

AGL ENERGY LIMITED

of 2014

**RE: PROPOSED ACQUISITION OF MACQUARIE GENERATION (A CORPORATION
ESTABLISHED UNDER THE ENERGY SERVICES CORPORATIONS ACT 1995
(NSW))**

ANNEXURE CERTIFICATE

This is the annexure marked "**BAR 21**" annexed to the statement of **BRETT ALAN REDMAN**
dated 23 March 2014

Annexure BAR21

Filed on behalf of (name & role of party)	<u>AGL Energy Limited</u>		
Prepared by (name of person/lawyer)	<u>Liza Carver</u>		
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[Form approved 01/08/2011]

AGL ENERGY LIMITED

MINUTES OF MEETING OF DIRECTORS

HELD BY TELEPHONE CONFERENCE

ON TUESDAY 21 JANUARY 2014, 0800 - 1030 HOURS

Present: Jerry Maycock (Chairman)
Sandra McPhee
Bruce Phillips
Les Hosking
John Stanhope
Belinda Hutchinson
Graeme Hunt
Michael Fraser (Managing Director)

In Attendance: Paul McWilliams (Company Secretary) (Minutes 04/14-07/14)
Brett Redman (Chief Financial Officer)
Marc England (Group Head of Strategy)
Stephen Mikkelsen (Group GM Retail Energy)
Mike Moraza (Group GM Upstream Gas)
Anthony Fowler (Group GM Merchant Energy)
John Fitzgerald (General Counsel)
Doug Jackson (Chief Operating Officer, Merchant Energy)
Richard Wrightson (General Manager, Energy Portfolio Management) (Minutes 04/14 - 14/14)
Paul Frazer (Head of Group Business Development) (Minutes 04/14 - 12/14)
Peter Tarimo (Senior Manager Group Business Development) (Minutes 04/14 - 12/14)
Nigel Bean (Project Director) (Minutes 04/14 - 12/14)
John Hobson (Head of Capital Markets) (Minutes 08/14 - 12/14 and 18/14)

[REDACTED]

Minute 04/14
Board 21/01/14

[REDACTED]

[REDACTED]

Minute 05/14
Board 21/01/14

[REDACTED]

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Minute 06/14
Board 21/01/14

[REDACTED]

[REDACTED]

Minute 07/14
Board 21/01/14

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PROJECT HUNTER

Minute 08/14
Board 21/01/14

Michael Fraser summarised the strategic rationale for Project Hunter noting that:

- following a successful acquisition, AGL would become the lowest cost generator in Victoria and NSW;
- the Macquarie Generation ("MacGen") assets would add scale to AGL's business and enhance cash flows thus improving AGL's ability to fund growth objectives and providing stability to AGL's credit rating;
- the acquisition would provide AGL with generation in NSW (where the company has its largest retail demand and in respect of which currently spends approximately \$500 million per year on purchasing hedge cover); and

- changes in Federal Government carbon and Renewable Energy Target (RET) policy mean that for the foreseeable future, generation from gas and renewable fuel sources is likely to be less competitive than generation from coal.

Brett Redman gave the Board a summary of the paper outlining AGL's valuation analysis noting the following:

- under the "base case" valuation, the acquisition is expected to be earnings accretive by approximately [REDACTED] cents per share in 2015 and [REDACTED] cents per share on 2016 (assuming a purchase price of [REDACTED] million and a [REDACTED] equity raising) and
- if the "base case" valuation is adjusted to account for the removal of carbon pricing from 30 June 2014, the transaction would be earnings accretive by approximately [REDACTED] cents per share in 2015 and approximately [REDACTED] cents per share in 2016.



The Board discussed the basis for determining the electricity price path used for valuation noting it had taken into account expected future reductions in gas fired generation (and potential station closures) as a result of higher wholesale gas prices, upward pressure on coal prices over the medium term, further entry of renewable generation to satisfy RET requirements and increased demand in Queensland associated with the commissioning of LNG processing facilities; and

The Board considered it unlikely that the level of solar PV installations would achieve the AEMO

"rapid uptake" scenario but noted that such a scenario could result in a lower valuation.

The Board requested that, later in the year, it be provided with an update on the overall demand forecast for the National Electricity Market including potential future plant closures.

The Board noted:

- [REDACTED] upgrades to coal handling facilities are expected to improve the range of available supply sources and coal quality options;

[REDACTED]

[REDACTED]

Michael Fraser provided an update on the status of the ACCC clearance application.

The ACCC had deferred from 30 January 2014 to 5 February 2014 (and possibly later), the date on which it would announce its decision. Mr Fraser stated that AGL was responding to a request for further information from the ACCC and that AGL's response would be submitted, as requested by the ACCC, by 22 January 2014.

John Stanhope provided the Board with an update on the work of the due diligence committee that had been formed to oversee the due diligence required in connection with the proposed equity raising. The Board noted that Deloitte had been engaged to review and approve the EPS accretion statement proposed to be made in the offer documentation and that a further Board meeting will be required to approve the offer documentation, including the ASX statement and investor presentation.

The Board:

- confirmed that it had reviewed, fully supported and approved the binding bid for the acquisition of the assets, rights and liabilities of MacGen ("Proposed Acquisition") and acknowledged that the bid will be binding on AGL and any applicable AGL subsidiary;
- resolved that AGL proceed with submitting a binding bid [REDACTED] (inclusive of stamp duty) and AGL (itself or through any of its subsidiaries) be given approval to proceed with implementation of the Proposed Acquisition;
- resolved that, in conjunction with submission of a binding bid, AGL lodge with the State of New South Wales a deposit of an amount [REDACTED];
- authorised AGL (and its relevant subsidiaries) entering into the transaction documents referred to in the Schedule to the Board Paper and any documents or instruments incidental or related to the those documents or which are necessary to give effect to the transaction ("Approved Documents"); and
- appointed Michael Fraser, Paul McWilliams, Brett Redman and Anthony Fowler severally as attorneys of AGL (and the relevant AGL subsidiary) to negotiate, finalise and execute on behalf of AGL (and any of its subsidiaries) the Approved Documents.

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Signed as a true record

Secretary

Chairman

Date: _____

Date: _____