

26 April 2013

Letter to shareholders

In accordance with the Listing Rules, I enclose the following letter to shareholders, for release to the market.

A handwritten signature in grey ink, appearing to be "P. Jans".

Peter Jans
Group General Counsel & Company Secretary
ERM Power Limited



26 April 2013

Dear Investor,

ERM Power (ASX: EPW) has announced its results for the six months to 31 December 2012, reporting 41% growth in electricity sales and reaffirming its full year profit guidance.

Among the other significant achievements were:

- 29% growth in forward contracts (C&I market¹)
- Share of the national C&I market¹ now >13%
- Entered the small to medium enterprise (SME) market¹
- Launched “ERM Business Energy” brand
- Achieved high reliability with generation assets
- No recordable or lost time injuries
- Commercialising gas discoveries in WA
- Expanded gas business to east coast

Enclosed is the announcement lodged with the Australian Securities Exchange (ASX) on 21 February 2013. Full details of the results and other information can be found on the ERM Power website and via the ASX announcements platform.

Directors also declared a fully franked interim dividend of 5.0 cents per share. The dividend was paid on 26 April 2013 to shareholders on record as at 26 March 2013. Your dividend advice is also enclosed with this letter.



¹ This is based on ERM Power's forecast for volume of electricity sold in the National Electricity Market for FY2013. The Australian Electricity Market size = 210 TWh, comprising 40% (or 84 TWh) for Commercial and Industrial (C&I) Market and 30% (or 63 TWh) for SME Market and Residential Market respectively. The analysis draws on 2011 SRES scheme liability data, ERM Power signed contracts and broad assumptions about the market and participants. This is not an independently verified forecast.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Phillip St Baker".

Phillip St Baker

Managing Director & CEO

ERM Power Limited

21 February 2013

ERM Power reports 41% growth in electricity sales and reaffirms full year guidance

ERM Power Limited (ASX: EPW) today reaffirmed its full year profit guidance after announcing its results for the first half of the 2013 financial year (H1 FY2013).

Statutory net profit after tax (NPAT)¹ for the six months to 31 December 2012 was \$26.4 million compared to \$51.2 million in the prior corresponding half year, which period included a one-off \$19.1 million gain from a discount on acquisition.

EBITDAIF² was \$39.0 million and Underlying NPAT³ was \$10.6 million, up on the prior corresponding half year period, excluding the one-off \$19.1 million gain in the prior period.

Revenue growth was 62% which was higher than sales volume growth of 41%, mainly due to significant increases in network tariffs which are passed directly onto customers with no margin, and the introduction of the carbon tax.

The electricity sales business, which sells only to business customers under the brand “ERM Business Energy”, achieved record sales volumes. More than half of the sales were outside Queensland, with strong growth in New South Wales (91%) and Victoria (127%).

The generation business performed safely and achieved high reliability at the Oakey and Neerabup power stations.

The gas business expanded to the east coast of Australia with the Company taking a direct interest in exploration in the Clarence Moreton Basin in NSW. In Western Australia, the Red Gully facility is expected to start producing gas and condensate for sale before the end of the financial year.

A fully franked interim dividend of 5 cents per share will be paid on 26 April 2013 to shareholders on record at 26 March 2013. The Company’s shares will trade ex-dividend from 20 March 2013.

Highlights	H1 FY2013	H1 FY2012	% Change
Sales Volume – Load (TWh)	5.2	3.7	+41%
Revenue (\$m)	715.9	443.1	+62%
EBITDAIF² (\$m)	39.0	56.7	-31%
<i>Excl. \$19.1m discount (\$m)</i>	39.0	37.6	+4%
Statutory NPAT¹ (\$m)	26.4	51.2	-48%
Underlying NPAT³ (\$m)	10.6	27.9	-62%
<i>Excl. \$19.1m discount (\$m)</i>	10.6	8.8	+20%
Interim dividend (cents)	5.0	4.0	+25%

Managing Director and CEO, Philip St Baker, said all three operating businesses – electricity sales, generation and gas, were performing strongly.

“Our electricity sales business has set new benchmarks for the industry in terms of customer service and value, with an independent survey⁴ showing ERM Power’s business customers are three times more likely to be very satisfied than customers of our competitor peer group,” Mr St Baker said.

“This, combined with our “ERM Business Energy” marketing campaign, has translated into record sales this year and record forward contracts for future years.

“Growth is being further boosted by our expansion into the small to medium enterprise market where we have already contracted over 10,000 customer sites and have over \$150 million in forward contracts.”

In August last year, ERM Power forecast EBITDAIF² of between \$80 and \$85 million and underlying NPAT³ of between \$22 and \$26 million for FY2013. At the annual general meeting in October 2012 this guidance was reaffirmed.

“Based on the results for the half year ended 31 December 2012 and prevailing market conditions at this time, this guidance is reaffirmed,” Mr St Baker said.

¹ Statutory NPAT attributable to equity holders of ERM Power Limited. A full reconciliation between Statutory NPAT and Underlying NPAT is provided in the Management Discussion and Analysis (MD&A). The Board believes that EBITDAIF and Underlying NPAT provide the most meaningful indicators of performance.

² 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. It includes a \$19.1 million non-recurring gain on the acquisition of an additional 50% interest in Oakey power station at a discount in the first half of FY2012.

³ Underlying NPAT is Statutory NPAT attributable to equity holders of the Company but excludes the impact of unrealised changes in fair values of financial instruments and onerous contracts, which best reflects the ongoing performance of the business.

⁴ Utility Market Intelligence (UMI) survey of the retail electricity industry by independent research company NTF Group in 2011 (16th year of Survey). Research based on survey of 597 business electricity customers ~ 100 from each of six major participating electricity retailers. The complete 2012 results will be officially announced by NTF Group on 28 February 2013, but preliminary results show that ERM Power’s industry-leading scores have strengthened from last year.

For further information

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

About ERM Power

ERM Power (ASX code: EPW) is a diversified energy Company which operates electricity sales, generation and gas exploration and procurement businesses in Australia. Founded in 1980 as a specialist energy advisory firm, the company grew through deregulation and privatisation to become one of Australia's largest private energy sector companies before listing on the Australian Securities Exchange (ASX) in December 2010. ERM Power sells electricity to business customers across Australia, owns 442 megawatts (equity interests) of low emission gas-fired generation assets, and has a successful gas exploration business with operations in Western Australia and New South Wales.

www.ermpower.com.au