







Investor Letter.

For the six months ended
31 December 2019



Meridian.

Progress on strategy

Strategic theme	<p>Champion the benefits of competitive markets</p> 	<p>Grow New Zealand retail</p> 	<p>Support retail and protect our generation legacy</p> 	<p>Grow overseas earnings</p> 
Highlights	<ul style="list-style-type: none"> • EPR outcomes • New generation and transmission • Progress on Govt climate policies 	<ul style="list-style-type: none"> • 22% growth in sales volumes • Meridian retail churn improved to 16% • Consumer NZ survey rankings 	<ul style="list-style-type: none"> • 2020 Harapaki investment decision • Additional 367GWh storage in Lower Pukaki • Development team expansion 	<ul style="list-style-type: none"> • Powershop Australia sales momentum • New NSW wind option • Further 200K UK customers in 2020
Challenges	<ul style="list-style-type: none"> • Gas uncertainty • High wholesale prices • Balance between water, RMA reform and generation 	<ul style="list-style-type: none"> • High wholesale prices and shrinking margins • Intense competition 	<ul style="list-style-type: none"> • Consenting complexity • Smelter uncertainty • Decarbonisation timing 	<ul style="list-style-type: none"> • Stretched development valuations • npower E.ON merger uncertainty • IT resources

The six months ended 31 December 2019 saw a strong performance across the business, with Meridian reporting a record level of interim earnings (EBITDAF), 20% higher than the prior corresponding period.

This result was supported by compelling growth in customer numbers and sales volumes in both New Zealand and Australia. High customer satisfaction across both brands was evident in the 2019 *Consumer NZ* annual electricity survey, with Powershop taking out the top electricity provider and Meridian ranked ahead of the other large retailers.

Favourable conditions led to record hydro and wind generation in New Zealand, however Australian generation was lower than last year, affected by ongoing drought conditions and wind farm availability issues.

The Board has announced an interim dividend of 5.70 cents per share, consistent with last year's interim dividend.

Meridian has also declared an interim special dividend of 2.44 cents per share (\$62.5 million) under the company's capital management programme. This means that \$625 million of the \$875 million programme has now been

distributed to shareholders since the capital management programme commenced in August 2015.

Both the interim ordinary and special dividends will be paid on 16 April 2020.

Meridian's balance sheet remains in a strong position, with the company maintaining a BBB+ credit rating as defined by the agency Standard & Poor's.

See the interim results financial commentary for more of Meridian's results

www.meridianenergy.co.nz/investors/reports-and-presentations/interim-results-and-reports

Our customers

Increases in customer electricity sales of 22% in New Zealand and 18% in Australia were highlights in the six months ended 31 December 2019, supported by an 8% increase in Australasian customer numbers.

Sales and customer numbers in Australia included higher gas sales in Victoria and sales through Kogan Energy, a partnership Powershop Australia launched with Kogan.com in 2019.

Meridian's own software as a service company Flux, continues to grow customers on its platform, and is now serving more than 400,000 customers, including 55,000 Meridian New Zealand customers and 100,000 UK customers.

Hydrology

Meridian's water storage in New Zealand was well above average at the end of December 2019, with catchment inflows in the six months to 31 December 2019 136% of the historical average. The heavy December 2019 rainfall caused Lake Te Anau and Lake Manapōuri to record the second highest levels on record, only beaten by the November 1988 event.

In contrast, persistent hot, dry conditions in Australia saw hydro generation 37% lower than the same period last year.



Government Policy

The second half of 2019 saw significant progress by the New Zealand Government on their environmental policy agenda. The Zero Carbon Bill passed into law, setting the country a 2050 emissions target of net zero greenhouse gas emissions, excluding methane.

Reforms to New Zealand's emissions trading also continued with proposals to partly expose agricultural emissions to the Emissions Trading Scheme, removal of the \$25 per tonne fixed price option, a capped supply of emission units set through auctions and a phase-down of free allocations.

Meridian has been strongly supportive of decarbonisation efforts and these, together with a more appropriate price on carbon emitters, will give New Zealanders a lower carbon, cleaner energy future.

The New Zealand Government also announced water reform proposals and its response to the Electricity Price Review, both of which Meridian is broadly supportive of.

A final decision by the Electricity Authority on the long running Transmission Pricing Methodology reforms is expected by the middle of 2020.

Tiwai Point

In late October Rio Tinto, the owners of the New Zealand aluminium smelter (NZAS) at Tiwai Point, announced a Strategic Review of their operations.

Rio Tinto has indicated the Strategic Review will look at all options to improve the economics of the smelter, including curtailment and closure. Rio Tinto has advised it will provide the market with an update on its review by the end of the first quarter of 2020.

Meridian has been in regular dialogue with the smelter owners and have offered changes to the current contract for existing and reduced consumption volumes.

The smelter also stands to see future transmission cost savings, particularly as the Electricity Authority advances its transmission pricing reforms.

Our People

Over the last six months our executive team has gone from strength to strength with some very talented leaders joining the team to drive Meridian's business and deliver on our strategy and purpose.

At Meridian we're very fortunate to have such a great talent pool. The depth of our talent has meant that we've been able to make three internal appointments to the executive team. Chris Ewers has been appointed General Manager of Wholesale. Chris has been with Meridian since it was first formed in 1999 and most recently, he was responsible for Meridian's wholesale business strategy as Portfolio Manager.

Lisa Hannifin is our new Chief Customer Officer. Lisa is responsible for both the Meridian retail business and our subsidiary Powershop in New Zealand. Lisa has spent more than a decade in the electricity sector. Most recently she was Head of Business and Residential at Meridian.

And finally, Jason Stein was appointed as CEO of Meridian Energy and Powershop Australia in December 2019. He officially took over the reins in Melbourne in January. Jason has been with Meridian for nearly 10 years and was previously General Manager of Office of the CEO, and General Counsel. Jason brings a sharp customer focus and considerable commercial experience to his role.

Along with welcoming new executive team members, Meridian welcomed a new Chair of the Board – Mark Verbiest who replaced Chris Moller after the Annual Shareholder Meeting in October last year. Three new Board members were also appointed in late 2019 and early 2020, Julia Hoare, Michelle Henderson and Nagaja Sanatkumar.

Julia brings extensive governance, financial and accounting experience and Michelle's background is in engineering and the heavy industry sector. Nagaja has had an impressive international career and brings to Meridian her expertise in retail, customer experience, innovation and technology.





Commitment to sustainability

As a 100% renewable energy generator, our commitment is to protect the environment while looking after people and shareholders. One of the biggest ways that we demonstrate this commitment is through our focus on sustainability.

Over the last six months Meridian has continued to demonstrate our commitment as leaders in this space by actively working towards a low carbon future.

Last year we released New Zealand's first corporate report disclosing risks to our business resulting from climate change:

www.meridianenergy.co.nz/assets/Sustainability/e93f942ead/Meridian-Climate-Disclosures-TCFD-Report-FY19.pdf

Being a strong corporate advocate for climate action means understanding and acknowledging our risks and encouraging others to do the same. It's the ethical and responsible thing to do for our investors and all New Zealanders. Understanding and reporting climate risk will be an ongoing commitment from Meridian and is integral to our work on reducing emissions, supporting accelerated action on renewables and decarbonisation, and engaging staff and suppliers to improve sustainability.

Meridian has also been a strong supporter of the Climate Change Response (Zero Carbon) Amendment Bill introduced by the Government last year. Given Meridian's 100% renewable generation legacy in New Zealand, we continue to lead environmental change. Meridian is now net zero carbon across our operations and

we have committed to halve our gross emissions by 2030. We have made real progress in Australia, growing renewable generation and customers, including offering a carbon neutral alternative in a country that is dominated by fossil fuel energy. Similarly, in New Zealand Meridian has launched a renewable energy certification that provides business customers with an assurance the Company has generated enough renewable energy to cover their electricity usage. The first customer to utilise this certification was Garage Project, a craft beer company that is passionate about making its business as sustainable as it can, with Meridian's help

Closing thoughts

Meridian produced strong financial results for the six months ended 31 December 2019 and while we benefited from good wind and rain and continued high wholesale prices, operationally our performance was excellent.

The second half of this financial year is bringing challenges, particularly as the interisland high voltage direct current link is constrained through until April for major maintenance. These outages have been well signalled and we have hedged our position against constrained South Island generation transfer.

We also continue to advance our renewable generation development, having secured a new wind development option in New South Wales and moving forward with access to lower levels of storage in Lake Pukaki. We also expect to make an investment decision on our Hawkes Bay wind development (Harapaki) by the middle of this year.



Meridian.

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.

