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ASX & Media Release

AGL acquires Macquarie Generation assets

AGL announces \$1,232 million 1 for 5 pro rata accelerated renounceable entitlement offer

20 August 2014

AGL Energy Limited (**AGL**) announced today that it had concluded an agreement with the New South Wales (**NSW**) Government to acquire the Macquarie Generation assets (**MacGen**) for a consideration of \$1,505 million¹ and that it is seeking to raise approximately \$1,232 million from a fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer with retail entitlements trading (**Entitlement Offer**).

The key details of the Entitlement Offer are:

- Fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer with retail entitlements trading to raise approximately \$1,232 million
- Offer price of \$11.00 per new share
- Institutional Entitlement Offer is accelerated
- Retail entitlements may be traded on ASX from Monday, 25 August 2014 to Monday, 8 September 2014
- New shares will not be entitled to the FY14 final dividend of 33 cents per share announced today with the FY14 financial results.

The offer price of \$11.00 per new share represents:

- a 23.3% discount to last close²; and
- a 20.2% discount to the theoretical ex-rights price (**TERP**)³.

The proceeds of the Entitlement Offer will be used to fund part of the \$1,505 million purchase price of the MacGen assets. The balance of the consideration will be funded by bank debt. AGL anticipates that, upon completion of funding, its credit rating will be reaffirmed.

MacGen assets

The MacGen power stations give AGL ownership of the lowest cost, large-scale baseload generators in NSW and increase AGL's registered generation capacity by approximately 82 percent to more than 10,400 MW. This brings AGL's share of generating capacity in the National Electricity Market to approximately 21 percent and adds to AGL's diverse portfolio of renewable and thermal generation assets.

AGL's CEO and Managing Director, Michael Fraser said: "We're delighted that we can finally proceed with the acquisition of MacGen.

"With Loy Yang in Victoria and MacGen in New South Wales, AGL will now generate electricity from two of the lowest cost baseload generators in the National Electricity Market."

The acquisition is expected to be accretive to underlying EPS for the year ending 30 June 2015⁴ and to generate substantial future cash flows for AGL.





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 5 existing AGL ordinary shares (**Entitlement**) held as at 7.00pm (Sydney time) on Monday, 25 August 2014 (**Record Date**).

New Shares issued under the Entitlement Offer will rank equally with existing Shares from the date of allotment. The first dividend payable in respect of the New Shares will be the interim dividend for FY15 which is expected to be announced in February 2015. New Shares to be issued under the Entitlement Offer will not be entitled to the FY14 final dividend of 33 cents per share announced on 20 August 2014.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional entitlement offer which will take place from Wednesday, 20 August 2014 to Thursday, 21 August 2014 (**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 that eligible institutional shareholders do not take up 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 Friday, 22 August 2014 (**Institutional Shortfall Bookbuild**). 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 there will be any proceeds remitted to those institutional shareholders.

AGL shares have been placed in trading halt whilst the Institutional Entitlement Offer and Institutional Shortfall Bookbuild is undertaken.

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 Tuesday, 26 August 2014 and close at 5.00pm (Sydney time) on Monday, 15 September 2014.

Eligible retail shareholders will be allotted Entitlements which can be traded on the ASX. If they do not wish to take up all or part of their Entitlements, they can seek to sell all or part of their Entitlements on the ASX or by transferring it directly to another person to realise value for those Entitlements ahead of the Retail Shortfall Bookbuild. Retail Entitlements can be traded on the ASX from Monday, 25 August 2014 (on a deferred settlement basis) to Monday, 8 September 2014.

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 Thursday, 18 September 2014 (**Retail Shortfall Bookbuild**). 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 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 Friday, 29 August 2014. Copies of the retail offer booklet will be available on the ASX website and our website at www.agl.com.au from Monday, 25 August 2014.

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 (Ontario and Quebec), Denmark, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, Norway, Singapore, Sweden, Switzerland 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 or trade 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. 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. If 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.

Notes:

1. Includes stamp duty but not other transaction costs of \$43 million.
2. As at close Tuesday, 19 August 2014 adjusted for the FY14 final dividend of 33 cents.
3. TERP is the theoretical price at which AGL Shares should trade immediately after the ex-date for the Entitlement Offer. TERP 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 TERP. TERP is calculated by reference to AGL's closing price on 19 August 2014 and excludes the FY14 final dividend of 33 cents per share announced on 20 August 2014.
4. EPS accretion in FY15 is based on the following key assumptions:
 - > MacGen is acquired in September 2014;
 - > Spot and contract wholesale prices are materially the same as those implied by the forward curves;
 - > Generation volumes and plant availability are consistent with prior years and there are no material unplanned plant outages;
 - > A zero carbon price;
 - > AGL raises approximately \$1.2 billion under the Offer; and
 - > AGL raises approximately \$350 million of debt.
 - > Based on a Theoretical Ex-Rights Price (TERP) adjusted EPS calculation

Further inquiries:

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About AGL

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable energy generation in the country. Drawing on over 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 taking action toward creating a sustainable energy future for our investors, communities and customers.

About MacGen

MacGen is the largest producer of electricity in New South Wales. The assets include the Bayswater (2,640 MW) and Liddell (2,000 MW) black coal fired power stations, Hunter Valley Gas Turbines (50 MW), Bayswater B and Tomago development sites, Liddell solar farm, extensive coal handling infrastructure comprising rail unloaders and conveyor systems, 104 million tonnes of contracted coal and approximately 4.2 million tonne coal stockpile. MacGen employs approximately 660 people (full time equivalent).

Indicative Timetable

Institutional Entitlement Offer	Date - 2014
Announcement of Entitlement Offer and trading halt	Wednesday, 20 August
Institutional Entitlement Offer opens	Wednesday, 20 August
Institutional Entitlement Offer closes	Thursday, 21 August
Institutional shortfall bookbuild	Friday, 22 August
Trading halt lifted	Monday, 25 August
Record date for eligibility in the Institutional Entitlement Offer	7:00pm Monday, 25 August
Settlement of the Institutional Entitlement Offer	Monday, 1 September
Issue and quotation of New Shares under the Institutional Entitlement Offer	Tuesday, 2 September

Retail Entitlement Offer	Date - 2014
Record date for eligibility in the Retail Entitlement Offer	7:00pm Monday, 25 August
Retail Entitlements commence trading on ASX on a deferred settlement basis	Monday, 25 August
Retail Entitlement Offer opens	Tuesday, 26 August
Retail Offer Booklet despatched	Friday, 29 August
Retail Entitlements allotted	Friday, 29 August
Retail Entitlements commence trading on ASX on a normal settlement basis	Monday, 1 September
Retail Entitlements trading on ASX ends	Monday, 8 September
New Shares under the Retail Entitlement Offer commence trading on ASX on a deferred settlement basis	Tuesday, 9 September
Retail Entitlement Offer closes	5:00pm Monday, 15 September
Retail shortfall bookbuild (after market close)	Thursday, 18 September
Settlement of the Retail Entitlement Offer	Wednesday, 24 September
Issue of New Shares under the Retail Entitlement Offer	Thursday, 25 September
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Friday, 26 September
Retail premium (if any) despatched	Monday, 29 September

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 of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases), and to withdraw the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares. The commencement of quotation and trading of Entitlements and New Shares 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 Thursday, 21 August 2014 and a retail offer booklet to be lodged with ASX on Friday 29 August 2014 and despatched on or around Friday, 29 August 2014.

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

Further information in relation to the MacGen 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.