Australian Power & Gas
FY12 Half-year results

February 2012

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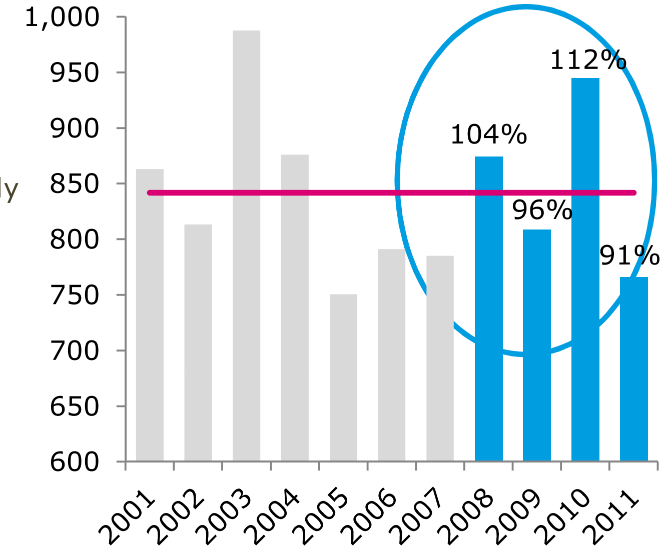
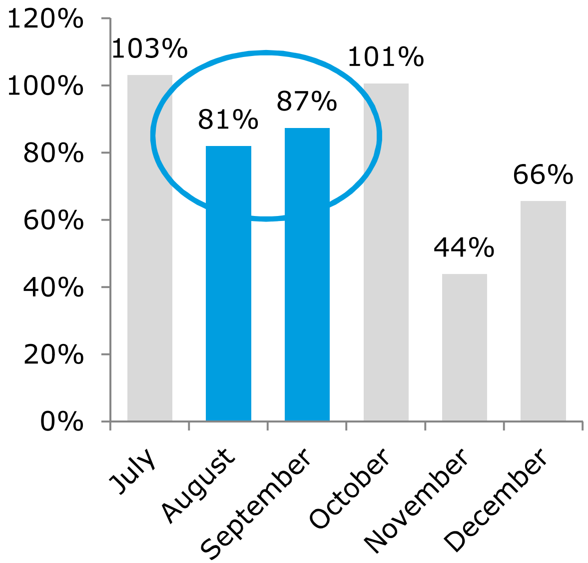
Highlights

- Continued growth in customer accounts and revenue
  - Revenue $175 million, up 72% on prior corresponding period (pcp)
  - 10,000 new net accounts on average per month since December 2010
  - 5 sales channels fully operational, development of new channels underway
  - On track to reach 360k accounts by year end
  - Underlying cash flow up $5.7 million to $7.8 million
- Expanded footprint
  - Now a dual-fuel supplier (electricity and gas) across the eastern seaboard
  - Geographic diversification accelerating
  - As at December 2011 – 68k customer accounts in NSW, 32k in QLD
- First-half result affected by abnormal weather patterns
  - Unseasonal mild weather, particularly in Victoria
  - Usage and revenue approximately 12% below forecast
  - Gross margin $6.7m below forecast
  - Issued revised FY guidance in December 2011

Winter 2011 vs historical trend



Note: APG commenced business July 2007



Note: Effective degree days (EDD) is a key measure used to estimate gas usage.

Mild winter and associated drop in gas usage in Victoria was reflected in lower-than-forecast customer receipts, gross margin and underlying net profit.

Gas usage was particularly affected as it is highly correlated to weather conditions.

EDD in July to December 2011 was 91% of the 10-year average. The key usage months of August and September were 81% and 87% of the 10-year average respectively.

Financial summary

Key statistics and metrics		Dec 2009A	Dec 2010A	Dec 2011A	*Forecast for Dec 2011#*
Customer accounts	#	115,000	193,000	323,000	330,000
Revenue	$m	$60.8	$101.6	$174.8	*$201*
Gross margin	$m	$17.7	$29.0	$41.5	*$48.2*
Underlying EBITDA*	$m	$6.3	$10.7	$12.6	*$17.7*
Underlying NPAT*	$m	$1.1	$2.2	$1.0	*$5.0*
Statutory NPAT	$m	$1.1	($1.3)	$0.9	*na*
Underlying earnings per share	cps	1.2	(1.2)	0.5	*2.5*
Results analysis					
Revenue per customer		$565	$601	$587	*$624*
Gross profit per customer		$165	$172	$139	*$156*
Opex/customer		$106	$108	$97	*$98*
Opex/gross margin		64%	63%	69%	*63%*
Underlying EBITDA/revenue		5.3%	5.5%	2.5%	*8.9%*
Underlying EBITDA/customer		$59	$63	$42	*$52*
Underlying NPAT/customer		$10	$13	$3	*$15*

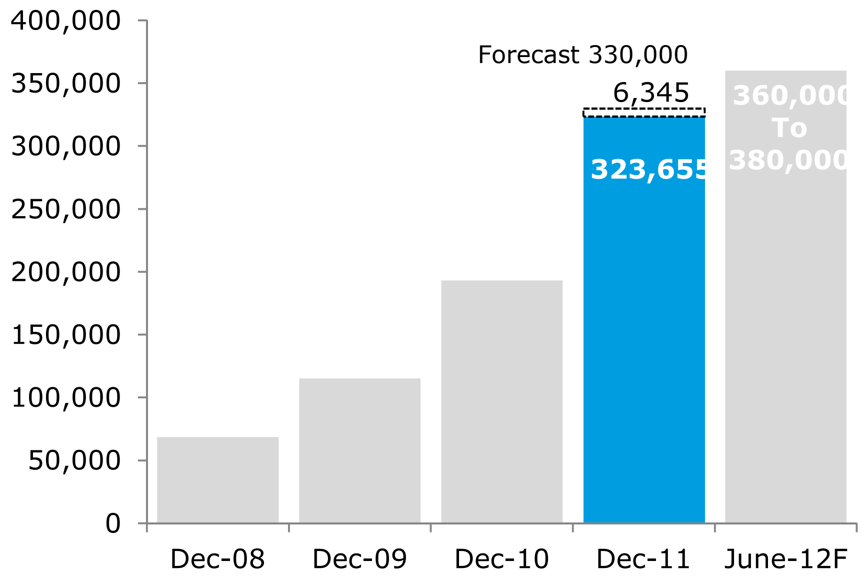
*Underlying EBITDA and Underlying NPAT exclude the impact of changes in hedge valuations that relate to future periods.

Forecast result that would have been achieved if weather conditions had been consistent with 10 year average weather conditions

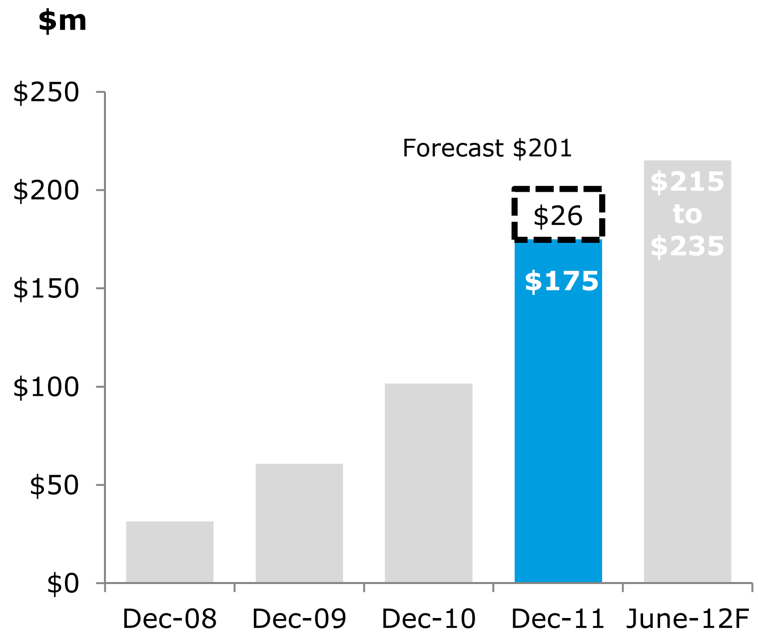
FINANCIAL REVIEW

Sustained revenue and customer growth

Net accounts ↑ 19% from June 2011
68% from December 2010



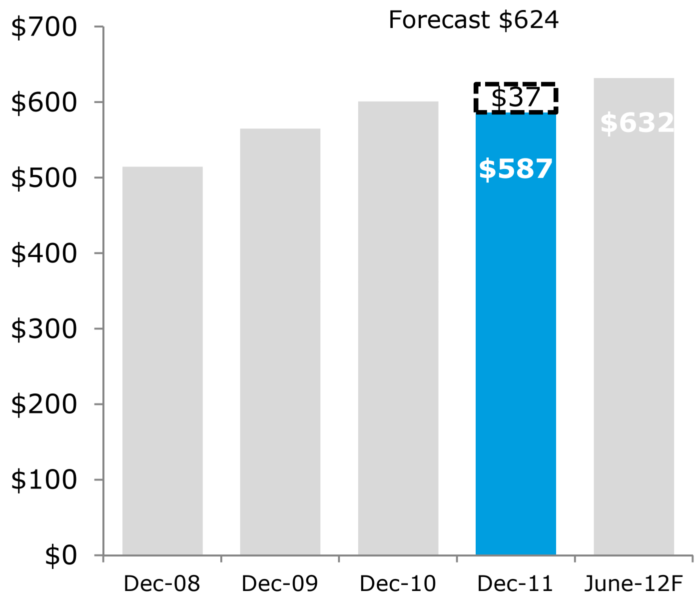
Revenue ↑ 72% pcp



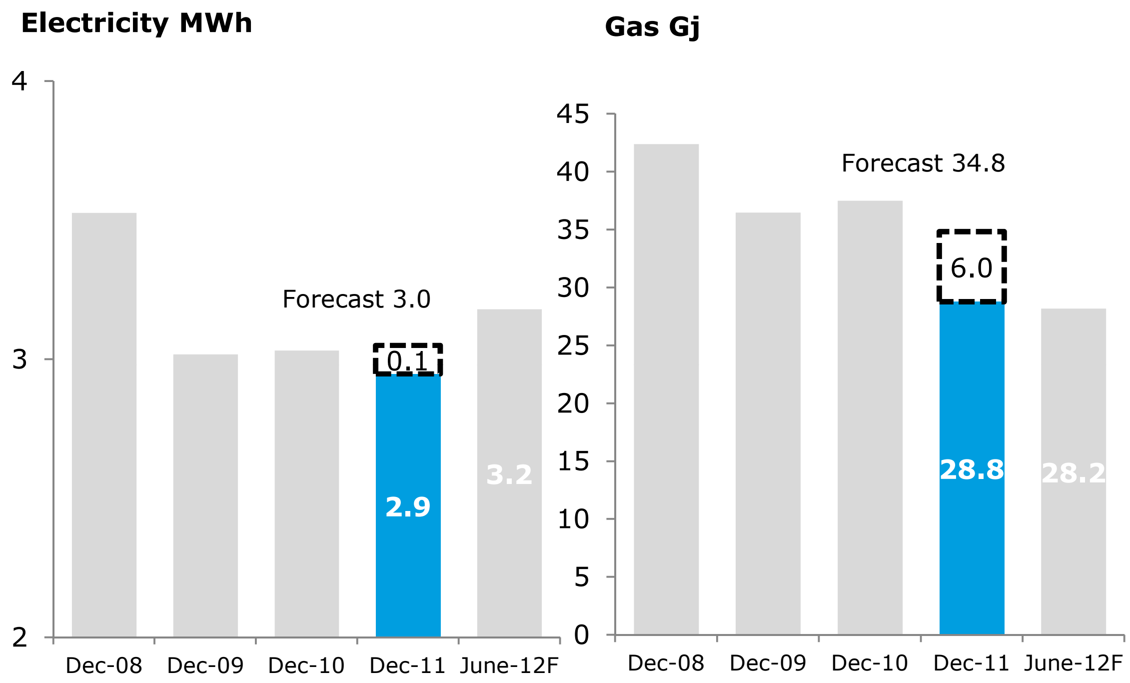
- Revenue increase of 72% over prior corresponding period underpinned by increase in net customer accounts of 51,000 during the period.
- Actual result was $26 million below forecast due to impact of mild weather conditions and slower rate of acquisition.
- Acquisition levels reduced to conserve cash.

Average revenue and usage

Average revenue per account



Average usage per account

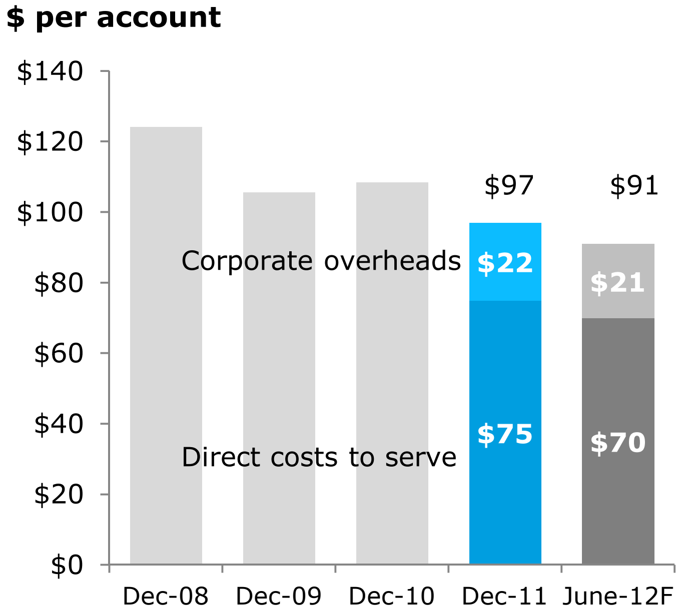


Fall in average customer usage directly attributed to mild weather conditions in Victoria.

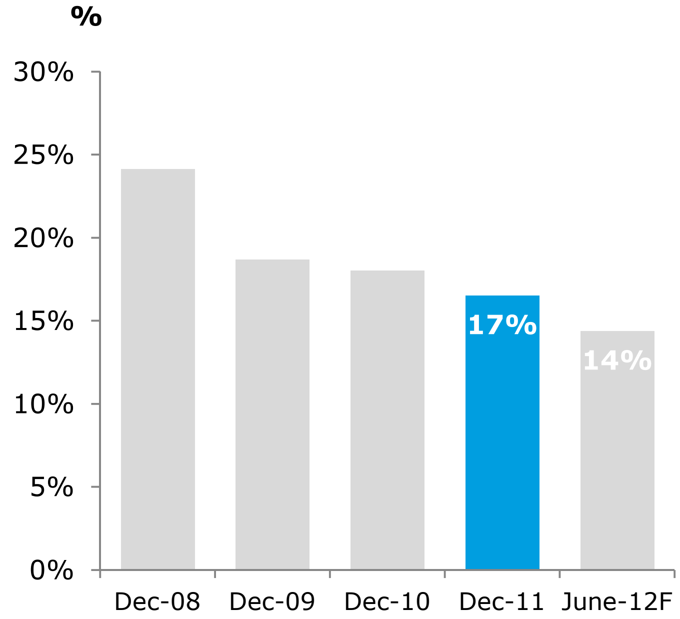
Impact on revenue partially offset by price increases in all states of operation.

Overhead reflects growing scale

Overheads per account ⬇ 10% pcp



Overhead to revenue %



- Overheads per account continue to trend downwards as the scale of the business builds.
- Overheads are mostly incurred on fixed rates per account, but with some benefits passed through as the number of accounts increase.
- Costs to serve customers of $75 per account trending to be in line with market leader

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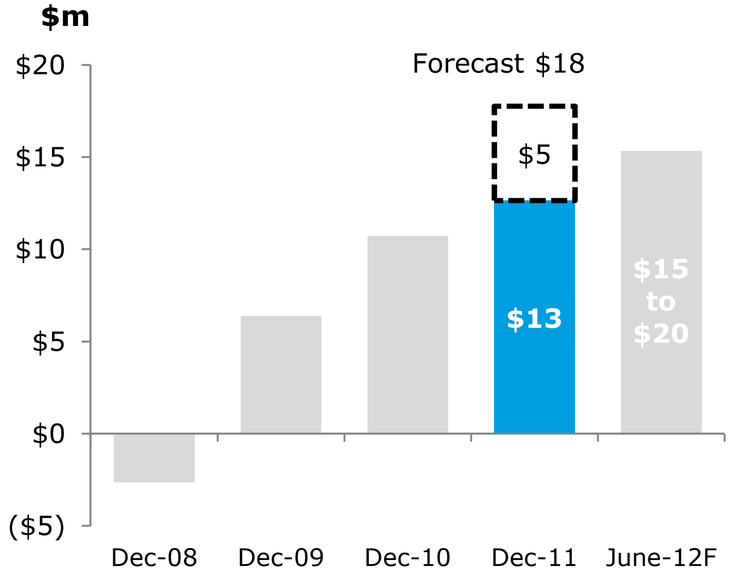
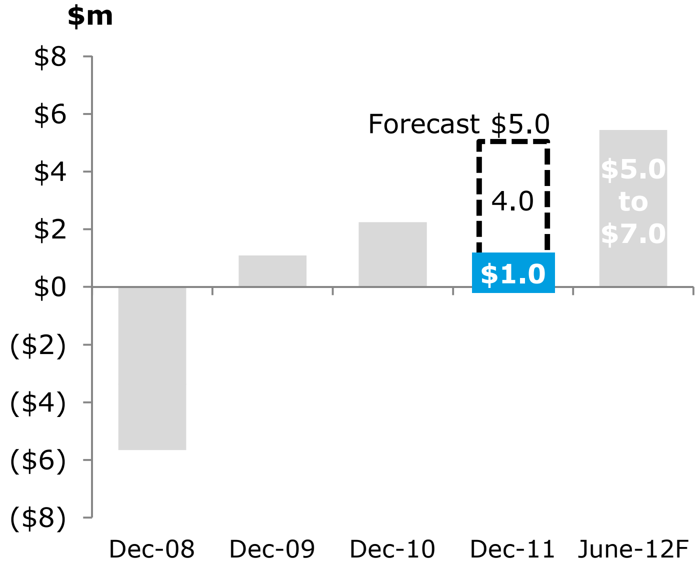
Underlying EBITDA and net profit

Underlying EBITDA* 18% pcp



Underlying NPAT* 55% pcp

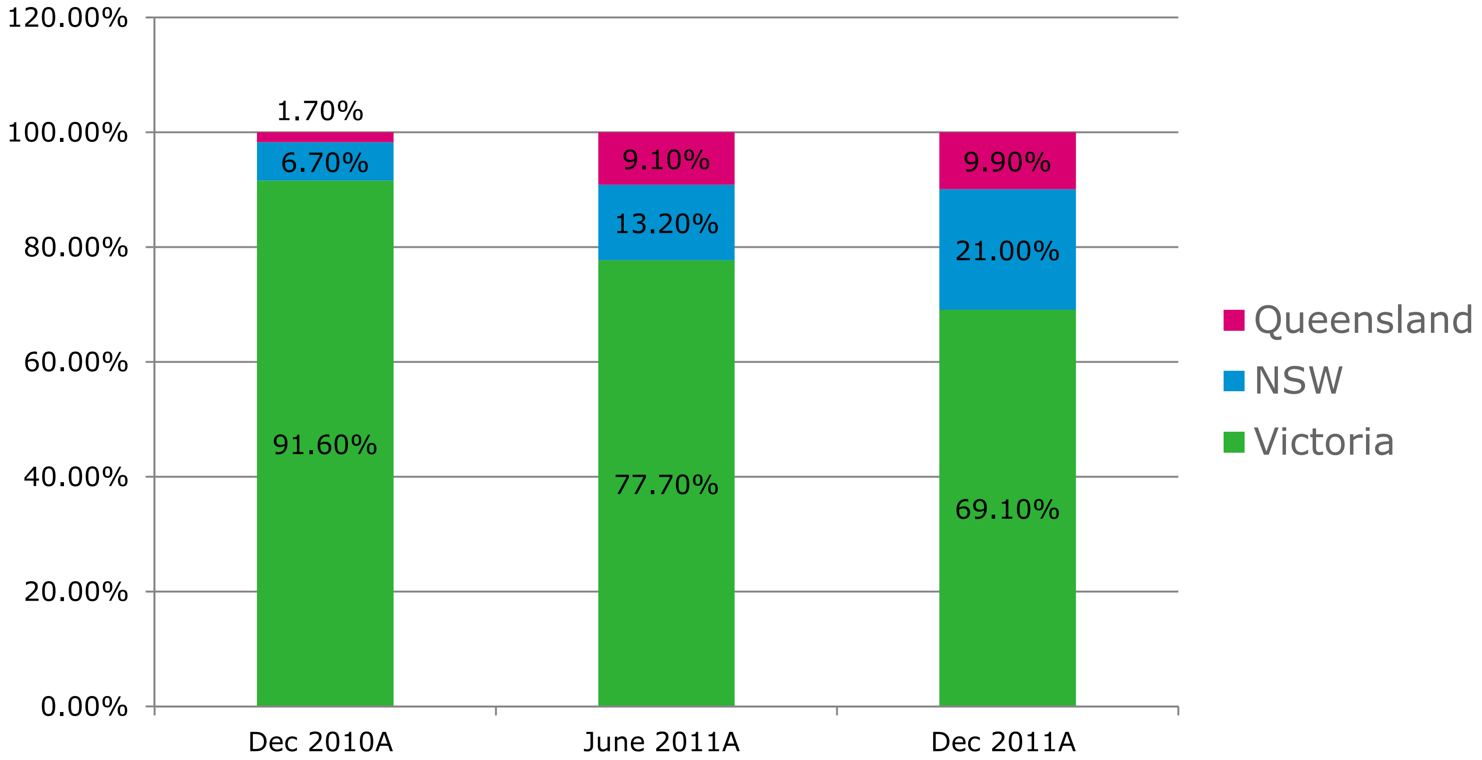


As noted, underlying EBITDA and NPAT in first half affected by unseasonal weather, earnings reduced by $5 million.

Assuming 'normal' weather patterns, expect H2 underlying NPAT of $5m to $7m, consistent with revised guidance.

* Exclude the impact of changes in hedge valuations that relate to future periods.

Regional diversification

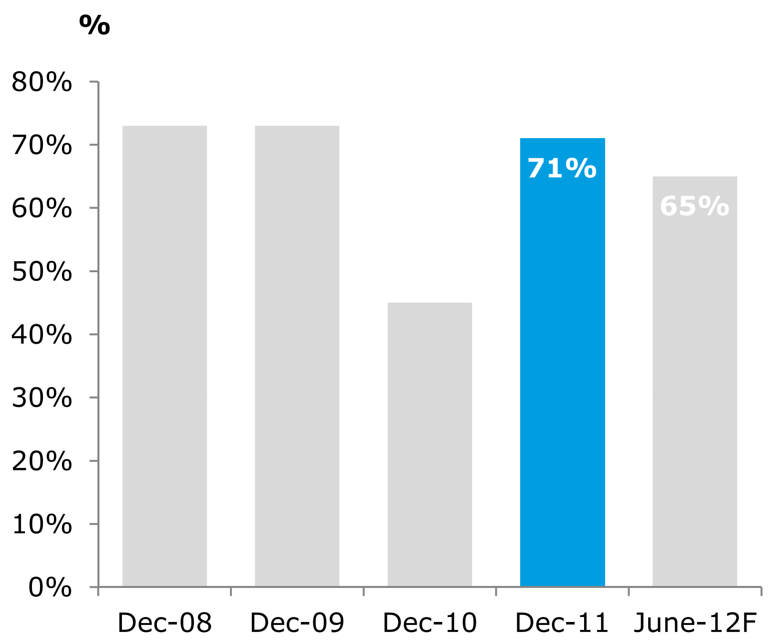


Relative reliance on Victoria is diminishing. Proportion of total customers held in NSW and QLD increased from 8.4% in December 2010 to 30.9% in December 2011.

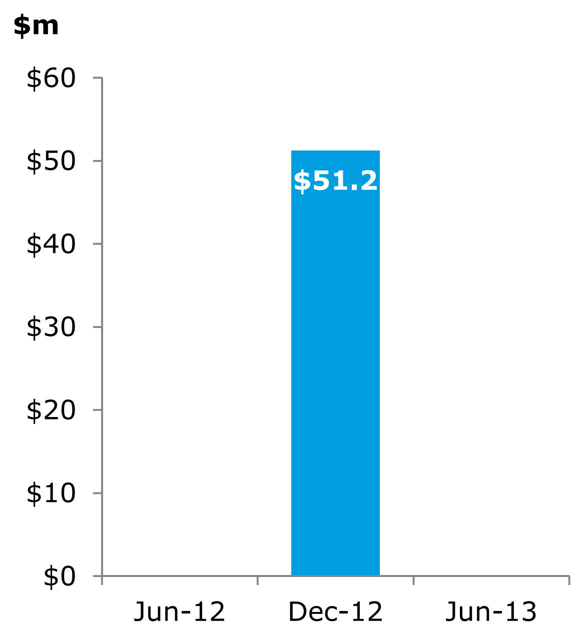
Regional diversification a buffer against future weather events in any one market.

Gearing and debt maturity

Underlying gearing



Debt maturity profile



Current working capital facility matures December 2012.

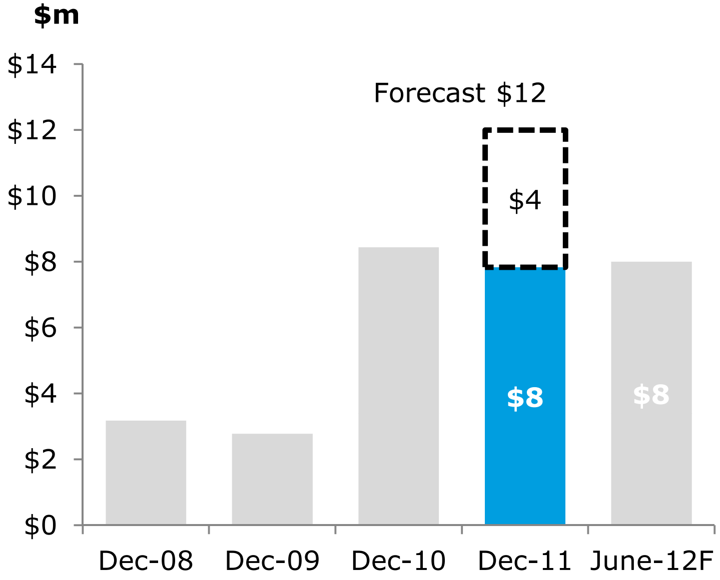
Borrowings consist of debt facility of $50m and convertible notes $4m.

Negotiations in progress with a number of lenders for replacement of existing funding. Expect to finalise terms by end June 2012.

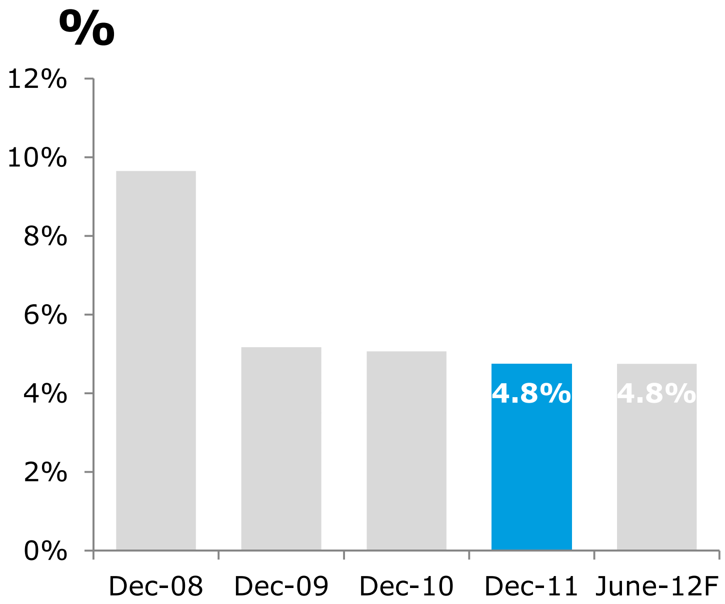
CUSTOMER ACQUISITION

Expenditure managed to match income

Acquisition expenditure



Amortisation to revenue



Investment in customer acquisition is a key component of the APK business model. Spend is focused on proven channels and is largely success-based commission rather than promotions-based marketing.

Acquisition spend in the half-year to December was managed down by approximately $4 million less than forecasted to achieve target cash outcome. Impact of lower revenue and earnings was offset by the reduction in acquisition spend.

Driving quality sales growth

- Strengthening door-to-door sales
  - Partner with Tier 1 providers only
  - Equipping all sellers with tablet/iPad technology driving overall quality
  - Trialing “Price Guarantee” in Victoria Q3-Q4
  - Industry-leading price calculator

- Broadening other channels
  - Engaged two Tier 1 outbound telesales providers
  - Bolstering online channel; iSelect to start in Q3
  - Reduces reliance on door-to-door channel

FY12 GUIDANCE AND OUTLOOK

FY12 guidance

Guidance

- Customer accounts: 360,000 - 380,000
- Revenue: $390m - $410m
- Underlying EBITDA: $28m - $33m
- Underlying NPAT: $6m - $8m

Trends

- Continued focus on driving customer acquisitions
- Improved profitability and cash flow; increasing shareholder returns
- Reduced debt
- Replace debt funding lines on maturity
- Expect carbon tax to have a neutral impact

Growth influencers

- Contribution of enlarged customer base for a full year
- Increase in scale reduces average cost to service customers
- Long-term wholesale agreements for key electricity and gas markets
- Back office delivering consistent results
- Sufficient funding to achieve growth plans

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ABOUT US

Who we are

- Australian Power & Gas (ASX: APK) is as much an energy marketing company as it is an energy retailer, focusing on the residential market in Victoria, NSW and Queensland. Once customers are acquired we aim to manage our customers through superior customer service that creates something more personal

- Deregulation of energy markets and rising prices are creating opportunities for more nimble new players that can offer lower prices to existing customers of other energy companies, normally the large incumbents

- The residential market sector in eastern Australia has a gross margin availability of circa $3.5 billion per annum, from 12 million available customers

Our longer term goal is to acquire 700,000 of these customers which equates to a market share of 6%

"The vast majority of people only switch energy retailers when a cheaper proposition is put to them, normally at the door."

Our strategy

- Our strategy is to grow scale through our proven sales channels and unique expertise in marketing directly to households

  Our key competitive advantage is our speed of growth and our marketing channel saturation.

- Residential energy marketing is a low-involvement decision, which means the channel to market is more important than the product
- Australian Power & Gas has an exclusive 10-year agreement with Appco, part of the Cobra Group, one of the world's largest direct marketing companies
- We are able to secure long-term stability through fixed-price supply agreements with energy wholesalers
- Highly variable, low-cost, outsourced business model

Capital structure & major holders

Ordinary shares – issued & potential
February 2012

Holder	Ordinary shares millions
Ordinary shares on issue	186.4
Options Average exercise price $0.54 Average time to maturity 2.0 years	42.8
Convertible notes Conversion price $0.55	7.3
Total potential ordinary shares	**236.5**

Major holders
February 2012

Holder	Holding millions	% of shares on issue
Cobra Group	34.7	18.6%
Nippon Gas	30.1	16.1%
Richard Poole (Director)	28.4	15.2%
Cogent Nominees	11.3	6.0%
National Nominees	9.2	4.9%
Others	72.7	39.2%
Ordinary shares on issue	**186.4**	**100.0%**

- Approximately 1,200 shareholders
- Top 20 holders control around 80% of issued shares
- Holdings listed are from the company's register, amended for substantial shareholder or director interests' notices

THANK YOU

Questions