



ASX & Media Release

Board rejects unsolicited non-binding indicative proposal

21 February 2022

AGL Energy Limited (AGL Energy) advises that it has rejected an unsolicited, preliminary, non-binding indication of interest from a consortium led by Brookfield Asset Management Inc and including Grok Ventures (collectively, the Brookfield Consortium) to acquire 100% of the shares in AGL Energy for \$7.50 per share by way of a scheme of arrangement (Unsolicited Proposal).

The AGL Energy Board considers that the Unsolicited Proposal, which was received on the morning of Saturday, 19 February 2022, materially undervalues the company on a change of control basis and is not in the best interests of AGL Energy shareholders.

AGL Energy shareholders do not need to take any action in response to the Unsolicited Proposal.

The Unsolicited Proposal represents a:

- 4.7% premium to the closing price of AGL Energy of \$7.16 on 18 February 2022;
- 4.2% premium to the volume weighted average price (VWAP) since AGL Energy's 1H22 Results announced on 10 February 2022 of \$7.20¹;
- 4.3% premium to the one-month VWAP of \$7.19².

The Unsolicited Proposal is a cash proposal, with an option for AGL Energy shareholders to elect a scrip alternative in the Brookfield Consortium's acquiring vehicle (subject to a maximum participation cap of 20% AGL Energy shareholder ownership in the acquiring vehicle). The Unsolicited Proposal provided limited other information regarding the structure of the acquiring vehicle and the scrip alternative.

The Unsolicited Proposal is also subject to a number of other conditions and assumptions, including due diligence, and approvals from the Australian Competition and Consumer Commission (ACCC) and Foreign Investment Review Board (FIRB).

On the basis of the information presented, the AGL Energy Board has determined that the Unsolicited Proposal materially undervalues the company on a change of control basis and is not in the best interests of AGL Energy shareholders.

The AGL Energy Board remains committed to progressing the proposed demerger of AGL Energy to establish two separately listed businesses, AGL Australia and Accel Energy, and considers the proposed demerger will deliver better value for AGL Energy shareholders.

AGL Energy Chairman Peter Botten said, "The proposal does not offer an adequate premium for a change of control and is not in the best interests of AGL Energy shareholders.

"Under the Unsolicited Proposal the Board believes AGL Energy shareholders would be forgoing the opportunity to realise potential future value via AGL Energy's proposed demerger as both proposed organisations pursue decisive action on decarbonisation."

¹ VWAP since AGL Energy's 1H22 Results calculated for the inclusive period of 10 February 2022 – 18 February 2022

² One-month VWAP calculated for the inclusive period of 19 January 2022 – 18 February 2022

AGL Energy Demerger

Since announcing the structural separation proposal on 31 March 2021, the Board has rigorously tested various alternative options available to it and the AGL Energy Board continues to believe the proposed demerger is in the best interests of AGL Energy shareholders.

As announced on 10 February 2022, the proposed demerger is progressing well and is on track for completion by 30 June 2022. The Board is confident that the demerger will create a strong future for both parts of the business, resulting in two industry leading companies both with the ability to unlock value as each business pursues their individual tailored purposes and strategies.

“AGL Energy has the proven ability to continue to reinvent our business to meet the changing needs of our customers. Our locally developed, industry leading capability means that we are best placed to continue to serve the households and businesses of Australia, while delivering a responsible pathway to a decarbonised future,” Mr Botten said.

“On a daily basis we deliver services to around 4.5 million customers³. Under our demerger those customers who depend on us now can be sure that AGL Australia will leverage its deep energy expertise, systems and scale to further enhance these services in a low carbon world, while at the same time Accel Energy advances a new energy future together with its workforce, community and government.

“At the recent results announcement AGL Energy also outlined climate commitments for both proposed organisations that demonstrated decisive action on decarbonisation. These commitments strike a balance between enabling Australia’s current and future energy needs and the need to responsibly decarbonise, without impacting energy reliability and affordability.

“The commitments set a new baseline for both organisations against which they will measure their success and strive to improve as the energy market evolves. Under these commitments, AGL Australia would achieve 50% reduction in emissions by 2030⁴ and Accel Energy would achieve a 55-60% reduction⁵ in emissions by no later than 2034, with the potential to bring this forward should the system be ready.”

Both AGL Australia and Accel Energy have completed financing arrangements announced at the recent FY22 results announcement.

“AGL Australia and Accel Energy will continue to have access to the deep public and private capital markets to support their renewable energy development plans. This will continue the AGL Energy legacy of investment in renewables that has seen us invest \$4.8bn over the last two decades in transition including our part ownership of the \$3 billion renewable developer TILT Renewables.

“We have also received strong interest for the proposed Energy Transition Investment Partnership (ETIP) fund in recent months. The ETIP is being established to support Accel Energy’s commitment to transition our existing thermal generation sites to low-carbon Industrial Energy Hubs.”

AGL Energy is currently in-market to establish the ETIP as an investment vehicle to back the development of Accel Energy’s key renewable and low carbon firming assets. Accel Energy will act as vehicle manager in addition to managing development, output marketing, construction, assets and dispatch. AGL Energy is working towards establishing the ETIP by the point of demerger.

³ Includes approximately 300,000 services to customers of ActewAGL, in which AGL Australia will own a 50 percent shareholding in the retail operations

⁴ On FY19 levels for Scope 1, 2 and 3 emissions for AGL Australia

⁵ FY19 baseline comprises Scope 1 and Scope 2 emissions for all electricity generation assets that will be owned and operated by Accel Energy following demerger, as reported under the National Greenhouse and Energy Act 2007



Under the proposed demerger both AGL Australia and Accel Energy will be focused on supporting the development of renewable and flexible generation capacity with AGL Australia's commitment to underwrite 3 GW of new capacity by 2030 and Accel Energy starting with 2.7 GW of projects in the pipeline at various stages of feasibility, planning or development and the potential for more.

In the absence of a proposal that provides appropriate value to AGL Energy shareholders on a control basis, the Board continues to believe the demerger maximises value for shareholders and is in the best interests of shareholders.

Macquarie Capital, Goldman Sachs and Herbert Smith Freehills are advising AGL Energy.

Authorised for release by AGL Energy's Board of Directors.

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About AGL Energy

Proudly Australian for more than 180 years, AGL Energy supplies around 4.5 million energy and telecommunications customer services⁶. We're committed to becoming a leading multi-product retailer, making energy and other essential services simple, fair and transparent. AGL Energy operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and gas production and storage assets. We are building on our history as Australia's leading private investor in renewable energy to now lead the business of transition to a low emissions, affordable and smart energy future in line with the goals of our Climate Statement. We have a passionate belief in progress and a relentless determination to make things better for our communities, customers, the Australian economy and our planet.

⁶ Services to customers number is as at 31 December 2021 and includes Click Energy and 100% of approximately 300,000 services to customers of ActewAGL, in which AGL owns a 50% equity stake of the retail operations.