

Wednesday, 26 October 2016

CHAIRMAN'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 9:00am on 26 October 2016, in compliance with ASX Listing Rule 3.13.3:

1. Copy of Chairman'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 with operations in every state 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 has equity interest in 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, both of which ERM Power operates

www.ermpower.com.au

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**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING**

INTRODUCTION

The 2016 financial year has seen the continued evolution of the Australian energy industry and ERM Power.

The national discussion on energy policy continues to be driven by the supply side of the energy equation, given the move to renewables.

The push by governments to de-carbonise the economy has both structural and commercial implications for the energy supply industry.

The transition to a greater share of renewables in the energy mix is not easily achieved and is disrupting the energy market. Intermittent electricity supply and increased wholesale energy market volatility represents an opportunity for ERM Power to provide innovative solutions to the challenges facing business customers.

ERM Power is well positioned to take advantage of this rapidly-changing environment and has its eye firmly on the future. We have confidence in the size and range of opportunities ahead, in particular, those focussed on the often-neglected demand side of the energy equation.

Our strategy very clearly responds to, and leads to, changes in the industry. It recognises growth streams beyond our traditional Australian retailing business.

ERM Power has a history of adapting to changing markets and is a disruptor in electricity retailing. We have the capability and product suite through our Energy Solutions portfolio to help business customers better manage the rising cost of electricity through energy efficiency.

Energy efficiency is a sustainable differentiator for ERM Power, and a big part of our future. Energy efficiency is a strategic enabler for businesses, helping reduce costs and improve operational, environmental and reputational outcomes. With Energy Solutions we're deepening relationships with customers and creating value through new revenue streams, customer retention and growing total customer margin.

Our US electricity retailing business, Source Power and Gas, is increasingly encouraging in terms of load growth, margin and cost to serve. The lead indicators are very positive.

Our Australian retail business has been subject to margin volatility, as many of you have seen over recent years. Our strategy provides us with diversity in our earnings drivers which gives us a broader base for earnings growth in the future. Today, ERM Power specialises in electricity retailing and energy management solutions for commercial and industrial (C&I) customers and SMEs in Australia, and electricity retailing in two major deregulated markets in the US.

In short, our clear and consistent strategy will drive continued success.

TRANSFORMATION AND 2016 FINANCIAL YEAR RESULTS

The Company earnings of \$81.2 million in FY16 reflected business transition and investment. Underlying NPAT was \$19.2 million, down 41 per cent on the prior year. This decrease in earnings was driven primarily by the reduction in earnings of Oakey Power Station, which operated for its first full year as a merchant facility after previously being on a long-term offtake agreement.

While we made excellent progress in the execution of our diversification and growth strategy, the results and the share price clearly do not yet reflect our aspirations or the significant transformational efforts underway.

Further strengthening of the balance sheet and liquidity were secured during the year with the completion of two funding initiatives. The Vales Point offtake agreement and the Liberty guarantee facility provide an additional \$100m in liquidity. This benefits us through additional flexibility and a lower cost of financing.

The Board approved full year dividends of 12.0 cents per share unfranked. Given the capital structure of the business and anticipated growth, the Board deemed it appropriate to maintain the current level of dividends for the 2016 financial year.

PROGRESS AGAINST OUR STRATEGY

At last year's AGM we outlined our strategy, which responds to changing market conditions and is focussed on investing for growth. I would like to take the opportunity today to briefly outline the progress we've made.

We saw continued growth in our target Australian retail markets of C&I and SME which was pleasing considering the highly competitive environment. Importantly, ERM Power retained its market-leading customer satisfaction ranking for the fifth consecutive year. This underscores our commitment to customer service and is an important foundation for the expansion of customer relationships in energy solutions.

ERM Power is ideally positioned in this rapidly growing sector of the energy industry. We're making good progress in providing our business customers with smart data, analytics on usage and a full range of energy solutions such as efficient lighting, power factor correction, demand side management, and energy efficiency technologies. The acquisitions of Greensense and LumaLED during the year were significant additions to the growing Energy Solutions suite.

US operations and electricity sales scaled up substantially during the year and show very promising lead indicators for continued growth.

MARKET LANDSCAPE

Turning briefly to the Australian business landscape. This remains challenging, from an industry, political and regulatory perspective.

A decade of changing public policy, mixed investment signals, renewables and new technologies have resulted in highly volatile electricity and gas markets.

The lack of an economically rational and energy-secure pathway from lower cost thermal generation to renewables is having wide-ranging impacts on the sector and the broader economy.

The need for stable and consistent national energy policy has never been greater.

BOARD AND EXECUTIVE TEAM CHANGES

As outlined in the Notice of Meeting, ERM Power's Board is undergoing change. Martin Greenberg has retired from the Board and I would like to take this opportunity to thank him for his many years of service to ERM Power and the support he has shown me and my fellow directors. Martin joined the Board in July 2007, bringing finance credentials and business experience spanning 35 years. He has played a significant role in our success bringing strong commercial acumen and an enquiring mind to his role on the Board.

US-based Georganne Hodges has been nominated by the Board to stand for election as an independent Non-Executive Director.

Based in Houston, Texas as the CFO of Motiva Enterprises, Georganne is a finance executive with 25 years of wholesale and retail energy markets experience. Previously, she was CFO and Treasurer for Spark Energy Incorporated, a US natural gas and electricity supplier serving residential and commercial customers in 16 states. Before that, Georganne worked in senior finance roles in the industry, including Direct Energy, a leading North American energy retailer.

Our US business, Source Power & Gas, is an important growth engine for ERM Power, and critical to the future success of our strategy. Georganne's depth of experience in this market, coupled with her unique insights and perspectives, will make her a very welcome addition to our Board as we look to build on our investment in the US.

We are also delighted to welcome Megan Houghton in the newly created role of Executive General Manager Energy Solutions. Megan is an experienced senior executive in the fields of consulting, energy and water utilities. Megan joins ERM Power from her role as Director-General for the Queensland Department of Tourism, Major Events, Small Business and the Commonwealth Games. The appointment of Megan to the executive team recognises the growing importance of Energy Solutions to ERM Power.

OUTLOOK

The Board is confident that the Company is strategically positioned for sustained high performance.

Our chosen markets in C&I and SME electricity retailing in Australia and, increasingly, in the US, present significant upside potential and the lead indicators are encouraging.

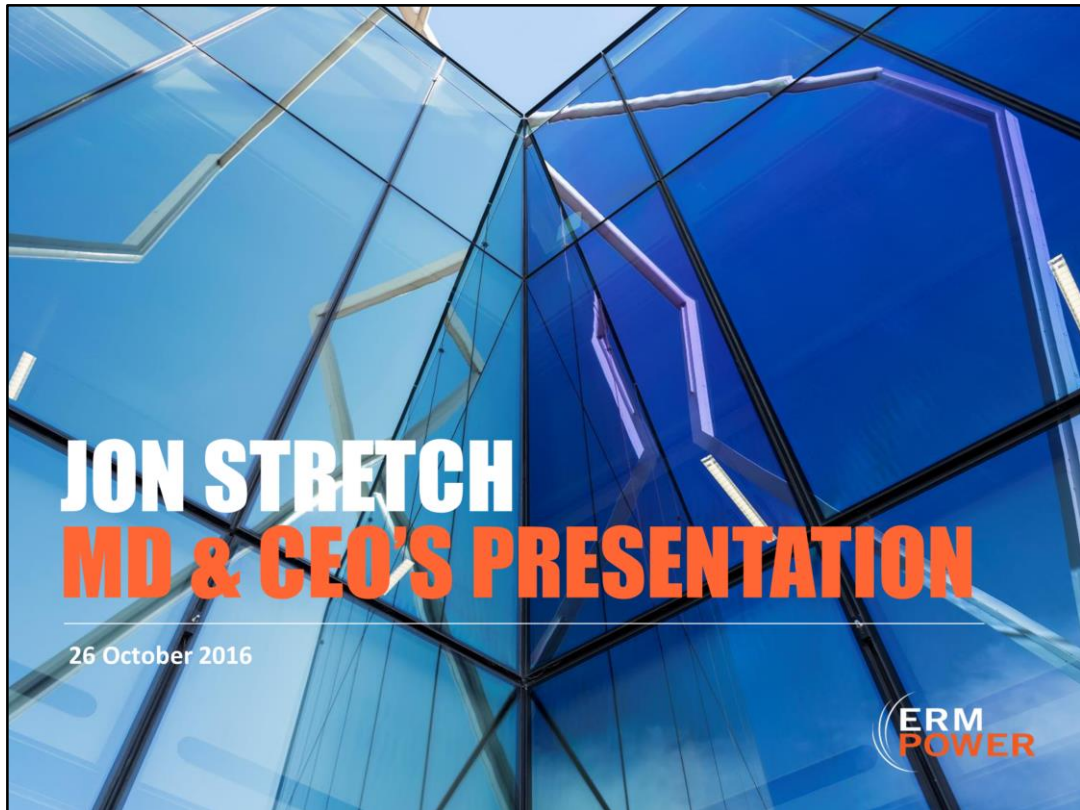
We provide almost 20% of the electricity powering businesses, governments and industrials in Australia. We are taking these business relationships to the next level to provide energy management solutions which deliver real benefits for business.

We have the agility and proven expertise to integrate emerging technology into our business model to create value for our customers and shareholders.

ACKNOWLEDGEMENTS

In conclusion, I would like to acknowledge the commitment of my fellow Directors and thank them for their valuable insights and contributions over the past year.

Thank you to all of ERM Power's shareholders and customers for your ongoing support. I would also like to acknowledge the hard work and efforts of ERM Power employees during this period of transformation. Their dedication and professionalism underpin our ongoing success.

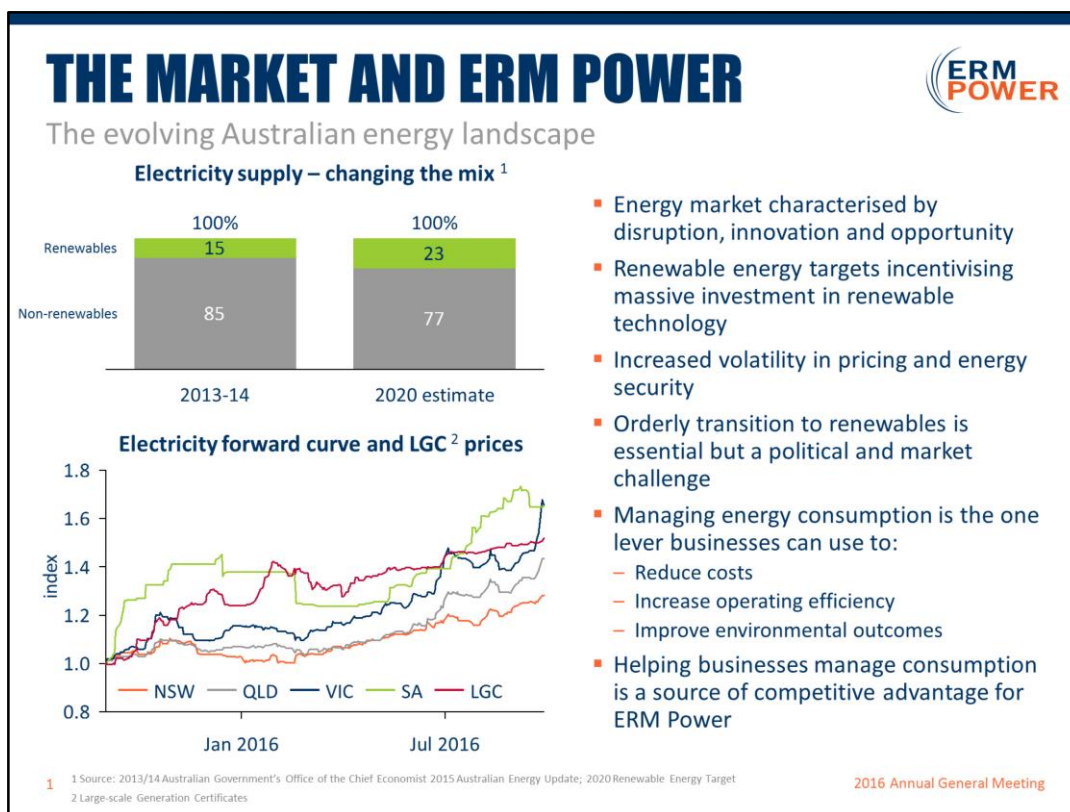


Good morning and welcome to the 2016 Annual General Meeting.

Today I'd like to share with you some observations on the evolving Australian energy landscape, and detail how ERM Power is taking advantage of opportunities in this dynamic industry.

I'll give a brief recap on the FY2016 results and reiterate our previously issued FY2017 outlook.

This time last year we outlined our strategy for diversifying our business and earnings, in recognition of the changes taking place in our industry. We've made good progress in transforming the business. I'll provide an update on how we're tracking against our plans and strategic targets.



It's clear the energy industry is undergoing a transformation. This represents opportunity for those who can capitalise on change.

A decade of shifting public policy, mixed investment signals, the surge in renewables and new technologies have resulted in highly volatile energy markets.

In FY16, we saw sustained price increases in wholesale electricity and environmental certificate pricing. This directly translates to increased prices for consumers. We've seen contract duration reduce as customers sign for shorter periods in the hope of seeing prices come down in the near future.

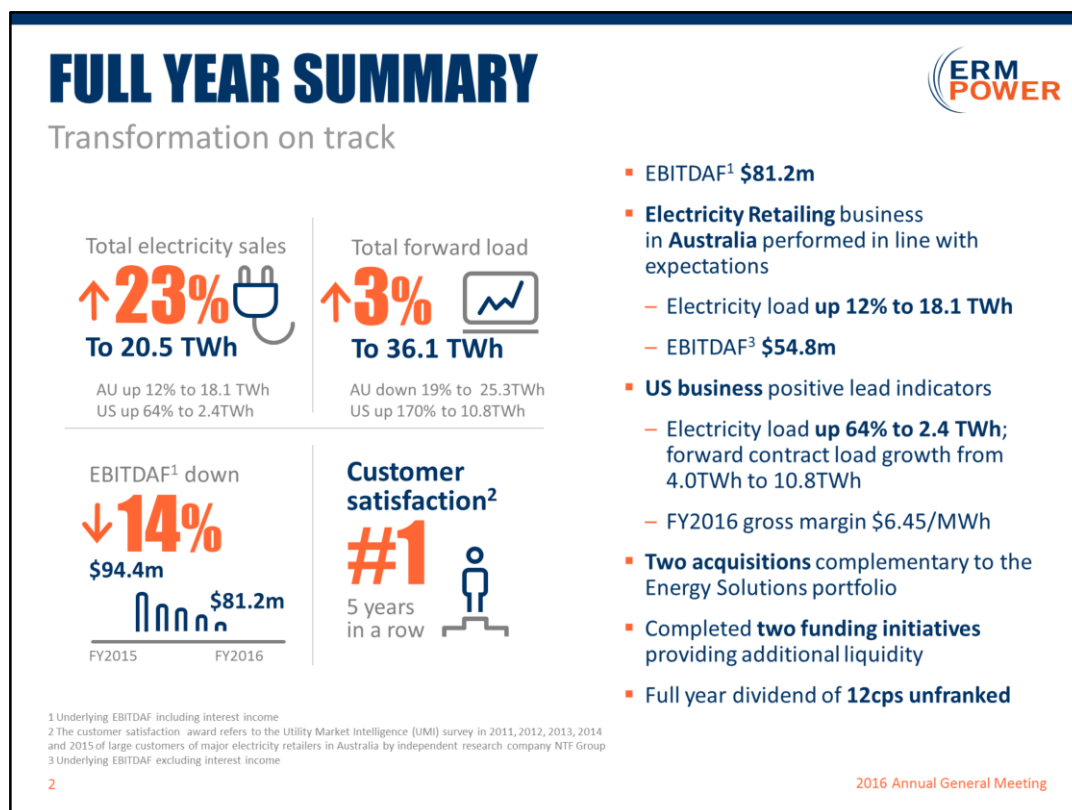
Renewable energy targets are driving investment in wind, solar and storage. Political and economic decisions, which quite rightly seek to address climate change, are already having far-reaching implications for energy source, supply, security and demand. There is a dawning realisation that an orderly transition from carbon to renewables is absolutely essential, but it's a major political and market challenge. There are cost implications in the transition to renewables and make no mistake, electricity consumers will pay for it.

You can see on the bottom left of the chart how wholesale electricity prices have moved up in every state over the past year. The market is pricing in further increases through 2017. This has contributed to the price pressure we have seen in the market as customers battle with the impacts of rising energy prices.

Customers are increasingly coming to the realisation that amidst all the technical, political and regulatory dislocation, the only lever they can monitor and control is their consumption, in order to manage cost. This creates an environment of opportunity for ERM.

The sources of electricity are driving the national discussion on energy policy. Reducing carbon intensity is a great thing, we're all for that but it really has very little impact on ERM Power because we're agnostic to the source of electricity. We don't own baseload power stations. Those who do own them are certainly driving a range of agendas which we're watching closely but as a non-vertically integrated business we aren't incentivised to stimulate consumption. We aren't focussed on the supply side. We're focussed on a big part of the equation which seems to be missing from the national dialogue, the demand side.

This is the opportunity ERM Power is seizing on right now. This is all about how customers consume energy and how we help them reduce their energy consumption and costs.



Our FY2016 financial results were published in late August, so I won't spend too much time on this. Earnings during this period reflected business transition and investment, with underlying EBITDAF down 14% on the prior year to \$81.2m.

While earnings were down on the prior year this was a respectable result in a volatile and competitive market. The result was consistent with guidance, albeit at the lower end of the range. The growth we've seen in the Australian Retailing business has been somewhat offset by lower margins, as flagged during the year. Most pleasing is the investment made in the US which is bearing fruit, with substantial numbers of contracts won and delivered with good margins in FY16.

In 2016 our Australian electricity load was up 12.4% to 18.1TWh on the prior year and we increased our market share in the Commercial and Industrial (C&I) market. We continue to grow our SME business with a focus on multi-site SMEs.

While increasing sales we have maintained our number one ranking for customer service as measured by the independent UMI survey. We've now held that number one position for five years by a substantial margin from our competitors.

We are growing our energy efficiency solutions portfolio and a business model aligned to helping customers better manage consumption and cost. During the year we made two acquisitions complementary to this strategy; bringing on board lighting company LumaLED and energy efficiency software and data analytics company Greensense.

Looking at our US business, FY2016 represented the first full year of ERM Power's ownership of Source Power & Gas. We increased load by 64% to 2.4TWh and forward contract load has more than doubled from 4TWh to 10.8TWh. Great results in our first full year.

ERM Power's full year dividend for the year was 12 cents unfranked. This level of dividend has been consistent over the past three years.

FY2017 OUTLOOK

Outlook unchanged



Drivers of performance

Electricity Retailing Australia	Electricity Retailing US	Oakey	Corporate & Other
<ul style="list-style-type: none"> • Sales volume ~18.5TWh • Gross margin ~\$3/MWh • Opex expected to be approx. \$23m 	<ul style="list-style-type: none"> • Sales volume ~5 TWh • Gross margin AUD\$8 to \$8.50/MWh • Opex \$4/MWh 	<ul style="list-style-type: none"> • \$14m - \$16m EBITDAF 	<ul style="list-style-type: none"> • - \$18m underlying EBITDAF
<ul style="list-style-type: none"> ▪ Earnings weighted to the second half of the financial year due to settlement timing of wholesale energy and related instruments 			

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Now to the Outlook which remains unchanged from that of our June market update and August financial results announcement. As mentioned, we're now providing forward looking statements on drivers of performance, not earnings guidance.

For the Australian electricity retailing business we see load growth and some margin pressure, as previously outlined:

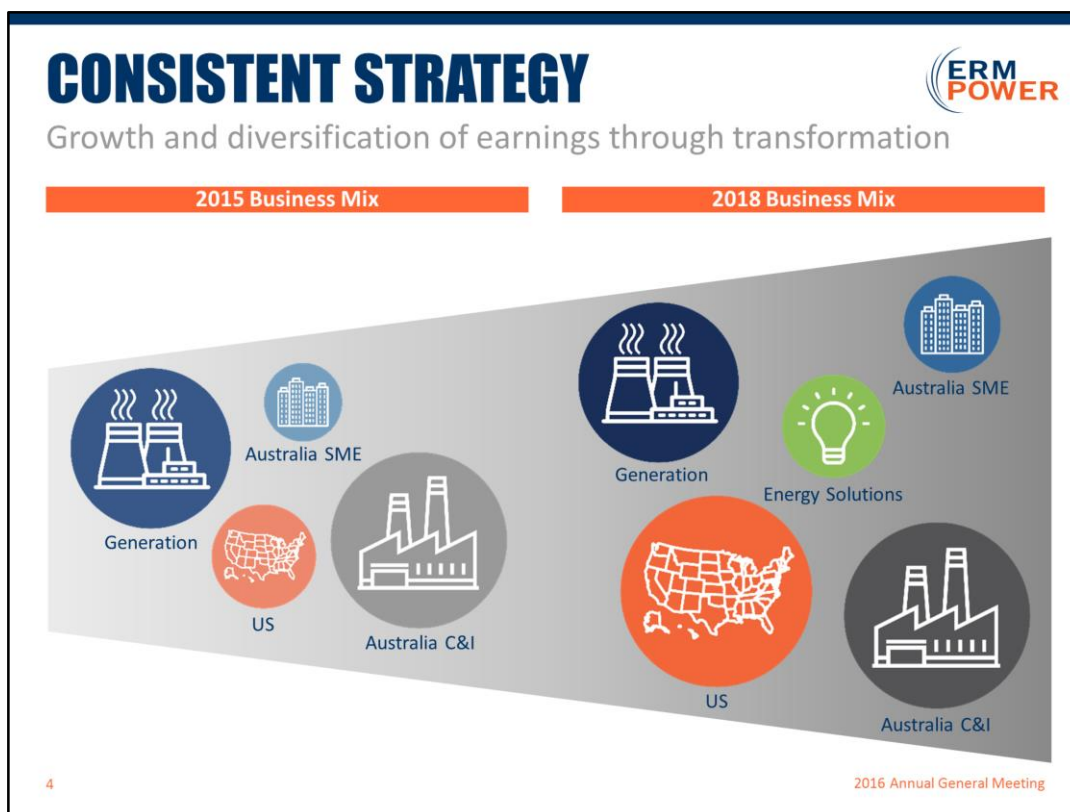
- We expect continued growth in sales volumes to about 18.5TWh for FY 2017. Average gross margin for FY 2017 is expected to be about \$3/MWh.

The US electricity retailing business continues to show strong lead indicators:

- We forecast a doubling of annual sales volume in FY 2017 to about 5TWh; and
- Gross margin is expected to be around AUD\$8 to \$8.50/MWh with operating expenditure reducing as the business scales, to around AUD\$4/MWh.

FY2017 EBITDAF for Oakey Power Station is forecast in the range of \$14-\$16m which includes allowance for a scheduled maintenance outage in 2017.

I would note that we anticipate earnings to be weighted more to the second half of the financial year. This is due to the settlement timing of some wholesale energy and related instruments.



At the AGM this time last year we talked about our strategy to grow and diversify our earnings.

The energy sector is changing and our business is growing and evolving to take advantage of emerging opportunities.

We are building on our underpinning generation assets, and using virtual vertical integration, for example the Vales Point agreement, as part of our risk management. In C&I we continue to drive growth, albeit at lower levels than in the past. We expect SME customer acquisition to continue. Growth will also come from the US business. Finally, we'll build on our C&I base to deliver a range of end-to-end customer solutions which take advantage of our relationships, leading customer satisfaction, our knowledge of customer energy use and the energy contract. Energy Solutions is increasingly representing an opportunity given the rising cost of electricity and the fact that businesses need to better manage consumption for efficiencies and energy security – something our competition are disincentivised to do.

The industry evolution I outlined earlier results in some margin pressure in our Australian business in the short term, but with revenue and earnings growth over the medium term as we grow our diversified businesses. This is part of our strategic pathway to a more diversified business delivering sustainable, profitable growth.

STRATEGIC TARGETS		
Progress update		
	2018 targets	FY2016 progress
C&I Australia	19-21 TWh	17.5 TWh Contracted load 29.4 TWh ¹
SME Australia	50-60k customers	+38,000 sites under contract
US Retail	8-11 TWh	2.4 TWh Contracted load 12.5 TWh ¹
Energy Solutions	Acquisition and integration of energy solutions services and products	Development of suite of energy solutions products and services – Powermetric, power factor correction, demand response and acquisition of Lumaed and Greensense.
<div> <div>1 Forward contracted load as at 1 October 2016</div> <div>5</div> <div>2016 Annual General Meeting</div> </div>		

Looking now at how we’re progressing against the strategic targets we set in October 2015.

That corporate strategy is focussed on the growth of electricity retailing in our core Australian business, and importantly, growth of adjacent businesses in the US and Energy Solutions.

Our foundation generation and C&I retailing businesses are core and successful. We have taken share from our competitors in C&I. We see C&I Australia load at about 19 to 21TWh by calendar 2018. We are ensuring that the business we write is profitable, that’s our priority – not growth for growth’s sake. Pleasingly forward contracted load at September 2016 was 29.4TWh up from 25.3TWh at June.

Strong customer relationships provide the foundation for expanding margin into Energy Solutions.

Our SME business now has more than 38,000 contracted sites. That’s an incredible achievement from a standing start in FY2014. Our SME business is growing well and making a good contribution to earnings. Again, we’re focussed on profitable load growth in this portfolio so getting the right mix of customer size, customer load, number of customers and margin is key.

In our US business we have invested heavily in people, process and technology which has seen us transform the business we acquired in January 2015 into a growth engine. The objectives of our US business are consistent with those of our Australian model, that is, to leverage data for customer satisfaction and high contract renewal rates. We believe we can emulate the success of our Australia C&I business in the US.

In Energy Solutions we've made acquisitions as we augment our existing offerings in this important market. We see real strategic opportunity in energy efficiency. Traditionally, as an electricity retailer our market opportunity is measured in \$/MWh. The rising cost of energy is leading customers to embed energy management into their core business processes. We already have the relationships and we already provide many solutions. We're broadening that to expand our business relationship with our customers, which presents us with additional growth prospects beyond the electricity retailing market.



I wanted to spend a couple of minutes on our two growth engines – the US and Energy Solutions.


At Source Power & Gas in the US we’ve invested for growth. This has given us access to nine new local markets across Pennsylvania, Delaware and the District of Columbia. We now operate in 31 local markets in eight states and have added 105TWh, making our total accessible market 516TWh. For reference the Australian C&I market is around 85TWh. This capability to serve combined with the investment in system improvements and increased staffing sets the business up to continue to grow the forward sales book and decrease operating costs per MWh.

Importantly, we’ve grown consideration and satisfaction with the broker market in the US. In the ERCG survey of 130 brokers, who are involved in more than 400TWh of brokered US power sales, we ranked third overall for broker satisfaction, up from fourth in the prior year. 21% of the 130 brokers surveyed said they did business with Source in 2014. This increased to 44% in December 2015. The survey results demonstrate strong customer service and growing broker consideration and satisfaction with the Source proposition. As a consequence, we got access to double the number of contract opportunities which has enabled us to substantially grow forward contracted load.


Our key guidance metrics for our US business in FY17 – more than doubling our load to 5TWh, and at the same time increasing our gross margin and decreasing our operating expense in \$/MWh - will not be without its challenges in such a young company. Our sales machine entered the year with good momentum, and we have an excellent management team in place who will be working hard to achieve these targets.

We have work to do to deliver on the proposition in the US but the lead indicators give us confidence in the potential for profitable growth in our US business.


DELIVERING ON ENERGY SOLUTIONS



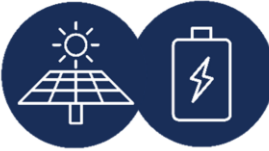
Growing portfolio of solutions




Demand Response




Power Factor Correction




Distributed generation, Solar PV & evolving battery storage






Lighting Solutions



Sensing & control



Embedded networks, metering & sub-metering

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Looking at our second growth engine, Energy Solutions.....we're an important part of the creation of a new market. Customers want and need to better manage energy consumption.

We're already helping them do this through demand response, power factor correction, data analytics to sense and control energy usage, metering and lighting, as well as application of evolving solutions in distributed generation, solar and storage. It's clear that the source and consumption of energy is changing. We are part of the solution.

We see a very bright future in this space in the medium term.

Our recognition of the opportunity and our commitment to growing this portfolio is evident in the appointment of Megan Houghton as Executive General Manager for Energy Solutions. Megan has a great track record in energy and sustainability and is a well credentialed executive, ideally placed to lead this portfolio in an emerging market. She joins ERM Power on November 21 from her role as Director-General of the Qld Department of Tourism, Small Business and the Commonwealth Games. I'm delighted with her appointment and looking forward to her joining our great team in Energy Solutions.

STRATEGY IN ACTION



Conclusion

- Business in transition and making great progress
- Well positioned for medium to long term growth
 - Near term US growth; medium term growth in Energy Solutions
- Margin pressure reflecting business and sector evolution
- Dynamic industry in which ERM Power is taking opportunities
- A strong culture of engagement
- Well positioned for sustained growth and performance consistent with 2018 strategy

In conclusion, our strategy is clear and we are making great strides.

Our FY16 results are not reflective of the potential of the company or our aspirations but we're confident that our strategy is driving the right change for sustained high performance. We have a great team of people who exemplify world-class engagement. I'd like to join Tony in thanking our people for their hard work and passion for ERM Power and the energy sector. And you, our shareholders, for your ongoing support of our business as we drive our transformation.

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.

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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.

SARAH MCNALLY
Investor Relations Manager

M: +61 409 004 298
T: +61 7 3020 5513
E: smcnally@ermpower.com.au