



meridian

INTERIM RESULTS

CEO/CHAIR SHAREHOLDER LETTER

Interim report letter for the six months ended 31 December 2018



ACTING ON OUR PURPOSE

In 2018 Meridian introduced a new purpose – Clean Energy for a Fairer and Healthier World. Our team is focused on making some bold decisions and changes to our business to ensure that we're true to that purpose.

We are looking at our business holistically and are challenging ourselves to ensure every action we take is sustainable and is fair to all our stakeholders including our shareholders, our customers, our staff, our suppliers, Iwi and the communities in which we operate.

SHAREHOLDER HIGHLIGHTS. Meridian's earnings (EBITDAF) for the six months ended 31 December 2018 increased by 18% compared to the prior corresponding period. The key contributors of this improvement in performance, were:

- Healthy starting storage and good winter inflows resulted in generation volumes that were 10% higher than the previous six month period;
- These higher generation volumes enabled the business to increase contracted sales in New Zealand;
- Average generation prices in New Zealand were 33% higher than the six months to 31 December 2017;
- The purchase of the Greenstate hydro assets in Australia (effective March 2018) led to higher generation volumes in Australia; and
- Our UK customer sales were also up on the corresponding period.

The improved cashflows in the period mean the Board are pleased to announce an increase to the interim dividend of 6% over last year.

Meridian has also declared an interim special dividend of 2.44 cents per share (\$62.5 million) under the company's capital management programme to return \$875 million to shareholders through to 2022. \$500 million has now been distributed to shareholders since the capital management programme commenced in August 2015.

DIVIDENDS DECLARED	CPS	IMPUTATION
1H FY 2019		
Ordinary dividends	5.70	86%
Capital management special dividends	2.44	0%
Total	8.14	
1H FY 2018		
Ordinary dividends	5.38	88%
Capital management special dividends	2.44	0%
Total	7.82	

Meridian's balance sheet remains in a strong position, with the company credit metrics within the bounds used by rating agency Standard & Poor's.

HYDROLOGY. Meridian's water storage in New Zealand was slightly below average at the end of December 2018. By the end of January 2019, this position had been maintained. Catchment inflows in the six months to 31 December 2018 were 92% of the historical average. Given the significant potential variance in annual rainfall in New Zealand, this position is well within the bounds of 'normal' and at this stage the business is positioned well for the coming winter.

THE WELLBEING OF OUR PEOPLE. Meridian is focused on doing the best for our people. We've currently achieved 35.3% of women in leadership and senior specialist positions (which grew 2.6% over the last quarter). We were also really pleased to win the 'Progressive Award' at last year's YWCA Equal Pay Awards for our commitment to equal pay and an employer of choice in New Zealand.

Part of being an employer of choice is inclusiveness. Meridian is working towards being the most inclusive workplace in New Zealand. Earlier in the year we were awarded the Rainbow Tick that recognises our company as a welcoming and supportive place for the rainbow community.

In June, Meridian also increased the top-up period of full-pay parental leave from the current level of 12 weeks to 22 weeks to support more flexibility for our returning parents, of which 75% do return to work for us.

FAIRER FOR OUR CUSTOMERS. Meridian is committed to making things fairer for our customers. In October we chose to replace prompt payment discounts with a fairer pricing structure. We believe this change has materially helped those customers who occasionally struggle to pay their bills on time, as they no longer lose their discount as a result.

We have worked hard to have industry-leading capability in our credit management team and the policies and practices they use to support our customers to pay their bills. So as expected, we have noted no deterioration in Meridian's credit metrics because of this change.

This change also received applause from many community groups, charities, the Government and Consumer NZ. Meridian is proud to be leading the way for the electricity industry when it comes to fairer pricing.

The New Zealand Government is also focused on creating a fairer New Zealand, which is why the Government's electricity price review is looking at whether the current electricity market delivers a fair and equitable price to consumers. The initial paper from The Expert Advisory Panel for the Electricity Price Review has found that competition in the sector is high, and the electricity industry is delivering efficient, reliable and sustainable energy for New Zealand.

The country's residential electricity prices are 20% lower than the OECD average and 40% lower than Australia; however, the Panel's paper identifies that energy affordability can be an issue and low-income households need better support. Meridian's action on the prompt payment discount is one way, we believe, to help address this issue.

CUSTOMER GROWTH. Meridian continued to experience good customer growth in the six months ended 31 December 2018 with connection numbers in New Zealand up by 2%. Compared to the same period last year, overall sales volumes to residential and small and medium business customers were 6% and 4% higher respectively.

Australian customer numbers also grew 2% in the six months ended 31 December 2018, and Powershop now has 12,500 gas customer connections following the gas offer launch in Victoria.

CONTINUING TO GROW OUR RENEWABLE ENERGY ADVANTAGE. During the six months to December 2018 the Tiwai Point Aluminium Smelter in Southland progressively brought to full operation their fourth potline (the potline had previously been mothballed in 2012). Meridian agreed a new fixed price electricity contract with the smelter in May 2018 for an additional 50 MW (438 gigawatt hours per year) of baseload electricity required to operate this fourth potline.

Smelter owners, Rio Tinto and Sumitomo, see the benefits of the New Zealand electricity system as it provides highly reliable and renewable energy at a price that is internationally competitive. So much so that they are now able to secure contracts with the likes of Apple and Nespresso because of the comparatively pure and environmentally friendly aluminium the smelter produces, giving them a unique selling point.

And clearly, growing production at Tiwai Point is not only good news for the climate, it is also great for jobs in the region and for showing that New Zealand is a good place to invest.

We're also looking at ways we can help increase renewables in Australia and reduce the country's reliance on fossil fuels. Unlike New Zealand, Australia generates 80% of its energy from fossil fuels like coal, with only 20% being produced through renewables. As part of Meridian's commitment to create a fairer and healthier world, we've increased our





generation portfolio in Australia by entering long term Power Purchase Agreements (PPAs) from new renewable generation developments.

Powershop Australia continues to be the only electricity company certified 100% carbon neutral by the Australian Government for both our own activities and for all emissions associated with our customers' electricity and gas use.

COMBATING CLIMATE CHANGE. The electricity sector has a key role to play in enabling the New Zealand Government to achieve its goal of zero carbon by 2050. Meridian will continue to work towards further reducing our impact and our customers' impact on the planet. This year we are delivering on several initiatives that support our goals and our country's goals to tackle climate change.

Meridian has committed to being zero carbon for our direct operations from this financial year. We have embarked on a reforestation programme to grow enough credits to offset not only our direct emissions but also those of our suppliers by 2025.

Meridian is also putting considerable resource and effort into helping build momentum in electric vehicle (EV) adoption in New Zealand.

- We are offering our customers extremely favourable EV pricing plans, trialling home charging options and

enabling customers to experience electric power through our partnerships with EV sharing providers Yoogo and Mevo.

- We, along with EECA (Energy Efficiency and Conservation Authority) and Drive Electric invited Christina Bu, Norway's pre-eminent EV expert, to New Zealand to share her knowledge and insights on how Norway become the global leader in EV conversions. Christina spoke to Government Ministers and officials and business leaders up and down the country that stimulated a great conversation about what more New Zealand can do. Like New Zealand, Norway's electricity is mostly renewable energy and if we are serious about tackling climate change "we have to tackle transport, it's the easiest way" says Christina Bu.
- And so far, we have converted more than 50% of our passenger fleet to fully electric and we are on track to make this 80% by 2020. We believe businesses need to take the lead in EV conversion to help build the market and variety of new and second hand vehicles available for New Zealanders.

For a more comprehensive commentary on Meridian's financial performance for the six months ended 31 December 2018, please visit www.meridian.co.nz/investors



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On behalf of the Board and the Executive Team, we would like to thank our shareholders, our customers and our stakeholders for their continued support to help Meridian deliver clean energy for a fairer and healthier world.