



Meridian Energy Limited.
Investor Letter.



The differences we made this year

This year we've successfully pursued our commercial intentions and the advancement of our purpose. We strive for clean energy for a fairer and healthier world in ways that align with our social commitments and the needs of our customers and shareholders.

Chris Moller
Chair



Neal Barclay
Chief Executive



Success driven by principles

We've put fairness first, removing prompt payment discounts which have disadvantaged vulnerable Kiwi households for years. We've taken climate action – offsetting our carbon emissions now and committing to reduce our emissions in line with a 1.5 degree warmer world. We've made a real difference in Australia, offering a carbon-neutral alternative in a country dominated by fossil-fuel energy. We've leveraged the value and opportunities of greater diversity, inclusion and engagement among our workforce.

A bold new identity

The refresh of our Meridian brand and visual identity, one of our three retail brands, towards the end of this financial year is perhaps the most visible sign of our intention to make our mark through what we stand for, what we value, how we behave and how we perform.

Putting customers first

Significant increase in customers

We've defied industry trends by increasing our customer base in New Zealand by 4% to more than 300,000 customer connections. Our customer connections in Australia have increased by 36% to 132,000.

Outstanding customer service

This year we maintained our market-leading performance in NPS* for both the Powershop and Meridian brands – Powershop New Zealand the highest in the industry, Meridian the highest of the big five retailers.

We were also very proud of Powershop New Zealand who were awarded Consumer NZ Energy Retailer of the Year at the 2019 Deloitte Energy Awards.

Flux continues to grow

There are now over 300,000 customer connections on our Flux platform globally. We aim to migrate another 50,000 Meridian customer connections this year.

* Net Promoter Score (NPS) is a measure of customer satisfaction.

Engagement remains steady

Our annual Meridian Group engagement survey took place during the first two weeks of May. Overall our employee engagement results for the year are steady, showing that we have continued to take our people with us through a busy and, at times, challenging year.

Health and safety

No members of public were seriously injured at any of our sites this year, however five staff members and three contractors received injuries that required time off work. Another contractor sustained an injury on one of our sites in July this year, also requiring time off work. Three of these incidents were significant. Whilst we're not happy with this level of performance, we're confident that the business hasn't taken a step backwards either culturally, or in our systems and processes.

We will halve our operational emissions by 2030

As of the release of the Integrated Report, we are now net Zero Carbon for our group operational emissions through the purchase of certified carbon offsets. And we've started work on our forestry project to grow our own carbon offsets in the medium-to long-term.

A real need for climate action

Our most significant climate action is our commitment to 100% renewable energy generation, both here and in Australia. This is our commitment in our own business, but also a long-term aspiration for the electricity systems we are a part of.

As we work together as an industry to reach that goal, there is a valuable and necessary contribution renewable electricity can make to the decarbonisation of the rest of the economy – in both transport and industrial heat. Our ambition is to accelerate the pace of this transition, for example, by supporting the uptake of electric vehicles, providing leadership for other businesses to do the same. Our efforts were recognised at the 2019 Deloitte Energy Awards where we won the Low Carbon Future Award.





Our best financial result yet
During the year the New Zealand wholesale electricity market saw periods of sustained higher spot prices in response to supply interruptions from the country's largest offshore gas field.

This gas scarcity coincided with periods of low national hydro inflows and some thermal generation plant outages. Meridian maintained relatively good hydro storage through these periods and as a result New Zealand generation spot revenue was 61% higher than last year. While higher spot prices meant Meridian paid 57% more to supply its New Zealand customers, higher sales to those customers, the higher generation revenue, prudent market hedging and a 45% uplift in the contribution from our Australian business helped achieve a record EBITDAF result in FY19, 26% above FY18.

Healthy total return to shareholders (TSR)

Total dividends paid during the year amounted to 19.52 cents per share. Combined with the 52% increase in the share price during FY19, this amounts to a TSR of 59% in the year to 30 June 2019.

The record level of EBITDAF in FY19 supported a similarly high level of free cash flow. The Board has declared a final ordinary dividend of 10.72 cents per share, 20% higher than last year. This brings total ordinary dividends declared in FY19 to 16.42 cents per share, 15% higher than last year and represents a 75% payout of FY19 free cash flow.

Meridian has also declared a final special dividend of 2.44 cents per share (\$62.5 million) under the company's existing capital management programme.

The Board has declared total dividends in FY19 of 21.30 cents per share, 11% higher than FY18.

Regulatory outlook

The Electricity Price Review has been positive to date. We are broadly supportive of draft recommendations that seek to enhance the market's efficiency and competitiveness, while keeping a focus on affordability and

fairness. We note that in response to this review, and the recent ICCR report, the Minister of Energy and Resources, Hon. Dr Megan Woods, is looking to develop strategies on renewable energy and RMA reform that will help increase the amount of renewable electricity produced.

It is great to see this recognition of the role New Zealand's high level of renewable electricity can play in decarbonising the rest of the economy and this presents an exciting opportunity for the years ahead. We also are keeping a keen eye on the review of the Transmission Pricing Methodology – we continue to believe that reforms will significantly benefit consumers.



On behalf of the Board and the Executive Team, a sincere thank you to our shareholders, our customers, communities and partners; and lastly, to the Meridian teams who have delivered you a company to be proud of, and an outstanding financial result.

The Board and people of Meridian would like to acknowledge the considerable and skilful leadership and experience that Chris Moller has brought to the role of Chair. Chris joined the board in 2008 and has been our Chair since 2011. He has been a strong hand at the helm as the company evolved through the mixed-ownership-model to become New Zealand's largest listed company and the most successful company in the electricity sector in New Zealand and Australia in terms of total shareholder return. He will retire this year and we wish to take this opportunity to thank him for his service and for the guidance he has provided.

This year's Integrated Report aims to provide a concise summary of the year in review, and the way in which Meridian takes care of its customers, people, local communities, iwi and the environment which in turn supports our ability to continue delivering shareholder returns. This way of reporting is significantly more meaningful and engaging than typical reports, and we encourage you to read it and would love your feedback which you can email to investors@meridianenergy.co.nz.

Visit meridian.co.nz/investors to download the full Meridian Integrated Report for the year ended 30 June 2019.