

Monday, 23 October 2017

CHAIR'S ADDRESS AND MANAGING DIRECTOR'S PRESENTATION

Please find attached the following documents, which will be presented at the Annual General Meeting of ERM Power Limited (ASX: EPW) which commences at 11:00am (Brisbane) on 23 October 2017, in compliance with ASX Listing Rule 3.13.3:

- 1. Copy of Chair's Address; and
- 2. Copy of Managing Director and CEO's Presentation.

Regards,

Phil Davis

Group General Counsel & Company Secretary

ERM Power Limited

About ERM Power

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹, and is the only energy retailer licensed to sell electricity in all Australian states as well as the Northern Territory and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company's existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. www.ermpower.com.au

For further information

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¹ Based on ERM Power analysis of latest published information

CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING

INTRODUCTION

ERM Power delivered pleasing results in 2017, a year in which the energy sector has been in the spotlight like never before. The Company capitalised on opportunities and invested for growth in this disrupting energy market.

Policy uncertainty and challenging market conditions characterised the sector in 2017. This did not constrain the Company in creating opportunities to deliver for customers and shareholders. The business strategy accounts for an industry that is changing, and it harnesses and rewards ERM Power's strengths and expertise.

We are proud of ERM Power's history of self-disruption and reinvention, which has served the business and our stakeholders well in 2017, and will continue to do so.

ERM Power's approach builds on the Company's strong, enduring customer relationships and industry-leading customer satisfaction to deliver a powerful proposition to businesses seeking to take control of their energy costs. This strategy was put in motion more than two years ago in anticipation of rising energy costs and in expectation that customers would be seeking solutions to the growing problem of energy security and affordability. This has come to pass.

STRATEGY IN ACTION - PERFORMANCE

It has been a critical year for our growing Energy Solutions business, with existing, acquired and new business capability now delivering results. Revenue more than doubled on the prior period. The Company continues to invest in new capabilities and initiatives, such as the National Schools Program, responding to a clear customer need.

The US retail business, Source Power & Gas, is also providing increased confidence as it continues to apply and adapt the ERM Power approach to the substantially larger US market. Load sold through the US market more than doubled and, importantly, contracted forward electricity sales increased strongly.

We are continuing to invest in the US electricity retail business and in the Australian Energy Solutions business, and both of these are on track to become material profit contributors in the years ahead.

ERM Power's generation assets had a strong year, maximising merchant generation opportunities.

The Australian electricity retailing business increased load sold and grew forward contracted load by 13%, which is a positive outcome in a highly competitive market.

2017 FINANCAL YEAR RESULTS

FY2017 earnings increased by 5% to \$78.4m (EBITDAF), with positive results across the business.

The commercial Large-scale Generation Certificate (LGC) strategy, announced in January, resulted in a one-off tax charge of \$37.1 million which contributed to an underlying NPAT loss of (\$26.3) million. The approach to meeting LGC obligations, which attracted some attention in January 2017, was validated as it underpinned offtake agreements with renewables developers and has longer-term commercial and financial benefits.

The Board approved full year dividends of 7.0 cents per share fully franked, an attractive yield for shareholders.

MARKET LANDSCAPE

Energy policy and the future direction of the energy industry remain topics of national debate.

The industry is undergoing significant change as the balance around energy sustainability, security and affordability shifts, and continues to do so.

Politics has prevailed over policy. The lack of an enduring national energy policy, interventions in the market by State Governments as well as the Federal Government, and the complications associated with myriad different State and Federal renewable energy targets, have created a poor energy investment climate.

Australian businesses and households are now feeling the impact of ten years of policy instability, inaction and inertia.

A wake-up call came in September 2016 when 850,000 South Australian consumers lost electricity supply. The widely reported "system black" event made the problems impossible to ignore.

The Council of Australian Governments (COAG) Energy Council commissioned Australia's Chief Scientist, Dr Alan Finkel, to undertake an independent review into the future security of the National Electricity Market (NEM). This process had not long begun before State and Federal governments started developing and announcing their own action plans. This was a frustrating demonstration of the core problem at hand – disparate and hurried policy-making.

Less than a week ago, the Federal Government announced a National Energy Guarantee which will be presented for consideration to the COAG Energy Council in November. This new policy proposes power generation reliability and emission obligations for retailers but the detail is scant. ERM Power will work with government and regulators to understand the proposal and support a clear and coherent direction. We need to make sure the National Energy Guarantee works in practice and enhances the market. We also need to ensure the Guarantee achieves what it's setting out to achieve: a cleaner, more reliable and affordable energy market.

Australia needs a truly national, bipartisan and enduring energy policy framework upon which not only existing and emerging energy market participants can rely, but also Australian commercial and industrial enterprises that require secure, reliable and affordable energy to successfully conduct their business. The current political posturing at all levels of government is restricting progress in this regard, and I implore all members of COAG to work cooperatively toward operational implementation of a workable package that delivers certainty for the energy sector and energy consumers.

ERM Power has been a strong voice on these issues, through formal submissions, presentations, government relations activities and utilising industry partnerships such as the Australian Energy Council.

The Company's clear message is that only a stable and cohesive national energy policy will best serve the economic and social interests of all Australians as we negotiate the transition to a lower carbon economy.

Meanwhile, the market continues to operate, albeit in a context of continuing uncertainty and instability that results in heightened risks.

The need to balance the interrelated objectives of energy sustainability, security and affordability has become a central economic and social issue, with businesses concerned about the growing cost of energy as a proportion of their cost base, and households concerned about the impact on the cost of living.

The policy and market environment for the coming year is far from certain. However, ERM Power is in a strong position to support businesses through this time of transition, managing both the supply side of the equation through electricity retailing contracts and the demand side through leading energy solutions that help customers manage consumption and cost.

OUTLOOK

ERM Power specialises in electricity generation, trading, retailing and energy management solutions for businesses. The team is seizing opportunities in a disrupting market, helping businesses improve their energy productivity, and creating long term shareholder value.

Our chosen markets in Australia and the US present significant upside potential and the lead indicators are strong, and we are confident that the Company is on track to deliver sustained high performance.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank ERM Power's staff and management team, whose innovative thinking, belief in our strategy, and focussed work ethic are the foundation of our success.

I'd also like to thank our shareholders for their support as we continue to progress our strategy at this challenging but exciting time of industry transition.

To our customers, thank you for supporting ERM, and inspiring and challenging the team to do more for your business.

In conclusion, I thank my fellow Directors, and in particular acknowledge ERM Power founder Trevor St Baker, who announced his resignation from the Board in July this year. Trevor has made a major contribution to this industry over more than 50 years and his insight and tenacity continue to serve the industry and ERM Power well. Trevor's ongoing commitment and guidance to the Company is invaluable. We'd also like to take this opportunity to thank Martin Greenberg, who also stepped down from the Board in 2016, for his service and contribution and we welcome Georganne Hodges and Phil St Baker to the Board.

The Company is at an exciting juncture in its transformation. We look forward to continuing to grow and prosper in a dynamic and disrupting market which presents us plenty of opportunity.

ERM Power will continue to execute on its clear, robust strategy to create a high performing business that delivers shareholder value and makes a positive contribution to the communities in which it operates.

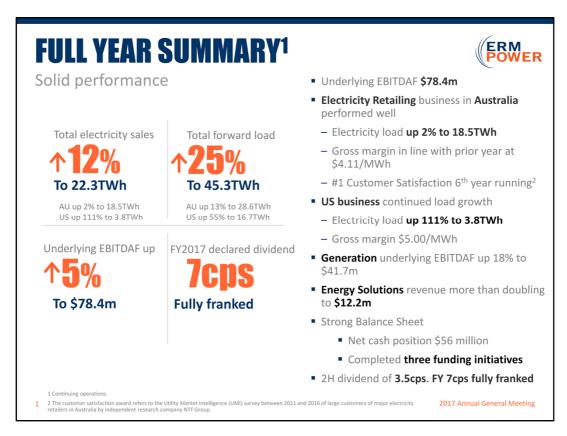
Tony Bellas

Chair, ERM Power



Good morning and welcome to the 2017 Annual General Meeting.

This morning I would like to outline ERM Power's performance in what is a dynamic Australian energy market and detail some of the strategies we are employing to maximise opportunities in both the Australian and US markets.



Firstly, a wrap-up of our FY2017 financial results which we reported to the market in August.

ERM Power's full-year underlying EBITDAF was \$78.4 million for continuing operations, up 5% on the prior year. We achieved record sales volumes in Australia and the US, which is testament to our proposition and industry leading customer service.

Our US electricity retailing and Australian Energy Solutions businesses are in investment phase, and are on track to make material contributions in the medium term.

During 2017, we completed three funding initiatives, with ANZ Bank in January and Liberty and Uniper in July. This provides us greater flexibility, with increased tenor and lower cost funding, supporting the strong liquidity of the Group.

For shareholders, agreeing attractive and competitive long term funding agreements with three globally recognised companies demonstrates their confidence in our ability to achieve business success.

The Board declared a final fully franked dividend of 3.5cps. The total declared dividend for FY2017 is therefore 7 cents per share fully franked.

FY2018 OUTLOOK				ERM
	FY2017 Outlook	Actual FY2017	FY2018 Outlook	
Australia Retail				
 Sales volume 	18.5TWh	18.5TWh	~19TWh	With upside potential
 Gross Margin 	~\$3.50/MWh	\$4.11/MWh	~\$4.40/MWh	With upside potential
• Opex	~\$23m	\$22.7m	~\$23m	
US Retail ¹				
 Sales volume 	~4.2TWh	3.8TWh	~7.5TWh	
 Gross Margin 	~A\$7.50/MWh	A\$5.00/MWh	~A\$5.00/MWh	Risk on upside & downside
• Opex	A\$4- \$4.50/MWh	A\$4.96/MWh	A\$3.20/MWh	
Generation EBITDAF ²				
Oakey	\$14-16m	\$15.8m	\$14-16m	
 Neerabup 		\$27.2m	~\$26m	
Energy Solutions EBITDAF		(\$4.3)m	~(\$4.5)m	Expected EBITDAF positive in FY2020
Corporate & Other costs	(\$20)m	(\$12.6)m	~(\$15.5)m	
1 US\$ converted at US\$0.75:A\$1.00 fo	. ,	(\$12.6)M	(\$12.2)m	2017 Annual General Mee

Now to this year's Outlook which remains unchanged from that announced at the August financial results.

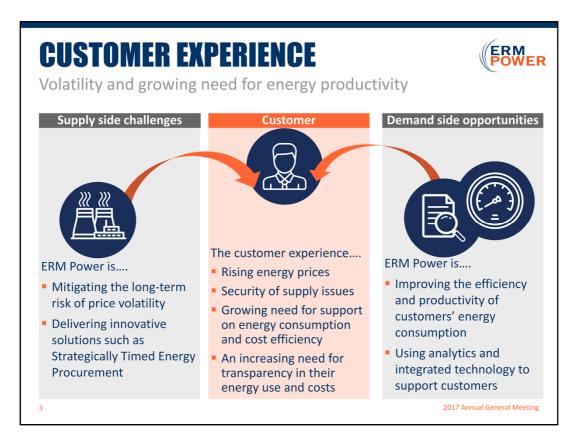
For the Australian and US electricity retailing business we see continued load and margin growth.

For the US business, continued customer load growth will deliver scale benefits with costs per MWh expected to be around A\$3.20/MWh for FY2018.

FY2018 EBITDAF for our generation assets in Australia will remain in line with FY2017 results.

For our Energy Solutions business we are forecasting continued sales growth as we invest in the business. With this investment through FY2018 we are forecasting an EBITDAF loss of around \$4.5 million for Energy Solutions. Our expectation is that this part of our business will be delivering positive EBITDAF in FY2020.

Our US electricity retailing and Australian Energy Solutions businesses are in investment phase, and will remain that way through this financial year. Overall our outlook is to deliver double digit EBITDAF growth in FY2018, while making those investments in the future.



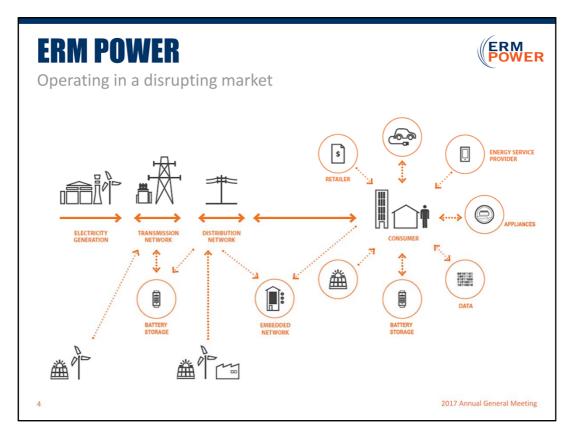
We see FY2018 as a year of continued growth for ERM Power against a backdrop of unprecedented change in the Australian energy market. Our customers, and all energy consumers, are feeling the impact of rising wholesale energy prices on their bottom line.

Now more than ever, businesses need an energy partner who 'gets energy' and the critical role it plays in the prosperity of their business and our economy.

ERM Power is committed to being the advocate for businesses that rely heavily on energy to fuel their success.

We help Commercial & Industrial (C&I) customers mitigate the long-term risk of price volatility and support them with innovative solutions such as strategically timed energy procurement, or STEP. STEP online is an ERM Power innovation that gives customers direct insight into the volatile wholesale electricity and green scheme markets, and allows them to de-risk the time at which they make forward commitments. Almost 40% of our customer load and green certificates in FY17 were delivered via the STEP online platform.

Unlike our competitors, we're genuinely motivated to help customers drive down their consumption and cost through smart analytics and real solutions to improve energy productivity. Our unique dual approach — across the supply and demand side of the equation - is our true differentiator.



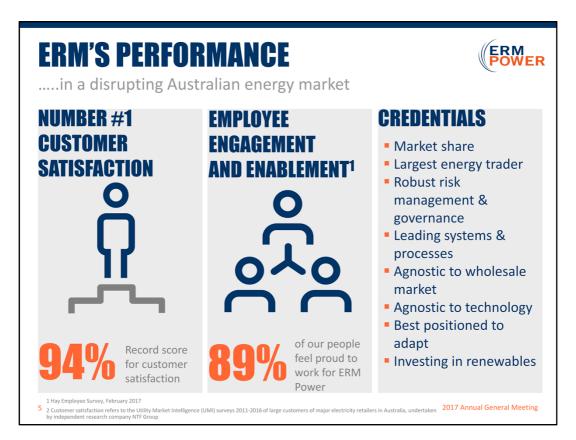
Why are Australian energy consumers facing increasing energy costs and decreasing reliability? This is a result of an energy industry at a critical juncture.

The trilemma of energy sustainability, security and affordability has been mounting for a decade, underpinned by a lack of enduring national energy policy.

The issues coalesced in South Australia and the result has been a flood of inquiries, reviews and proposed market intervention. The Finkel Review is the centre piece of what will hopefully be a sensible, coordinated plan encompassing 49 recommendations already accepted by the Coalition of Australian Governments, with the addition of the National Energy Guarantee as announced by the government less than a week ago. The National Energy Guarantee is a framework. There's a lot of work that needs to go into designing exactly how it will work in practice. It represents a big change to the way the energy market has traditionally operated. We will continue to work with all players – the Government, COAG Energy Council, the Energy Security Board, the Australian Energy Market Commission, the Australian Energy Market Operator and others – to consider this policy in detail.

The Australian energy industry is undergoing a fundamental change but that gives us options and opportunity - options which an innovative and agile business like ERM Power can execute on.

Our clear and consistent business strategy accounts for an industry in transition, harnessing and rewarding our deep industry expertise, innovative approach and well-timed execution. This is evident in our Large-scale Generation Certification (or LGC) strategy which was founded on strong knowledge of the energy markets and a desire to invest appropriately in renewables.



We are well positioned to perform and grow in this dynamic environment. Our industry leading customer service, high-performing culture and market position provide a strong base from which to deploy our strategy and take advantage of market opportunities.

ERM Power achieved the number one customer satisfaction ranking for the sixth consecutive year in the independent UMI survey, with a record 94% customer satisfaction - the highest level of customer satisfaction recorded in the 21 years that the survey has run.

In the US market, the most recent Energy Research Consulting Group's survey of energy broker satisfaction also demonstrates our strong focus on customer needs and relationships, with Source Power & Gas placing third out of over 50 retailers. Since acquisition in 2015, the Source Power & Gas broker recognition rate has tripled, with 62% of surveyed brokers now saying they do business with Source.

It takes great people to deliver these great results. ERM Power's recent employee engagement and enablement survey again demonstrated our people are culturally well-positioned to deliver continued business success.

ERM Power participates in the Hay Consulting Engagement survey. Hay, a global leader in human resource insights, operates the survey for many well-known companies around the world, and has a database of more than 6 million employee responses to questions regarding a company's health with respect to employee engagement and enablement. ERM Power's 2017 engagement score was consistent with the highest performing organisations in the world, and our enablement score was five percentage points above the global high-performing norm. ERM Power also ranked above the global high-performing norms in critical areas such as confidence in leadership, clarity of business direction and customer focus.

This year we celebrate the 10th anniversary of our energy retailing business in Australia. In that short period of time we have become the second biggest C&I energy retailer in the nation. We are number one in customer satisfaction because we brought competition and leading service to the C&I market.

We have a history of successful reinvention to take advantage of emerging opportunities because we have the right customer and cultural settings. We will continue to transform our business to make it the natural choice for businesses seeking competitive advantage through smart energy management.



ERM Power's consistent, clear strategy recognises the fundamental changes in the industry. The Company is achieving growth through diversification. The strategy capitalises on our strong, enduring customer relationships and industry-leading customer value, satisfaction and retention, underpinned by a progressive and innovative culture.

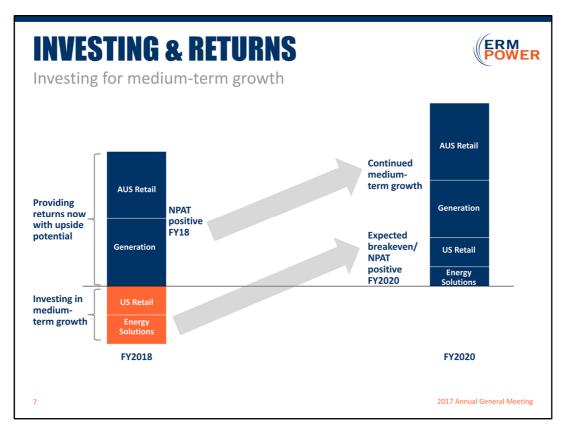
Our generation assets are an important part of the diversified offering. Gas has a critical role to play in the transition to a lower-emission electricity sector, highlighting the value of ERM Power's two gas-fired peaking power stations — Oakey Power Station in Queensland, and Neerabup Power Station in Western Australia.

As ERM Power's electricity retailing business matures in Australia, it will increasingly extend its customer relationships into energy management solutions that enable businesses to extract greater value from their energy investments.

ERM Power's diversification strategy has seen it replicate its successful Australian retail business model in the US, through energy retailer Source Power & Gas. Based in Houston, Texas, Source operates across two key electricity markets in the US, offering ERM Power significant growth opportunities in an accessible market that is more than six times larger than Australia.

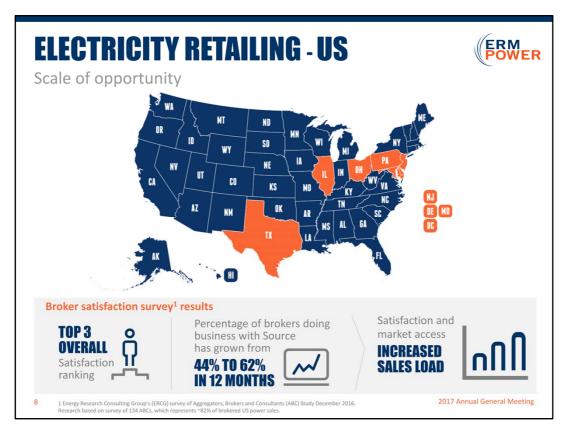
Against this backdrop of customer demand, the Company is accelerating its investment in its Australian Energy Solutions business, underpinned by market insights, deep knowledge of how businesses consume energy and powerful data analytics.

ERM Power will continue to execute on its clear, robust strategy to create a high performing business that delivers shareholder value and makes a positive contribution to the communities in which it operates.



In executing our strategy of growth and diversification we're undergoing a period of investment in our US and Energy Solutions businesses. We see the potential of both these markets as being substantial, and in the case of Energy Solutions have taken steps to accelerate investment in order to position ourselves as leaders in the energy management market.

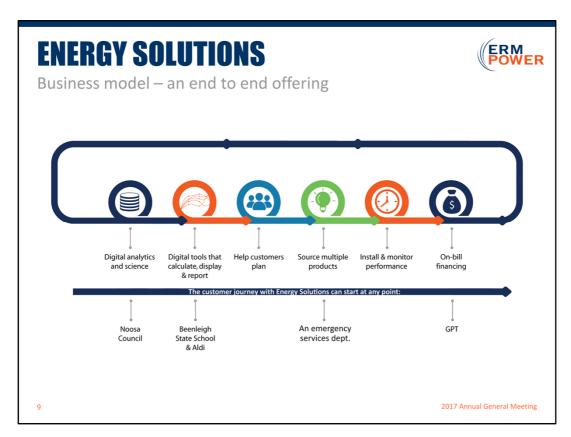
As shareholders would expect, reinvesting some of today's core business profits will continue to grow shareholder value in the long term.



The US Retail business is one of our two growth engines. This is because the US C&I retail market presents a substantial growth opportunity for ERM Power. The two markets we currently operate in, ERCOT and PJM, alone have over 550TWh of available C&I load, which is at least six times bigger than Australia's C&I market.

Through applying our proven retail model to the US market we have seen our satisfaction ranking with brokers remain in the top 3 for the past two years and brokers using Source increase to 62%. This success in a broker led market has translated to triple figure sales and forward contract load growth.

FY2017 was a critical year for the US business. We more than doubled our sales load, though we did not achieve our profitability targets. The reasons for this have been identified and appropriate measures have been put in place to address them. We remain confident that the A\$5/MWh gross margin we achieved in FY2017 will grow to A\$6.50-A\$7.50/MWh over time as we gain experience in the US wholesale energy market.



Business energy users now more than ever need to address their energy productivity in a high price environment. Our data shows commercial and industrial customers paying up to 170% more for energy and green schemes driven by rising wholesale prices. Our customers have realised that the policy reforms required to give price relief will not be forthcoming in the short term. Hence they must focus on energy efficiency and productivity to counter the business impact they are experiencing. This environment is ripe for energy management solutions.

The Australian energy solutions market is complex, fragmented and product focussed. Our approach to the Energy Solutions business is unique as ERM Power understands both the supply and demand side of the energy market, offering a dual perspective that helps business customers get the best result.

It not only helps customers identify their energy consumption problems, but enables the design of the best value solution and, importantly, enables continued monitoring.

Our model delivers a suite of services and products for customers that starts with data analytics and advice on the best integrated solutions, through to seamless product and service fulfilment. It's an end to end service aimed at helping customers use energy more productively.

An example of this end to end service is our partnership with Noosa Council. The council, an existing retail customer, first engaged our Energy Solutions team for the purpose of an energy audit. Due to our extensive data analytics capabilities we were able to identify savings of 25% on their energy bill. The next step in this partnership is product fulfilment and installation for lighting and solar. So while there will be a reduction in the customers energy consumption, we are able to gain quality earnings on delivering additional services to the customer. Equally importantly, we enhanced our relationship with the customer as a trusted advisor, which no doubt will increase the value, length and breadth of the business relationship.

Even though we offer an end to end service, a customer can engage with our Energy Solutions offering at any point along the service continuum. An example being an emergency services department which initially engaged the team as part of a solar supply and install tender. From this starting point we used data analytics to provide a holistic approach to energy management which has resulted in supplying services and products across power factor correction, solar and lighting.

FY2017 was an important year for our fledgling Energy Solutions business, with existing, acquired and new business capability now delivering results through one integrated and focussed team. Revenue more than doubled compared with the previous period. And we forecast this revenue trend to continue in FY2018.

Through FY2018 & FY2019 we will continue to invest in new capabilities and initiatives, responding to a clear customer need. We've recognised the scale of the opportunity and have accelerated our investment accordingly. This investment phase will focus on building capability and develop our digital platform of services, and that will enable the business to scale revenue at low marginal cost in future years.

In addition, we expect acquisition opportunities will provide further scope as the market evolves to meet more sophisticated requirements.



Through our clear and consistent strategy, industry leading customer service and innovative approach ERM Power is well positioned to achieve sustained growth for the benefit of shareholders, customers and employees.

Our focus will remain on maintaining our strong Australian retail, generation and trading position while growing our US retail and Energy Solutions businesses.

On behalf of the management of ERM Power I'd like to thank our investors for their continued support of the company, and our Non-executive directors for their stewardship and governance. We are confident about the opportunities that lay before us, and I look forward to reporting on progress in future presentations. I'll now hand back to the Chair.

IMPORTANT NOTICE - DISCLAIMER



Disclaime

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.

Such forward-looking statements involve both known and unknown risks, uncertainties, assumptions and other important factors which are beyond the control of ERM Power and could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements.

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Non-IFRS information

This document may contain certain non-IFRS financial measures and other defined financial terms.

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 profit measures are used by the managing director to review operations of the Group and include but are not limited to:

- 1. EBITDAF Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit. EBITDAF excludes any profit or loss from associates.
- 2. Underlying EBITDAF EBITDAF excluding significant items.
- 3. 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.

A reconciliation of underlying NPAT and underlying EBITDAF is supplied in the MD&A. The above non-IFRS financial measures have not been subject to review or audit. These non-IFRS financial measures form part of the financial measures disclosed in the books and records of the Consolidated Entity, which have been reviewed by the Group's auditor.

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.

Full glossary of terms used in this presentation can be found in the Management Discussion and Analysis document that accompanies these results.

2017 Annual General Meetin



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2017 Annual General Meeting