

ASX & Media Release

AGL successfully completes the institutional component of its 1 for 5 pro rata accelerated renounceable entitlement offer

25 August 2014

AGL Energy Limited (**AGL**) today announced the completion of the institutional component of its fully underwritten 1 for 5 pro rata accelerated renounceable entitlement offer (**Institutional Entitlement Offer**) with retail entitlements trading of new ordinary shares (**New Shares**) raising gross proceeds of approximately \$515 million.

Summary of the Institutional Entitlement Offer

- > Institutional Entitlement Offer completed raising gross proceeds of approximately \$515 million
- > Approximately 95% take-up by eligible institutional shareholders

Entitlements not taken up by eligible institutional shareholders and entitlements of ineligible institutional shareholders were sold and cleared in the institutional shortfall bookbuild at \$2.85 per entitlement. The clearing price equates to a \$2.85 premium to the offer price of \$11.00, and a 6 cent premium to TERP of \$13.79¹.

The close of the Institutional Entitlement Offer represents completion of the first stage of AGL's approximate \$1,232 million equity raising, announced on Wednesday, 20 August 2014. Proceeds of the Entitlement Offer will be used to fund part of the \$1,505 million purchase price of the Macquarie Generation assets.

Approximately 95% of the New Shares available under the Institutional Entitlement Offer were taken up, demonstrating strong demand from AGL's eligible institutional shareholders.

AGL CEO and Managing Director, Michael Fraser, said: "We are very pleased with the strong level of support received from our institutional shareholders in the Institutional Entitlement Offer. We now look forward to completing the retail component of the offer and completing the Macquarie Generation acquisition."

Approximately 2.3 million entitlements were available in the institutional shortfall bookbuild, which was completed on Friday, 22 August 2014. The bookbuild was well supported by shareholders and new investors with a clearing price of \$2.85 per entitlement. Accordingly, the total amount to be paid by successful participants in the institutional shortfall bookbuild is \$13.85 per New Share (being the offer price of \$11.00 per share, plus \$2.85 per entitlement). Eligible institutional shareholders who elected not to take up their entitlements, and ineligible institutional shareholders, will receive \$2.85 for each entitlement not taken up and sold into the institutional shortfall bookbuild.

¹TERP 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.



New Shares taken up under the Institutional Entitlement Offer and following the institutional shortfall bookbuild are expected to be issued on Tuesday, 2 September 2014 and commence trading on ASX on the same day.

New Shares issued under the Institutional Entitlement Offer and Retail Entitlement Offer will rank equally with existing Shares from the date of allotment. New Shares to be issued under the Entitlement Offer will not be entitled to the FY14 fully franked final dividend of 33 cents per share announced on 20 August 2014.

Retail Entitlement Offer

The retail component of the entitlement offer (**Retail Entitlement Offer**) is expected to raise approximately \$717 million. 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 able to subscribe for 1 New Share for every 5 existing AGL ordinary shares (**Entitlement**) held on the record date of 7.00pm (Sydney time) Friday, 25 August 2014, at the same offer price of \$11.00 per share as the Institutional Entitlement Offer.

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 them 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 to Friday, 29 August 2014 on a deferred settlement basis and from Monday, 1 September 2014 to Monday, 8 September 2014 on a normal settlement basis.

Retail Entitlements that 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 agl.com.au from Monday, 25 August 2014.

The retail 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, on the register as at the record date. 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 on Wednesday, 20 August 2014. 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 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. 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.

AGL ordinary shares are expected to resume trading on the ASX from market open today on an ex-offer entitlement basis. AGL ordinary shares will commence trading ex-dividend of 33 cents per share on Tuesday, 2 September 2014.



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).



Shareholder Enquiries

Eligible retail shareholders have been sent further details about the Entitlement Offer via a shareholder letter despatched on or around Thursday, 21 August 2014 and a retail offer booklet to be lodged with ASX on Monday, 25 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 agl.com.au.

Further information in relation to the Entitlement Offer described in this announcement is set out in an investor presentation which AGL has filed with the ASX on Wednesday, 20 August 2014. 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.