



Company Snapshot **2015**



ERM Power (ASX Code: EPW) is an Australian listed energy company. Founded in 1980, with our core in generation, we have grown to become the 4th largest electricity retailer in Australia, and also sell electricity in several markets in the US.

We specialise in meeting the energy needs of businesses, large and small.

### **Record result**

ERM Power delivered record electricity sales and earnings for the 2015 financial year (FY 2015) with underlying EBITDAIF<sup>1</sup> up 12% and underlying NPAT<sup>1</sup> up 23% from the previous year. We maintained our historically strong growth, leveraging the ERM Business Energy platform to improve market share in the Commercial and Industrial (C&I) market, as well as to expand in the Small to Medium Enterprise (SME) market and to initiate business in the US. Key to the success of ERM Business Energy in FY 2015 was customer satisfaction, where we retained our market leading ranking for the fourth year in succession.<sup>2</sup>

### **Dynamic environment**

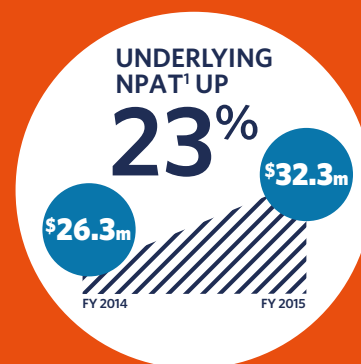
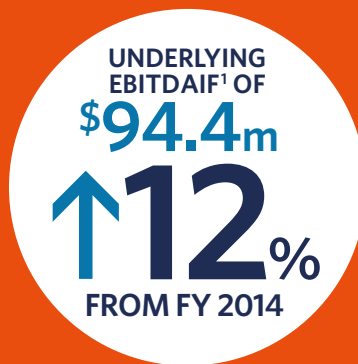
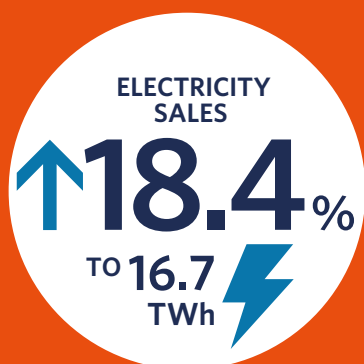
This strong performance was achieved during a year of considerable dynamism and change for the business. We saw the appointment of Jon Stretch as Managing Director and CEO, the sale of our Western Australian gas interests,

the acquisition of Texas-based electricity retailer Source Power & Gas (Source), and a new era for Oakey Power Station. Oakey is now vertically integrated within the business following the end of its long-term off-take contract. Our metering business served its first customers and we started a gas retailing trial. Our board expanded with the appointment of Albert Goller as a non-executive director.

Similarly, the external environment was challenging, both in an industry and a regulatory sense. Electricity consumption continued to decline and there was increased competitive pressure. The Federal Government repealed the carbon tax and reduced the Renewable Energy Target. In New South Wales, the Government announced the long-term lease of its electricity network and the buy-back of petroleum exploration licences (PEL) and in Queensland, the Government announced plans to merge its network and generation businesses.



# PERFORMANCE HIGHLIGHTS



## Consistent performance

Our electricity sales business increased sales volumes by 18% to a record 16.7 terawatt hours (TWh) including 0.6TWh from Source for the six months of ERM Power's ownership. In a competitive market, characterised by falling demand, the result demonstrated the continuing attractiveness of our value proposition and consolidated our ranking as Australia's second largest electricity retailer to large businesses.

Our service commitment is core to our customer satisfaction. Customer satisfaction<sup>2</sup> increased to 93% in 2014 from 87% the previous year. This was more than 30 percentage points higher than the next retailer and is one of the key factors in ERM Business Energy's high customer recontracting rate.

## Growth opportunities

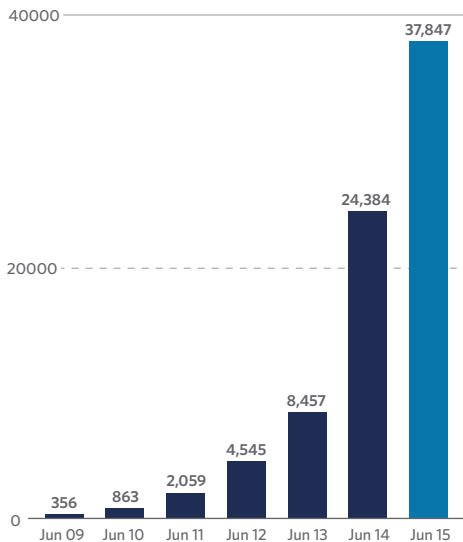
Electricity sales look set to continue to grow with 34.3TWh of forward contracted sales at 30 June 2015, 15% higher than at the same time last year.

In the SME market we achieved profitability earlier than expected and will continue to expand that business. The number of customer sites increased by more than 60% over the year and sales volumes and margins were higher than anticipated. Unit costs were lower than expected as economies of scale began to be realised. These results were driven mainly by sales to multi-site customers but we are also beginning to penetrate the single site segment, which remains a future growth opportunity.

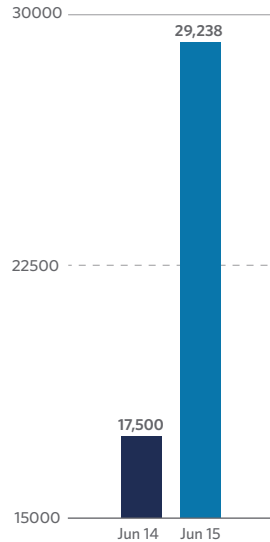
In January we announced a modest investment in the acquisition of Source to provide a low risk entry point into the US market. At 8 to 10 times the size of the Australian market, the US represents a potential avenue of growth for our business energy offering. The customer service oriented proposition we have delivered in Australia will underpin the establishment of a competitive position in the US market.

Across ERM Power, the team remains committed to realising our aspiration to be the preferred energy supplier to businesses across Australia and our chosen markets in the US. This passion drives our business, every day.

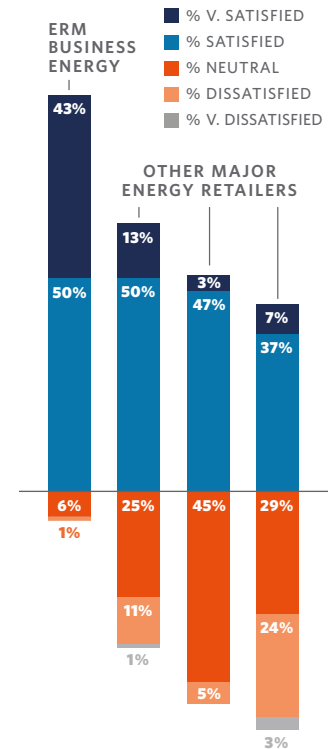
### BILLED CUSTOMERS (C&I AND SME) (NMIs<sup>3</sup>)



### CONTRACTED CUSTOMERS (SME) (NMIs<sup>3</sup>)



### OVERALL CUSTOMER SATISFACTION BY RETAILER



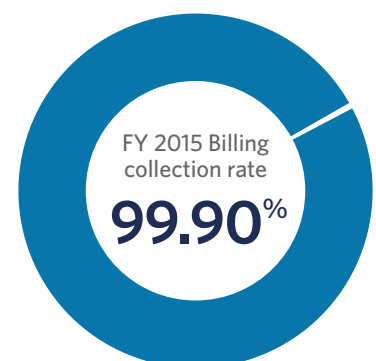
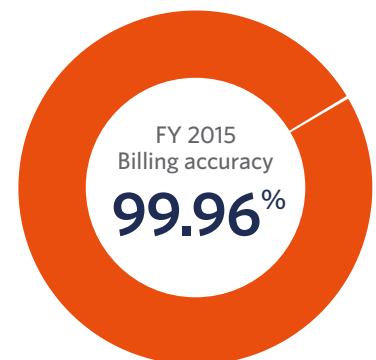
ERM Business Energy demonstrates continued strong growth in contracted customers, and extends a successful formula into new markets.

Across the retailing business ERM Business Energy achieved record electricity sales and in doing so, consolidated previous positive sales trends. Customer numbers continue to grow as we penetrate new markets and recontract current customers at industry leading rates. Extending into both the Small Business market and the US market will underpin the progress of the business.

We know our service based proposition is valued by our customers. This is best evidenced by our Number One customer satisfaction ranking for the fourth consecutive year.<sup>2</sup> This market leading benchmark continues to be a major competitive advantage for our business.

Understanding the drivers of satisfaction is important to our Retail team and the processes and systems we use in our everyday operations are designed to improve the experience of our customers. Billing accuracy that is unsurpassed, usage data access, and innovative energy solutions are just some of the benefits our customers appreciate and value.

This focus on continuous improvement has seen the recent introduction of Step 2.0, a market leading innovation in the energy procurement space which utilises technology to automate transactions for our larger clients and intermediaries. Once again, ensuring the service experience with ERM Business Energy is second to none.

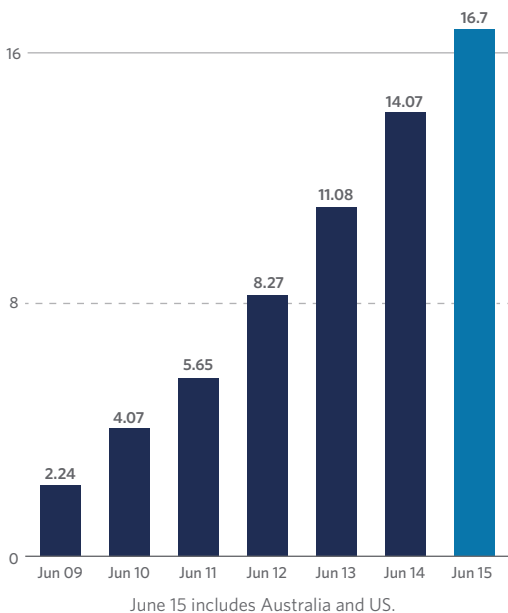


 <b>CUSTOMER SATISFACTION</b> <b>umi</b> UTILITY MARKET INTELLIGENCE	<b>4</b>
	YEARS RUNNING
	2014
	2013
	2012
	2011

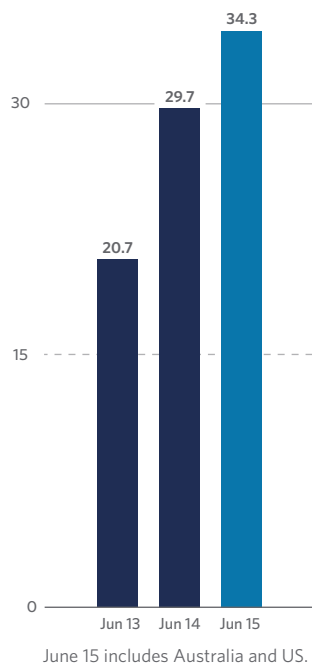
Our large customers have ranked us Number 1 for customer satisfaction for the fourth year running.<sup>2</sup> ERM Business Energy continues to have the most satisfied customers, with market leading customer service.



## ANNUAL SALES (TWh)



## CONTRACTED LOAD (TWh)



New markets will become an increasingly important part of our retail growth story in the future.



Generation assets align to support the growth strategy of the retailing business.

The move to 100% ownership of Oakey power station and its operation as a merchant facility has delivered substantially increased revenue during the first quarter of calendar 2015 as it provided hedge product to both our own electricity business and to third parties as well as taking advantage of spot market opportunities. This positive performance in volatile conditions highlights the value of the Oakey asset, which is positioned to benefit from growth in south-east Queensland.

Both Oakey and Neerabup Power Stations continued to operate with high availability and reliability and no environmental breaches. Our excellent safety record was maintained with no lost time or permanent injuries to our employees.

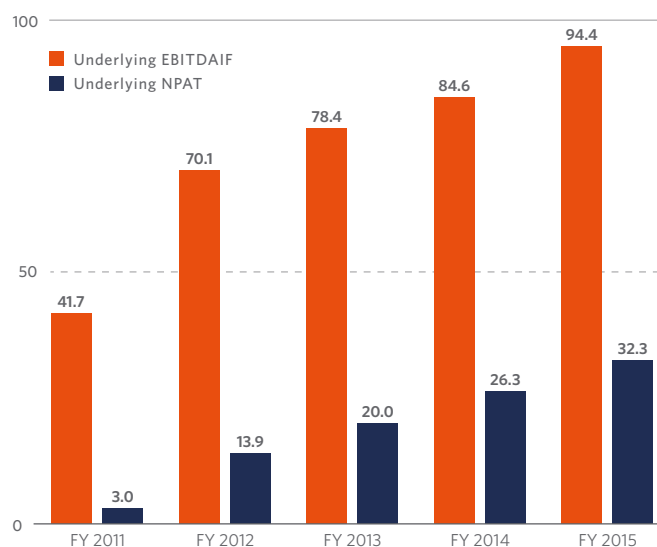
ERM Power retained development approval for a number of power station sites in Queensland, NSW and Western Australia. However, in a market of falling energy demand, any further activity on power station development will be on a case by case basis to support the retail business.

The NSW Government's Petroleum Exploration License (PEL) buy-back program along with our decision to end gas exploration activities prompted us to sell two of our three NSW PELs to the Government.

# FY 2015 RESULTS



## UNDERLYING EBITDAIF<sup>1</sup> UNDERLYING NPAT<sup>1</sup> (\$m)



	FY 2015	FY 2014	% change
Revenue and other income (\$m)	2,326.1	2,076.5	+12%
Underlying EBITDAIF <sup>1</sup> (\$m)	94.4	84.6	+12%
Underlying NPAT <sup>1</sup> (\$m)	32.3	26.3	+23%
Interim Dividend (cps) fully franked	6.0	6.0	-
Final Dividend (cps) partially franked	6.0	6.0	-

Full year results demonstrate consistent growth in earnings for ERM Power of 12%. Underlying EBITDAIF and underlying NPAT support prior market guidance and best reflect the strong underlying performance of the business in FY 2015.

### 1. Non-IFRS Financial Measures

**EBITDAIF** Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and gains / losses on onerous contracts. EBITDAIF excludes any profit or loss from associates.

**Underlying EBITDAIF** EBITDAIF excluding significant items.

**Underlying NPAT** Statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains / losses on onerous contracts and other significant items. Underlying NPAT excludes any profit or loss from associates. During the period the Group changed the definition of underlying NPAT to exclude significant items. In prior periods these items were shown as adjusting items to underlying earnings measures. The change was made to reflect how financial information is reported to senior management and the Managing Director and CEO.

**2. UMI** Utility Market Intelligence (UMI) survey of major retail electricity retailers by independent research company NTF Group in 2014 (19<sup>th</sup> year of Survey). Research based on survey of 300 business electricity customers between November 2014 and January 2015. Four major electricity retailers benchmarked.

**3. NMI** National Meter Identifiers — unique identifiers for sites that can choose a retail supplier. A customer may have more than one site and more than one NMI.



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