

Monday, 31st October 2016

ASX/Media Release

For immediate release

Trading Update

- Significant energy market volatility has impacted both customer contract renewals and the acquisition of new customers
- First quarter trading below expectations and prior comparative period
- Full year Net Profit After Tax (NPAT) expected to be approximately 25% below FY16
- Implementation of strategic growth initiatives tracking to plan
- Increased energy pricing creating stronger demand for energy efficiency consulting and project services and solutions

Energy management and procurement company Energy Action Limited (ASX: EAX) ("Energy Action" or "EAX") provides the following trading update for the year ended 30 June 2017.

The first quarter of FY17 saw the continued upward trend in volatile energy costs in conjunction with significant abnormal disruptions in energy markets, including the recent blackouts in South Australia and continued speculation on the future of the Hazelwood generation facility in Victoria. This has resulted in retail pricing for commercial and industrial (C&I) customers becoming significantly more expensive than comparative periods which has delayed client decisions and timing around contracting. Energy contracts are also less freely available with reduced energy retailer participation in procurement events. In conjunction with delayed contracting in September and October, we have experienced several instances of agreed pricing being withdrawn by retailers and in many circumstances retailers suspending their pricing activities for extended periods of time due to unforeseen movements in the wholesale energy markets. This has resulted in lower sales for Energy Action, only a portion of which is expected to be recovered during FY17.

Where contracts have been able to be secured for clients, energy prices to customers have increased considerably, resulting in lower retail energy contract durations as customers sign for shorter periods hoping that prices will come down in the near future.

Additionally, the availability of competitive offers for gas for C&I customers with contract renewals in FY17 has been limited, resulting in lower gas procurement revenues.

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- 1) Statutory NPAT adjusted for:
- Deferred consideration on acquisitions required to be expensed for accounting purposes
 - Acquisition, transaction and restructuring related costs
- Equals Operating NPAT

The shortfall in obtaining energy contracts for our customers has had a direct impact on the sales of Contract Management and Environmental Reporting products, as these are often sold as a bundled offering.

Current energy prices in this renewal cycle represent significant uplifts for most clients, typically in excess of 50% on the energy component of the electricity and gas. Higher energy prices improve the commercial viability of energy efficiency projects and consulting services. Energy Action has observed a heightened level of inbound queries for energy efficiency solutions, which should translate to increased levels of consulting services and energy efficiency projects over time.

Despite the challenging environment, Energy Action is making good progress on implementing the strategic growth initiatives identified in our FY16 strategy update. Progress on specific initiatives is summarised as follows:

| Strategic priority | Status update |
|---|--|
| Microgrids | Charter Hall portfolio successfully piloted and now fully operational. |
| Commercial Building Upgrades | A number of audits have been completed for clients, highlighting the opportunity for commercial building upgrades. Client investment decisions are expected within FY17. |
| Expert Monitoring & Diagnostic Services | 3 new sites signed on active contracts. |

All three initiatives have developed strong pipelines of opportunities.

Based on the current trading performance and outlook for the balance of the year, Energy Action expects FY2017 Operating NPAT¹ to be approximately 25% lower than FY16 assuming no further unforeseen market events impacting normal trading activities.

A further update will be provided at the AGM on November 10, 2016.

ENDS

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