



meridian

Release

Stock exchange listings: NZX (MEL) ASX (MEZ)

Meridian delivers a fourth successive year of operating earnings growth and increased dividends

24 August 2016

Financial results

While net profit after tax was lower, operating earnings measured by EBITDAF¹ was \$650 million, 5% higher than last year and the annual dividend was increased.

Meridian's Chief Executive Mark Binns said it was pleasing to deliver another year of growth, with aggregate demand in the core New Zealand market remaining flat.

While the headline net profit after tax number was down 25% on last year, this was heavily influenced by non-cash changes in the carrying values of treasury and electricity hedges. Removing the impact of these items has seen underlying net profit after tax² increase by 11% to \$233 million.

The strong operational performance has been delivered by an improved retail performance in both New Zealand and Australia, higher generation prices in Australia and strong generation volumes in New Zealand resulting in higher wholesale sales and lower hedge costs.

"Meridian has delivered a highly credible result in two demanding retail markets and the continual focus on service levels and efficiency is delivering results," said Mr Binns.

The continuing strong levels of free cash flow has enabled the company to declare an annual dividend of 13.50 cents per share, nearly 5% up on the previous year. The final dividend, payable on 15 October, will be 8.40 cents per share and is imputed to 90%. As part of the company's capital management programme the directors have also declared a final special dividend of 2.44 cents per share that will be paid the same day as the final ordinary dividend.

Industry context

Meridian has seen progress on a number of issues affecting the New Zealand electricity market. The Electricity Authority has proposed a fairer, more durable option on transmission pricing that will underpin security for New Zealanders.

¹ Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items.

² Net profit after tax adjusted for the effects of non-cash fair value movements and one-off items.

While the market has experienced reduced supply as competitors retire thermal plant, Genesis Energy's decision to extend the operational life of the Huntly Rankine units will help provide future dry and peak period cover to the market.

Highlights

Meridian, Genesis Energy, Ngāi Tahu and irrigators agreed amendments to allocations and flow rates as part of the Waitaki Catchment Water Allocation Regional Plan.

“Changes agreed in the Waitaki are an exemplar of a collaborative approach to water allocation in one of New Zealand’s most economically important catchments. This agreement represents a sustainable way forward as we move closer to re-consenting power stations in 2025,” said Mr Binns.

Meridian’s decision to franchise its Powershop systems and brand in the UK, after proving its platform works in Australia, has also been a focus.

Meridian has become one of only two companies in New Zealand to be on the Dow Jones Sustainability Asia Pacific Index.

“Considered one of the most credible indices internationally, this provides customers, shareholders and communities confidence that Meridian has the right focus across the economic, social and environmental aspects of our operations. A big part of this is our unremitting focus on preventing serious harm to our staff, contractors and customers,” said Mr Binns.

ENDS

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