



meridian

Release

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

Meridian Energy Limited 2019 Interim Results

20 February 2019

Today Meridian Energy releases its interim results for the six months ended 31 December 2018.

Included in this announcement is:

1. Media Announcement
2. Condensed Interim Financial Statements for the six months ended 31 December 2018
3. Investor Presentation
4. Investor Letter
5. Financial Commentary
6. NZX Results Announcement
7. NZX Distribution Notice detailing the ordinary interim dividend of 5.70 cents per share (NZD)
8. NZX Distribution Notice detailing the special dividend of 2.44 cents per share (NZD)

For the purposes of ASX Listing Rule 1.15.3 Meridian confirms that its primary listing is on the main board of the New Zealand Stock Exchange and therefore complies with the NZX Listing Rules.

ENDS

Jason Stein
General Counsel/Company Secretary
Meridian Energy Limited

For investor relations queries, please contact:

Owen Hackston
Investor Relations Manager
021 246 4772

For media queries, please contact:

Polly Atkins
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021 174 1715



meridian

Release

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

Meridian Energy continues earnings growth

20 February 2019

Meridian Energy saw its earnings (EBITDAF) for the six months ended 31 December 2018 increase 18% compared to the prior corresponding period.

Meridian's Chief Executive Neal Barclay says, "Good hydro storage has seen our New Zealand generation volumes increase 10% on the prior period, supporting higher contracted sales".

The purchase of the Greenstate hydro assets in Australia led to higher generation volumes in Australia and UK customer sales have also increased on the corresponding period.

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 distributed since the capital management programme commenced in August 2015.

Meridian continues to experience good customer growth with connection numbers up by 14,000 and 2,000 in the last year in both New Zealand and Australia respectively.

ENDS

Neal Barclay
Chief Executive
Meridian Energy Limited

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MERIDIAN ENERGY LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS TO 31 DECEMBER 2018



meridian

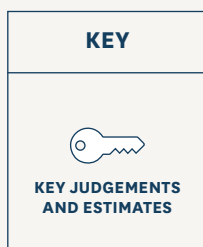
MERIDIAN ENERGY LIMITED

CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTHS TO 31 DECEMBER 2018

CONDENSED INTERIM FINANCIAL STATEMENTS

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INCOME STATEMENT

FOR THE SIX MONTHS TO 31 DECEMBER 2018

| | NOTE | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|---|--------|--------------------------|--------------------------|
| Operating revenue | A2 | 1,691 | 1,441 |
| Operating expenses | A3 | (1,302) | (1,112) |
| Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF) | | 389 | 329 |
| Depreciation and amortisation | B1, B2 | (137) | (134) |
| Impairment of assets | A3 | - | (2) |
| Gain on sale of assets | A2 | - | 6 |
| Net change in fair value of electricity and other hedges | D1 | 20 | (2) |
| Operating profit | | 272 | 197 |
| Finance costs | A3 | (43) | (41) |
| Net change in fair value of treasury instruments | D1 | (15) | (2) |
| Net profit before tax | | 214 | 154 |
| Income tax expense | A4 | (62) | (45) |
| Net profit after tax attributed to the shareholders of the parent company | | 152 | 109 |
| Profit attributed to the shareholders of the parent company | | 152 | 109 |
| Earnings per share (EPS) attributed to ordinary equity holders of the parent | | Cents | Cents |
| Basic and diluted earnings per share | C2 | 5.9 | 4.3 |

COMPREHENSIVE INCOME STATEMENT

FOR THE SIX MONTHS TO 31 DECEMBER 2018

| | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|---|--------------------------|--------------------------|
| Net profit after tax | 152 | 109 |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Net gain on cash flow hedges | - | 1 |
| Exchange differences arising from translation of foreign operations | (19) | 15 |
| Other comprehensive income for the period, net of tax | (19) | 16 |
| Total comprehensive income for the period, net of tax attributed to shareholders of the parent company | 133 | 125 |

The notes to the condensed interim financial statements form an integral part of these financial statements.

BALANCE SHEET

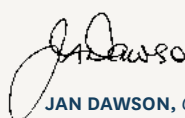
AS AT 31 DECEMBER 2018

| | NOTE | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|--------------------------------------|------|---------------------------------|---------------------------------|-------------------------------|
| Current assets | | | | |
| Cash and cash equivalents | | 78 | 108 | 60 |
| Trade receivables | | 259 | 304 | 261 |
| Customer contract assets | B3 | 20 | 19 | 19 |
| Financial instruments | D1 | 106 | 92 | 77 |
| Other assets | | 35 | 30 | 32 |
| Total current assets | | 498 | 553 | 449 |
| Non-current assets | | | | |
| Property, plant and equipment | B1 | 7,809 | 7,871 | 7,941 |
| Intangible assets | B2 | 59 | 58 | 60 |
| Deferred tax | | 38 | 46 | 46 |
| Financial instruments | D1 | 162 | 166 | 136 |
| Total non-current assets | | 8,068 | 8,141 | 8,183 |
| Total assets | | 8,566 | 8,694 | 8,632 |
| Current liabilities | | | | |
| Payables and accruals | | 293 | 317 | 267 |
| Employee entitlements | | 11 | 11 | 16 |
| Customer contract liabilities | | 15 | 11 | 14 |
| Current portion of term borrowings | C4 | 512 | 190 | 450 |
| Finance lease payable | | 1 | 1 | 1 |
| Financial instruments | D1 | 52 | 75 | 52 |
| Current tax payable | | 30 | 19 | 43 |
| Total current liabilities | | 914 | 624 | 843 |
| Non-current liabilities | | | | |
| Term borrowings | C4 | 1,049 | 1,176 | 1,023 |
| Deferred tax | | 1,668 | 1,700 | 1,683 |
| Provisions | | 9 | 9 | 9 |
| Finance lease payables | | 45 | 47 | 47 |
| Financial instruments | D1 | 151 | 121 | 129 |
| Term payables | | 66 | 84 | 75 |
| Total non-current liabilities | | 2,988 | 3,137 | 2,966 |
| Total liabilities | | 3,902 | 3,761 | 3,809 |
| Net assets | | 4,664 | 4,933 | 4,823 |
| Shareholders' equity | | | | |
| Share capital | | 1,598 | 1,597 | 1,598 |
| Reserves | | 3,066 | 3,336 | 3,225 |
| Total shareholders' equity | | 4,664 | 4,933 | 4,823 |

For and on behalf of the Board of Directors who authorised the issue of the condensed interim financial statements on 19 February 2019.



CHRIS MOLLER, Board Chair



JAN DAWSON, Chair, Audit and Risk Committee

The notes to the condensed interim financial statements form an integral part of these financial statements.

CHANGES IN EQUITY

FOR THE SIX MONTHS TO 31 DECEMBER 2018

| AUDITED \$M | NOTE | SHARE CAPITAL | SHARE OPTION RESERVE | REVALUATION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | CASH FLOW HEDGE RESERVE | RETAINED EARNINGS | SHAREHOLDER EQUITY |
|---|------|------------------|----------------------------|------------------------|---|----------------------------------|----------------------|-----------------------|
| Balance at 1 July 2017 | | 1,598 | 1 | 4,249 | (27) | (1) | (725) | 5,095 |
| Net profit for the year | | - | - | - | - | - | 201 | 201 |
| Other comprehensive income | | | | | | | | |
| Net gain on cash flow hedges | | - | - | - | - | 2 | - | 2 |
| Exchange differences from translation of foreign operations | | - | - | - | 11 | - | - | 11 |
| Total comprehensive income for the year, net of tax | | - | - | - | 11 | 2 | 201 | 214 |
| Dividends paid | | - | - | - | - | - | (486) | (486) |
| Balance at 30 June 2018 and 1 July 2018 | | 1,598 | 1 | 4,249 | (16) | 1 | (1,010) | 4,823 |

UNAUDITED

| | | | | | | | | |
|--|----|--------------|----------|--------------|-------------|----------|----------------|--------------|
| Net profit for the period | | - | - | - | - | - | 152 | 152 |
| Other comprehensive income | | | | | | | | |
| Exchange differences from translation of foreign operations | | - | - | - | (19) | - | - | (19) |
| Total comprehensive income for the period, net of tax | | - | - | - | (19) | - | 152 | 133 |
| Dividends paid | C3 | - | - | - | - | - | (292) | (292) |
| Balance at 31 December 2018 | | 1,598 | 1 | 4,249 | (35) | 1 | (1,150) | 4,664 |

| UNAUDITED \$M | NOTE | SHARE CAPITAL | SHARE OPTION RESERVE | REVALUATION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | CASH FLOW HEDGE RESERVE | RETAINED EARNINGS | SHAREHOLDER EQUITY |
|---|------|------------------|----------------------------|------------------------|---|----------------------------------|----------------------|-----------------------|
| Balance at 1 July 2017 | | 1,598 | 1 | 4,249 | (27) | (1) | (725) | 5,095 |
| Net profit for the period | | - | - | - | - | - | 109 | 109 |
| Other comprehensive income | | | | | | | | |
| Net gain on cash flow hedges | | - | - | - | - | 1 | - | 1 |
| Exchange differences from translation of foreign operations | | - | - | - | 15 | - | - | 15 |
| Total comprehensive income for the year, net of tax | | - | - | - | 15 | 1 | 109 | 125 |
| Share-based transactions | | (1) | - | - | - | - | - | (1) |
| Dividends paid | C3 | - | - | - | - | - | (286) | (286) |
| Balance at 31 December 2017 | | 1,597 | 1 | 4,249 | (12) | - | (902) | 4,933 |

The notes to the condensed interim financial statements form an integral part of these financial statements.

CASH FLOWS

FOR THE SIX MONTHS TO 31 DECEMBER 2018

| | NOTE | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|---|------|--------------------------|--------------------------|
| Operating activities | | | |
| Receipts from customers | | 1,695 | 1,374 |
| Payments to suppliers and employees | | (1,310) | (1,101) |
| Interest paid | | (41) | (38) |
| Income tax paid | | (82) | (73) |
| Operating cash flows | | 262 | 162 |
| Investment activities | | | |
| Sale of property, plant and equipment | | - | 12 |
| Purchase of property, plant and equipment | | (23) | (18) |
| Purchase of intangible assets | | (12) | (10) |
| Investing cash flows | | (35) | (16) |
| Financing activities | | | |
| Term borrowings drawn | | 89 | 170 |
| Term borrowings repaid | | (5) | (5) |
| Dividends | C3 | (292) | (286) |
| Financing cash flows | | (208) | (121) |
| Net increase in cash and cash equivalents | | 19 | 25 |
| Cash and cash equivalents at beginning of the six months | | 60 | 80 |
| Effect of exchange rate changes on net cash | | (1) | 3 |
| Cash and cash equivalents at end of the six months | | 78 | 108 |

The notes to the condensed interim financial statements form an integral part of these financial statements.

ABOUT THIS REPORT

IN THIS SECTION. The summary notes to the condensed interim financial statements include information which is considered relevant and material to assist the reader in understanding changes in Meridian's financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Meridian;
- it helps to explain changes in Meridian's business; or
- it relates to an aspect of Meridian's operations that is important to future performance.

Meridian Energy Limited is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is an FMC reporting entity for the purposes of the Financial Markets Conduct (FMC) Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is 33 Customhouse Quay, Wellington.

Meridian Energy Limited is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a Mixed Ownership Company, majority owned by Her Majesty the Queen in Right of New Zealand, it is bound by the requirements of the Public Finance Act 1989.

These unaudited condensed interim financial statements for the six months ended 31 December 2018 have been prepared:

- using Generally Accepted Accounting Practice (NZ GAAP) in New Zealand, accounting policies consistent with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS) and in accordance with IAS 34: Interim Financial Reporting and NZ IAS 34: Interim Financial Reporting, as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities; and
- in New Zealand dollars (NZD). The principal functional currency of international subsidiaries is Australian dollars. The closing rate at 31 December 2018 was 0.9529 (December 2017: 0.9084, 30 June 2018: 0.9138).

All values are rounded to millions (\$M) unless otherwise stated.

ACCOUNTING POLICIES. The accounting policies, methods of computation and classification set out in the Group financial statements for the year ended 30 June 2018 have been applied consistently to all periods presented in the condensed interim financial statements with the exception that NZ IFRS 9 Financial Instruments has been adopted during the Period.

Under NZ IFRS 9, the measurement of our provision for doubtful debts has changed from an incurred loss model to an expected credit loss model.

This approach has not changed the overall level of the doubtful debt provision.

No other adjustments or restatements were required as a result of adopting NZ IFRS 9 and there was no impact to the primary statements on pages 2 to 5.

The application of further new or amended standards has no material impact on the amounts recognised in the condensed interim financial statements.

JUDGEMENTS AND ESTIMATES. The basis of key judgements and estimates have not changed from those used in preparing the financial statements for the year ended 30 June 2018.

BASIS OF CONSOLIDATION. The condensed interim Group financial statements comprise the financial statements of Meridian Energy Limited and its subsidiaries and controlled entities.

SIGNIFICANT MATTERS IN THE SIX MONTHS

IN THIS SECTION. This section outlines significant matters which have impacted Meridian's financial performance and an explanation of non-GAAP measures used within the notes to the condensed interim financial statements.

HYDRO INFLOWS. The first half of the financial year began with above average hydro storage, but a combination of drier conditions and strong winter demand meant these levels deteriorated. In October the combination of continued low storage levels, gas restrictions and the highest October demand ever saw wholesale prices rise to extraordinary levels and resulted in calling of the electricity swaption.

Hydro inflows picked up in November and December and coincided with significantly lower irrigation demand, however prices remained high as a result of restricted gas supply. This has a positive impact on revenues received from New Zealand generation production but negatively impacts the cost to supply contracted physical and financial electricity sales.

NON-GAAP MEASURES. Meridian refers to non-GAAP financial measures within these condensed interim financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures. As these measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described below, including page references for reconciliations to the condensed interim financial statements.

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

EBITDAF is reported in the income statement allowing the evaluation of Meridian's operating performance without the non-cash impact of depreciation, amortisation, fair value movements of hedging instruments and other one off and/or infrequently occurring events as well as the effects of Meridian's capital structure and tax position. This allows a better comparison of operating performance with that of other electricity industry companies than GAAP measures that include these items.

ENERGY MARGIN. Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of the wholesale electricity market and the broadly offsetting impact of the wholesale prices on the cost of Meridian's retail electricity purchases and revenue from generation. Meridian uses the measure of energy margin within its segmental financial performance in note A1 Segment performance on page 8.

NET DEBT. Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets. Meridian uses this measure within its capital management and this is outlined in note C1 Capital management on page 13.

A

FINANCIAL PERFORMANCE

IN THIS SECTION. This section explains the financial performance of Meridian, providing additional information about individual items in the income statement, including:

- a) accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statement; and
- b) analysis of Meridian's performance for the 6 months by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 SEGMENT PERFORMANCE. The Chief Executive (the chief operating decision-maker) monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

The Chief Executive considers the business according to the nature of the products and services and the location of operations, as set out below:

New Zealand Wholesale

- Generation of electricity and its sale into the New Zealand wholesale electricity market.
- Purchase of electricity from the wholesale electricity market and its sale to the New Zealand Retail segment and to large industrial customers, including New Zealand Aluminium Smelter (NZAS) representing the equivalent of 40% (31 December 2017: 43%) of Meridian's New Zealand generation production.
- Development of renewable electricity generation opportunities in New Zealand.

New Zealand Retail

- Retailing of electricity and complementary products through two brands (Meridian and Powershop) in New Zealand.
- Electricity sold to residential, business and industrial customers on fixed price variable volume contracts is purchased from the Wholesale segment at an average annual fixed price of \$74-\$79 per megawatt hour (MWh) and electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices.
- Agency margin from spot sales is included within "Contracted sales, net of distribution costs".
- The transfer price is set in a similar manner to transactions with third parties.
- Powershop New Zealand provide front line customer and back office services for Powershop Australia. Revenue of \$2 million has been recorded in 'other revenue' and is eliminated on Group consolidation.

Australia

- Generation of electricity from Meridian's two wind farms and three hydro power stations for sale into the Australian wholesale electricity market.
- Retailing of electricity through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.

Other and unallocated

- Other operations, that are not considered reportable segments, including licensing of the Flux Federation developed electricity and gas retailing platform.
- Activities and centrally based costs that are not directly allocated to other segments.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (see page 7 for a definition of these measures) before unallocated central corporate expenses. Balance sheet items are not reported to the Chief Executive at an operating segment level.

FINANCIALS

A1 SEGMENT PERFORMANCE *continued*

| FOR THE SIX MONTHS TO 31 DECEMBER | NZ WHOLESALE | | NZ RETAIL | | AUSTRALIA | | OTHER AND UNALLOCATED | | INTER-SEGMENT | | GROUP | |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-----------------------|-------------|---------------|-------------|-------------|-------------|
| | 2018 \$M | 2017 \$M | 2018 \$M | 2017 \$M | 2018 \$M | 2017 \$M | 2018 \$M | 2017 \$M | 2018 \$M | 2017 \$M | 2018 \$M | 2017 \$M |
| Contracted sales, net of distribution costs | 249 | 191 | 312 | 328 | 70 | 61 | - | - | - | - | 631 | 580 |
| Costs to supply customers | (1,005) | (682) | (233) | (237) | (60) | (47) | - | - | 296 | 274 | (1,002) | (692) |
| Net cost of acquired generation | 76 | 31 | - | - | (4) | (14) | - | - | - | - | 72 | 17 |
| Generation spot revenue | 812 | 553 | - | - | 60 | 57 | - | - | - | - | 872 | 610 |
| Inter-segment electricity sales | 296 | 274 | - | - | - | - | - | - | (296) | (274) | - | - |
| Virtual asset swap margins | 6 | (4) | - | - | - | - | - | - | - | - | 6 | (4) |
| Other market revenue/(costs) | (4) | (3) | 1 | 1 | - | - | - | - | - | - | (3) | (2) |
| Energy Margin | 430 | 360 | 80 | 92 | 66 | 57 | - | - | - | - | 576 | 509 |
| Other Revenue | 2 | 2 | 6 | 5 | 1 | - | 13 | 8 | (9) | (5) | 13 | 10 |
| Energy transmission expense | (63) | (60) | - | - | (2) | (3) | - | - | - | - | (65) | (63) |
| Gross Margin | 369 | 302 | 86 | 97 | 65 | 54 | 13 | 8 | (9) | (5) | 524 | 456 |
| Employee expenses | (14) | (14) | (16) | (15) | (6) | (4) | (13) | (14) | - | - | (49) | (47) |
| Electricity metering expenses | - | - | (16) | (15) | - | - | - | - | - | - | (16) | (15) |
| Other operating expenses | (30) | (26) | (17) | (18) | (18) | (14) | (10) | (11) | 5 | 4 | (70) | (65) |
| EBITDAF | 325 | 262 | 37 | 49 | 41 | 36 | (10) | (17) | (4) | (1) | 389 | 329 |
| Depreciation and amortisation | | | | | | | | | | | (137) | (134) |
| Impairment of assets | | | | | | | | | | | - | (2) |
| Gain on sale of assets | | | | | | | | | | | - | 6 |
| Net change in fair value of electricity and other hedges | | | | | | | | | | | 20 | (2) |
| Operating profit | | | | | | | | | | | 272 | 197 |
| Finance costs | | | | | | | | | | | (43) | (41) |
| Interest income | | | | | | | | | | | - | - |
| Net change in fair value of treasury instruments | | | | | | | | | | | (15) | (2) |
| Net profit before tax | | | | | | | | | | | 214 | 154 |
| Income tax expense | | | | | | | | | | | (62) | (45) |
| Net profit after tax | | | | | | | | | | | 152 | 109 |
| <i>Reconciliation of energy margin</i> | | | | | | | | | | | | |
| Electricity sales revenue | 1,187 | 942 | 639 | 626 | 148 | 137 | - | - | (296) | (274) | 1,678 | 1,431 |
| Electricity expenses, net of hedging | (757) | (582) | (306) | (285) | (49) | (47) | - | - | 296 | 274 | (816) | (640) |
| Electricity distribution expenses | - | - | (253) | (249) | (33) | (33) | - | - | - | - | (286) | (282) |
| Energy margin | 430 | 360 | 80 | 92 | 66 | 57 | - | - | - | - | 576 | 509 |

A2 INCOME

| 6 MONTHS ENDED 31 DECEMBER | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|--|--------------------------|--------------------------|
| OPERATING REVENUE | | |
| Electricity sales to customers | 875 | 852 |
| Electricity generation, net of hedging | 803 | 579 |
| Electricity-related services revenue | 4 | 4 |
| Other revenue | 9 | 6 |
| | 1,691 | 1,441 |

| 6 MONTHS ENDED 31 DECEMBER | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|---|--------------------------|--------------------------|
| TOTAL REVENUE BY GEOGRAPHIC AREA | | |
| New Zealand | 1,535 | 1,300 |
| Australia | 150 | 137 |
| United Kingdom | 6 | 4 |
| Total operating revenue | 1,691 | 1,441 |

| 6 MONTHS ENDED 31 DECEMBER | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|--|--------------------------|--------------------------|
| GAIN ON SALE OF ASSETS | | |
| Gain on sale of property, plant & equipment | - | 6 |

OPERATING REVENUE*Electricity sales to customers*

Revenue received or receivable from residential, business and industrial customers. This revenue is influenced by customer contract sales prices and their demand for electricity.

Electricity generation, net of hedging

Revenue received from:

- electricity generated and sold into the wholesale markets; and
- the net settlement of electricity hedges sold on electricity futures markets, and to generators, retailers and industrial customers.

This revenue is influenced by the quantity of generation and the wholesale spot price and is recognised at the time of generation or hedge settlement.

A3 EXPENSES

| 6 MONTHS ENDED 31 DECEMBER OPERATING EXPENSES | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|--|--------------------------|--------------------------|
| Electricity expenses, net of hedging | 816 | 640 |
| Electricity distribution expenses | 286 | 282 |
| Electricity transmission expenses | 65 | 63 |
| Employee expenses | 49 | 47 |
| Electricity metering expenses | 16 | 15 |
| Other expenses | 70 | 65 |
| | 1,302 | 1,112 |

| FINANCE COSTS | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|--|--------------------------|--------------------------|
| Interest on borrowings | 39 | 37 |
| Interest on electricity option premium | 1 | 1 |
| Interest on finance lease payable | 3 | 3 |
| | 43 | 41 |

| IMPAIRMENT OF ASSETS | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|----------------------|--------------------------|--------------------------|
| Impairment of assets | - | 2 |

A4 TAXATION

| 6 MONTHS ENDED 31 DECEMBER INCOME TAX EXPENSE | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|--|--------------------------|--------------------------|
| Current income tax charge | 76 | 63 |
| Deferred tax | (14) | (18) |
| Income tax expense | 62 | 45 |
| <i>Reconciliation to profit before tax</i> | | |
| Profit before tax | 214 | 154 |
| Income tax at applicable rates | 60 | 44 |
| Expenditure not deductible for tax | 2 | 1 |
| Income tax expense | 62 | 45 |

OPERATING EXPENSES**Electricity expenses, net of hedging**

The cost of:

- electricity purchased from wholesale markets to supply customers;
- the net settlement of buy-side electricity hedges; and
- related charges and services.

Electricity expenses are influenced by quantity and timing of customer consumption and the wholesale spot price.

Electricity distribution expenses

The cost of distribution companies transporting electricity between the national grid and customers' properties.

Electricity transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Employee expenses

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Impairment of non-financial assets

During the June 2018 financial year the book value of Central Wind consent was impaired as development at this location is unlikely to occur prior to the expiry of the existing resource consent.

INCOME TAX EXPENSE. Income tax expense is the income tax assessed on taxable profit for the period. Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at balance date, being 28% for New Zealand and 30% for Australia.

Income tax expense components are current income tax and deferred tax.

B

ASSETS USED TO GENERATE AND SELL ELECTRICITY

IN THIS SECTION. This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenues. In this section of the summary notes there is information about:

- property, plant and equipment, and
- intangible assets, and
- customer contract assets

B1 PROPERTY, PLANT AND EQUIPMENT

| POSITION AS AT | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|--|---------------------------------|---------------------------------|-------------------------------|
| Opening net book value | 7,941 | 7,961 | 7,961 |
| Additions | 19 | 12 | 36 |
| Transfers – intangible assets | - | - | (2) |
| Disposals | - | - | (10) |
| Purchase of Subsidiary | - | - | 184 |
| Foreign currency exchange rate movements | (26) | 22 | 19 |
| Depreciation expense | (125) | (124) | (247) |
| Closing net book value | 7,809 | 7,871 | 7,941 |

B2 INTANGIBLE ASSETS

| POSITION AS AT | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|--|---------------------------------|---------------------------------|-------------------------------|
| Opening Net Book value | 60 | 58 | 58 |
| Additions | 11 | 10 | 21 |
| Transfers – property, plant and equipment | - | - | 2 |
| Amortisation expense | (12) | (10) | (21) |
| Closing net book value | 59 | 58 | 60 |

RECOGNITION AND MEASUREMENT. Generation structures and plant assets (including land and buildings) are held on the balance sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Meridian engaged an independent valuer to assess its generation structures and plant assets at 30 June 2018 using capitalisation of earnings and discounted cashflows (DCFs) when determining a valuation range. The review indicated that the carrying value was a fair representation of fair value, and for this reason Meridian has not completed a full revaluation of this asset class.

A review and assessment of key valuation inputs included in that valuation has been undertaken as at 31 December 2018, indicating that there has been no material change in fair value.

B3 CUSTOMER CONTRACT ASSETS

| POSITION AS AT CUSTOMER CONTRACT ASSETS | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|---|---------------------------------|---------------------------------|-------------------------------|
| Opening balance | 19 | 18 | 18 |
| <i>Deferred during the period</i> | | | |
| Discounts and up-front credits to customers | 6 | 5 | 11 |
| Sales costs | 2 | 2 | 3 |
| | 8 | 7 | 14 |
| <i>Released to the income statement during the period</i> | | | |
| Electricity sales to customers | (5) | (4) | (9) |
| Employee expenses | - | - | (1) |
| Other expenses | (2) | (2) | (3) |
| | (7) | (6) | (13) |
| Closing balance | 20 | 19 | 19 |

C

MANAGING FUNDING

IN THIS SECTION. This section explains how Meridian manages its capital structure and working capital, the various funding sources, and how dividends are returned to shareholders. In this section of the summary notes there is information about:

- equity and dividends; and
- net debt.

C1 CAPITAL MANAGEMENT

Capital risk management objectives

Meridian's objective when managing capital is to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimises the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

Meridian regularly monitors its capital requirements using various measures that consider debt facility financial covenants and credit ratings. The key measures being net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard and Poor's.

Meridian is in full compliance with debt facility financial covenants.

| POSITION AS AT | NOTE | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|---------------------------------|------|---------------------------------|---------------------------------|-------------------------------|
| Share capital | | 1,598 | 1,597 | 1,598 |
| Retained earnings | | (1,150) | (902) | (1,010) |
| Other reserves | | 4,216 | 4,238 | 4,235 |
| | | 4,664 | 4,933 | 4,823 |
| Drawn borrowings | C4 | 1,505 | 1,331 | 1,428 |
| Finance lease payable | | 46 | 48 | 48 |
| Less: cash and cash equivalents | | (78) | (108) | (60) |
| | | 1,473 | 1,271 | 1,416 |
| Net capital | | 6,137 | 6,204 | 6,239 |

C2 EARNINGS PER SHARE

| BASIC AND DILUTED EARNINGS PER SHARE (EPS) | UNAUDITED 31 DEC 2018 | UNAUDITED 31 DEC 2017 |
|---|--------------------------|--------------------------|
| Profit after tax attributable to shareholders of the parent company (\$M) | 152 | 109 |
| Weighted average number of shares used in the calculation of EPS | 2,563,000,000 | 2,563,000,000 |
| Basic and diluted EPS (cents per share) | 5.9 | 4.3 |

C3 DIVIDENDS

| 6 MONTHS ENDED 31 DECEMBER DIVIDENDS DECLARED AND PAID | UNAUDITED 2018 \$M | UNAUDITED 2017 \$M |
|---|--------------------------|--------------------------|
| Final ordinary and special dividend 2018: 11.38cps (2017: 11.14cps) | 292 | 286 |
| Total dividends paid | 292 | 286 |

DIVIDENDS DECLARED AND NOT RECOGNISED AS A LIABILITY

| | | |
|---|-----|-----|
| Interim ordinary dividend 2019: 5.70cps (2018: 5.38cps) | 146 | 138 |
| Interim special dividend 2019: 2.44cps (2018: 2.44cps) | 63 | 63 |

Dividend Policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short and medium-term economic, market and hydrology conditions.

Subsequent event – dividend declared

On 19 February 2019 the Board declared a partially imputed interim ordinary dividend of 5.70 cents per share. Additionally the Board declared an un-imputed special dividend of 2.44 cents per share.

C4 BORROWINGS

| POSITION AS AT | UNAUDITED 31 DEC 2018 | | | | | UNAUDITED 31 DEC 2017 | | | | AUDITED 30 JUN 2018 | | | |
|-------------------------------------|--------------------------|-------------------------|-----------------------------|---------------------------|----------------------------------|--------------------------|-----------------------------|---------------------------|----------------------------------|------------------------|-----------------------------|---------------------------|----------------------------------|
| | GROUP (NZ\$M) | CURRENCY BORROWED IN | DRAWN FACILITY AMOUNT | TRANS- ACTION COSTS | FAIR VALUE ADJUST- MENT | CARRYING AMOUNT | DRAWN FACILITY AMOUNT | TRANS- ACTION COSTS | FAIR VALUE ADJUST- MENT | CARRYING AMOUNT | DRAWN FACILITY AMOUNT | TRANS- ACTION COSTS | FAIR VALUE ADJUST- MENT |
| Current borrowings | | | | | | | | | | | | | |
| Unsecured borrowings | NZD | 233 | (1) | - | 232 | 191 | (1) | - | 190 | 169 | (1) | - | 168 |
| Unsecured borrowings | USD | 272 | - | 8 | 280 | - | - | - | - | 272 | - | 10 | 282 |
| Total current borrowings | | 505 | (1) | 8 | 512 | 191 | (1) | - | 190 | 441 | (1) | 10 | 450 |
| Non-current borrowings | | | | | | | | | | | | | |
| Unsecured borrowings | NZD | 840 | (2) | - | 838 | 700 | (2) | - | 698 | 821 | (3) | - | 818 |
| Unsecured borrowings | USD | 160 | - | 51 | 211 | 440 | (1) | 39 | 478 | 166 | - | 39 | 205 |
| Total non-current borrowings | | 1,000 | (2) | 51 | 1,049 | 1,140 | (3) | 39 | 1,176 | 987 | (3) | 39 | 1,023 |
| Total borrowings | | 1,505 | (3) | 59 | 1,561 | 1,331 | (4) | 39 | 1,366 | 1,428 | (4) | 49 | 1,473 |

Meridian has committed bank facilities of \$725 million of which \$300 million were undrawn at 31 December 2018. The expiry of these facilities range from January 2019 to April 2026.

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amount, net of transaction costs paid. Borrowings are subsequently stated at amortised cost using the effective interest method. Any borrowings which have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair

value adjustment under hedge accounting requirements. Any borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date. Any retranslation effect is included in the "Fair value adjustment" column in the above movement table.

Meridian uses cross currency interest rate swap (CCIRS) hedge contracts to manage its exposure to interest rates and borrowings sourced in currencies different to that of the borrowing entity's reporting currency.

Fair value of items held at amortised cost

| POSITION AS AT | UNAUDITED 31 DEC 2018 | UNAUDITED 31 DEC 2017 | AUDITED 30 JUN 2018 | UNAUDITED 31 DEC 2018 | UNAUDITED 31 DEC 2017 | AUDITED 30 JUN 2018 |
|------------------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|------------------------|
| | \$M | \$M | \$M | \$M | \$M | \$M |
| NZ\$M | CARRYING VALUE | | | FAIR VALUE | | |
| Retail bonds | 500 | 300 | 500 | 523 | 312 | 514 |
| Floating rate notes | 100 | 100 | 100 | 101 | 102 | 102 |
| Unsecured term loan (EKF facility) | 75 | 85 | 80 | 80 | 92 | 86 |

Within term borrowings there are longer dated, fixed-interest-rate instruments which are not in hedge accounting relationships. The carrying values and estimated fair values of these instruments are noted in the table above.

The fair value of Meridian's retail bonds and renewable energy bonds is calculated by reference to quoted prices on the NZX. The fair value of Meridian's EKF Facility (provided by the official

export credit agency of Denmark) is calculated using a discounted cash flow calculation. These are classified as Level 2 instruments within the fair value hierarchy. A lack of liquidity on the NZX precludes them from being classified as Level 1 (a definition of levels is included in D1 Financial instruments on page 16).

Carrying value approximates fair value for all other instruments within term borrowings.

FINANCIALS

C4 BORROWINGS *continued*

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

| GROUP NZ\$M | UNAUDITED 31 DEC 2018 | | | | | | | |
|----------------------------|---------------------------|-----------------------------|------------------------------|---------------------------|---------------------|--|-----------------------|---------------------------|
| | BALANCE AT 1 JULY 2018 | TERM BORROWINGS DRAWN | TERM BORROWINGS REPAID | FAIR VALUE ADJUSTMENTS | FOREIGN EXCHANGE | TRANSACTION COSTS PAID & ACCRUED | FINANCE LEASE PAID | BALANCE AT 31 DEC 2018 |
| Unsecured borrowings – NZD | 986 | 89 | (5) | – | – | – | – | 1,070 |
| Unsecured borrowings – USD | 487 | – | – | (10) | 14 | – | – | 491 |
| Finance lease | 48 | – | – | – | (2) | – | – | 46 |
| Total | 1,521 | 89 | (5) | (10) | 12 | – | – | 1,607 |

| GROUP NZ\$M | AUDITED 30 JUN 2018 | | | | | | | |
|----------------------------|---------------------------|-----------------------------|------------------------------|---------------------------|---------------------|--|-----------------------|---------------------------|
| | BALANCE AT 1 JULY 2017 | TERM BORROWINGS DRAWN | TERM BORROWINGS REPAID | FAIR VALUE ADJUSTMENTS | FOREIGN EXCHANGE | TRANSACTION COSTS PAID & ACCRUED | FINANCE LEASE PAID | BALANCE AT 30 JUN 2018 |
| Unsecured borrowings – NZD | 725 | 462 | (200) | – | – | (1) | – | 986 |
| Unsecured borrowings – USD | 467 | – | – | 12 | 7 | 1 | – | 487 |
| Finance lease | 47 | – | – | – | 2 | – | (1) | 48 |
| Total | 1,239 | 462 | (200) | 12 | 9 | – | (1) | 1,521 |

D

FINANCIAL INSTRUMENTS

IN THIS SECTION. In this section of the summary notes there is information:

- analysing financial (hedging) instruments used to manage risk; and
- outlining Meridian's fair value techniques and key inputs.

D1 FINANCIAL INSTRUMENTS

FAIR VALUE OF HEDGING FINANCIAL INSTRUMENTS.

The recognition and measurement of hedging financial instruments requires management estimation and judgement (this is discussed in further detail later in this note). These estimates can have a significant risk of material adjustment in future periods. Fair value measurements are grouped within a three-level fair value hierarchy based on the observability of valuation inputs (described opposite).

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1.
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | LEVEL | FAIR VALUE ON THE BALANCE SHEET | | | | | | FAIR VALUE MOVEMENTS IN THE INCOME STATEMENT | |
|--|-------|---------------------------------|-----------------|-----------------------|-----------------|---------------------|-----------------|--|-----------------------|
| | | UNAUDITED 31 DEC 2018 | | UNAUDITED 31 DEC 2017 | | AUDITED 30 JUN 2018 | | UNAUDITED 31 DEC 2018 | UNAUDITED 31 DEC 2017 |
| | | ASSETS \$M | LIABILITIES \$M | ASSETS \$M | LIABILITIES \$M | ASSETS \$M | LIABILITIES \$M | \$M | \$M |
| Cross currency interest rate swap (CCIRS) – fair value hedge | 2 | 5 | - | 21 | (4) | 4 | - | - | - |
| CCIRS – cash flow hedge | 2 | (1) | - | (2) | - | (1) | - | - | - |
| CCIRS – foreign exchange retranslation | 2 | 55 | - | 22 | - | 44 | - | - | - |
| Interest rate swap (IRS) | 2 | 16 | (130) | 12 | (112) | 14 | (114) | (15) | (2) |
| Treasury hedges | | 75 | (130) | 53 | (116) | 61 | (114) | (15) | (2) |
| Foreign exchange hedges | 2 | - | - | - | - | - | - | - | - |
| Market traded electricity hedges | 1 | 31 | (8) | 22 | (27) | 30 | (9) | 4 | 3 |
| Other electricity hedges | 3 | 27 | (59) | 42 | (26) | 13 | (52) | 6 | 3 |
| Electricity options | 3 | 82 | - | 95 | - | 87 | - | (4) | (3) |
| Large scale generation certificates (LGC) – Holdings created from wind farm generation | 1 | 23 | - | 44 | - | 17 | - | (13) | 2 |
| LGC – forward and option contracts | 2 | 30 | (6) | 2 | (27) | 5 | (6) | 27 | (7) |
| Electricity and other hedges | | 193 | (73) | 205 | (80) | 152 | (67) | 20 | (2) |
| Total hedges | | 268 | (203) | 258 | (196) | 213 | (181) | 5 | (4) |

D1 FINANCIAL INSTRUMENTS *continued***Settlements**

The following provides a summary of the settlements through EBITDAF for financial instruments:

| \$M | UNAUDITED 2018 | | | | UNAUDITED 2017 | | | |
|-------------------------------------|-----------------------|-----------|------------------------|-------------|-----------------------|-----------|------------------------|-----------|
| | ELECTRICITY HEDGES | LGCS | ELECTRICITY OPTIONS | TOTAL | ELECTRICITY HEDGES | LGCS | ELECTRICITY OPTIONS | TOTAL |
| Operating revenue | (64) | 22 | – | (42) | (34) | 28 | – | (6) |
| Operating expenses | 96 | (6) | 9 | 99 | 30 | (5) | 3 | 28 |
| Total settlements in EBITDAF | 32 | 16 | 9 | 57 | (4) | 23 | 3 | 22 |

Level 3 financial instrument analysis

The following provides a summary of the movements through EBITDAF and movements in the fair value of level three financial instruments:

| \$M | UNAUDITED 2018 | | | UNAUDITED 2017 | | |
|---|-----------------------|------------------------|-------------|-----------------------|------------------------|------------|
| | ELECTRICITY HEDGES | ELECTRICITY OPTIONS | TOTAL | ELECTRICITY HEDGES | ELECTRICITY OPTIONS | TOTAL |
| Electricity and other hedges settled in EBITDAF: | | | | | | |
| Operating revenue | (64) | – | (64) | (13) | – | (13) |
| Operating expenses | 96 | 9 | 105 | 37 | 3 | 40 |
| Total settlements in EBITDAF | 32 | 9 | 41 | 24 | 3 | 27 |
| Net change in fair value of electricity and other hedges: | | | | | | |
| Remeasurement | 39 | 4 | 43 | 27 | – | 27 |
| Hedges settled | (32) | (9) | (41) | (24) | (3) | (27) |
| Total net change in fair value of electricity and other hedges | 7 | (5) | 2 | 3 | (3) | – |
| Balance at the beginning of the period | (39) | 87 | 48 | 12 | 98 | 110 |
| Fair value movements | 7 | (5) | 2 | 3 | (3) | – |
| Electricity hedges acquired | | | | 1 | – | 1 |
| Balance at the end of the year | (32) | 82 | 50 | 16 | 95 | 111 |

D1 FINANCIAL INSTRUMENTS *continued***FAIR VALUE TECHNIQUE AND KEY INPUTS.**

In estimating the fair value of an asset or liability, Meridian uses market-observable data to the extent that it is available. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (DCF), a number of inputs and assumptions are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market interest rates and published forward foreign exchange rates;
- Meridian's best estimate of electricity volumes called over the life of electricity options;
- discount rates based on the forward IRS curve adjusted for counterparty risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate; and
- contracts run their full term.

The table below describes the additional key inputs and techniques used in the valuation of level 2 and 3 financial instruments:

| FINANCIAL ASSET OR LIABILITY | DESCRIPTION OF INPUT | RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS | RELATIONSHIP OF INPUT TO FAIR VALUE |
|--|---|--|---|
| Electricity hedges and options, valued using DCFs | Price , where quoted prices are not available or not relevant (i.e. for long dated contracts), Meridian's best estimate of long-term forward wholesale electricity price is used. This is based on a fundamental analysis of expected demand and the cost of new supply and any other relevant wholesale market factors. | \$40/MWh to \$105/MWh (in real terms), excludes observable ASX prices. | An increase in forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in forward wholesale electricity price has the opposite effect. |
| LGC forward contracts and options, valued using DCFs/ Black-Scholes | Price , based on a forward LGC price curve from a third-party broker and benchmarked against market spot prices. | A\$16-A\$80 | An increase in the forward LGC price decreases the fair value of sell hedges and increases the fair value of buy hedges. A decrease in forward LGC prices has the opposite effect. |

Movements in recalibration differences arising from electricity hedges and options

| POSITION AS AT | UNAUDITED 31 DEC 2018 \$M | UNAUDITED 31 DEC 2017 \$M | AUDITED 30 JUN 2018 \$M |
|-----------------------------------|---------------------------------|---------------------------------|-------------------------------|
| Opening difference | 5 | 6 | 6 |
| Initial differences on new hedges | (6) | (1) | - |
| Volumes expired and amortised | (1) | (1) | (1) |
| Closing difference | (2) | 4 | 5 |

Initial recognition difference

An initial recognition difference arises when the modelled value of an electricity hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the income statement over the remaining life of the contract.

E

GROUP STRUCTURE AND OTHER

E1 GROUP STRUCTURE. No changes occurred to Meridian's Group structure in the six months to 31 December 2018.

E2 COMMITMENTS. At 30 June 2018 Meridian Energy Limited had provided a bank guarantee of A\$38 million (30 June 2017: A\$38 million) to the financiers of the purchaser of the Macarthur Wind Farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed. This guarantee was cancelled on 1 October 2018 and Meridian has no further obligations.

E3 CONTINGENT ASSETS AND LIABILITIES. The Ministry of Business, Innovation and Employment's (MBIE) review of Meridian's approach to the application of amounts under the Holidays Act (2003) remains on going. The review has identified a potential issue with a specific point of law. Meridian and MBIE are intending to jointly seek legal clarification and depending on the outcome, there is a potential underpayment ranging between \$3m and \$4m.

Other than the remaining guarantee disclosed in the 30 June 2018 financial statements, there were no other contingent assets or liabilities at 31 December 2018 (31 Dec 2017: nil, 30 Jun 2018: nil).

E4 SUBSEQUENT EVENTS. On 16 January 2019 Meridian Energy Limited entered into a new short term bank facility agreement with a committed limit of NZD400m. The new facility is related to the re-finance of the USD term borrowings that are due to mature in April 2019. The new facility may be used for general corporate purposes.

On 14 February 2019, Meridian priced a United States Private Placement ("USPP") transaction, raising USD300m in long term funding across 10, 12 and 15 year maturities. Meridian has entered into cross currency interest rate swaps to swap the fixed USD debt and interest payments to NZD.

Settlement will occur in April 2019 when Meridian will receive circa NZD439m, with funds to be used to refinance an existing USPP maturity and for general corporate purposes.

There were no other subsequent events other than dividends declared on 19 February 2019. Refer to note C3 Dividends for further details.

E5 CHANGES IN FINANCIAL REPORTING STANDARDS. In the current period, Meridian has adopted all mandatory new and amended Standards. The application of these new and amended Standards has had no material impact on the amounts recognised or disclosed in the financial statements. This is the first reporting period Meridian has reported under NZ IFRS 9 Financial Instruments.

Meridian is not aware of any standards in issue but not yet effective (other than those listed below) which would materially impact on the amounts recognised or disclosed in the financial statements. Meridian intends to adopt when they become mandatory.

NZ IFRS 16 Leases (effective 1 January 2019) – NZ IFRS 16 will be effective in Meridian's 2020 financial year. It will fundamentally change the way leases are accounted for by lessees. Currently, leases are accounted for as either on-balance-sheet finance leases or off-balance-sheet operating leases (by lessees). Under the new accounting standard, these will be replaced by a single, on-balance-sheet model for all leases, which is similar to the current finance lease approach. Meridian is currently assessing the potential impact of certain lease obligations which will be capitalised as assets post implementation. It is not practical to provide a reasonable estimate of the financial effect until this assessment has been completed.

INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF MERIDIAN ENERGY LIMITED

We have reviewed the condensed interim financial statements of Meridian Energy Limited and its subsidiaries ('the Group') which comprise the balance sheet as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and other explanatory information on pages 2 to 19.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

BOARD OF DIRECTORS' RESPONSIBILITIES.

The Board of Directors are responsible on behalf of the Group for the preparation and fair presentation of the condensed interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors are also responsible for the publication of the condensed interim financial statements, whether in printed or electronic form.

OUR RESPONSIBILITIES. The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) and section 14 of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Trevor Deed of Deloitte Limited to carry out an annual audit of the Group.

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Meridian Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

In addition to this review and the audit of the Group annual financial statements, we have carried out other assurance assignments for the Group in the areas of greenhouse gas inventory and sustainability reporting assurance, audit of the securities registers, vesting of the executive long-term incentive plan, the solvency return of Meridian Captive Insurance Limited and supervisor reporting, which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. These services have not impaired our independence as auditor of the Group. In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Group.

CONCLUSION. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and cash flows for the six month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.



TREVOR DEED

for Deloitte Limited
On behalf of the Auditor-General
19 February 2019

WELLINGTON, NEW ZEALAND

This review report relates to the unaudited condensed consolidated interim financial statements of Meridian Energy for the six months ended 31 December 2018 included on Meridian Energy's website. The Board of Directors are responsible for the maintenance and integrity of Meridian Energy's website. We have not been engaged to report on the integrity of Meridian Energy's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 19 February 2019 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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MERIDIAN ENERGY LIMITED

2019 INTERIM RESULTS PRESENTATION



HIGHLIGHTS

18%
increase in interim EBITDAF

5.70
cents per share ordinary dividend, a **6%** increase

5%
increase in NZ customer numbers

MARKET UPDATE

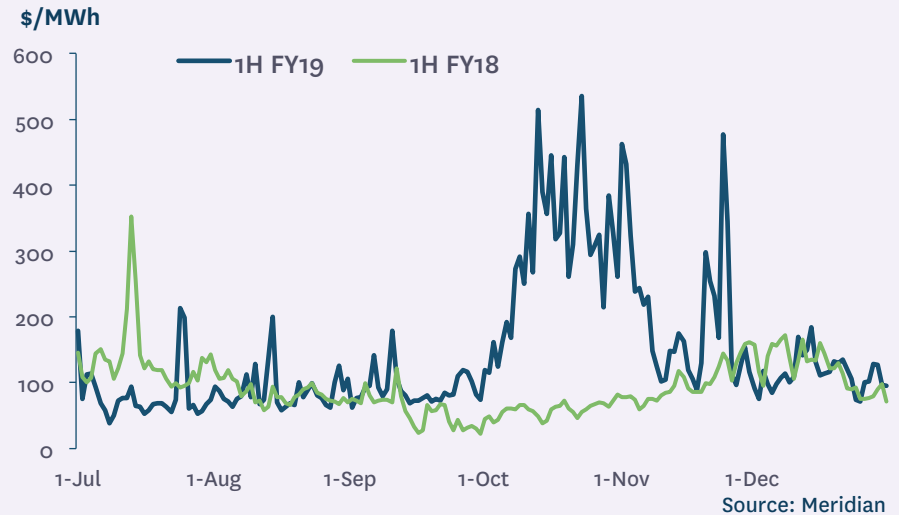


NEW ZEALAND WHOLESALE PRICES

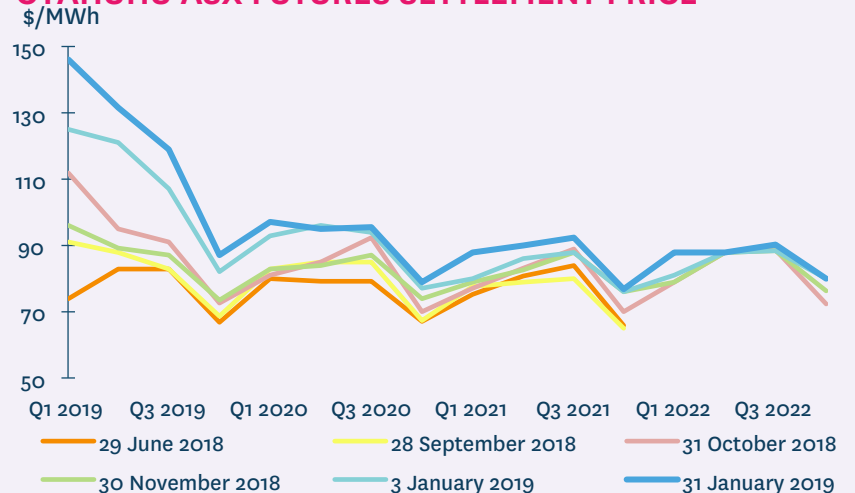
Higher spot and forward wholesale prices

- Higher wholesale prices since October 2018
- That marked national storage dropping below average for the first time since February 2018
- And commencement of higher consumption by the Tiwai Point Smelter as new cells were cut in on potline 4
- With uncertainty around gas supply as Pohokura offshore capacity was reduced and Maui pipeline issues were discovered
- Further 30 days of shutdown on Pohokura offshore wells is expected between February and April 2019
- Electricity market is experiencing some periodic thermal plant outages
- ASX forward price curve has steadily lifted reflecting the shift in underlying supply demand balance

OTAHUHU DAILY AVERAGE SPOT PRICE



OTAHUHU ASX FUTURES SETTLEMENT PRICE



Source: Electricity Authority

NEW ZEALAND DEMAND

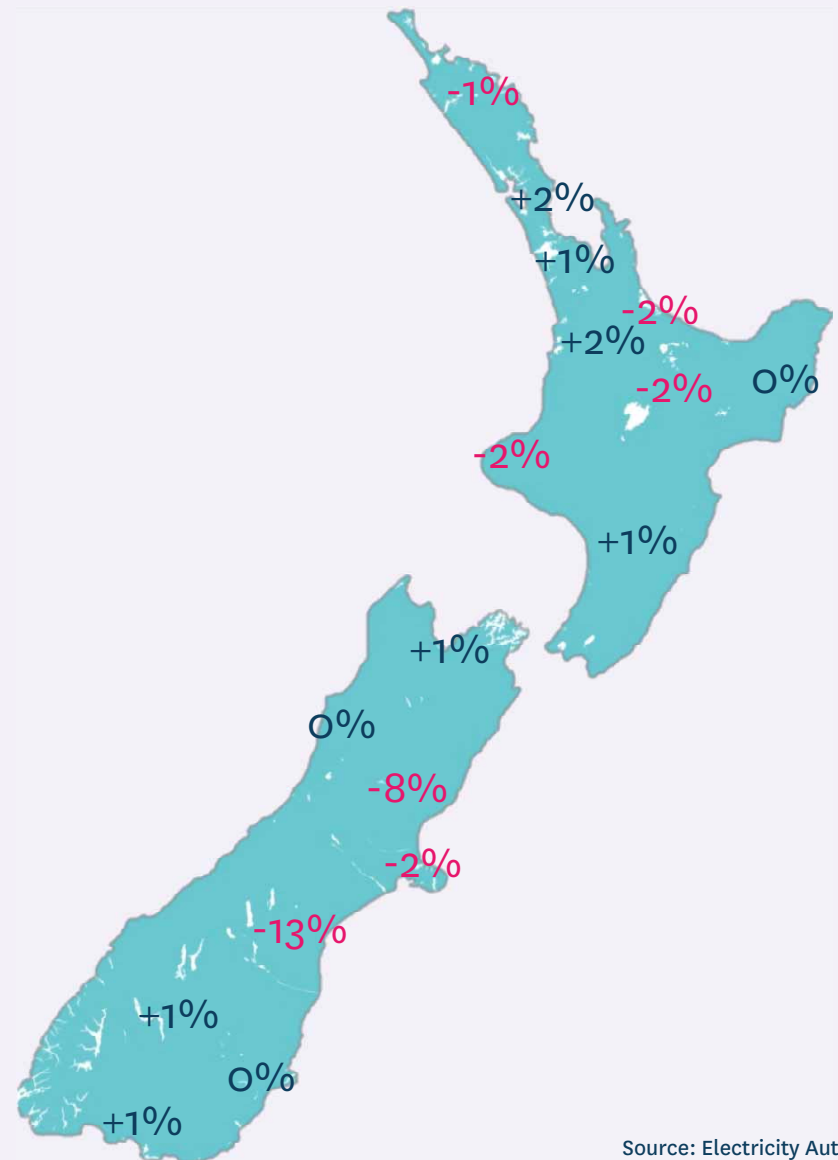
Flat demand in 2018

- Despite lower irrigation volumes in 2018
- 2018 was the second equal warmest year on record, average temperatures above 2017
- Underlying demand growth of 1% excluding irrigation

Different, positive views on future demand

- Medium term economic growth expected
- Policy settings should encourage decarbonisation
- Assumptions vary on rate of electrification of the wider energy system

REGIONAL ELECTRICITY DEMAND 2018 V 2017



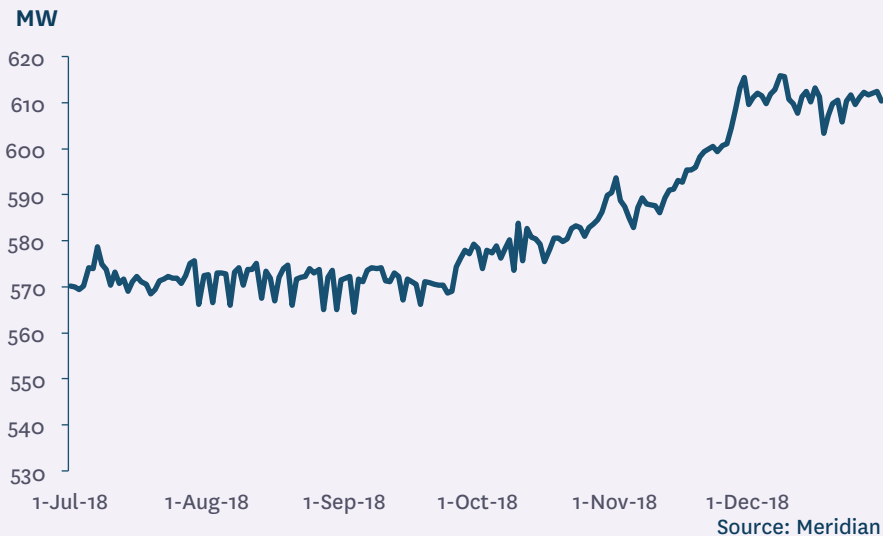
Source: Electricity Authority

TIWAI POINT ALUMINIUM SMELTER

4th potline restarted

- Official opening in early December
- New cells have been cut in since October 2018
- Tiwai contracts with Meridian now total 622MW
- 4th potline contract is for 50MW and represents:
 - a 10% increase in the plant's production capacity
 - 1% growth in NZ total electricity demand growth
- LME prices have declined 13% since June 2018, however remain above 2017 levels

TIWAI POINT AVERAGE DAILY LOAD



LME ALUMINIUM PRICES

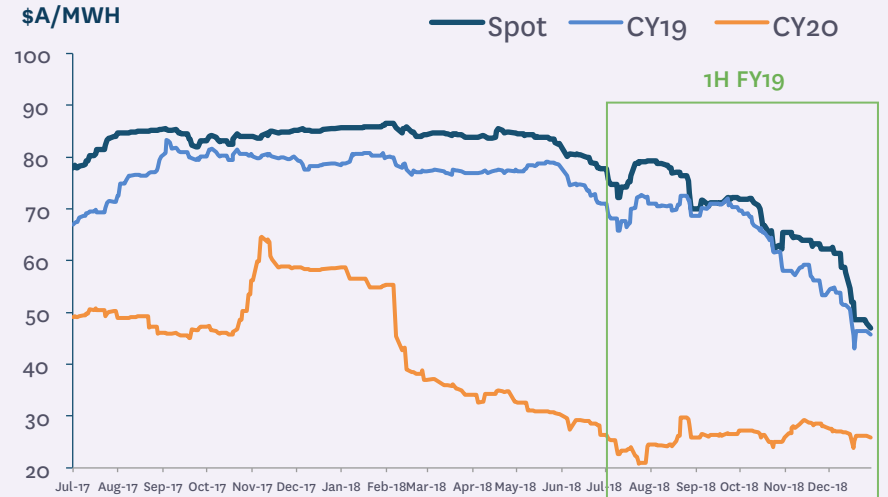


AUSTRALIAN WHOLESALE PRICES

Lower LGC prices

- LGC markets fell during 1H FY19 with:
 - Developers looking to lock in contracts, putting downward pressure on prices
 - Retailers under surrendering in front years and meeting carried over obligation by buying back cheaper in 2020
- Recently black forward prices have increased in the lead up to summer with concerns around system reliability
- Extreme weather in January 2019 has driven demand, spot and forward prices higher

AUSTRALIAN LGC PRICES



Source: Meridian



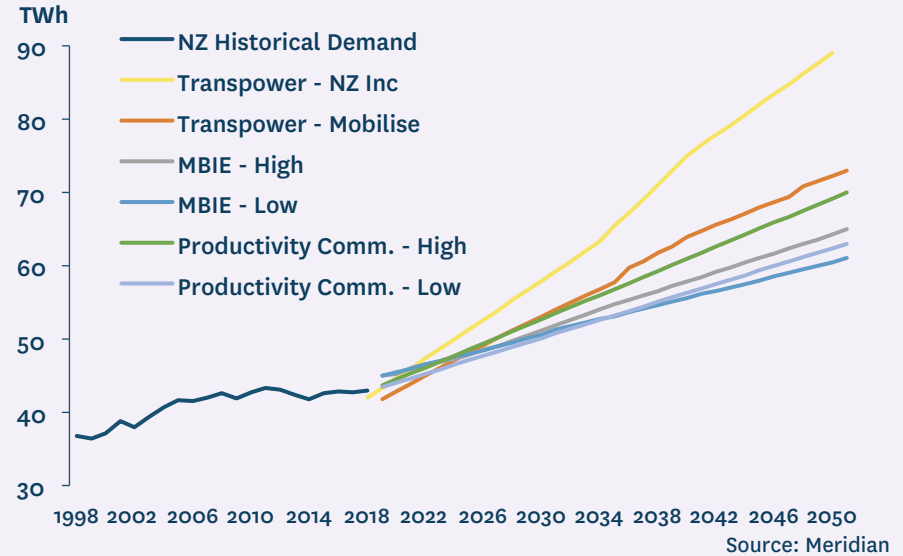
POLICY AND REGULATION UPDATE

NEW ZEALAND POLICY AND REGULATION

Climate change policy

- Interim Climate Change Commission established to provide analysis on:
 - How surrender obligations work if agricultural emissions enter the ETS
 - Planning for the transition to 100% renewable energy by 2035
- ICCC will be superceded by an Independent Climate Change Commission this year, enabled by the Zero Carbon Bill
- That Bill is currently being drafted; intended to go through select committee before June and pass into law late 2019
- Work is also continuing on improvements to the ETS, a second tranche of changes expected to be announced in 2019
- Electricity market will be the key enabler of greater decarbonisation in New Zealand
- This policy direction is lifting future electricity demand forecasts

DEMAND FORECASTS



NEW ZEALAND POLICY AND REGULATION

Electricity price review

- Second phase of the review is underway
- Preliminary options paper is due in February 2019
- That paper will test solutions suggested by stakeholders and panel experts
- Final findings and recommendations will then be developed

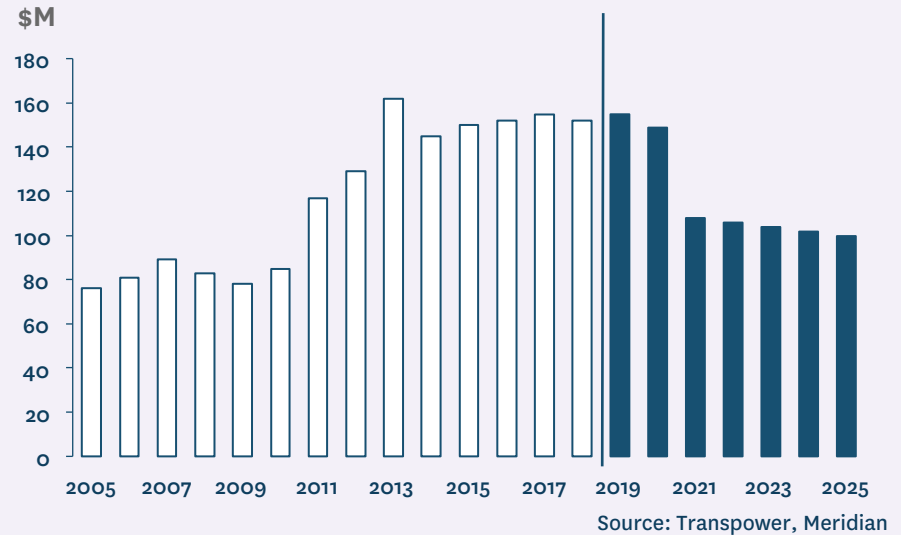
| | Sep 18 | Oct 18 | Nov 18 | Feb 19 | Mar 19 → | Jun 19 → |
|----------------------------------|----------|--------------------|--------------------|-----------------|-----------------------------------|-----------------------|
| First report for discussion | released | submissions closed | | | | |
| Analysis of retail billing data | | released | submissions closed | | | |
| Preliminary options paper | | | | planned release | workshops followed by submissions | |
| Final report and recommendations | | | | | | delivered to Minister |

NEW ZEALAND POLICY AND REGULATION

Transmission pricing

- Since June 2018 the EA has been preparing new TPM guidelines, including a new CBA
- Update from EA in December 2018:
 - TPM review is a top priority
 - Existing interconnection and HVDC charges will be replaced with a benefit-based charge and a residual charge
 - Benefit-based charge for new investment and selected existing major investments
 - Residual charge for remaining former investment
 - Proposal for consultation expected to be released in mid-2019
- Transpower's RCP3 Proposal plans \$60m investment to extend pole 2 operating life rather than complete replacement
- HVDC cost reduction expected from 2020, whether TPM review is complete or not

TRANSPOWER HVDC REVENUE



AUSTRALIAN POLICY AND REGULATION

Thwaites Review (Victoria)

- A Victorian Default Offer (VDO) will be created from 1 July 2019 to replace current standing offers
- The VDO will contain a cost for customer acquisition and retention, unlike the previously Basic Service Offer originally proposed by the Thwaites review

ACCC Review (Federal)

- Default offer proposal still seeking support of all states

Federal Government policy

- NEG dumped, reliability mechanisms have been retained
- Developed a package to address market concerns and deliver cost savings
- Includes proposed legislation that could compel companies to sell off large generation assets, which has been widely criticised



UK POLICY AND REGULATION

Price caps

- Legislation passed requiring Ofgem to cap standard variable and default energy tariffs
- Cap (ceiling) is in place from the end of 2018 until 2020
- Ofgem will then recommend if the cap should remain up to 2023
- Recent wholesale price increases have led to Ofgem announcing the price cap will rise in April 2019
- Strong acquisition push by the big retailers in the lead up to the cap's introduction
- Including moving customers off default offers and onto fixed price plans (not covered by the cap)





BUSINESS UPDATE

NEW ZEALAND CUSTOMERS

Continued growth

- 2% growth in customer numbers
- Growth in residential (6%) and small medium business sales volumes (4%)
- Lower agri sales reflect irrigation demand
- First Meridian staff customers migrated onto the Flux platform
- Residential discounts now replaced with simple, lower rates

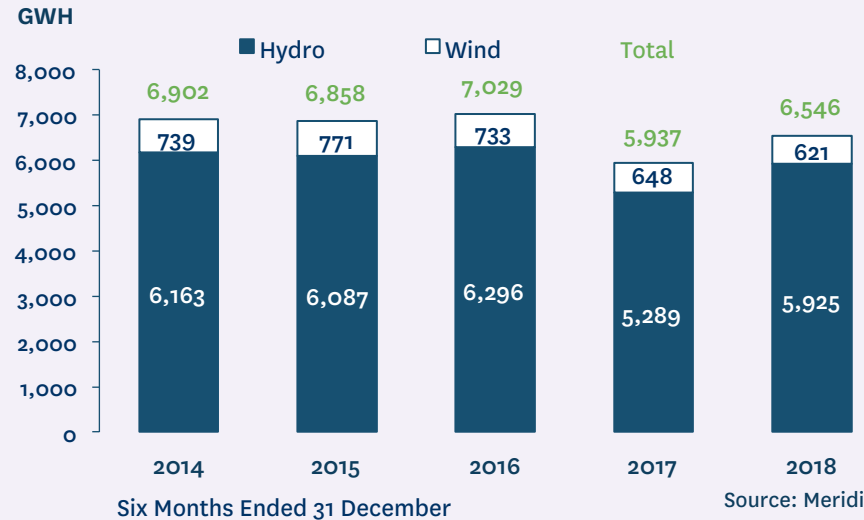
| CUSTOMER SALES | CUSTOMER NUMBERS | SALES VOLUME (GWH) | AVERAGE PRICE ¹ (\$/MWH) |
|------------------------------|------------------|--------------------|-------------------------------------|
| <u>1H FY19</u> | | | |
| Residential | 198,689 | 762 | |
| Small medium business | 38,781 | 496 | |
| Agricultural | 37,978 | 455 | |
| Large business | 18,658 | 223 | |
| Total Residential/SMB | 294,106 | 1,936 | \$116 |
| Corporate | 2,426 | 1,063 | \$82 |
| <u>1H FY18</u> | | | |
| Residential | 188,698 | 719 | |
| Small medium business | 36,916 | 477 | |
| Agricultural | 37,382 | 607 | |
| Large business | 17,159 | 224 | |
| Total Residential/SMB | 280,155 | 2,027 | \$118 |
| Corporate | 2,241 | 1,114 | \$81 |

NEW ZEALAND GENERATION

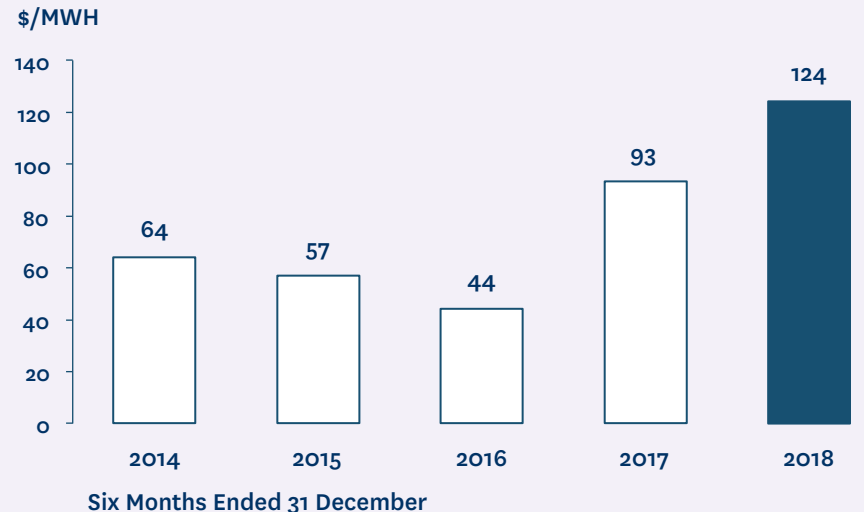
Average generation levels at higher prices

- 92% of average inflows in the six months to December 2018 with good winter storage
- Higher average prices received for generation (33%) and paid to supply contracted sales (37%)
- Good storage at end of January 2019:
 - Waitaki catchment 98% of average
 - Waiau catchment 92% of average

NEW ZEALAND GENERATION



AVERAGE GENERATION PRICE



AUSTRALIAN CUSTOMERS AND GENERATION

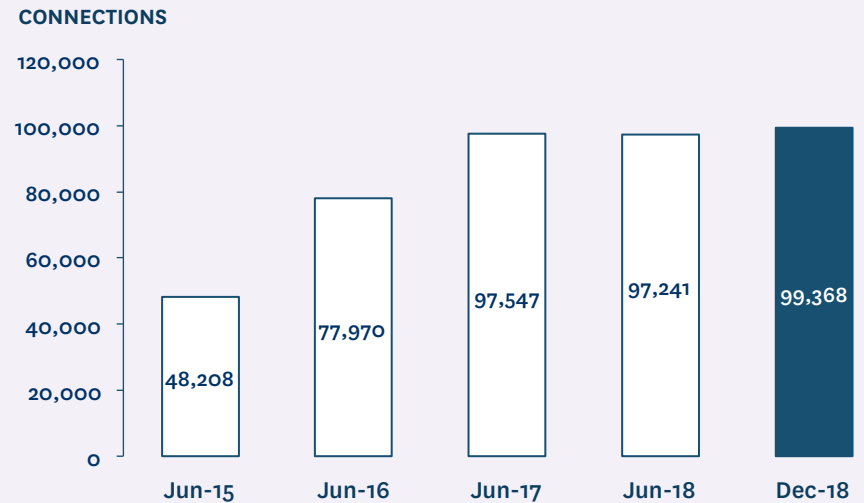
Customer growth

- 2% growth in customer numbers
- 3% reduction in retail sales volume in 1H FY19
- Momentum in Victorian gas sales with 12,500 customers and 142TJ of sales volume by the end of 1H FY19
- South Australia is under development

Lower generation prices

- Falling LGC price curve
- Drought conditions persist in NSW, leading to lower than expected FY19 and potentially FY20 hydro generation

AUSTRALIAN ELECTRICITY CUSTOMERS



UNITED KINGDOM

Merger abandoned

- Proposed merger between npower (our franchisee) and SSE's domestic retail business was abandoned in December 2018
- Key issues appear to be intense retail competition and increased regulation
- npower will move into E.ON as part of E.ON's acquisition of Innogy (npower's parent) from RWE announced back in March 2018
- Following this acquisition (later this year):
 - RWE focused on generation
 - E.ON focused on distribution and retail across Europe
- Powershop continues to acquire customers (55,000 by December 2018) and develop white label capability

A powerpack is a set amount of energy you can buy at a discounted price

Buy Powerpacks now

| Powerpack Name | Price | Worth | Per Day Price | Duration | Discount |
|------------------|--------|--------|---------------|----------|-----------|
| WINTER JUMBO | £15.96 | £25.42 | £1.14 | 14 days | 37.2% OFF |
| Family Powerpack | £2.30 | £3.39 | £1.23 | 1 day | 32% OFF |
| Burger Powerpack | £2.03 | £2.82 | £1.30 | 1 day | 28% OFF |

FINANCIAL UPDATE

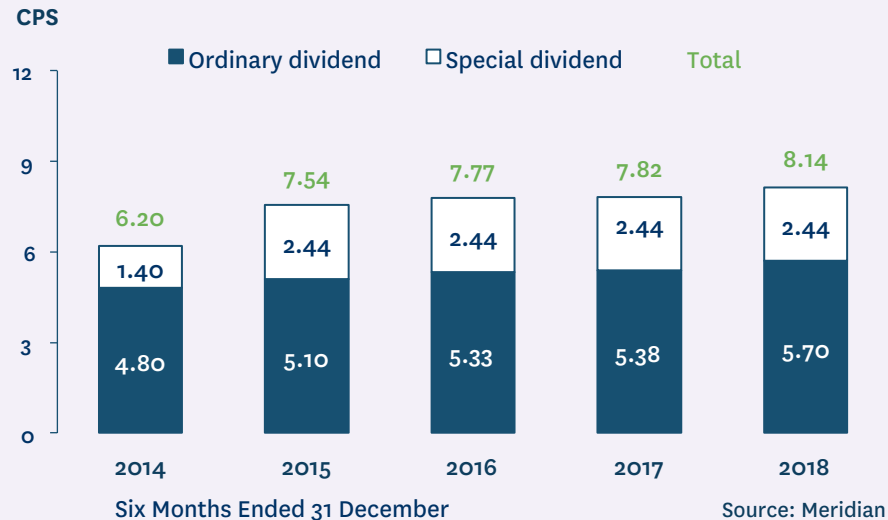


DIVIDENDS

6% growth in interim ordinary dividend

- Interim ordinary dividend declared of 5.70 cps, 86% imputed
- Capital management interim special dividend of 2.44 cps, unimputed
- Brings capital management distributions to \$500M since the programme began in August 2015

INTERIM DIVIDEND DECLARED



INTERIM DIVIDENDS DECLARED

CPS IMPUTATION

1H FY2019

| | | |
|-------------------------------|-------------|-----|
| Ordinary dividends | 5.70 | 86% |
| Capital mgt special dividends | 2.44 | 0% |
| Total | 8.14 | |

1H FY2018

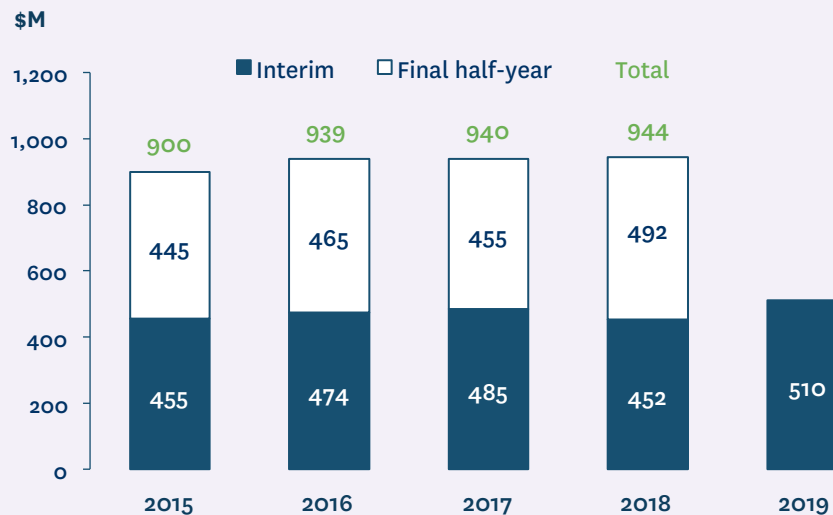
| | | |
|-------------------------------|-------------|-----|
| Ordinary dividends | 5.38 | 88% |
| Capital mgt special dividends | 2.44 | 0% |
| Total | 7.82 | |

EARNINGS

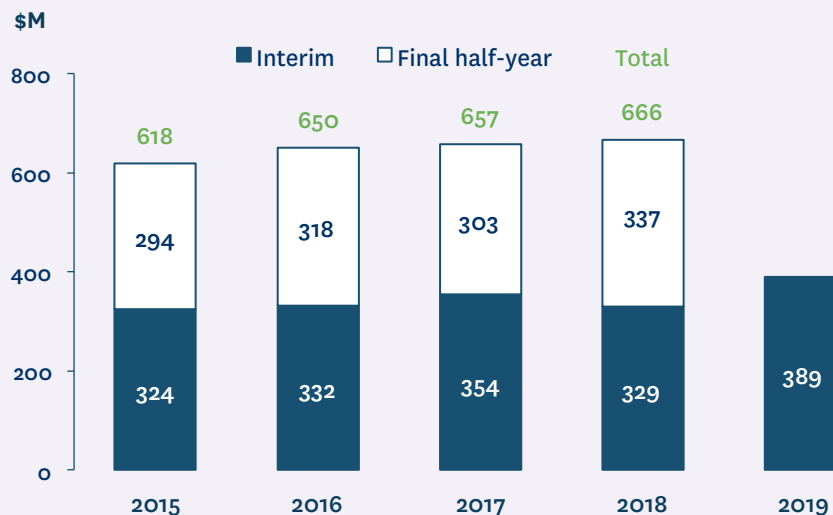
Record interim EBITDAF, 18% up on 1H FY18

- Higher residential and business sales volumes at stable average price
- Lower corporate sales volumes at higher prices
- Lower irrigation sales
- Higher wholesale prices and volumes with:
 - 10% increase in physical generation
 - 12% decrease in acquired generation
 - 61% increase in derivative volumes sold
- 4th potline volumes and Tiwai price indexation
- Some NZ cost expansion, mainly asset refurbishments
- Growth in Australia and UK earnings, some cost growth to support this
- Higher NZ transmission costs

NZ ENERGY MARGIN



GROUP EBITDAF



AUSTRALIA

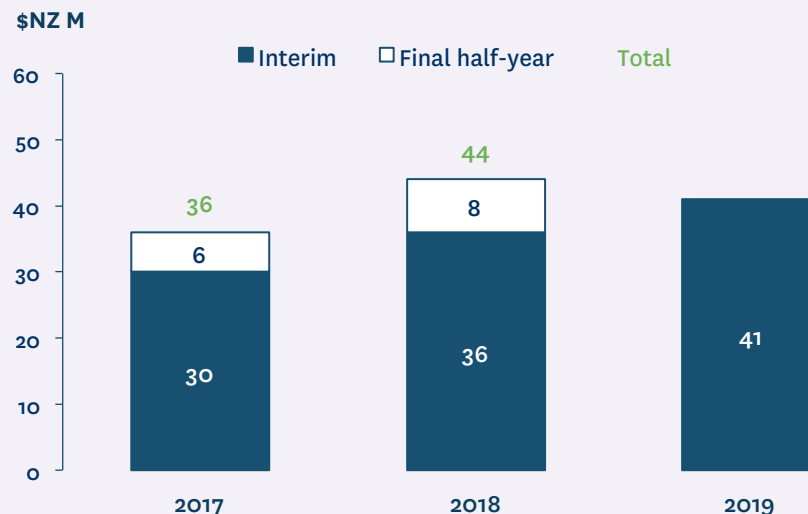
14% increase in EBITDAF

- GSP hydro generation, impacted by drought conditions
- Firming retail electricity price
- Victorian gas earnings
- Sharp reduction in LGC prices
- Hedging benefits from these will be felt in 2H FY19
- Additional operating costs for GSP assets, gas costs and renewed customer marketing

Accounting treatment of LGCs

- Forward sales of LGCs are marked to market through fair value movements
- Sales settle each January with fair value gains/losses on settled sales transferring to EBITDAF
- 1H FY19 includes A\$3M of settlement losses which will decrease 2H FY19 EBITDAF
- This compares to an equivalent figure in 2H FY18 of A\$14M

AUSTRALIAN EBITDAF

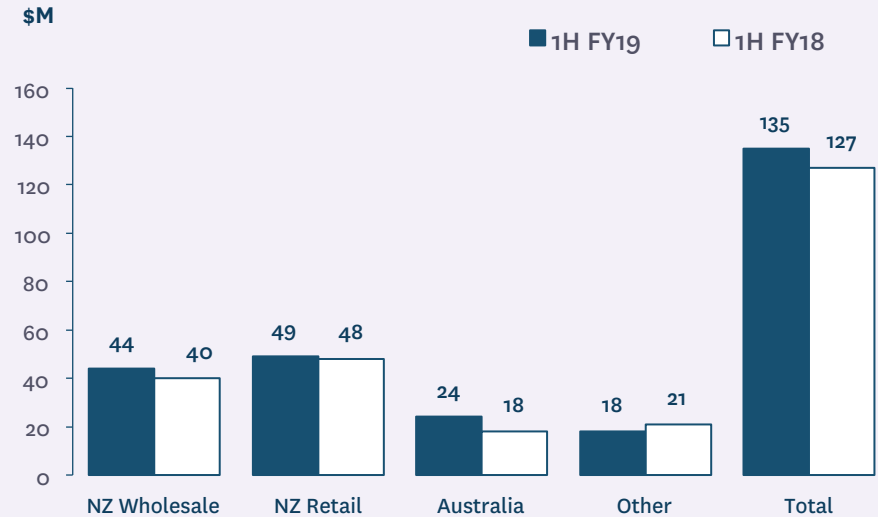


COSTS

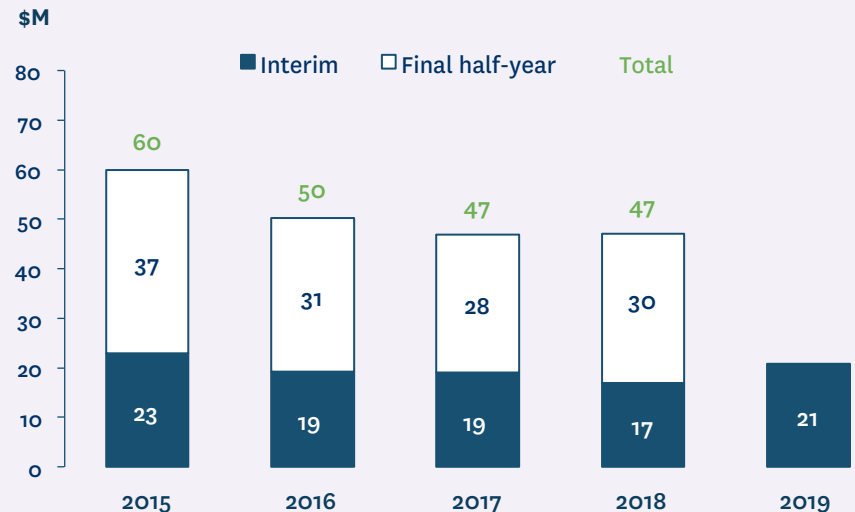
6% increase in operating costs

- Refurbishment spend on Te Āpiti wind farm and the Ōhau hydro stations
- Maintaining a similar level of promotional spend to 1H FY18, supporting NZ customer acquisition
- Higher Australian customer service costs from higher average customer numbers
- Costs associated with introduction of gas offer in Victoria
- Maintenance costs associated with GSP hydro assets
- Flux expansion and preparation for Meridian customer migration
- Relatively stable stay in business capex
- Total capex of \$28M in 1H FY19

OPERATING COSTS



STAY IN BUSINESS CAPEX

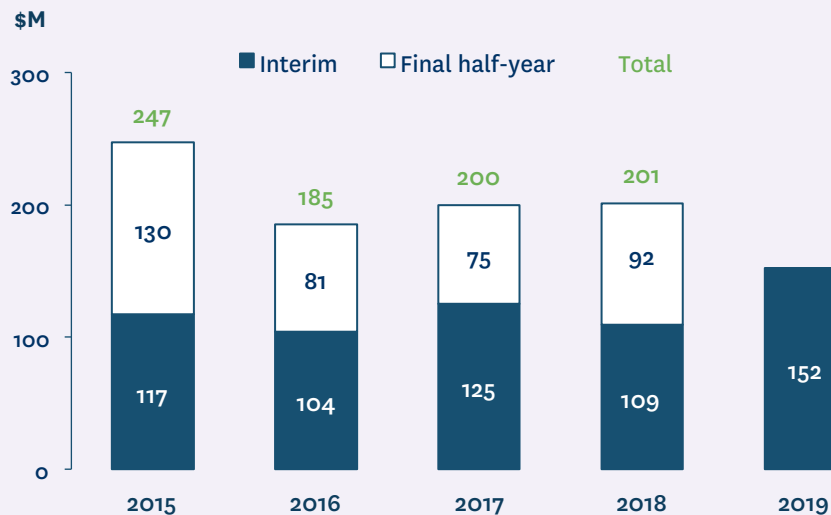


BELOW EBITDAF

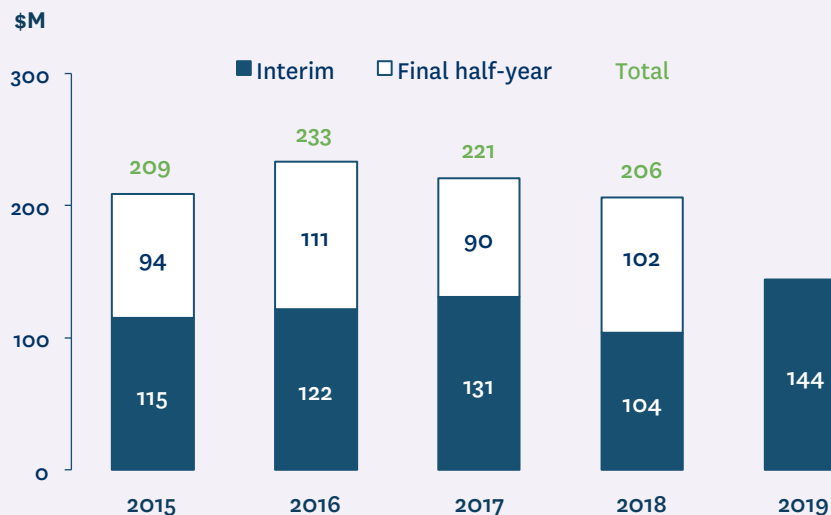
39% increase in NPAT

- \$3M (2%) increase in depreciation
- No impairments in 1H FY19, compared with 1H FY18 impairments of \$2M (Central Wind consent)
- No asset sale gains in 1H FY19 compared with 1H FY18 gains of \$6M (farm land sales)
- \$20M increase to NPBT from fair value of electricity hedges from rising forward electricity prices and falling LGC price curve (\$2M reduction in 1H FY18)
- \$15M reduction to NPBT from fair value of treasury instruments from decreases in New Zealand and Australian forward interest rates (\$2M reduction in 1H FY18)
- \$2M (5%) increase in net financing costs
- \$17M increase in tax expense from higher NPBT
- \$40M (38%) increase in underlying NPAT from higher EBITDAF, some offset from increases depreciation, interest, tax and swapation premiums

NET PROFIT AFTER TAX



UNDERLYING NPAT

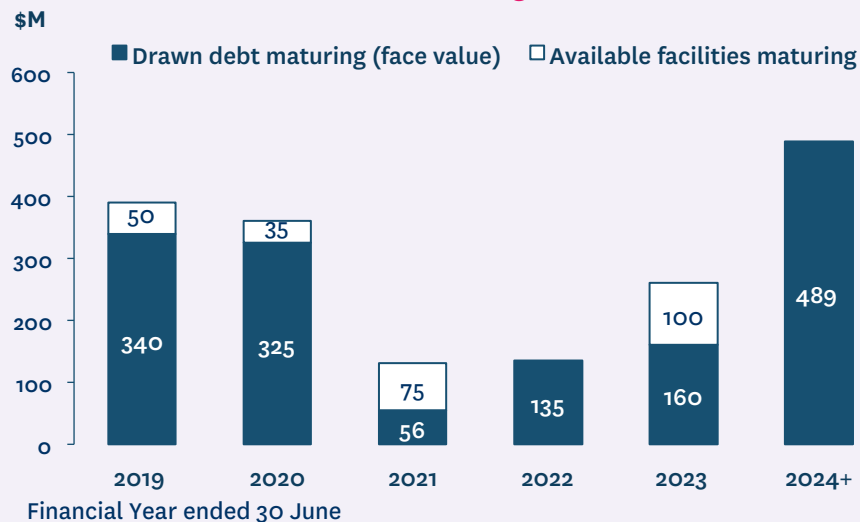


DEBT AND FUNDING

Recent USD 300M Private Placement

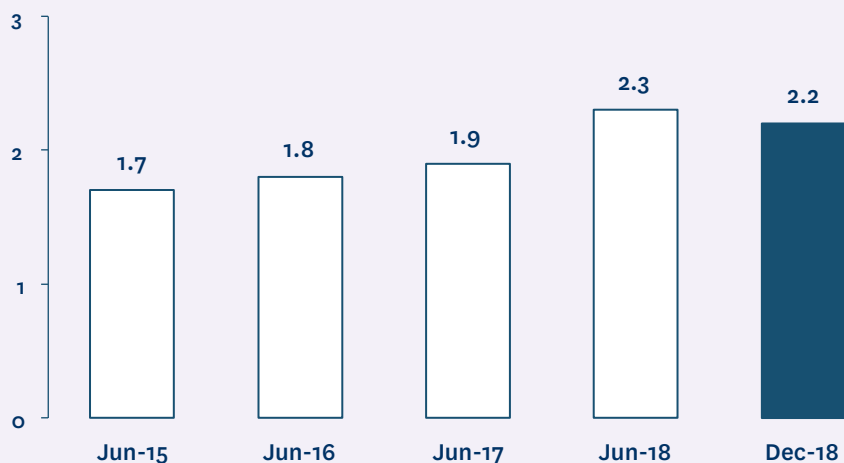
- Total borrowings as at 31 December 2018 of \$1,561M
- Up \$195M from 31 December 2017
- Committed bank facilities of \$725M of which \$300M were undrawn
- Expiry of these facilities from FY19 to FY26

DEBT MATURITY PROFILE AS AT 31 DEC 2018

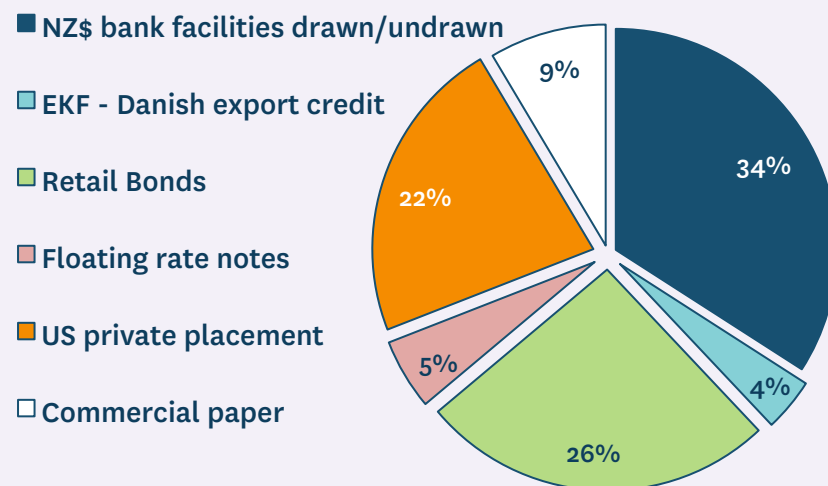


NET DEBT/EBITDA*

TIMES



SOURCES OF FUNDING AS AT 31 DEC 2018



CLOSING COMMENTS

- Good current catchment storage
- Strong January 2019 generation and wholesale prices, with irrigation and air conditioning load driving demand
- NZ electricity price review preliminary options paper is imminent
- Followed by consultation in early 2019, final report to the Minister will follow that
- Transmission pricing proposal for consultation expected in the middle of the year
- NZ's climate change actions will be shaped by this year's Zero Carbon Bill, expected to pass into law late 2019
- Default offers in two forms (Victoria, rest of the NEM) appear likely
- Australian federal election sometime in 2019

QUESTIONS



FINANCIAL PERFORMANCE IN DETAIL

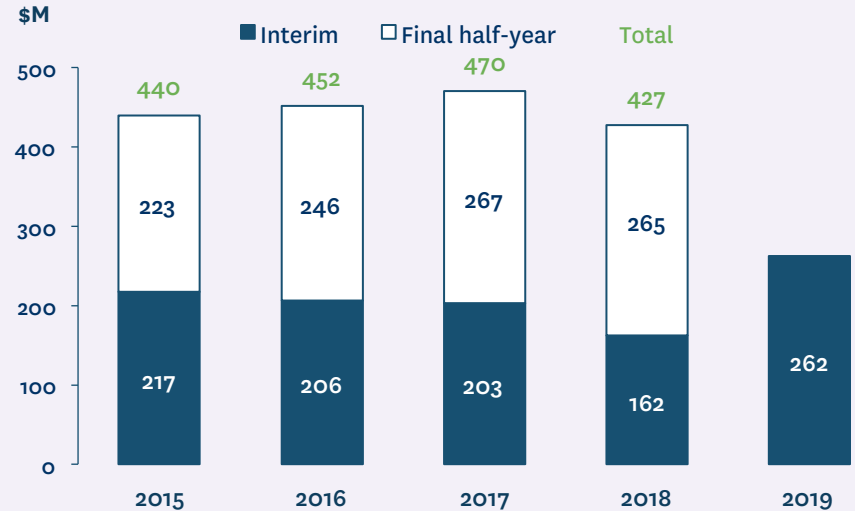


OPERATING CASH FLOWS

\$100M (62%) increase

- Record level of interim operating cash flow
- Driven by higher 1H FY19 EBITDAF
- Includes reversal of timing differences that weighed on FY18 full year cash flow

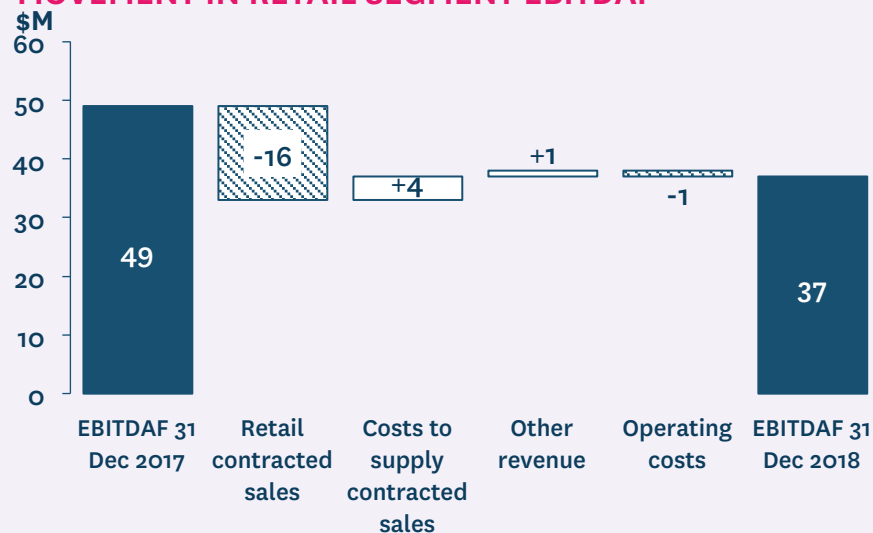
OPERATING CASHFLOW



SEGMENT RESULTS

| \$M | WHOLESALE | | RETAIL | | AUSTRALIA | | OTHER/ UNALLOCATED | | INTER- SEGMENT | |
|---------------------------------|------------|------------|------------|------------|------------|------------|-----------------------|------------|-------------------|------------|
| | 1H FY19 | 1H FY18 | 1H FY19 | 1H FY18 | 1H FY19 | 1H FY18 | 1H FY19 | 1H FY18 | 1H FY19 | 1H FY18 |
| SIX MONTHS ENDED 31 DECEMBER | | | | | | | | | | |
| Energy margin | 430 | 360 | 80 | 92 | 66 | 57 | - | - | - | - |
| Other revenue | 2 | 2 | 6 | 5 | 1 | - | 13 | 8 | (9) | (5) |
| Energy transmission expense | (63) | (60) | - | - | (2) | (3) | - | - | - | - |
| Operating expenses | (44) | (40) | (49) | (48) | (24) | (18) | (23) | (25) | 5 | 4 |
| EBITDAF | 325 | 262 | 37 | 49 | 41 | 36 | (10) | (17) | (4) | (1) |

MOVEMENT IN RETAIL SEGMENT EBITDAF



AUSTRALIAN SEGMENT

FY18 energy margin reclassified

- For treatment of financial trading

| ENERGY MARGIN (\$M) | 1H FY18 REPORTED | CHANGES | 1H FY18 RESTATE | FY18 RESTATE |
|---------------------------------|-----------------------------|----------------|----------------------------|-------------------------|
| Contracted sales | 49 | 12 | 61 | 123 |
| Cost to supply customers | (37) | (10) | (47) | (100) |
| Net cost of acquired generation | - | (14) | (14) | (25) |
| Generation spot revenue | 45 | 12 | 57 | 87 |
| Energy Margin | 57 | - | 57 | 85 |

NEW ZEALAND RETAIL

Customers

- 2% increase in customers since June 2018

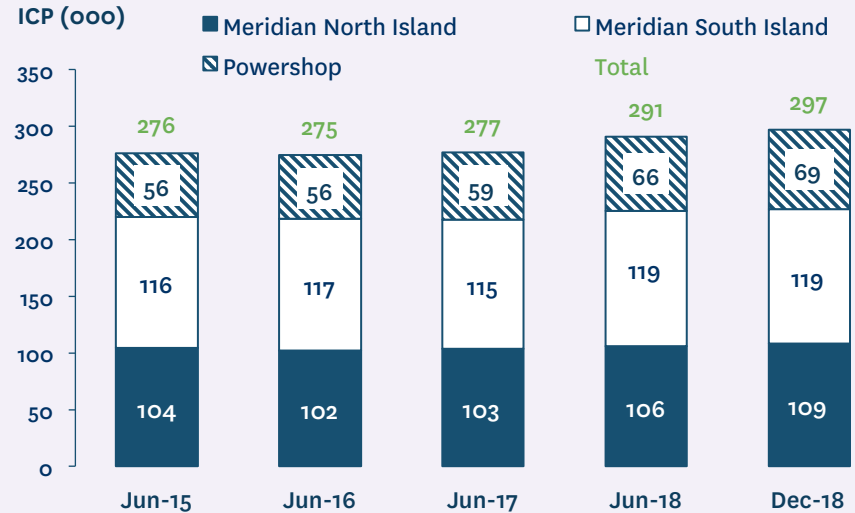
Residential, Business, Agri segment

- 5% decrease in overall volumes
- 6% increase in residential volumes
- 4% increase in small business volumes
- 1% decrease in large business volumes
- 25% decrease in agri volumes, irrigation-driven
- 1% decrease in average sales price

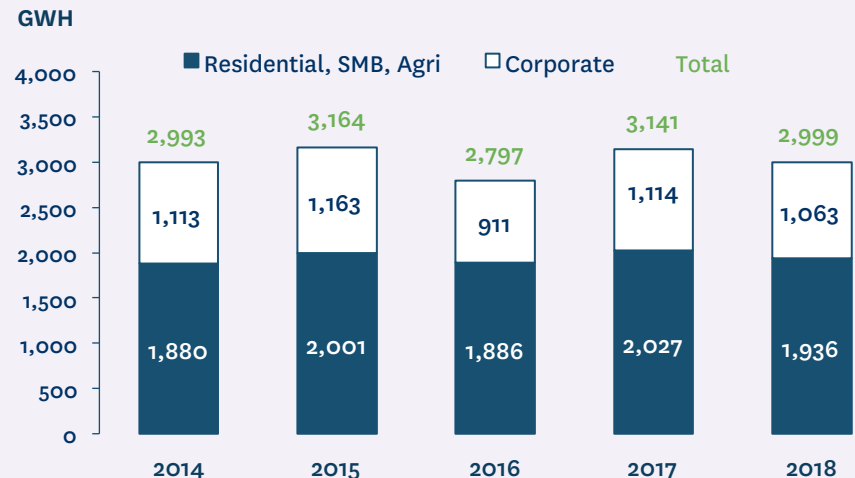
Corporate segment

- 5% decrease in volumes
- 1% increase in average sales price

NEW ZEALAND CUSTOMER NUMBERS



RETAIL SALES VOLUME



Six Months Ended 31 December

NEW ZEALAND HYDROLOGY

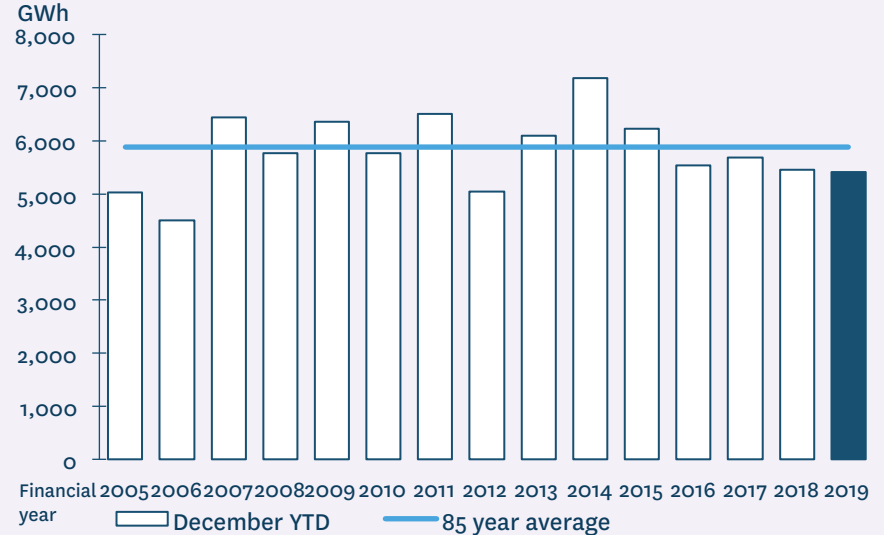
Inflows

- Inflows for 1H FY19 were 92% of historical average
- January 2019 inflows were 99% of average

Storage

- Meridian's Waitaki catchment storage at 31 December 2018 was 98% of historical average
- By 31 January 2019, this position was also 98% of historical average

MERIDIAN'S COMBINED CATCHMENT INFLOWS



MERIDIAN'S WAITAKI STORAGE



NEW ZEALAND GENERATION

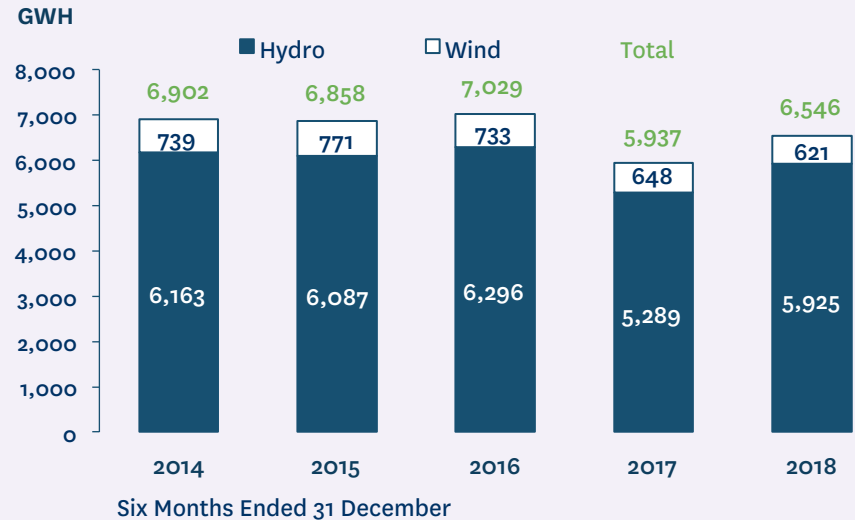
Volume

- 1H FY19 generation was 10% higher than 1H FY18
- Reflected higher hydro and lower wind generation

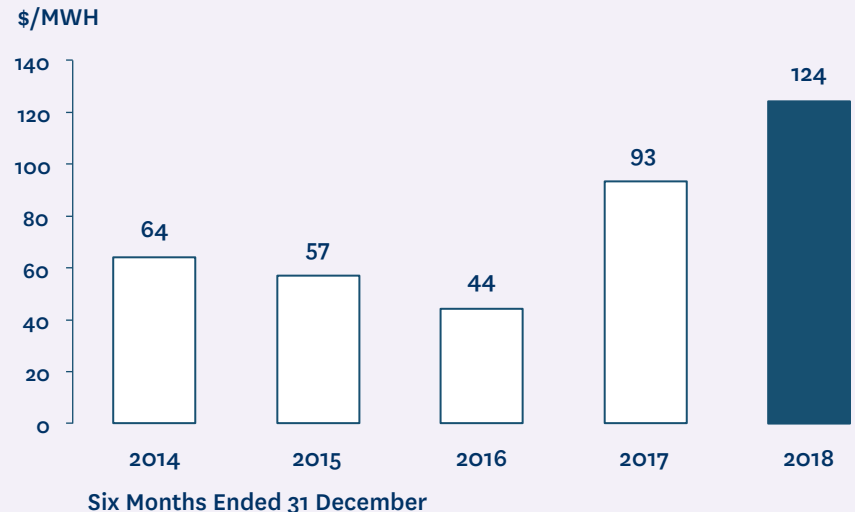
Price

- 1H FY19 average price Meridian received for its generation was 33% higher than 1H FY18
- 1H FY19 average price Meridian paid to supply contracted sales was 38% higher than 1H FY18

NEW ZEALAND GENERATION



AVERAGE GENERATION PRICE



AUSTRALIAN RETAIL

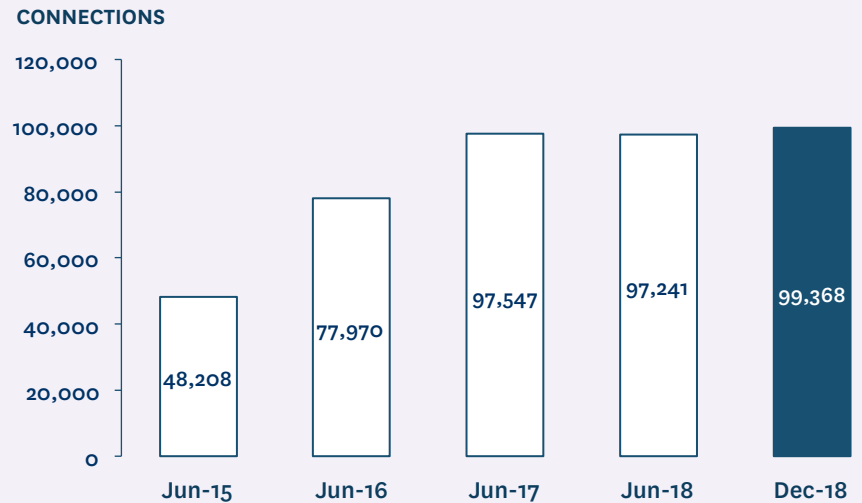
Customers

- 2% growth in customer numbers since June 2018
- 12,500 gas customers in Victoria by 31 December 2018

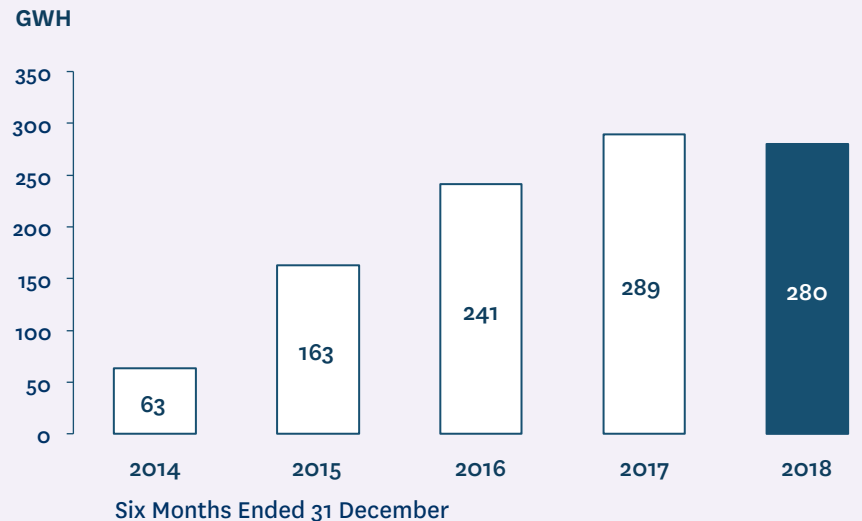
Sales volume

- 3% decrease in sales volumes
- 142TJ of gas sales in Victoria

AUSTRALIAN ELECTRICITY CUSTOMERS



RETAIL SALES VOLUME

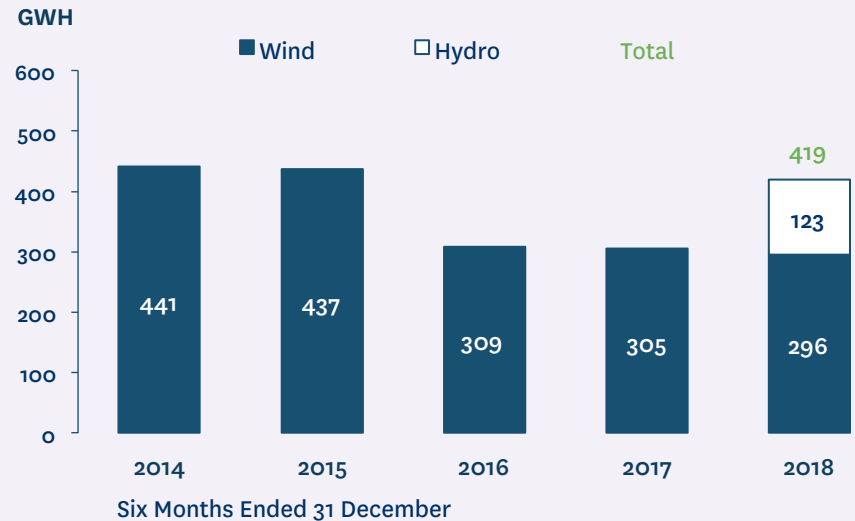


AUSTRALIAN GENERATION

Volume

- 1H FY19 generation was 37% higher than 1H FY18
- 1H FY19 includes 123GWh of seasonal generation from the GSP hydro assets
- 1H FY19 wind generation was 3% lower than 1H FY18

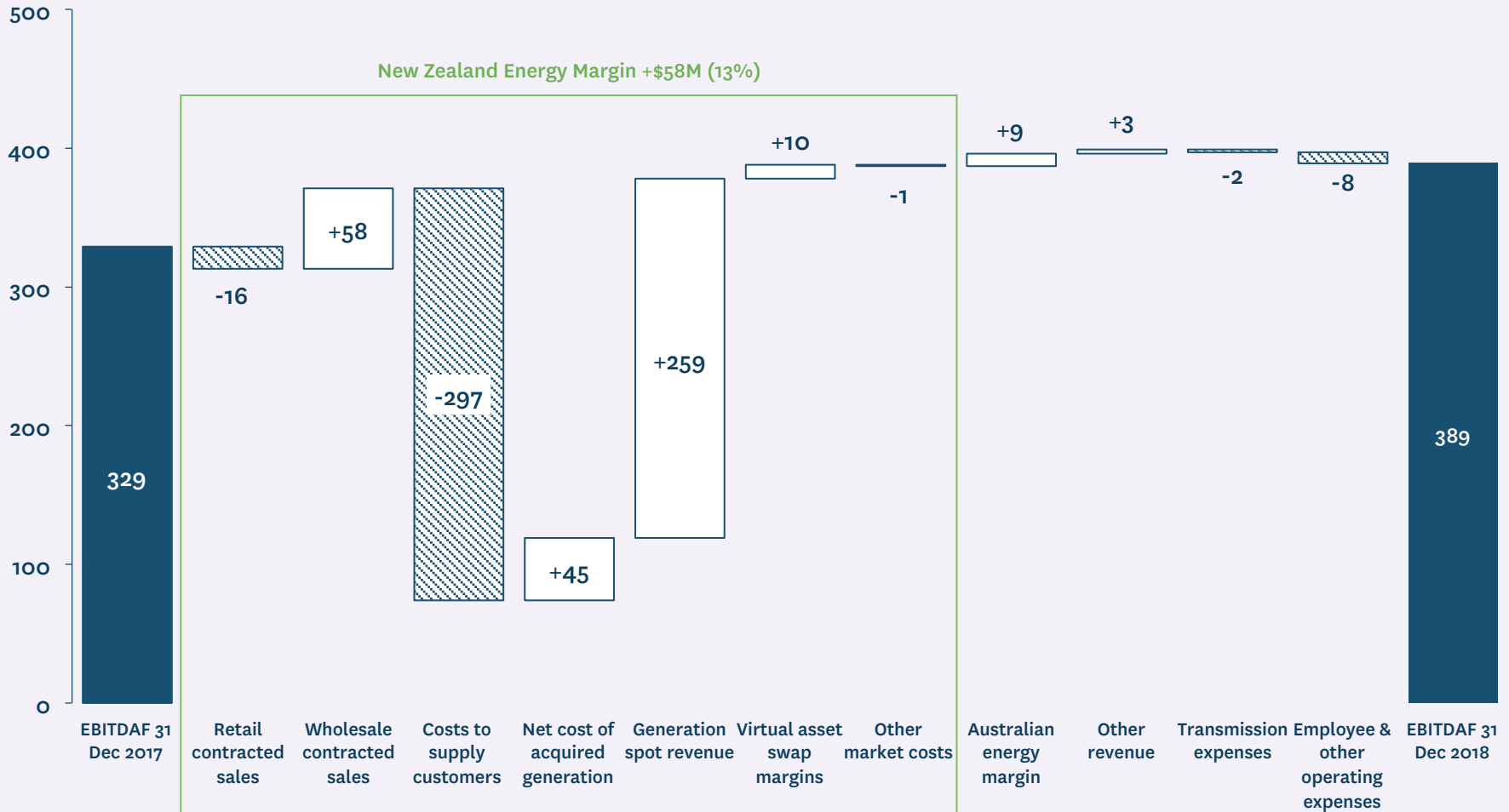
AUSTRALIAN GENERATION



1H FY19 EBITDAF

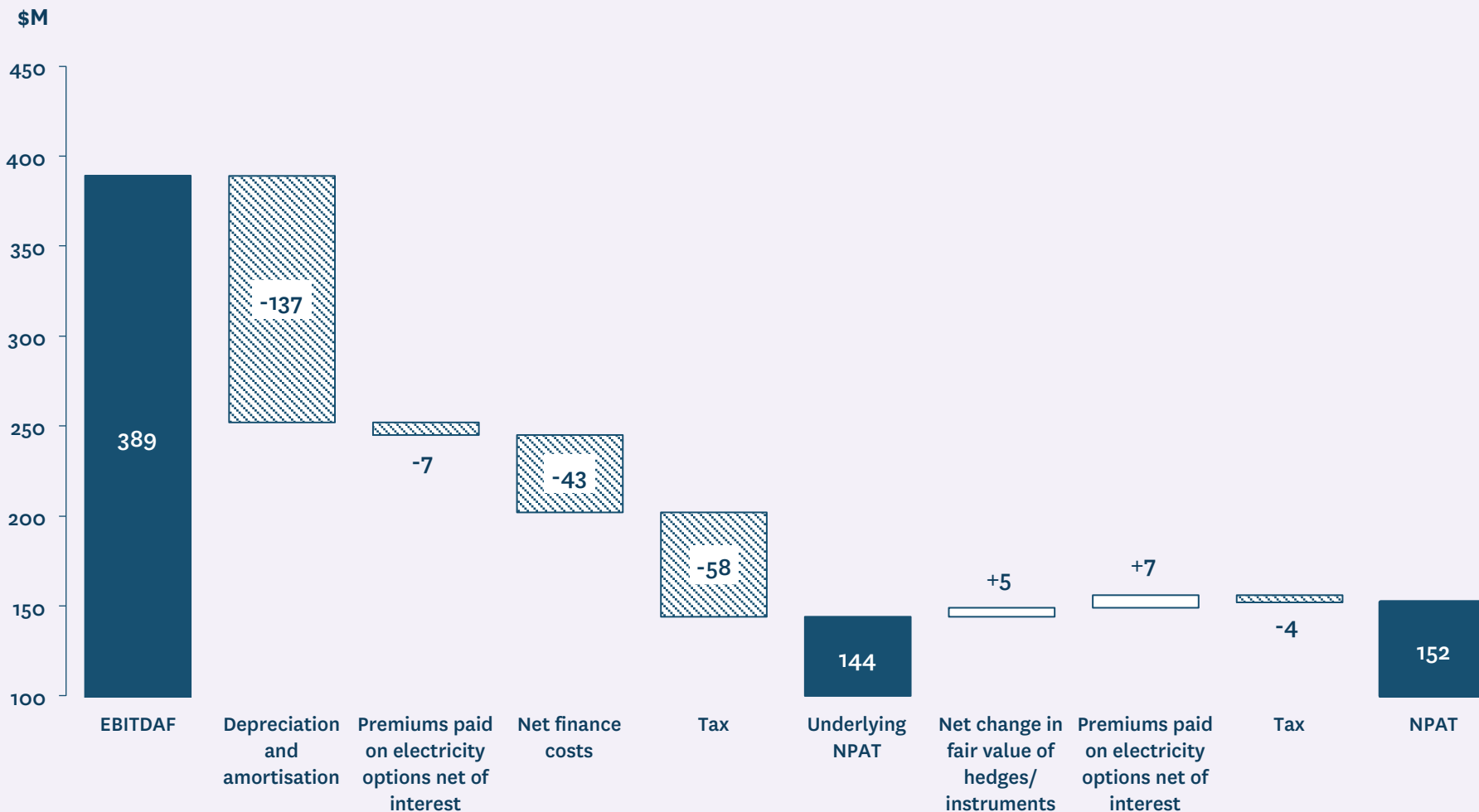
MOVEMENT IN EBITDAF

\$M



1H FY19 EBITDAF TO NPAT

1H FY19 EBITDAF TO NPAT RECONCILIATION



NEW ZEALAND ENERGY MARGIN

ENERGY MARGIN

- A non-GAAP financial measure representing energy sales revenue less energy related expenses and energy distribution expenses
- Used to measure the vertically integrated performance of the retail and wholesale businesses
- Used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

Defined as:

- Revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from derivatives sold (Contract sales revenue)
- Purchases required to cover contracted customer sales (Cost to supply customers)
- The fixed cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives (Net cost of acquired generation)
- Revenue from the volume of electricity that Meridian generates (Generation spot revenue)
- The net position of virtual assets swaps with Genesis Energy and Mercury
- Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

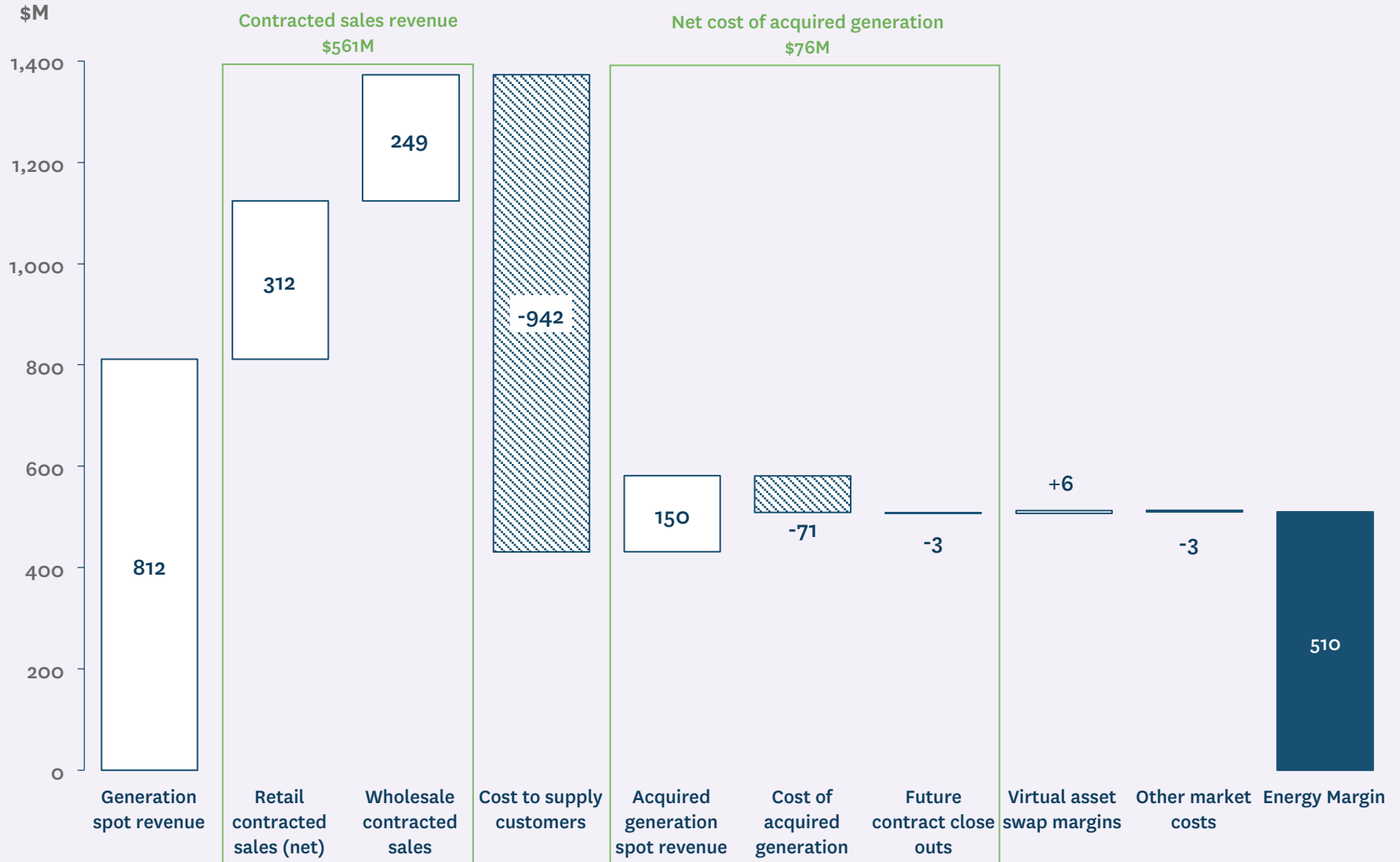
NEW ZEALAND ENERGY MARGIN

LWAP:GWAP
1H FY19 1.11
1H FY18 1.08

| | 1H FY19 | | | 1H FY18 | | |
|------------------------------------|---------------------|-------------------|-------|---------------------|-------------------|-------|
| | VOLUME ¹ | VWAP ² | \$M | VOLUME ¹ | VWAP ² | \$M |
| Residential/SMB contracted sales | 1,936 | \$116.4 | 225 | 2,027 | \$117.6 | 238 |
| Corporate contracted sales | 1,063 | \$81.8 | 87 | 1,114 | \$80.6 | 90 |
| Retail contracted sales | 2,999 | \$104.1 | 312 | 3,141 | \$104.5 | 328 |
| NZAS sales | 2,608 | | | 2,525 | | |
| Sell side CfDs | 1,234 | | | 767 | | |
| Wholesale contracted sales | 3,842 | \$64.7 | 249 | 3,292 | \$58.1 | 191 |
| Cost to supply retail customers | 3,160 | | | 3,295 | | |
| Cost to supply wholesale customers | 3,842 | | | 3,292 | | |
| Cost to supply customers | 7,002 | (\$134.5) | (942) | 6,587 | (\$97.9) | (645) |
| Acquired generation revenue | 1,051 | \$142.8 | 150 | 1,118 | \$96.6 | 115 |
| Cost of acquired generation | 1,051 | (\$68.1) | (71) | 1,118 | (\$68.7) | (82) |
| Future contract close outs | | | (3) | | | (2) |
| Net cost of acquired generation | | | 76 | | | 31 |
| Generation spot revenue | 6,546 | \$124.2 | 812 | 5,937 | \$93.2 | 553 |
| Net VAS position | 529 | | 6 | 478 | | (4) |
| Other market costs | | | (3) | | | (2) |
| Energy Margin | | | 510 | | | 452 |

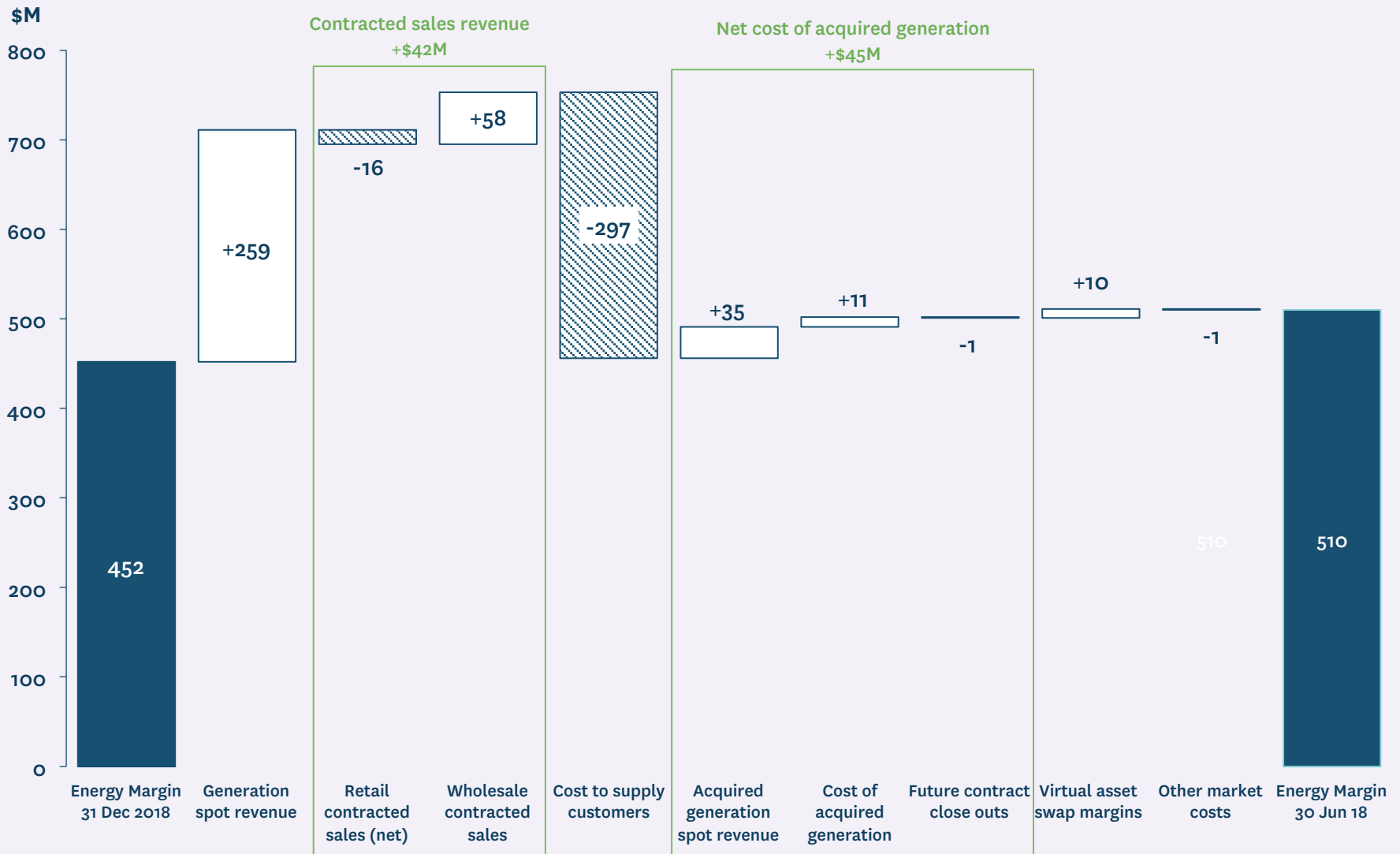
NEW ZEALAND ENERGY MARGIN

NEW ZEALAND ENERGY MARGIN



NEW ZEALAND ENERGY MARGIN MOVEMENT

NEW ZEALAND ENERGY MARGIN



OTHER REVENUE

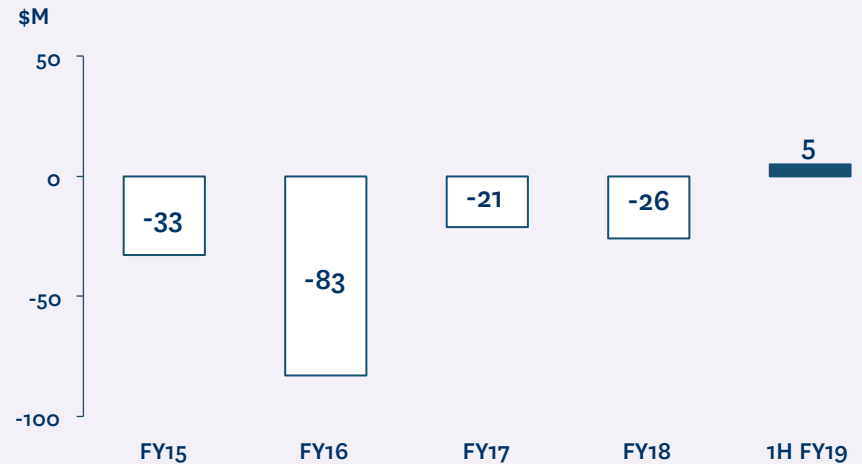
| SIX MONTHS ENDED 31 DECEMBER \$M | 2018 | 2017 |
|---|-----------|-----------|
| Retail service revenue (field services revenue etc) | 4 | 3 |
| Dam Safety Intelligence | 1 | 1 |
| Flux UK | 6 | 4 |
| Other | 2 | 2 |
| Total other revenue | 13 | 10 |

FAIR VALUE MOVEMENTS

On electricity and other hedges and treasury instruments

- Meridian uses derivative instruments to manage interest rate, foreign exchange and electricity price risk
- As forward prices and rates on these instruments move, non-cash changes to their carrying value are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- \$20M positive change in fair value of electricity and other hedges in 1H FY19 from changing forward electricity prices
- \$15M negative change in fair value of treasury instruments in 1H FY19 from decreasing forward interest rates

NET CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS



INCOME STATEMENT

| SIX MONTHS ENDED 31 DECEMBER \$M | 2018 | 2017 |
|--|-------|-------|
| New Zealand energy margin | 510 | 452 |
| Australia energy margin | 66 | 57 |
| Other revenue | 13 | 10 |
| Energy transmission expense | (65) | (63) |
| Employee and other operating expenses | (135) | (127) |
| EBITDAF | 389 | 329 |
| Depreciation and amortisation | (137) | (134) |
| Impairment of assets | - | (2) |
| Gain/(loss) on sale of assets | - | 6 |
| Net change in fair value of electricity and other hedges | 20 | (2) |
| Net finance costs | (43) | (41) |
| Net change in fair value of treasury instruments | (15) | (2) |
| Net profit before tax | 214 | 154 |
| Income tax expense | (62) | (45) |
| Net profit after tax | 152 | 109 |

UNDERLYING NPAT RECONCILIATION

| SIX MONTHS ENDED 31 DECEMBER \$M | 2018 | 2017 |
|--|------|------|
| Net profit after tax | 152 | 109 |
| Underlying adjustments | | |
| <u>Hedging instruments</u> | | |
| Net change in fair value of electricity and other hedges | (20) | 2 |
| Net change in fair value of treasury instruments | 15 | 2 |
| Premiums paid on electricity options net of interest | (7) | (6) |
| <u>Assets</u> | | |
| (Gain)/loss on sale of assets | - | (6) |
| Impairment of assets | - | 2 |
| Total adjustments before tax | (12) | (6) |
| <u>Taxation</u> | | |
| Tax effect of above adjustments | 4 | 1 |
| Underlying net profit after tax | 144 | 104 |

CASH FLOW STATEMENT

| SIX MONTHS ENDED 31 DECEMBER \$M | 2018 | 2017 |
|---|---------|---------|
| Receipts from customers | 1,695 | 1,374 |
| Interest and dividends received | - | - |
| Payments to suppliers and employees | (1,310) | (1,101) |
| Interest and income tax paid | (123) | (111) |
| Operating cash flows | 262 | 162 |
| Sale of property, plant and equipment | - | 12 |
| Sales of subsidiaries and other assets | - | - |
| Purchase of property, plant and equipment | (23) | (18) |
| Stamp duty/capitalised interest | - | - |
| Purchase of intangible assets and investments | (12) | (10) |
| Investing cash flows | (35) | (16) |
| Term borrowings drawn | 89 | 170 |
| Term borrowings repaid | (5) | (5) |
| Shares purchased for long-term incentive | - | - |
| Dividends and finance lease paid | (292) | (286) |
| Financing cash flows | (208) | (121) |

BALANCE SHEET

| SIX MONTHS ENDED 31 DECEMBER \$M | 2018 | 2017 |
|--|--------------|--------------|
| Cash and cash equivalents | 78 | 108 |
| Trade receivables | 259 | 304 |
| Customer contract assets | 20 | 19 |
| Other current assets | 141 | 122 |
| Total current assets | 498 | 553 |
| Property, plant and equipment | 7,809 | 7,871 |
| Intangible assets | 59 | 58 |
| Other non-current assets | 200 | 212 |
| Total non-current assets | 8,068 | 8,141 |
| Payables, accruals and employee entitlements | 304 | 328 |
| Customer contract liabilities | 15 | 11 |
| Current portion of term borrowings | 512 | 190 |
| Other current liabilities | 83 | 95 |
| Total current liabilities | 914 | 624 |
| Term borrowings | 1,049 | 1,176 |
| Deferred tax | 1,668 | 1,700 |
| Other non-current liabilities | 271 | 261 |
| Total non-current liabilities | 2,988 | 3,137 |
| Net assets | 4,664 | 4,933 |

GLOSSARY

| | |
|--|--|
| Acquired generation volumes | buy-side electricity derivatives excluding the buy-side of virtual asset swaps |
| Average generation price | the volume weighted average price received for Meridian's physical generation |
| Average retail contracted sales price | volume weighted average electricity price received from retail customers, less distribution costs |
| Average wholesale contracted sales price | volume weighted average electricity price received from wholesale customers, including NZAS |
| Combined catchment inflows | combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes |
| Cost of acquired generation | volume weighted average price Meridian pays for derivatives acquired to supplement generation |
| Cost to supply contracted sales | volume weighted average price Meridian pays to supply contracted customer sales |
| Contracts for Difference (CFDs) | an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity |
| Customer connections (NZ) | number of installation control points, excluding vacants |
| FRMP | financially responsible market participant |
| GWh | gigawatt hour. Enough electricity for 125 average New Zealand households for one year |
| Historic average inflows | the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 85 years |
| Historic average storage | the historic average level of storage in Meridian's Waitaki catchment since 1979 |
| HVDC | high voltage direct current link between the North and South Islands of New Zealand |
| ICP | New Zealand installation control points, excluding vacants |
| ICP switching | the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated |
| MWh | megawatt hour. Enough electricity for one average New Zealand household for 46 days |
| National demand | Electricity Authority's reconciled grid demand www.emi.ea.govt.nz |
| NZAS | New Zealand Aluminium Smelters Limited |
| Retail sales volumes | contract sales volumes to retail customers, including both non half hourly and half hourly metered customers |
| Sell side derivatives | sell-side electricity derivatives excluding the sell-side of virtual asset swaps |
| Virtual Asset Swaps (VAS) | CFDs Meridian has with Genesis Energy and Mercury. They do not result in the physical supply of electricity |

DISCLAIMER

THE INFORMATION IN THIS PRESENTATION WAS PREPARED BY MERIDIAN ENERGY WITH DUE CARE AND ATTENTION. HOWEVER, THE INFORMATION IS SUPPLIED IN SUMMARY FORM AND IS THEREFORE NOT NECESSARILY COMPLETE, AND NO REPRESENTATION IS MADE AS TO THE ACCURACY, COMPLETENESS OR RELIABILITY OF THE INFORMATION. IN ADDITION, NEITHER THE COMPANY NOR ANY OF ITS DIRECTORS, EMPLOYEES, SHAREHOLDERS NOR ANY OTHER PERSON SHALL HAVE LIABILITY WHATSOEVER TO ANY PERSON FOR ANY LOSS (INCLUDING, WITHOUT LIMITATION, ARISING FROM ANY FAULT OR NEGLIGENCE) ARISING FROM THIS PRESENTATION OR ANY INFORMATION SUPPLIED IN CONNECTION WITH IT.

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THIS PRESENTATION CONTAINS A NUMBER OF NON-GAAP FINANCIAL MEASURES, INCLUDING ENERGY MARGIN, EBITDAF, UNDERLYING NPAT AND GEARING. BECAUSE THEY ARE NOT DEFINED BY GAAP OR IFRS, MERIDIAN'S CALCULATION OF THESE MEASURES MAY DIFFER FROM SIMILARLY TITLED MEASURES PRESENTED BY OTHER COMPANIES AND THEY SHOULD NOT BE CONSIDERED IN ISOLATION FROM, OR CONSTRUED AS AN ALTERNATIVE TO, OTHER FINANCIAL MEASURES DETERMINED IN ACCORDANCE WITH GAAP. ALTHOUGH MERIDIAN BELIEVES THEY PROVIDE USEFUL INFORMATION IN MEASURING THE FINANCIAL PERFORMANCE AND CONDITION OF MERIDIAN'S BUSINESS, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE NON-GAAP FINANCIAL MEASURES.

THE INFORMATION CONTAINED IN THIS PRESENTATION SHOULD BE CONSIDERED IN CONJUNCTION WITH THE COMPANY'S CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018, AVAILABLE AT:

WWW.MERIDIANENERGY.CO.NZ/INVESTORS/

ALL CURRENCY AMOUNTS ARE IN NEW ZEALAND DOLLARS UNLESS STATED OTHERWISE.

Meridian Energy Limited 2019 Interim Results Presentation



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



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.



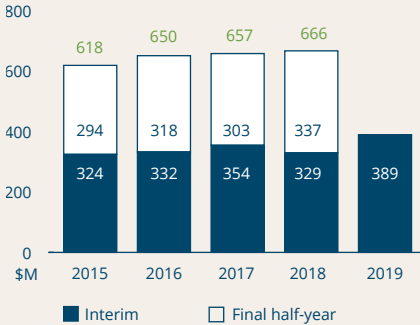
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2019 INTERIM RESULTS FINANCIAL COMMENTARY

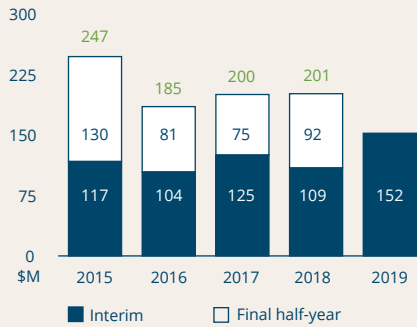
FIVE-YEAR PERFORMANCE

Financial year ended 31 December 2018

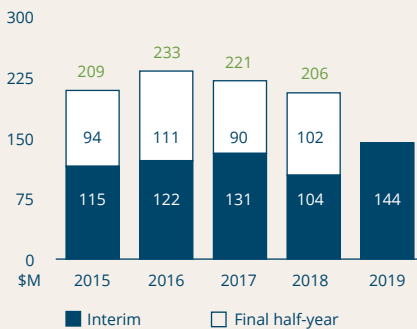
EBITDAF



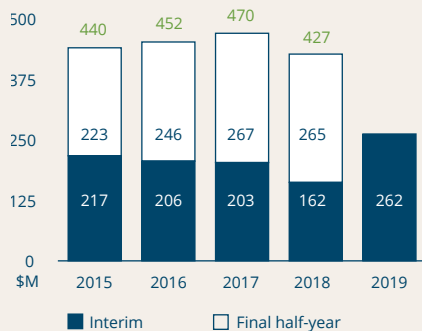
NET PROFIT AFTER TAX



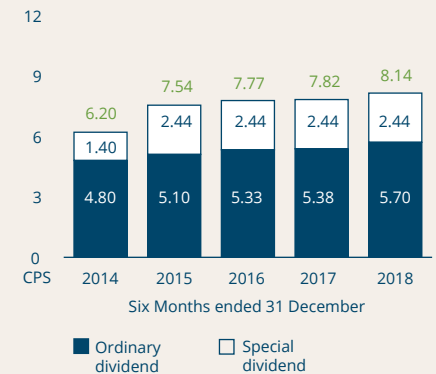
UNDERLYING NPAT



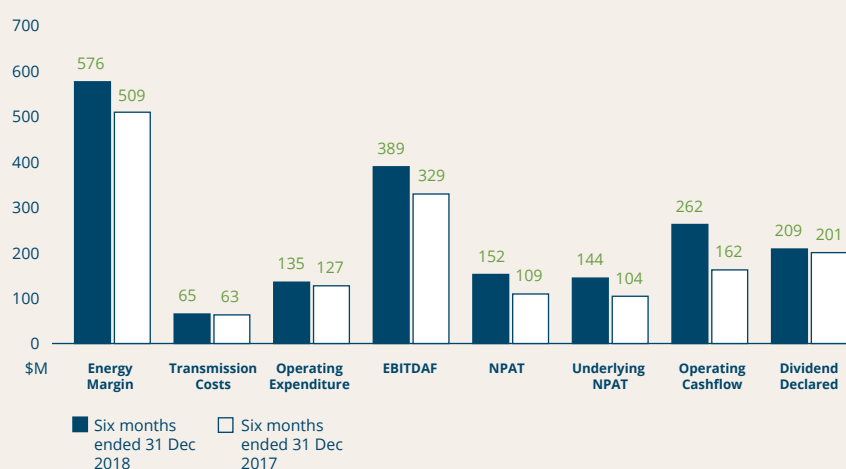
OPERATING CASHFLOW



INTERIM DIVIDEND DECLARED



FINANCIAL PERFORMANCE AGAINST PRIOR YEAR



OVERVIEW

Meridian saw its earnings (EBITDAF) for the six months ended 31 December 2018 increase 18% compared to the prior corresponding period. Reasonable winter storage and inflows saw New Zealand generation volumes increase 10% and derivative sales increase 61%. Coupled with lower acquired generation, higher wholesale prices and good cost management, New Zealand EBITDAF increased 19%. Our operations in Australia delivered further growth, with EBITDAF 14% higher than last year, while UK operations also made a growing contribution to the Group result.

This represents the highest level of Group EBITDAF Meridian has delivered in the first six months of any financial year and has supported further dividend growth, with the company declaring an interim ordinary dividend 6% higher than 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.

This brings distributions under this programme to \$500 million since its commencement in August 2015.

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

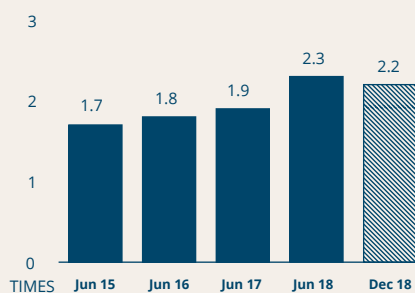
| DIVIDENDS DECLARED | CPS | IMPUTATION |
|--------------------------------------|-------------|------------|
| 1H FY 2019 | | |
| Ordinary dividends | 5.70 | 86% |
| Capital management special dividends | 2.44 | 0% |
| Total | 8.14 | |
| 1H FY 2018 | | |
| Ordinary dividends | 5.38 | 88% |
| Capital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

CASH FLOWS

Operating cash flows were \$262 million for 1H FY2019, \$100 million (62%) higher than 1H FY2018, mainly through the impacts of higher EBITDAF.

Total Capital expenditure in 1H FY2019 was \$28 million, of which \$21 million was stay in business capital expenditure.

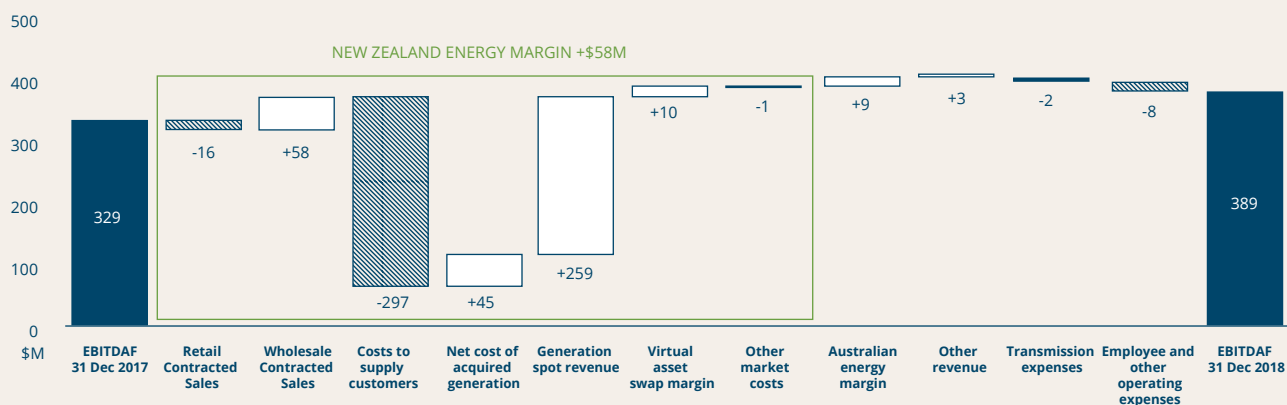
NET DEBT EBITDAF



EARNINGS

EBITDAF was \$389 million in 1H FY2019, \$60 million (18%) higher than the same period last year.

MOVEMENT IN EBITDAF



NEW ZEALAND ENERGY MARGIN

Energy margin is a measure of the combined financial performance of Meridian's retail and wholesale businesses.

| | | 1H FY2019 (\$ millions) | 1H FY2018 (\$ millions) |
|------------------------------------|---|----------------------------|----------------------------|
| Retail contracted sales revenue | Revenue received from sales to retail customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers) | 312 | 328 |
| Wholesale contracted sales revenue | Sales to large industrial customers and fixed price revenue from derivatives sold | 249 | 191 |
| Costs to supply customers | The cost of the volume required to cover contracted customer sales | -942 | -645 |
| Net cost of acquired generation | The cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives | 76 | 31 |
| Generation spot revenue | Revenue from the volume of electricity that Meridian generates | 812 | 553 |
| Virtual asset swap margins | The net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mercury New Zealand | 6 | -4 |
| Other | Other associated market revenue and costs including EA levies and ancillary generation revenues such as frequency keeping | -3 | -2 |
| Total | | 510 | 452 |

New Zealand energy margin was \$510 million in 1H FY2019, \$58 million (13%) higher than the same period last year. Meridian saw increases in residential and small medium business customer numbers and sales volumes, however this was more than offset by lower agricultural sales from lower irrigation usage, reflecting higher soil moisture levels in irrigation regions.

This amounted to a 4% decrease in residential, SMB and agri sales volumes together with a 5% decrease in corporate and industrial sales volumes.

Overall average residential, small and medium business and agri sales price decreased 1%, while average corporate and industrial sales price increased 1%.

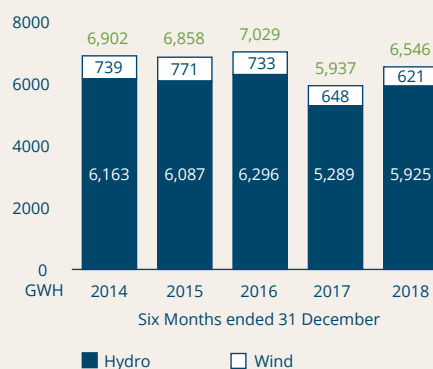
Wholesale contracted sales revenue was \$58 million (30%) higher in 1H FY2019. Wholesale derivative sales volumes were 61% higher at higher average prices than the same period last year. Sales volumes to the Tiwai Point aluminium smelter were higher, reflecting the reinstatement of the smelter's fourth potline in late 2018. Those sales were at a higher average price than the same period last year, reflecting an annual inflation adjustment.

The costs to supply customers increased \$297 million (46%) in 1H FY2019. While customer sales volumes were lower in 1H FY2019, the wholesale electricity market experienced periods of high spot prices during the 2018 spring as national storage declined and a number of gas supply issues developed. As a result the average price Meridian paid to supply customers increased 37% in 1H FY2019.

The net cost of acquired generation was \$45 million lower in 1H FY2019 from a higher average net price and lower acquired generation volumes (12%) compared to the same period last year.

Reasonable winter and spring storage and inflows resulted in generation volumes 10% higher than the same period last year. Periods of high wholesale market spot prices resulted in average generation prices being 33% higher than the same period last year. Overall generation revenue in 1H FY2019 was 47% higher than last year.

NEW ZEALAND GENERATION



AUSTRALIAN ENERGY MARGIN

Australian energy margin was \$66 million in 1H FY2019, \$9 million (16%) higher than the same period last year. Despite Powershop Australia's retail electricity sales volumes falling 3%, the introduction of a gas offer into Victoria helped lift retail contracted sales 15%. Electricity customer numbers increased 2% in 1H FY2019, while gas customer numbers grew to 12,500. With the inclusion of seasonal generation from hydro stations and despite lower wind generation, total generation in Australia was 37% higher than last year, albeit at lower average prices due to falling large-scale generation certificate prices.

TRANSMISSION AND OPERATING COSTS

Transmission costs were \$65 million in 1H FY2019, \$2 million (3%) higher than the same period last year, from higher Transpower charges on the New Zealand inter-island electricity transmission link.

Employee and other operating costs were \$135 million in

1H FY2019, \$8 million (6%) higher than the same period last year, reflecting ongoing growth investment supporting expansion of the Powershop Australia and United Kingdom businesses and continued customer acquisition pressure from the highly competitive New Zealand market. In addition, Meridian has been undertaking refurbishment work at the Ōhau hydro stations and Te Āpiti wind farm.

NET PROFIT AFTER TAX

NPAT was \$152 million in 1H FY2019, \$43 million (39%) higher than the same period last year. 1H FY2019 saw higher depreciation and amortisation (\$3 million higher) and a \$9 million net positive movement in the fair value of electricity hedges (positive) and treasury instruments (negative).

These fair value movements relate to non-cash changes in the carrying value of derivative instruments and are influenced by changes in forward prices and rates on these derivative instruments.

Meridian recognised no impairments in 1H FY2019, compared with \$2 million of impairments in 1H FY2018, relating to the Central Wind wind farm consent the company is now not pursuing development of under the exiting consent.

Meridian recognised no asset sale gains or losses in 1H FY2019, compared a \$6 million gain on the sale in 1H FY2018, related to the sale of surplus land holdings.

Fair value movements in electricity hedges increased net profit before tax by \$20 million in 1H FY2019, compared to a \$2 million reduction in the same period last year, reflecting changes in forward electricity prices.

Fair value movements in treasury instruments decreased net profit before tax by \$15 million in 1H FY2019, compared to a \$2 million decrease in the same period last year. Forward interest rate curves decreased during 1H FY2019, affecting the fair value of treasury instruments. Net financing costs were \$2 million (5%) higher than the same period last year. Meridian has maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Income tax expense was \$62 million in 1H FY2019, \$17 million (38%) higher than the same period last year, reflecting higher net profit before tax.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's underlying NPAT (reconciliation on page 7) was \$144 million in 1H FY2019. This was \$40 million (38%) higher than the same period last year, from higher EBITDAF with some offset from increases depreciation, interest, tax and swaption premiums.

SUMMARY GROUP INCOME STATEMENT

| Six months ENDED 31 December \$M | 1H FY 2019 | 1H FY 2018 |
|--|------------|------------|
| New Zealand energy margin | 510 | 452 |
| Australia energy margin | 66 | 57 |
| Other revenue | 13 | 10 |
| Energy transmission expense | (65) | (63) |
| Employee and other operating expenses | (135) | (127) |
| EBITDAF | 389 | 329 |
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| Impairment of assets | - | (2) |
| Gain/(loss) on sale of assets | - | 6 |
| Net change in fair value of electricity and other hedges | 20 | (2) |
| Net finance costs | (43) | (41) |
| Net change in fair value of treasury instruments | (15) | (2) |
| Net profit before tax | 214 | 154 |
| Income tax expense | (62) | (45) |
| Net profit after tax | 152 | 109 |

UNDERLYING NPAT RECONCILIATION

| Six months ENDED 31 December \$M | 1H FY 2019 | 1H FY 2018 |
|--|-------------|------------|
| Net profit after tax | 152 | 109 |
| Underlying adjustments | | |
| Hedging instruments | | |
| Net change in fair value of electricity and other hedges | (20) | 2 |
| Net change in fair value of treasury instruments | 15 | 2 |
| Premiums paid on electricity options net of interest | (7) | (6) |
| Assets | | |
| (Gain)/loss on sale of assets | - | (6) |
| Impairment of assets | - | 2 |
| Total adjustments before tax | (12) | (6) |
| Taxation | | |
| Tax effect of above adjustments | 4 | 1 |
| Underlying net profit after tax | 144 | 104 |

MERIDIAN GENERATION

| | Plant capacity | 1H FY 2019 | 1H FY 2018 |
|--------------------------------|----------------|--------------|--------------|
| | MW | GWH | GWH |
| Ōhau A | 264 | 536 | 475 |
| Ōhau B | 212 | 452 | 399 |
| Ōhau C | 212 | 450 | 398 |
| Benmore | 540 | 1,143 | 1,043 |
| Aviemore | 220 | 485 | 443 |
| Waitaki | 90 | 253 | 229 |
| Manapōuri | 800 | 2,606 | 2,302 |
| Total New Zealand hydro | 2,338 | 5,925 | 5,289 |
| Te Uku | 64 | 84 | 107 |
| Te Āpiti | 91 | 98 | 85 |
| Mill Creek | 60 | 114 | 121 |
| West Wind | 143 | 252 | 260 |
| White Hill | 58 | 73 | 75 |
| Total New Zealand wind | 416 | 621 | 648 |
| Mt Millar | 70 | 91 | 95 |
| Mt Mercer | 131 | 205 | 210 |
| Total Australia wind | 201 | 296 | 305 |
| Australian hydro | 92 | 123 | - |



meridian

Results announcement (for Equity Security issuer/Equity and Debt Security issuer)

| Results for announcement to the market | | |
|--|--|---------------------------|
| Name of issuer | Meridian Energy Limited | |
| Reporting Period | 6 months to 31 December 2018 | |
| Previous Reporting Period | 6 months to 31 December 2017 | |
| | Amount (NZ\$m) | Percentage change |
| Revenue from ordinary activities | \$1,691 | 17% |
| Profit (loss) from ordinary activities after tax attributable to security holder | \$152 | 39% |
| Net profit (loss) attributable to security holders | \$152 | 39% |
| Interim/Final Dividend | | |
| Amount per Quoted Equity Security | NZ \$0.057000 | Interim Ordinary Dividend |
| | NZ \$0.024400 | Special Dividend |
| Imputed amount per sec Quoted Equity Security | NZ \$0.019063 | Interim Ordinary Dividend |
| Record Date | 29-Mar-19 | |
| Dividend Payment Date | 17-Apr-19 | |
| Net tangible assets per Quoted Equity Security | \$1.72 | -6% |
| A brief explanation of any of the figures above necessary to enable the figures to be understood | For commentary on the operational results please refer to the media announcement and interim results presentation. This announcement should be read in conjunction with the attached Condensed Interim Financial Statements for the six months 31 December 2018. | |
| Authority for this announcement | | |
| Name of person authorised to make this announcement | Jason Stein | |
| Contact phone number | +64 4 381 1200 | |
| Contact email address | jason.stein@meridianenergy.co.nz | |
| Date of release through MAP | 20/02/2019 | |

Audited financial statements accompany this announcement.



Corporate Action Notice (for a Distribution)

| Section 1: issuer information | | | |
|---|--------------------------------------|--------------------------------------|-----------|
| Name of issuer | Meridian Energy Limited | | |
| Financial product name/description | Ordinary Shares | | |
| NZX ticker code | MEL | | |
| ISIN (If unknown, check on NZX website) | NZMELE0002S7 | | |
| Type of distribution | Full Year | | Quarterly |
| (Please mark with an X in the relevant box/es) | Half Year | X | Special |
| | DRP applies | | |
| Record date | Close of trading on: 29/03/2019 | | |
| Ex-Date (one business day before the Record Date) | 28/03/2019 | | |
| Payment date (and allotment date for DRP) | 17/04/2019 | | |
| Total monies associated with the distribution | \$146,091,000 | | |
| Source of distribution (for example, retained earnings) | Retained Earnings | | |
| Section 2: distribution amounts | | | |
| Total amount | \$0.076063 | | |
| Cash per financial product | \$0.057000 | | |
| Supplementary distribution | \$0.008651 | | |
| Section 3: | | | |
| Is the distribution imputed | Partial imputation | | |
| If fully or partially imputed, please state imputation rate as % applied | 86% | | |
| Imputation tax credits per financial product | \$0.019063 | | |
| Resident withhold tax amount per financial product | \$0.006038 | | |
| Section 4: distribution re-investment plan (if applicable) | | | |
| DRP % discount (if any) | % | | |
| Start date and end date for determining market price for DRP | Close of trading on: [dd/mm/yyyy] | Close of trading on: [dd/mm/yyyy] | |
| Date strike price to be announced (if not available at this time) | Close of trading on: [dd/mm/yyyy] | | |
| Specify source of financial products to be issued under DRP programme (new issue or to be bought on market) | | | |
| DRP strike price per financial product | \$ | | |
| Last date to submit a participation notice for this distribution in accordance with DRP participation terms | [dd/mm/yyyy] | | |
| Section 5: authority for this announcement | | | |
| Name of person authorised to make this announcement | Jason Stein | | |
| Contact phone number | +64 4 381 1200 | | |
| Contact email address | jason.stein@meridianenergy.co.nz | | |
| Date of release via MAP | 20/02/2019 | | |



Corporate Action Notice (for a Distribution)

| Section 1: issuer information | | | |
|---|--------------------------------------|--------------------------------------|-----------|
| Name of issuer | Meridian Energy Limited | | |
| Financial product name/description | Ordinary Shares | | |
| NZX ticker code | MEL | | |
| ISIN (If unknown, check on NZX website) | NZMELE0002S7 | | |
| Type of distribution | Full Year | | Quarterly |
| (Please mark with an X in the relevant box/es) | Half Year | | Special X |
| | DRP applies | | |
| Record date | Close of trading on: 29/03/2019 | | |
| Ex-Date (one business day before the Record Date) | 28/03/2019 | | |
| Payment date (and allotment date for DRP) | 17/04/2019 | | |
| Total monies associated with the distribution | \$62,537,200 | | |
| Source of distribution (for example, retained earnings) | Retained Earnings | | |
| Section 2: distribution amounts | | | |
| Total amount | \$0.024400 | | |
| Cash per financial product | \$0.024400 | | |
| Supplementary distribution | \$0.000000 | | |
| Section 3: | | | |
| Is the distribution imputed | No imputation | | |
| If fully or partially imputed, please state imputation rate as % applied | 0% | | |
| Imputation tax credits per financial product | \$0.000000 | | |
| Resident withhold tax amount per financial product | \$0.008052 | | |
| Section 4: distribution re-investment plan (if applicable) | | | |
| DRP % discount (if any) | % | | |
| Start date and end date for determining market price for DRP | Close of trading on: [dd/mm/yyyy] | Close of trading on: [dd/mm/yyyy] | |
| Date strike price to be announced (if not available at this time) | Close of trading on: [dd/mm/yyyy] | | |
| Specify source of financial products to be issued under DRP programme (new issue or to be bought on market) | | | |
| DRP strike price per financial product | \$ | | |
| Last date to submit a participation notice for this distribution in accordance with DRP participation terms | [dd/mm/yyyy] | | |
| Section 5: authority for this announcement | | | |
| Name of person authorised to make this announcement | Jason Stein | | |
| Contact phone number | +64 4 381 1200 | | |
| Contact email address | jason.stein@meridianenergy.co.nz | | |
| Date of release via MAP | 20/02/2019 | | |