



meridian

THE LONG RUN

MERIDIAN ENERGY LIMITED
2018 ANNUAL RESULTS PRESENTATION



FTSE4Good

MEMBER OF

Dow Jones
Sustainability Indices

In Collaboration with RobecoSAM

INTRODUCTION

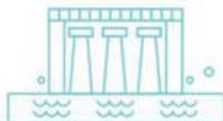
A SNAPSHOT OF OUR PERFORMANCE

0

NONE OF OUR PEOPLE, OUR CONTRACTORS OR MEMBERS OF THE PUBLIC WERE SERIOUSLY INJURED AT ANY OF OUR SITES

19.20
cents per share

Strong cash flows have allowed us to declare a 1.5% increase in dividend and maintain the capital management plan the Board put in place in 2015



This year we completed one of our biggest ever schedules of hydro asset maintenance work



OUR POWERSHOP AND MERIDIAN BRANDS TOGETHER HAD THE STRONGEST GROWTH IN CUSTOMER CONNECTIONS IN THE NZ ELECTRICITY SECTOR

OUR DIVERSIFICATION STRATEGY TO DEVELOP A VERTICALLY INTEGRATED RETAILER AND GENERATOR IN AUSTRALIA IS STARTING TO SHOW GOOD RESULTS, AND OUR AUSTRALIAN BUSINESS CONTRIBUTED A SIGNIFICANT PORTION OF THE OVERALL GROWTH IN GROUP EBITDAF FOR THE YEAR

1.4%

Increase in EBITDAF as improved inflows into our hydro catchments helped support stronger second half performance

5%

INCREASED CUSTOMER CONNECTIONS BY 14,000 IN NZ. IT IS ALSO PLEASING TO SEE THE CUSTOMER CHURN RATE REDUCING

NET ZERO CARBON
across our Group
Scope 1 and 2 emissions

We genuinely consider ourselves caretakers of some of NZ's most iconic infrastructure assets, so our ongoing maintenance programme, which looks forward 20 years, is something on which we will always put a huge amount of focus

WE STRENGTHENED OUR RELATIONSHIP WITH NZAS BY SUPPORTING AN ADDITIONAL 50MW BASE-LOAD ENERGY SOLUTION THAT HAS ENABLED IT TO INCREASE PRODUCTION AT THE SMELTER



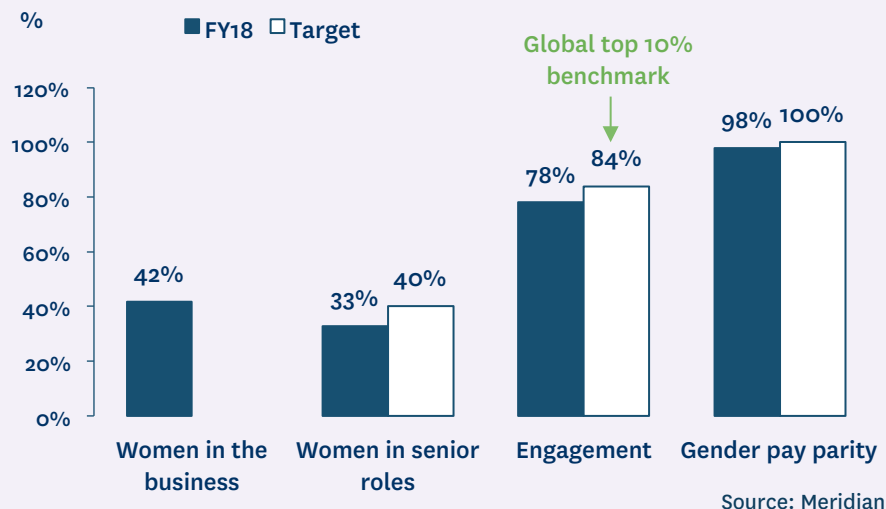
We really amped up our efforts around wellness, diversity and inclusion

OUR PEOPLE

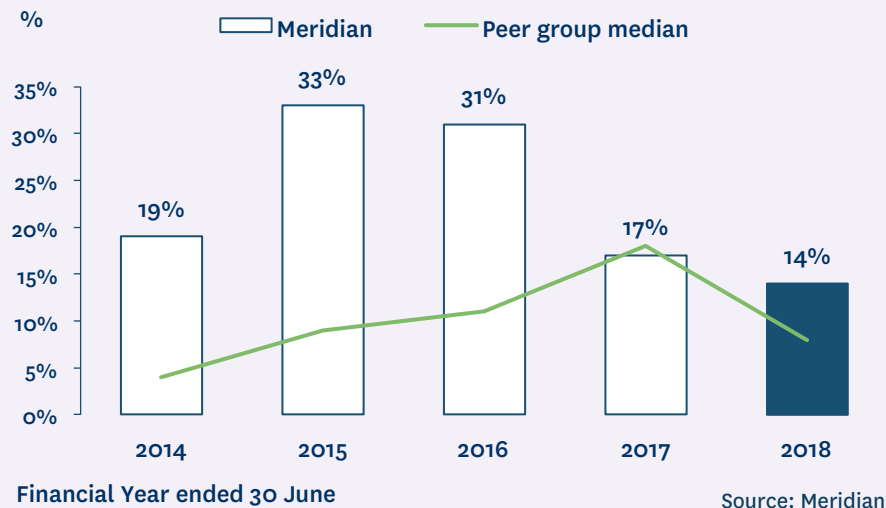
Engaged and committed people

- 78% of our people are highly engaged
- 50% of our people are shareholders. Directors and officers hold 1.9m shares
- No serious injuries during the year
- Physical and mental health is top of mind
- Targeting 40% of women in people leadership and senior specialist positions
- Currently 98% gender pay parity
- Voluntary increase in parental leave to 22 weeks
- Rainbow Tick accreditation supports our diversity and inclusion
- Conventional remuneration framework:
 - Fixed: base salary and KiwiSaver
 - STI: cash, profit-based
 - LTI: equity, relative TSR-based
- Enduring partnerships with KidsCan and Kākāpō Recovery

EMPLOYEE MEASURES



TOTAL SHAREHOLDER RETURN



OUR SUSTAINABILITY LEADERSHIP

Climate change

- Meridian now net zero carbon across Group operations
- Pursuing greater decarbonisation of NZ's energy system¹ (41% of carbon emissions)
- Potential to add 75% to electricity demand
- Pathway to higher renewable participation has to address potential dry period energy deficit
- Meridian Australia's green credentials are well ahead of the wider market

Affordable and clean energy

- Hardship programme to support vulnerable customers
- Advocate for distribution pricing reform
- Supporter of some industry change and broader social policy reform
- Converting ourselves to electric vehicles



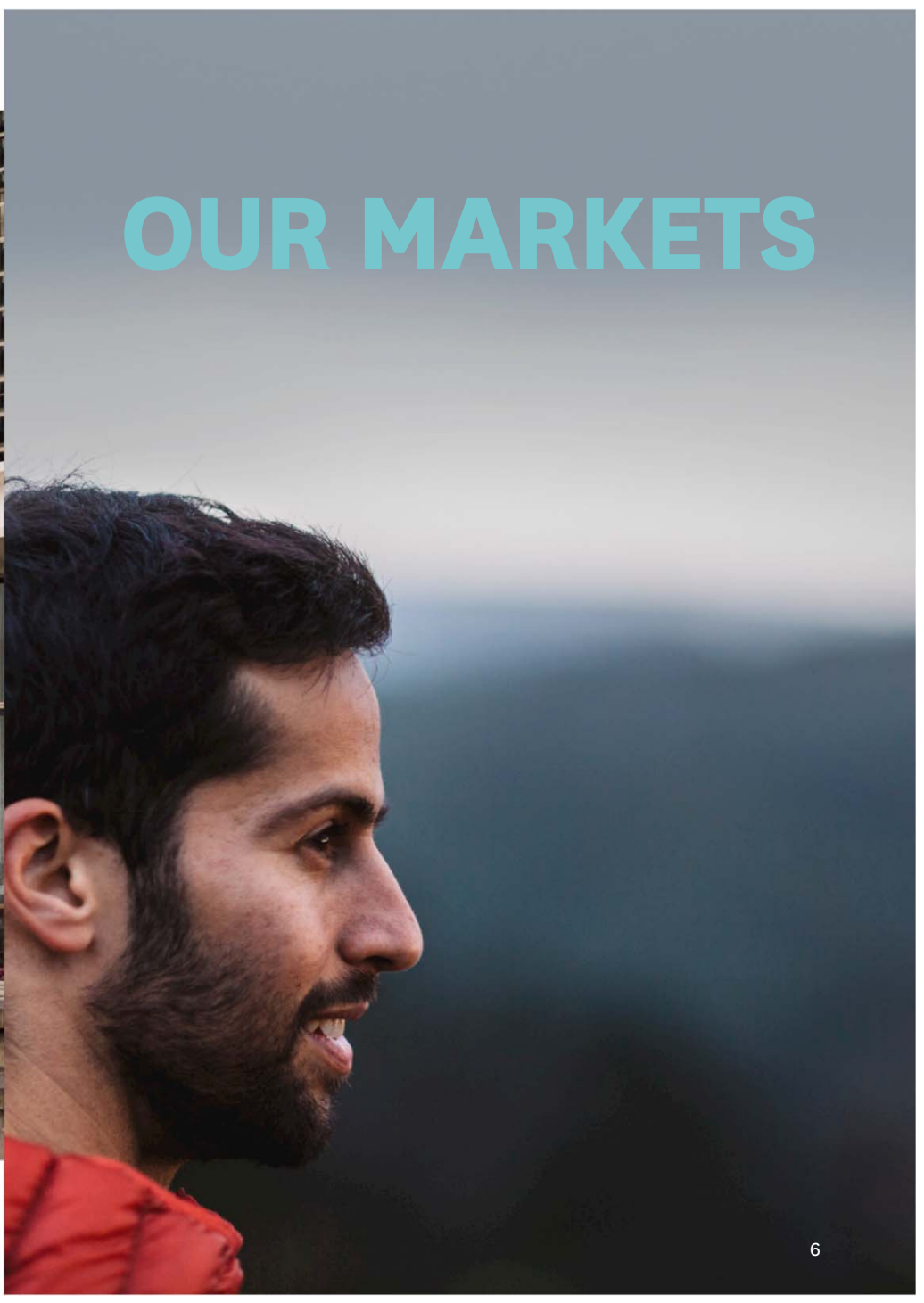
13 CLIMATE ACTION



7 AFFORDABLE AND CLEAN ENERGY



OUR MARKETS



NEW ZEALAND DEMAND

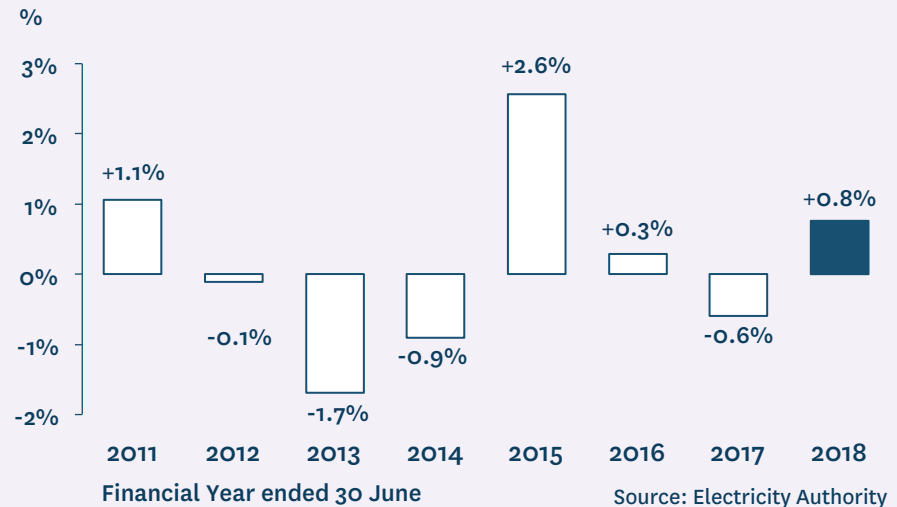
0.8% growth in FY18

- Continued economic and population growth during FY18
- Generally above average temperatures during the financial year
- Periods of cold conditions during the current winter
- Growth in most regions and irrigation

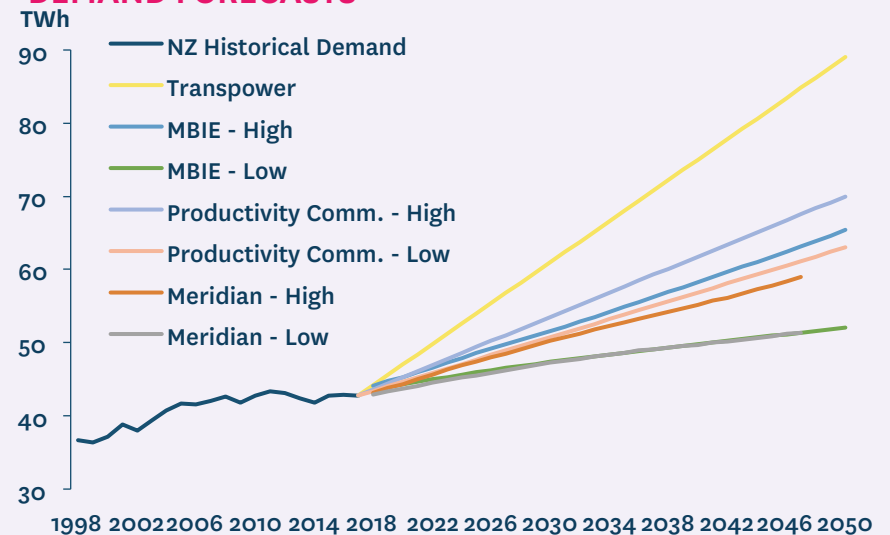
Different, positive views on future demand

- Medium term economic growth expected
- Policy settings should encourage decarbonisation
- Assumptions vary on rate of electrification of the wider energy system
- Electrification of the whole light vehicle fleet represents 19% demand growth
- Smelter's 50MW contract represents 1% demand growth

ANNUAL DEMAND CHANGE SINCE 2010



DEMAND FORECASTS



NEW ZEALAND SUPPLY

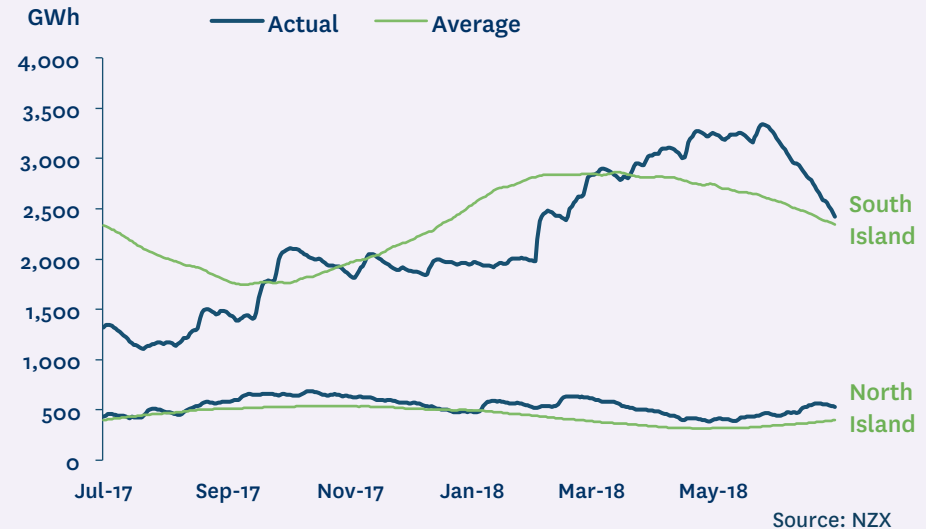
High FY18 North Island inflows

- North Island storage was above average for all but 33 days of FY18
- Varying South Island storage; two successive dry periods in 1H FY18, storage above average through all of Q4 FY18
- ASX futures prices finished FY18 lower than June 2017
- 82% renewable generation in FY18

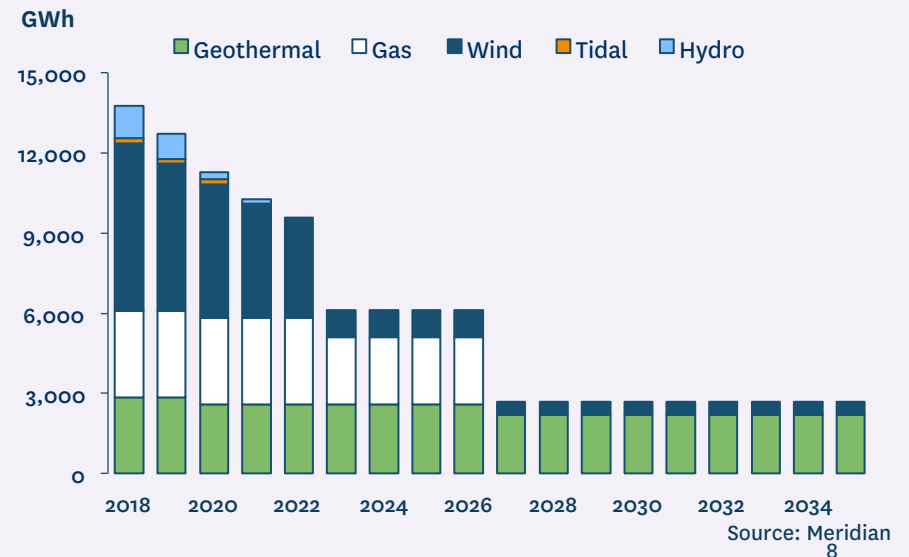
New generation needs

- 0.5%-1% demand growth in the short term is possible
- Medium term growth could be higher with greater electrification and plant retirement
- Depending on views, equivalent of two or more mid-sized wind farms needed annually over the longer term
- Consent maturity is near dated

NEW ZEALAND LAKE STORAGE



NZ CONSENT MATURITY



NEW ZEALAND POLICY AND REGULATION

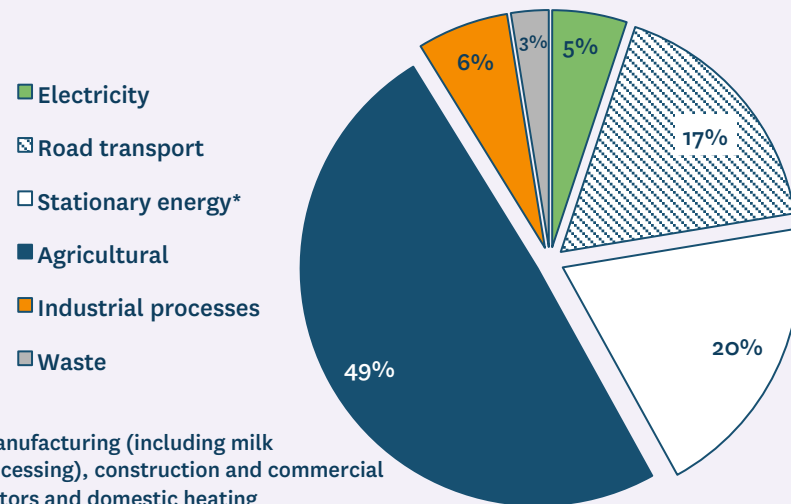
Zero Carbon New Zealand by 2050

- Agriculture means NZ has one of the highest per capita rates of emissions
- 32 million tonnes of carbon emissions from the wider (non-agricultural) sectors could be removed through electrification
- Converting all fossil fuel based energy use to renewables could add 75% to electricity demand

Renewable electricity grid

- Potential hydro inflow deficit is currently managed through thermal capacity and fuel storage
- Industry shift needed to manage risk as renewable levels increase and coal exits the system
- Current battery technology is not suited to long-term energy storage needs

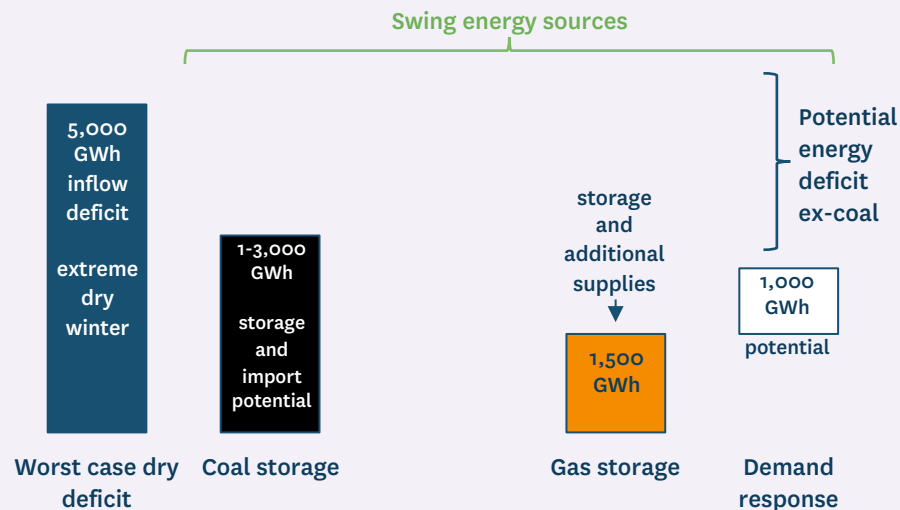
NZ 2016 SECTOR EMISSIONS



*manufacturing (including milk processing), construction and commercial sectors and domestic heating

Source: Ministry for the Environment

HYDRO INFLOW DEFICIT CHALLENGE



Source: Meridian

NEW ZEALAND POLICY AND REGULATION

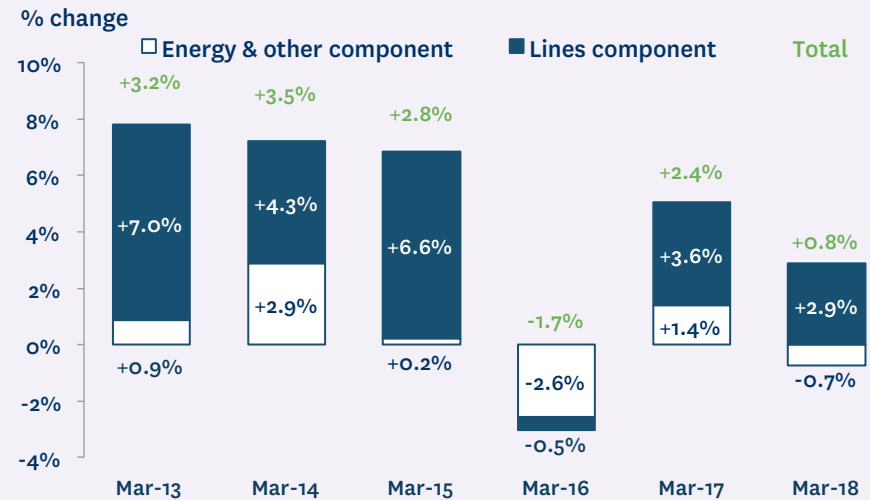
Electricity price review

- Review will examine whether prices are efficient, fair and equitable
- Review will be forward looking and consider the entire electricity market
- Issues paper to be published in September
- Followed by consultation in early 2019 on options to address any problems
- Findings and recommendations are due to Ministers by May 2019

Transmission pricing

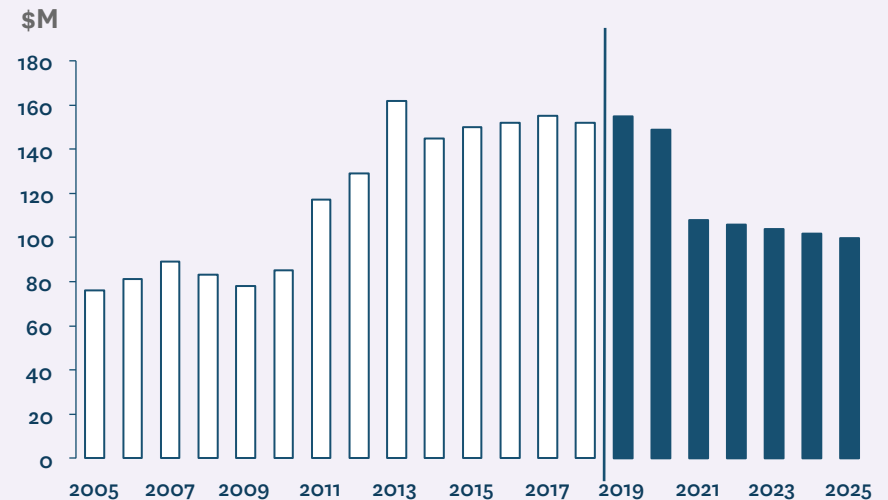
- Beneficiaries pay approach to be central to EA's new TPM proposal – for all future and at least some recent major investment
- Now preparing their policy proposal including new cost benefit analysis
- Update from EA in December 2018
- Status quo cost reduction signalled by Transpower

AVERAGE RESIDENTIAL ELECTRICITY COST



Source: Ministry of Business, Innovation and Employment

TRANSPOWER HVDC REVENUE



Source: Transpower, Meridian

AUSTRALIAN MARKET

Struggling with policy to coordinate energy affordability, reliability and decarbonisation

- Liberal National coalition in power, election between late 2018 and mid 2019
- More interventionist approach to energy
- NEG is the Federal Government's attempt to coordinate energy and climate policy, Federal and State negotiations continue
- Dealing with Liberal Party right wing that is pro-coal and anti-renewables
- Different degrees of support for renewables at State Government level
- Upcoming elections in Victoria (November 2018) and NSW (March 2019)
- Regulatory reviews on affordability and transparency:
 - ACCC (Federal)
 - Thwaites (Victoria)
- Greater transparency is good for consumers

RESIDENTIAL PRICE COMPARISON

	<u>AUSTRALIA</u>	<u>NEW ZEALAND</u>
Average 2018 prices, Nominal, Including GST	40.76 NZD c/kWh	29.03 NZD c/kWh
2008-2018 Average annual increase, Real, Including GST	5.1% per annum	1.4% per annum

Source: ACCC, Ministry of Business, Innovation and Employment, Meridian

THE UNITED KINGDOM MARKET

Legislated price controls are imminent

- The Competition and Markets Authority (CMA) report has made recommendations to improve customer engagement and responsiveness to price
- The CMA recommended a temporary price cap for prepayment meter customers only
- Stated that broader price controls would undermine competition and product innovation
- Electricity prices became an election issue in 2017 and the new government put pressure on the regulator to impose price control
- The regulator refused, so a Bill was prepared forcing the regulator to implement price controls
- Implementation is expected in late 2018

RESIDENTIAL PRICE COMPARISON

	<u>UNITED KINGDOM</u>	<u>NEW ZEALAND</u>
Average 2017 prices, Nominal, Including GST/VAT	30.37 NZD c/kWh	28.79 NZD c/kWh
2004-2014 Average annual increase, Real, Including GST/VAT	6.8% per annum	3.0% per annum

Source: Competition and Markets Authority, Ministry of Business, Innovation and Employment, Meridian



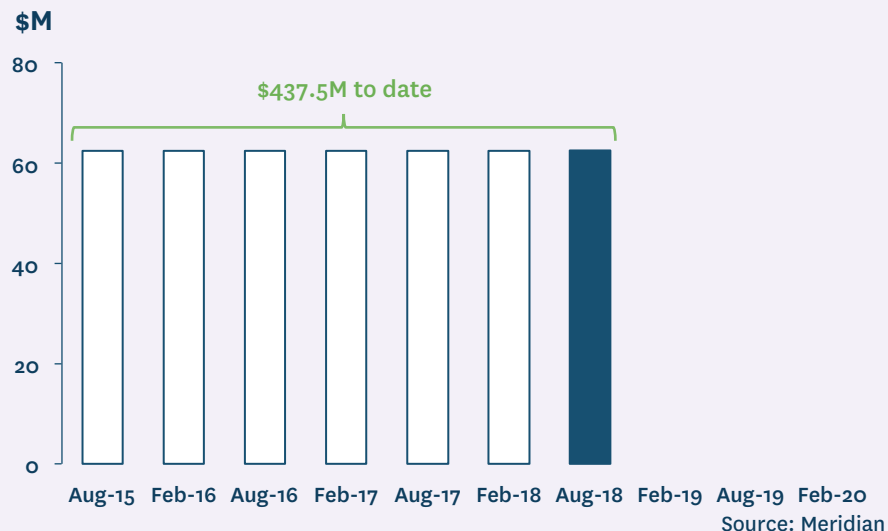
OUR CAPITAL MANAGEMENT

CAPITAL MANAGEMENT

Existing programme

- Existing five-year, \$625M programme commenced in August 2015
- A special, unimputed dividend of 2.44 cps declared today
- Brings distributions to \$437.5M to date
- Board will consider shareholder returns again under the existing programme in:
 - February 2019
 - August 2019
 - February 2020

EXISTING CAPITAL MANAGEMENT

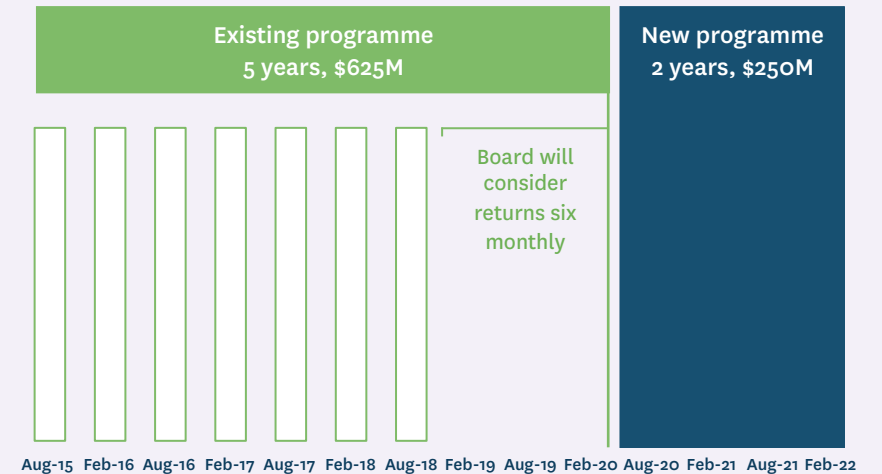


CAPITAL MANAGEMENT

New programme

- Expectation we would update the market on capital management during 2018
- Announcing a new two-year, \$250M programme commencing in August 2020
- Signals the Board's continued willingness to return capital where possible and give certainty in advance
- Allows the company to address investment opportunities in the medium term
- Manages credit metrics to a level reflective of Meridian's hydrology risk
- Subject to the Board's regular review and consideration of structural industry risks
- No change to the existing ordinary dividend policy of 75%-90% payout of free cash flow

NEW CAPITAL MANAGEMENT



Source: Meridian

OUR BUSINESSES



OUR NEW ZEALAND CUSTOMERS

5% growth in customers in FY18

- Supported by a change in portfolio position
- Both Meridian (4%) and Powershop (8%) sales volume growth
- In all segments, except Residential
- MoU with Kiwi Property to install 650kW of solar across four major shopping malls
- Converted 50% of Meridian's passenger fleet to electric
- New EV tariff pricing plans
- Flux Federation (software development) separated from Powershop
- Decision made to migrate Meridian's 225,000 customers to the Flux platform (\$30M, three year programme)
- New Powershop offerings

CUSTOMER SALES	CUSTOMER NUMBERS	SALES VOLUME (GWH)	AVERAGE PRICE ¹ (\$/MWH)
FY18			
Residential	194,671	1,370	
Small medium business	38,137	936	
Agricultural	37,752	1,085	
Large business	17,807	432	
Total Residential/SMB	288,367	3,823	\$117
Corporate	2,389	2,158	\$83
FY17			
Residential	186,165	1,391	
Small medium business	35,626	865	
Agricultural	36,510	1,029	
Large business	16,220	425	
Total Residential/SMB	274,521	3,710	\$119
Corporate	2,246	2,017	\$86

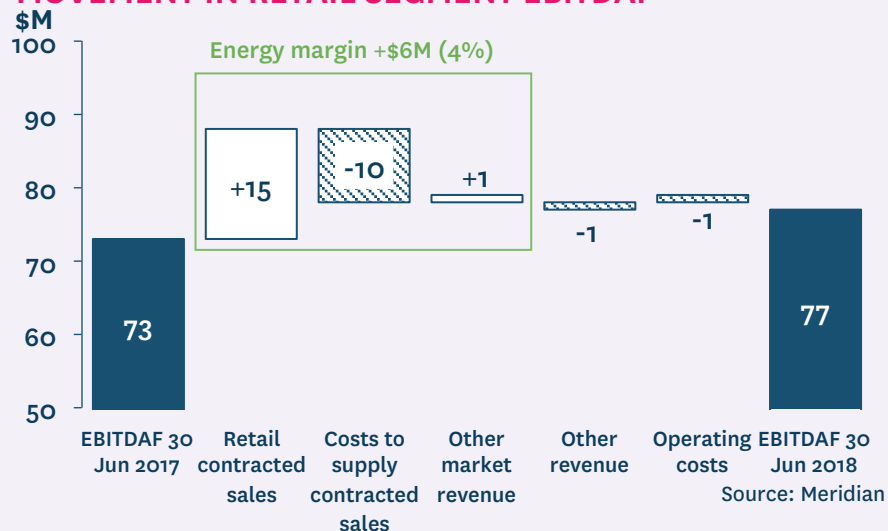
OUR NEW ZEALAND CUSTOMERS

4% increase in retail energy margin

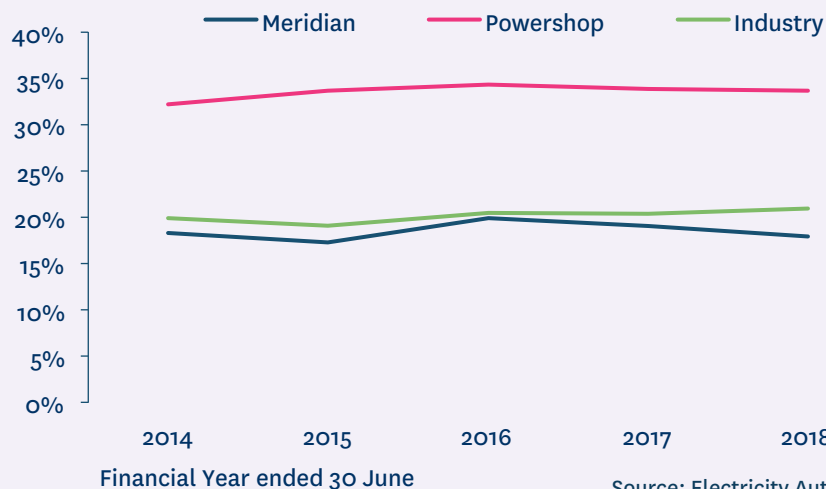
- Higher customer sales lifting revenue and purchase costs
- Cost per customer down, overall stable spend supporting a growing customer base
- Overall 5% increase in retail segment EBITDAF
- Meridian churn and disconnection rates remain below market average
- Powershop disconnection rate also below market average
- Powershop churn rate above market average, reflects customer demographics

RETAIL COST TO SERVE ¹	FY2018	FY2017
Retail costs excl metering	\$65M	\$65M
Other segment cost allocation	\$15M	\$15M
Year-end customer numbers	290,756	276,767
Cost to serve per customer	\$275	\$290

MOVEMENT IN RETAIL SEGMENT EBITDAF¹



ANNUAL ICP CHURN

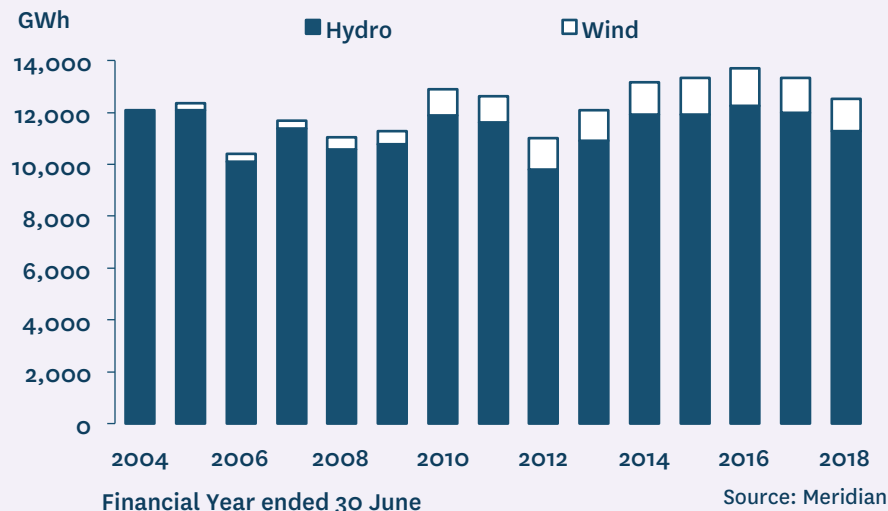


OUR NEW ZEALAND GENERATION

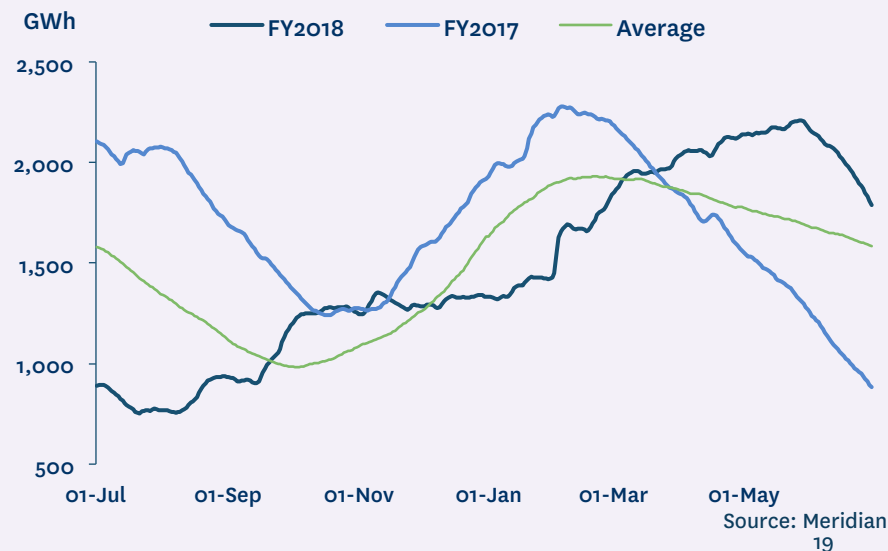
Lowest NZ generation since 2013

- Despite 98% of average inflows
- Reflecting the timing of those inflows (low 1H FY18 inflows) and a lower wind year
- Healthy storage at end of July 18:
 - Waitaki 19% (255GWh) above average
 - Manapōuri and Te Anau together 57% (146GWh) above average

NEW ZEALAND GENERATION



MERIDIAN'S WAITAKI STORAGE



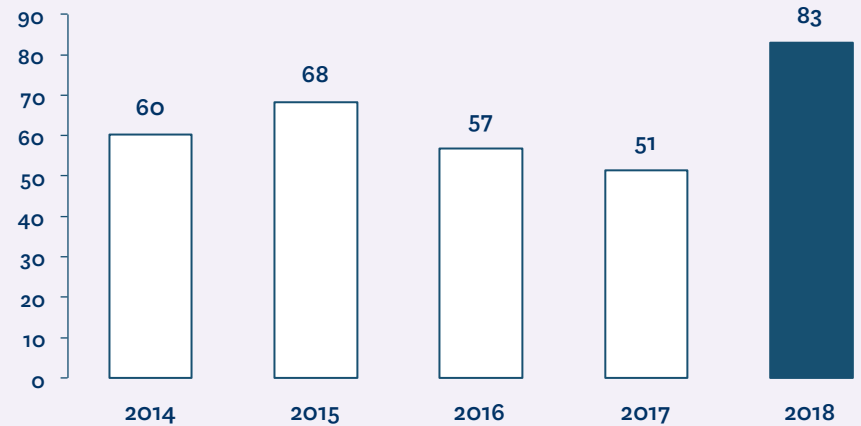
OUR NEW ZEALAND GENERATION

Despite lower generation, NZ energy margin up by \$4M

- Reflects the impact of the change in portfolio position, allowing:
 - 5% uplift in retail volumes sold
 - 43% increase in derivative volumes sold
 - Without additional exposure to high spot prices
- CPI increase on NZAS pricing and one month of price escalator

AVERAGE GENERATION PRICE

\$/MWh



Financial Year ended 30 June

Source: Meridian

AVERAGE DAILY LME PRICES

NZD



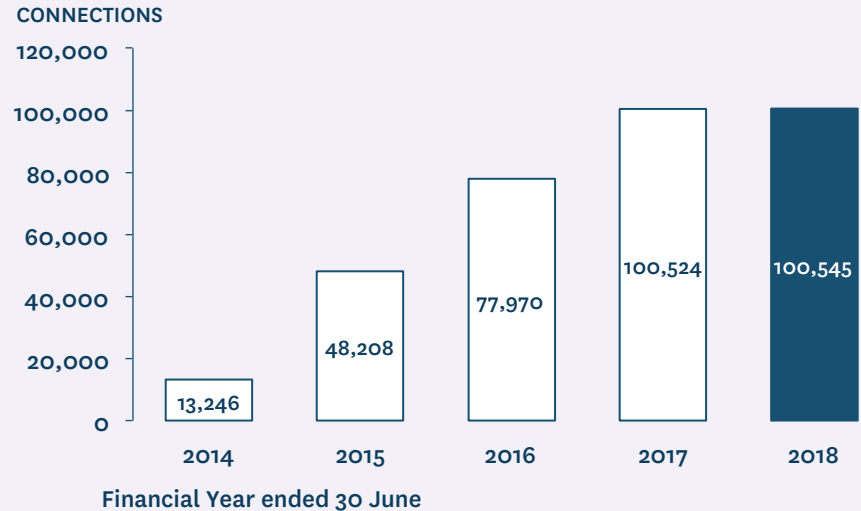
Source: London Metal Exchange, Reserve Bank of New Zealand

OUR AUSTRALIAN CUSTOMERS

A year of customer consolidation

- While further generation support was acquired
- Gas now launched in Victoria, sales of 4,800 GJ's in June and July 2018
- Market is highly competitive and has scale in VIC, NSW, SA and South East QLD
 - 7.2M residential (60% disengaged)
 - 1.6M SMB customers
 - C&I load equivalent to residential and SME combined
- Test bed of innovation for the Meridian Group

AUSTRALIAN CUSTOMERS



OUR AUSTRALIAN GENERATION

A growing portfolio

- GSP assets acquired
- Several renewable offtake agreements
- Record wind year, FY18 generation 8% above FY17
- Wholesale prices have moderated from a peak in early FY18
- LGC prices have been stable
- Expected to fall with further renewables penetration

HUME

Capacity	58MW
5 year average output	203GWh
Typical seasonal generation	August to April



BURRINJUCK

Capacity	27.2MW
5 year average output	83GWh
Typical seasonal generation	September to April



KEEPIT

Capacity	7.2MW
5 year average output	3GWh
Typical seasonal generation	August to February



OUR UNITED KINGDOM CUSTOMERS

Main milestones now delivered

- 25,000 customers at 30 June 2018
- Grown by more than 30% in the six weeks since
- FY18 milestones delivered:
 - Gas functionality
 - White label
 - Powershop Lite
 - Data protection regulation requirements
- Further product development underway
- Complex merger proposed between npower (our franchisee) and SSE's domestic retail business
- Subject to review by the Competition and Watchdog Authority, decision in October 2018

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

Powerpack	Discount	Price	Worth	Cost	Duration
WINTER JUMBO	37% OFF	£15.96	Worth £25.42	£1.14 per day	14 days
Family Pack	32% OFF	£2.30	Worth £3.39	£1.23 per day	1 day
Burger Pack	28% OFF	£2.03	Worth £2.82	£1.30 per day	1 day

POWERSHOP Lite

Daily usage

Fri 10 Mar 2017

£3.25 Used this day

10 kWh Used this day

Costs are based on estimated averages

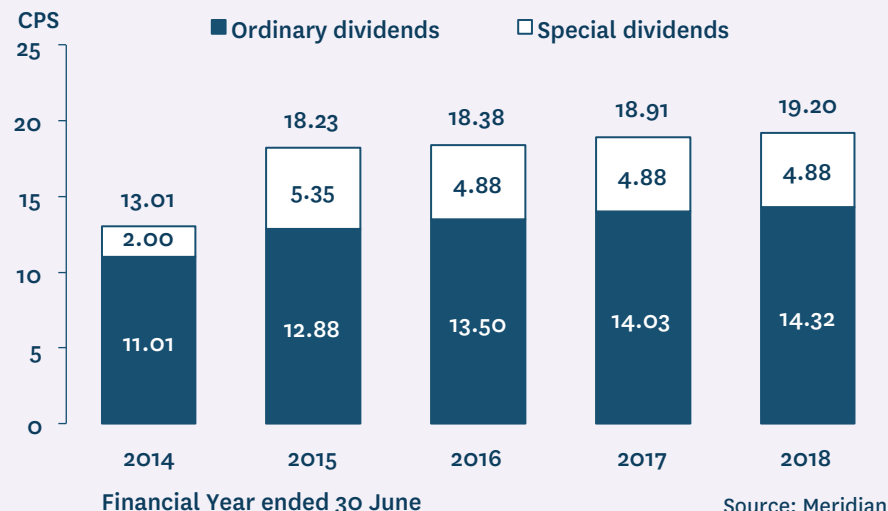
OUR FINANCIAL PERFORMANCE

DIVIDENDS

1.5% growth in full year dividends

- Final ordinary dividend declared of 8.94 cps, 86% imputed
- Brings FY18 full year ordinary dividend declared to 14.32 cps, 86% imputed
- Represents 87% payout of free cash flow
- Capital management final special dividend of 2.44 cps, unimputed
- Brings capital management distributions to \$437.5M since the programme began in August 2015
- FY18 TSR of 14% from a 7% share price increase and 18.96 cps of dividends paid during the year

DIVIDENDS DECLARED



DIVIDENDS DELCARED

CPS IMPUTATION

	CPS	IMPUTATION
<u>FY2018</u>		
Ordinary dividends	14.32	86%
Capital mgt special dividends	4.88	0%
Total	19.20	
<u>FY2017</u>		
Ordinary dividends	14.03	88%
Capital mgt special dividends	4.88	0%
Total	18.91	

FY17 RESTATEMENT FOR IFRS 15

Early adoption of IFRS 15

- Has resulted in a change to the accounting policy for customer incentives and acquisition and retention costs
- Previous policy was to recognise these costs as discounts to sales and expenses
- New policy results in customer incentives and incremental costs being deferred to the balance sheet
- Then amortised over the expected average customer contract tenure
- FY17 results reported in August 2017 have been restated with minor changes
- Pages 34-35 and 46 have more detailed restatements

YEAR ENDED 30 JUNE 2017 INCOME STATEMENT	ORIGINAL 2017 \$M	ADJUST MENT \$M	RESTATE D 2017 \$M
Operating revenue	2,319	1	2,320
Operating expenses	(1,666)	3	(1,663)
EBITDAF	653	4	657
Income tax expense	(80)	(1)	(81)
NPAT	197	3	200

YEAR ENDED 30 JUNE 2017 BALANCE SHEET	ORIGINAL 2017 \$M	ADJUST MENT \$M	RESTATE D 2017 \$M
Customer contract assets	-	18	18
Deferred tax liability	(1,710)	(5)	(1,715)
Retained earnings	738	(13)	725

EARNINGS

\$9M (1.4%) increase in EBITDAF

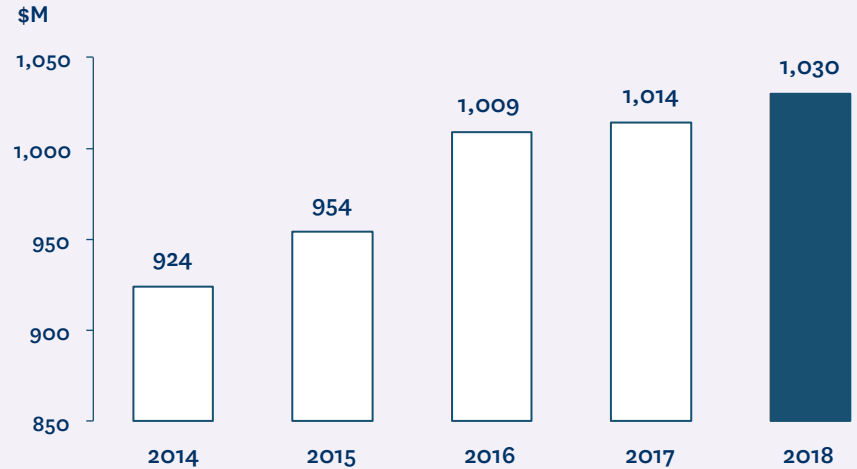
Business specific changes

- Higher business, lower residential sales volumes at slightly lower average price
- Higher corporate sales volumes
- Higher irrigation sales
- Higher wholesale volumes
- Some NZ cost expansion, mainly asset refurbishments
- Higher NZAS price on indexation
- Growth in Australia and UK earnings, some cost growth to support this

Market and environmental impacts

- 787GWh less physical generation
- Higher aluminum prices

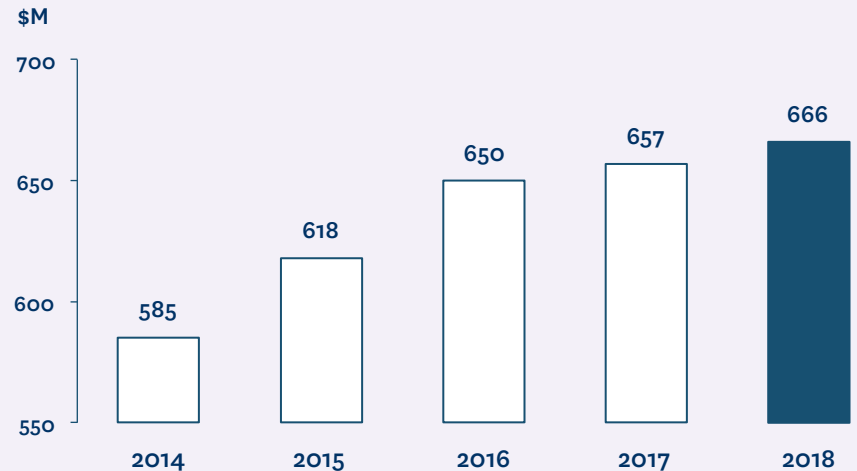
ENERGY MARGIN



Financial Year ended 30 June

Source: Meridian

EBITDAF



Financial Year ended 30 June

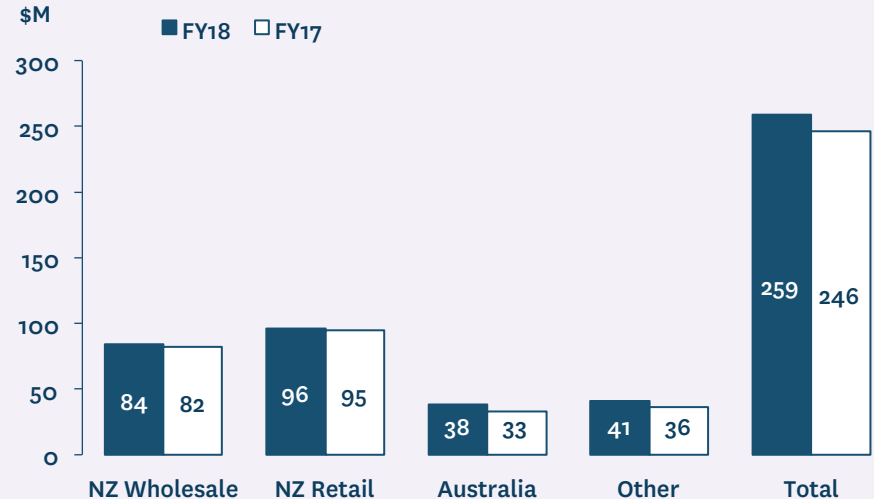
Source: Meridian

COSTS

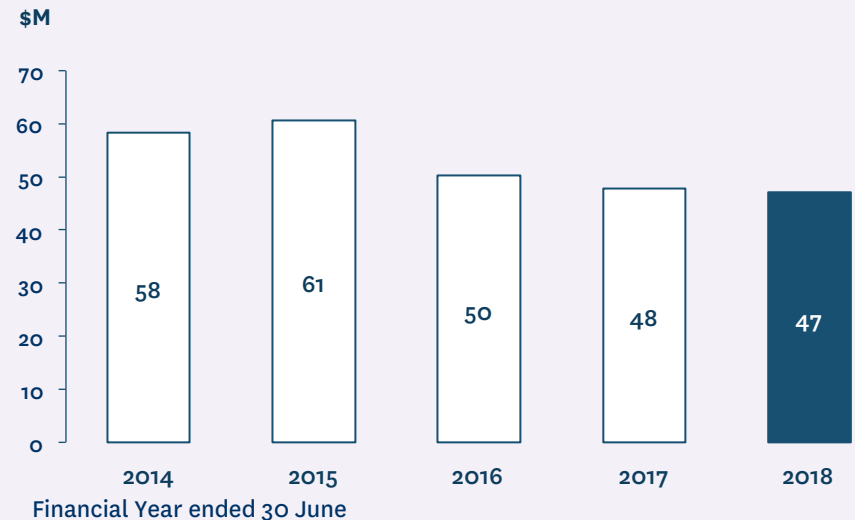
5% increase in operating costs

- Refurbishment spend on Te Āpiti wind farm and the Ōhau hydro stations
- Transformer replacements at the Manapōuri power station
- Maintaining a similar level of promotional spend to FY17, 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
- Stable stay in business capex
- Total capex of \$235M in FY18 includes GSP hydro acquisitions in Australia

OPERATING COSTS



STAY IN BUSINESS CAPEX

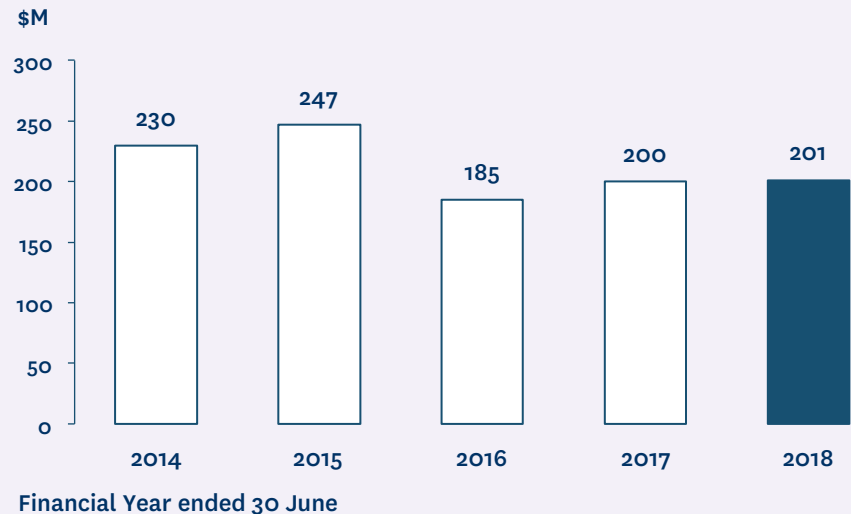


BELOW EBITDAF

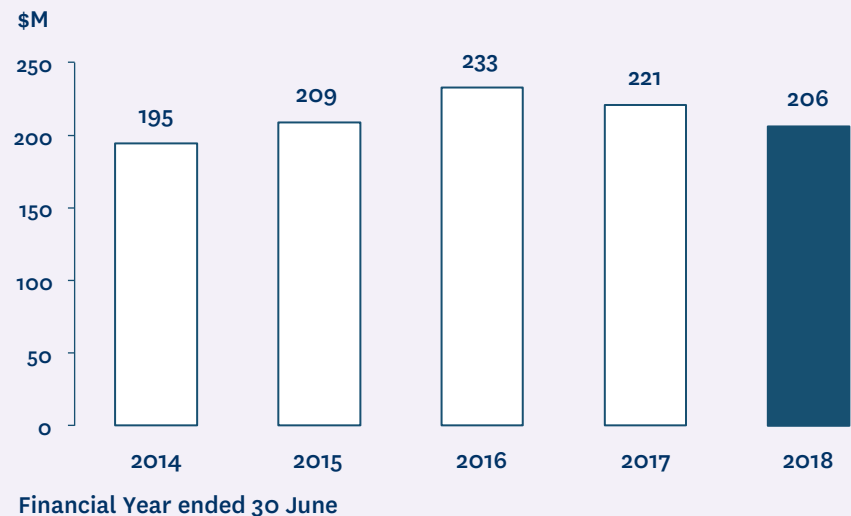
Flat NPAT

- \$4M (2%) increase in depreciation from FY17 revaluations
- FY18 impairments of \$2M (Central Wind consent), compared with \$10M in FY17
- Asset sale gains of \$7M in FY18, compared with losses of \$4M in FY17 (farm land sales)
- \$23M reduction to NPBT from fair value of electricity hedges from changing forward electricity prices (\$76M reduction in FY17)
- \$3M reduction to NPBT from fair value of treasury instruments from increases in forward interest rates (\$55M increase in FY17)
- \$4M (5%) increase in net financing costs
- Tax expense includes stamp duty on GSP acquisition
- \$15M (7%) decrease in underlying NPAT with this duty and higher depreciation and interest, some offset from higher EBITDAF

NET PROFIT AFTER TAX



UNDERLYING NPAT



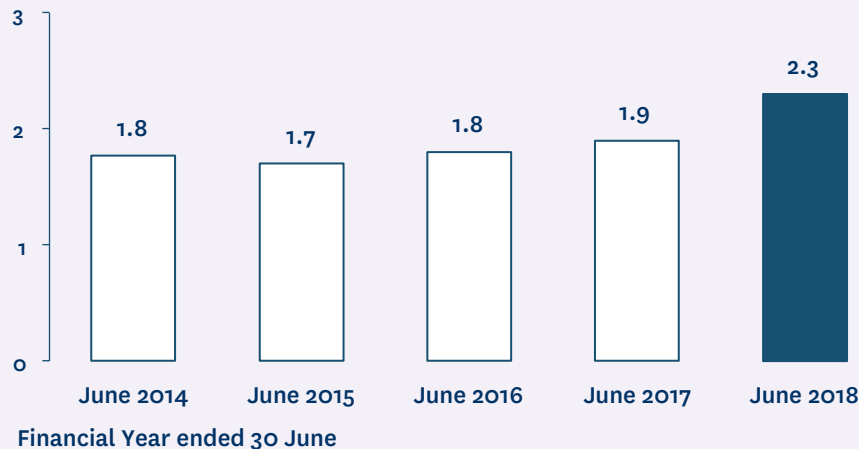
DEBT AND FUNDING

Successful retail bond issue in FY18

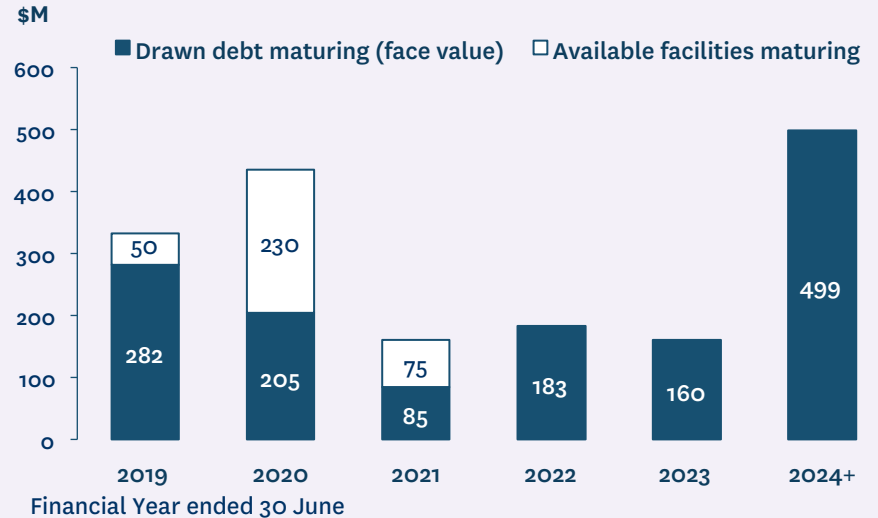
- Total borrowings as at 30 June 2018 of \$1,473M
- Up \$281M from 30 June 2017
- Includes \$200M, seven year, fixed-rate retail bonds issue in June 2018
- Committed bank facilities of \$1,914M of which \$486M were undrawn
- Expiry of these facilities from FY19 to FY27
- Net debt of \$1,529M, up 22% from FY17

NET DEBT/EBITDA*

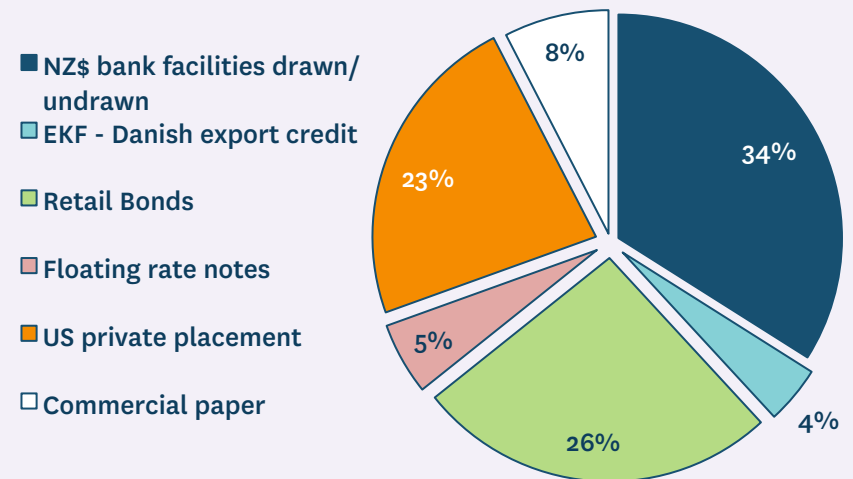
TIMES



DEBT MATURITY PROFILE AS AT 30 JUNE 2018



SOURCES OF FUNDING AT AT 30 JUNE 2018



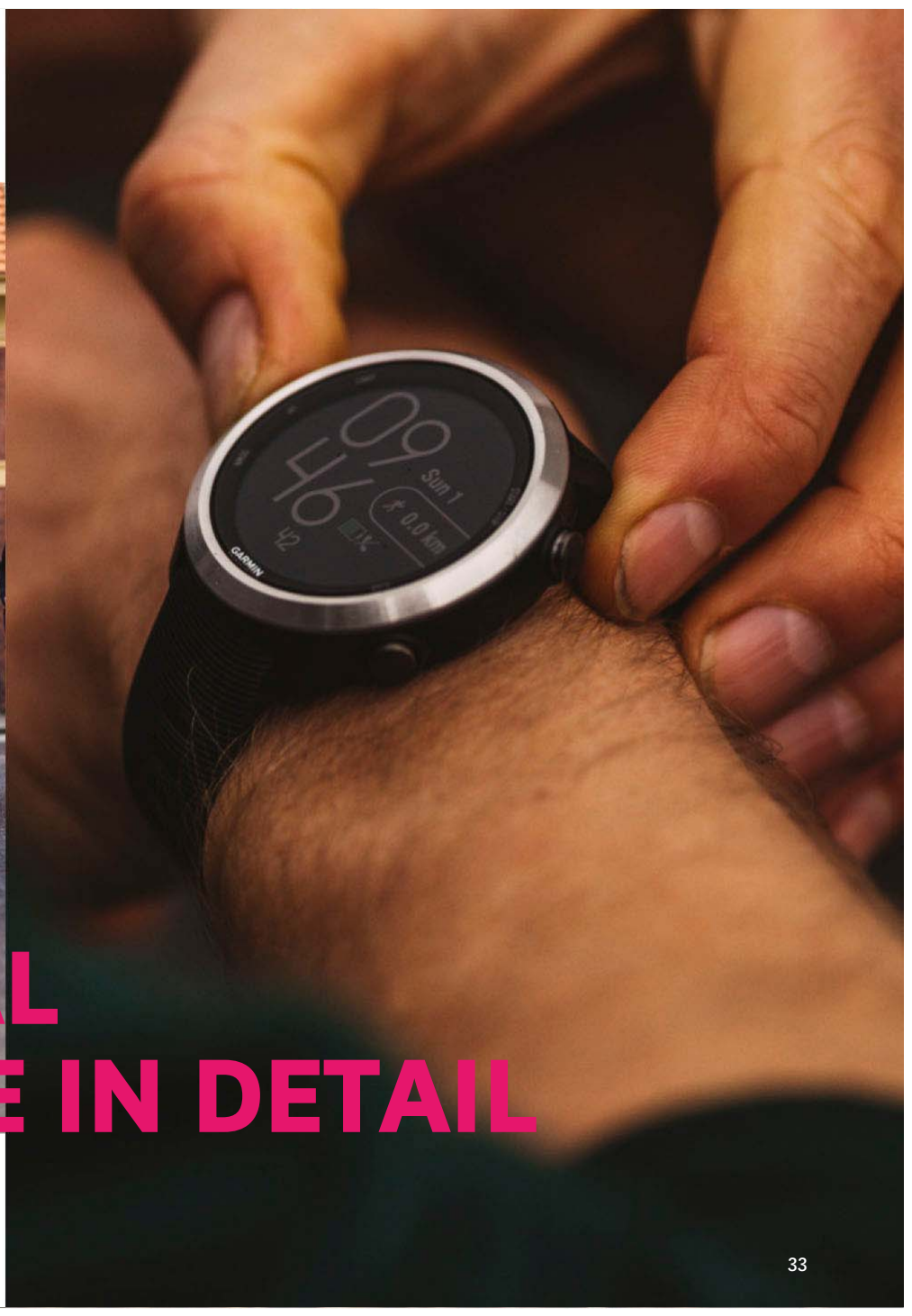
OUR CLOSING COMMENTS

- Good current catchment storage
- Increasing pace of change in NZ's climate change actions
- NZ electricity price review issues paper expected in September 2018
- Followed by consultation in early 2019
- Update on NZ transmission pricing due in December 2018
- Progress on Australian NEG and ACCC recommendations

QUESTIONS



OUR FINANCIAL PERFORMANCE IN DETAIL



FY17 SEGMENT RESTATEMENT

\$M	<u>NZ WHOLESAL</u>			<u>NZ RETAIL</u>			<u>AUSTRALIA</u>			
	2017 reported	IRFS 15	Other 2017 restated	2017 reported	IRFS 15	Other 2017 restated	2017 reported	IRFS 15	Other 2017 restated	2017 reported
Contracted sales	354		354	612	2	614	72	(1)		71
Virtual asset swap margins	4		4							
Net cost of acquired generation	(4)		(4)							
Generation spot revenue	684		684				48			48
Inter-segment electricity sales	506		506							
Costs to supply contracted sales	(753)		(753)	(460)		(460)	(45)			(45)
Other market revenue/(costs)	(6)		(6)	1		1				
Energy margin	785		785	153	2	155	75	(1)		74
Other revenue	4		4	11		13				
Dividend revenue										
Energy transmission expense	(125)		(125)				(5)			(5)
Gross margin	664		664	164	2	168	70	(1)		69
Operating expenses	(82)		(82)	(89)		(95)	(36)	3		(33)
EBITDAF	582		582	75	2	73	34	2		36

\$M	<u>OTHER AND UNALLOCATED</u>			<u>INTER-SEGMENT</u>			<u>TOTAL GROUP</u>			
	2017 reported	IRFS 15	Other 2017 restated	2017 reported	IRFS 15	Other 2017 restated	2017 reported	IRFS 15	Other 2017 restated	2017 reported
Contracted sales							1,038	1		1,039
Virtual asset swap margins							4			4
Net cost of acquired generation							(4)			(4)
Generation spot revenue							732			732
Inter-segment electricity sales				(506)		(506)				
Costs to supply contracted sales				506		506	(752)			(752)
Other market revenue/(costs)							(5)			(5)
Energy margin							1,013	1		1,014
Other revenue	11		(2)	9	(7)	(7)	19			19
Dividend revenue	1		1	(1)		(1)				
Energy transmission expense							(130)			(130)
Gross margin	12		(2)	10	(8)	(8)	902	1		903
Operating expenses	(49)		6	(43)	7	7	(249)	3		(246)
EBITDAF	(37)		4	(33)	(1)	(1)	653	4		657

FY18 OPERATING INFORMATION RESTATEMENT

FY18 OPERATING INFORMATION	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018
New Zealand Contracted Sales												
Retail contracted sales volume (GWh)	519	529	491	475	539	589	503	438	459	442	496	502
Average retail contracted sales price (\$/MWh)	\$114.6	\$115.9	\$109.4	\$99.0	\$96.0	\$93.3	\$96.8	\$101.6	\$100.2	\$107.0	\$112.5	\$115.9
NZAS sales volume (GWh)	426	426	411	426	412	426	426	384	426	412	426	412
Sell side derivative volumes (GWh)	95	100	111	142	194	125	182	239	294	272	244	280
Wholesale contracted sales average price (\$/MWh)	\$60.9	\$59.0	\$58.1	\$54.9	\$57.6	\$58.5	\$63.0	\$61.3	\$58.7	\$60.1	\$62.5	\$60.5
Total New Zealand customer connections	278,595	279,967	280,209	280,211	281,314	282,396	283,724	285,611	287,167	288,538	289,431	290,756
New Zealand Generation												
Hydro generation volume (GWh)	739	831	867	985	1,000	867	888	878	1,049	994	1,037	1,131
Wind generation volume (GWh)	108	118	116	106	82	118	80	102	105	118	113	96
Total generation volume (GWh)	847	949	983	1,091	1,082	985	968	980	1,154	1,112	1,150	1,227
Average generation price (\$/MWh)	\$156.5	\$83.4	\$55.0	\$53.1	\$95.5	\$128.4	\$127.2	\$64.8	\$55.2	\$54.3	\$56.1	\$91.1
Acquired generation volume (GWh)	282	206	158	164	178	200	234	156	152	163	169	160
Cost of acquired generation (\$/MWh)	\$77.4	\$70.1	\$62.5	\$60.6	\$64.9	\$69.9	\$75.4	\$65.0	\$63.6	\$63.9	\$63.2	\$63.4
Acquired generation revenue average price (\$/MWh)	\$138.8	\$84.1	\$55.6	\$54.4	\$99.7	\$114.2	\$114.2	\$65.5	\$59.8	\$57.7	\$56.5	\$93.2
Future contract close outs (\$m)	(\$0.7)	(\$0.6)	(\$0.7)	(\$0.3)	\$0.1	(\$0.4)	(\$0.3)	(\$0.4)	(\$0.0)	(\$0.0)	(\$0.2)	(\$0.0)
Contracted sales supply volume (GWh)	1,067	1,077	1,053	1,054	1,174	1,163	1,140	1,086	1,205	1,150	1,191	1,225
Cost to supply contracted sales (\$/MWh)	\$155.0	\$88.2	\$59.2	\$54.4	\$100.1	\$126.8	\$130.2	\$69.1	\$59.8	\$57.5	\$58.4	\$95.3
Australia												
Wind generation volume (GWh)	69	60	67	42	32	35	40	37	44	33	51	43
Hydro generation volume (GWh)									2	22	2	2
Retail contracted sales volume (GWh)	59	58	50	43	39	40	43	39	39	38	47	53
Powershop Australia customer connections	not disclosed	not disclosed	101,096	not disclosed	not disclosed	101,460	not disclosed	not disclosed	100,773	not disclosed	not disclosed	100,545

FULL YEAR SEGMENT RESULTS

FY17 restated for segment changes

- Flux Federation (Powershop platform development) now included in other segment (previously retail segment)
- Powershop UK now included in other segment (previously international segment)

\$M	WHOLESALE		RETAIL		AUSTRALIA		OTHER/ UNALLOCATED		INTER- SEGMENT		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
FINANCIAL YEAR ENDED 30 JUNE											
Energy margin	783	785	161	155	86	74	-	-	-	-	
Other revenue	2	4	12	13	1	-	20	9	(13)	(7)	
Dividend revenue	-	-	-	-	-	-	46	1	(46)	(1)	
Energy transmission expense	(122)	(125)	-	-	(5)	(5)	-	-	-	-	
Operating expenses	(84)	(82)	(96)	(95)	(38)	(33)	(49)	(43)	8	7	
EBITDAF	579	582	77	73	44	36	17	(33)	(51)	(1)	

SIX MONTHLY RESULTS

7% decrease in 1H FY18 EBITDAF, 11% increase in 2H FY18

\$M	1H			2H			FULL YEAR		
	2018	2017	CHANGE	2018	2017	CHANGE	2018	2017	CHANGE
Contracted sales	568	494	74	594	545	49	1,162	1,039	123
Virtual asset swap margins	(4)	5	(9)	2	(1)	3	(2)	4	(6)
Net cost of acquired generation	31	(4)	35	10	0	10	41	(4)	45
Generation spot revenue	598	350	248	513	382	131	1,111	732	379
Costs to supply contracted sales	(682)	(310)	(372)	(596)	(442)	(154)	(1,278)	(752)	(526)
Other market revenue/(costs)	(2)	(2)	0	(2)	(3)	1	(4)	(5)	1
Energy margin	509	533	(24)	521	481	40	1,030	1,014	16
Other revenue	10	9	1	12	10	2	22	19	3
Energy transmission expense	(63)	(66)	3	(64)	(64)	0	(127)	(130)	3
Gross margin	456	476	(20)	469	427	42	925	903	22
Operating expenses	(127)	(122)	(5)	(132)	(124)	(8)	(259)	(246)	(13)
EBITDAF	329	354	(25)	337	303	34	666	657	9
Depreciation and amortisation	(134)	(132)	(2)	(134)	(132)	(2)	(268)	(264)	(4)
Impairment of assets	(2)		(2)	0	(10)	10	(2)	(10)	8
Gain/(loss) on sale of assets	6	(2)	8	1	(2)	3	7	(4)	11
Net change in fair value of electricity and other hedges	(2)	(75)	73	(21)	(1)	(20)	(23)	(76)	53
Operating profit	197	145	52	183	158	25	380	303	77
Finance costs	(41)	(39)	(2)	(41)	(40)	(1)	(82)	(79)	(3)
Interest income		1	(1)	1	1	0	1	2	(1)
Net change in fair value of treasury instruments	(2)	63	(65)	(1)	(8)	7	(3)	55	(58)
Net profit before tax	154	170	(16)	142	111	31	296	281	15
Interest tax expense	(45)	(45)	0	(50)	(36)	(14)	(95)	(81)	(14)
Net profit after tax	109	125	(16)	92	75	17	201	200	1
Underlying net profit after tax	104	131	(27)	102	90	12	206	221	(15)

NEW ZEALAND RETAIL

Customers

- 5% increase in customers since June 2017

Residential, Business, Agri segment

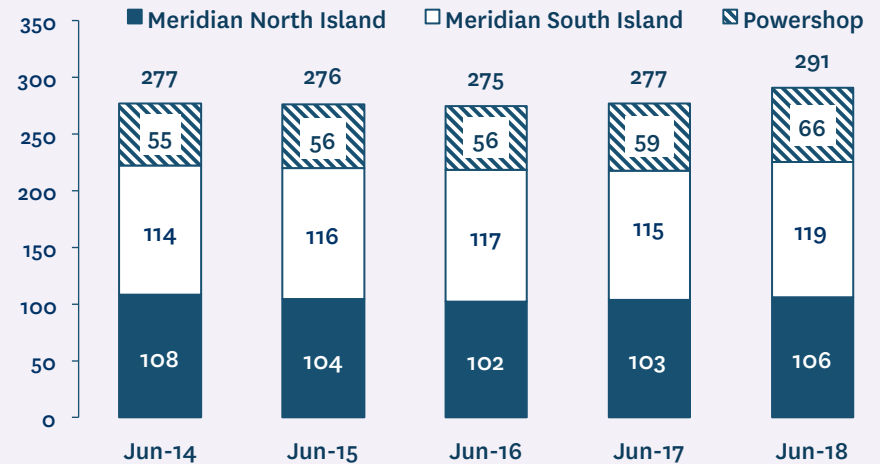
- 3% increase in overall volumes
- 1.5% decrease in residential volumes
- 8% increase in small business volumes
- 2% increase in large business volumes
- 5% increase in agri volumes, irrigation-driven
- 1% decrease in average sales price

Corporate segment

- 7% increase in volumes
- 3% decrease in average sales price

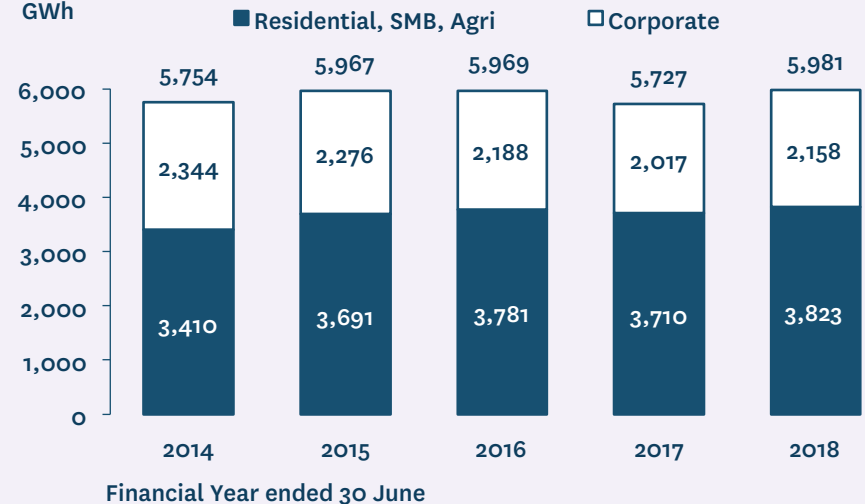
NEW ZEALAND CUSTOMER NUMBERS

ICP (ooo)



RETAIL SALES VOLUMES

GWh



NEW ZEALAND HYDROLOGY

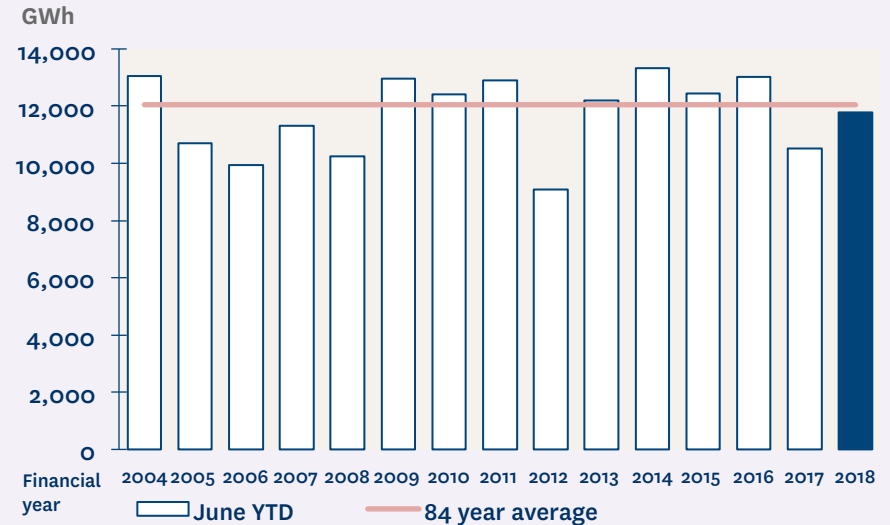
Inflows

- Inflows for FY18 were 98% of historical average
- July 2018 inflows were 161% of average

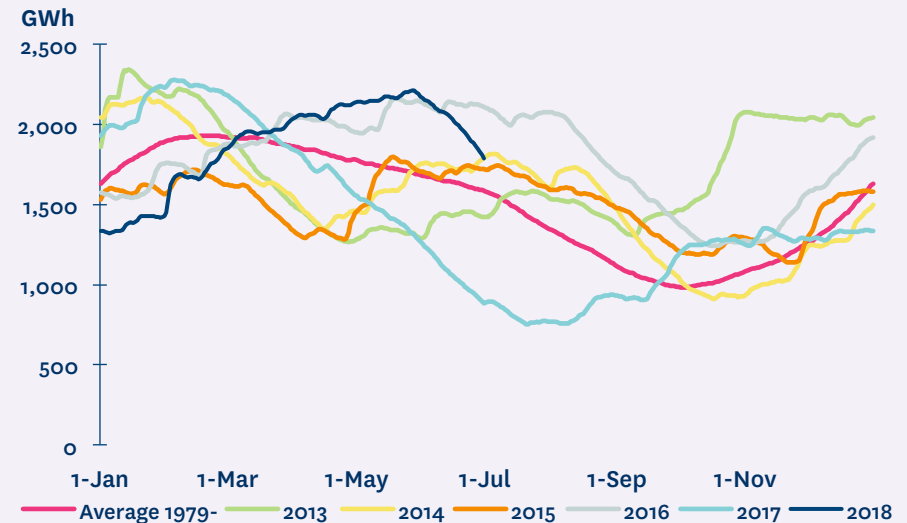
Storage

- Meridian's Waitaki catchment storage at 30 June 2018 was 113% of historical average
- By 31 July 2018, this position was 119% of historical average

MERIDIAN'S TOTAL CATCHMENT INFLOWS



MERIDIAN'S WAITAKI STORAGE



NEW ZEALAND GENERATION

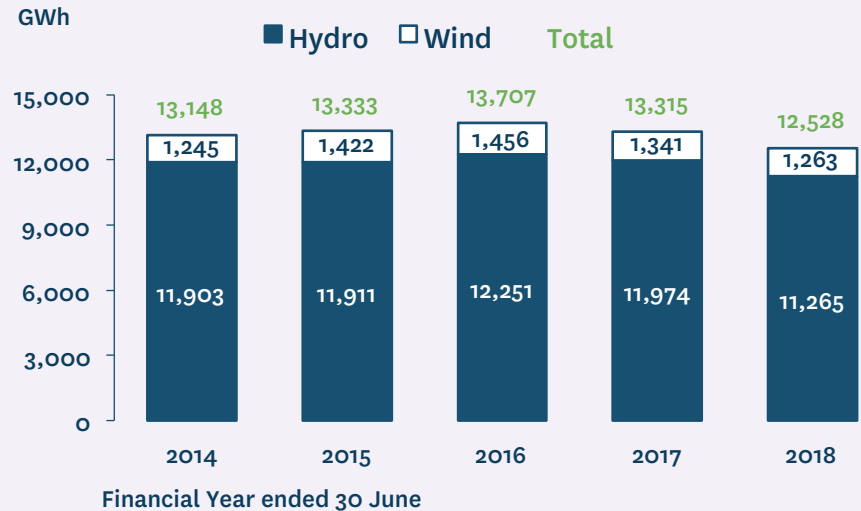
Volume

- FY18 generation was 6% lower than FY17
- Reflected both lower hydro and wind generation
- 1H FY18 generation 16% lower, 2H FY18 generation 5% higher

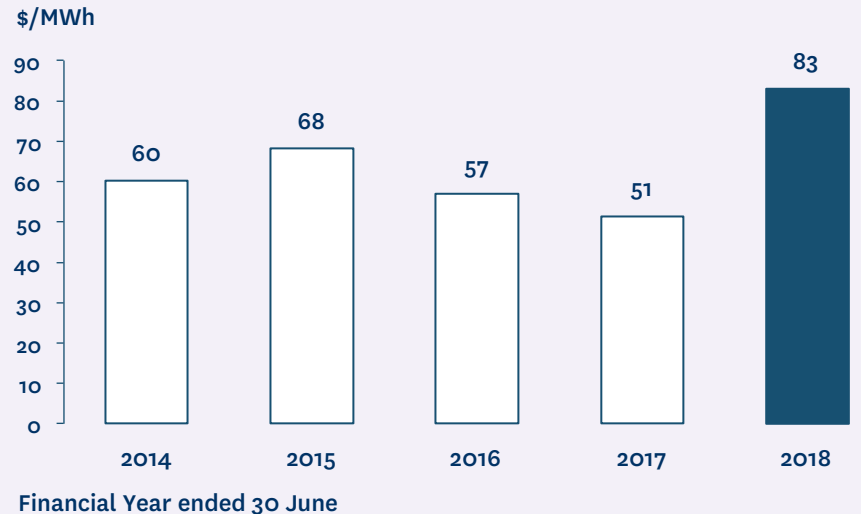
Price

- FY18 average price Meridian received for its generation was 61% higher than FY17
- FY18 average price Meridian paid to supply contracted sales was 57% higher than FY17

NEW ZEALAND GENERATION



AVERAGE GENERATION PRICE



AUSTRALIAN RETAIL

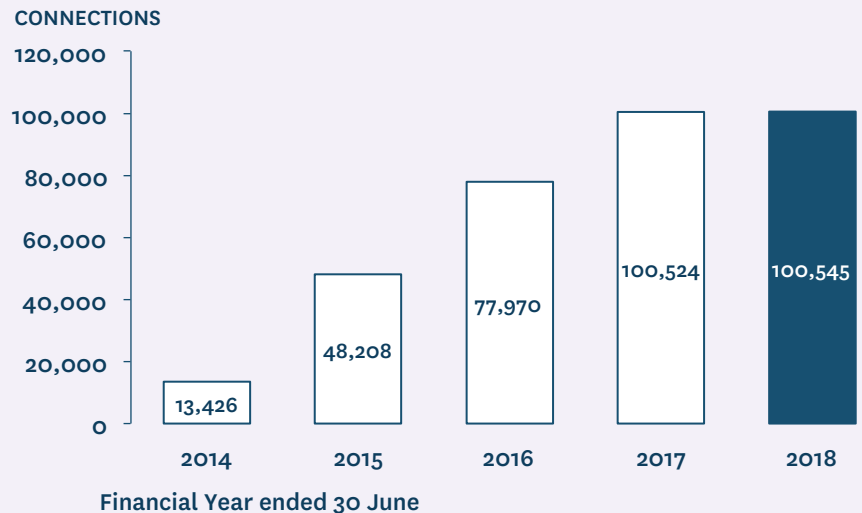
Customers

- Flat customer numbers since June 2017, in response to higher wholesale market prices

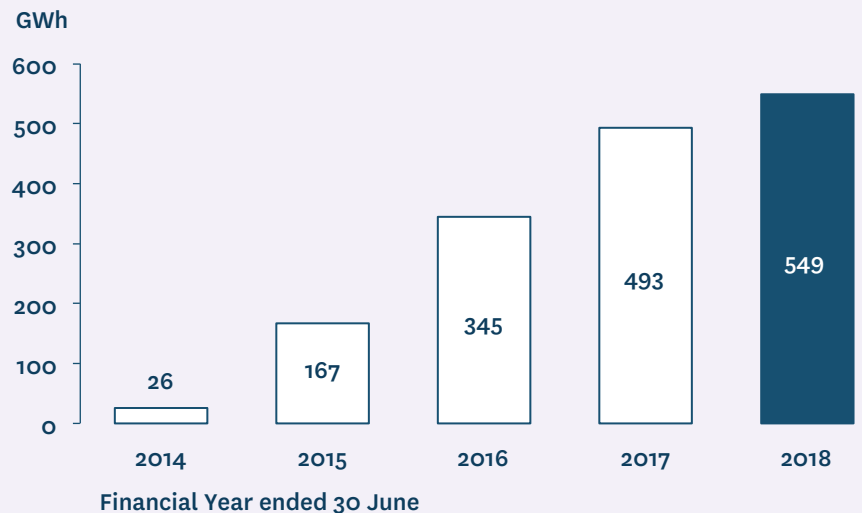
Sales volume

- 12% increase in sales volumes

AUSTRALIAN CUSTOMERS



RETAIL SALES VOLUMES



AUSTRALIAN GENERATION

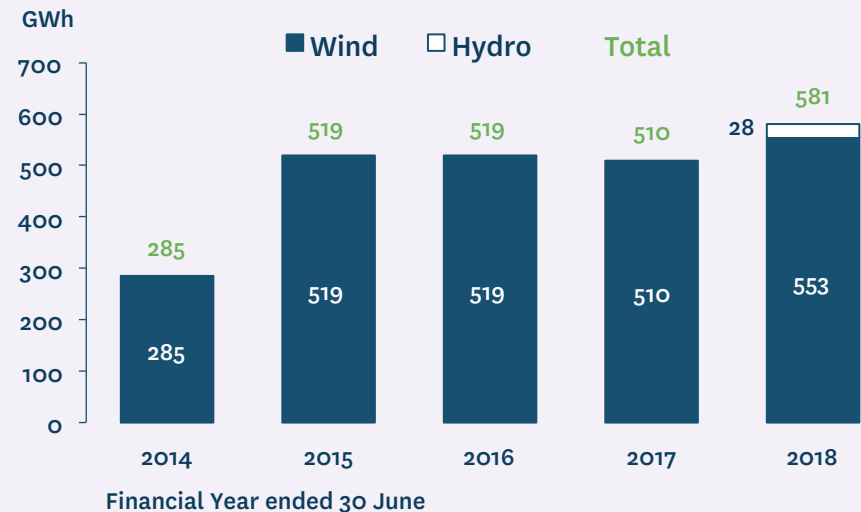
Volume

- FY18 generation was 14% higher than FY17
- FY18 includes 28GWh of seasonal generation from the GSP hydro assets
- FY18 wind generation was 8% higher than FY17

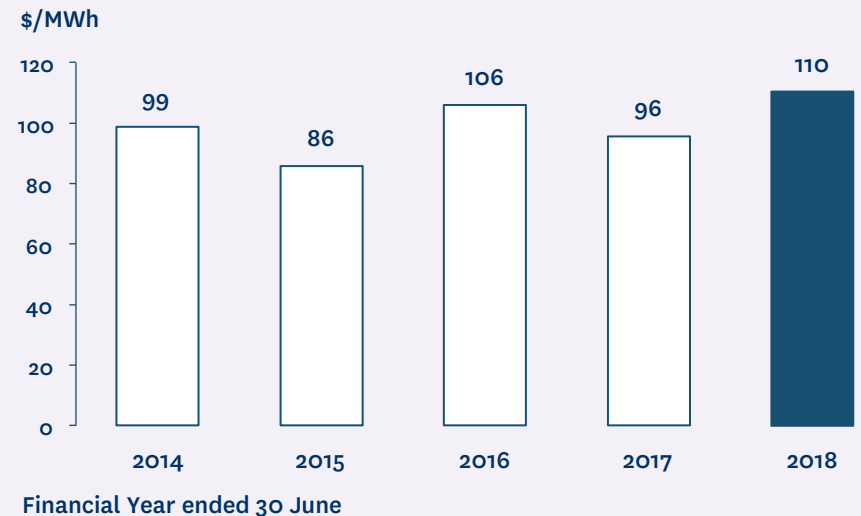
Price

- FY18 average price Meridian received for its generation was 15% higher than FY17

AUSTRALIAN GENERATION

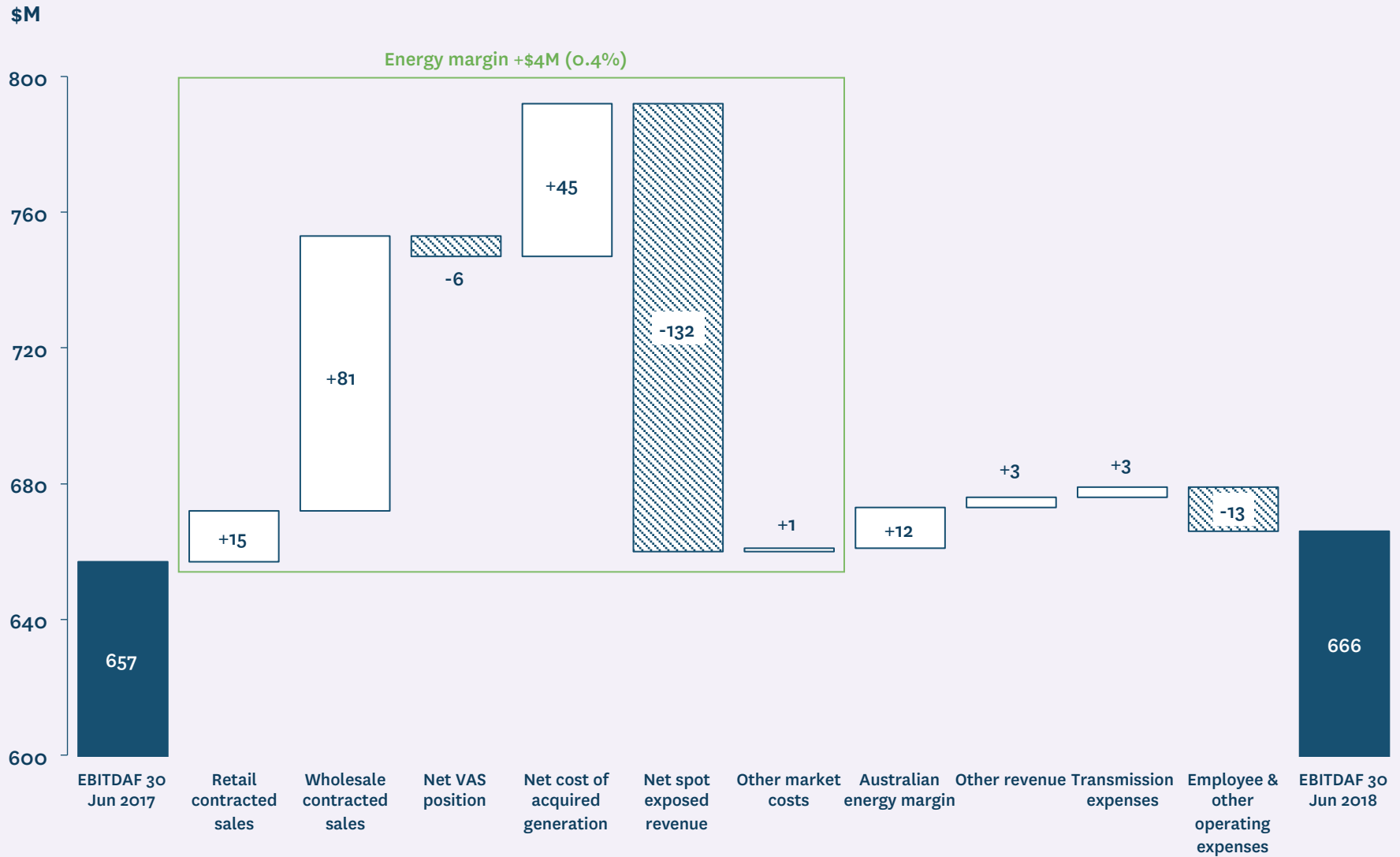


AVERAGE GENERATION PRICE



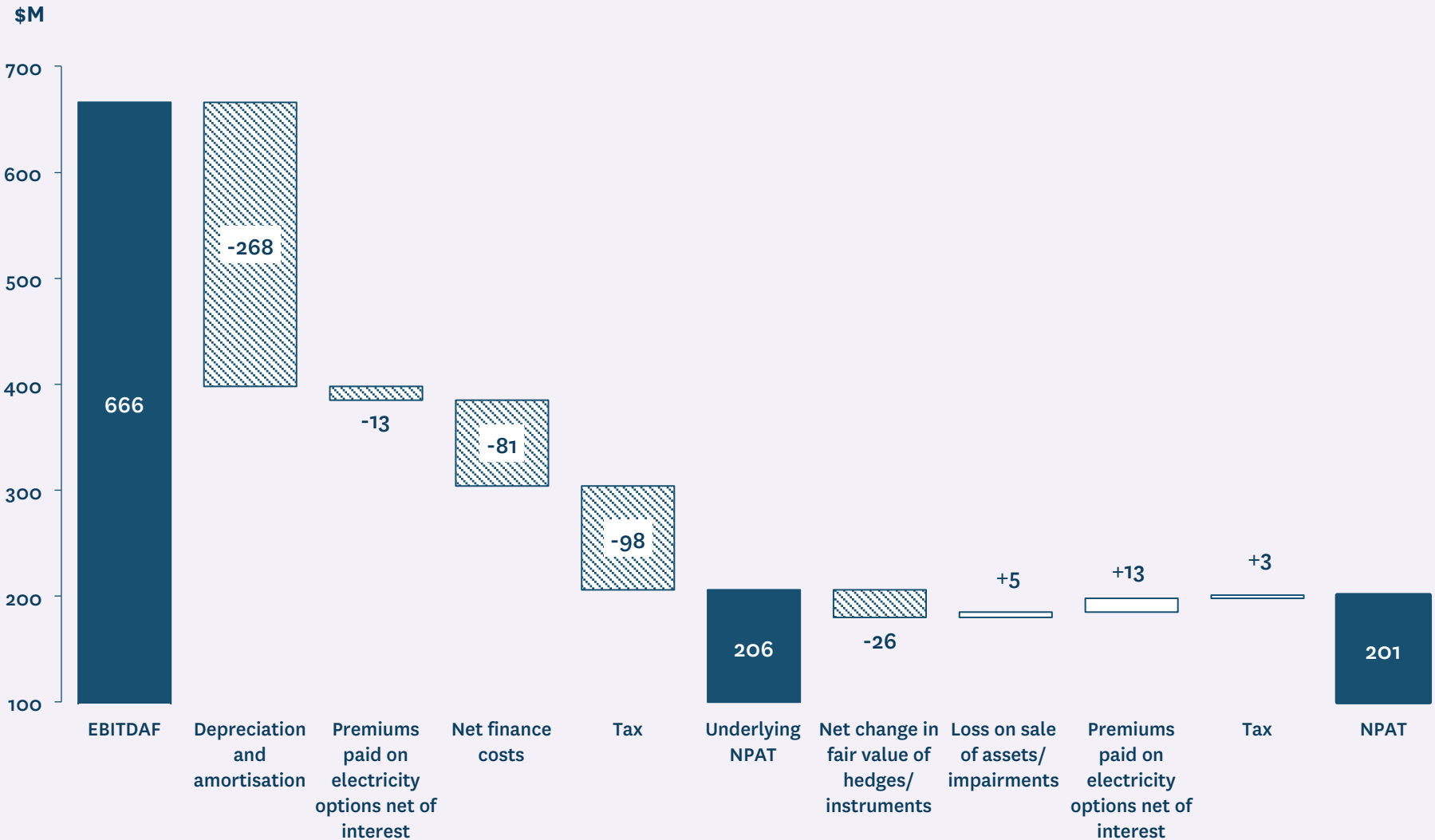
FY18 EBITDAF

MOVEMENT IN EBITDAF



EBITDAF TO NPAT

FY18 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)
- The net position of virtual assets swaps with Genesis Energy and Mercury
- 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 that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)
- Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

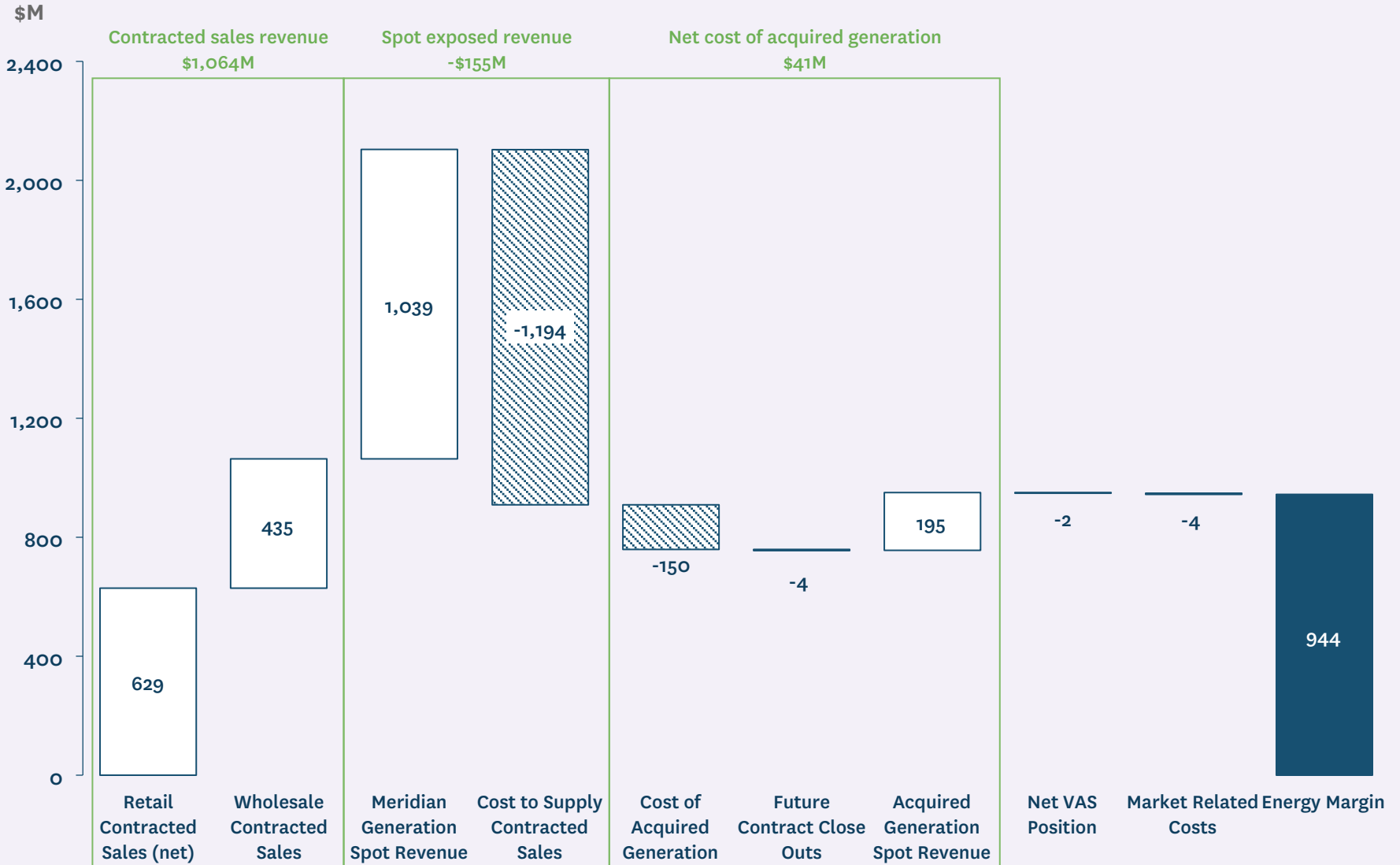
NEW ZEALAND ENERGY MARGIN

LWAP:GWAP
FY18 1.04
FY17 1.11

	FY18			LWAP:GWAP FY18 1.04 FY17 1.11	FY17 ³		
	VOLUME ¹	VWAP ²	\$M		VOLUME ¹	VWAP ²	\$M
Residential/SMB contracted sales	3,823	\$117.3	449		3,710	\$118.9	441
Corporate contracted sales	2,158	\$83.4	180		2,017	\$85.7	173
Retail contracted sales	5,981	\$105.1	629		5,727	\$107.2	614
NZAS sales	5,011				5,011		
Sell side CfDs	2,278				1,597		
Wholesale contracted sales	7,289	\$59.7	435		6,608	\$53.5	354
Net VAS position	1,099		(2)		1,148		4
Acquired generation revenue	2,222	\$87.6	195		1,564	\$61.1	96
Cost of acquired generation	2,222	(\$67.7)	(150)		1,564	(\$62.0)	(97)
Future contract close outs			(4)				(3)
Net cost of acquired generation			41				(4)
Generation revenue	12,528	\$83.0	1,039		13,315	\$51.4	684
Cost to supply retail sales	6,297				6,002		
Cost to supply wholesale sales	7,289				6,608		
Cost to supply contracted sales	13,586	(\$87.8)	(1,194)		12,610	(\$56.1)	(707)
Net spot exposed revenue			(155)				(23)
Other market costs			(4)				(5)
Energy Margin			944				940

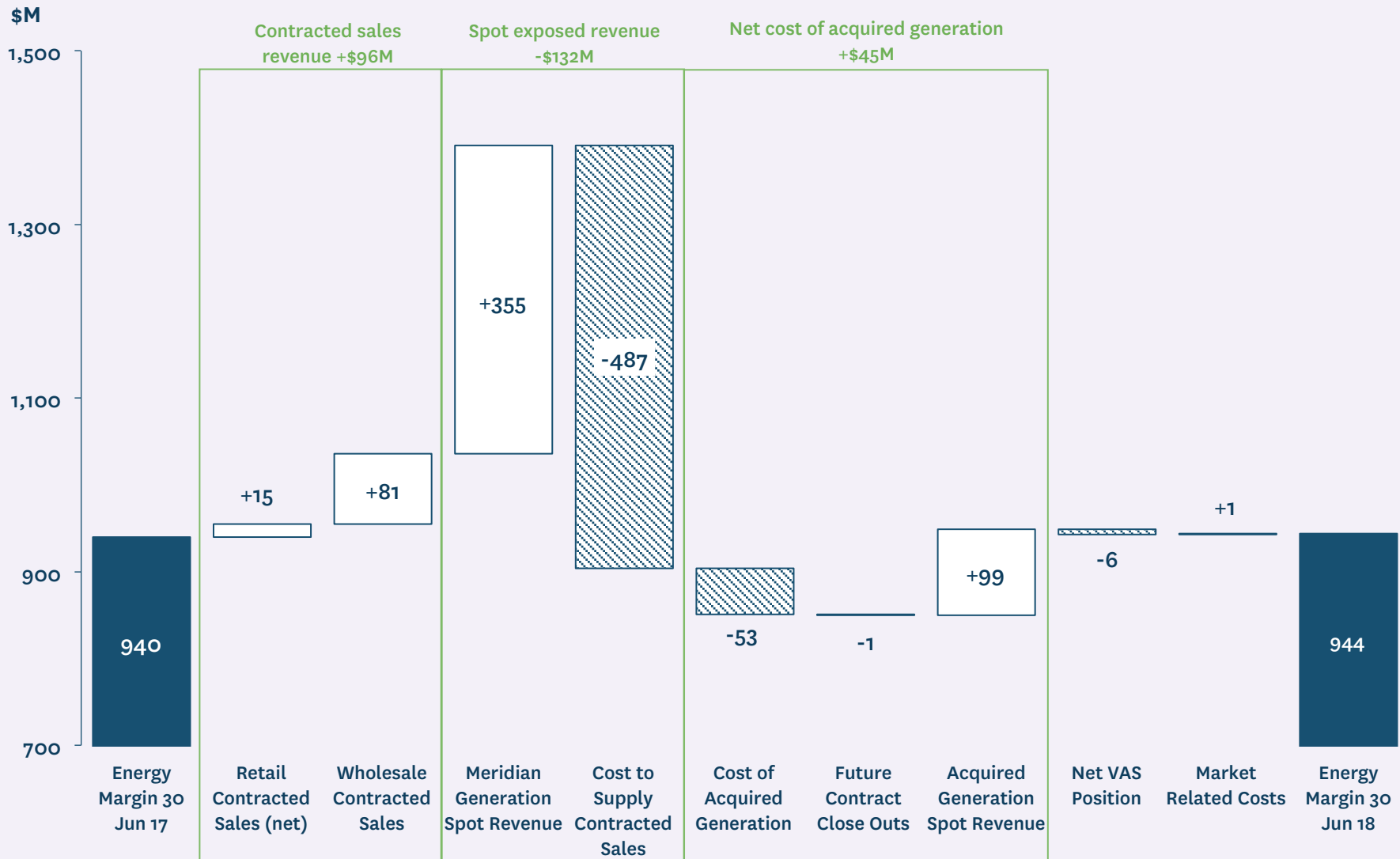
NEW ZEALAND ENERGY MARGIN

NEW ZEALAND ENERGY MARGIN



NEW ZEALAND ENERGY MARGIN MOVEMENT

NEW ZEALAND ENERGY MARGIN



OTHER REVENUE

FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
Retail service revenue (field services revenue etc)	6	6	6	8	10
Arc Innovations				3	6
Damwatch		2	5	5	5
Miscellaneous ²	15	11	5	7	2
Farming				1	3
Lease income	1	0	1	1	1
Total other revenue	22	19	17	25	27

¹Where applicable, includes effects from the adoption of NZ IFRS 15 Revenue from Contracts with Customers

²Includes revenue related to Flux Federation. Also includes settlement of insurance proceeds in the year ended 30 June 2015

FUNDING METRICS

Net debt/EBITDAF

- 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

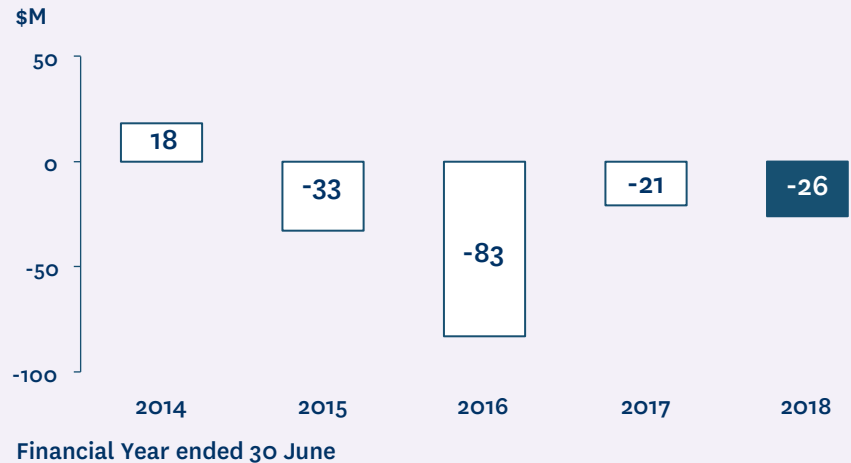
FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
Drawn borrowings	1,428	1,158	1,136	991	1,146
Finance lease payable	48	47	48	52	49
Operating lease commitments	76	71	59	37	42
Less: cash and cash equivalents	(60)	(80)	(118)	(69)	(276)
Add back: restricted cash	29	51	18	22	7
Add back: cash buffer	8	7	25	12	67
Net debt	1,529	1,254	1,168	1,045	1,035
EBITDAF	666	657	650	618	585
Net debt to EBITDAF (times)	2.3	1.9	1.8	1.7	1.8

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
- \$3M negative change in fair value of treasury instruments in FY18 from rising forward interest rates
- \$23M negative change in fair value of electricity and other hedges in FY18 from changing forward electricity prices

NET CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS



INCOME STATEMENT

FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
New Zealand energy margin	944	940	941	900	891
Australia energy margin	86	74	68	54	33
Other revenue	22	19	17	25	27
Energy transmission expense	(127)	(130)	(128)	(123)	(129)
Employee and other operating expenses	(259)	(246)	(248)	(238)	(237)
EBITDAF	666	657	650	618	585
Depreciation and amortisation	(268)	(264)	(236)	(239)	(220)
Impairment of assets	(2)	(10)	4	(38)	-
Gain/(loss) on sale of assets	7	(4)	(1)	19	7
Net change in fair value of electricity and other hedges	(23)	(76)	(15)	(1)	(9)
Net finance costs	(81)	(77)	(78)	(78)	(73)
Net change in fair value of treasury instruments	(3)	55	(68)	(32)	27
Net profit before tax	296	281	256	249	317
Income tax expense	(95)	(81)	(71)	(2)	(87)
Net profit after tax	201	200	185	247	230

¹Where applicable, includes effects from the adoption of NZ IFRS 15 Revenue from Contracts with Customers

UNDERLYING NPAT RECONCILIATION

FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
Net profit after tax	201	200	185	247	230
Underlying adjustments					
<u>Hedging instruments</u>					
Net change in fair value of electricity and other hedges	23	76	15	1	9
Net change in fair value of treasury instruments	3	(55)	68	32	(27)
Premiums paid on electricity options net of interest	(13)	(12)	(12)	(15)	(20)
<u>Assets</u>					
(Gain)/loss on sale of assets	(7)	4	1	(19)	(7)
Impairment of assets	2	10	(4)	38	-
Total adjustments before tax	8	23	68	37	(45)
<u>Taxation</u>					
Tax effect of above adjustments	(3)	(2)	(20)	(13)	10
Release of capital gains tax provision			-	(28)	-
Tax depreciation on powerhouse structures			-	(34)	-
Underlying net profit after tax	206	221	233	209	195

¹Where applicable, includes effects from the adoption of NZ IFRS 15 Revenue from Contracts with Customers

CASH FLOW STATEMENT

FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
Receipts from customers	2,765	2,250	2,348	2,348	2,083
Interest and dividends received	1	2	2	8	9
Payments to suppliers and employees	(2,152)	(1,596)	(1,723)	(1,742)	(1,480)
Interest and income tax paid	(187)	(186)	(175)	(174)	(179)
Operating cash flows	427	470	452	440	433
Sale of property, plant and equipment	23	-	-	19	41
Sales of subsidiaries and other assets	-	2	5	29	21
Purchase of property, plant and equipment	(33)	(33)	(42)	(131)	(284)
Stamp duty/capitalised interest	(10)	-	-	-	(9)
Purchase of intangible assets and investments	(204)	(21)	(19)	(16)	(23)
Investing cash flows	(224)	(52)	(56)	(99)	(254)
Term borrowings drawn	462	158	634	366	134
Term borrowings repaid	(200)	(136)	(478)	(527)	(154)
Shares purchased for long-term incentive	-	-	(1)	(2)	(1)
Dividends and finance lease paid	(487)	(478)	(502)	(385)	(261)
Financing cash flows	(225)	(456)	(347)	(548)	(282)

¹Where applicable, includes effects from the adoption of NZ IFRS 15 Revenue from Contracts with Customers

BALANCE SHEET

FINANCIAL YEAR ENDED 30 JUNE \$M	2018 ¹	2017 RESTATED ¹	2016 REPORTED	2015 REPORTED	2014 REPORTED
Cash and cash equivalents	60	80	118	69	276
Trade receivables	261	260	194	191	183
Customer contract assets	19	18			
Other current assets	109	91	94	74	64
Total current assets	449	449	406	334	523
Property, plant and equipment	7,941	7,961	7,771	7,097	6,929
Intangible assets	60	58	47	47	54
Other non-current assets	182	215	314	183	84
Total non-current assets	8,183	8,234	8,132	7,327	7,067
Payables, accruals and employee entitlements	297	311	220	208	236
Current portion of term borrowings	450	170	214	213	133
Other current liabilities	96	98	79	57	97
Total current liabilities	843	579	513	478	466
Term borrowings	1,023	1,022	1,000	863	959
Deferred tax	1,683	1,715	1,617	1,400	1,350
Other non-current liabilities	260	272	358	172	181
Total non-current liabilities	2,966	3,009	2,975	2,435	2,490
Net assets	4,823	5,095	5,050	4,748	4,634

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 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
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

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