



# A letter from our Chairman and CEO

Pukapuka Mai I te Heamana me te Manahautū



**CHAIRMAN**  
Barbara Chapman  
CNZM, BCom, CMInstD

**CHIEF EXECUTIVE OFFICER**  
Marc England  
MBA, MEng

## Tēnā koutou,

Over the six months to 31 December 2019, Genesis saw more customers than ever before take control of their own energy management, proactively analysing and modifying their energy usage using our innovative new tools.

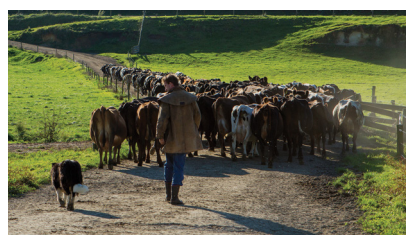
## Putting Control in our Customers' Hands

More than 175,000 residential and business customers now use Energy IQ and over 110,000 have created Energy IQ Home Profiles. This gives them insights into their home energy usage, how it compares to similar homes and energy saving tips. In November we added the latest feature, Eco Tracker, a tool for our customers to check New Zealand's electricity sector carbon emissions in real-time to help minimise their carbon footprints.

We were proud to see Energy IQ recognised for its market-leading innovation at the Deloitte Energy Excellence Awards 2019, where it won the Energy Technology of the Year.



For Dairy enables farmers to save up to 25% on their energy bills by taking advantage of better off-peak rates. As part of our Fonterra Farm Source partnership, this has increased our agribusiness connections by 36% and dairy farmers specifically by 88%.



In October Genesis also announced the launch of advanced gas meters for residential metered gas customers, which will be rolled out to more than 100,000 customers during 2020, another first for energy retailers in New Zealand.

Genesis held its sixth Power Shout in November 2019, offering 178,000 customers five free hours of power. In total, Genesis gave away approximately 890,000 hours or 102 years of free power.

## Resilience in a Volatile Market

Genesis delivered an EBITDAF<sup>1</sup> of \$167.2m for the first half of Financial Year 2020, a decline of 15.3% against the same period last year. NPAT<sup>2</sup> for the period was \$9.2m. Final dividend per share for the period is 8.525c, up 0.9%.

Challenging gas market conditions for our wholesale segment were offset somewhat by the continued strong performance of our retail segment. This was driven by the acquisition of more high-value customers, especially dual-fuel customers which rose by 5% in quarter two. Total LPG Sales Volume rose by 21.1% highlighting the success of our unique vertical market position.

Pleasingly, the cost of serving our customers has dropped by 3.5% in quarter two, demonstrating the benefits of greater digitisation of customer interactions, which now account for 65% of all interactions. This focus on high quality customer service saw net customer churn drop for the third consecutive year to 15.8%. Genesis also ranked first amongst energy companies in reputation with consumers.<sup>3</sup>

Genesis' wholesale segment performance was affected by constrained gas supply, lower inflows into its hydro catchments and a 30-day planned outage at Kupe, which all led to higher fuel costs.

Genesis was regularly called upon to support the market with its rankines during a period that saw a 19% increase in fuel costs<sup>4</sup>. These conditions also saw continued calls on our swaption agreements with Meridian and Contact.

1. EBITDAF: Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes, and other gains and losses. Refer to the consolidated comprehensive income statement on page 5 for reconciliation from EBITDAF to net profit after tax.

2. Net Profit After Tax.

3. The Purpose Business, Quarterly Market Tracking Update, December 2019.

4. Volume weighted average fuel costs for thermal generation, against previously comparable period.

These enable the relevant parties to call on thermally generated electricity under certain conditions, as required, to provide firming support. Approximately 5.6% of Genesis' total Scope 1 emissions during the period were attributed to electricity supplied under these agreements.

Providing resilience during difficult market conditions reinforces our vital role as backup thermal generator to the New Zealand electricity market, ensuring security of supply to Kiwi homes and businesses and moderating the price volatility that is a historical feature of our 84% renewable electricity system<sup>5</sup>.

Construction has begun on the Waipipi Windfarm in Taranaki which will be operational in 2021. This will provide 450 GWh of renewable energy per annum, contributing to a reduction of 250,000 tonnes of carbon emissions. Genesis will buy its entire supply of zero emissions, renewable electricity.

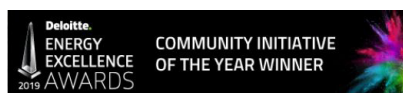
This, combined with our recent announcement to progress a new 300 MW solar farm in the upper Waikato, demonstrates Genesis' commitment to transition to a lower carbon energy future.

## New Ways of Working for the Community



Genesis remains strongly committed to its sustainability and community initiatives. Genesis School-gen engages with more than 1,000 New Zealand schools. Last year's Super Teacher competition saw 213 teachers nominated for inspiring young minds to pursue Science, Technology, Engineering and Mathematics (STEM). Two winners were sent to the Space Exploration Educators Conference in Houston.

Genesis School-gen won Community Initiative of the Year at the Deloitte Energy Excellence Awards.



Genesis School-gen Trust is an independent charitable organisation that allocates STEM funding to schools. Its second round of funding reached seven schools and 2,448

students. More than 1,320 Genesis customers donate monthly.

In November Genesis was awarded the YWCA's GenderTick, an independently accredited certification that rewards organisations that have made a commitment to gender equality in the workplace. Genesis is committed to further increasing the transparency of our gender diversity reporting. Read more about the actions we are taking [here](#).



In the coming six months we are confident we will continue to deliver for our shareholders, customers and all New Zealanders.

Ngā mihi,

Barbara Chapman  
Chairman

Marc England  
Chief Executive Officer

## Championing Sustainability

Genesis continued to make good progress towards the targets set under our Sustainability Framework.

We launched our internal sustainability champions network, Kaitiaki Kenehi (Genesis Guardians)

before Christmas and it currently has 22 champions across seven Genesis sites.

### Scope 1, 2 and 3 emissions (tCO<sub>2</sub>e)

Scope	Category	tCO <sub>2</sub> e
Direct emissions (Scope 1)	Stationary combustion	1,176,738
	Stationary combustion - swaptions	69,916
	<b>Subtotal stationary combustion</b>	<b>1,246,654</b>
	Mobile combustion	546
	Fugitive emissions	15
<b>Scope 1</b>	<b>Subtotal scope 1</b>	<b>1,247,215</b>
Indirect emissions (Scope 2)	Electricity consumption (location based)	100
	<b>Subtotal scope 2</b>	<b>100</b>
<b>Scope 1 &amp; 2</b>	<b>Subtotal scope 1 &amp; 2</b>	<b>1,247,315</b>
Indirect emissions (Scope 3)	Business Travel	521
	Use of sold products (LPG sales)	68,020
	Office waste to landfill	10
	<b>Subtotal</b>	<b>68,551</b>
<b>Scope 1, 2 and 3</b>	<b>Total</b>	<b>1,315,866</b>

For six months to 31 December 2019

This report is the first time as a listed company that Genesis has reported its scope-three carbon emissions alongside one and two. We aim to extend this further in our 2020 Annual Report by reporting in alignment with the Taskforce on Climate-related Financial Disclosures.

We have a responsibility as New Zealand's largest thermal energy generator to be transparent about our carbon footprint and to take a leadership role in the debate about how New Zealand can reach its emissions targets. You can read more about our sustainability highlights [here](#).

5. Reference: Ministry of Business, Innovation and Employment (MBIE) - Energy in New Zealand 2019.

# Condensed Consolidated Interim Financial Statements

Ngā Tauākī Pūtea Tōpū Whakarāpopoto Weherua

For the six months ended  
31 December 2019

## Condensed consolidated interim financial statements

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## Consolidated comprehensive income statement

For the six months ended 31 December 2019

	Note	6 months ended	
		31 Dec 2019 unaudited \$ million	Restated* 31 Dec 2018 unaudited \$ million
Revenue	A2	1,334.2	1,361.0
Expenses		(1,167.0)	(1,163.5)
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)</b>	A2	<b>167.2</b>	<b>197.5</b>
Depreciation, depletion and amortisation	A3	(109.9)	(100.4)
(Impairment) / impairment reversal of non-current assets		(0.1)	2.6
Change in fair value of financial instruments	D2	(4.8)	8.1
Share of associates		(0.4)	-
Other gains (losses)		(3.1)	-
<b>Profit before net finance expense and income tax</b>		<b>48.9</b>	<b>107.8</b>
Finance revenue		0.1	0.3
Finance expense	C2	(36.2)	(39.1)
<b>Profit before income tax</b>		<b>12.8</b>	<b>69.0</b>
Income tax expense		(3.6)	(19.6)
<b>Net profit for the period</b>		<b>9.2</b>	<b>49.4</b>
<b>Other comprehensive income</b>			
Change in cash flow hedge reserve		15.5	16.7
Income tax expense relating to items above		(4.3)	(4.7)
<b>Total items that may be reclassified to profit or loss</b>		<b>11.2</b>	<b>12.0</b>
<b>Total other comprehensive income for the period</b>		<b>11.2</b>	<b>12.0</b>
<b>Total comprehensive income for the period</b>		<b>20.4</b>	<b>61.4</b>
<b>Earnings per share (EPS) from operations attributable to shareholders</b>		<b>Cents</b>	<b>Cents</b>
Basic and diluted EPS		0.90	4.91

\* The comparative information has been restated to reflect the adoption of a new accounting standard. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

The above statement should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

For the six months ended 31 December 2019

	Note	Share capital unaudited \$ million	Share-based payments reserve unaudited \$ million	Asset revaluation reserve unaudited \$ million	Cash flow hedge reserve unaudited \$ million	Retained earnings unaudited \$ million	Total unaudited \$ million
<b>Balance as at 1 July 2019</b>		597.6	1.7	1,398.2	(59.7)	213.0	2,150.8
Restatement for adoption of new accounting policies*		-	-	-	-	(5.8)	(5.8)
<b>Restated balance as at 1 July 2019</b>		597.6	1.7	1,398.2	(59.7)	207.2	2,145.0
<b>Net profit for the period</b>		-	-	-	-	9.2	9.2
<b>Other comprehensive income</b>							
Change in cash flow hedge reserve		-	-	-	15.5	-	15.5
Income tax expense relating to other comprehensive income		-	-	-	(4.3)	-	(4.3)
<b>Total comprehensive income for the period</b>		-	-	-	11.2	9.2	20.4
Revaluation reserve reclassified to retained earnings on disposal of assets		-	-	(0.1)	-	0.1	-
Share-based payments		(0.3)	(0.4)	-	-	-	(0.7)
Shares issued under dividend reinvestment plan	C3	18.9	-	-	-	-	18.9
Net change in treasury shares		0.4	-	-	-	-	0.4
Dividends	C3	-	-	-	-	(88.1)	(88.1)
<b>Balance as at 31 December 2019</b>		616.6	1.3	1,398.1	(48.5)	128.4	2,095.9

	Note	Share capital unaudited \$ million	Share-based payments reserve unaudited \$ million	Asset revaluation reserve unaudited \$ million	Cash flow hedge reserve unaudited \$ million	Restated retained earnings unaudited \$ million	Restated total unaudited \$ million
<b>Balance as at 1 July 2018</b>		557.7	1.6	1,115.3	(43.3)	325.1	1,956.4
Restatement for adoption of new accounting policies*		-	-	-	-	(5.7)	(5.7)
<b>Restated balance as at 1 July 2018</b>		557.7	1.6	1,115.3	(43.3)	319.4	1,950.7
<b>Restated net profit for the period</b>		-	-	-	-	49.4	49.4
<b>Other comprehensive income</b>							
Change in cash flow hedge reserve		-	-	-	16.7	-	16.7
Income tax expense relating to other comprehensive income		-	-	-	(4.7)	-	(4.7)
<b>Restated total comprehensive income for the period</b>		-	-	-	12.0	49.4	61.4
Shares issued under dividend reinvestment plan	C3	18.6	-	-	-	-	18.6
Net change in treasury shares		(1.0)	-	-	-	-	(1.0)
Dividends	C3	-	-	-	-	(86.7)	(86.7)
<b>Restated balance as at 31 December 2018</b>		575.3	1.6	1,115.3	(31.3)	282.1	1,943.0

\* A new accounting standard has been adopted during the period. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

The above statement should be read in conjunction with the accompanying notes.

## Consolidated balance sheet

As at 31 December 2019

	Note	31 Dec 2019 unaudited \$ million	Restated* 30 Jun 2019 audited \$ million
Cash and cash equivalents		26.1	61.9
Receivables and prepayments		205.8	226.7
Inventories		113.7	126.6
Intangible assets		22.7	7.6
Tax receivable		6.0	16.2
Derivatives	D1	26.4	39.9
<b>Total current assets</b>		<b>400.7</b>	<b>478.9</b>
Receivables and prepayments		2.8	0.9
Inventories		-	4.2
Property, plant and equipment	B1	3,402.2	3,449.0
Oil and gas assets	B2	311.9	324.1
Intangible assets		359.4	364.0
Investments in associates		2.7	0.2
Derivatives	D1	68.2	68.0
<b>Total non-current assets</b>		<b>4,147.2</b>	<b>4,210.4</b>
<b>Total assets</b>		<b>4,547.9</b>	<b>4,689.3</b>
Payables and accruals		233.1	241.5
Borrowings	C1	120.7	181.6
Provisions		10.5	11.3
Derivatives	D1	63.3	70.7
<b>Total current liabilities</b>		<b>427.6</b>	<b>505.1</b>
Payables and accruals		5.2	0.7
Borrowings	C1	1,186.0	1,173.4
Provisions		151.2	153.9
Deferred tax		639.6	653.8
Derivatives	D1	42.4	57.4
<b>Total non-current liabilities</b>		<b>2,024.4</b>	<b>2,039.2</b>
<b>Total liabilities</b>		<b>2,452.0</b>	<b>2,544.3</b>
Share capital		616.6	597.6
Reserves		1,479.3	1,547.4
<b>Total equity</b>		<b>2,095.9</b>	<b>2,145.0</b>
<b>Total equity and liabilities</b>		<b>4,547.9</b>	<b>4,689.3</b>

\* The comparative information has been restated to reflect the adoption of a new accounting standard. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information.

The above statement should be read in conjunction with the accompanying notes.

The Directors of Genesis Energy Limited authorise these condensed consolidated interim financial statements for issue on behalf of the Board.



**Barbara Chapman**  
Chairman of the Board

Date 20 February 2020



**Catherine Drayton**  
Chairman of the Audit and Risk Committee

Date 20 February 2020



## Consolidated cash flow statement

For the six months ended 31 December 2019

	Note	6 months ended	
		31 Dec 2019 unaudited \$ million	Restated* 31 Dec 2018 unaudited \$ million
Receipts from customers		1,351.9	1,387.4
Interest received		0.1	0.3
Payments to suppliers and related parties		(1,126.5)	(1,143.9)
Payments to employees		(51.9)	(49.2)
Tax paid		(11.9)	(18.7)
<b>Operating cash flows</b>		<b>161.7</b>	<b>175.9</b>
Proceeds from disposal of property, plant and equipment		-	0.2
Payments to associates		(2.9)	-
Purchase of property, plant and equipment		(21.0)	(24.9)
Purchase of oil and gas assets		(12.8)	(2.6)
Purchase of intangibles (excluding emission units and deferred customer acquisition costs)		(9.5)	(9.4)
<b>Investing cash flows</b>		<b>(46.2)</b>	<b>(36.7)</b>
Proceeds from borrowings		4.9	240.0
Repayment of borrowings		(52.8)	(282.3)
Interest paid and other finance charges		(34.1)	(39.1)
Dividends	C3	(69.2)	(68.1)
Acquisition of treasury shares		(0.1)	(1.0)
<b>Financing cash flows</b>		<b>(151.3)</b>	<b>(150.5)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(35.8)</b>	<b>(11.3)</b>
Cash and cash equivalents at 1 July		61.9	49.3
<b>Cash and cash equivalents at 31 December</b>		<b>26.1</b>	<b>38.0</b>

	Note	6 months ended	
		31 Dec 2019 unaudited \$ million	Restated* 31 Dec 2018 unaudited \$ million
<b>Reconciliation of net profit to operating cash flows</b>			
<b>Net profit for the period</b>		<b>9.2</b>	<b>49.4</b>
Net loss on disposal of property, plant and equipment		0.8	0.1
Interest and other finance charges paid		33.7	36.3
<b>Items classified as investing/financing activities</b>		<b>34.5</b>	<b>36.4</b>
Depreciation, depletion and amortisation expense	A3	109.9	100.4
Impairment / (impairment reversal) of non-current assets		0.1	(2.6)
Change in fair value of financial instruments	D2	4.8	(8.1)
Deferred tax expense		(18.5)	(11.6)
Change in capital expenditure accruals		(8.4)	(2.4)
Change in rehabilitation and contractual arrangement provisions		5.1	0.5
Share of associates		0.4	-
Other non-cash items		0.7	0.1
<b>Total non-cash items</b>		<b>94.1</b>	<b>76.3</b>
Change in receivables and prepayments		19.0	25.0
Change in inventories		17.1	(6.3)
Change in emission units on hand		(15.1)	0.3
Change in deferred customer acquisition costs		0.1	(0.9)
Change in payables and accruals		(3.9)	(19.8)
Change in tax receivable/payable		10.2	12.2
Change in provisions		(3.5)	3.3
<b>Movements in working capital</b>		<b>23.9</b>	<b>13.8</b>
<b>Net cash inflow from operating activities</b>		<b>161.7</b>	<b>175.9</b>

\* The comparative information has been restated to reflect the adoption of a new accounting standard. Refer to the 'General information and significant matters' section in the notes for a reconciliation to the previously reported information. The above statement should be read in conjunction with the accompanying notes.



# Notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2019

## General information and significant matters

### General information

The unaudited condensed consolidated interim financial statements comprise Genesis Energy Limited ('Genesis'), its subsidiaries, controlled entities, and the Group's interests in associates and joint operations (together, the 'Group') for the six month period ended 31 December 2019.

Genesis is registered under the Companies Act 1993. It is a mixed ownership model company, majority owned by the 'Crown', bound by the requirements of the Public Finance Act 1989. Genesis is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. Genesis is an FMC reporting entity under the Financial Markets Conduct Act 2013.

The core business of the Group and activities carried out by each segment is disclosed in note A2.

### Basis of preparation

The condensed consolidated interim financial statements:

- Comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* and International Accounting Standard 34 *Interim Financial Reporting*;
- Do not include all the information and disclosures required in the annual financial statements. Consequently, they should be read in conjunction with the annual financial statements and related notes included in Genesis Energy's Annual Report for the year ended 30 June 2019 ('2019 Annual Report');
- Are presented in New Zealand dollars rounded to the nearest 100,000.

### Critical accounting estimates and judgements

The basis of critical accounting estimates and judgements are the same as those disclosed in the 2019 Annual Report.

### Seasonality of operations

Fluctuations in seasonal weather patterns can have a significant impact on supply and demand and therefore the generation of electricity, which in turn can have a positive or negative impact on reported results.

### Accounting policies

During the period the Group adopted NZ IFRS 16 *Leases* ('NZ IFRS 16'). The accounting policies set out in the 2019 Annual Report have been applied consistently to all periods presented, with the exception of those impacted by NZ IFRS 16. There have been no other significant changes in accounting policies or methods of computation since 30 June 2019.

#### NZ IFRS 16 *Leases*

As noted in the 2019 Annual Report the adoption of NZ IFRS 16 has resulted in changes to how leases are recognised, measured and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets (lease assets) and lease liabilities for all lease arrangements that meet the definition of a lease, except for short-term leases where the lease term is 12 months or less and leases of low value assets. For these leases the Group recognises the lease payments as operating expenses on a straight-line basis over the term of the lease.

The lease liability on initial recognition comprises the present value of the lease payments that are not paid at the commencement date. This includes fixed payments less any lease incentives receivable and variable lease payments that are based on an index or rate. The lease payments are discounted using the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related lease asset) whenever the lease term changes, the lease payments change due to changes in an index or rate or a lease contract is modified and the lease modification is not accounted for as a separate lease.

The lease assets comprises the amount of the corresponding initial lease liability, lease payments made at or before the commencement date, initial direct costs and restoration costs. The lease asset is subsequently measured at cost less accumulated depreciation and impairment losses. The lease asset is depreciated over the lease term, on a straight-line basis. The lease term ranges from 4 to 38 years.

NZ IFRS 16 was adopted using the retrospective method and as a result the comparative information has been restated. Retained earnings as at 1 July 2018 was adjusted by \$5.7 million as a result of retrospectively adopting the standard. The Group elected not to reassess whether a contract contains a lease at the date of initial application, instead for contracts entered into before the transition date, the Group relied on the assessment made applying the previous standard, NZ IAS 17 *Leases* and IFRIC 4 *Determining whether an arrangement contains a lease*. The impact of adopting the standard is disclosed on the next page.

## NZ IFRS 16 Leases (continued)

Consolidated comprehensive income statement For the six months ended 31 Dec 2018	As originally presented \$ million	NZ IFRS 16 \$ million	Restated \$ million
EBITDAF	195.5	2.0	197.5
Depreciation, depletion and amortisation	(98.1)	(2.3)	(100.4)
(Impairment) / impairment reversal of non-current assets	(0.2)	2.8	2.6
Finance expense	(37.1)	(2.0)	(39.1)
Profit before income tax	68.5	0.5	69.0
Income tax expense	(19.5)	(0.1)	(19.6)
Net profit after tax	49.0	0.4	49.4

Earnings per share increased from 4.87 cents per share to 4.91 cents per share as a result of adopting NZ IFRS 16.

Consolidated cash flow statement For the six months ended 31 Dec 2018	As originally presented \$ million	NZ IFRS 16 \$ million	Restated \$ million
Operating cash flows	171.0	4.9	175.9
Financing cash flows	(145.6)	(4.9)	(150.5)

Consolidated balance sheet As at 30 Jun 2019	As originally presented \$ million	NZ IFRS 16 \$ million	Restated \$ million
Property, plant and equipment	3,392.8	56.2	3,449.0
Inventories	130.2	0.6	130.8
Borrowings	(1,289.8)	(65.2)	(1,355.0)
Provisions	(165.6)	0.4	(165.2)
Deferred tax	(656.0)	2.2	(653.8)
Retained earnings	(213.0)	5.8	(207.2)

Determining the number of renewal periods to include in the lease term can have a material impact on the value of the lease asset included in property, plant and equipment and the lease liability included in borrowings.

## A. Financial performance

### A1. Underlying EBITDAF and underlying earnings

Underlying EBITDAF and underlying earnings are performance measures used internally to provide insight into the operating performance of the Group by adjusting for items that are outside Management's control or items that relate to strategic rather than operational decisions. Items are excluded from underlying EBITDAF and underlying earnings when they meet the criteria outlined in the Group's non-GAAP financial information policy (refer to [www.genesisenergy.co.nz/investors/governance/documents](http://www.genesisenergy.co.nz/investors/governance/documents) for a copy of the policy). These measures are not defined in NZ IFRS and therefore are considered to be non-GAAP performance measures. They should not be viewed in isolation nor considered a substitute for measures reported in accordance with NZ IFRS. Underlying EBITDAF and underlying earnings are used by many companies, however, because these measures are not defined by NZ IFRS they may not be uniformly defined or calculated. Accordingly, these measures may not be comparable with similarly titled measures used by other companies.

	Note	6 months ended	
		31 Dec 2019 unaudited \$ million	Restated 31 Dec 2018 unaudited \$ million
<b>Reconciliation of reported net profit to underlying earnings</b>			
<b>Net profit for the period</b>		<b>9.2</b>	<b>49.4</b>
Change in fair value of financial instruments	D2	4.8	(8.1)
Impairment / (impairment reversal) of non-current assets		0.1	(2.6)
Unrealised loss on revaluation of carbon units held for trading		4.0	-
<b>Adjustments before tax expense</b>		<b>8.9</b>	<b>(10.7)</b>
Tax expense on adjustments		(2.5)	3.0
<b>Adjustments after tax expense</b>		<b>6.4</b>	<b>(7.7)</b>
<b>Underlying earnings</b>		<b>15.6</b>	<b>41.7</b>
		<b>Cents</b>	<b>Cents</b>
<b>Underlying EPS</b>		<b>1.53</b>	<b>4.14</b>

There were no differences between reported EBITDAF and underlying EBITDAF.

## A2. Segment reporting

The Group reports activities under four segments as follows:

Segment	Activity
Retail	Supply of energy (electricity, gas and LPG) and related services to end users.
Wholesale	Supply of electricity to the wholesale electricity market, supply of gas and LPG to wholesale customers and the Retail segment and the sale and purchase of derivatives to fix the price of electricity.
Kupe	Exploration, development and production of gas, oil and LPG. Supply of gas and LPG to the Wholesale segment and supply of light oil.
Corporate	Head-office functions, including new generation investigation and development, fuel management, human resources, finance, corporate relations, property management, legal and corporate governance.

The segments are based on the different products and services offered by the Group. All segments operate in New Zealand. No operating segments have been aggregated. The Group has no individual customers that account for 10.0 per cent or more of the Group's external revenue (31 December 2018: none). Included in the Retail segment result is \$18.7 million of costs (31 December 2018: \$18.0 million) relating to the Technology and Digital team who provide services to all of the segments.

### Reconciliation of expenses in the consolidated comprehensive income statement to the segment note

Expenses in the consolidated comprehensive income statement includes external costs, employee benefits and other operating expenses.

### Intersegment revenue

Sales between segments is based on transfer prices developed in the context of long-term contracts. The electricity transfer price per MWh charged between Wholesale and Retail was \$83.94 (31 December 2018: \$81.99).

### Restatement of comparative segment note

The structure of the segment note has been updated to reflect enhanced internal business reporting and as a result the comparative segment note has been restated to provide comparability with the current period. Key changes to the segment note include:

- Intersegment revenues and expenses of \$359.5 million are shown separately by segment (previously disclosed in total by product);
- Petroleum revenue of \$56.6 million previously reported has been split into LPG (\$41.3 million) and oil (\$15.3 million);
- Petroleum production, marketing and distribution expense of \$26.2 million previously reported has been split into LPG (\$13.8 million), oil (-\$0.8 million), other costs (\$5.7 million) and other operating expenses (\$7.5 million);
- Emissions revenue and expense was not reported separately previously. The \$7.1 million revenue and \$11.4 million expense (made up of \$4.3 million emissions associated with generation and \$7.1 million emissions associated with fuel sales) was previously reported with the product it related to (electricity (\$2.5 million revenue), gas (\$3.8 million revenue and \$4.5 million expense), fuels consumed in electricity generation (\$4.3 million expense), LPG (\$0.6 million revenue and \$2.4 million expense) and other (\$0.2 million revenue and \$0.2 million operating expenses));
- Other revenue of \$6.4 million has been allocated to products (\$6.7 million to electricity, -\$0.4 million to gas and \$0.1 million to LPG);
- Electricity purchase, transmission and distribution of \$756.4 million previously reported has been split into electricity purchases (\$477.5 million) and electricity network, transmission, levies and meters (\$278.9 million);
- Gas purchase, transmission and distribution of \$134.3 million previously reported has been split into gas purchases (\$97.7 million) and gas network, transmission, levies and meters (\$36.6 million);
- \$30.8 million of expenses previously reported in other operating expenses has been reclassified to electricity network, transmission, levies and meters (\$29.5 million), gas network, transmission, levies and meters (\$0.5 million) and other costs (\$0.8 million);
- All lines below EBITDAF remain unchanged.

In addition to changes in the structure of the segment note, the comparative numbers have been restated to reflect:

- The change in the reporting line for Technology and Digital from Corporate to Retail. Material lines impacted by the change are employee benefits, other operating expenses and depreciation, depletion and amortisation, which have decreased by \$3.7 million, \$11.6 million and \$2.4 million respectively for Corporate with a corresponding increase for Retail;
- Removal of corporate cost allocations, which has resulted in a \$3.9 million increase in employee benefits and a \$10.5 million increase in other operating expenses for Corporate, and a \$2.1 million decrease and \$6.3 million decrease respectively for Retail and \$1.8 million and \$4.2 million decrease respectively for Wholesale;
- Adoption of the new lease standard NZ IFRS 16, which has resulted in a \$0.5 million decrease in other operating expenses for Retail, a \$0.7 million increase for Wholesale and a \$2.2 million decrease for Corporate. An increase in depreciation, depletion and amortisation of \$0.4 million for Retail, \$0.3 million for Wholesale and \$1.6 million for Corporate. Impairment of non-current assets decreased by \$2.8 million for Wholesale and finance expense increased by \$0.2 million for Retail, \$0.7 million for Wholesale and \$1.1 million for Corporate.

## A2. Segment reporting (continued)

	Retail unaudited \$ million	Wholesale unaudited \$ million	Kupe unaudited \$ million	Corporate unaudited \$ million	Total unaudited \$ million
<b>Six months ended 31 December 2019</b>					
Electricity	673.7	412.9	-	-	1,086.6
Gas	84.4	58.0	-	-	142.4
LPG	41.9	0.6	4.2	-	46.7
Oil	-	-	11.8	-	11.8
Emissions on fuel sales and electricity contracts	0.1	9.3	0.5	-	9.9
Emission unit revenue from trading	-	34.9	-	-	34.9
Other revenue	1.1	0.2	0.3	0.3	1.9
<b>Total external revenue</b>	<b>801.2</b>	<b>515.9</b>	<b>16.8</b>	<b>0.3</b>	<b>1,334.2</b>
Electricity – intersegment	-	281.9	-	-	281.9
Gas – intersegment	-	34.5	39.9	-	74.4
LPG – intersegment	-	13.5	8.9	-	22.4
Emissions on fuel sales – intersegment	-	-	1.0	-	1.0
<b>Total segment revenue</b>	<b>801.2</b>	<b>845.8</b>	<b>66.6</b>	<b>0.3</b>	<b>1,713.9</b>
Electricity purchases	-	(393.5)	-	-	(393.5)
Electricity network, transmission, levies and meters	(300.2)	(9.5)	-	-	(309.7)
Fuel consumed in electricity generation	-	(110.8)	-	-	(110.8)
Gas purchases	(0.2)	(118.3)	-	-	(118.5)
Gas network, transmission, levies and meters	(36.2)	(0.1)	-	-	(36.3)
LPG purchases, inventory changes and transportation costs	(8.1)	(4.3)	(0.1)	-	(12.5)
Oil inventory changes, storage and transportation costs	-	-	0.5	-	0.5
Emissions associated with electricity generation	-	(10.2)	-	-	(10.2)
Emissions associated with fuel sales	-	(12.6)	(7.7)	-	(20.3)
Emission unit expenses from trading	-	(26.3)	-	-	(26.3)
Other costs	(0.1)	-	(6.0)	-	(6.1)
<b>Total external costs</b>	<b>(344.8)</b>	<b>(685.6)</b>	<b>(13.3)</b>	<b>-</b>	<b>(1,043.7)</b>
Electricity purchases – intersegment	(281.9)	-	-	-	(281.9)
Fuel consumed in electricity generation – intersegment	-	(39.9)	-	-	(39.9)
Gas purchases – intersegment	(34.5)	-	-	-	(34.5)
LPG purchases, inventory changes and transportation costs – intersegment	(13.5)	(8.9)	-	-	(22.4)
Emission costs – intersegment	-	(1.0)	-	-	(1.0)
<b>Total segment costs</b>	<b>(674.7)</b>	<b>(735.4)</b>	<b>(13.3)</b>	<b>-</b>	<b>(1,423.4)</b>
<b>Gross margin</b>	<b>126.5</b>	<b>110.4</b>	<b>53.3</b>	<b>0.3</b>	<b>290.5</b>
Employee benefits	(25.0)	(14.6)	-	(12.8)	(52.4)
Other operating expenses	(37.5)	(16.8)	(10.3)	(6.3)	(70.9)
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)</b>	<b>64.0</b>	<b>79.0</b>	<b>43.0</b>	<b>(18.8)</b>	<b>167.2</b>
Depreciation, depletion and amortisation	(13.0)	(67.3)	(25.8)	(3.8)	(109.9)
Impairment of non-current assets	-	(0.1)	-	-	(0.1)
Change in fair value of financial instruments	-	(4.9)	(0.4)	0.5	(4.8)
Share of associates	(0.2)	(0.2)	-	-	(0.4)
Other gains (losses)	(0.1)	(4.0)	-	1.0	(3.1)
<b>Profit (loss) before net finance expense and income tax</b>	<b>50.7</b>	<b>2.5</b>	<b>16.8</b>	<b>(21.1)</b>	<b>48.9</b>
Finance revenue	-	-	-	0.1	0.1
Finance expense	(0.1)	(1.7)	(1.5)	(32.9)	(36.2)
<b>Profit (loss) before income tax</b>	<b>50.6</b>	<b>0.8</b>	<b>15.3</b>	<b>(53.9)</b>	<b>12.8</b>
<b>Other segment information</b>					
Capital expenditure	8.9	26.0	11.7	1.0	47.6

## A2. Segment reporting (continued)

	Restated retail unaudited \$ million	Restated wholesale unaudited \$ million	Restated kupe unaudited \$ million	Restated corporate unaudited \$ million	Restated total unaudited \$ million
<b>Six months ended 31 December 2018</b>					
Electricity	655.0	485.1	-	-	1,140.1
Gas	82.6	45.6	-	-	128.2
LPG	34.2	1.7	4.9	-	40.8
Oil	-	-	15.3	-	15.3
Emissions on fuel sales and electricity contracts	-	6.7	0.4	-	7.1
Emission unit revenue from trading	-	25.1	-	-	25.1
Other revenue	0.4	3.2	0.5	0.3	4.4
<b>Total external revenue</b>	<b>772.2</b>	<b>567.4</b>	<b>21.1</b>	<b>0.3</b>	<b>1,361.0</b>
Electricity – intersegment	-	271.3	-	-	271.3
Gas – intersegment	-	30.3	42.9	-	73.2
LPG – intersegment	-	9.6	7.6	-	17.2
Emissions on fuel sales – intersegment	-	-	(2.2)	-	(2.2)
<b>Total segment revenue</b>	<b>772.2</b>	<b>878.6</b>	<b>69.4</b>	<b>0.3</b>	<b>1,720.5</b>
Electricity purchases	-	(477.5)	-	-	(477.5)
Electricity network, transmission, levies and meters	(298.9)	(9.5)	-	-	(308.4)
Fuel consumed in electricity generation	-	(72.4)	-	-	(72.4)
Gas purchases	(0.2)	(93.0)	-	-	(93.2)
Gas network, transmission, levies and meters	(37.0)	(0.1)	-	-	(37.1)
LPG purchases, inventory changes and transportation costs	(7.2)	(4.2)	-	-	(11.4)
Oil inventory changes, storage and transportation costs	-	-	0.8	-	0.8
Emissions associated with electricity generation	-	(4.3)	-	-	(4.3)
Emissions associated with fuel sales	-	(4.7)	(2.4)	-	(7.1)
Emission unit expenses from trading	-	(23.9)	-	-	(23.9)
Other costs	(0.2)	(0.6)	(5.7)	-	(6.5)
<b>Total external costs</b>	<b>(343.5)</b>	<b>(690.2)</b>	<b>(7.3)</b>	<b>-</b>	<b>(1,041.0)</b>
Electricity purchases – intersegment	(271.3)	-	-	-	(271.3)
Fuel consumed in electricity generation – intersegment	-	(42.9)	-	-	(42.9)
Gas purchases – intersegment	(30.3)	-	-	-	(30.3)
LPG purchases, inventory changes and transportation costs – intersegment	(9.6)	(7.6)	-	-	(17.2)
Emission costs – intersegment	-	2.2	-	-	2.2
<b>Total segment costs</b>	<b>(654.7)</b>	<b>(738.5)</b>	<b>(7.3)</b>	<b>-</b>	<b>(1,400.5)</b>
<b>Gross margin</b>	<b>117.5</b>	<b>140.1</b>	<b>62.1</b>	<b>0.3</b>	<b>320.0</b>
Employee benefits	(24.4)	(12.5)	(0.1)	(12.2)	(49.2)
Other operating expenses	(38.0)	(18.8)	(9.5)	(7.0)	(73.3)
<b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses (EBITDAF)</b>	<b>55.1</b>	<b>108.8</b>	<b>52.5</b>	<b>(18.9)</b>	<b>197.5</b>
Depreciation, depletion and amortisation	(11.0)	(53.7)	(32.2)	(3.5)	(100.4)
(Impairment) / impairment reversal of non-current assets	(0.1)	2.7	-	-	2.6
Change in fair value of financial instruments	-	6.0	1.5	0.6	8.1
<b>Profit (loss) before net finance expense and income tax</b>	<b>44.0</b>	<b>63.8</b>	<b>21.8</b>	<b>(21.8)</b>	<b>107.8</b>
Finance revenue	-	-	-	0.3	0.3
Finance expense	(0.4)	(1.8)	(1.8)	(35.1)	(39.1)
<b>Profit (loss) before income tax</b>	<b>43.6</b>	<b>62.0</b>	<b>20.0</b>	<b>(56.6)</b>	<b>69.0</b>
<b>Other segment information</b>					
Capital expenditure	13.3	20.1	2.8	0.7	36.9

<b>A3. Depreciation, depletion and amortisation</b>	<b>6 months ended</b>	
	<b>31 Dec 2019</b> unaudited \$ million	Restated 31 Dec 2018 unaudited \$ million
Property, plant and equipment	72.8	58.8
Oil and gas assets	23.9	29.8
Intangibles (excluding amortisation of deferred customer acquisition costs)	13.2	11.8
	<b>109.9</b>	<b>100.4</b>

## B. Operating assets

<b>B1. Property, plant and equipment</b>	<b>6 months ended</b>	
	<b>31 Dec 2019</b> unaudited \$ million	Restated year ended 30 Jun 2019 audited \$ million
<b>Opening balance</b>	<b>3,449.0</b>	<b>3,110.5</b>
Additions	27.6	65.2
Revaluation of generation assets		
Increase taken to revaluation reserve	-	394.6
Increase taken to the income statement	-	4.6
Change in rehabilitation and contractual arrangement assets	-	2.7
Transfer to intangible assets	-	(11.3)
Disposals	(1.2)	(0.3)
Impairment	(0.1)	1.4
Depreciation expense recognised in inventories	(0.3)	(1.7)
Depreciation expense	(72.8)	(116.7)
<b>Closing balance</b>	<b>3,402.2</b>	<b>3,449.0</b>

Property, plant and equipment includes \$53.5 million of leased assets (30 June 2019: \$57.3 million, of which \$56.2 million was recognised on transition to NZ IFRS 16 (refer to the 'General information and significant matters' section) and \$1.1 million was previously recognised in property, plant and equipment).

<b>B2. Oil and gas assets</b>	<b>6 months ended</b>	
	<b>31 Dec 2019</b> unaudited \$ million	Year ended 30 Jun 2019 audited \$ million
<b>Opening balance</b>	<b>324.1</b>	<b>378.4</b>
Additions	11.7	9.0
Change in rehabilitation asset	-	(4.8)
Depreciation and depletion expense	(23.9)	(58.5)
<b>Closing balance</b>	<b>311.9</b>	<b>324.1</b>

Since 30 June 2019 the only change to the estimated remaining reserves disclosed in the 2019 Annual Report was in relation to actual production for the six months ended 31 December 2019 of 15.0 PJe. The estimated remaining reserves balance as at 31 December 2019 was 173.1 PJe for proved reserves (1P) and 304.0 PJe for proved and probable reserves (2P) (30 June 2019: 188.1 PJe and 319.0 PJe respectively).

## C. Funding

C1. Borrowings	31 Dec 2019	Restated
	unaudited \$ million	30 Jun 2019 audited \$ million
Revolving credit and money market	159.1	154.5
Fixed-term loan facility	30.0	30.0
Wholesale term notes	242.5	292.8
Retail term notes	100.8	100.7
Capital bonds	474.3	474.5
United States Private Placement ('USPP')	236.8	237.3
Lease liability	63.2	65.2
<b>Total</b>	<b>1,306.7</b>	<b>1,355.0</b>
Current	120.7	181.6
Non-current	1,186.0	1,173.4
<b>Total</b>	<b>1,306.7</b>	<b>1,355.0</b>

The current portion of borrowings has reduced by \$60.9 million mainly due to the repayment of \$50.0 million wholesale term notes.

### Revolving credit

As at 31 December 2019 the Group had drawn down \$125.0 million (30 June 2019: \$110.0 million) from the revolving credit facility and had available undrawn funding of \$300.0 million (30 June 2019: \$240.0 million). The Group also had drawn down \$34.0 million of uncommitted money market lines (30 June 2019: \$44.4 million).

Fair value of borrowings held at amortised cost	31 Dec 2019 Carrying value unaudited \$ million	31 Dec 2019 Fair value unaudited \$ million	30 Jun 2019 Carrying value audited \$ million	30 Jun 2019 Fair value audited \$ million
<b>Level one</b>				
Retail term notes	100.8	105.5	100.7	105.7
Capital bonds	474.3	495.3	474.5	498.6
<b>Level two</b>				
Fixed-term loan facility	30.0	32.0	30.0	32.1
Wholesale term notes	242.5	262.2	292.8	316.0
USPP	236.8	242.1	237.3	241.6

The carrying value of all other borrowings approximates their fair values.

The valuation of the fixed-term loan facility and the wholesale term notes is based on estimated discounted cash flow analyses, using applicable market yield curves adjusted for the Group's credit rating. The credit-adjusted market yield curves used in the valuation at the reporting date ranged from 1.9 per cent to 2.9 per cent (30 June 2019: 1.9 per cent to 3.0 per cent).

The valuation of USPP is based on estimated discounted cash flow analyses, using applicable United States market yield curves adjusted for the Group's credit rating. The credit-adjusted market yield used in the valuation at the reporting date was 2.4 per cent (30 June 2019: 2.6 per cent).

C2. Finance expense	31 Dec 2019	Restated
	unaudited \$ million	31 Dec 2018 unaudited \$ million
Interest on borrowings (excluding capital bonds and lease liability)	19.5	21.5
Interest on capital bonds	12.8	12.8
Interest on lease liability	1.9	2.1
Total interest on borrowings	34.2	36.4
Other interest and finance charges	0.1	0.2
Time value of money adjustments on provisions	2.5	2.8
	36.8	39.4
Capitalised finance expenses	(0.6)	(0.3)
	36.2	39.1



C3. Dividends	6 months ended 31 Dec 2019			6 months ended 31 Dec 2018		
	Imputation unaudited	Cents per share unaudited	\$ million unaudited	Imputation unaudited	Cents per share unaudited	\$ million unaudited
<b>Dividends declared and paid during the period</b>						
Prior period final dividend	80%	8.60	88.1	80%	8.60	86.7
Less dividend reinvestment plan ('DRP')			(18.9)			(18.6)
<b>Cash dividend paid</b>			<b>69.2</b>			<b>68.1</b>
<b>Dividends declared subsequent to reporting date</b>						
Current period interim dividend	80%	8.525	87.8	80%	8.45	85.8

## D. Risk management

D1. Derivatives	31 Dec 2019 unaudited \$ million	30 Jun 2019 audited \$ million
Electricity swaps and options	(19.3)	(26.3)
Oil swaps	(2.2)	(1.7)
Interest rate swaps	(26.2)	(29.4)
Cross-currency interest rate swaps ('CCIRS')	38.0	37.9
Foreign exchange contracts	(1.5)	(0.3)
Other derivatives	0.1	(0.4)
<b>Total</b>	<b>(11.1)</b>	<b>(20.2)</b>
Current assets	26.4	39.9
Non-current assets	68.2	68.0
Current liabilities	(63.3)	(70.7)
Non-current liabilities	(42.4)	(57.4)
<b>Total</b>	<b>(11.1)</b>	<b>(20.2)</b>

The process and method of valuing derivatives is outlined in note D3.

D2. Change in fair value of financial instruments	6 months ended	
	31 Dec 2019 unaudited \$ million	31 Dec 2018 unaudited \$ million
CCIRS	0.1	4.8
Interest rate swaps	(0.8)	3.9
Fair value interest rate risk adjustment on borrowings	0.9	(8.8)
<b>Fair value hedges – gain (loss)</b>	<b>0.2</b>	<b>(0.1)</b>
<b>Cash flow hedges – hedge ineffectiveness – gain (loss)</b>	<b>2.8</b>	<b>2.5</b>
Electricity swaps and options	(8.6)	6.0
Other derivatives	0.8	(0.3)
<b>Derivatives not designated as hedges – gain (loss)</b>	<b>(7.8)</b>	<b>5.7</b>
<b>Total change in fair value of financial instruments</b>	<b>(4.8)</b>	<b>8.1</b>

### D3. Fair value measurement

#### Fair value hierarchy

The Group's assets and liabilities measured at fair value are categorised into one of three levels. The levels are outlined in the 2019 Annual Report.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the date the change in circumstances occurred. There were no transfers between levels one, two and three during the period (31 December 2018: nil).

#### Level two and three items carried at fair value

All derivatives disclosed in D1 other than electricity swaps and options are considered level two. The \$19.3 million electricity swap and option net liability comprises a \$1.6 million asset classified as level two and a \$20.9 million liability classified as level three (30 June 2019: \$1.3 million liability and \$25.0 million liability respectively). Emission units held for trading, recorded in inventory, are level two instruments. The carrying value of the units as at 31 December 2019 was \$25.6 million (30 June 2019: \$24.4 million). Generation assets, recorded in property, plant and equipment, are considered to be level three. The carrying value of generation assets as at 31 December 2019 was \$3,206.7 million (30 June 2019: \$3,259.0 million).

#### Valuation of level two items carried at fair value

The fair values of level two derivatives and emission units held for trading are determined using discounted cash flow models. The key inputs in the valuation models are the same as those disclosed in the 2019 Annual Report.

#### Valuation of level three items carried at fair value

##### Valuation method and process

The method and process used to value level three generation assets and derivatives is consistent with that disclosed in the 2019 Annual Report.

##### Valuation of electricity swaps and options

The valuation is based on a discounted cash flow model. The key inputs and assumptions are: the callable volumes, strike price and option fees outlined in the agreement, the wholesale electricity price path ('price path'), 'day one' gains and losses, emission credits and the discount rate. The options are deemed to be called when the price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. No calling is required for the swaps and there are no option fees. The price path is the significant unobservable input in the valuation model. Refer to the 2019 Annual Report for information in relation to the method used to determine the price path. Changes in electricity demand, hydrology and new generation build affect the price path.

	31 Dec 2019 unaudited	30 Jun 2019 audited
Price path	\$93 per MWh to \$134 per MWh over the period from 1 January 2020 to 31 December 2025.	\$92 per MWh to \$114 per MWh over the period from 1 July 2019 to 31 December 2025.
Impact of increase/decrease in price path on fair value	A 10% increase would decrease the liability by \$8.9 million. A 10% decrease would increase the liability by \$9.2 million.	A 10% increase would decrease the liability by \$34.9 million. A 10% decrease would increase the liability by \$31.4 million.

Other unobservable inputs	31 Dec 2019 unaudited	30 Jun 2019 audited
Emission credits (price per unit)	\$25 - \$54	\$27 - \$48
Discount rate	1.2% - 2.9%	1.3% - 3.6%

	6 months ended 31 Dec 2019 unaudited \$ million	Year ended 30 Jun 2019 audited \$ million
<b>Reconciliation of level three electricity swaps and options</b>		
Opening balance	(25.0)	10.7
Electricity revenue	12.2	12.8
Change in fair value of financial instruments	(8.4)	(14.1)
<b>Total gain (loss) in the income statement</b>	<b>3.8</b>	<b>(1.3)</b>
Total loss recognised in other comprehensive income	(0.2)	(60.4)
Settlements	13.0	49.1
Sales	(12.5)	(23.1)
<b>Closing balance</b>	<b>(20.9)</b>	<b>(25.0)</b>

The change in fair value of financial instruments includes an unrealised loss of \$9.4 million (30 June 2019: \$6.6 million loss).

### D3. Fair value measurement (continued)

#### Deferred 'day one' gains (losses)

There is a presumption that when derivative contracts are entered into on an arm's-length basis, and no payment is received or paid on day one, the fair value at inception would be nil. The contract price of non-exchange traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price for a variety of reasons. In these circumstances an adjustment is made to bring the initial fair value of the contract to zero at inception. The adjustment is called a 'day one' gain (loss) and is deferred and amortised, based on expected call volumes over the term of the contract. The following table details the movements and amounts of deferred 'day one' gains (losses) included in the fair value of level three electricity swaps and options:

	6 months ended 31 Dec 2019 unaudited \$ million	Year ended 30 Jun 2019 audited \$ million
Opening balance	134.5	69.4
New derivatives	-	78.6
Amortisation of existing derivatives	(5.4)	(13.5)
Closing balance	129.1	134.5

## E. Other

### E1. Related party transactions

The majority shareholder of Genesis is the Crown. The Group transacts with Crown-controlled and related entities independently and on an arm's-length basis for the following goods and services: royalties, emission obligations, scientific consultancy services, electricity transmission, postal services, rail services and energy-related products (including electricity derivatives). All transactions with Crown-controlled and related entities are based on commercial terms and conditions and relevant market drivers.

During the period the Crown received \$45.1 million dividends (31 December 2018: \$44.4 million) of which \$35.4 million was paid in cash (31 December 2018: \$34.9 million) and \$9.7 million was paid in shares (31 December 2018: \$9.5 million). There were no other individually significant transactions with the Crown during the period (31 December 2018: nil).

The Group has five significant electricity swap and option contracts with Meridian Energy, a Crown-controlled entity. The period and profile of the contracts vary between 12.5MW and 150MW, from 1 January 2011 to 31 December 2025. In addition to these contracts there are a small number of insignificant contracts with Crown-controlled and related entities.

Approximately 17.0 per cent of the value of electricity derivative assets and approximately 66.6 per cent of the value of electricity derivative liabilities held at the reporting date were held with Crown-controlled and related entities (30 June 2019: 36.4 per cent and 54.1 per cent respectively). The contracts expire at various times; the latest expiry date is December 2025.

### E2. Commitments

As at 31 December 2019 the Group had \$58.0 million of capital commitments (30 June 2019: \$42.0 million). In addition to this on 23 October 2019 the Group committed to a 12-year property lease, which will be available for use in October 2020. If the lease had commenced on the date the contract was signed, the Group would have recognised an additional \$23.9 million lease asset and \$31.3 million lease liability. These amounts are indicative values only given the incremental borrowing rate will not be known until the commencement of the lease in October 2020.

### E3. Contingent assets and liabilities

No new contingent assets or liabilities have arisen since 30 June 2019 and there has been no change in the contingent liabilities disclosed in the 2019 Annual Report, other than a further six months of gas being purchased under the gas supply agreement disclosed in note G5 of the 2019 Annual Report. At this stage in the process Genesis is confident of a favourable outcome, however, should there be an adverse outcome from the proceedings potentially up to 961,000 units may need to be transferred.

### E4. Subsequent events

There have been no significant events subsequent to balance date other than the declaration of a dividend on 20 February 2020. Refer to note C3 for details.

## Pūrongo Arotake Motuhake

### Independent review report to the shareholders of Genesis Energy Limited

We have reviewed the condensed consolidated interim financial statements ('the financial statements') of Genesis Energy Limited ('the Company') and its subsidiaries ('the Group') which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 5 to 18.

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

#### Board of Directors' Responsibilities

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

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

#### Our Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) and section 14 of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited, to carry out the annual audit of the Group on his behalf.

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

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

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

We did not evaluate the security and controls over the electronic publication of the financial statements.

In addition to this review and the audit of the Group's annual financial statements, we have carried out assignments in the areas of trustee reporting, scrutineer's notice, secretarial services for the corporate tax payer group, and a whistle blower hotline service which are compatible with those independence requirements. These services have not impaired our independence as auditor of the Group.

In addition to these assignments, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. Other than these assignments and trading activities, we have no relationship with, or interests in the Group.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.



20 February 2020

**Bryce Henderson**  
for Deloitte Limited

On behalf of the Auditor-General  
Auckland, New Zealand



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