



ASX & Media Release

Shareholder letter in relation to AGL Energy's proposed demerger

28 February 2022

In accordance with ASX Listing Rule 3.17, please see the attached copy of a letter and fact sheet being sent to shareholders today in relation to AGL Energy's proposed demerger.

Authorised for release by AGL Energy's Company Secretary, John Fitzgerald.

Further enquiries

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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 services¹. 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.

¹ 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.



AGL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

28 February 2022

Dear Shareholder,

AGL Energy Board rejects unsolicited non-binding indicative proposal

On 21 February 2022, AGL Energy announced that your Board of Directors had rejected an unsolicited, preliminary, non-binding indication of interest from Brookfield Asset Management Inc and Grok Ventures to acquire 100% of the shares in AGL Energy for \$7.50 per share by way of a scheme of arrangement.

The AGL Energy Board considers that the unsolicited proposal materially undervalues AGL Energy and is not in the best interests of AGL Energy shareholders.

As an AGL Energy shareholder you do not need to take any action in response to the unsolicited proposal.

Committed to progressing the demerger, creating a strong future and unlocking shareholder value

As announced in June 2021, the Board is proposing to implement a demerger that will create a strong future for both the retail and generation parts of our business and facilitate a responsible and orderly transition towards a decarbonised energy future.

The demerger will result in two industry leading companies pursuing strategies tailored to their individual purposes and executing on their own decarbonisation plans:

- **AGL Australia** will be Australia's leading multi-service energy retailer, supported by a sophisticated market trading function and access to firming, storage and renewable assets
- **Accel Energy** will be Australia's largest electricity generator, providing low cost energy whilst driving the energy transition by repurposing its sites into low emissions industrial energy hubs and progressing a pipeline of renewable energy projects

Following the demerger, AGL Australia and Accel Energy will be separately listed entities. The Board believes this will be an important catalyst for the realisation of shareholder value as each of these companies can be valued separately and more positively by the market on the basis of their own specific business fundamentals.

We have defined distinct dividend policies and capital structures for each business that will support both future growth and appropriate returns to shareholders.

Importantly, the demerger will enable AGL Australia and Accel Energy to responsibly accelerate the decarbonisation of Australia's energy system in a way that protects and enhances system stability and shareholder value.

Your Board is confident the demerger is in the best interest of shareholders.

Enabling the future of energy

At AGL Energy's HY22 results announcement we outlined climate commitments for both AGL Australia and Accel Energy that demonstrated decisive action on decarbonisation. These commitments strike a balance between meeting Australia's current and future energy needs and the need to responsibly decarbonise, without impacting energy reliability and affordability.

Under the demerger, both AGL Australia and Accel Energy will bring forward their net zero target dates and focus on supporting the development of renewable and flexible generation capacity:

- **AGL Australia** will underwrite 3 GW of new renewable generation capacity by 2030
- **Accel Energy** will start with 2.7 GW of renewable energy projects in the pipeline at various stages of feasibility, planning or development with the potential for more

The commitments set a baseline for both companies, against which they will measure their success and strive to improve as the energy market evolves.

What's next

Preparation for the demerger is progressing well and remains on track.

As an AGL Energy Shareholder you will be asked to vote to approve the demerger and we commit to keeping you updated and informed as we move towards a Shareholder vote in mid-June this year.

Please find enclosed a fact sheet providing further information about the demerger and how it creates a strong future for both parts of our business.

If you have any questions call the AGL Energy demerger Information Line (weekdays between 9:00am and 5:00pm AEDT) on 1300 148 339 (within Australia) or +61 2 9066 4059 (international) or visit our website www.agl.com.au/demerger.

Your sincerely



Peter Botten

Chairman, AGL Energy

Creating a Strong Future

AGL Energy Proposed Demerger

Dear Shareholder,

As announced in June 2021, your Board of Directors is proposing a demerger to create a strong future for both parts of our business and through this, enable a responsible and orderly transition towards a decarbonised energy future.

The Board believes this will be an important catalyst for the realisation of shareholder value as each of these companies can be valued separately and more positively by the market on the basis of their own specific business fundamentals.

The proposed demerger will result in two industry leading companies – Australia's leading multi-service energy retailer (AGL Australia) and Australia's largest electricity generator (Accel Energy) – each with the potential to unlock value as they pursue strategies tailored to their individual purposes.

We have defined distinct dividend policies and capital structures for each business that will support both future growth and appropriate returns to shareholders.

As an AGL Energy Shareholder you will be asked to vote to approve the proposed demerger and we commit to keeping you updated and informed as we move towards a Shareholder vote in mid-June this year.



Peter Botten
Chairman, AGL Energy

IMPORTANT DATES FOR SHAREHOLDERS

- Mid-May 2022:** Scheme Booklet released
- Mid-June 2022:** Shareholder meeting (Demerger vote)
- 30 June 2022:** Demerger implementation (subject to relevant approvals)

SHAREHOLDERS WILL HAVE ACCESS TO:

- Clear dividend policies for both entities:
 - AGL Australia: 60% to 75% of underlying NPAT¹
 - Accel Energy: 80% to 100% of free cash flows² after servicing net finance costs³
- The opportunity to participate in Australia's energy transition as a Shareholder of both AGL Australia and Accel Energy.

Why demerge?

We have defined a way forward for AGL Australia and Accel Energy that builds on AGL Energy's legacy of innovation and development.

By transforming our business, we are taking decisive action to better address our climate-related risks and taking the lead in supporting Australia's energy transition, creating long-term value and sustainable investment opportunities at the same time.

Through AGL Australia's commitment to underwrite 3GW of renewable and flexible capacity by 2030 and Accel Energy's pipeline of 2.7GW of projects, both organisations will pursue strategies that ensure their continued leadership in Australia's energy market.

Through our proposed demerger, we are transforming our business in order to take a leadership role in supporting Australia's energy transition, creating long-term value and sustainable investment opportunities as we do it.



- **AGL Australia** will be Australia's leading multi-service energy retailer with renewables, firming and storage assets.
- **Accel Energy** will provide secure, low cost energy while developing a renewables pipeline and supporting the energy transition.



- **AGL Australia** will lead in decentralised energy products and drive new renewable capacity. Carbon neutral for all Scope 1 and 2 emissions upon listing and net zero by 2040.
- **Accel Energy** will support the grid with low cost energy while reducing Scope 1 and 2 emissions, achieving net zero for its electricity generation portfolio by no later than FY47.



Demerger is a catalyst for the realisation of shareholder value as each company can be valued separately and more positively by the market on the basis of their own specific business fundamentals. Each company has attractive, individual value propositions based on:

- Clear dividend policies tailored to each organisation
- Investment grade credit ratings
- Distinct ESG weightings
- Broader access to capital to support growth



- **AGL Australia** to meet growing customer demand for distributed and low or carbon neutral products and services.
- **Accel Energy** to repurpose thermal sites to low emission industrial Energy Hubs.

¹ Dividends expected to be partly franked in the short term, targeting to be fully franked over the longer term.

² Free cash flow defined as "operating cash flow less tax, working capital requirements, sustaining capex and contributions for planned growth / investment capex".

³ Dividends to be unfranked in the first few years following demerger as tax losses are utilised.

Enabling the future of energy

AGL Energy has a strong legacy of innovation and development in response to the climate challenge

\$4.8 billion Invested in renewable and firming generation in the last two decades - largest by any ASX listed company	>2,500 MW Total renewable and battery assets – largest of any ASX listed company	13 Projects in planning, development and feasibility stages across our future industrial Energy Hubs	800 ktCO₂e Of carbon traded since 2016
>2,350 MW New generation capacity added to the grid since 2003	200 MW Already orchestrated in our leading multi-asset virtual power plant operated by AGL Energy	>330 k Carbon neutral services to customers as of 31 Dec 2021, including 110k energy services	18 years Of providing transparent disclosure in relation to carbon and sustainability, including TCFD reporting since 2018

AGL Australia will drive the development of a renewable generation portfolio that supports Australia’s largest energy retail base.



Accel Energy’s generation fleet will maintain its position as an important part of the NEM, supplying reliable and low cost energy to the market as Accel Energy and Australia transition to a low carbon future.

For further information about these climate commitments visit www.agl.com.au/demerger

Two industry leading companies



AGL Australia will leverage deep energy expertise and scale to create value in a low carbon world



Leading multi-service energy retailer



Flexible and green portfolio



Creating value through the energy transition



Decentralised energy and trading expertise



Net zero by 2040⁴



Accel Energy will supply competitive energy while working to advance a new energy future



Largest electricity generator, an important part of the NEM



Renewables development pipeline



Industrial Energy Hubs drive future value



Opportunities to partner



Responsibly transition all coal operations by no later than 2045

Contact us:

AGL Energy Demerger Information Line - weekdays between 9:00am and 5:00pm (AEDT)

1300 148 339 (within Australia)

+61 2 9066 4059 (international)

www.agl.com.au/demerger

Disclaimer: This letter provides general information about AGL Energy’s proposed demerger, which remains subject to a number of conditions and requirements. Decisions regarding voting on the proposed demerger should be made on the basis of the Demerger Scheme Booklet that is expected to be made available in mid-May 2022.

⁴ For all emissions (Scope 1, 2 and 3) with a 50% reduction on FY19 levels by 2030.