Financial Commentary.

Five-Year Performance

Group EBITDAF

Financial Year ended 30 June

Net profit after tax

Financial Year ended 30 June

Underlying NPAT

Financial Year ended 30 June

Operating cash flows

Financial Year ended 30 June

Interim dividend declared

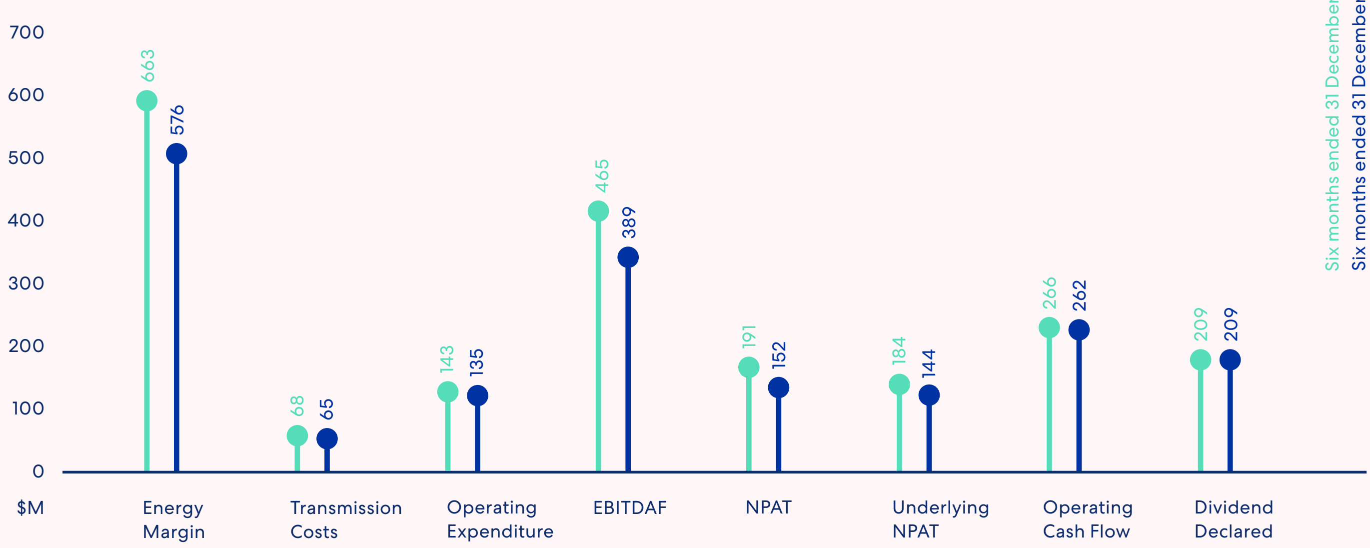
Six Months ended 31 December

Progress on strategy

Strategic theme	**Champion the benefits of competitive markets**	**Grow New Zealand retail**	**Support retail and protect our generation legacy**	**Grow overseas earnings**
Highlights	• EPR outcomes • New generation and transmission • Progress on Govt climate policies	• 22% growth in sales volumes • Meridian retail churn improved to 16% • Consumer NZ survey rankings	• 2020 Harapaki investment decision • Additional 367GWh storage in Lower Pukaki • Development team expansion	• Powershop Australia sales momentum • New NSW wind option • Further 200K UK customers in 2020
Challenges	• Gas uncertainty • High wholesale prices • Balance between water, RMA reform and generation	• High wholesale prices and shrinking margins • Intense competition	• Consenting complexity • Smelter uncertainty • Decarbonisation timing	• Stretched development valuations • npower E.ON merger uncertainty • IT resources

Overview

Financial performance against prior year



Meridian saw its earnings (EBITDAF) for the six months ended 31 December 2019 increase 20% compared to the prior corresponding period. Higher hydro and wind generation and strong customer sales saw New Zealand EBITDAF increase 22%. Our operations in Australia delivered 5% lower EBITDAF, despite strong customer sales, as drought conditions and wind farm availability reduced generation.

This represents the highest level of Group EBITDAF Meridian has delivered in the first six months of any financial year and has supported a consistent dividend, with the company declaring an interim ordinary dividend of 5.70 cents per share.

Meridian has also declared an interim special dividend of 2.44 cents per share ($62.5 million) under the company's capital management programme.

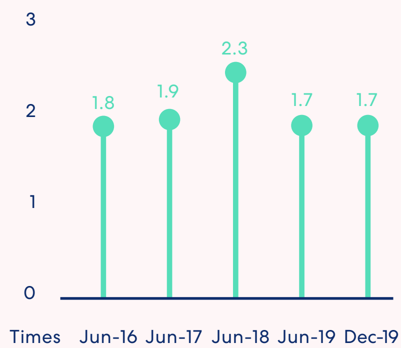
This means that $625 million of the $875 million programme has now been distributed to shareholders since the capital management programme commenced in August 2015.

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

Dividends declared

	1H FY20		1H FY19	
	cents per share	imputation	cents per share	imputation
Ordinary dividends	5.70	86%	5.70	**86%**
Capital management special dividends	2.44	0%	2.44	**0%**
Total	**8.14**		**8.14**	

Net debt/EBITDAF



Cash Flows

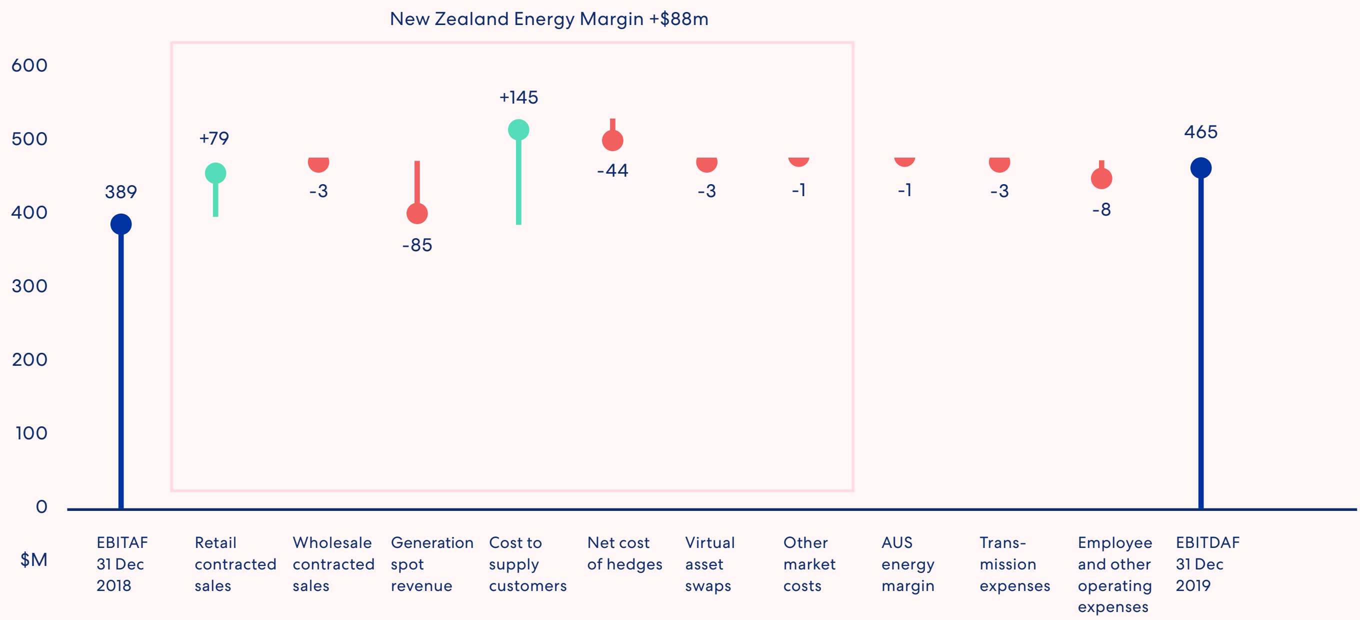
Operating cash flows were $266 million for 1H FY2020[1], $4 million (2%) higher than 1H FY2019[2], with higher EBITDAF largely offset by higher income tax paid and the timing of capital items recorded.

Total capital expenditure in 1H FY2020 was $32 million, of which $24 million was stay-in-business capital expenditure.

1 The six months ended 31 December 2019
2 The six months ended 31 December 2018

Earnings

Movement in EBITDAF



EBITDAF was $465 million in 1H FY2020, $76 million (20%) higher than the same period last year.

New Zealand energy margin

		1H FY2020 $M	1H FY2019 $M
Retail contracted sales revenue	Revenues 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)	391	312
Wholesale contracted sales revenue	Sales to large industrial customers and fixed price revenues from derivatives sold	246	249
Costs to supply customers	The volume of electricity purchased to cover contracted customer sales	-797	-942
Net hedging position	The fixed cost of derivatives used to manage market risk, net of the spot revenue received from those derivatives	32	76
Generation spot revenue	Revenue from the volume of electricity that Meridian generates	727	812
Net VAS revenue	The net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mercury New Zealand	3	6
Other	Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (such as frequency keeping)	-4	-3
Total New Zealand energy margin		**598**	**510**

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

New Zealand energy margin was $598 million in 1H FY2020, $88 million (17%) higher than the same period last year. Meridian saw increases in customer numbers and sales volumes in all segments, with a 13% increase in residential, SMB and agri sales volumes and a 39% increase in corporate and industrial sales volumes.

Overall the average residential, small and medium business and agri sales price was flat, while average corporate and industrial sales prices increased 13%.

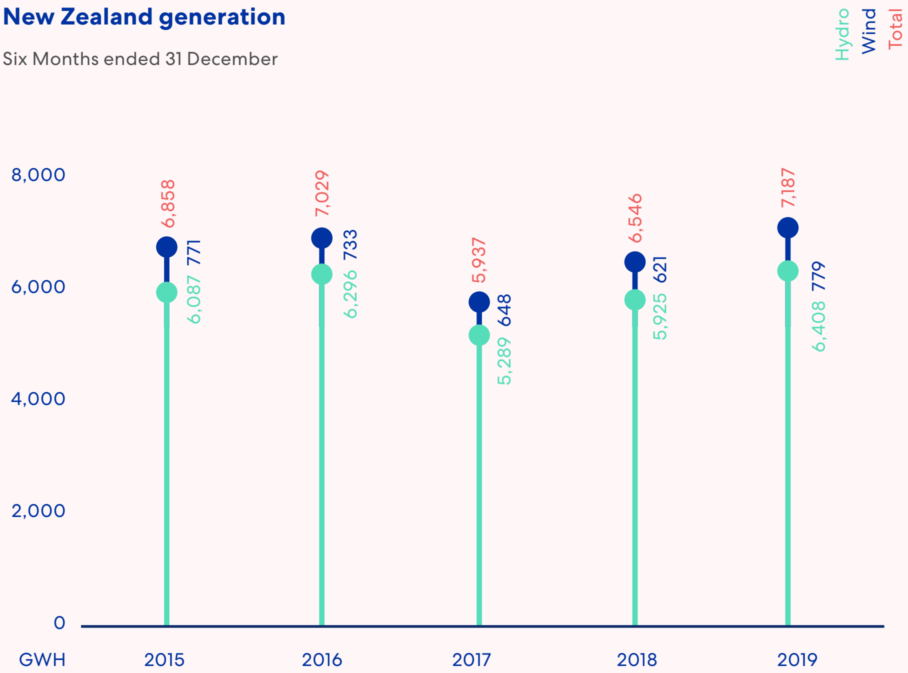
Wholesale contracted sales revenue was $3 million (1%) lower in 1H FY2020. Wholesale derivative sales volumes were 27% lower at higher average prices than the same period last year. Sales volumes to the Tiwai Point aluminium smelter were higher, reflecting the reinstatement of the smelter's fourth potline in late 2018.

The costs to supply customers decreased $145 million (15%) in 1H FY2020. While customer sales volumes were higher in 1H FY2020, the average price Meridian paid to supply customers decreased 21% in 1H FY2020.

The net hedging position was $44 million (58%) lower in 1H FY2020 from a lower average net price and lower acquired generation volumes (15%) compared to the same period last year.

New Zealand generation

Six Months ended 31 December



Above average inflows, including a major flood event in early December 2019 resulted in generation volumes 10% higher than the same period last year. Average generation prices were 19% lower than the same period last year, resulting in generation revenue in 1H FY2020 being 11% lower than last year.

Australian energy margin

Australian energy margin was $65 million in 1H FY2020, $1 million (2%) lower than the same period last year. Powershop Australia's retail electricity sales volumes increased 18% supported by strong customer gains with higher gas sales, retail contracted sales lifted 39%. Electricity customer numbers have increased 14% and gas customers 35% since June 2019.

Ongoing drought conditions and lower wind farm availability saw total generation in Australia decrease 13%.

Transmission and Operating Costs

Transmission costs were $68 million in 1H FY2020, $3 million (5%) higher than the same period last year. As announced in late 2019, Meridian agreed with Transpower to pay $5 million to support recommencement of the Clutha Upper Waitaki Lines Project.

Acceleration of the project will reduce the volume of energy that Meridian may have to spill should the Tiwai Smelter close.

Employee and other operating costs were $143 million in 1H FY2020, $8 million (6%) higher than the same period last year, reflecting ongoing refurbishment work at the Ōhau hydro stations.

Net profit after tax

NPAT was $191 million in 1H FY2020, $39 million (26%) higher than the same period last year from higher 1H FY2020 EBITDAF. This was partly reduced by $20 million more depreciation and amortisation. NPAT includes fair value movements that 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.

Fair value movements in electricity hedges decreased net profit before tax by $6 million in 1H FY2020, compared to a $20 million increase in the same period last year, reflecting changes in forward electricity prices.

Fair value movements in treasury instruments increased net profit before tax by $6 million in 1H FY2020, compared to a $15 million decrease in the same period last year.

Net financing costs were flat compared to the same period last year. Meridian has maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Income tax expense was $74 million in 1H FY2020, $12 million (19%) 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 $184 million in 1H FY2020. This was $40 million (28%) higher than 1H FY2019.

Income statement

Six months ended 31 December $M	2019	2018
New Zealand energy margin	**598**	510
Australia energy margin	**65**	66
Other revenue	**13**	13
Energy transmission expense	**(68)**	(65)
Employee and other operating expenses	**(143)**	(135)
EBITDAF	**465**	389
Depreciation and amortisation	**(157)**	(137)
Impairment of assets	**-**	-
Gain/(loss) on sale of assets	**-**	-
Net change in fair value of electricity and other hedges	**(6)**	20
Net finance costs	**(43)**	(43)
Net change in fair value of treasury instruments	**6**	(15)
Net profit before tax	**265**	214
Income tax expense	**(74)**	(62)
Net profit after tax	**191**	**152**

UNPAT

Six months ended 31 December $M	2019	2018
Net profit after tax	**191**	152
Underlying adjustments		
Hedging instruments		
Net change in fair value of electricity and other hedges	**6**	(20)
Net change in fair value of treasury instruments	**(6)**	15
Premiums paid on electricity options net of interest	**(10)**	(7)
Assets		
(Gain)/loss on sale of assets	**-**	-
Impairment of assets	**-**	-
Total adjustments before tax	**(10)**	(12)
Taxation		
Tax effect of above adjustments	**3**	4
Underlying net profit after tax	**184**	**144**