



ASX Announcement

8 November 2019

SCHEME MEETING – CHAIR’S ADDRESS

In accordance with ASX Listing Rule 3.13, set out in **Annexure A** to this announcement is a copy of the Chair’s address to be delivered at today’s scheme meeting relating to the proposed scheme of arrangement under which ERM Power will be acquired by Shell Energy Australia Pty Ltd (“Scheme Meeting”).

The Scheme Meeting will be held at 11:00 am (Brisbane time) this morning at Brisbane Marriott Hotel, Grand Ballroom, 515 Queen Street, Brisbane QLD 4000.

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About ERM Power Limited (ASX: EPW) (“ERM Power”)

ERM Power is an Australian energy business for business. ERM Power provides large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power’s growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load.¹ ERM Power also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry’s transition to renewables.

<https://ermpower.com.au/>

¹ Based on ERM Power analysis of latest published information.

ANNEXURE A

Welcome and Quorum

Good morning ladies and gentlemen. My name is Julieanne Alroe and I am the Chair of the Board of Directors of ERM Power Limited.

It is my pleasure to welcome you to today's Scheme Meeting of ERM Power, and to thank you for your attendance. I would like to start by acknowledging and thanking my fellow board members, the management, staff, and shareholders for their support over the years.

It is now 11.00am, being the scheduled start time for the Scheme Meeting, and therefore time to commence the Scheme Meeting. Given a quorum is clearly present, I therefore declare the Scheme Meeting open.

At this point, please could I request your cooperation in ensuring that your mobile phones and any other recording devices are switched off, for the duration both of this Scheme Meeting and the 2019 Annual General Meeting of ERM Power, which will follow at the later of 11.30am or at the conclusion of this Scheme Meeting.

Emergency exits are located around the room and, in the event of an emergency, please take directions from the staff of the Brisbane Marriott Hotel.

Board, Executives and Company Secretary

I would now like to introduce to you my fellow directors who are seated with me. Starting on my right, I introduce:

- Jon Stretch, Managing Director and Chief Executive Officer;
- Albert Goller, Independent Non-Executive Director;
- Tony Iannello, Independent Non-Executive Director; and
- Philip St Baker, Non-Executive Director.

Georganne Hodges, Independent Non-Executive Director, is currently overseas and apologises for being unable to join us today.

I would also like to introduce to you our Group General Counsel and Company Secretary, Philip Davis and our Chief Financial Officer, James Spence, as well as welcoming Mr Matthew Donaldson and Mr Rowan Smith, representing Deloitte Touche Tohmatsu, the Company's auditor for the FY2019 accounts.

Business of Scheme Meeting

I will briefly outline the business of today's Scheme Meeting.

Today is a significant milestone in the history of ERM Power. ERM Power was founded as a boutique energy consultancy in 1980, and has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load.

Today, ERM Power shareholders will be asked to vote on a proposed scheme of arrangement under which it is proposed that Shell Energy Australia will acquire all the shares in ERM Power for the Total Cash Consideration of \$2.42 per share. I will refer to this proposed scheme of arrangement as "the Scheme" for the remainder of this Scheme Meeting.

The purpose of this Scheme Meeting is to seek the agreement of shareholders to the Scheme.

I remind everyone that this is a shareholders' meeting and only shareholders, appointed proxies, corporate representatives and attorneys have the right to speak at the meeting. We have allowed visitors into the meeting.

As outlined in ERM Power's Scheme Booklet dated 4 October 2019, the resolution to be voted on by shareholders at today's Scheme Meeting will be decided on a poll.

Resolution proposed to be agreed to

We will now commence the formal part of the Scheme Meeting. I will take the notice of Scheme Meeting as read.

As you are all aware, the purpose of today's Scheme Meeting is to consider and, if thought fit, to pass the resolution which I will shortly read aloud. This resolution is also set out in the Notice of Scheme Meeting which is contained in Annexure 4 of the Scheme Booklet, and reads as follows:

'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between ERM Power Limited and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which ERM Power Limited and Shell Energy Australia Pty Ltd agree.'

The proposal has also been outlined in detail in the Scheme Booklet which was made available to shareholders in accordance with Court orders.

In order for the resolution to be passed, it must be agreed to by:

- a majority in number of ERM Power shareholders present and voting at the meeting (either in person or by proxy); and
- at least 75% of the total number of votes cast on the resolution at the meeting by ERM Power shareholders present and voting at the meeting (either in person or by proxy).

Overview of the Scheme

Total Cash Consideration

If the Scheme is implemented, ERM Power shareholders will receive the Total Cash Consideration of \$2.42 per share comprising:

- if a Special Dividend is paid: (1) an amount of \$2.42 in cash per share less the cash amount of the Special Dividend (payable by Shell Energy Australia) and (2) the cash amount of the Special Dividend (payable by ERM Power); or
- if a Special Dividend is not paid: an amount of \$2.42 in cash per share (payable by Shell Energy Australia).

If the resolution is approved by the requisite majorities of shareholders at today's meeting, your board will communicate its final decision regarding the Special Dividend by way of an ASX announcement before the Second Court Hearing, which is scheduled to be held at the Supreme Court of New South Wales at 9.15am (Sydney time) on 12 November 2019.

The Total Cash Consideration of \$2.42 per share represents:

- a 40.7% premium to the closing price of an ERM Power share on 21 August 2019, being the last trading day prior to the announcement of the proposed Scheme, of \$1.72;
- a 35.8% premium to the 1-month volume-weighted average price of an ERM Power share to 21 August 2019 of \$1.78; and
- a 29.7% premium to the 3-month volume-weighted average price of an ERM Power share to 21 August 2019 of \$1.87.

Independent Expert's conclusion

Your directors appointed Lonergan Edwards & Associates as the Independent Expert to assess the merits of the Scheme. A copy of the Independent Expert's Report is at Annexure 1 to the Scheme Booklet.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of ERM Power shareholders, in the absence of a superior proposal. Your board confirms that no superior proposal has been received since the announcement of the proposed Scheme on 22 August 2019.

The Independent Expert has assessed the full underlying value of ERM Power at between \$2.20 and \$2.51 per share. The Total Cash Consideration of \$2.42 per share is within this range.

Your board's recommendation

Your directors have carefully considered the proposal from Shell Energy Australia and unanimously recommend that you vote in favour of the Scheme at today's meeting. Your directors who also hold shares in ERM Power have already voted by way of proxy any shares held or controlled by them in favour of the Scheme.

In relation to the recommendation of Jon Stretch, shareholders are reminded that they should have regard to the fact that, if the Scheme is implemented, Mr Stretch will become entitled to early vesting of unvested Long Term Incentives that he holds and a cash payment in lieu of receiving Performance Rights for FY20. This is in addition to receiving the Total Cash Consideration for each share that he holds.

Mr Stretch considers that, despite these arrangements, it is appropriate for him to make a recommendation on the Scheme. In addition, your board (excluding Mr Stretch) also considers that it is appropriate for him to make a recommendation on the Scheme given the importance of the Scheme, his role in the operation and management of ERM Power and his deep industry knowledge.

The reasons for the recommendation of your board, which are set out in detail in the Scheme Booklet, include:

- the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of ERM Power shareholders in the absence of a superior proposal;
- the Total Cash Consideration of \$2.42 represents a significant premium to recent historical trading prices of ERM Power shares;
- there is potential value in the franking credits attached to the Special Dividend of up to approximately 3.6 cents per share, for those shareholders who are able to realise the full benefit of franking credits;
- the Total Cash Consideration represents an opportunity for ERM Power shareholders to realise certain immediate cash value for their shares;
- no other party has approached ERM Power since the Scheme was announced with a superior proposal; and
- the Scheme has limited conditionality and is only subject to customary conditions and is not subject to any regulatory or financing conditions or further due diligence.

Scheme conditions

The conditions to implementation of the Scheme which remain outstanding at this time are:

- the approval of the Scheme by the requisite majorities of shareholders at today's meeting;
- the approval of the Scheme by the Supreme Court of New South Wales, which will be sought on 12 November 2019, in the event shareholders today approve the Scheme; and
- certain other customary conditions.

Your directors are not aware of any circumstances which would prevent any of the outstanding conditions from being satisfied.

Shell Energy Australia

Royal Dutch Shell plc is an international energy company that aims to meet the world's growing need for more and cleaner energy solutions in ways that are economically, environmentally and socially responsible. Shell is one of the world's largest independent energy companies in terms of market capitalisation, operating cash flow, oil and gas production and is actively growing its renewable energy and power business.

Shell Energy Australia is a wholly-owned subsidiary of Shell Energy Holdings, Shell's holding company in Australia. Shell Energy Australia commenced operations in 2017 to create an integrated value chain that positions it to grow through Australia's trend towards greater electrification.

If the Scheme is implemented, ERM Power will become 100% owned by Shell Energy Australia, and part of Shell's Trading and Supply unit, which operates globally. ERM Power would become Shell's core power and energy solutions platform in Australia.

Timetable for implementation

If the Scheme is approved by shareholders today and by the Supreme Court of New South Wales, ERM Power will become a wholly owned subsidiary of Shell Energy Australia and an application will be made to delist ERM Power shares from the ASX.

Following today's Scheme Meeting, the expected next key dates in the Scheme timetable are:

- on Tuesday 12 November 2019, ERM Power will seek the approval of the Supreme Court of New South Wales to implement the Scheme. If the Court approves the Scheme and issues the orders sought, then on the same day, ERM Power expects to lodge a copy of the Court's orders with the Australian Securities and Investments Commission, and the Scheme will become legally effective. ERM Power will apply to the ASX for its shares to be suspended from official quotation from close of trade on that day;
- if a Special Dividend is declared, the Special Dividend Record Date will be 6.00pm (Brisbane time) on Monday 18 November 2019 and all shareholders who hold shares on the Special Dividend Record Date will be entitled to receive the Special Dividend, which will be paid on Monday 25 November 2019; and
- the Scheme Record Date will be 6.00pm (Brisbane time) on Tuesday 26 November 2019. All shareholders who hold shares on the Scheme Record Date will be entitled to receive the Scheme Consideration, which will be paid on the Implementation Date, currently expected to be Friday 29 November 2019.

These dates are indicative only and, among other things, are subject to satisfaction of applicable conditions, including the approval from the Supreme Court of New South Wales. Any changes will be announced on the ASX.

If the Scheme is not approved, the Scheme will not proceed and ERM Power will continue as a standalone entity listed on the ASX.