

The Australian Gas Light Company

Investment in Loy Yang Power Market Briefing

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3 July 2003



Australian for Gas and Electricity



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Transaction overview

- Purchasers
- Asset Details
- Sale Process
- Purchase Price
- AGL Investment



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Great Energy Alliance Corporation (GEAC)



- 35% shareholding



- 35% shareholding
- Power industry partner

Commonwealth Bank



- 30% total shareholding
 - Financial investors led by Commonwealth Bank
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Asset Details

- Loy Yang Power Station
 - 2,000 MW (4 x 500 MW)
- Adjacent substantive coal mine
- Located in Victoria's La Trobe Valley



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Sale Process

- Comprehensive due diligence completed
- Share Sale Agreement signed by GEAC and Vendors on 3 July 2003
- Agreement provides a period of exclusivity
- Anticipated financial close 2 September 2003
- Completion subject to conditions precedent



Summary of conditions precedent

- Loy Yang Power Partnership lenders agree to restructure the existing debt package
- Various tax, duty and regulatory (including ACCC) issues and approvals are satisfied
- Approval by the creditors of NRG Energy and the U.S. Bankruptcy Court for the corporate guarantee supporting the performance of its subsidiary's obligations under the sale agreement
- Horizon security holders approve the transaction by special resolution (75% of votes cast in favour)



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Purchase Price

- Implied enterprise purchase price of approximately \$3.5 billion
- \$1.4 billion (or 28%) discount to sale price achieved in 1997 privatisation
- Represents significant discount to estimated replacement cost



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- **AGL Investment**



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AGL Investment

- AGL to contribute \$200 million of equity
- Project debt is non-recourse to GEAC investors (including AGL)
- AGL investment will be funded from existing credit lines



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Loy Yang

- Asset Overview
- Management Overview



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Loy Yang - Asset Overview

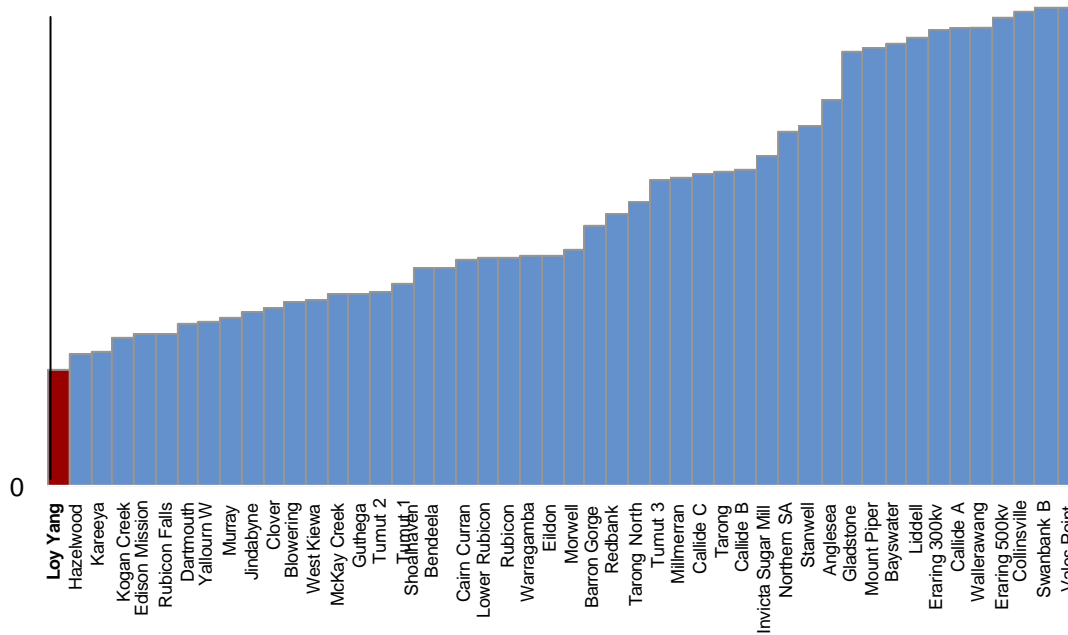
- Largest power station in Victoria
 - 5% of installed capacity in the NEM
 - 24% of installed capacity in Victoria
- Adjacent coal mine:
 - 2.1 billion tonnes of reserves
 - over 40 years fuel supply
- Loy Yang power generation units commissioned between July 1984 and December 1988
- Generation capacity enhancement opportunities



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Loy Yang is the lowest cash operating cost generator in the NEM



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Loy Yang

- Asset Overview
- Management Overview



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Loy Yang - Management Overview

- Strong incumbent management
- Loy Yang CEO and his team will continue to run the business
- Skilled and stable workforce



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Key benefits for AGL

- Alignment with Strategy
- Quality Investment and Returns
- Strong Consortium



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Alignment with AGL Strategy

Company Strategy:

- Increased investment in important part of energy value chain
- Earning an appropriate return on investment

Power Generation Strategy:

- Earnings stream from investment in lowest cost base load generation plant
- Mitigates risk through a natural income hedge



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Key benefits for AGL

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Investment outcomes for AGL

- EPS neutral in year 1 and accretive thereafter
- Equity returns well above AGL's cost of capital
- AGL will equity account its 35% investment in Loy Yang
- Following the acquisition, AGL's gearing is anticipated to increase by approximately 2%



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Key benefits for AGL

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- Quality Investment and Returns
- **Strong Consortium**



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TEPCO - Power industry partner

Listing ■ Tokyo Stock Exchange

■ Market capitalisation in excess of US\$45bn

Credit rating ■ AA- / AA2 by S&P / Moody's

Assets ■ 60,000 MW of installed generation capacity, including thermal, hydro and nuclear

International expertise ■ Operations in Japan, Europe, the U.S. and Asia

■ Investor in the 450 MW Tarong North power station in Queensland



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