



Meridian.

2020 Annual Results Presentation



FTSE4Good

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

26 AUGUST 2020

Highlights

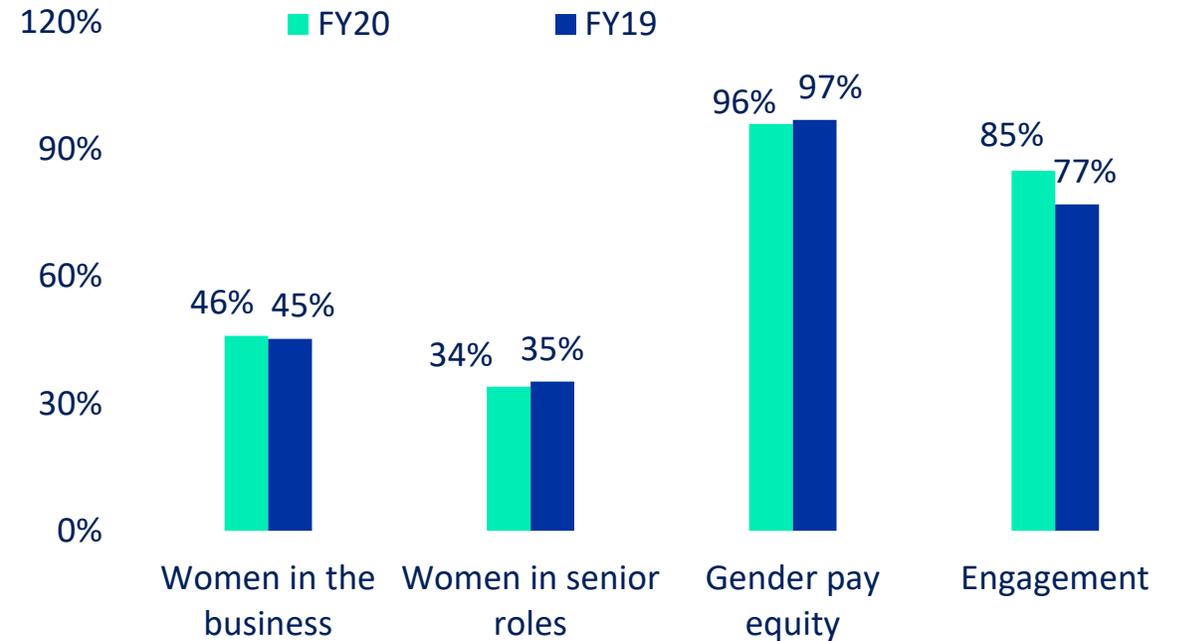
record NZ generation	15% Australasian customer growth	18% New Zealand sales growth
customer support during COVID	2% EBITDAF ¹ growth	strong customer retention rate
response to NZAS exit established	carbon neutral	24% Australian sales growth

¹Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets

Our people

- 8 LTI injuries (3 serious) in FY20, same number as FY19
- Strong staff engagement
- 96% gender pay equity
- Signatory to the Aotearoa New Zealand Skills Pledge – reskilling through training investment

Workforce measures



Source: Meridian

Our strategy

Strategic initiative

Champion

Competitive markets
Sustainability
Climate action

Highlights

- Sustainability leadership
- Lower real customer prices
- Positive outcomes on water and emissions trading reforms
- Final TPM decision

Challenges

- Gas supply uncertainty
- Speed of RMA reform and generation consenting

Optimise

Trading & asset management
Re-consenting
Financing

- Improved plant availability
- 2025 Waitaki re-consent progress
- NZAS exit mitigations
- Green financing

- Uncertainty on NZAS exit timing and future market changes
- Preliminary UTS decision

Grow

Retail
Generation
Flux

- Standout growth in NZ and Aus retail businesses
- Customer retention
- Customer support during COVID

- COVID impacts and future demand uncertainty
- Lower wholesale prices
- Complexity in Meridian migration to Flux

Our sustainability leadership

- Net Zero Carbon across group emissions
- Aiming to halve emissions by 2030
- Forever Forests: 1.5 million trees in 5 years
- 100% electric fleet by 2025
- Climate risk and carbon disclosure reporting
- Green finance framework introduced
- Certificated renewable energy product introduced
- Lake Pūkaki low range operation
- Advocacy for electrification ahead of 100% renewable generation in New Zealand
- Carbon neutral gas in Victoria

2030 emissions target



Source: Meridian

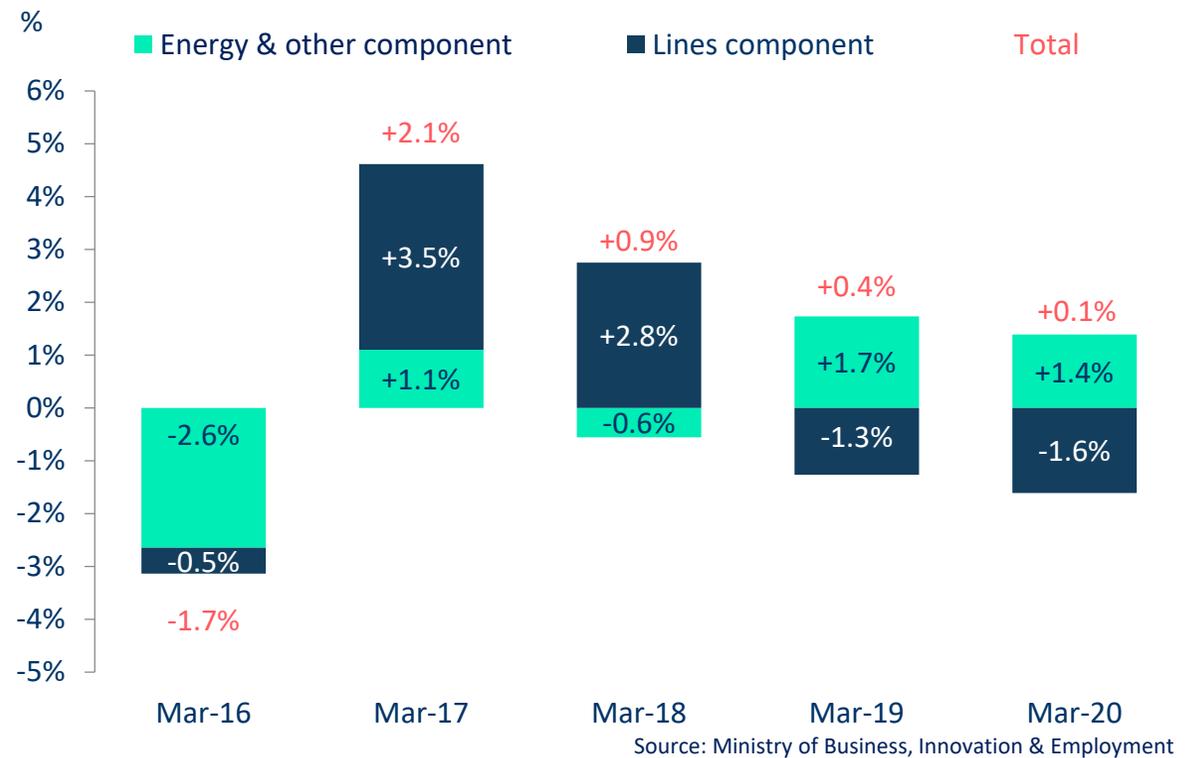


Our key sustainability goals:
 SDG13 Climate Action.
 SDG7 Affordable and
 Clean Energy.

Outcomes for Kiwis

- Residential energy unit costs (excluding lines) at their lowest level in 10 years (after inflation)
- Residential electricity unit costs (including lines) at their lowest level in 8 years (after inflation)
- Meridian disconnections at <0.1%, half the industry average
- COVID-19 support for customers with payment solutions, no disconnections, suspension of late payment fees
- Higher level of debt provision (\$16m in FY20, up \$11m from FY19)
- \$1m donation to KidsCan
- Suppliers being paid on 7-day terms
- Working from home allowances for non-senior staff

AVERAGE RESIDENTIAL ELECTRICITY COST¹



¹Annual real residential cost per unit based on Statistics New Zealand Consumer Price Index

New Zealand demand

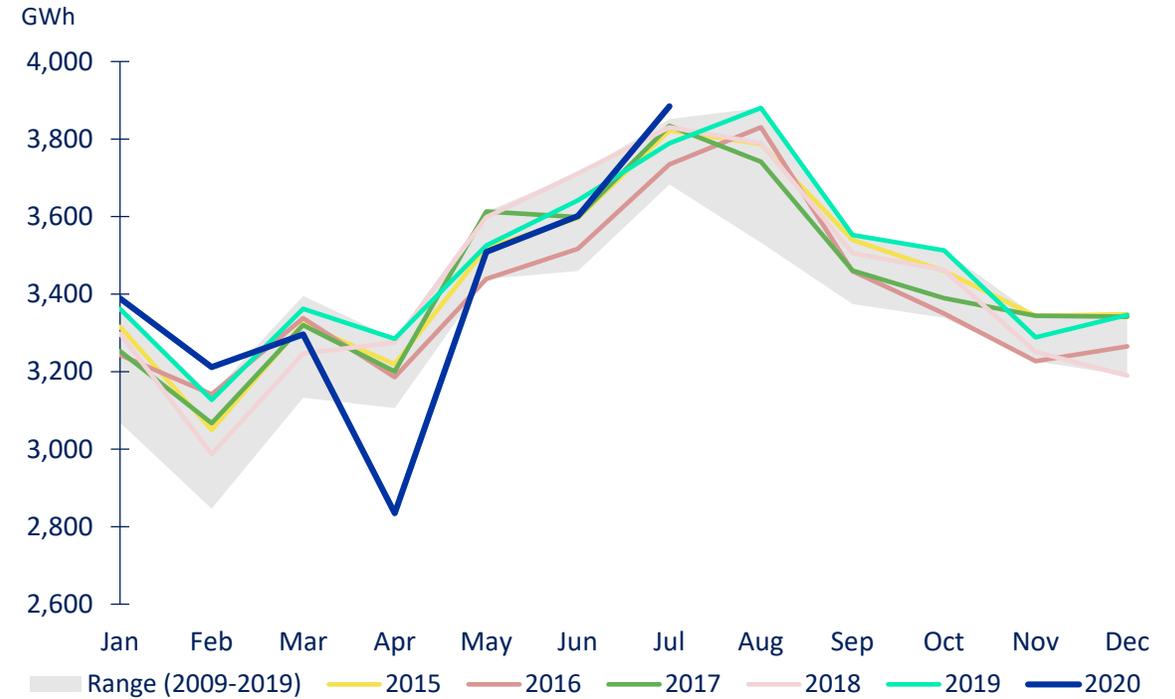
- Underlying demand decline of 0.3% in FY20
- Includes a 14% decline in April 2020 from Alert Level 4 lockdown
- And suspension of 4th Tiwai potline during Q4 FY20
- Pre-COVID growth in commercial and agricultural sectors, outlook is uncertain

Annual national consumption (to March 20)



Source: Ministry of Business, Innovation and Employment

NATIONAL DEMAND



Source: Electricity Authority

New Zealand policy and regulation

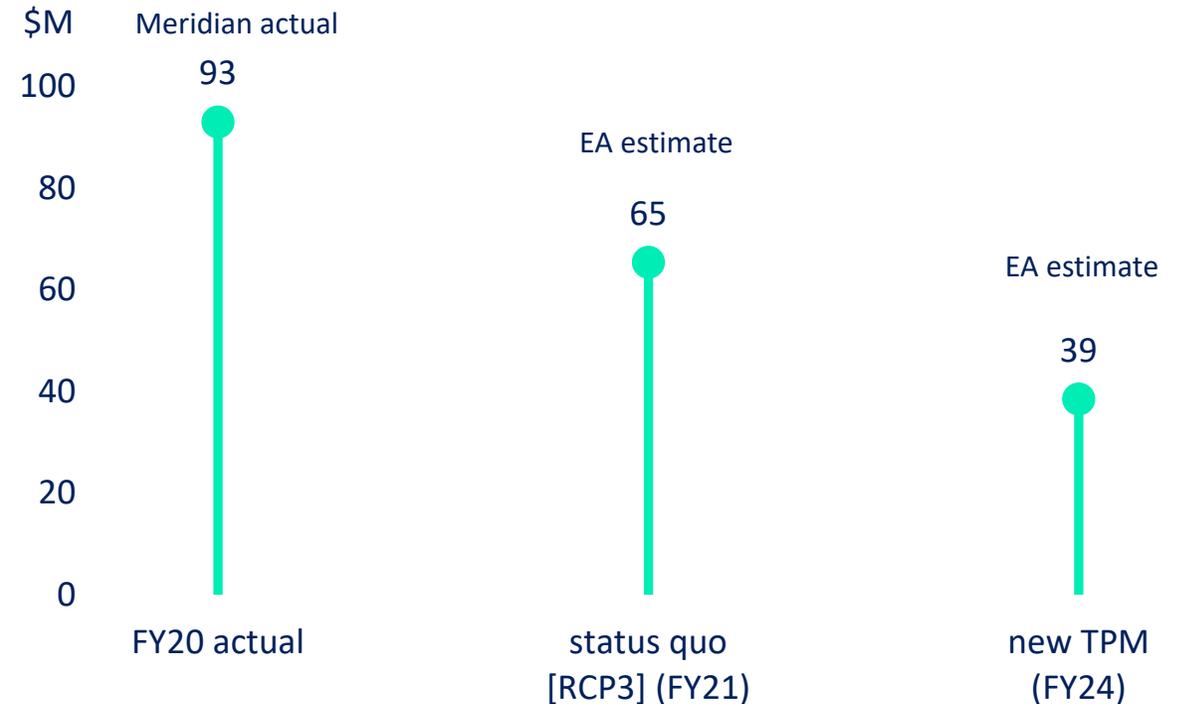
TPM

- EA published final decision in June 2020
- Replaces current HVDC charge with benefit-based and residual charges
- New TPM expected to be in place by April 2023 with transitional cap on charges
- Is the subject of legal appeal

UTS

- Meridian does not agree with EA's preliminary decision
- \$5m provision taken, reducing NZ energy margin
- Spot market outcomes during December 2019 floods were not unusual
- Avoidable spill and customer impacts were negligible

Meridian's annual HVDC costs



Source: Electricity Authority, Meridian
Note: EA's estimates based on NZAS as an industrial electricity consumer

New Zealand policy and regulation

Emissions trading scheme

- Climate Change Response Bill passed
- Cap on emissions with 5 yearly carbon budgets
- A cost containment system to replace the \$25 price, set at \$25 for 2020, lifting to \$50 in 2021, with a \$20 price floor
- NZU's currently trading at ~\$33
- Phase-down of free allocation from 2021
- Inclusion of agricultural emissions from 2025

Water reform

- Action for healthy waterways sets out a new national direction for freshwater management
- 5 large hydro schemes (including Meridian's) are exempt from changes to meet water quality standards
- Output and flexibility of these schemes to be recognised and maintained in future planning



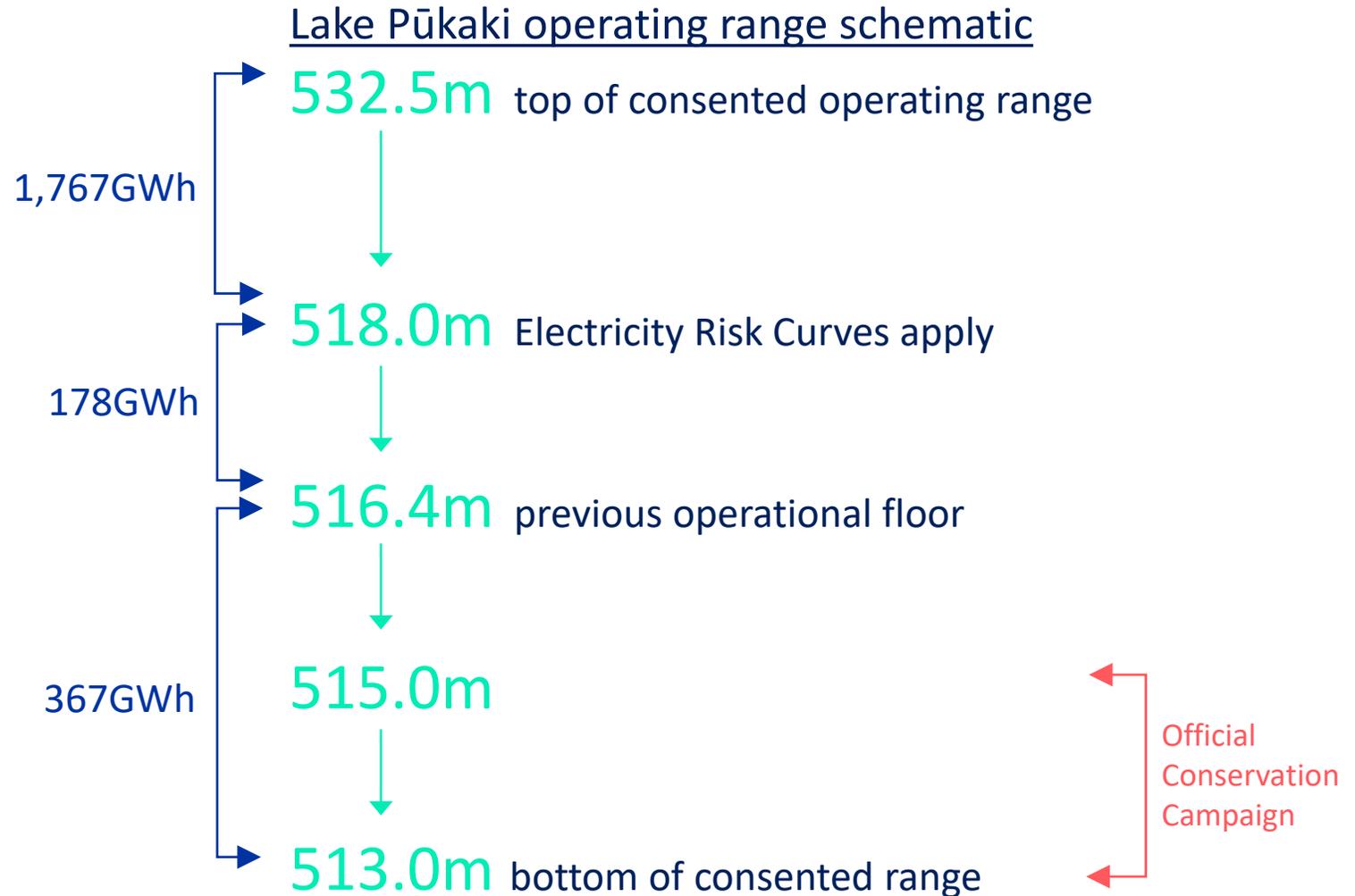
Portfolio response to NZAS exit

- Expecting smelter closure on 31 August 2021
- Ordinary dividend policy maintained at 75%-90% of free cash flow (FY20 dividend at 75%)
- Capital management programme ended
- Completion by Transpower of Clutha Upper Waitaki Lines Project by May 2022 or earlier
- North Island battery location under investigation
- Harapaki windfarm decision deferred
- Existing swaption likely to be terminated and renewal process abandoned
- Wholesale bilateral contract negotiations at different stages
- Continuation of retail growth
- Exploring new lower South Island demand sources
- Asset management refocus with significant Waitaki works prioritised ahead of Manapouri



Lake Pūkaki low range operation

- Lake Pūkaki is consented to be used down to 513.0m
- Usage below 518.0m is tied to the System Operator's Electricity Risk Curves (ERC)
- Meridian has previously only planned to operate the lake down to 516.4m
- Latest engineering review shows operations can be extended down to 513.0m
- This requires additional foreshore erosion protection (~\$15m of capex) and modifications to canal protection systems
- Greater flexibility between Waitaki and Waiau catchments



New Zealand customers

- Customer number and sales volume growth across all segments
- 7% to 8% sales growth in residential and small medium business, stable average sales prices
- 30% higher corporate sales volume at higher prices
- Corporate sales prices easing as wholesale forward prices have reduced
- Retention rates improving and cost to serve per customer continuing to fall

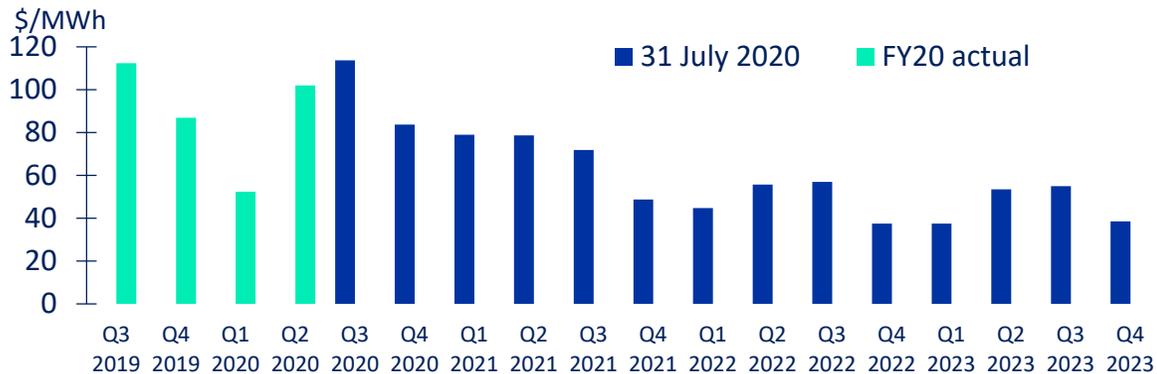
Retail cost to serve	FY18	FY19	FY20
Retail costs excl. metering	\$68M	\$66M	\$66M
Other segment cost allocation	\$15M	\$16M	\$19M
Year end customer numbers	290,756	302,277	324,253
Cost to serve per customer	\$287	\$271	\$260

Customer sales	Average price (\$/MWh)	Total sales volume (GWh)	North Island sales volume (GWh)	South Island sales volume (GWh)
<u>FY20</u>				
Residential		1,547	825	722
Small medium business		1,046	602	444
Agricultural		1,265	333	932
Large business		484	313	171
Total mass market	\$115	4,342	2,074	2,268
Corporate	\$98	3,034	2,125	909
<u>FY19</u>				
Residential		1,431	750	681
Small medium business		975	552	423
Agricultural		1,055	277	778
Large business		441	290	151
Total mass market	\$114	3,902	1,869	2,033
Corporate	\$89	2,338	1,684	644

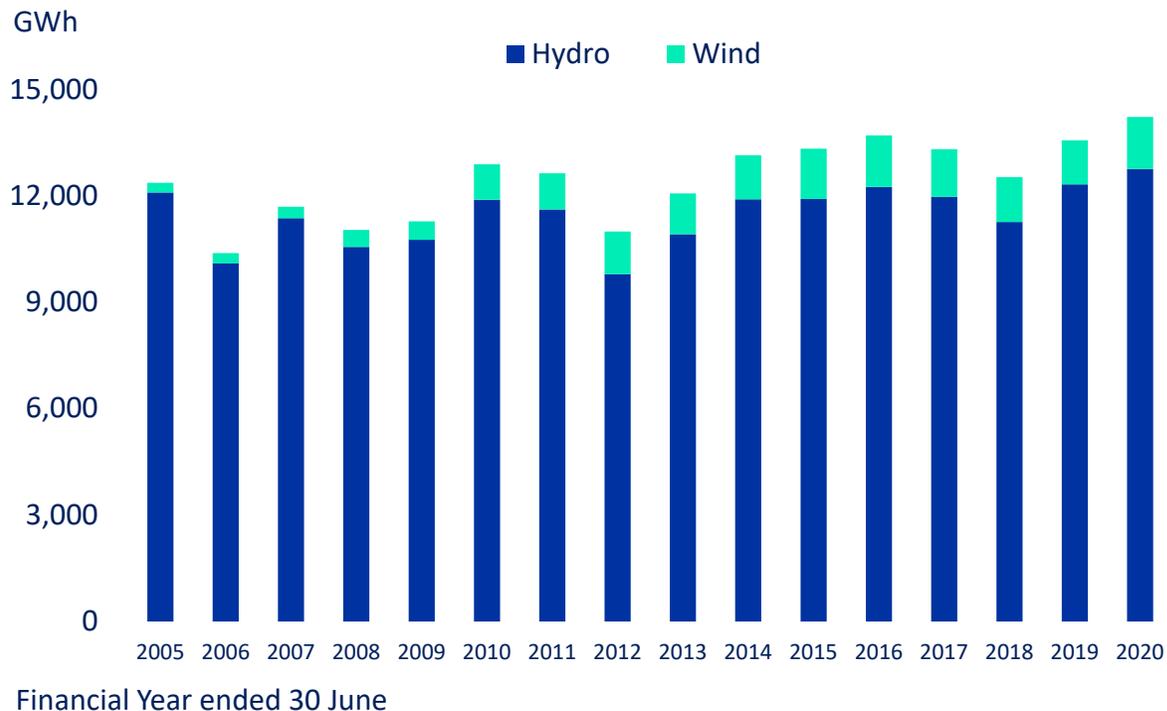
New Zealand generation

- Record wind and hydro generation with higher wind farm availability and inflows 115% above average
- Despite major outages on the HVDC between January and April 2020 for reconductoring and replacement works
- Average generation price 28% lower than FY19
- ASX curve suggests lower future prices

BENMORE ASX FUTURES SETTLEMENT PRICE



New Zealand generation

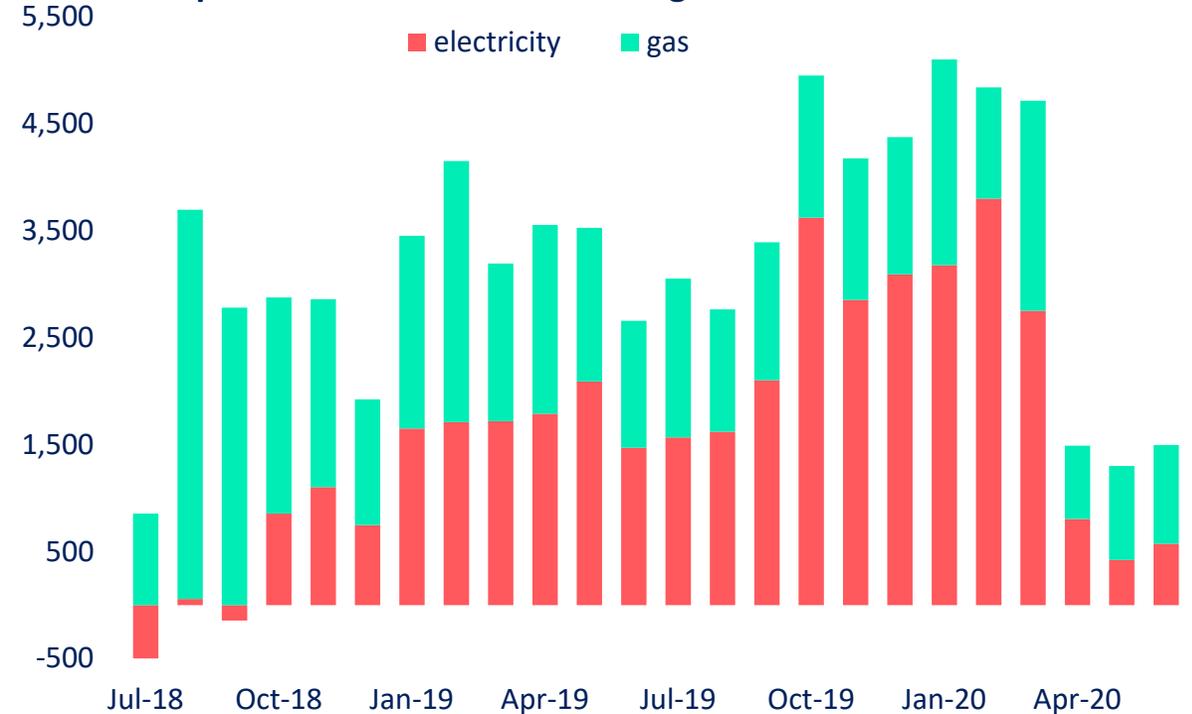


Source: Meridian

Australian customers

- 24% growth in both electricity sales volume and customers during FY20
- 310% increase in gas sales volumes from a 68% increase in gas customers
- Despite acquisition rates being impacted in Q4 by COVID-19
- Average sales prices for gas and electricity were both lower in FY20, reflecting movements in wholesale costs
- Powershop Australia winner of Roy Morgan's Most Satisfied Customers award for electricity

Powershop Australia net customer changes

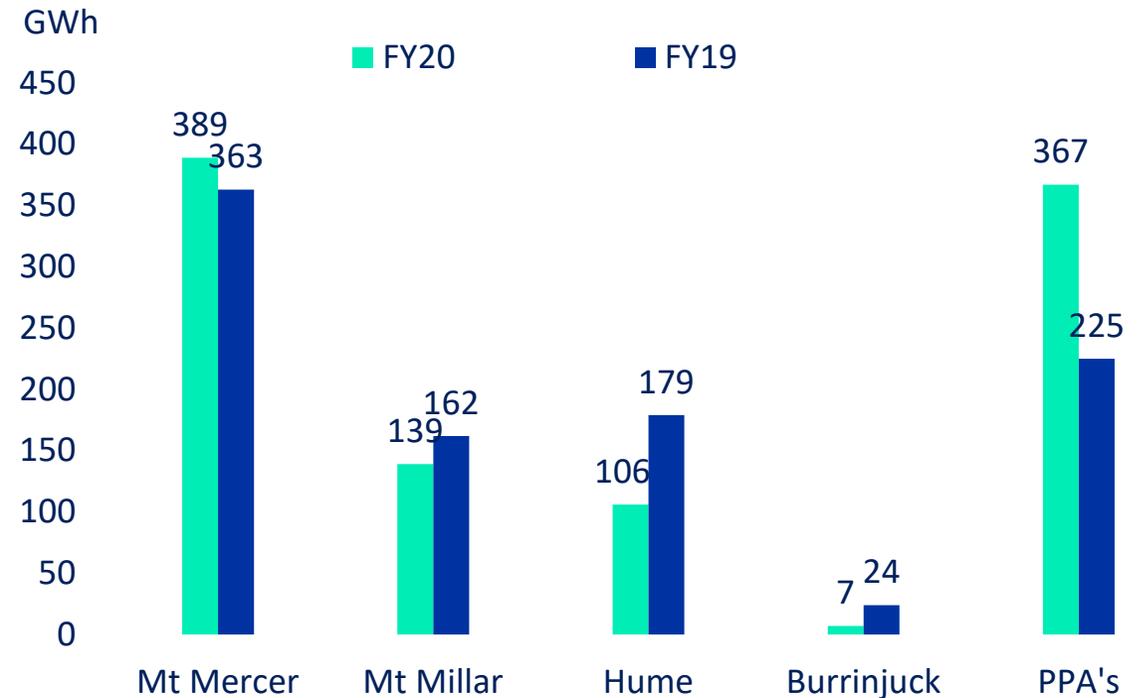


Source: Meridian

Australian generation

- NSW drought conditions persisted during FY20, impacting hydro generation
- Hydro storage is improving, now above 50% and close to seasonal average
- Repairs and upgrades reduced availability at Mt Millar during FY20
- Asset maintenance costs impacted by Senvion liquidation
- 367GWh of PPA offtake in FY20
- Feasibility phase completed on 130MW Rangoon wind and battery facility in NSW

Australian generation



Source: Meridian

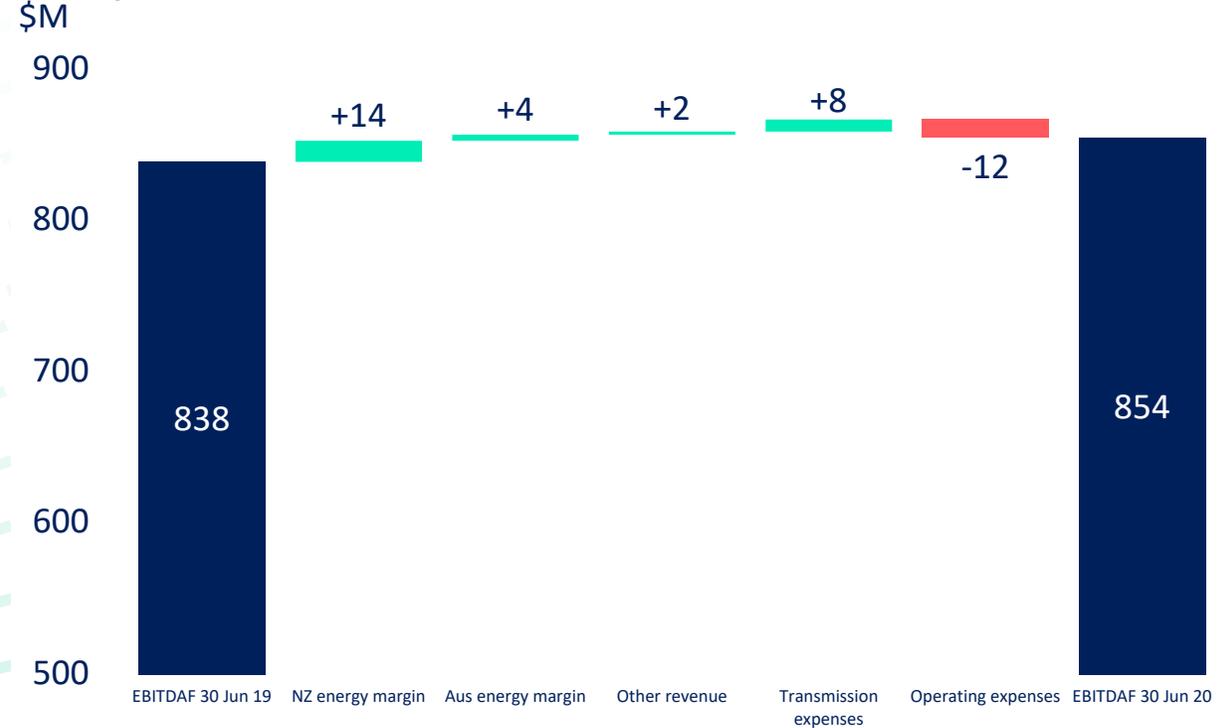
Financial performance



EBITDAF

- FY20 EBITDAF +2% on FY19
- \$6M benefit from adoption of IRFS 16
- Strong retail performance in New Zealand and Australia
- Lower wholesale prices and HVDC outages slowed EBITDAF in 2H FY20
- Lower New Zealand transmission charges with the new regulatory control period
- A number of one-off items in operating costs

Group EBITDAF movement



Cash flow from operating activities

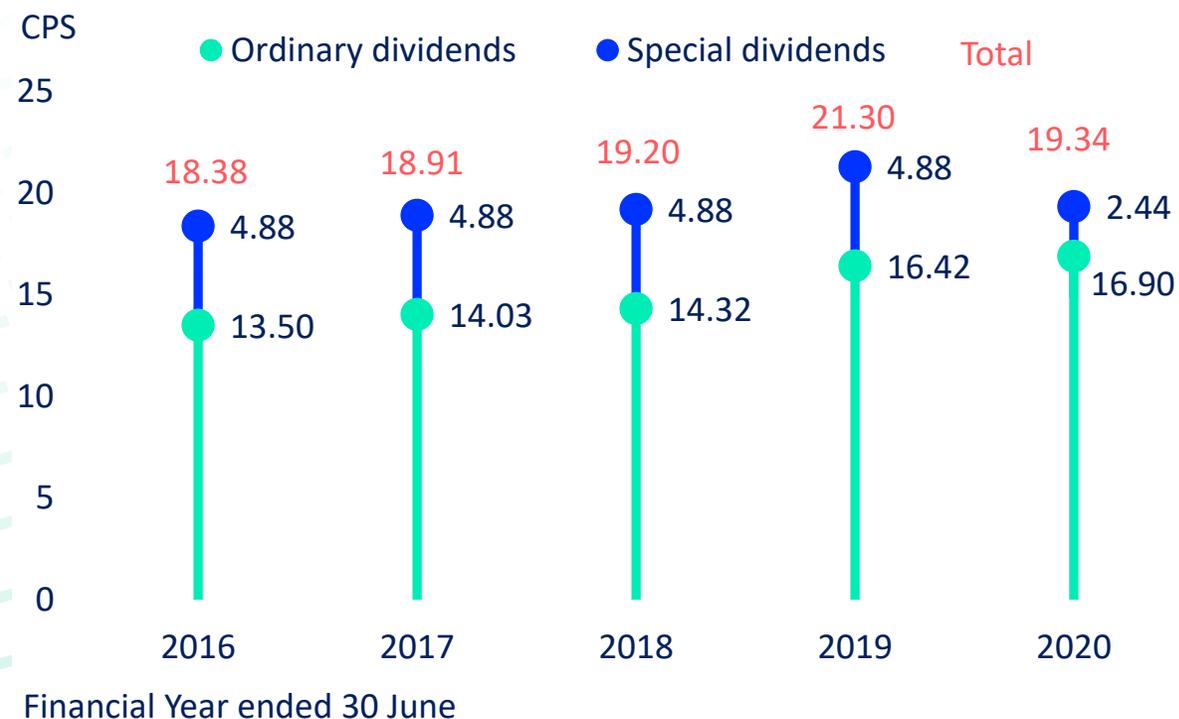


Source: Meridian

Dividends

- Final ordinary dividend declared of 11.20 cps, 86% imputed
- Brings FY20 full year ordinary dividend declared to 16.90 cps, 86% imputed
- Represents 75% payout of free cash flow
- FY20 full year ordinary dividend +3% on FY19
- Capital management programme ceased in July 2020, following NZAS contract termination notice
- Total FY20 dividend of 19.34 cps -9% on FY19

Dividends declared



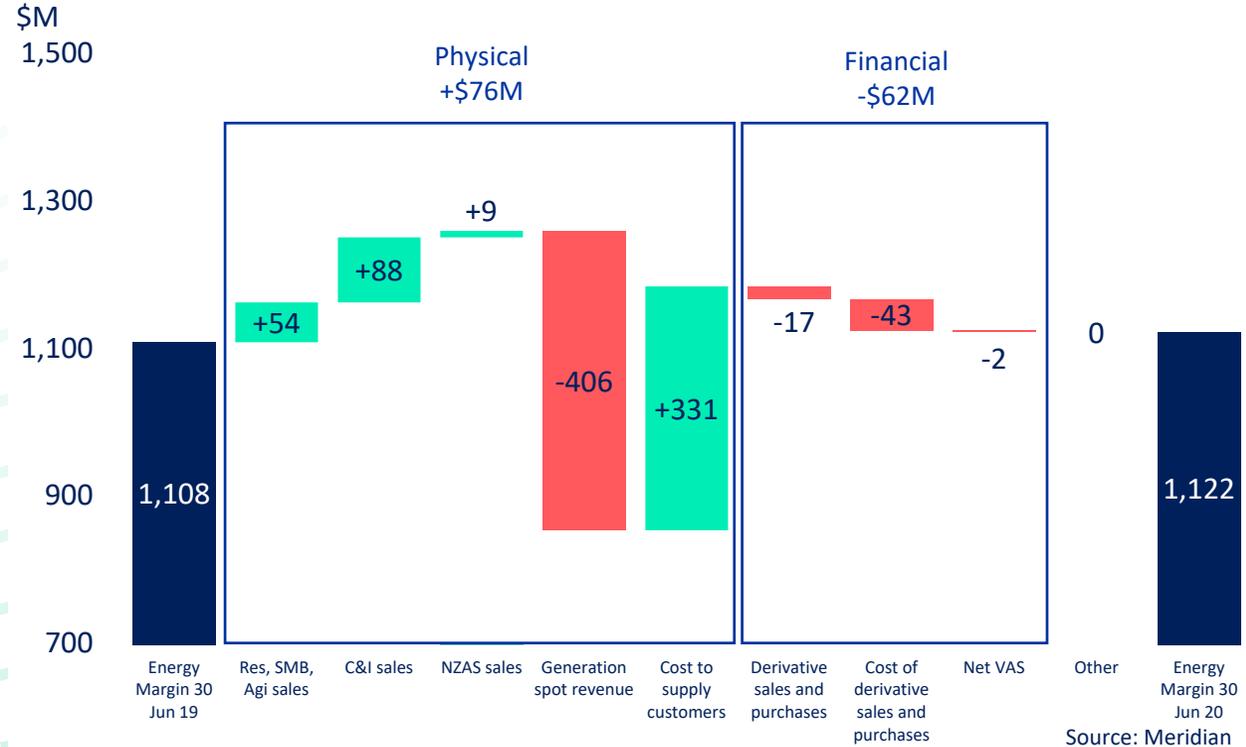
Source: Meridian

Dividends declared	FY20		FY19	
	cents per share	imputation	cents per share	imputation
Ordinary dividends	16.90	86%	16.42	86%
Capital management special dividends	2.44	0%	4.88	0%
Total	19.34		21.30	

New Zealand energy margin

- Customer and sales volume growth across all segments drove energy margin growth
- Upward price pressure in corporate and stable mass market pricing supported higher sales
- Generation length from 1H FY20 moderated in Q3 with the HVDC outage
- UTS preliminary decision provided for: generation revenue $-\$33\text{M}$, cost to supply customers $-\$28\text{M}$
- Financial contract, spot generation and hedging revenues all reflected lower wholesale prices
- Those lower prices also reduced costs in the portfolio, however higher hedging volumes were needed to manage the HVDC outage

New Zealand energy margin movement

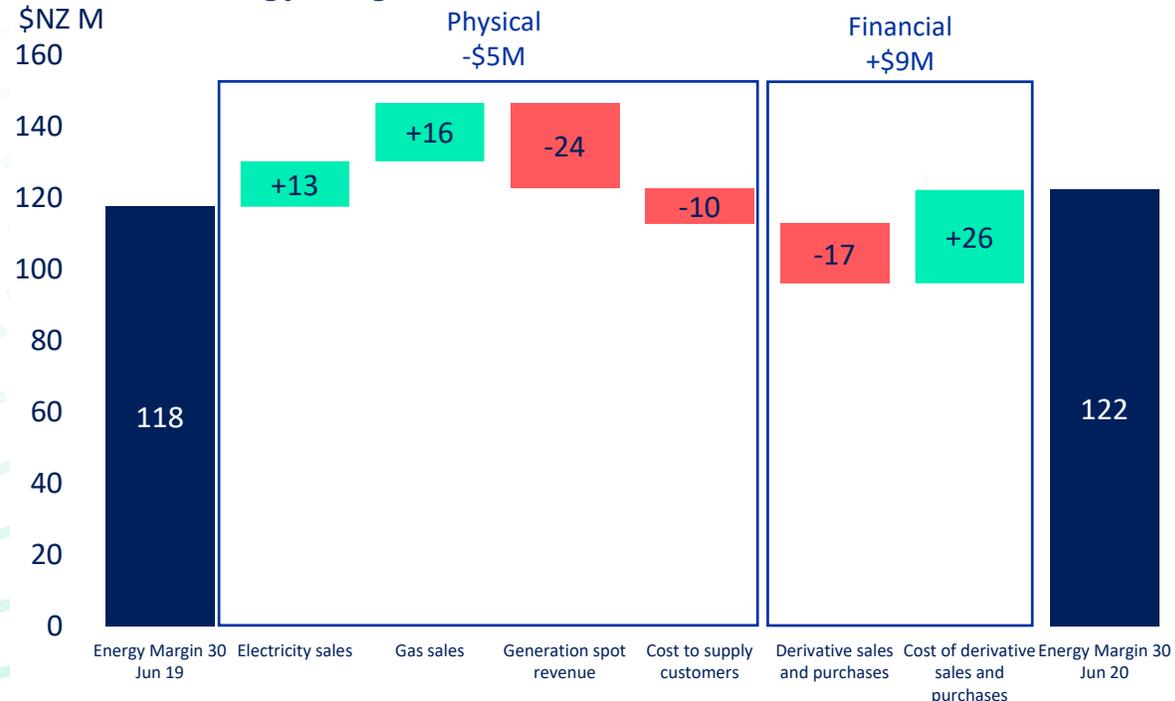


Refer to page 40 for a further breakdown of New Zealand energy margin

Australian energy margin

- Electricity and gas sales have lifted physical margin
- Residential price pressure reflecting significantly lower wholesale market costs
- Drought conditions and wind farm availability impacted total generation, 12% lower than FY19
- Significantly lower wholesale prices in 2H FY20 impacted generation revenue
- And improved the net financial position, which also saw a positive outcome on LGC hedging

Australian energy margin movement



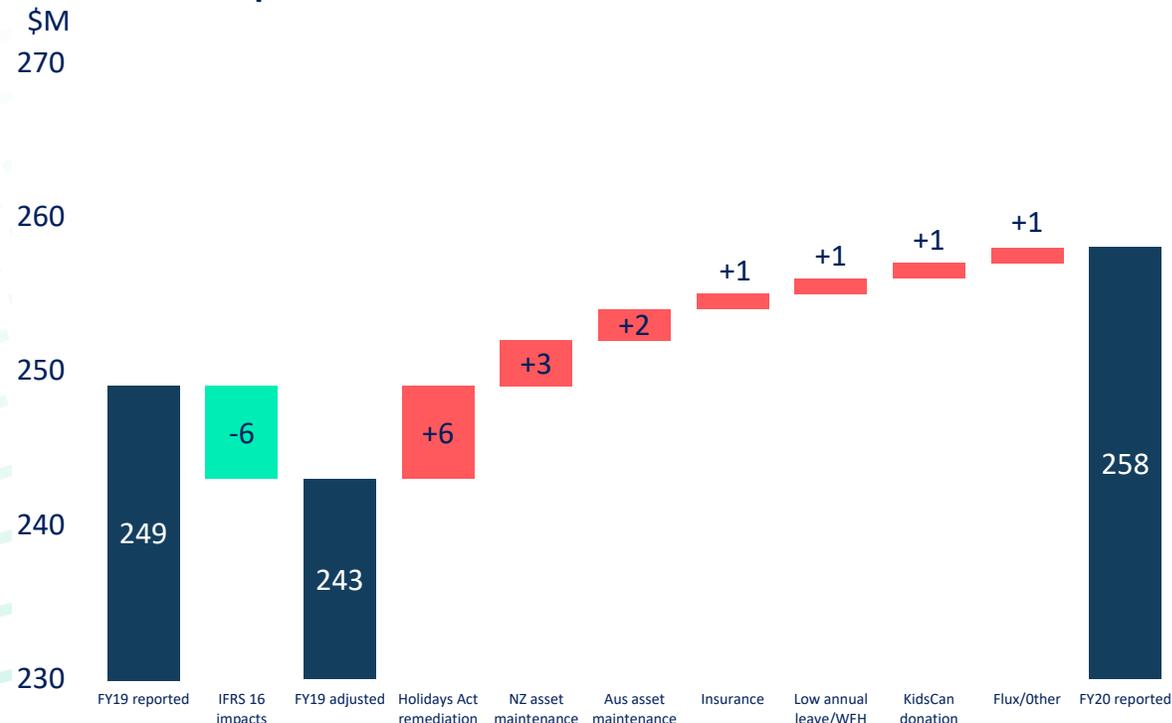
Source: Meridian

Refer to page 41 for a further breakdown of Australian energy margin

Operating costs

- \$6M reduction in FY20 operating costs from IFRS 16
- Like for like operating cost increase of \$15M (6%)
- \$6M provision taken on Holiday's Act payroll remediation (previously a contingent liability)
- Low levels of annual leave taken since COVID-19
- Asset maintenance costs impacted by Senvion liquidation
- \$1m donation to KidsCan
- Expecting FY21 Group operating costs¹ of between \$261M and \$266M¹

FY19 to FY20 opex movement



Source: Meridian

Operating costs pro forma	FY19 reported	FY19 IFRS 16	FY20 reported	FY21 estimate ¹
Employee & other operating costs	\$249M	\$243M	\$258M	\$261M-\$266M
Electricity metering expenses	\$33M	\$33M	\$36M	Gross margin
Total operating costs	\$282M	\$276M	\$294M	

¹Electricity metering expenses are being reclassified into Gross Margin from FY21

Below EBITDAF

- 13% increase in depreciation from June 2019 revaluation (+\$1B)
- Immaterial June 2020 devaluation
- \$58M impairments, mainly Australian generation assets
- \$113M decrease in NPBT¹ from fair value of electricity hedges from lower forward electricity prices (\$58M increase in FY19)
- \$48M decrease in NPBT from fair value of treasury instruments from changing forward interest rates (\$63M decrease in FY19)
- FY20 decrease in net profit after tax (-48%) and Underlying NPAT² (-5%)
- Potential FY21 NZAS exit devaluation of \$690M-\$1,340M

Net profit after tax



Source: Meridian

Underlying npat



Source: Meridian

¹Net profit before tax

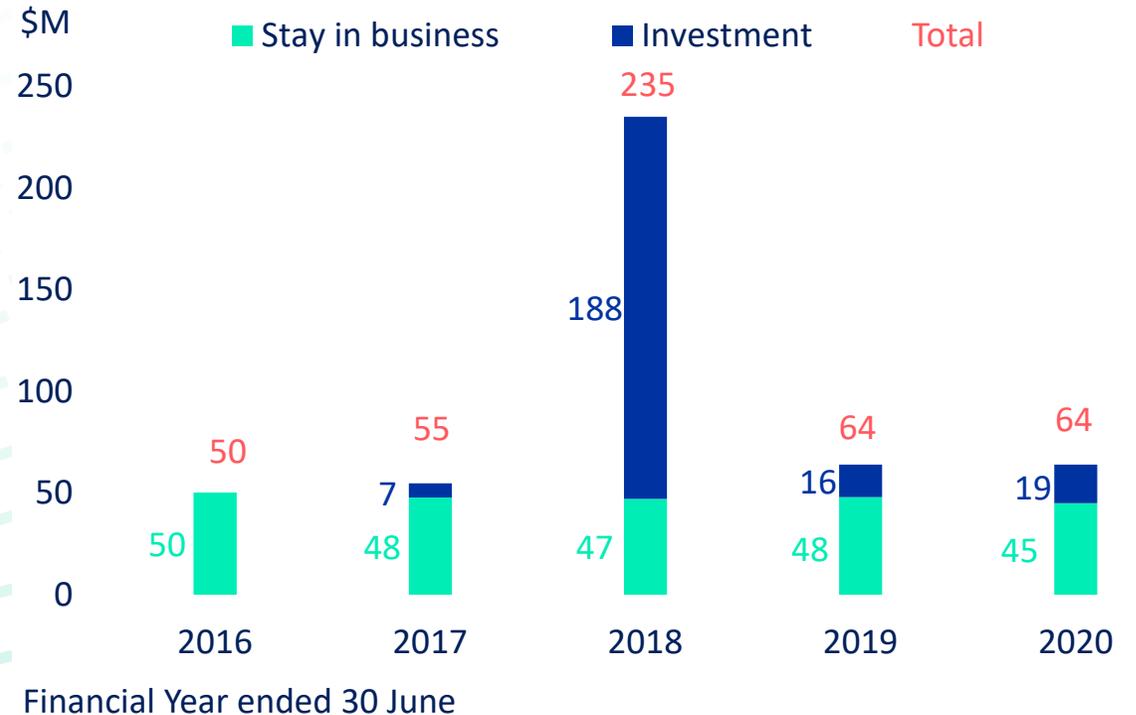
²Net profit before tax adjusted for the effects of changes in fair value of hedges and other non-cash items

A reconciliation of NPAT to Underlying NPAT is on page 45

Capital expenditure

- Consistent level of stay in business capex
- Largely consists of system and generation asset enhancement spend
- Currently expecting FY21 Group capex of between \$70M and \$80M
 - \$50M to \$55M of stay in business capex
 - \$20M to \$25M of currently approved investment spend

Capital expenditure



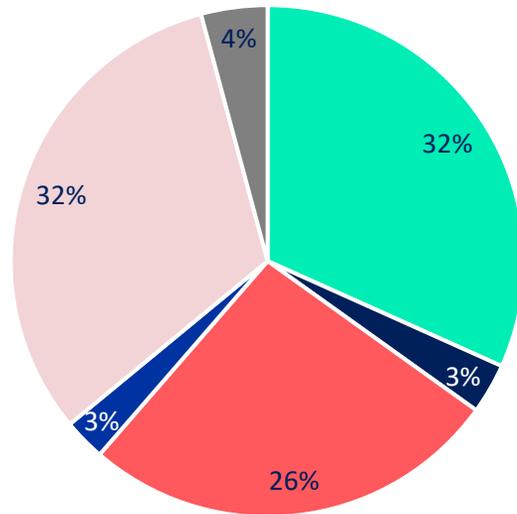
Source: Meridian

Debt and funding

- June 2020 total borrowings of \$1,688M
- Total funding facilities of \$1,891M, of which \$400M were undrawn
- Net debt of \$1,513M, up 4% from FY19
- Net debt to EBITDAF at 1.8x (FY19: 1.7x)
- Green finance framework developed

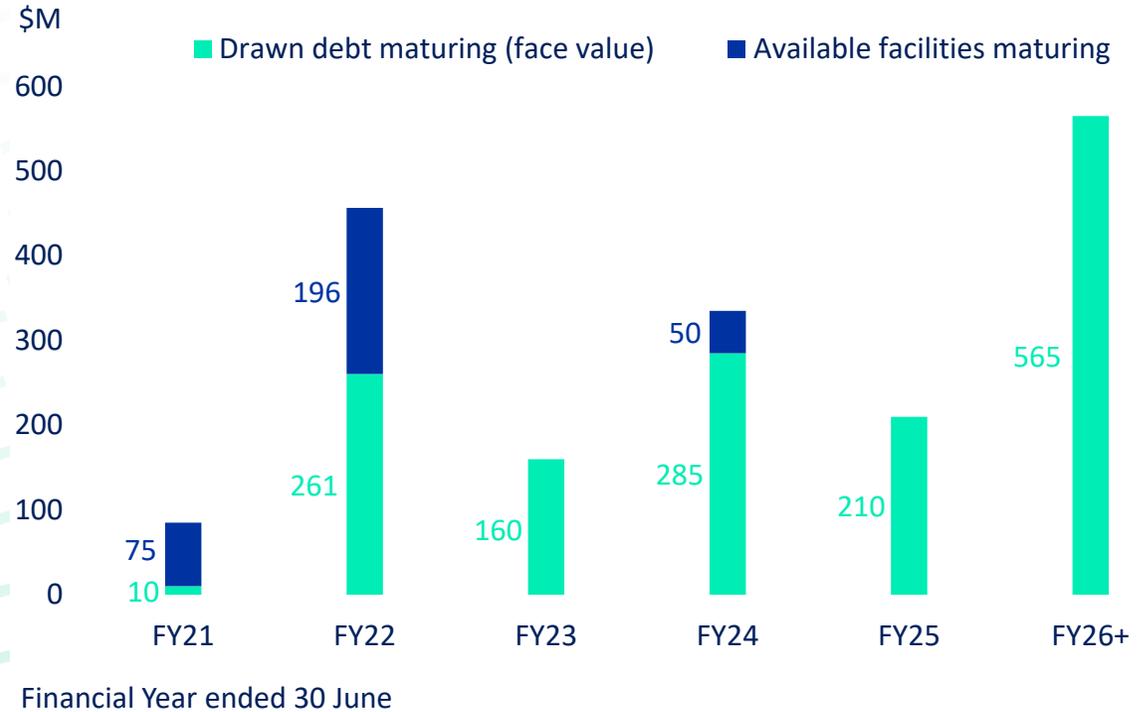
Sources of Funding - 30 June 2020

- NZ\$ bank facilities drawn/undrawn
- EKF - Danish export credit
- Retail Bonds
- Floating rate notes
- US private placement
- Commercial paper



Source: Meridian

Debt maturity profile as at 30 June 2020



Source: Meridian

Closing comments

- Timing of NZAS exit to be determined
- Portfolio response to NZAS exit is well established
- Lasting impacts from COVID-19 are unclear
- Fundamentals of the sector remain strong
- Momentum in both Meridian's retail businesses is strong
- Solid July 2020 operating result



Additional information



Segment results

- Flux Federation and Powershop UK included in 'other and unallocated' segment

\$M	Wholesale		Retail		Australia		Other & unallocated		Inter-segment		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Contracted sales	531	524	796	654	182	152	-	-	-	-	1,509	1,330
Cost to supply customers	(1,558)	(1,985)	(625)	(502)	(139)	(150)	-	-	697	613	(1,625)	(2,024)
Net cost of hedging	11	126	-	-	(9)	4	-	-	-	-	2	130
Generation spot revenue	1,266	1,672	-	-	89	113	-	-	-	-	1,355	1,785
Inter-segment electricity sales	697	613	-	-	-	-	-	-	(697)	(613)	-	-
Virtual asset swap margins	9	11	-	-	-	-	-	-	-	-	9	11
Other market revenue/(costs)	(6)	(7)	1	2	(1)	(1)	-	-	-	-	(6)	(6)
Energy margin	950	954	172	154	122	118	-	-	-	-	1,244	1,226
Other revenue	3	2	13	12	3	2	32	29	(24)	(20)	27	25
Dividend revenue	-	-	-	-	-	-	27	41	(27)	(41)	-	-
Energy transmission expense	(116)	(125)	-	-	(7)	(6)	-	-	-	-	(123)	(131)
Gross margin	837	831	185	166	118	114	59	70	(51)	(61)	1,148	1,120
Operating expenses	(93)	(91)	(102)	(99)	(52)	(50)	(60)	(52)	13	10	(294)	(282)
EBITDAF	744	740	83	67	66	64	(1)	18	(38)	(51)	854	838

Six monthly results

	1H			2H			Total		
	2020	2019	change	2020	2019	change	2020	2019	change
Contracted sales	734	631	103	775	699	76	1,509	1,330	179
Cost to supply customers	(876)	(1,002)	126	(749)	(1,022)	273	(1,625)	(2,024)	399
Net cost of hedging	30	72	(42)	(28)	58	(86)	2	130	(128)
Generation spot revenue	776	872	(96)	579	913	(334)	1,355	1,785	(430)
Virtual asset swap margins	3	6	(3)	6	5	1	9	11	(2)
Other market revenue/(costs)	(4)	(3)	(1)	(2)	(3)	1	(6)	(6)	-
Energy margin	663	576	87	581	650	(69)	1,244	1,226	18
Other revenue	13	13	-	14	12	2	27	25	2
Energy transmission expense	(68)	(65)	(3)	(55)	(66)	11	(123)	(131)	8
Gross margin	608	524	84	540	596	(56)	1,148	1,120	28
Operating expenses	(143)	(135)	(8)	(151)	(147)	(4)	(294)	(282)	(12)
EBITDAF	465	389	76	389	449	(60)	854	838	16
Depreciation & amortisation	(157)	(137)	(20)	(155)	(139)	(16)	(312)	(276)	(36)
Impairment of assets	-	-	-	(58)	(5)	(53)	(58)	(5)	(53)
Gain / (loss) on sale of assets	-	-	-	-	3	(3)	-	3	(3)
Net change in fair value of electricity and other hedges	(6)	20	(26)	(107)	38	(145)	(113)	58	(171)
Operating Profit	302	272	30	69	346	(277)	371	618	(247)
Finance costs	(43)	(43)	-	(42)	(41)	(1)	(85)	(84)	(1)
Interest income	-	-	-	1	1	-	1	1	-
Net change in fair value of treasury instruments	6	(15)	21	(54)	(48)	(6)	(48)	(63)	15
Net profit before tax	265	214	51	(26)	258	(284)	239	472	(233)
Income tax expenses	(74)	(62)	(12)	11	(71)	82	(63)	(133)	70
Net profit after tax	191	152	39	(15)	187	(202)	176	339	(163)

New Zealand retail

Customers

- 7% increase in customers since June 2019

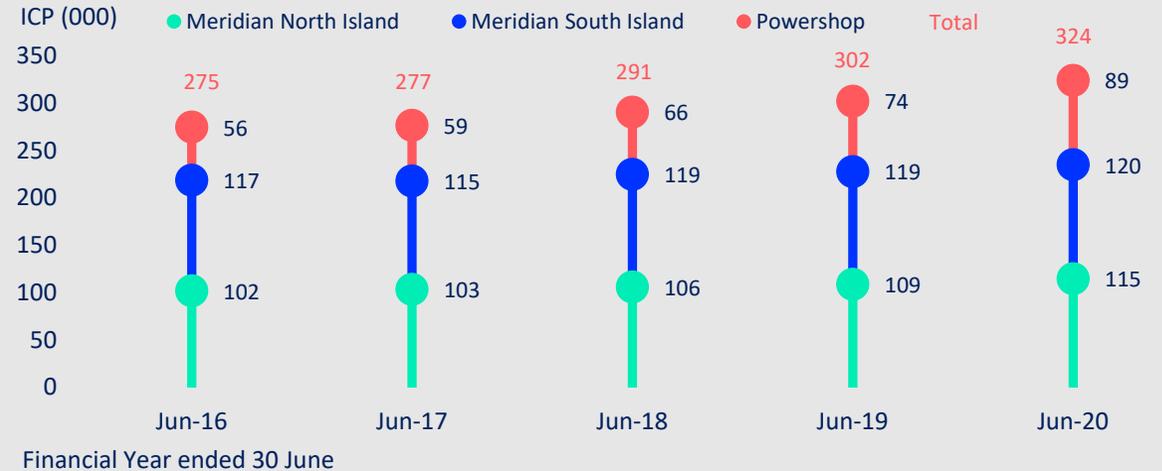
Residential, business, agri segment

- 8% increase in residential volumes
- 7% increase in small business volumes
- 11% increase in large business volumes
- 20% increase in agri volumes
- 1% increase in average sales price

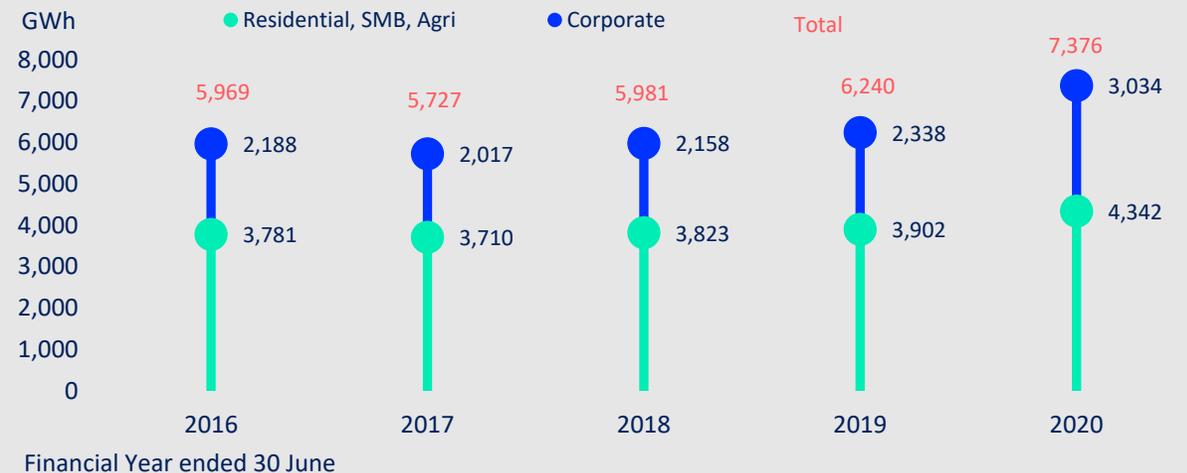
Corporate segment

- 30% increase in volumes
- 9% increase in average sales price

New Zealand customer connections



New Zealand retail sales volumes



New Zealand hydrology

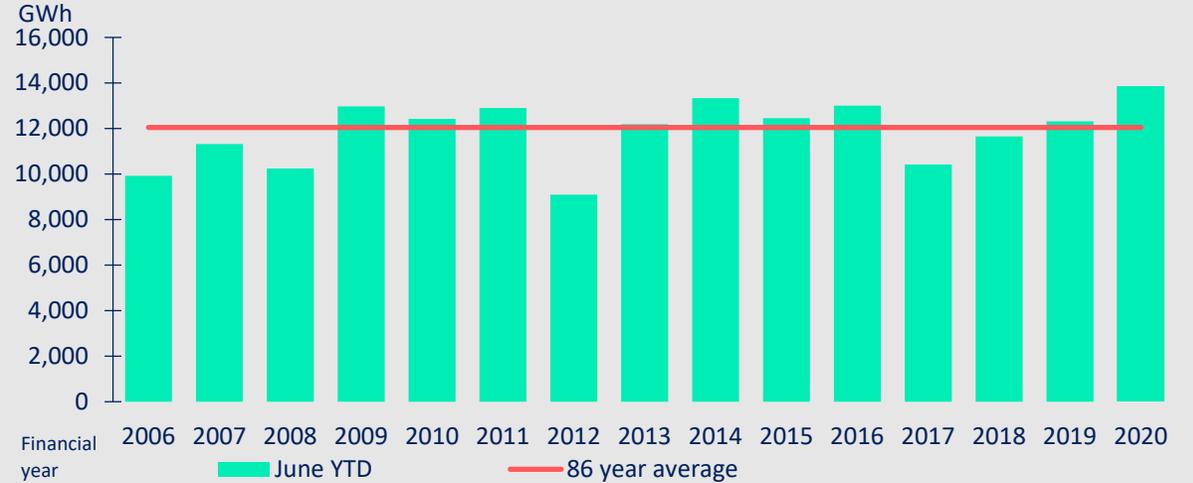
Inflows

- FY20 inflows were 115% of average
- July 2020 inflows were 108% of average

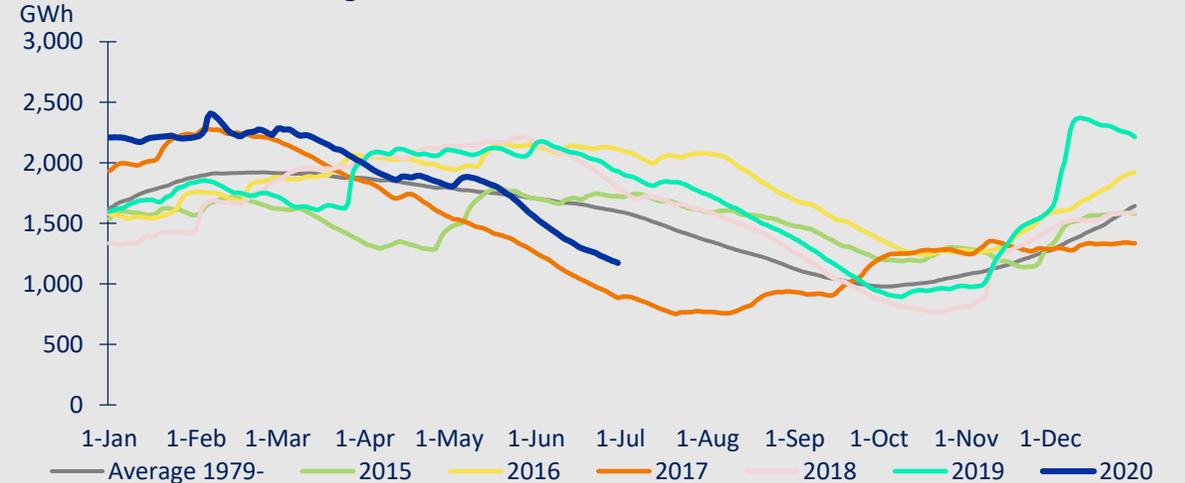
Storage

- Meridian's Waitaki storage at 30 June 2020 was 73% of average
- By 31 July 2020, this position was 64% of average

Meridian's combined catchment inflows



Meridian's Waitaki storage



New Zealand generation

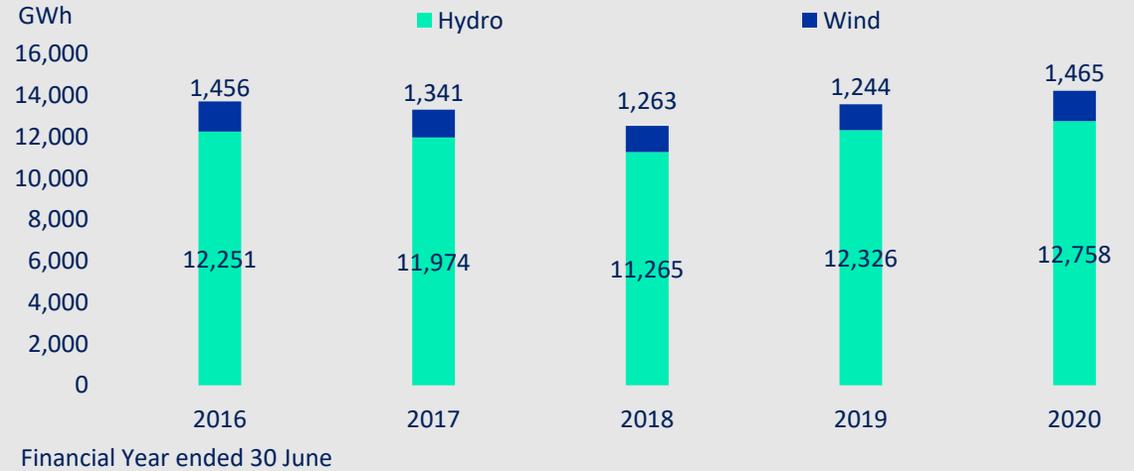
Volume

- FY20 generation was 5% higher than FY19, with higher hydro and wind generation

Price

- FY20 average price Meridian received for its generation was 28% lower than FY19
- FY20 average price Meridian paid to supply customers was 28% lower than FY19

New Zealand generation



NZ average generation price



Australian retail

Customers

- 24% growth in electricity customers since June 2019
- 37,878 gas customers by June 2020

Sales volume

- 24% growth in electricity sales volume in FY20
- 1,491TJ in gas sales in FY20

Australian customer connections



Australian retail sales volume



Australian generation

Volume

- FY20 generation was 12% lower than FY19
- Higher wind and lower hydro generation
- 367GWh of PPA offtake in FY20

Australian generation

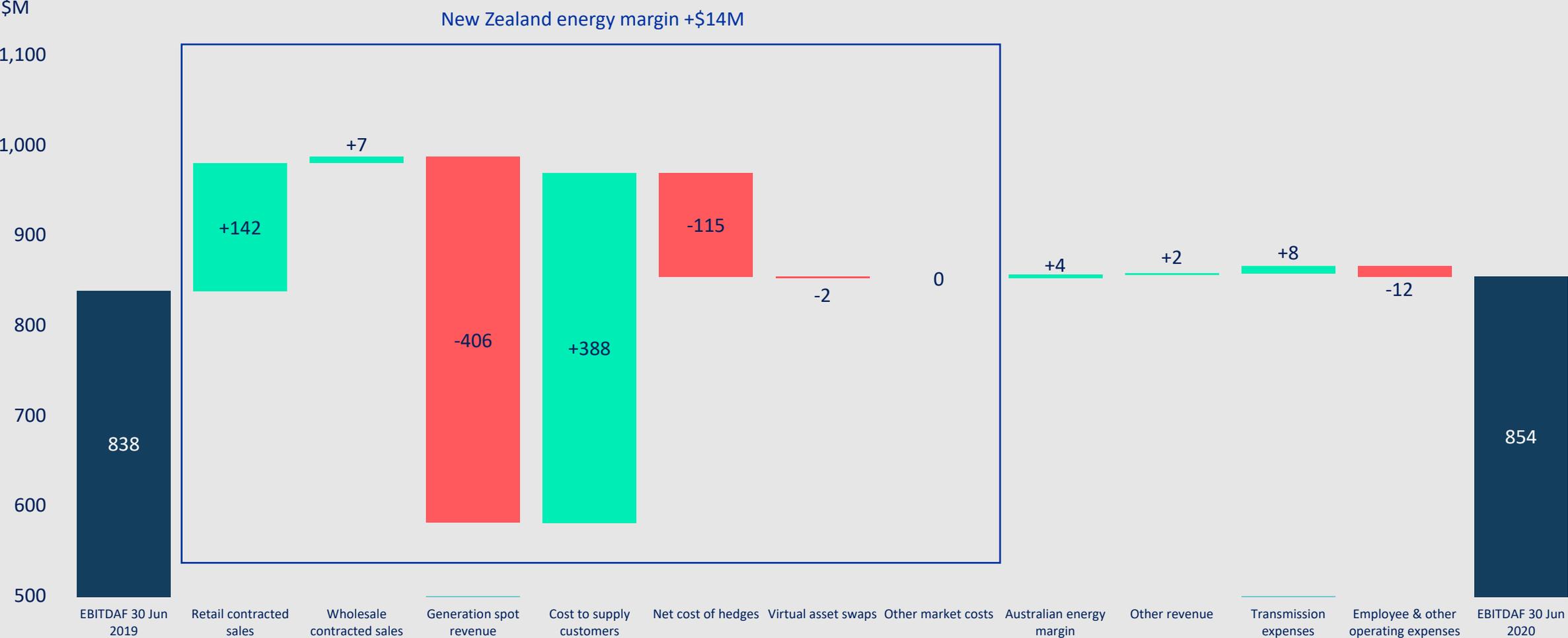


Australian average wind generation price



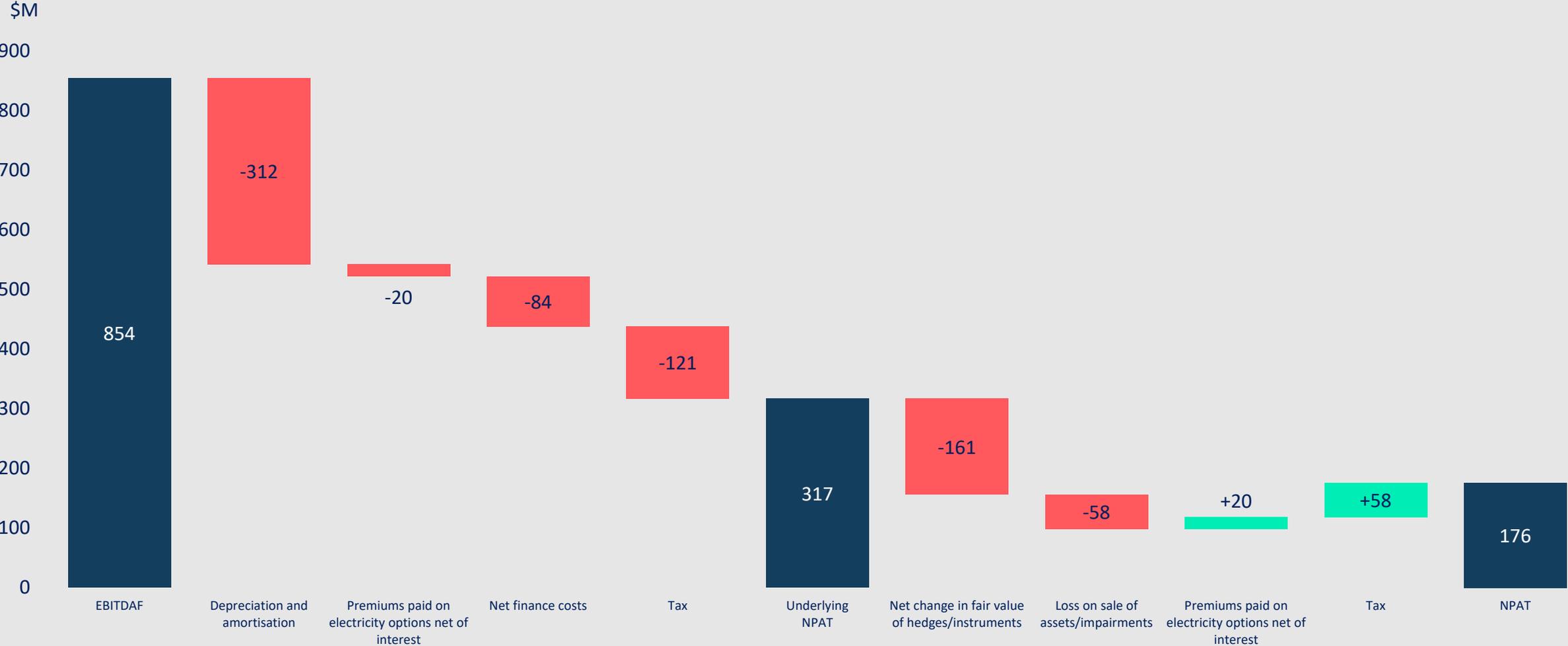
FY20 EBITDAF

Movement in EBITDAF



EBITDAF to NPAT

FY20 EBITDAF TO NPAT RECONCILIATION



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 financial contracts sold (contract sales revenue)
- The volume of electricity purchased to cover contracted customer sales and financial contracts sold (cost to supply customers)
- The fixed cost of derivatives used to manage market risks, net of spot revenue received from those derivatives (net cost hedging)
- Revenue from the volume of electricity that Meridian generates (generation spot revenue)
- The net margin position of virtual asset swaps with Genesis Energy and Mercury New Zealand
- Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues, such as frequency keeping

New Zealand energy margin

New Zealand energy margin

\$M

3,000

2,500

2,000

1,500

1,000

500

0

Res, SMB, Agi sales

C&I sales

Financial contract sales (incl NZAS)

Generation spot revenue

Cost to supply customers

Cost to supply financial contracts

Hedging fixed costs

Hedging spot revenue

Contract close outs

VAS margins

Market costs

Energy Margin

499

297

531

1,266

-1,268

-218

-227

252

-14

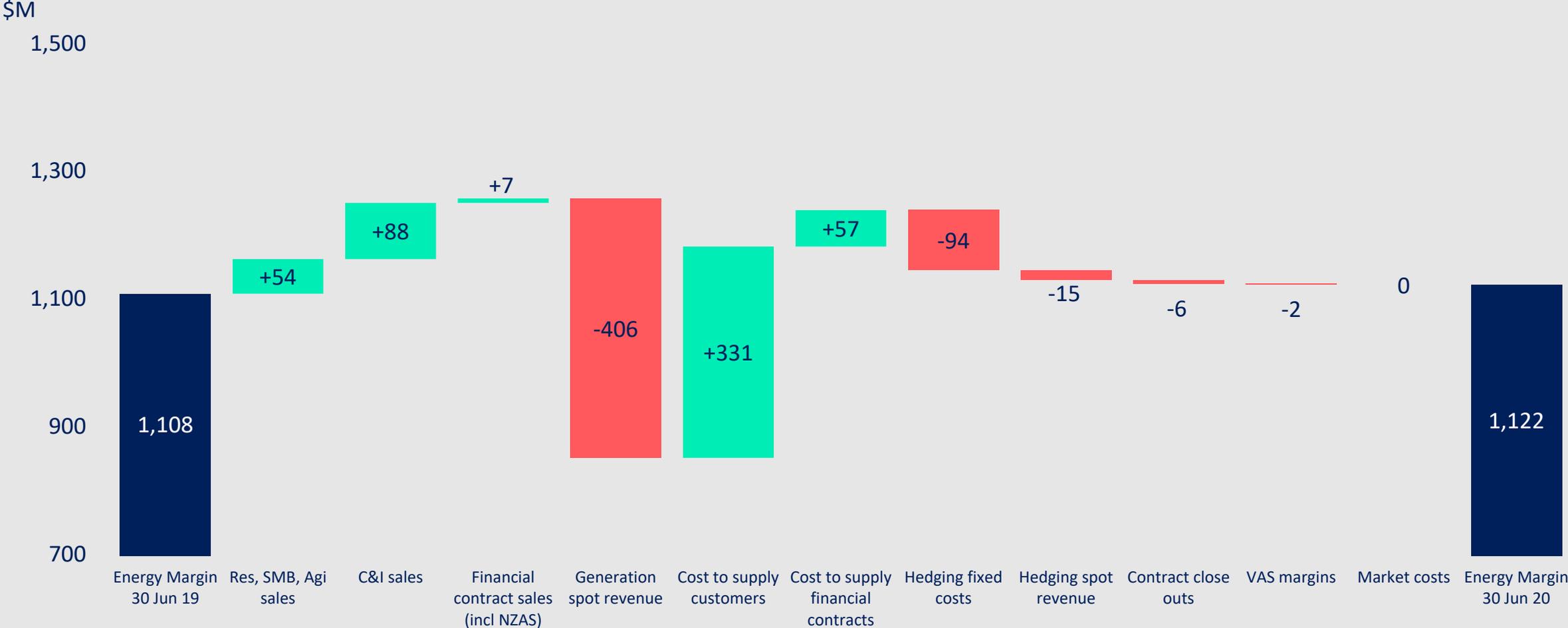
+9

-5

1,122

New Zealand energy margin

New Zealand energy margin movement



New Zealand energy margin

	FY20			FY19		
	Volume	VWAP	NZD M	Volume	VWAP	NZD M
Res, business, agri sales	4,343	\$115	499	3,902	\$114	446
Corporate and industrial sales	3,033	\$98	297	2,338	\$89	209
Retail contracted sales	7,376	\$108	796	6,240	\$105	654
NZAS sales	5,431			5,310		
Financial contract sales	2,527			2,240		
Wholesale contracted sales	7,958	\$67	531	7,550	\$69	524
Cost to supply retail customers	7,731	-\$102	(786)	6,608	-\$143	(943)
Cost to supply wholesale customers	5,431	-\$89	(482)	5,310	-\$123	(656)
Cost of financial contracts	2,527	-\$86	(218)	2,240	-\$123	(275)
Cost to supply customers and contracts	15,689	-\$95	(1,486)	14,158	-\$132	(1,874)
Hedging costs	2,730	-\$83	(227)	1,964	-\$68	(133)
Hedging spot revenue	2,730	\$92	252	1,964	\$136	267
Close-outs			(14)			(8)
Net cost of hedging			11			126
Hydro generation	12,758			12,326		
Wind generation	1,466			1,244		
Generation revenue	14,224	\$89	1,266	13,570	\$123	1,672
Virtual asset swap margins	1,051		9	1,049		11
Other			(5)			(5)
Energy margin			1,122			1,109

Australian energy margin

		FY20			FY19		
	Volume	VWAP	NZD M	Volume	VWAP	NZD M	
Retail electricity sales, net of distribution	683	\$155	106	553	\$169	93	
Retail gas sales, net of distribution	1,491	\$16	24	364	\$21	8	
Financial contract sales	537	\$97	52	612	\$83	51	
Contracted sales			182			152	
Cost to supply electricity customers	683	-\$109	(75)	553	-\$140	(78)	
Cost to supply gas customers	1,491	-\$13	(19)	364	-\$17	(6)	
Cost of financial contracts	537	-\$85	(45)	612	-\$108	(66)	
Cost to supply customers and contracts			(139)			(150)	
Hedging costs	496	-\$104	(52)	514	-\$105	(54)	
Hedging spot revenue	496	\$81	40	514	\$113	58	
Close-outs			3			0	
Net cost of hedging			(9)			4	
Wind generation	528	\$138	73	525	\$156	82	
Hydro generation	113	\$91	10	203	\$119	24	
PPA generation received, net of costs	367	\$16	6	225	\$29	7	
Generation revenue			89			113	
Other			(1)			(1)	
Energy margin			122			118	

Funding metrics

- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of net debt/EBITDAF includes numerous adjustments to reported numbers;
 - Borrowings adjusted for the impact of finance and operating leases
 - Cash balances adjusted for restricted cash
 - A cash buffer at 25% of unrestricted cash and cash equivalents

Net debt to EBITDAF

Financial year ended 30 June	2020	2019	2018	2017	2016
\$M					
Drawn borrowings	1,491	1,376	1,428	1,158	1,136
Finance lease payable	104	32	48	47	48
Operating lease commitments	-	91	76	71	59
Less: cash and cash equivalents	(176)	(78)	(60)	(80)	(118)
Add back: restricted cash	67	27	29	51	18
Add back: cash buffer	27	13	8	7	25
Net debt	1,513	1,461	1,529	1,254	1,168
EBITDAF	854	838	666	657	650
Net debt to EBITDAF (times)	1.8	1.7	2.3	1.9	1.8

Fair value movements

- 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
- \$113M decrease in NPBT from fair value of electricity hedges from lower forward electricity prices (\$58M increase in FY19)
- \$48M decrease in NPBT from fair value of treasury instruments from lower forward interest rates (\$63M decrease in FY19)

Change in fair value of financial instruments



Income statement

Income statement

Financial year ended 30 June

\$M

	2020	2019	2018	2017	2016
New Zealand energy margin	1,122	1,108	944	940	941
Australia energy margin	122	118	86	74	68
Other revenue	27	25	22	19	17
Energy transmission expense	(123)	(131)	(127)	(130)	(128)
Employee and other operating expenses	(294)	(282)	(259)	(246)	(248)
EBITDAF	854	838	666	657	650
Depreciation and amortisation	(312)	(276)	(268)	(264)	(236)
Impairment of assets	(58)	(5)	(2)	(10)	4
Gain/(loss) on sale of assets	-	3	7	(4)	(1)
Net change in fair value of electricity and other hedges	(113)	58	(22)	(76)	(15)
Net finance costs	(84)	(83)	(81)	(77)	(78)
Net change in fair value of treasury instruments	(48)	(63)	(4)	55	(68)
Net profit before tax	239	472	296	281	256
Income tax expense	(63)	(133)	(95)	(81)	(71)
Net profit after tax	176	339	201	200	185

Underlying NPAT reconciliation

<u>UNPAT</u>					
Financial year ended 30 June	2020	2019	2018	2017	2016
\$M					
Net profit after tax	176	339	201	200	185
Underlying adjustments					
<u>Hedging instruments</u>					
Net change in fair value of electricity and other hedges	113	(58)	22	76	15
Net change in fair value of treasury instruments	48	63	4	(55)	68
Premiums paid on electricity options net of interest	(20)	(17)	(13)	(12)	(12)
<u>Assets</u>					
(Gain)/loss on sale of assets	-	(3)	(7)	4	1
Impairment of assets	58	5	2	10	(4)
Total adjustments before tax	199	(10)	8	23	68
<u>Taxation</u>					
Tax effect of above adjustments	(58)	4	(3)	(2)	(20)
Underlying net profit after tax	317	333	206	221	233

Cash flow statement

Cash flow statement

Financial year ended 30 June

\$M

	2020	2019	2018	2017	2016
Receipts from customers	3,375	3,463	2,765	2,250	2,348
Interest and dividends received	1	1	1	2	2
Payments to suppliers and employees	(2,519)	(2,628)	(2,152)	(1,596)	(1,723)
Interest and income tax paid	(252)	(201)	(187)	(186)	(175)
Operating cash flows	605	635	427	470	452
Sale of property, plant and equipment	-	-	23	-	-
Sales of subsidiaries and other assets	-	-	-	2	5
Purchase of property, plant and equipment	(43)	(45)	(33)	(33)	(42)
Stamp duty/capitalised interest	-	-	(10)	-	-
Purchase of intangible assets and investments	(22)	(24)	(204)	(21)	(19)
Investing cash flows	(65)	(69)	(224)	(52)	(56)
Term borrowings drawn	172	439	462	158	634
Term borrowings repaid	(60)	(484)	(200)	(136)	(478)
Shares purchased for long-term incentive	(2)	-	-	-	(1)
Lease liabilities repaid	(7)	(1)	-	-	-
Dividends and finance lease paid	(546)	(500)	(487)	(478)	(502)
Financing cash flows	(443)	(546)	(225)	(456)	(347)

Balance sheet

Balance sheet

Financial year ended 30 June

\$M

	2020	2019	2018	2017	2016
Cash and cash equivalents	176	78	60	80	118
Trade receivables	323	292	261	260	194
Customer contract assets	24	20	19	18	-
Other current assets	142	152	109	91	94
Total current assets	665	542	449	449	406
Property, plant and equipment	8,594	8,825	7,941	7,961	7,771
Intangible assets	65	59	60	58	47
Other non-current assets	299	231	182	215	314
Total non-current assets	8,958	9,115	8,183	8,234	8,132
Payables, accruals and employee entitlements	388	320	283	311	220
Customer contract liabilities	23	16	14	-	-
Current portion of term borrowings	88	167	450	170	214
Other current liabilities	149	117	96	98	79
Total current liabilities	648	620	843	579	513
Term borrowings	1,600	1,303	1,023	1,022	1,000
Deferred tax	1,850	1,968	1,683	1,715	1,617
Other non-current liabilities	442	309	260	272	358
Total non-current liabilities	3,892	3,580	2,966	3,009	2,975
Net assets	5,083	5,457	4,823	5,095	5,050

Glossary

Hedging 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) and financial contracts
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of hedges	volume weighted average price Meridian pays for derivatives acquired
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales and financial contracts
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 84 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
Financial contract sales	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
TJ	Terajoules
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mercury New Zealand. They do not result in the physical supply of electricity

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All currency amounts are in New Zealand dollars unless stated otherwise.