

Chairman and Chief Executive's joint letter



CHAIRMAN
Dame Jenny Shipley
DNZM

CHIEF EXECUTIVE OFFICER
Marc England

Dear Shareholder,

Your Board and Executive team have spent the last year putting in place a customer-centric platform that will act as a spring board to where we want the Company to be in the early 2020s. In tandem, we have challenged ourselves on our environmental, community and sustainability goals as we determine our role in helping New Zealand build a brighter future.

We are actively transforming Genesis by putting the customer at the centre of what we do. Our vision is 'to be customers' first choice for energy management'. FY18 has seen us launch a number of New Zealand-first innovations that bring this to life for our customers.

This transformation has not been at the expense of performance. FY18 has seen Genesis deliver a strong and sustainable uplift in Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments (EBITDAF) from the prior year to \$361 million. Our dividend remains world class. We have put the foundations in place that will see Genesis achieve over \$400 million EBITDAF by the early 2020s.

Growing our customer platform

Through our refreshed branding, the integration of our new LPG operation, the migration of our Energy Online system and the move to a state-of-the-art building in Hamilton, we are delivering on our plans to build a customer-centric business.

We are now the only energy retailer in New Zealand with three fuels (electricity, natural gas and bottled gas) on one technology platform. Energy retailing in New Zealand has never been more competitive than it is today. There are over 40 retailers in the market needing to find new ways to reward customer loyalty and service customers more holistically. That energises us to try harder, find points of differentiation and continually work to give our customers more reasons to stay with Genesis, such as our Energy IQ app, Power Shouts, Electricity Insights for business and Bottled Gas Monitoring.

Customers are increasingly recognising value in their relationship with Genesis, with customer churn two percentage points below the market average in the last three months of the year.

Brand builds reputation

Genesis' revitalised brand has supported this shift. Sharing our energy management story with New Zealanders in ways that engage, connect and delight them is essential in ensuring consideration in an industry characterised by heavy consumer switching.

In Colmar Brunton's Corporate Reputation Index and Reprtrak's New Zealand Corporate Reputation Index, Genesis was perceived as New Zealand's leading energy company.

Our challenger brand, Energy Online, concentrates on no-frills service, simplicity and great value. It has experienced significant growth, with its total number of connections surpassing the 100,000 mark in January 2018.

Looking ahead, expect to see Genesis continuing to concentrate on product innovation, technology integration and loyalty initiatives as we seek new ways to retain and attract customers beyond

price alone. Instead, we'll grow by reimagining the energy experience to put control in our customers' hands.

Reimagining the energy transition

This report also shares our new Sustainability Framework, which includes an outline of the investments and commitments Genesis is making to ensure a brighter, more sustainable and future-focused New Zealand.

Genesis supports New Zealand's transition to a low emissions economy. We have challenged ourselves to consider what our contribution can be. Having already reduced our coal use by 80 per cent in the past decade, in February we outlined our commitment to remove coal from the generation mix at Huntly by 2025 under normal market conditions. Our intent is to remove coal altogether by 2030.

New Zealand's electricity market is the third highest renewable market in the OECD. To date, coal and gas have been necessary generation options, ensuring security of supply when poor rainfall means the sector cannot meet national electricity demand via renewable sources. Today, Genesis is working closely with both the market and the wider energy industry to identify a path forward that does not compromise national electricity supply or consumer choice.

Sourcing and generating energy

Our highly flexible generation and fuel portfolio demonstrated resilience in all market conditions during FY18. Renewable generation was characterised by a game of four quarters, cycling between wet and dry conditions. Our mix of North and South Island hydro, coupled with North Island wind and thermal production, helps enable sustainable returns for shareholders across all market conditions. Kupe performed exceptionally well with record production and rising commodity prices.

Diversity continues to drive us

Our strong internal culture has concentrated on supporting more employees to connect with our

direction and focus on innovation. We are harnessing the diversity of our workplace to help us move ahead. Important new flexibility and wellbeing initiatives have launched across the year to support Genesis people in meeting both work and personal commitments.

Keeping people safe a priority

Safety and wellbeing is part of the Genesis DNA. Our own workforce achieved a total recordable injury frequency rate (TRIFR) of 1.25. Zero harm remains our constant goal and commitment toward our people, contractors and the public.

Performing while transforming

Performing well and transforming well are equal priorities. Genesis continues to offer a stable dividend yield plus growth opportunity. In the past year, the benefits of the Company's portfolio of three different businesses have shone through. Genesis has achieved strong vertical integration, through its Kupe joint venture, all the way to a customer's home.

All three segments of our business (Customer, Wholesale and Kupe) operate different commercial models that play into a stable but growing business. We're increasingly giving customers the knowledge and advice they need to take control of their energy in ways that have not been possible before. In doing so Genesis is delivering for customers, its community partners, for its people and its shareholders.

The Board and Executive thank you for your support and interest in the Company across the financial year ended 30 June 2018.

Dame Jenny Shipley, DNZM
Chairman

Marc England
Chief Executive



Wesley Intermediate students carrying out School-gen experiments

Community matters

Our School-gen programme was refreshed and relaunched in FY18 to help engage young New Zealanders in science, engineering, technology and maths (STEM). In particular, learning is focused on energy – how it's made, how it works and how it can be managed.

This year, more than 20 per cent of New Zealand's schools connected with School-gen and we gave a total of \$50,000 to three schools to support their students' STEM learning journeys.

This is an important building block in fostering both the engagement and curious young minds needed to help New Zealand develop a strong innovation pipeline.