) on Tuesday, 19 June 2012.

Eligible retail shareholders will be allotted Entitlements which can be traded on the ASX from Tuesday, 29 May 2012 to Monday, 4 June 2012 on a deferred settlement basis and from Tuesday, 5 June 2012 to Tuesday, 12 June 2012 on a normal settlement basis. This means that eligible retail shareholders who do not wish to take up all or part of their Entitlements can seek to sell all or part of their Entitlements on the ASX in order to realise value for those Entitlements ahead of the retail shortfall bookbuild (discussed below).

Retail Entitlements which are not taken up by eligible retail shareholders by the close of the Retail Entitlement Offer and Entitlements that would otherwise have been offered to ineligible retail shareholders will be sold through the retail shortfall bookbuild on Friday, 22 June 2012. Any proceeds from the sale of Entitlements under the retail shortfall bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that the highest price will be accepted or that there will be any proceeds remitted to those retail shareholders.

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and an accompanying personalised entitlement and acceptance form which are expected to be despatched on Monday, 4 June 2012. Copies of the retail offer booklet will be available on the ASX website and our website at [www.agl.com.au](http://www.agl.com.au) from Wednesday, 30 May 2012.

The Entitlements may only be exercised by eligible retail shareholders, persons with a registered address in Australia or New Zealand and certain categories of investors in Canada, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, Norway, Singapore, Sweden, Switzerland, United Arab Emirates and the United Kingdom. In addition, Entitlements may only be purchased by persons meeting certain eligibility criteria that are set out in the Appendix to the investor presentation which AGL has filed with the ASX today. In particular, persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase Entitlements on the ASX or exercise Entitlements purchased on the ASX or transferred directly from another person.

It is the responsibility of purchasers of Entitlements to inform themselves of the eligibility criteria for exercise of Entitlements. If holders of Entitlements after the end of the trading

period do not meet the eligibility criteria, they will not be able to exercise the Entitlements. In the event that holders are not able to take up their Entitlements, those Entitlements will be sold into the retail shortfall bookbuild and holders may receive no value for them.

**For further information please contact:**

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**About AGL**

AGL is one of Australia's leading integrated renewable energy companies and is taking action toward creating a sustainable energy future for our investors, communities and customers. Drawing on 175 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.

## Indicative Timetable

| Event                                                                                                | Date                    |
|------------------------------------------------------------------------------------------------------|-------------------------|
| Trading halt, Institutional Entitlement Offer opens                                                  | Thursday, 24 May 2012   |
| Institutional Entitlement Offer closes                                                               | Friday, 25 May 2012     |
| Institutional shortfall bookbuild                                                                    | Monday, 28 May 2012     |
| Existing shares recommence trading on ASX                                                            | Tuesday, 29 May 2012    |
| Retail Entitlements commence trading on ASX on a deferred settlement basis                           | Tuesday, 29 May 2012    |
| Record Date for eligibility in the Entitlement Offer (7.00pm Sydney time)                            | Tuesday, 29 May 2012    |
| Retail Entitlement Offer opens                                                                       | Wednesday, 30 May 2012  |
| Retail offer booklet despatched and Retail Entitlements allotted                                     | Monday, 4 June 2012     |
| Retail Entitlements commence trading on ASX on a normal settlement basis                             | Tuesday, 5 June 2012    |
| Settlement of the Institutional Entitlement Offer                                                    | Tuesday, 5 June 2012    |
| Issue and quotation of new shares under the Institutional Entitlement Offer                          | Wednesday, 6 June 2012  |
| Retail Entitlements trading on ASX ends                                                              | Tuesday, 12 June 2012   |
| New Shares under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis | Wednesday, 13 June 2012 |
| Retail Entitlement Offer closes (5.00pm Sydney time)                                                 | Tuesday, 19 June 2012   |
| Retail shortfall bookbuild                                                                           | Friday, 22 June 2012    |
| Settlement of the Retail Entitlement Offer                                                           | Thursday, 28 June 2012  |
| Despatch of holding statements for New Shares under the Retail Entitlement Offer                     | Friday, 29 June 2012    |
| Issue of New Shares under the Retail Entitlement Offer                                               | Friday, 29 June 2012    |
| New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis   | Monday, 2 July 2012     |
| Retail Premium (if any) despatched                                                                   | Tuesday, 3 July 2012    |

The above timetable is indicative only and subject to change. All times represent Sydney time. AGL reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, AGL reserves the right to extend the closing date, to accept late applications either generally or in particular cases, and to withdraw the Entitlement Offer without prior notice. The commencement of quotation of New Shares and trading in retail Entitlements is subject to confirmation from the ASX.

## **Shareholder Enquiries**

Eligible retail shareholders will be sent further details about the Entitlement Offer via a shareholder letter to be despatched on or around Friday, 25 May 2012 and a retail offer booklet to be lodged with ASX on Wednesday, 30 May 2012 and despatched on or around Monday, 4 June 2012.

Retail shareholders who have questions relating to the Entitlement Offer should call the AGL Offer Information line on 1800 824 513 (within Australia) or +61 2 8280 7115 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday or go to our website [www.agl.com.au](http://www.agl.com.au).

Further information in relation to the Acquisition and Entitlement Offer described in this announcement is set out in an investor presentation which AGL has filed with the ASX today. The investor presentation contains important information including key risks, key assumptions relating to certain forward looking information in this announcement and foreign selling restrictions with respect to the Entitlement Offer.

## **Important Information**

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

## **NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements and the New Shares may not be offered or sold in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this announcement nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed to persons in the United States.

This announcement contains forward-looking statements, which can usually be identified by the use of words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AGL, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this announcement. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are based on information available to AGL as of the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules) AGL undertake no obligation to update these forward-looking statements.

## **Coal Reserves and Resources**

The statements in this announcement relating to the coal reserves and resource are based on information compiled by GHD Pty Ltd. Mr Ben Jansen and Mr Ted Waghorne are full-time employees of GHD Pty Ltd and have sufficient experience which is relevant to the type of deposit being reported on to qualify as Competent Persons as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition)". Mr Ben Jansen (member No. 211633) and Mr Ted Waghorne (member No. 103329) are members of the Australasian Institute of Mining and Metallurgy, and have consented to the inclusion of the statements in the form and context in which these statements appear.