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18 September 2013

**BY ELECTRONIC LODGEMENT**

Company Announcements  
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Sydney NSW 2000

**ashurst**

**AGL APG Holdings Pty Limited ACN 081 834 826 and AGL Energy Limited ACN 115 061 375 – Letter to Shareholders of Australian Power and Gas Company Limited (ASX: APK)**

We act for AGL APG Holdings Pty Limited ACN 081 834 826 (a wholly owned subsidiary of AGL Energy Limited (ASX: AGK)) (**AGL Bidder**) in relation to its off-market takeover bid for all of the ordinary shares in Australian Power and Gas Company Limited ABN 96 077 206 583 (**APK**) that AGL Bidder does not already hold.

On behalf of AGL Bidder we enclose a copy of a letter which will be sent to APK shareholders today.

Yours faithfully



**Ashurst Australia**

AUSTRALIA BELGIUM CHINA FRANCE GERMANY HONG KONG SAR INDONESIA (ASSOCIATED OFFICE) ITALY JAPAN  
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**18 September 2013**

Dear Shareholder,

## **AGL OFFER FOR AUSTRALIAN POWER & GAS NOW UNCONDITIONAL**

I am writing to provide you with an update on the progress of AGL's off-market takeover offer (**Offer**<sup>1</sup>) to acquire all of the shares in Australian Power and Gas Company Limited (**APG**) and, on behalf of the AGL Board, to encourage you to accept the Offer.

I am pleased to advise that AGL's Offer has now been declared unconditional.

### **The Offer**

AGL is offering **\$0.52 cash** for every 1 APG share which represents:

- a **51 percent premium** to the 90-day volume weighted average price of APG shares as at the last trading day before the Offer was announced; and
- a **33 percent premium** to the closing price of APG shares as at the last trading day before the Offer was announced.

### **APG Independent Board Committee unanimously recommended the Offer**

APG's Independent Board Committee unanimously recommended that APG shareholders accept the Offer in the absence of a superior proposal.

AGL is pleased to advise that APG Directors have now accepted the Offer.

### **AGL has achieved effective control of APG**

The Offer has received strong support from APG shareholders.

AGL has obtained effective control of APG, and currently has voting power in APG in excess of 87 percent.

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<sup>1</sup> The Offer is being made by AGL APG Holdings Pty Limited, a wholly owned subsidiary of AGL.

AGL has also achieved majority representation of AGL nominated Directors on the APG Board.

**AGL is offering accelerated payment terms to APG shareholders who accept**

Since declaring the Offer unconditional, AGL has also indicated that it will offer accelerated payment terms to APG shareholders who accept into the Offer by dispatching cheques to those shareholders no later than 5 business days after receipt of a valid acceptance.

AGL has also announced that it will acquire APG shares on-market at prices up to the bid price of \$0.52 per share. This provides shareholders with an alternative way to sell their shares to AGL on the ASX.

**How to accept the Offer?**

AGL's Offer is scheduled to close at 7:00pm (AEST) on 11 October 2013, unless extended.

To ACCEPT the Offer, please follow the instructions outlined in the enclosed Acceptance Form (a copy of which was also provided to you with the Bidder's Statement).

If you have any questions in relation to the Offer or how to accept the Offer, please call the AGL Offer Information Line on 1800 426 150 (toll-free for calls made within Australia) or +61 1800 426 150 (for calls made from outside Australia) from Monday to Friday between 8:30 am and 5:30pm (AEST).

On behalf of the AGL Board, I strongly encourage you to accept the AGL Offer and receive certain and immediate value for your APG shares.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J Maycock', written over a horizontal line.

Jeremy Maycock  
Chairman