



ASX & Media Release

AGL announces recommended takeover offer for Australian Power and Gas Company Limited

15 July 2013

AGL Energy Limited¹ (AGL) today announced that it has entered into agreements for the outright acquisition of 19.9% of the issued shares of Australian Power and Gas Company Limited (APG), and that it intends to make an off-market takeover offer to acquire all of the issued shares of APG (APG Shares) that it does not currently have an interest in at \$0.52 cash per share (the Offer).

The 19.9% interest is to be acquired by AGL from each of APG's three largest shareholders – Nippon Gas (~5.2%), The Cobra Group (~5.2%) and the Poole Interests² (~9.5%). These shareholders have also announced their intention to accept the Offer, by no later than the business day after the Offer becomes unconditional and in the absence of a superior proposal, in respect of their remaining APG Shares, which equate to a further 36.9% of APG Shares. An independent Board committee established by APG to evaluate the transaction has recommended that APG shareholders accept the offer, in the absence of a superior proposal and subject to the independent expert appointed by APG concluding that the Offer is reasonable.

The proposed price represents a 33% premium to APG's closing price of 39.0 cents on 12 July 2013 and a 51% premium to APG's 3 month volume weighted average price of 34.4 cents. It implies a total enterprise value of \$158 million³.

The acquisition will be 100% financed from cash reserves and existing debt facilities. AGL anticipates the acquisition will be modestly accretive to underlying earnings per share from FY14⁴.

AGL's Managing Director, Michael Fraser, said: "The acquisition of APG will further strengthen AGL's retail business. It will increase our total customers by approximately 10%, effectively achieving our goal of 800,000 electricity customers in New South Wales."

"We will create value by leveraging our lower cost-to-serve across the APG customer base. The transaction provides compelling value to APG shareholders and will enable APG customers to obtain enhanced products and services."

Table 1 APG Customer numbers⁵

(000's)	Electricity	Gas	Total
Victoria	121	107	228
New South Wales	74	26	100
Queensland	22	4	26
Total	217	137	354

1 The acquisition is by a wholly owned subsidiary of AGL

2 Nippon Gas means Nippon Gas Co., Ltd; Cobra Group means The Cobra Group Pty Ltd, Cobra Investment BV and Barton Holdings Limited; Poole Interests means Richard Poole, Arthur Phillip, Arthur Phillip Nominees Pty Ltd, Amanda Poole and Haxby Pty Ltd

3 Based on estimated net debt of \$55 million as at 30 June 2013

4 Excluding significant items of \$36 million after tax

5 As at 30 June 2013 and rounded to nearest thousand



Indicative timing and other information

The transaction is expected to complete by the end of October 2013. AGL anticipates dispatching its Bidder's Statement for the Offer by early August.

AGL's Offer is conditional upon a number of matters, including:

- > Minimum acceptances of 90%;
- > ACCC notification that it does not intend to oppose the acquisition; and
- > No material adverse change.

The conditions of AGL's Offer are set out in full in the attachment.

A separate offer will be made by AGL to acquire all of the outstanding options in APG for cash (the Options Offer), subject to certain relief being obtained from ASIC and ASX. Details of the Options Offer will be set out in the Options Offer Bidder's Statement in due course.

AGL has engaged Deutsche Bank AG as financial adviser and Ashurst as legal adviser.

Conference call

AGL will hold a conference call at 10.30am today to discuss the presentation lodged with the Australian Securities Exchange (also attached) outlining the Offer. Questions will be taken at the conclusion of the presentation.

Dial-in details:

Toll Free (Australia): 1800 801 825 (passcode "6900262")
International: +61 2 8524 5042 (passcode "6900262").

Further inquiries:

Investors

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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.



ATTACHMENT – CONDITIONS TO AGL'S OFFER

1.1 Defeating Conditions

The Offer and any contract resulting from its acceptance, is subject to the Defeating Conditions set out below.

(a) **Minimum acceptance condition**

At the end of the Offer Period, AGL has a relevant interest in more than 90% (by number) of the APK Shares on issue at that time.

(b) **ACCC Approval**

Before the end of the Offer Period, none of the following events happening:

- (i) the ACCC having given notice in writing to AGL or APK that it has decided to oppose the acquisition of the APK Shares under the Offer;
- (ii) the ACCC notifying AGL or APK in writing that it will not approve the acquisition of the APK Shares under the Offer unless AGL agrees to conditions or undertaking and those conditions or undertaking are not acceptable to AGL (acting reasonably);
- (iii) the ACCC taking action or give notice to AGL or APK in writing of its intention to take action, to prevent or restrain the acquisition of the APK Shares under the Offer; or
- (iv) the ACCC commencing legal proceedings seeking orders to prevent or restrain the acquisition of APK Shares under the Offer.

(c) **No prescribed occurrences**

Between the date the Bidder's Statement is given to APK and the end of the Offer Period none of the following events happen:

- (i) APK converts all or any of its shares into a larger or smaller number of shares;
- (ii) APK or a subsidiary of APK resolves to reduce its share capital in any way;
- (iii) APK or a subsidiary of APK:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under Section 257C(1) or 257D(1) of the Corporations Act;
- (iv) APK or a subsidiary of APK issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, other than pursuant to the vesting under the ESOP or ESP of any existing APK Shares or APK Options or as agreed by AGL in writing prior to the Announcement Date;
- (v) APK or a subsidiary of APK issues, or agrees to issue, convertible notes;
- (vi) APK or a subsidiary of APK disposes, or agrees to dispose, of the

whole, or a substantial part, of its business or property;

- (vii) APK or a subsidiary of APK grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (viii) APK or a subsidiary of APK resolves to be wound up;
- (ix) the appointment of a liquidator or provisional liquidator of APK or of a subsidiary of APK;
- (x) a court makes an order for the winding up of APK or of a subsidiary of APK;
- (xi) an administrator of APK, or of a subsidiary of APK, is appointed under Section 436A, 436B or 436C of the Corporations Act;
- (xii) APK or a subsidiary of APK executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of APK or of a subsidiary of APK.

(d) **No prescribed occurrences between announcement and service**

None of the events listed in sub-paragraphs (i) to (xiii) of paragraph (c) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statement is given to APK.

(e) **No action by Public Authority adversely affecting the Offer**

During the Condition Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority (excluding the ACCC);
- (ii) no action or investigation is instituted, or threatened by any Public Authority (excluding the ACCC) with respect to APK or any subsidiary of APK; or
- (iii) no application is made to any Public Authority (excluding the ACCC) (other than an application by AGL or any company within the AGL group, an application under Section 657G of the Corporations Act, or an application commenced by a person specified in Section 659B(1) of the Corporations Act in relation to the Offer),

in consequence of, or in connection with, the Offer, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Offer or seeks to require the divestiture by AGL of any APK Shares, or the divestiture of any assets by APK or by any subsidiary of APK or by any company within the AGL group.

(f) **Non-existence of certain rights under agreements or instruments**

During the Condition Period, there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision

of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which APK or any of its subsidiaries is a party, or by or to which APK or any of its subsidiaries or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent which is material in the context of APK and its subsidiaries taken as a whole in:

- (i) any moneys borrowed by APK or any of its subsidiaries being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (ii) any such agreement or other such instrument being terminated or modified or any action taken or arising thereunder (including the acceleration of the performance of any obligations thereunder);
- (iii) any assets, shares or business of APK or any of its subsidiaries being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions; or
- (iv) the business of APK or any of its subsidiaries with any other person being adversely affected,

other than in relation to any agreement or instrument:

- (v) previously disclosed before the Bid Announcement Date by APK in a public filing with the ASX;
- (vi) disclosed in writing by APK to AGL before the Announcement Date,

provided in each case such agreement or instrument and such entitlement to exercise, actual or purported exercise, intention to exercise or assertion was fully, fairly and accurately disclosed, and such disclosure was not misleading or deceptive in any material respect (including by omission).

(g) **Conduct of APK's business**

During the Condition Period, none of APK, or any body corporate which is or becomes a subsidiary of APK, without the prior written consent of AGL (such consent, in the case of sub-paragraphs 1.1(g)(iv) - 1.1(g)(xvi), 1.1(g)(xx) and 1.1(g)(xxii), not to be unreasonably withheld or delayed):

- (i) announces, makes, declares, distributes or pays any distribution (whether by way of dividend, bonus, capital reduction or otherwise and whether in cash or in specie);
- (ii) issues or grants options over, or agrees to issue or grant options over, or otherwise makes any commitments regarding any shares or other securities, or alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes or any other securities that are convertible into shares;
- (iii) makes any changes in its constitution or passes any special resolution;
- (iv) enters into, amends or agrees to enter into or amend, any contract, commitment or other arrangement with a related party of APK or

issues a notice of termination, terminates or agrees to terminate, waives or otherwise foregoes any rights under any such arrangement;

(v) enters into, amends or agrees to enter into or amend, any contract, commitment or other arrangement where:

(A) the term of the contract, commitment or arrangement is greater than 12 months; or

(B) the contract, commitment or arrangement involves APK or a subsidiary of APK incurring expenditure or being entitled to receive revenue (or additional expenditure or revenue in the case of an amendment) in excess of \$100,000 per annum,

other than:

- a mass market or SME customer contract on materially the same terms as the current pro-forma standard form customer contracts which have been disclosed by APK in writing to AGL before the Announcement Date; or

- any financial instruments to manage market movements in the electricity and gas markets in accordance with any facility agreement disclosed by APK in writing to AGL prior to the Announcement Date, any financial instrument or trading contract to manage APK's (or a subsidiary of APK's) renewable energy target obligations or the extension of any gas supply agreements disclosed by APK in writing to AGL prior to the Announcement Date, provided that:

- the financial instrument or trading contract is on arm's length terms; and

- AGL is offered a last right of refusal to provide the financial instrument or trading contract on the same terms and conditions as APK proposes to enter into with the third party and AGL has not accepted that offer in respect of a gas contract within 3 Business Days or in the case of an electricity contract within 1 Business Day, of the offer being received and if AGL has not accepted the offer, APK enters into the financial instrument or trading contract with the third party on terms and conditions that are identical to those offered to AGL;

(vi) terminates, agrees to terminate, waives, foregoes any rights, assigns, disposes of, encumbers or otherwise deals with any rights under any contract, commitment or other arrangement, or gives its consent to any other party or parties to terminate, waive, forego any rights, assign, dispose of, encumber or otherwise deal with their respective rights under any contract, commitment or other arrangement where:

(A) the term of the contract, commitment or arrangement is

greater than 12 months; or

- (B) the contract, commitment or arrangement involves APK or a subsidiary of APK incurring expenditure or being entitled to receive revenue (or additional expenditure or revenue in the case of an amendment) in excess of \$100,000 per annum,

other than:

- a valid termination of a mass market or SME customer contract; or
 - the assignment by APK (or a subsidiary of APK) to a third party of its rights to recover debt (relating to closed accounts with amount owing of over 180 days past due) from a customer under customer contracts;
- (vii) settles or compromises any claim, proceeding, demand or investigation or consents to any orders being made against APK or a subsidiary of APK other than in respect of a claim involving a mass market customer where the settlement or compromise to be paid by APK does not exceed \$10,000 for any individual claim and the total amount paid for all claims does not exceed \$250,000;
- (viii) changes (by agreement or unilaterally) the services, service levels, service level credits, products to be sold or provided or territories that apply under any existing agreement, arrangement or undertaking under which the counterparty is providing services to APK or a subsidiary of APK such that the change (taken with any other such previous change) which would result in APK or a subsidiary of APK incurring additional expenditure or a reduction in revenue in excess of \$100,000 per annum;
- (ix) enters into a contract or commitment restraining it from competing with any person or conducting activities in any market;
- (x) acquires or disposes of, or enters into, agrees to enter into or announces any agreement for the acquisition or disposal of, any company, asset or business in excess of \$100,000, other than the assignment by APK (or a subsidiary of APK) to a third party of its rights to recover debt (relating to closed accounts with amounts owing of over 180 days past due) from a customer under customer contracts;
- (xi) voluntarily changes any accounting policy applied by it to report its financial position;
- (xii) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business other than as contemplated under any facility agreement disclosed by APK in writing to AGL prior to the Announcement Date, in relation to any "repos" provided to an existing lender disclosed by APK in writing to AGL prior to the Announcement Date; or any guarantee or borrowing required for APK (or a subsidiary of APK) to comply with prudential requirements of the electricity market, the gas market, under a gas supply agreement as disclosed by APK in writing to AGL prior to the Announcement Date, or use of system, distribution or transportation

agreement disclosed by APK in writing to AGL prior to the Announcement Date;

- (xiii) borrows or agrees to borrow any money (except for temporary borrowing from its financiers in the ordinary course of business) or prepays or seeks to prepay any amounts under, or amends or agrees to amend any contract, commitment or other arrangement in connection with the existing facility or borrowing arrangements between APK or a subsidiary of APK and the financiers, other than, where first consented to in writing by AGL (such consent not to be unreasonably withheld or delayed), any guarantee (other than a guarantee provided to the Australian Energy Market Operator to comply with prudential requirements) or borrowing required for APK (or a subsidiary of APK) to comply with prudential requirements of the electricity market, the gas market, under a gas supply agreement as disclosed by APK in writing to AGL prior to the Announcement Date, or use of system, distribution or transportation agreement disclosed by APK in writing to AGL prior to the Announcement Date;
- (xiv) gives or agrees to give financial accommodation in excess of \$100,000 other than to other members of the APK Group;
- (xv) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (xvi) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (xvii) increases the remuneration of or otherwise varies the employment arrangements with any of the APK Directors of or any of the employees of the APK Group (collectively, **Relevant Employees**);
- (xviii) other than for bonuses accrued in APK's balance sheet as at 31 May 2013 as disclosed by APK in writing to AGL prior to the Announcement Date, pays any bonus to a Relevant Employee where the aggregate amount of all such bonuses exceeds \$250,000;
- (xix) pays any of the Relevant Employees termination or retention payments (other than to the extent disclosed by APK in writing to AGL prior to the Announcement Date);
- (xx) enters into any new employment arrangements with an existing or potential employee other than to replace staff or fill any vacant positions and where the total annual remuneration and other benefits of such replacement employee under the employment arrangement is less than \$100,000 per annum;
- (xxi) conducts its business otherwise than in the ordinary course;
- (xxii) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager), other than as fully, fairly and accurately disclosed by APK or its advisers in writing to AGL or its advisers before the Announcement Date, and such disclosure was not misleading or

deceptive in any material respect (including by omission);

(xxiii) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation; or

(xxiv) agrees to do any of the matters set out in sub-paragraphs 1.1(g)(i) to 1.1(g)(xxiii) above.

(h) **No material adverse change**

(ii) During the Condition Period no event, matter or thing occurs or information is disclosed by APK concerning any event, matter or thing which will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profitability or prospects of APK and its subsidiaries, including any event, matter or thing which will or is reasonably likely to:

(A) have the effect of diminishing the consolidated net assets of the APK Group as set out in its consolidated balance sheet of APK at 31 May 2013 as disclosed by APK in writing to AGL prior to the Announcement Date by at least \$2,500,000; or

(B) reduces or adversely affects the EBITDA of the APK Group for any 12 month period by at least \$1,500,000,

except it does not include any event, change, condition, matter or thing which:

(C) was fully, fairly and accurately disclosed by APK before the Announcement Date in a public filing with ASX or fully, fairly and accurately disclosed by APK in writing to AGL before the Announcement Date, provided that in each case such disclosure was not misleading or deceptive in any material respect (including by omission);

(D) is required by the Bid Implementation Agreement or is expressly consented to in writing by AGL for the purposes of this condition; or

(E) is, results from or is attributable to:

(1) any change or movement in exchange rates;

(2) a reduction in consumption of gas or electricity by APK's customers due to prevailing weather conditions;

(3) mark to market movements of financial instruments as a result of changes in the electricity or gas markets; or

(4) projects or the establishment of any new business or new places of business by a competitor of the APK Group or the entry of a new entrant in any market in which the

APK Group operates.

- (iii) The Target's Statement contains a statement expressed to be made with the approval of the APK Board, which confirms to the best of the knowledge and belief of the APK Board after having made due enquiry, that the number of APK's retail customer accounts is not less than 340,500 (**Customer Confirmation**).
- (iv) The Target's Statement contains a statement that the APK Board will issue a supplementary Target's Statement if the Customer Confirmation ceases to be correct at any time prior to the close of the Offer and no supplementary Target's Statement that varies, qualifies or revokes the Customer Confirmation is issued by the APK Board during the Condition Period.

1.2 Glossary

The following definitions apply in interpreting the Defeating Conditions:

"ACCC" means the Australian Competition and Consumer Commission.

"AGL" means AGL Energy Limited ABN 74 115 061 375.

"Announcement Date" means 15 July 2013.

"APK" means Australian Power and Gas Company Limited ABN 96 077 206 583.

"APK Board" means the APK Directors acting together as a board of APK.

"APK Director" means a current director of APK.

"APK Group" means APK and each of its related bodies corporate.

"APK Options" means any options to acquire APK Shares that have been granted by APK.

"APK Optionholder" means a person who is registered as the holder of APK Options in the Register.

"APK Shares" means fully paid ordinary shares in APK.

"APK Shareholder" means a person who is registered as the holder of APK Shares in the Register.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means ASX Limited ABN 98 008 624 691.

"ASX Listing Rules" means the listing rules of ASX.

"Bid" means an off-market takeover bid by AGL for all APK Shares under Chapter 6 of the Corporations Act.

"Bid Implementation Agreement" means the Bid Implementation Agreement between AGL and APK dated 15 July 2013.

"Bidder's Statement" means the bidder's statement to be issued by AGL in

respect of the Bid.

"Business Day" means a day (other than Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney.

"Condition Period" means the period beginning on the Announcement Date and ending at the end of the Offer Period.

"Corporations Act" means the *Corporations Act 2001* (Cth) as modified by any relevant exemption or declaration by ASIC.

"Customer Confirmation" has the meaning given in section 1.1(h)(iii) of the Defeating Conditions.

"Defeating Condition" means each condition set out in section 1.1.

"EBITDA" means earnings before interest, tax, depreciation and amortisation.

"Encumbrance" means:

- (a) a PPS Security Interest;
- (b) any other mortgage, charge, pledge or lien;
- (c) an easement, restrictive covenant, caveat or similar restriction over property;
- (d) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property (including a right to set off or withhold payment of a deposit or other money);
- (e) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase, licence, lease or hire purchase);
- (f) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
- (g) an agreement to create anything referred to above or to allow any of them to exist.

"ESOP" means the Australian Power and Gas Company Limited Employee Share Option Plan adopted by the APK Board on 23 January 2007, as amended by the APK Board from time to time.

"ESP" means the Australian Power and Gas Company Limited Employee Share Scheme.

"Offer" means each offer to acquire APK Shares to be made by AGL to APK Shareholders in connection with the Bid.

"Offer Period" means the period during which Offers are open for acceptance.

"PPS Security Interest" means a security interest that is subject to the PPSA.

"PPSA" means the *Personal Property Securities Act 2009* (Cth).

"Public Authority" means any federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, administrative, statutory or judicial entity, arbitral body, commission, board, bureau or authority or agency.

"Register" means the register of APK Shareholders and APK Optionholders maintained by APK in accordance with the Corporations Act.

"Relevant Employees" has the meaning given in section 1.1(g)(xvi) of the Defeating Conditions.

"SME" means small and medium sized enterprises.

"Target's Statement" means the target's statement to be issued by APK in respect to the Bid.

1.3 Interpretation

- (a) Words and phrases to which a meaning is given by the Corporations Act or the ASX Listing Rules have the same meaning in this document unless that meaning is inconsistent with the context in which the word or phrase is used.
- (b) Headings are for convenience only, and do not affect interpretation of this document.
- (c) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
 - (i) a singular word includes the plural, and vice versa;
 - (ii) a word which suggests one gender includes the other genders;
 - (iii) if a word is defined, another part of speech has a corresponding meaning;
 - (iv) unless otherwise stated references in this document to sections, paragraphs and sub-paragraphs are to sections, paragraphs and sub-paragraphs of this document;
 - (v) a reference to a person includes a body corporate; and
 - (vi) a reference to \$ is to the lawful currency in Australia unless otherwise stated.
- (d) References to time are references to time in Sydney, Australia on the relevant date, unless stated otherwise.

Australian Power and Gas acquisition



175
YEARS
SUPPORTING
THE COMMUNITY

AGL

Michael Fraser, Managing Director and CEO

Brett Redman, Chief Financial Officer

Stephen Mikkelsen, Group General Manager Retail Energy

15 July 2013 | AGL External

175
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Disclaimer

This presentation is not intended as an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in the United States or any other jurisdiction. Securities may not be offered or sold in the United States absent registration under the Securities Act of 1933 or an applicable exemption from registration.

The information in this presentation is an overview and does not contain all information necessary to an investment decision. It does not take into account the investment objectives, financial situation or particular needs of any particular investor. AGL Energy Limited ("AGL") makes no recommendation to investors regarding the suitability of an investment in its securities, and the recipient of this presentation must make its own assessment and/or seek independent advice on financial, legal, tax and other matters, including the merits and risks involved.

This presentation contains certain "forward looking statements". These forward looking statements are based on the beliefs of AGL's management as well as assumptions made by and information currently available to AGL's management, and speak only as of the date of this presentation. AGL can give no assurance that the forward looking statements in this presentation will not materially differ from actual results, and the inclusion of forward looking statements in the presentation should not be regarded as a representation by AGL or any other person that they will be achieved. The forward looking statements are by their nature subject to significant risks, uncertainties and contingencies, many of which are outside of AGL's control and are not reliably predictable. Should one or more of these risks, uncertainties or contingencies materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those contemplated in any forward-looking statements.

In addition, some of the financial data included in this presentation are "non-GAAP" financial measures under Regulation G under the Securities Exchange Act of 1934. Certain of these measures may not be comparable to similarly titled measures of other companies.

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- » **Australian Power & Gas acquisition**
 - » 15 July 2013
 - » AGL External



Australian Power and Gas acquisition

Opportunity to further strengthen AGL's retail franchise.

- › Opportunistic acquisition which will increase AGL's customer numbers by approximately 10%
 - » Additional customers predominately in Victoria and NSW
 - » Ability to provide APG customers with enhanced product offerings and service levels
- › AGL benefits from substantial economies of scale compared to APG's current cost structure
 - » AGL's cost-to-serve is ~\$130 per customer lower than APG
- › APG's largest customer base is in Victoria where the market is fully deregulated
- › Additional NSW electricity customers sees AGL close to achieving its target of 800,000
 - » Increases NSW electricity customer base to ~790,000^{1,2}
 - » Upon completion AGL will have added ~370,000 NSW electricity customers since 1 January 2011 at an average cost of \$242^{3,4} per customer

APG Customer Numbers ^{4,5}			
(000's)	Electricity	Gas	Total
Victoria	121	107	228
NSW	74	26	100
Queensland	22	4	26
Total	217	137	354

- » **Australian Power & Gas acquisition**
- » 15 July 2013
- » AGL External

1. Based on 30 June 2013 customer numbers
2. Assumes completion of APG acquisition
3. Assumes APG's NSW electricity customers acquired at \$562 per customer
4. 30 June 2013 forecast
5. Rounded to nearest thousand



Australian Power and Gas acquisition

Deal summary.

- › All cash offer for APG at \$0.52 per share
 - » 19.9% stake acquired at \$0.52 per share immediately prior to launching takeover
 - » Major shareholders have announced they intend to accept for the balance of their holdings (~37%) by no later than the business day after the Offer is unconditional (in the absence of a superior proposal)
 - » AGL and APG have signed a Bid Implementation Agreement for the takeover offer
- › APG independent Board committee has recommended acceptance of AGL's offer (in the absence of a superior proposal and subject to the independent expert concluding the offer is reasonable)
- › Conditions include:
 - » Minimum acceptance condition of 90%
 - » ACCC notification that it does not intend to oppose the acquisition
 - » No material adverse change
- › AGL anticipates dispatching its Bidder's Statement for the Offer in early August
 - » Transaction completion is expected by the end of October 2013
- › Acquisition will be 100% financed from cash reserves and/or existing debt facilities

Deal metrics

Acquisition exceeds AGL's IRR hurdle.

- › Enterprise value of \$158 million - \$103 million equity, \$55 million debt
- › AGL has a significant cost-to-serve advantage
- › Average consumption per APG customer comparable to AGL customer base
- › Key acquisition assumptions:
 - » Competition levels to remain high with churn levels remaining elevated
 - » Migrate APG customers to AGL's SAP platform within 12 months
 - » Door knocking currently undertaken by APG will cease, consistent with AGL's practice
- › AGL expects to recognise Net Significant Expense Item¹ of ~\$36 million after tax including:
 - » Onerous cost-to-serve contract \$15 million
 - » Contract termination/break costs/sundry \$21 million
- › Modest accretion expected in Underlying Earnings Per Share from FY14²

Deal metrics

Attractive acquisition cost per customer.

› Based upon the offer price of \$0.52 per share:

Valuation	\$m	\$/customer
Equity value	100	
Options	3	
Net debt ¹	55	
Enterprise Value	158	446
Deduct working capital ^{1,2}	(5)	(14)
Add significant expense items ³	36	102
Add capitalised migration costs ³	10	28
Full cost to acquire	199	562

- › Australian Power & Gas acquisition
- › 15 July 2013
- › AGL External

1. As at 30 June 2013 (estimated)
2. Working capital less Mark-to-market adjustments and less Other sundry items
3. After tax



Regulatory framework

Bid is subject to ACCC clearance.

- › AGL does not expect there to be any significant issues in light of:
 - » No material increase in retail market concentration levels
 - » Competitive environment to remain vigorous
 - » Price competition and ancillary service offerings driving churn
 - » APG's Queensland presence is minimal

Due Diligence

AGL has completed due diligence process.

- › 4-week due diligence process
- › Key focus areas covered :
 - » Customer migration/integration
 - » Bad debts
 - » Wholesale electricity and gas contracts
 - » Funding
 - » Legal matters
 - » Operational contracts
 - » Working capital

Summary

Acquisition consistent with AGL's integrated strategy.

- › Further enhances AGL's scale in electricity and gas retailing
- › Effectively achieves AGL's goal of 800,000 NSW electricity customers
- › AGL's SAP platform provides a low cost-to-serve
 - » Opportunity to provide APG customers with enhanced customer experience
- › Continued focus on customer retention and customer profitability
 - » SAP stability a precursor to customer retention and service quality
- › Acquisition price predicated on exceeding IRR hurdle
 - » AGL has deep experience in integrating new businesses
 - » Opportunity to significantly enhance shareholder value by exceeding base case assumptions

Information / Contacts

Information

Refer to AGL's website:

www.agl.com.au

Contacts

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