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ASX Announcement

Thursday, 25 October 2018

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 25 October 2018, 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. 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. The Company operates 662 megawatts of low emission, gas-fired power stations in Western Australia and Queensland.

¹ Based on ERM Power analysis of latest published information



THURSDAY 25 OCTOBER 2018

CHAIR'S ADDRESS ANNUAL GENERAL MEETING

INTRODUCTION

ERM Power's strong financial results for 2018 reflect a good year of growth and record sales for the Australian business. In a year in which the energy industry and policy environment remained topical, the Company capitalised upon opportunities to support Commercial and Industrial customers with new and innovative energy supply and demand products.

For the US business, a strategic review of Source Power & Gas resulted in our announcement to divest these operations. The growth and potential of our Energy Solutions business and the US review determined that ERM shareholder value is best served by divestment of Source Power & Gas and a focus on value creation in our Australian business. Last week we announced that an agreement has been signed with Direct Energy for their purchase of Source for US\$27m, a great result. Consistent with our focus on the substantial market opportunity for Energy Solutions in Australia, ERM Power acquired Out Performers in September this year. This acquisition brings us additional technical expertise and services in energy advisory which complement and expand the scope, capability and reach of the Solutions business.

FINANCIAL PERFORMANCE

In FY2018 ERM Power's earnings increased by 25% to \$97.5m (EBITDAF¹), with positive results across the Australian businesses. Underlying Net Profit After Tax was \$30.2m², up \$46.3m on the prior year.

Oakey and Neerabup Power Stations continued to deliver outstanding availability and overall performance, while maintaining excellent safety records with no lost time injuries. Power station earnings increased 5% on the prior year demonstrating the value of gas-fired assets in the transition to renewables.

The performance of our Australian electricity retailing business is underpinned by our industry-leading customer service, as evidenced by our number one ranking in the UMI electricity retailer customer satisfaction survey³ for the seventh year running. ERM Power achieved 92% customer satisfaction, with a record 56% of customers stating they are very satisfied, which is particularly encouraging considering the pain our customers are enduring due to increased wholesale and network prices.

We exceeded both our target of 19TWh of electricity load sold and our gross margin target for the year with sales up 4% on the prior year. Contracted forward electricity sales increased to 28.9TWh reflecting the strength of the Australian franchise.

¹ Continuing operations. 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 other significant items. EBITDAF excludes any profit or loss from associates.

² Continuing operations.

³ Utility Market Intelligence (UMI) Survey, Feb 2018.

Energy Solutions also delivered on its revenue growth targets and harnessed strong retail customer satisfaction to deliver new solutions in this growing part of the business and market.

ERM Power's ability to realise opportunities in a fast-moving energy sector is evident in the Company's strong financial performance in FY2018. That performance reflects our desire to achieve sustainable returns by doing the right thing by customers, and in turn earning their trust and growing our business.

Policy uncertainty continues to characterise the energy sector but the market keeps operating and ERM Power's core role and responsibility to its customers has never been more important. We shield customers from the volatility of the wholesale market and we provide them with leading energy solutions to better manage their energy productivity. Our leadership in this respect will continue.

INDUSTRY AND POLICY ENVIRONMENT

2018 was characterised by energy industry reviews, reports and public policy gyrations. These included Dr Alan Finkel's review of the NEM, the National Energy Guarantee (NEG) and an Australian Competition and Consumer Commission Report into electricity retailing, which necessarily went to the very structure of the NEM. The current uncertain state of the energy industry is reflective of many factors including enormous technological change, a desire by both corporates and households to deploy cleaner energy, the challenge of that transition, the complexity and cost of energy infrastructure, and the lack of consensus within and among governments on an integrated national energy policy framework.

At its core, Australia needs an enduring national energy policy. This is important to providing an acceptable level of investment certainty to deliver sustainable, reliable and affordable energy. The exit of older baseload power stations and growth in intermittent generation has posed reliability issues and, along with the concentration of ownership of dispatchable generation, have been key factors driving up cost for energy consumers. This has been compounded by issues with the availability and price of gas.

The lack of a stable, integrated national energy policy and poor energy infrastructure planning has stifled investment that supports the renewable energy transition. Industry and consumers urgently need a policy framework that supports investment without undermining market price transparency or competition. Failure to deliver such a policy framework will inevitably result in higher costs for energy consumers.

OUTLOOK

The policy impasse is frustrating for customers and the sector but ERM Power's role has never been more important and customers have never needed more help in managing volatility and improving their energy productivity. ERM Power specialises in electricity generation, trading, retailing and energy management solutions for businesses. The team is seizing opportunities in this disrupting market, helping businesses improve their energy productivity, and creating long term shareholder value.

CAPITAL MANAGEMENT AND DIVIDEND

As part of our capital management framework, we commenced a share buyback in March 2018 to return excess capital to shareholders. The allocated capital for the buyback was \$20m after allowing prudent risk buffers for business performance, payment of dividends and about \$40m reserved for growth opportunities, part of which was utilised in the acquisition of Out Performers. The share buyback reflects the Company's strong liquidity position and our confidence in the earnings outlook. As

at 30 June 2018, about 1.74m shares had been bought and about \$2.8m returned to shareholders. The buyback was suspended during the US sale transaction process and will re-commence tomorrow, 26 October. Assessment of the use of sale proceeds from the divestment of Source Power & Gas will be made in line with the Company's capital management framework. This includes investment for growth and return of capital to shareholders, as appropriate. A further update will be provided as part of ERM Power's FY2019 interim results announcement in February 2019.

The Board also declared a final dividend of 4 cents per share bringing dividends for FY2018 to 7.5 cents per share fully franked.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank ERM Power's staff and management team for their continued commitment and focus on delivering for commercial and industrial customers. This strong and engaged team is the foundation of our success.

I'd also like to thank our shareholders for their support as we continue to roll out our strategy during a dynamic period in the industry's transition.

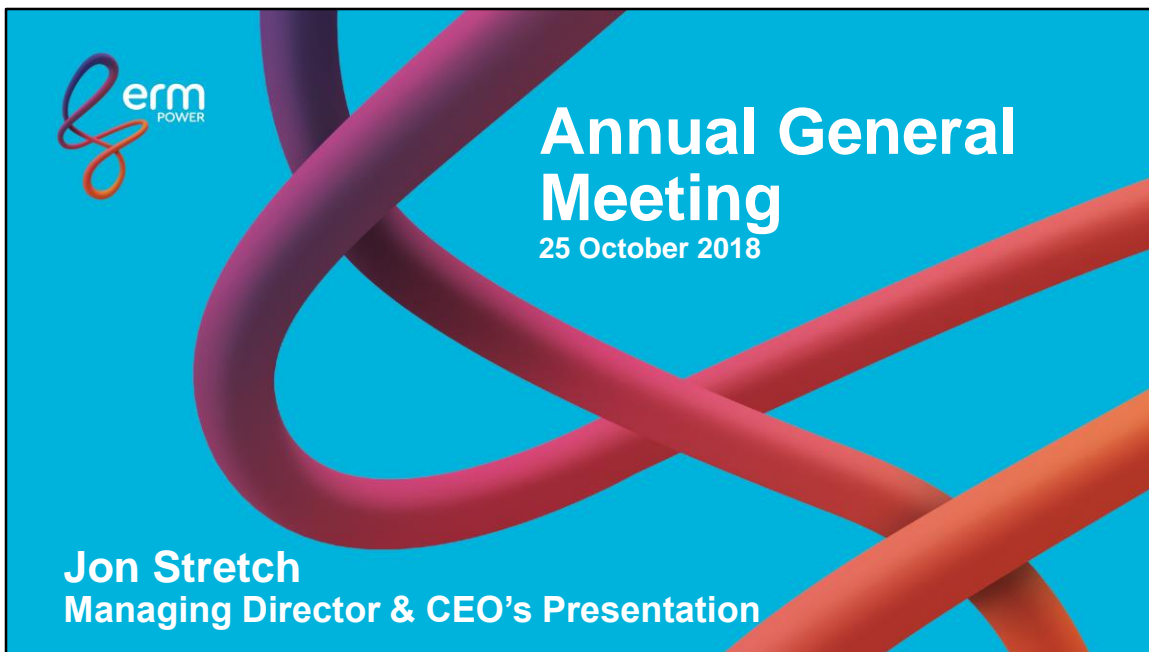
To our customers, thank you for supporting ERM, and inspiring and challenging the team to do more for your business.

In conclusion, I thank my fellow Directors, and in particular acknowledge Wayne St Baker for his service and contribution, following his resignation from the Board at this AGM. We'd also like to take this opportunity to formally welcome Julieanne Alroe, who joined the Board in August. Julieanne is a highly experienced executive and director who will make an excellent Chair of the ERM Power Board as I transition out of my role in February 2019. As this is my last AGM with ERM, I reflect on nine years with an organisation that has grown tremendously and made such a major contribution to commercial and industrial energy in this country. I'm enormously proud of all that has been achieved and I wish the Board and the ERM Power team great success in the years ahead.

The Company is embarking on an exciting period of growth in a dynamic and disrupting market which presents plenty of opportunity.

Tony Bellas

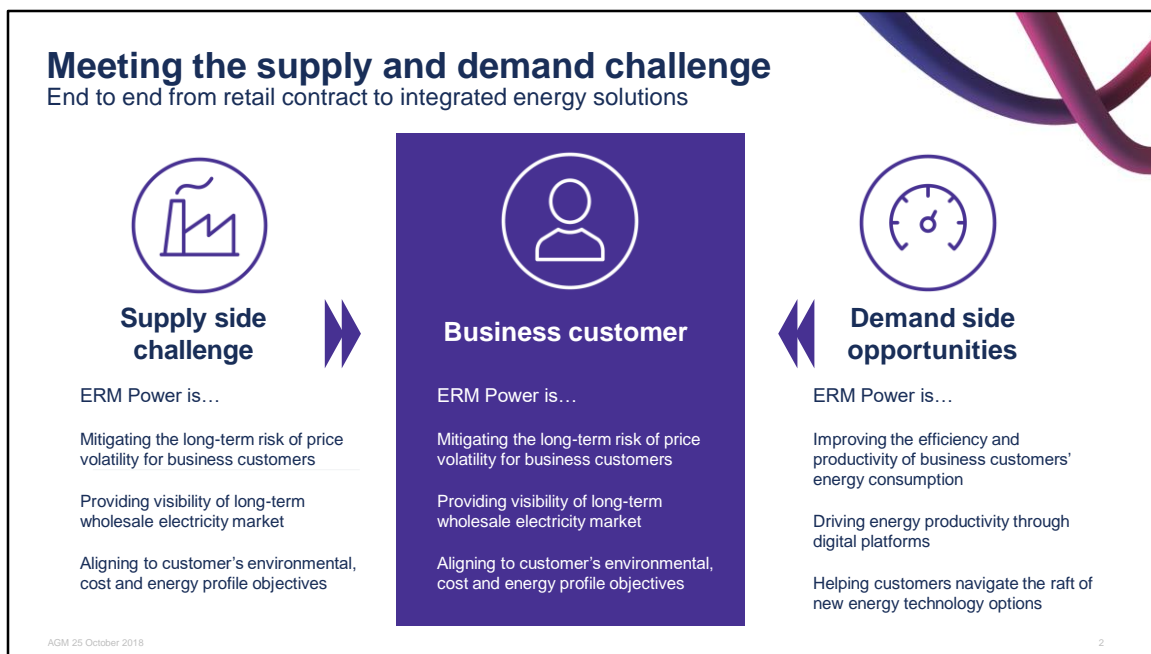
Chair, ERM Power



Good morning and welcome to the ERM Power 2018 Annual General Meeting.

Our success throughout the year was achieved in the face of a volatile and transforming energy market, policy uncertainty and political rhetoric that added further to customer confusion and frustration. Our ongoing strategy to advocate for our commercial and industrial customers, and ultimately all C&I energy users, has been core to our success and will remain our unique market differentiator.

At a time when the majority of our competitors are being exposed for their practices and facing consumer backlash, we continue to see the results of placing customer outcomes at the heart of our business. Our growth and success are founded on our trusted brand.



Our business model has always placed customers at the centre of what we do.

We help our customers to better navigate and manage through their energy supply side and demand side challenges.

On the supply side of the equation we work with businesses to manage wholesale market volatility through their retail contract. We have been good at this for the past 10 years and we have successfully continued to grow and innovate in this space. We are a retailer that can understand the complexity of a customer's electricity load and shape and help them optimise outcomes, ultimately by offering a fixed unit price for what is a volatile commodity.

On the demand side of the equation we work with our customers to improve their energy productivity. We're motivated to help customers with their energy efficiency and productivity because they want it and it is the future. We are offering solutions that harness smart data and analytics to give businesses meaningful ways of driving down consumption for cost and environmental benefits.

In the current environment, businesses have no choice but to take control of their energy supply and demand.

ERM Power is ensuring that customers become increasingly aware that energy, like any volatile commodity, needs to be a closely managed business cost. And we can help them with that.

The energy environment

Customers have never needed more help

Three comprehensive reviews:
Finkel, NEG, ACCC

Greatest public policy failing in decades

A framework must be agreed to provide a
degree of investment certainty for energy
affordability, reliability and sustainability

In the meantime the market keeps operating
and ERM Power's leading service and
customer satisfaction makes us the go-to
brand for C&I energy



AGM 25 October 2018

3

Looking briefly now at the energy environment and policy landscape.

There has been a lot of commentary in recent days following the Federal Government's moves to introduce default pricing. This is aimed at the residential and single-site small business markets and has a negligible impact on ERM Power. We are a Commercial and Industrial electricity retailer and our market operates very differently to that of resi and small business. These moves which will likely cap the residential market price don't impact our C&I customer base in any way. We have long focussed on ensuring no barriers to competition and good customer outcomes. If anything, the broad measures proposed to address generator concentration, vertical integration and other market power issues - which have been recognised by the ACCC and all levels of government - will benefit ERM Power.

More broadly.....the lack of enduring energy policy in this country is probably the greatest public policy failing of our lifetimes. It has far-reaching consequences for Australia's competitiveness, for jobs and our economic prosperity.

The absence of a framework has created barriers to investment in energy at a time when significant technological transformation is underway. The result has been affordability and reliability issues, and a lack of direction on emissions reduction.

Most frustrating of all is the fact we're further than ever from policy certainty.

That's in spite of the multiple reviews in recent years including the Finkel report, the Energy Security Board's National Energy Guarantee and the ACCC Report into the energy market. I cannot express strongly enough how disappointing this is for our industry and our customers. They deserve better political leadership; the community deserves more.

At any rate, the market keeps operating and businesses have never needed more help to navigate complexity and change. This is creating opportunities for us. ERM Power is where it is today because we can respond faster to our customers' needs, using smarts, agility and innovation to deliver for commercial and industrial consumers and build our business.

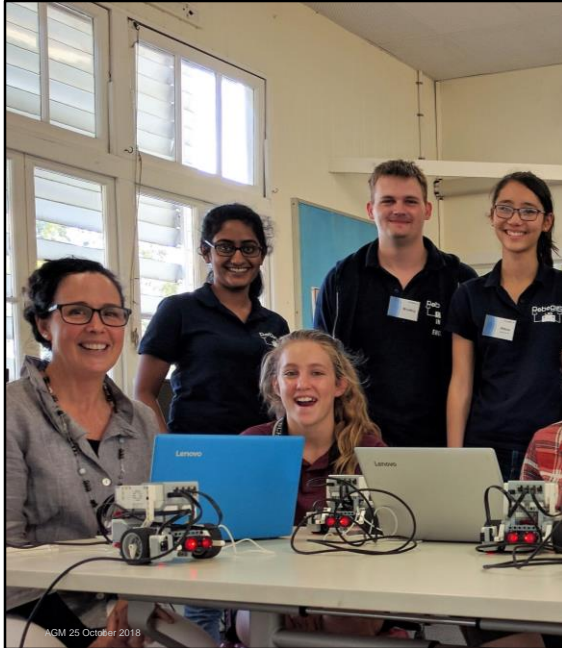


As you heard from the Chair we delivered a good set of results in FY2018. That strong performance is underpinned by the hard work, innovation and responsiveness of our people.

We have the highest customer satisfaction ratings in the industry by a long shot. This fuels our growth, and importantly put us in a position of trust, earning us the right to lead the customer on their energy efficiency journey. We have been number one, seven years running, in the UMI customer satisfaction survey and 92% of our customers state they are either satisfied or very satisfied with 0% dissatisfied customers.

But what does this really mean to our business and financial performance? It means our culture delivers exceptional customer satisfaction which in turn, ensures our recontracting rates are miles ahead of our competitors and industry leading, and that we win our fair share of new business. As a result, we've continued to grow our market share.

Not many companies can report these sorts of results today. But these scores are no accident. They reflect our strategy of having the customer and our staff at the core of everything we do, and this is delivering performance through trust and confidence.



Our community and environment

Responsible corporate citizen



Community

- Actively engage and give back
- Launched 'Power of Giving' Program
- Support range of charitable causes
- Staff volunteer leave to support charitable causes



Environment

- Supporting renewable energy
- Energy solutions to reduce carbon footprint
- Gas powered peaking plants
- Support for enduring energy policy

Our financial success is complemented by our efforts to build our presence and our contributions to community, environment, leadership, customer advocacy and workplace culture.

At ERM Power we actively seek to engage with and give back to the communities in which we operate, and we recognise the potential for our business to both burden and protect the natural environment.

Last financial year we launched our 'Power of Giving' program as a channel for community support and engagement and together with our staff we supported a range of community and charitable programs.

From an environmental perspective, we manage our gas-fired peaking assets responsibly and we see them as important assets in the transition to renewables.

ERM Power is also supporting that transition through offtake agreements underpinning the Lincoln Gap wind farm (126MW) and Hamilton solar farm (58MW).

FY2018 full year summary

Strong performance and operational success

ELECTRICITY SALES

↑ 4%

To 19.2TWh

UNDERLYING EBITDAF

↑ 25%

To \$97.5m

UNDERLYING NPAT

↑ \$46.3m

To \$30.2m

2H DIVIDEND FULLY FRANKED

↑ 4cps

1H 3.5cps fully franked

- Underlying EBITDAF \$97.5m, underlying NPAT \$30.2m
- Electricity Retailing business in Australia performed well:
 - Electricity load up 4% to 19.2TWh
 - Gross margin \$4.90/MWh
 - No.1 in customer satisfaction¹ 7th year in a row
 - Generation underlying EBITDAF ahead of the comparative period at \$43.8m
- Energy Solutions revenue increased ~55% to \$18.9m
- 2H dividend of 4cps, fully franked. FY 7.5cps fully franked
- US Business Source Power & Gas held for sale

¹ Utility Market Intelligence (UMI) Survey, Feb 2018

AGM 25 October 2018

6

Now to our headline financial metrics for FY2018. We reported full-year underlying EBITDAF of \$97.5 million for continuing operations.

That's a 25% increase in underlying EBITDAF on the prior year. We increased sales load to a record 19.2TWh. The full-year gross margin was at the higher end of expectations at \$4.90/MWh.

Generation performed ahead of outlook, primarily off the back of merchant opportunities at Neerabup.

Energy Solutions recorded revenue of \$18.9 million, up 55% on the prior year. The Solutions business is on track to make material contributions in the medium term. Our expectation is that it will be at or around NPAT breakeven by FY2020.

Right across our core Retail and Generation businesses, as well as our new Energy Solutions business, we had a very good year.

In August, we announced our decision to divest the US business Source Power and Gas. On October 15 we announced the sale of Source Power & Gas to Direct Energy Business LLC for US\$27m. I'll go into more detail on this shortly.



Looking briefly at our core business areas of Retail, Generation and Energy Solutions in Australia.

In Retail, we've driven growth in sales load, gross margin and forward contracted load. This demonstrates the value and strength of this franchise with its exceptional customer service, satisfaction and preference. Gross margin per MWh increased by 19% to \$4.90/MWh. We see this as an appropriate level of improved profitability, particularly considering the value of the retail and risk management proposition offered.

On Generation, during the year the Oakey and Neerabup Power Stations delivered outstanding availability and overall performance, while maintaining excellent safety records. Generation earnings were at the higher end of expectations. The Western Australian energy market provided Neerabup with merchant opportunities.

In April 2017 the first of the two turbines at Oakey Power Station underwent a scheduled major overhaul. You're seeing the time lapse video of that work on the screen now. Maintenance on the second turbine was completed on time and on budget in June 2018.

That completes the major plant maintenance program for some years.

With Energy Solutions, it's about partnering with customers to deliver end to end, integrated solutions - meeting the energy management needs of Australian businesses, driving customer retention, and leveraging our significant retail customer base into Energy Solutions.

Revenue continues to grow strongly, up about 55% on the prior year. We estimate this will build to an annual market of about \$1 billion of spend - a sizable market opportunity for our Energy Solutions business.

Source Power & Gas divestment

US \$27m sale of US business announced 15 October 2018



**Divestment of US
Business Source Power
& Gas**

**Sold to Direct Energy for
US\$27m**

Sale of US business Source Power & Gas

- Source Power & Gas has grown from a fledgling electricity retailing business since acquisition
- Shareholder value is best realised in SP&G divestment and deployment of capital to AU operations
- Sale to Direct Energy announced on 15 October with close expected 30 November 2018
- Energy Solutions business and related opportunities represent stronger value and growth

AGM 25 October 2018

8

Last week, we announced the sale of Source Power & Gas to Direct Energy for US\$27m.

The sale comprises an asset purchase agreement with Direct Energy for the electricity retailing portfolio and related assets of Source Power & Gas and is expected to close on 30 November 2018.

The US business demonstrated positive growth since our acquisition in early 2015. Source has expanded and at 30 June 2018 forward contract load was at 15.6TWh, from just 2TWh 3.5 years earlier. However, scale is the route to profitability in this business and it became clear that the assets represented greater value to others in the US market and in turn, greater value to our shareholders, through a sale process to an established US market participant.

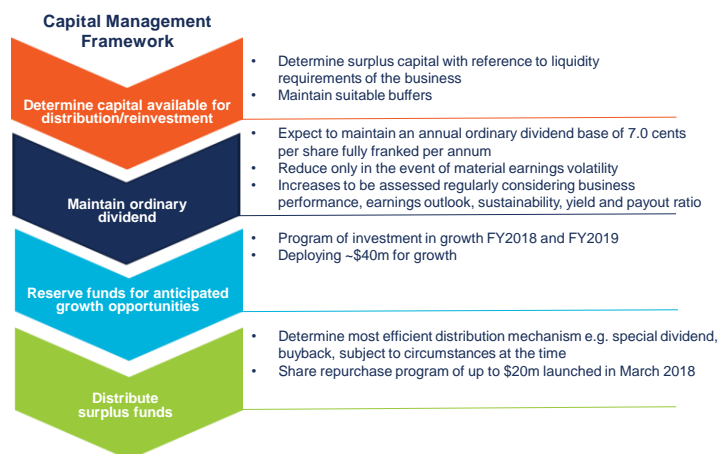
Response to this decision from the market has been positive.

We are focussing on value creation in our Australian business.

Thus, the announcement in September of our acquisition of Out Performers, a specialist energy solutions provider to large industrials. This brings greater capability and reach to our Energy Solutions business and offering. Clearly that's an area of growth, focus and opportunity for us.

Capital framework

Disciplined approach to building long term shareholder value



Share buyback update

Number of shares purchased/redeemed (March to June 2018) ¹	1.74m
Average purchase price per share	\$1.61
Total buyback spend to date	\$2.8m

\$20m buyback program to resume 26 October 2018

1 Shares were purchased during the period 12th March 2018 until 18th June 2018, with no shares purchased after this date

AGM 25 October 2018

9

At the start of 2018 we shared our Capital Management Framework.

This framework assumes a base 7cps fully franked annual dividend, while providing capital for growth and prudent risk management, and allowing the deployment of any surplus capital as returns to shareholders.

Our expectation is that we will maintain the ordinary dividend at approximately 3.5 cents per share fully franked per half year. Increases will be considered, as they were for FY2018, in the context of sustained improved earnings levels, and when surplus capital permits.

In February 2018 we announced a \$20m share buyback. Between March and June, we purchased and redeemed 1.7m shares at a total cost of \$2.8m, at an average price of \$1.61 per share. That buyback will resume tomorrow, 26 October.

We will further consider distribution of capital in the most efficient form and this could be through further share buybacks or incremental distributions. We will review this together with the dividend in February 2019.



FY19 outlook

Strongly positioned to support growth

	Actual FY2018	FY2019 Outlook
Australia Retail		
Sales volume	19.2TWh	~19TWh
Gross Margin	~\$4.90/MWh	~\$4.75/MWh
Opex	\$22.0m	~\$22m
LGC Strategy	N/A	\$35m-\$45m FY2019/2020
Generation EBITDAF¹		
Oakey	\$17m	\$14-16m
Neerabup	\$27.6m	~\$26m
Energy Solutions		
Revenue	\$18.9	~+50% on FY2018
EBITDAF	(\$3.6)m	~(\$2.5)m
Corporate & Other costs		
	~(\$14.6)m	~(\$16)m

- Medium-term gross margin \$4.00-\$5.50/MWh (FY2019-2021)
- LGC strategy excluded from gross margin range
- Energy Solutions at or around NPAT break-even by FY2020

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Turning to our outlook, we are in the fortunate position to be outlooking very strong profit growth over the next two years, and at the same time have the capacity to drive our investment in the Energy Solutions business to accelerate the growth and potential of this portfolio.

We see continued growth in our C&I segment. The slightly more conservative volume assumption for Retail at 19TWh is driven mainly by SME volume reductions following the sale of the single-site portfolio.

We anticipate a mid-case margin assumption for FY2019 of \$4.75/MWh with a medium-term range of \$4-\$5.50/MWh over the FY2019-2021 period.

The generation assets performed well in FY2018 driven in part by higher than expected merchant opportunities. We are anticipating EBITDA in line with previous years at around \$14-16m for Oakey and \$26m for Neerabup in FY2019.

The Energy Solutions EBITDAF result will show further improvement in FY2019.

Revenue is expected to grow by about 50% as we continue to build this business. EBITDAF is expected to be positive in FY2020, with NPAT at or around breakeven in FY2020.



Watch video here: https://youtu.be/mGGypNvY_HA

In closing, throughout this presentation and across our communications you will see we have refreshed our brand.

It is important that we have a distinctive image and that we better articulate what our brand, business and people stand for. Our people have always embodied the values which are core to our brand: simplifying energy for customers; amplifying solutions; and exemplifying the best in whatever we do.

We would like to thank the staff of ERM Power for their professionalism and dedication to delivering outstanding customer service and business results, and my fellow directors for their insight and guidance.

Importantly, to our loyal customers and shareholders, thank you for the trust you place in us as we continue this journey to deliver great energy outcomes and create shared value for all.

I'd like to share this short video with you which encapsulates our brand, spirit and culture.

Important notice - disclaimer

Disclaimer

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.

None of ERM Power, its officers, advisers or any other person makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statements or any outcomes expressed or implied by any forward-looking statements.

The information contained in this presentation does not take into account investors' investment objectives, financial situation or particular needs. Before making an investment decision, investors should consider their own needs and situation and, if necessary, seek professional advice.

To the maximum extent permitted by law, none of ERM Power, its directors, employees or agents, nor any other person accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising out of, or in connection with it.

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 and loss. 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.
4. All profit measures refer to continuing operations of the Group unless otherwise noted.

A reconciliation of underlying NPAT and underlying EBITDAF is supplied in the Operating and financial review (OFR). 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 OFR.

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