

AUSTRALIAN POWER & GAS

ANNUAL GENERAL MEETING

20 November 2012

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FY12 results – scale benefits starting to show

“Australian Power & Gas’ strong FY12 performance demonstrated the success of the company’s focussed strategy and commitment to cementing its position as Australia’s leading independent energy retailer.”

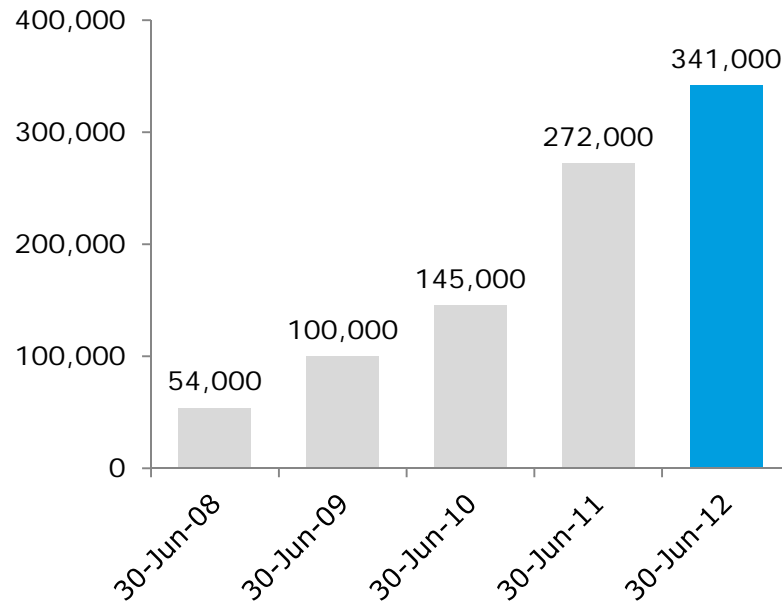
The logo for Australian Power & Gas, featuring the company name in white text on a blue rectangular background with rounded corners.

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Strong customer growth

Net accounts

↑ 25% or 69k



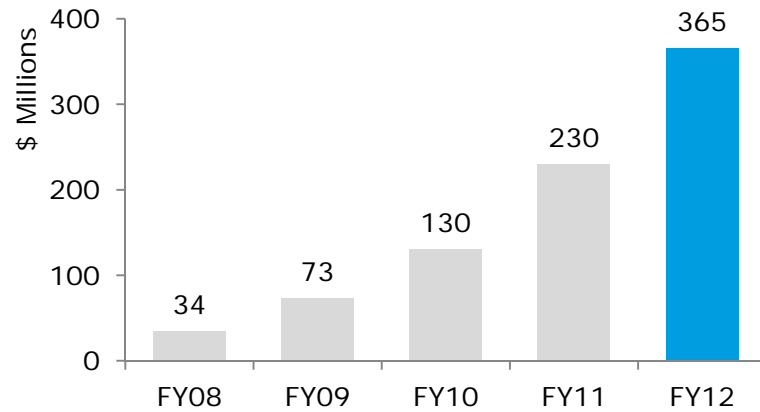
- Strong growth in all States, particularly NSW
- Continued focus on increasing number of dual fuel customers (electricity and gas accounts)
- Diversification of State risk
- Customer acquisition platforms developed in each region to maintain growth options

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Strong growth across all key metrics

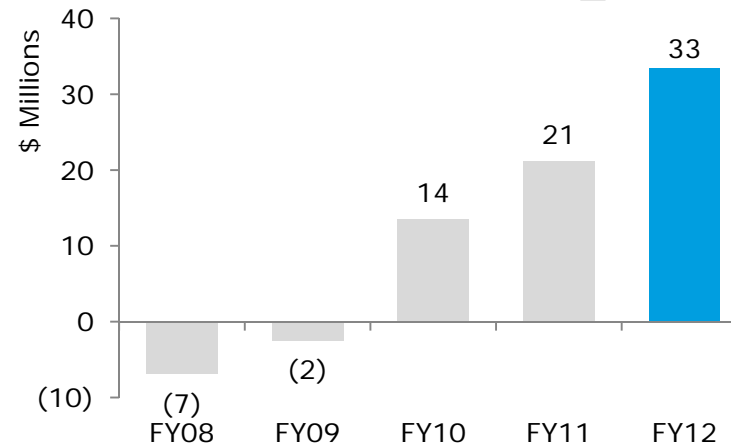
Revenue

↑ 59%



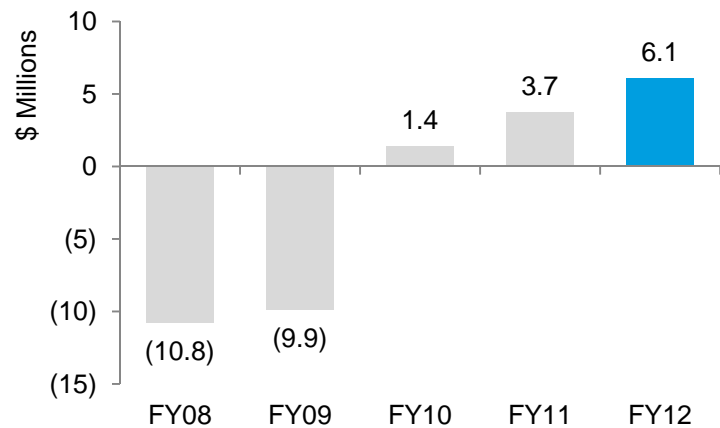
Underlying EBITDA*

↑ 58%



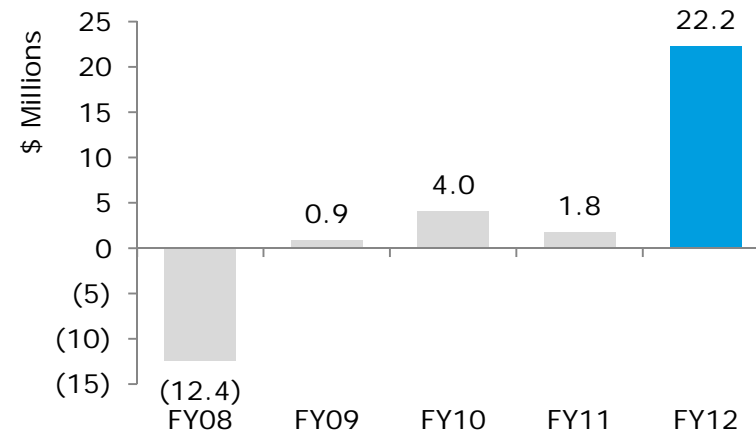
Underlying NPAT*

↑ 63%



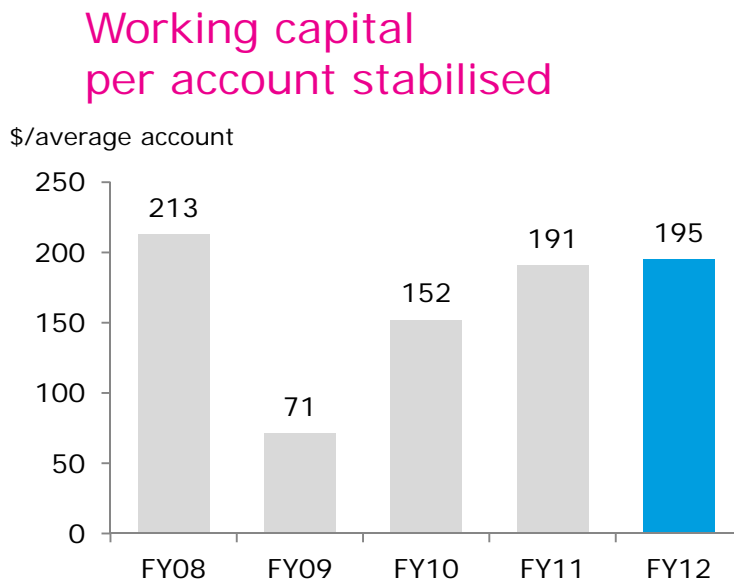
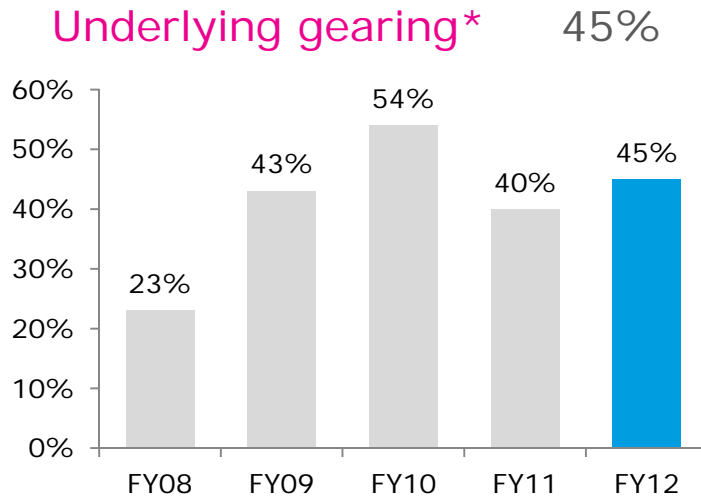
Underlying operating cash flow*

↑ \$20.4m



*Underlying results exclude the impact of changes in hedge valuations that relate to future periods

New finance facility supports growth



Previous debt facility of \$50m and \$4m convertible note facility replaced with new 3 year \$85m finance facility:

- \$55m debt facility and \$30m in wholesale facilities
- Provides increased capacity to grow

Working capital stable:

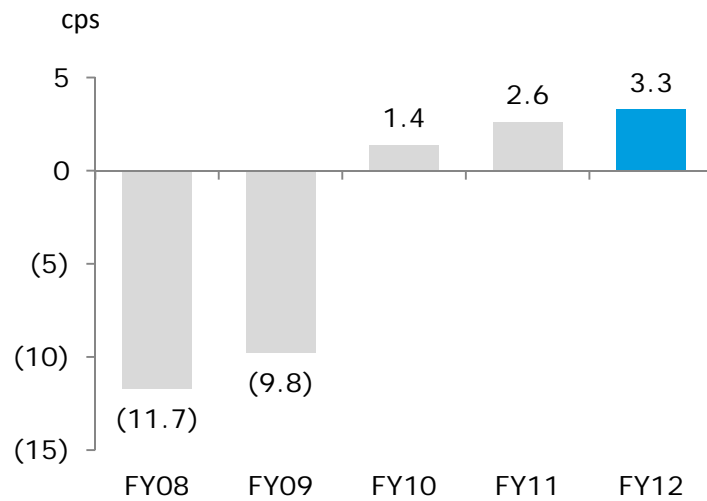
- Lower credit support requirements with energy counterparties (cash funded)
- New wholesale facility will reduce credit support growth
- Billing efficiencies lowering debtors

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Growing shareholder returns

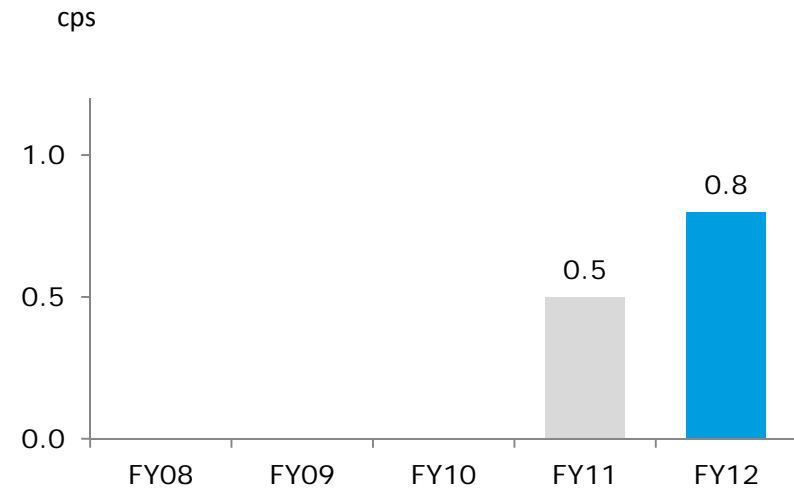
Underlying EPS*

↑ 26%



Dividend

↑ 60%



*Underlying results exclude the impact of changes in hedge valuations that relate to future periods

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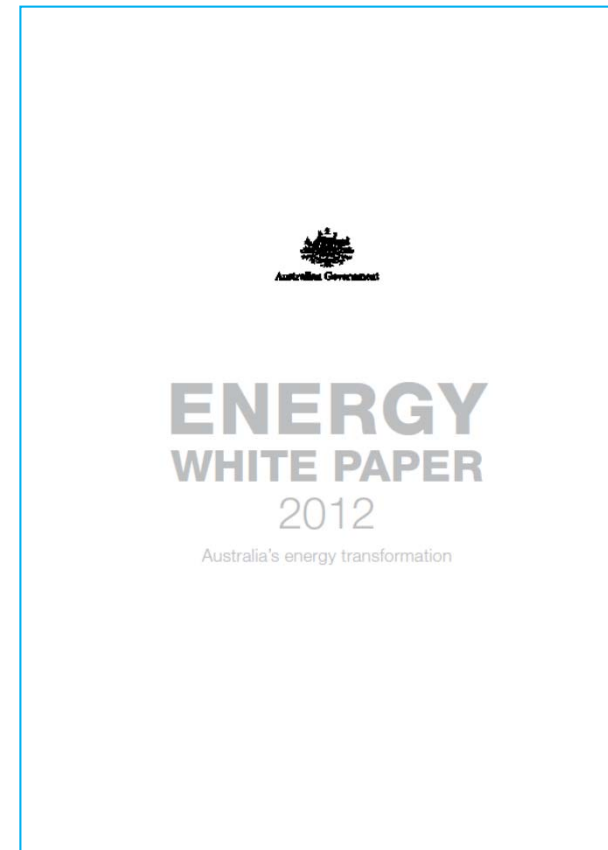
Regulatory framework

“Each State has its unique regulatory characteristics that continue to evolve.”

Federal Government

Energy White Paper

- Strategic policy framework for driving future energy market development
- Emphasis on deregulation of energy pricing and increasing market efficiency
- Endorses implementation of technology to offer consumers better services and management of their energy use
- Supports increased competition and business innovation to drive market sustainability



Regulatory environment – Queensland

New Government undertaking major review of energy industry

- LNP Government reviewing all drivers of cost increases for energy and need for reform
- Have stated a goal to have sustainable, competitive market for future, yet to be seen how this is to be done
- Interim period may see increased attention to perceived consumer protections with longer term interest in national-based regulatory reform

Retail price deregulation

- Residential price deregulation unlikely before 2016
- Numerous retailers have reduced activity in Queensland as a result of government price caps
- Opportunities in commercial space for unregulated transactions

Regulatory environment – New South Wales

Positive signs for improved competitive market

- Government appears to be open to a way for it to exit energy industry with further privatisation of assets
- We believe there is the prospect of residential consumers to have deregulated pricing in 2016 – AEMC review of competition to commence soon
- Reduction in the size of regulated customers to 100 MWh in FY 2012-14 increasing opportunity in commercial and large residential markets
- Seeking to implement smart metering in 2013 in NSW and opportunities for business technology innovation
- Former head of Tier 2 retailer appointed member of regulatory tribunal (IPART)

Regulatory environment – Victoria

Victorian deregulated market model for other states

- Price deregulation in Victoria resulting in a highly competitive market with stable energy prices
- Federal Government urging other states to follow Victorian model of price deregulation coupled with sustainable regulatory framework

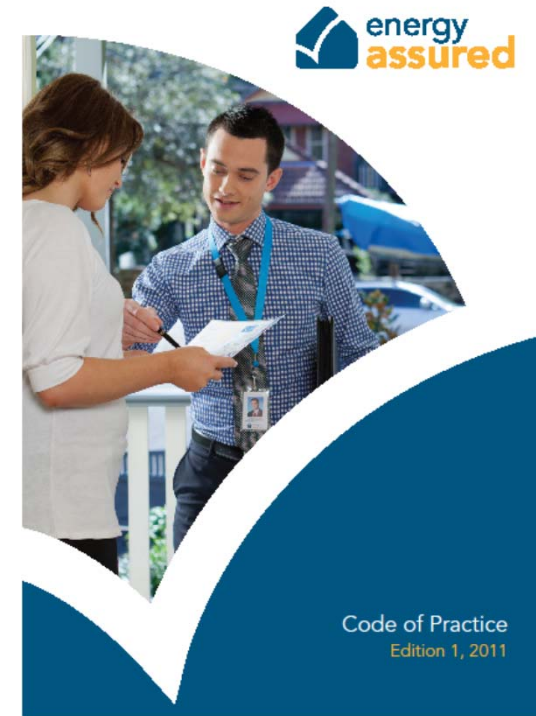
Smart meters creates innovation opportunities

- Government near completion of roll out of smart meters to all Victorians
- APG looking to lead Tier 2 retailers to have enabling technologies for smart meter who want to manage their own energy use
- Flexible pricing program to commence 1 July 2013 to allow consumers to opt into time-of-use pricing and increase energy management

Regulatory environment – EAL

Self regulating scheme successful for door to door marketing

- Founding member of Energy Assured Limited (EAL) a self regulated scheme for door to door marketing
- EAL endorsed by ACCC and in operation since January 2012
- Our experience is decreased complaints and better quality management of door to door marketers
- We received 'compliance excellence' marks on EAL annual audit and ranked among best in class



Future growth opportunities

“Our core focus remains growing our retail customer base across the Eastern seaboard. We also believe that substantial opportunities exist in the marketplace for us to leverage our core capabilities. This will include broadening the range of energy products offered and also other services offered to our existing customer base.”

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Growing retail base & retention strategy

Established channels continue to deliver growth

- Over 12 separate channels operating to drive customer growth
- Focus on high value, dual fuel customers in Victoria and New South Wales. Dual fuel customers up 27% to 128,000 in FY12
- Building on web presence to lower costs and enhance customer experience

Customer retention will be an important focus

- Existing residential customer base of more than 341,000 accounts presents an attractive channel to market related household services
- Focusing on adjacent retail markets with service requirements complementary to our existing offers
- Delivery model of new residential services based on white-labeling services provided by partners
- Target existing high value customers as a retention strategy

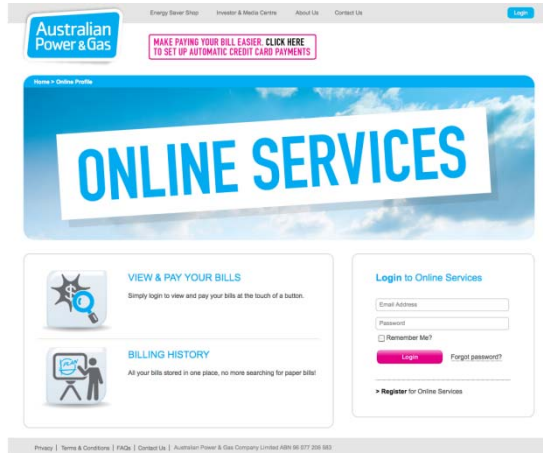
Regional markets

Expanding geographic footprint into regional markets



- Increased marketing activity by sales channels in regional NSW where we enjoy strong market position. Further focus planned in these areas for late 2012/early 2013
- More than 70% of NSW sales are now outside the metropolitan Sydney area
- Community activity and sport sponsorships to play important role in marketing activity in regional areas

New technologies



Launched consumer portal for online billing and account management

- Enables customers to view and pay bills electronically, plan changes and update details online
- More than 3,000 customer accounts signed up in first month, with marketing increase in coming months
- Drives significant costs savings and customer satisfaction benefits



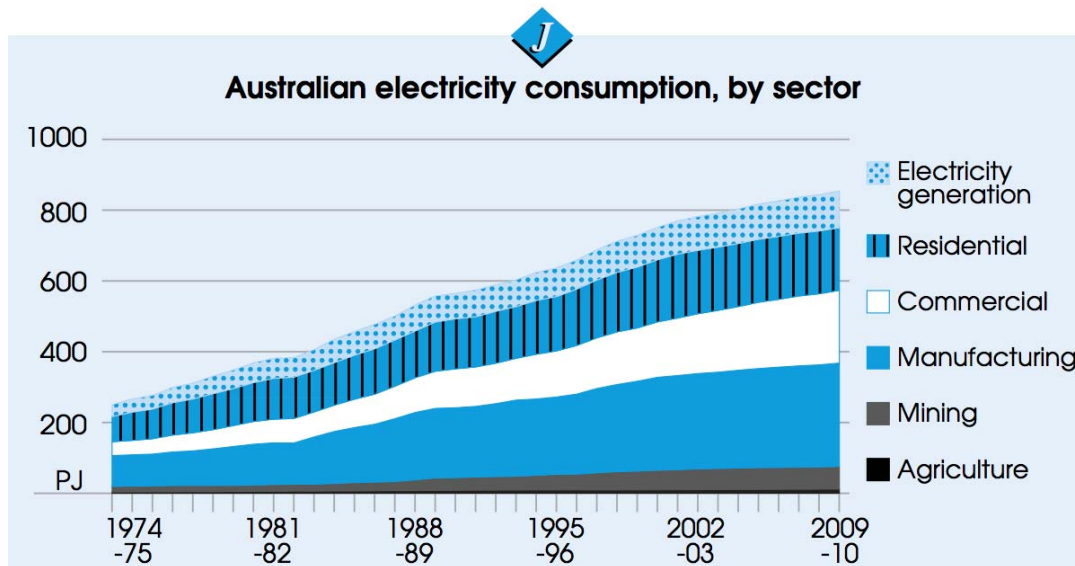
During 2012 we rolled out use of iPads across our door to door sales teams

- This new technology enables us to provide our customers with an accurate real-time energy quote
- Remain committed to investing in industry leading innovation to improve customer experience

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Entering unregulated markets

Entry to commercial and industrial markets is a key focus in FY13



- Residential energy consumption is less than 30% total market volume
- Non-residential markets are unregulated and complement our existing load profile
- Small commercial and manufacturing customers leverage our core strengths
 - switch supplier when a cheaper proposition is put to them, usually at the door
 - we can provide attractive pricing while retaining margins

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Commercial markets

Overview

- Looking to capitalise on opportunities within business sector, which represents 70% of the overall energy market
- A natural progression, having developed respected industry credentials
- Appointed General Manager, Commercial Markets in July 2012
- Building specific systems and process during first half 2012–13 that complement and leverage existing functions
- A market evaluation is being conducted with trial customers commencing transition in December, 2012
- Full market launch planned for late FY13, after completion of market evaluation
- First 7 commercial clients signed.
- Represents 11.5 GwH of load.
- 2249 Residential Customer Equivalents (RCE).

(RCE is a utility usage measurement providing comparative translation of commercial customer consumption to a standard household equivalent).

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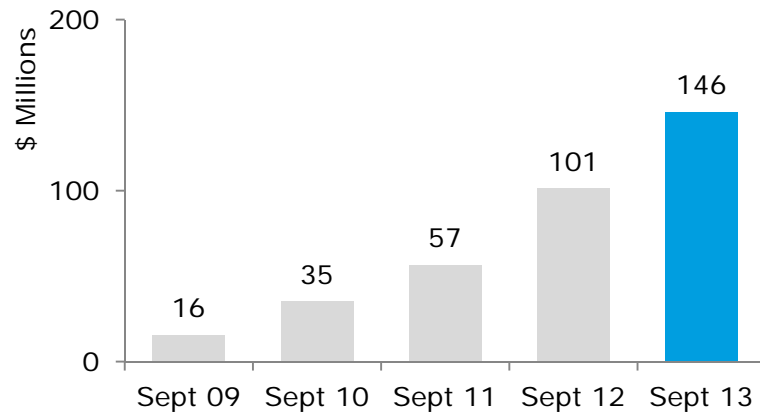
FY13 outlook

	2012-13 guidance	2011-12 actual
Customer accounts	350,000 -360,000	341,000
Revenue	\$460 - 480 million	\$365 million
Underlying EBITDA	\$35 - 40 million	\$33.4 million
Underlying NPAT	\$8 – 11 million	\$6.1 million

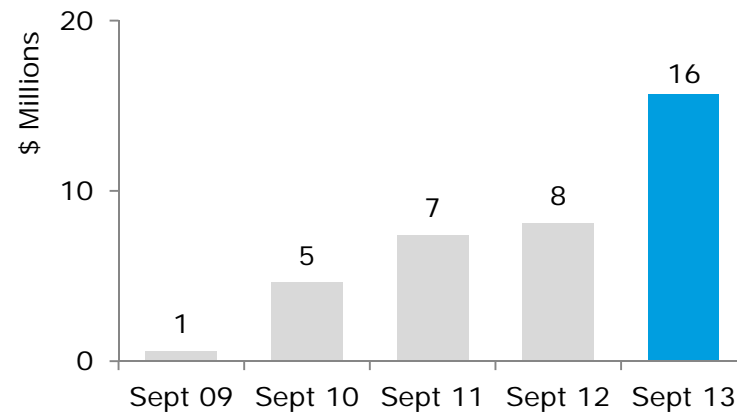
- Based on assessment of customer usage patterns
- Expecting a significant increase in revenue in FY13 due to passing through carbon tax and increased distribution costs
- Results include expensing of costs from new divisions.

First quarter performance on track

Revenue* – 1st quarter results



Underlying EBITDA* - 1st quarter results



- Average gas usage in line with longer term averages
- Operating margins and overheads consistent with forecast

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THANK YOU

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