

Tuesday, 7 October 2014

OPERATIONAL PRESENTATION

ERM Power management will hold an operational presentation to investors and analysts in Brisbane today. A copy of the presentation follows.



Peter Jans
Group General Counsel & Company Secretary
ERM Power Limited

For further information

Garry West
Corporate Communications & Investor Relations Manager
Phone: +61 7 3020 5165
Mobile: +61 457 140 650
Email: gwest@ermpower.com.au

About ERM Power

ERM Power is a dynamic Australian energy company with interests in electricity sales, generation and metering, and gas production and exploration. Trading as ERM Business Energy and founded in 1980, we have grown to become the 4th largest electricity retailer in Australia with operations in every state and the Australian Capital Territory. We initially focused on larger businesses but now offer our industry leading services to small businesses. We have equity interests in 497 megawatts of low emission, gas fired peaking power stations in Western Australia and Queensland, operate an electricity metering business that trades as Powermetric, sell conventional gas and condensate from onshore discoveries in Western Australia, and have gas exploration operations in Western Australia and New South Wales.



OPERATIONAL OVERVIEW

Electricity Sales, Trading and Generation

7 October 2014

IMPORTANT NOTICE - DISCLAIMER

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This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of ERM Power Limited (ERM Power) and certain plans and objectives of the management of ERM Power.

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The directors believe the presentation of certain non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business. The non-IFRS financial measures include but are not limited to:

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, including profit from associates.

Underlying profit or 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.

All reference to \$ is a reference to Australian dollars unless otherwise stated. Individual items, totals and percentages are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.



INTRODUCTION

Philip St Baker - Chief Executive Officer





COMPANY OVERVIEW

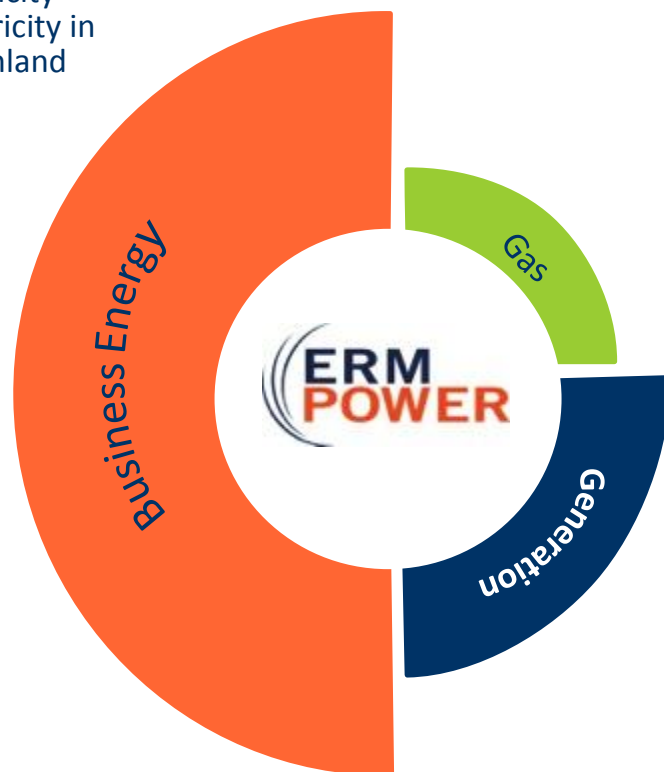
Derek McKay - Chief Executive Officer, Generation



OUR BUSINESS IN A SNAPSHOT

Australia's 4th¹ largest electricity retailer with generation and gas assets

- Australia's 4th¹ largest electricity retailer, licenced to sell electricity in all Australian States and mainland territories
- Targeting business customer market
 - Large businesses
 - Small businesses
- Electricity supply exposure is hedged by using owned or contracted generation capacity and derivative contracts

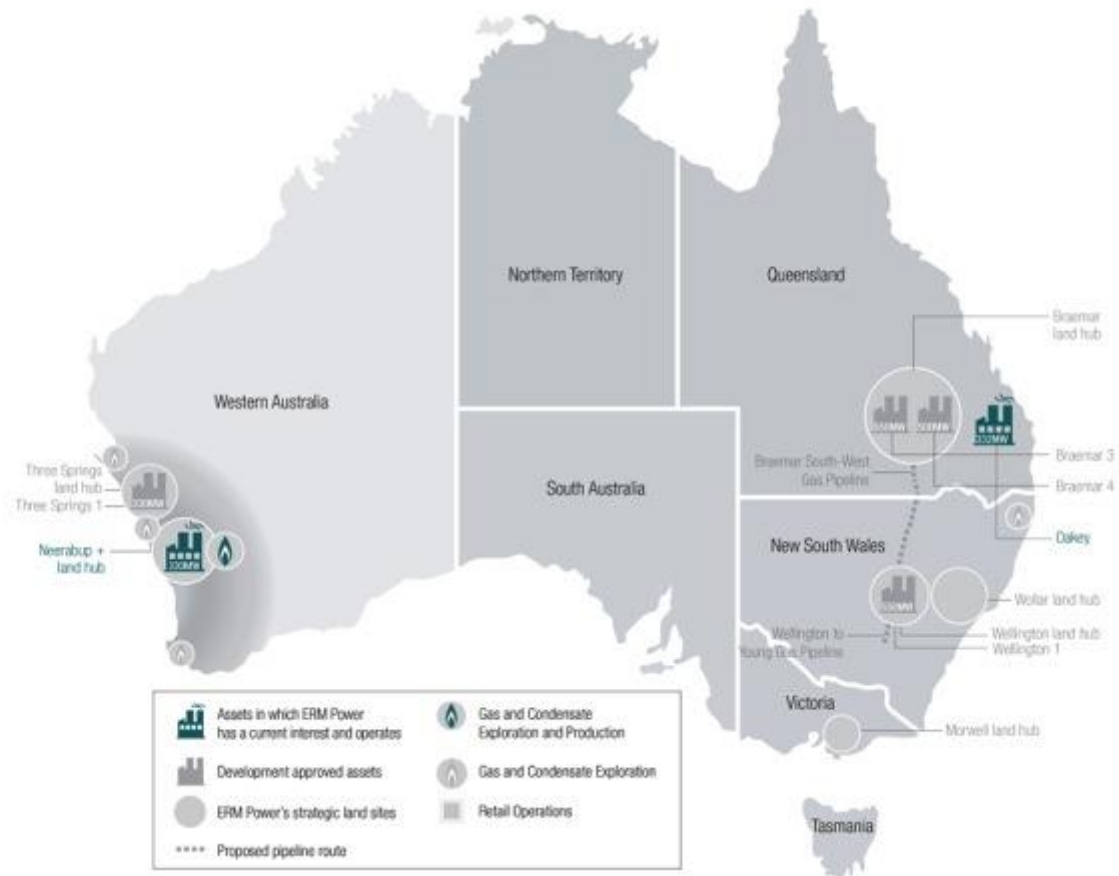


- Conventional and unconventional exploration and production tenements in Western Australia and New South Wales
- Restructuring gas assets in Western Australia, agreement to sell into Empire Oil & Gas
- Ownership interest in, and operator of, two low emission gas-fired peaking power stations
 - Oakey (100%) in Queensland
 - Neerabup (50%) in Western Australia
- Since inception, ERM Power has developed >2,600MW of generation and has a further >2,000MW approved for development

¹ ERM Power's forecast league table for electricity sold in the National Electricity Market (NEM) for FY2014

NATIONAL FOOTPRINT

- Business energy sales in every State and the ACT
- 497MW equity interests in, and operator of, two peaking power stations
- Gas production, resources, and exploration interests; footprint on the east and west coasts



HISTORY OF GROWTH

- Listed on ASX since December 2010 (ASX: EPW)

- CAGR¹ (FY2011-FY2014)

— Electricity sales (TWh sold)	36%
— Revenue	56%
— EBITDAIF ²	27%
— Underlying NPAT ²	108%
— Dividends ³	51%

- Forecast growth (FY2014-FY2015⁴)

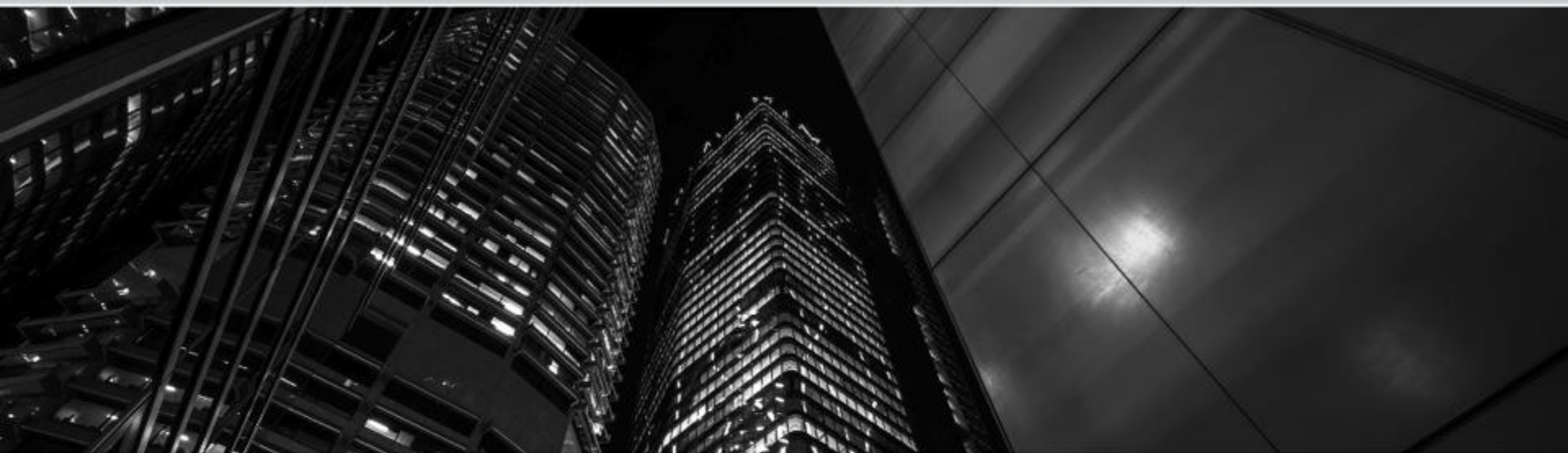
— Electricity sales (TWh sold)	21%
— EBITDAIF	13%
— Underlying NPAT	20%

¹ Compound annual growth rate (CAGR)

² excludes the following significant items: FY2014: \$39.1 million tax benefit recognised as part of the Oakey minority interest buyout and excluding \$1.1 million finance cost net of tax resulting from early repayment of the Oakey term debt following the acquisition, and other significant items. Other significant items were new business establishment costs, Macquarie Generation bid costs, Neerabup contractor arbitration costs net of any contributions received and legal fees in relation to the Empire Oil action. FY2011: \$4.8m gain on asset sale

³ Dividends declared for relevant financial year

⁴ FY2015 based on guidance including mid-point of EBITDAIF and underlying NPAT guidance ranges

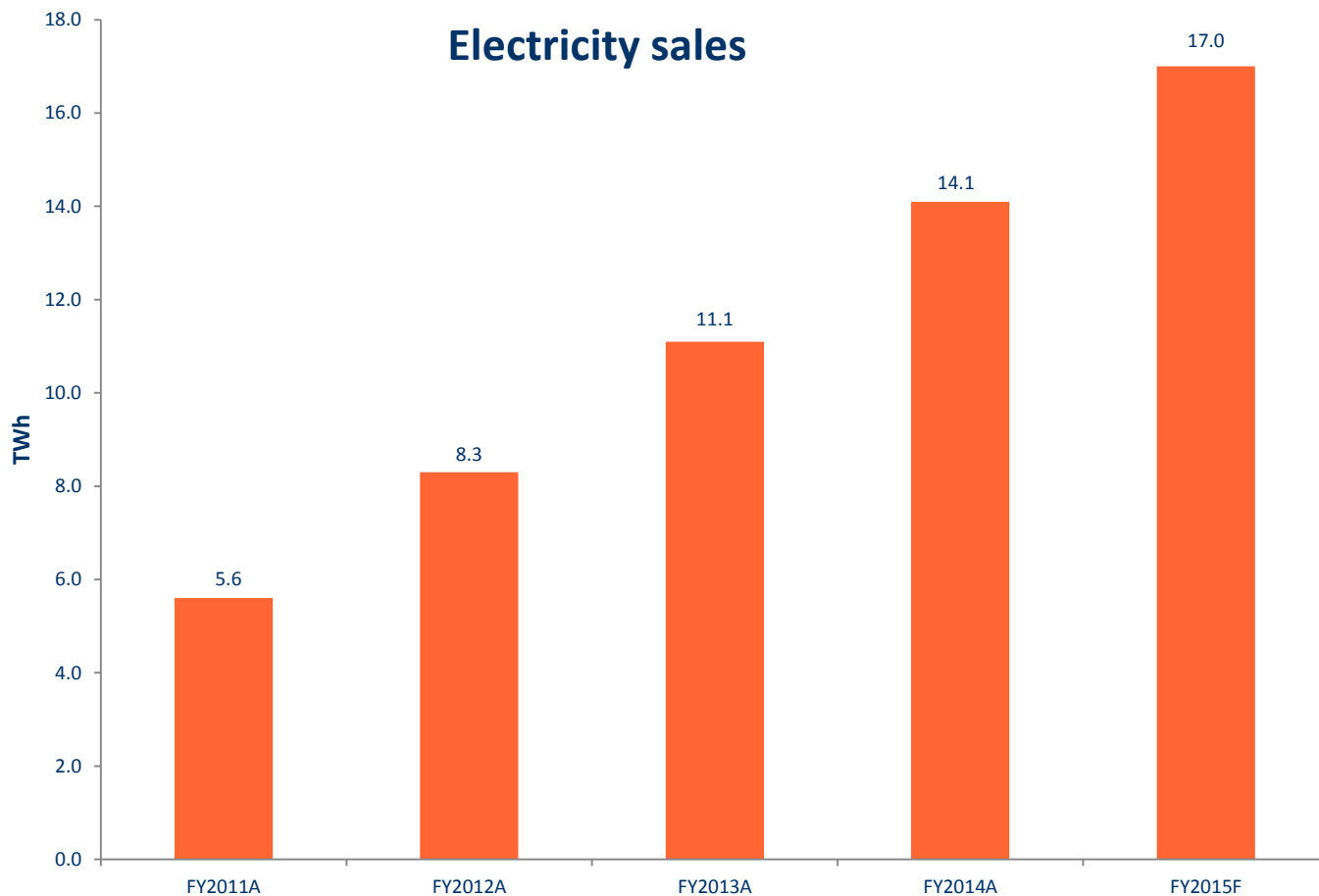


ELECTRICITY SALES - OPERATIONS

Steve Rogers - Chief Operating Officer - ERM Business Energy



CONSISTENT GROWTH IN SALES



WHY WE HAVE BEEN SUCCESSFUL

- Lean team of less than 100 people
- High performing culture with strong focus on customer experience
- Focus on business customers only
- Focus on doing things 'in house' – we own it
- Proprietary systems developed by our people to specifications written by our people
- Constantly upgraded and refined
- We respect and value customers

NATURE OF OUR MARKET

- Large business market represents ~80 TWh in annual load
- In last three years we have quoted customers representing 90-95% of that load
- Market has a large number of intermediaries with whom we have good relationships

WHY WE WIN

- Efficient operations give us low cost to serve
- Price is important - you must be in the ballpark
- Incumbency can be advantageous – customers see risk in churning
- Attention to customers and service is important

WHAT DIFFERENTIATES OUR SERVICE

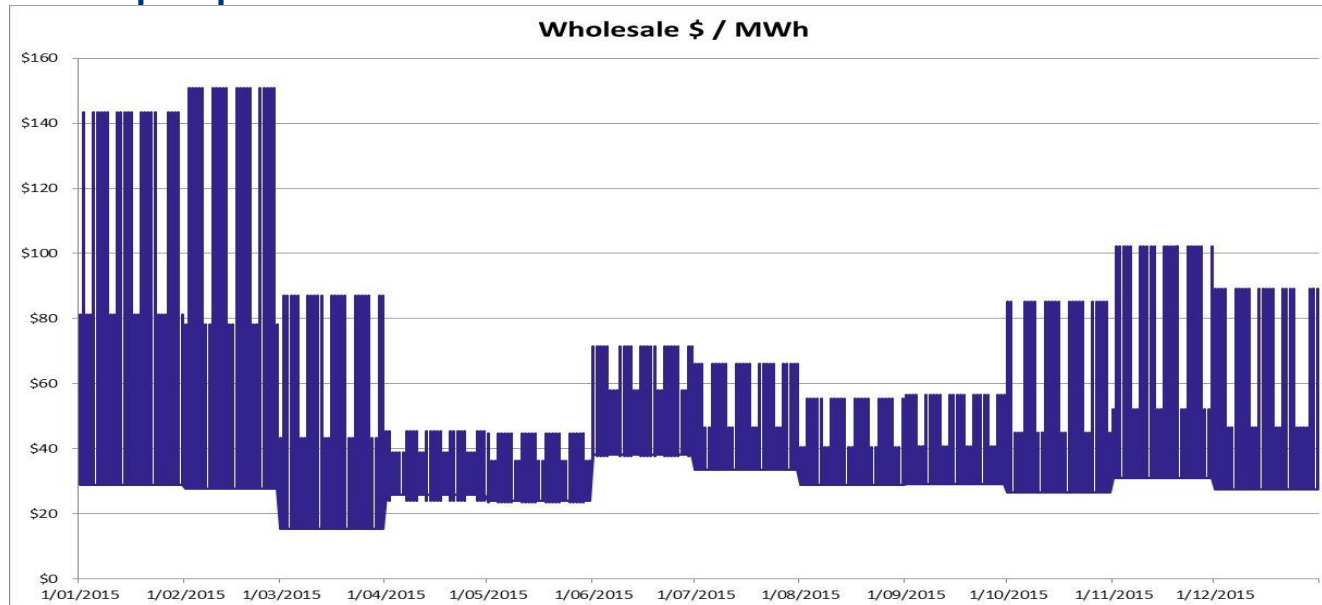
- Responsiveness
- Flexibility
- Accuracy
- Access to information
- Efficiency and knowledge

WIN RATE VS RETENTION RATE

- Win rates
- No negative margin deals
- Contract length
- High retention rates
- Easier to sell service once it is directly experienced
- Competitiveness of other retailers varies over time
- Proven ability to sustainably compete

HOW WE MANAGE PRICE AND PROFIT

- Wholesale energy
- Shape premium

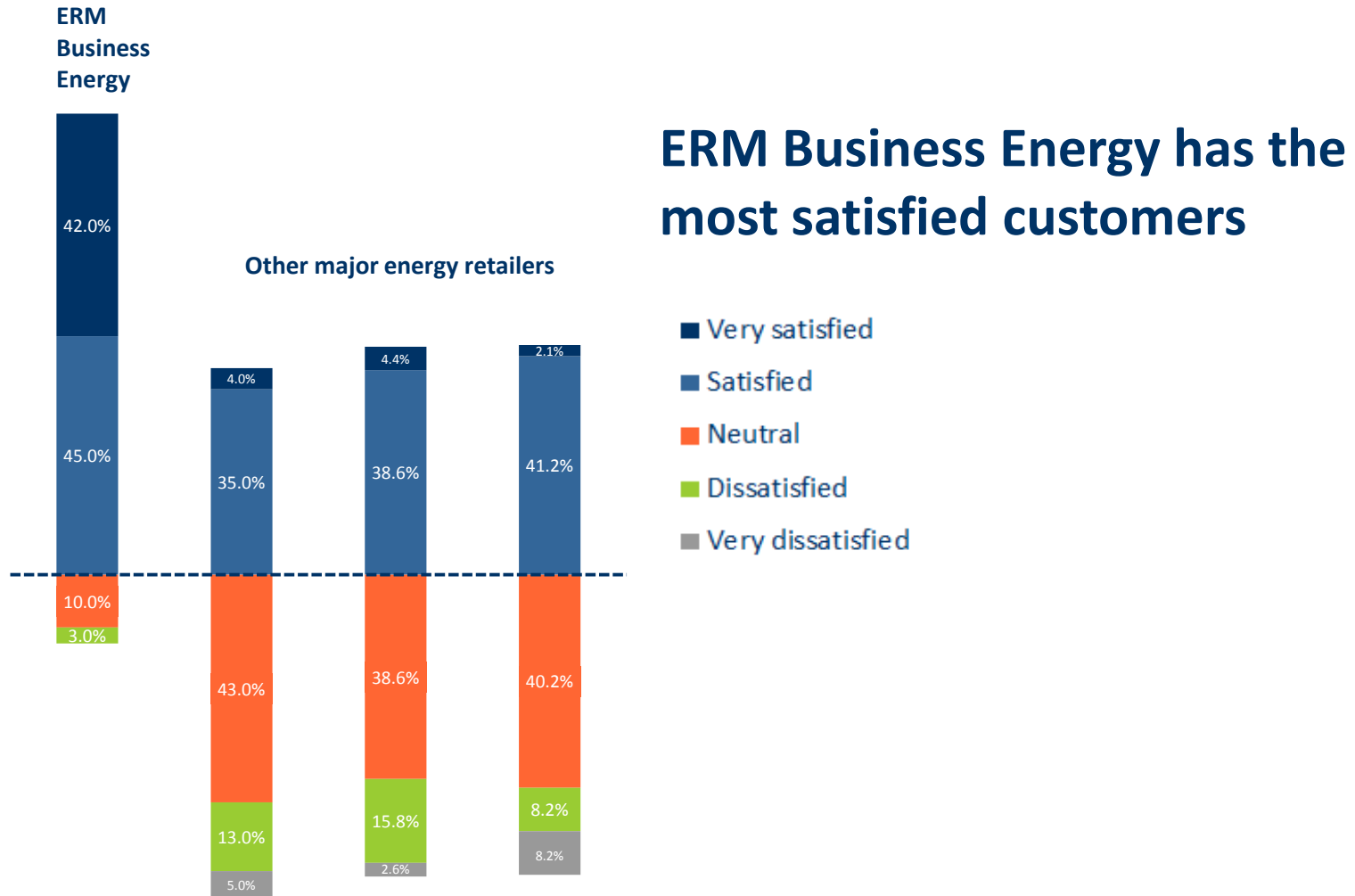


- Risk premiums and cost margins
- Profit

HOW SMALL BUSINESS IS DIFFERENT

- Price still important
- Service superiority still saleable
- Lower (but still substantial) broker penetration
- Marketing required to reach customers
- Extensive product differentiation which can make it hard for customers to compare
- Greater levels of automation
- Our approach is to keep our products simple and easy to understand - no gimmicks, good prices and fantastic service

NO.1 FOR CUSTOMER SATISFACTION



Source: Utility Market Intelligence (UMI) survey of retail electricity industry by independent research company NTF Group in 2013 (18th year of survey). Research based on survey of 414 business electricity customers in October/November 2013. Four major electricity retailers benchmarked.



ERM BUSINESS ENERGY PORTAL



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MARKET REPORTS



CARBON INTENSITY

Displays carbon intensity price for each state and the NEM.

[View Report](#)

	A	B	C	D
1	Site	From Date	To Date	DLP Cod
2	1234567890	1-Jan-14	31-Jan-14	XCCN
3	1234567890	1-Jan-14	31-Jan-14	XCCN
4	1234567890	1-Jan-14	31-Jan-14	XCCN
5	1234567890	1-Jan-14	31-Jan-14	XCCN

LOSS FACTORS

View all current loss factors for a set of NMIs

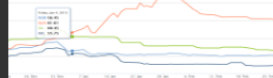
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MARKET SUMMARY REPORT FEBRUARY 20

CONTRACT MARKET:


CALENDAR YEAR 2015 (CAL)

Prepared by ERM Business Energy's trading team

[View Report](#)

D-CYPHATRADE ASX FUTURES AND OPTIONS

Displays future contract prices for each state. Data source d-cyphaTrade ASX.


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REGIONAL REFERENCE PRICES

Displays regional reference price for each state.

[View Report](#)

BILLING REPORTS



BILLING BREAKDOWN

Provides a summary of the category of invoice charges

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R	S	T	U
INV_EX_\$	INV_GST	INV_TOTAL	NMI_E
571959	57621.4	716781	6
1526737	151991.7	1676729	7

INVOICE CSV EXTRACT

Allows downloading of invoice CSV files for a number of accounts across a date range.

[View Report](#)



TRADING

David Guiver – Executive General Manager Trading



ROLE OF TRADING

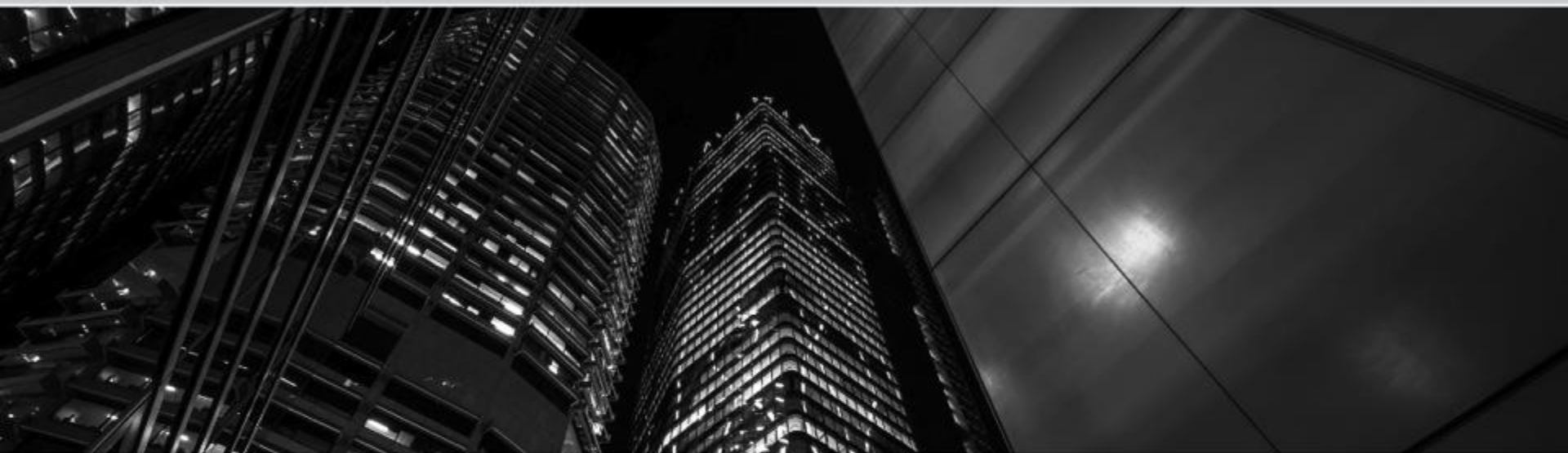
- Manage financial risk associated with energy retailing
- Manage fuel and transport for our power stations
- Spot bidding / generation dispatch
- Monetise commercial opportunities

STRUCTURE AND RELATIONSHIPS

- Centralised in Brisbane office
- Team of commercial specialists
- Co-located with risk team
- Forecasters and financial market traders deeply linked to sales business
- Physical traders – key relationships

TRADING ACTIVITIES

- Transfer pricing
- Forecasting
- Hedging
- Portfolio optimisation
- Management of structured products
- Demand response
- Short-term / spot market bidding
- Generation dispatch
- Fuel and transport procurement
- Commercial opportunities
- Analysis



GENERATION

Derek McKay - Chief Executive Officer, Generation



GENERATION ASSETS



Oakey Power Station - Queensland



Neerabup Power Station – Western Australia

- **Oakey Power Station (Qld)**
 - 100% owner, operator
 - 332MW peaker
 - Two units
 - Dual fuel – gas and distillate
 - High availability¹ – 99%
- **Neerabup Power Station (WA)**
 - 50% owner, operator
 - 330MW peaker
 - Two units
 - Gas fuel
 - High availability¹ – 99%

¹IEEE Standard used for calculation of availability

Oakey Flyover Video



TRADING ROOM VISIT



MORE INFORMATION:

- **Garry West**
- **Corporate Communications & Investor Relations Manager**
- **Email: gwest@ermpower.com.au**
Direct: 61-7 3020 5165
Mobile: 61- 457 140 650
- **Website: www.ermpower.com.au**