

6 July 2007

Customer accounts up 50% to 45,000 after acquiring 15,000 Victorian accounts

At 45,000 accounts EBITDA positive month on month (when excluding future customer acquisition costs)

Highlights

- **Approximately 15,000 Victorian energy customers have been acquired from a distressed sale**
- **Transaction price secured is below recent energy industry acquisition price**
- **Victorian wholesale energy supply agreement caters for and ensures profitability of acquired accounts**
- **At 45,000 fully active accounts the business will be EBITDA positive month on month when excluding the ongoing costs of acquiring future customers**

The Acquisition

Australian Power and Gas Company Limited (ASX: APK) has acquired an additional 15,000 Victorian residential customers from a distressed sale. The customers have been transferred to Australian Power and Gas as at 12pm last night. This brings the total customer account base to approximately 45,000 since commencement of sales in February 2007.

The purchase price is \$1,000,000 with \$750,000 payable now and the balance due on 30 December 2007 subject to variations for any customer losses. This represents an acquisition cost under \$67 per customer account.

CEO of Australian Power & Gas Pty Ltd Mr James Myatt said, "This transaction is the result of an urgent sale and the price paid is at a significant discount to the normal market. We see this as excellent value, and well under the \$1000 plus paid for customers in recent industry transactions. It is also less than what we would normally expect to pay through our sales acquisition channels."

The acquisition enabled the vendor to avoid the customers being transferred back to the Retailer of Last Resort. Usually under these conditions customers are transferred back to incumbent retailers.

"These customers are very attractive to Australian Power and Gas and will be profitable based on our wholesale supply agreement in Victoria. For the customers, this transaction ensures they will be handled consistently and ensures that they will receive the opportunity to obtain ongoing discounts that otherwise may not have occurred under Retailer of Last Resort obligations," Mr Myatt said.

The acquisition ensures Australian Power and Gas has sufficient scale to be EBITDA positive month on month when the 45,000 accounts are fully active and excluding the costs of the ongoing new customer acquisition program. The acquisition continues to build the presence of Australian Power & Gas in the profitable Victorian energy market. The customers acquired are currently on a compatible back office system and can be easily integrated.

“This acquisition is an excellent fit for our business, these customers will roll into the existing wholesale energy purchasing agreement we have in Victoria and they will transfer across from a compatible back office system seamlessly into our proven customer service and billing capability. It also offers immediate scale benefits and the compatibility between back office systems allows these economies to be delivered without the need for significant integration investment,” Mr Myatt said.

Business Integration and Customer protection

Mr Myatt said, “We will be working closely with regulators, market participants and existing management to ensure that customers are protected throughout this process and enjoy the benefits of the simply smarter energy products from the team at Australian Power & Gas. Our management team has been involved in many of the historic mergers and acquisition within the Australian Energy Market and this experience will assist in a smooth and well executed outcome.”

About Australian Power & Gas:

Australian Power & Gas is listed on the Australian Stock Exchange (ASX) under the code APK. The company holds a full suite of gas and electricity retail licences in Victoria, New South Wales and Queensland and has been approved to operate by NEMMCO, the National Electricity Market Management Company. The company benefits from a strong management team with more than 50 years of combined experience in the energy industry.

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