



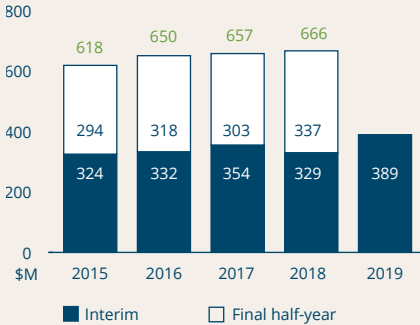
meridian

2019 INTERIM RESULTS FINANCIAL COMMENTARY

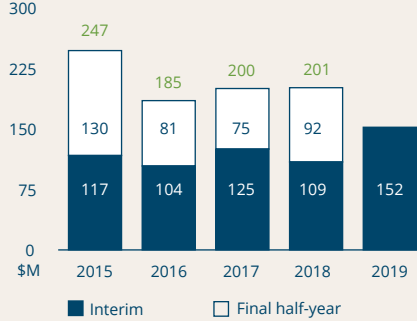
FIVE-YEAR PERFORMANCE

Financial year ended 31 December 2018

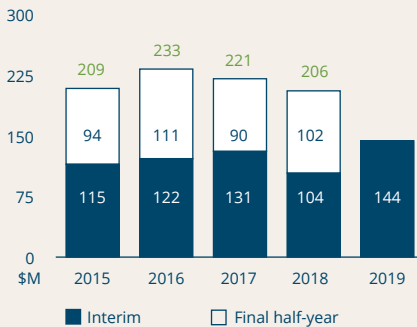
EBITDAF



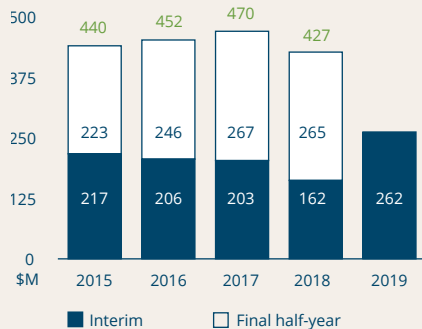
NET PROFIT AFTER TAX



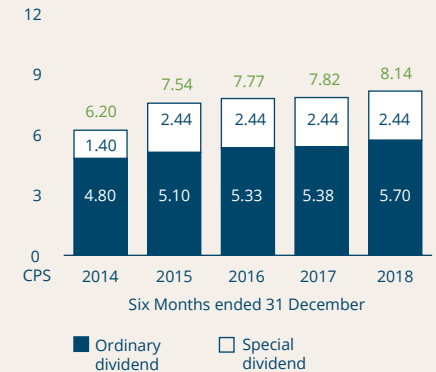
UNDERLYING NPAT



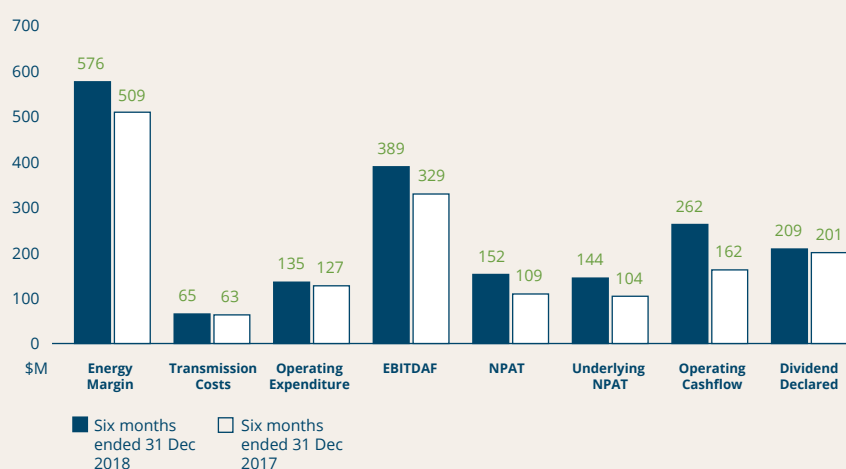
OPERATING CASHFLOW



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.

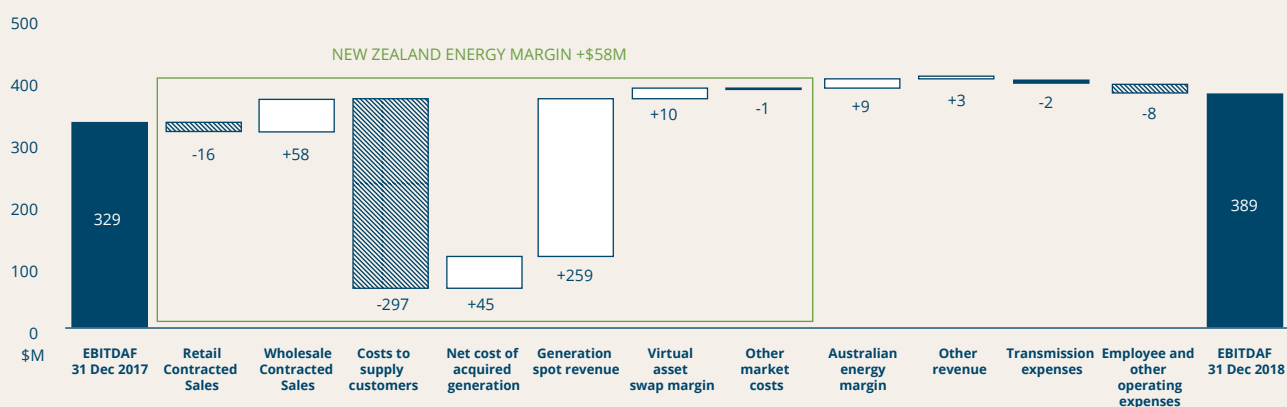
NET DEBT EBITDAF



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%.

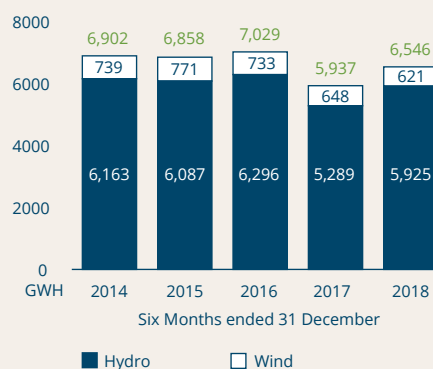
Wholesale contracted sales revenue was \$58 million (30%) higher in 1H FY2019. Wholesale derivative sales volumes were 61% higher at higher average prices than the same period last year. Sales volumes to the Tiwai Point aluminium smelter were higher, reflecting the reinstatement of the smelter's fourth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