



Meridian.

2021 Annual Results Presentation

25 AUGUST 2021

Highlights

construction of \$395M
Harapaki farm
commenced

14% New Zealand
sales growth

15% Australian sales
growth

171 GWh¹ in MoU's or
contracted for South
Island process heat

stable ordinary
dividend

7% Australasian
customer growth

severe 2021 drought
managed

carbon neutral, 27%
total emissions
reduction

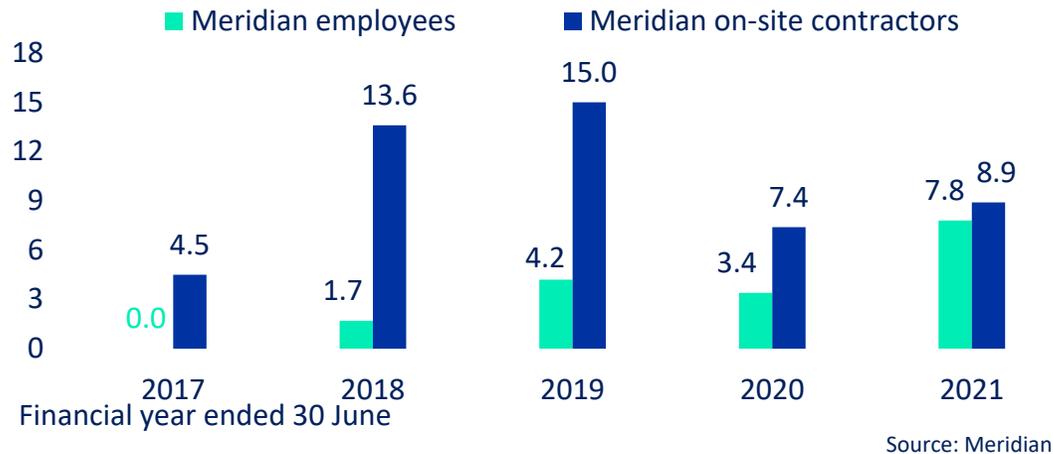
increasing gender pay
equity and women in
business

¹157 GWh in Memorandums of Understanding, 14 GWh contracted (annual volumes)

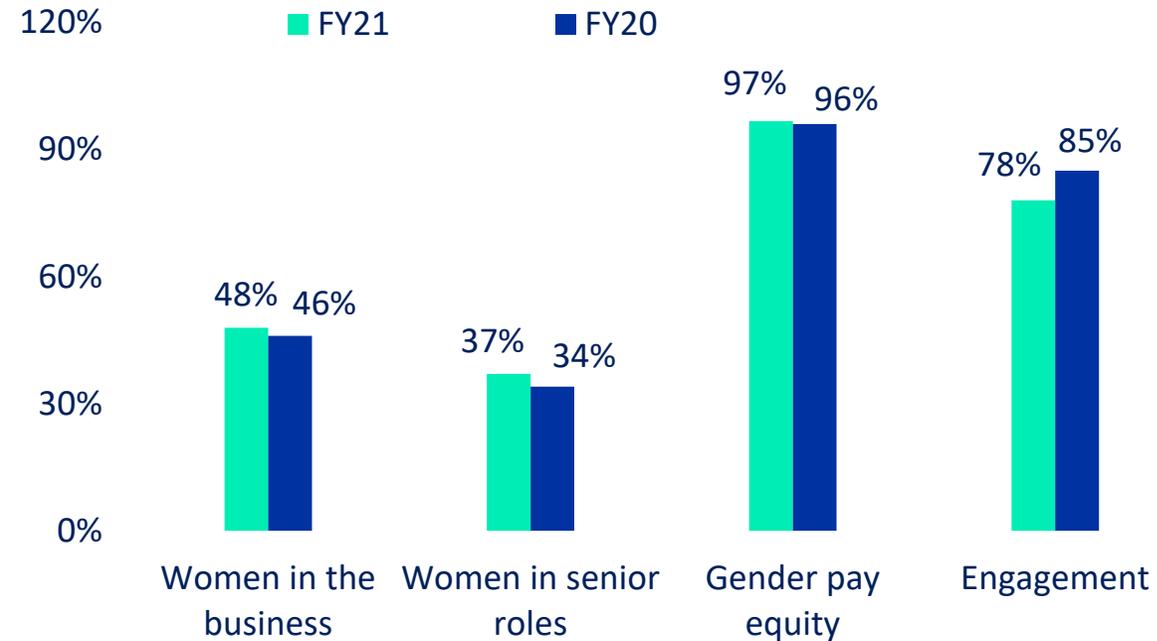
Our people

- 18 LTI injuries in FY21, an increase in injury numbers compared to FY20
- Staff engagement normalising to pre-COVID levels
- Increase to 97% gender pay equity

Lost time injury frequency rate



Workforce measures



Source: Meridian

Our strategy

Strategic initiatives	<p>Champion</p> <p>Competitive markets Sustainability Climate action</p>	<p>Optimise</p> <p>Trading & asset management Re-consenting Financing</p>	<p>Grow</p> <p>Retail Generation Flux</p>	
5-year targets	Grow a clear sustainability leadership position		NZ's highest customer satisfaction	
	Use our 5,000 GWh renewable opportunity to fast-track NZ's decarbonisation	NZ's largest and fastest growing retailer	3 buildable options by 2024	
	A resilient wellbeing and safety culture			Triple Aus FY20 customer numbers
	5 th in Colmar Brunton Better Futures Report		Powershop market leading customer satisfaction, Meridian a leading gentailer	
Current position	1,500 GWh new demand opportunities identified	NZ largest fixed price retailer	1.9GW of sites/opportunities	
	92% positive staff wellbeing and safety sentiment, deteriorating injury frequency rates			7% growth in Aus customer numbers
				500,000 ICP's on Flux

MEA under ownership review

Sustainability at Meridian

Our Material Topics

Environmental

- Action on climate change
- Pipeline of generation options
- Impact on water
- Impact on biodiversity

Social

- Electricity pricing
- Support for vulnerable customers
- Distributed energy resources

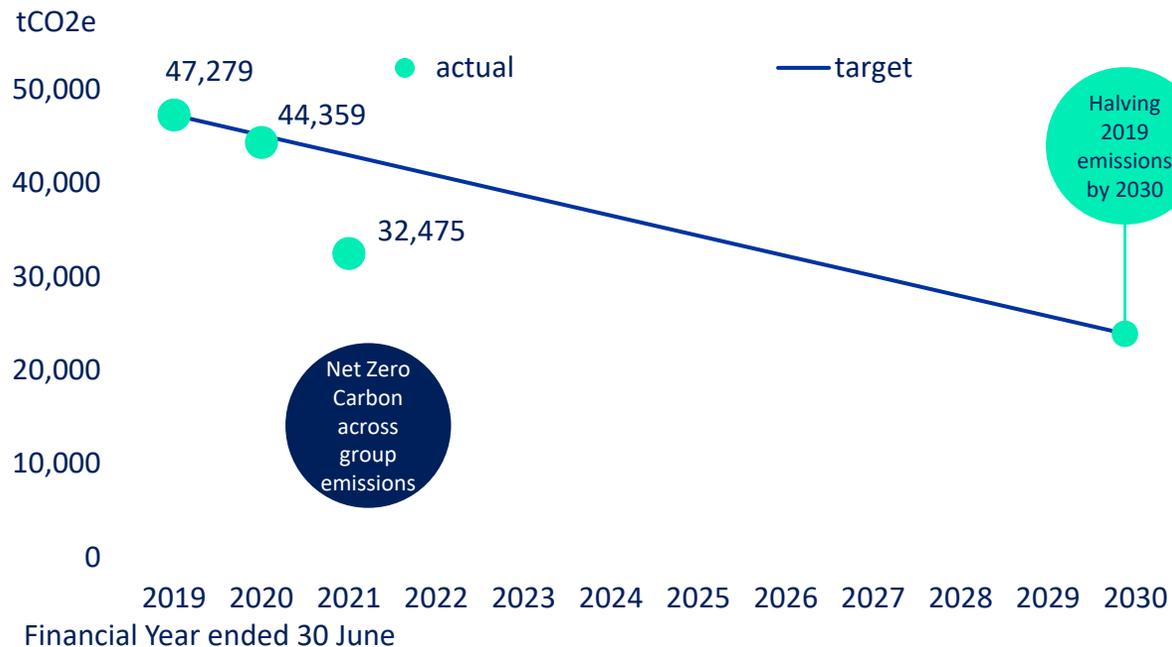
Governance

- Sustainability leadership
- Good governance, ethical behaviour and reporting
- Contribution to public policy
- Financial impacts of climate change
- Cyber security

In FY21

- Climate Change Commission report released sets policy direction for electrification
- Launched Process Heat Electrification Programme 157 GWh in MOU's, 14 GWh contracted
- Harapaki wind farm construction commenced clean energy for 70,000 homes
- Launched AC charging network 20 of 250 chargers installed
- 60,000 stems planted under Forever Forest programme 1.5 million trees in 5 years for carbon offset
- Launched Future of Work initiative help future proof our workforce
- Issued our first Modern Slavery Statement our commitment to our workforce and our supply chain
- Issued our second TCFD Report our climate risks and opportunities

2030 emissions target



Source: Meridian

Our three priority risks



Social focus

Local communities

- Long term relationships, community relationship managers
- \$9M of local project support over 14 years

Iwi

- Recognise the mana whenua of Ngāi Tahu
- Close association with local rūnaka
- Focus on strengthening our iwi partnerships

KidsCan

- \$1M annual contribution towards supporting under-privileged children

Kākāpō Recovery Programme

- Cornerstone partnership with the Department of Conservation



In 2021 Meridian issued its first
Modern Slavery Statement

New Zealand demand

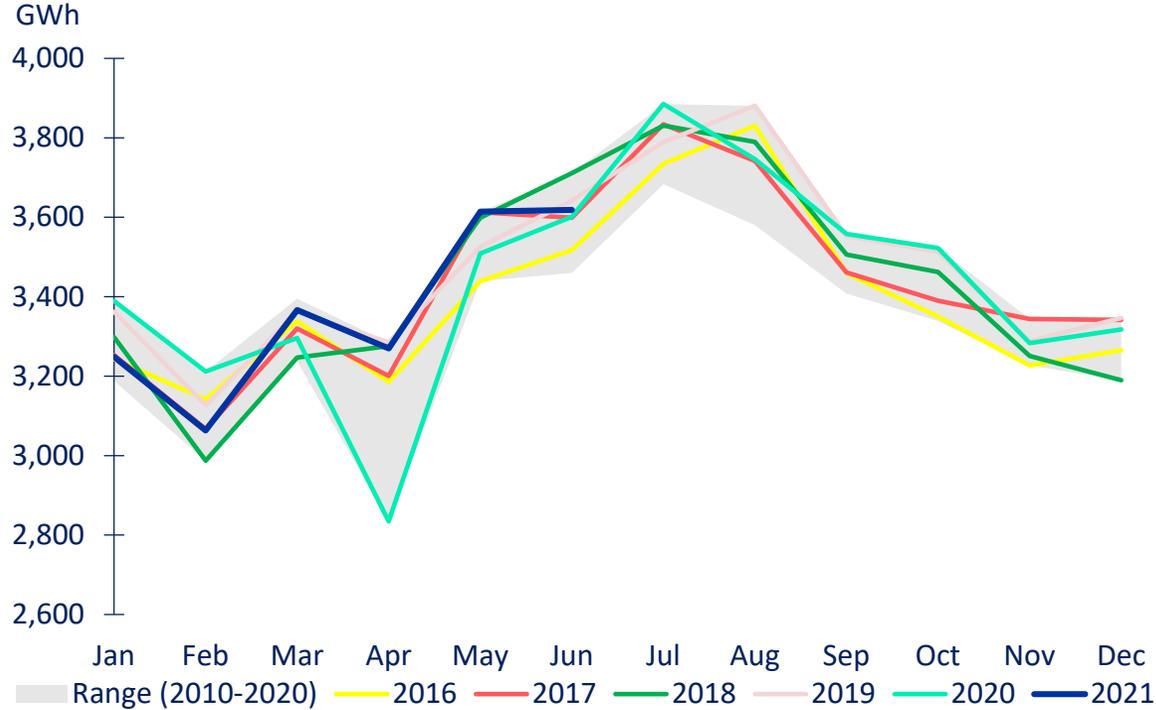
- Underlying demand growth of 0.7% in FY21
- Demand recovery from COVID-19 lockdowns evident in Q4 FY21 demand swing
- Normalising for 4th Tiwai potline (operational from May 2018 to April 2020) sees FY21 demand growth of 1.5% over last two years

National demand



Source: Ministry of Business, Innovation and Employment

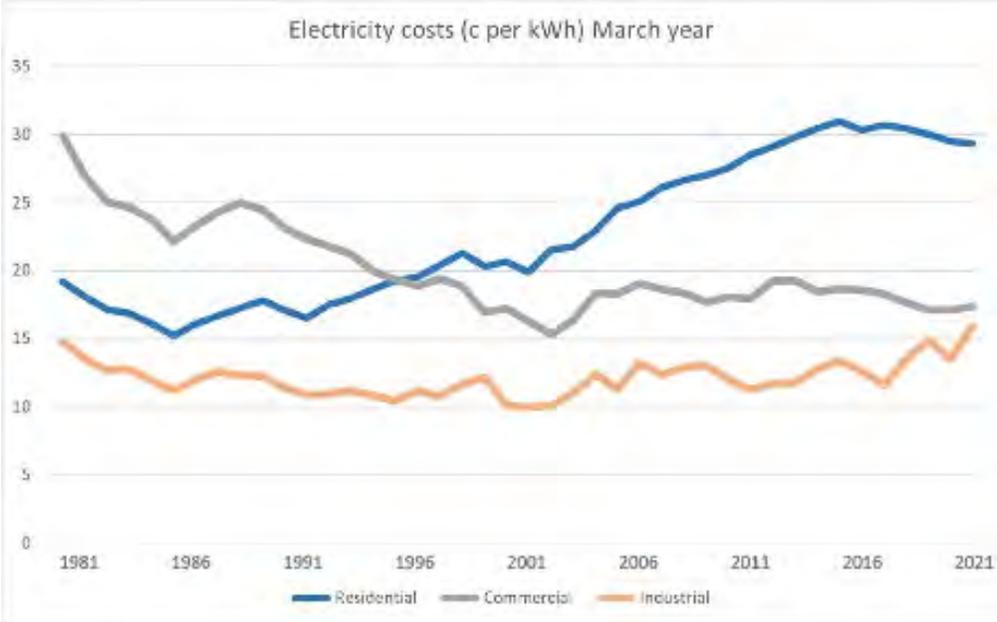
National demand



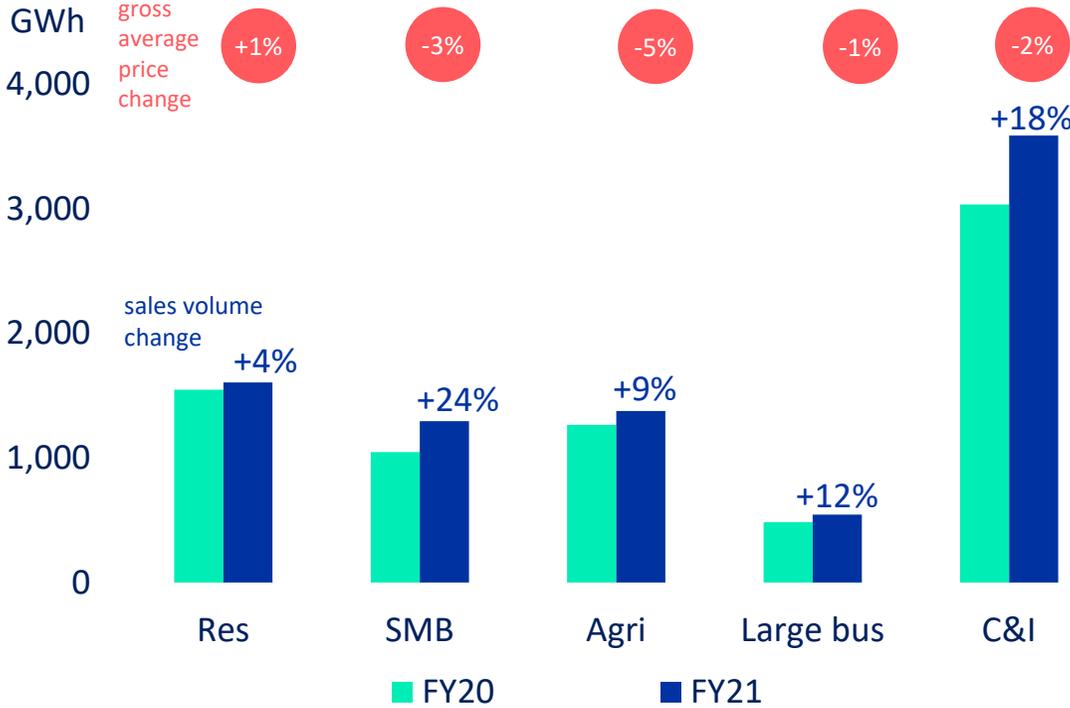
Source: Electricity Authority

New Zealand customers

- Sustained sales volume growth across all segments (14% in total)
- Through disciplined execution of multi-brand strategy
- Core platform transformation near completion, focus on remaining C&I solutions
- EV charging network launched: installing 250 AC chargers by end of 2023
- Process heat electrification programme growing: 171GWh committed



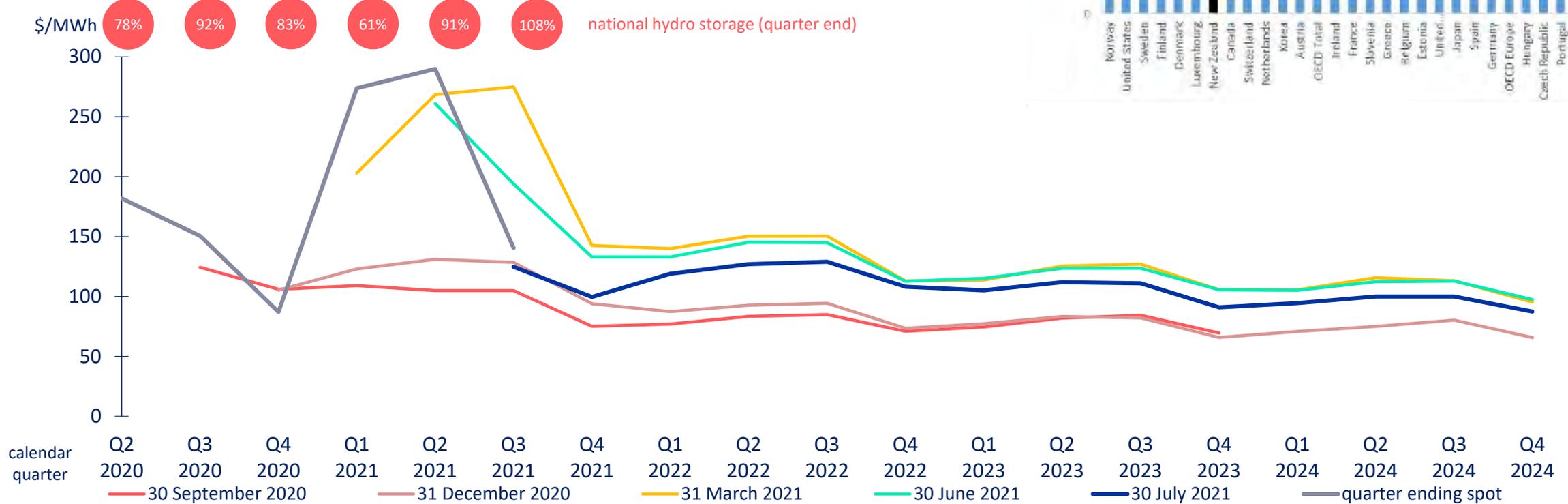
New Zealand retail sales volumes



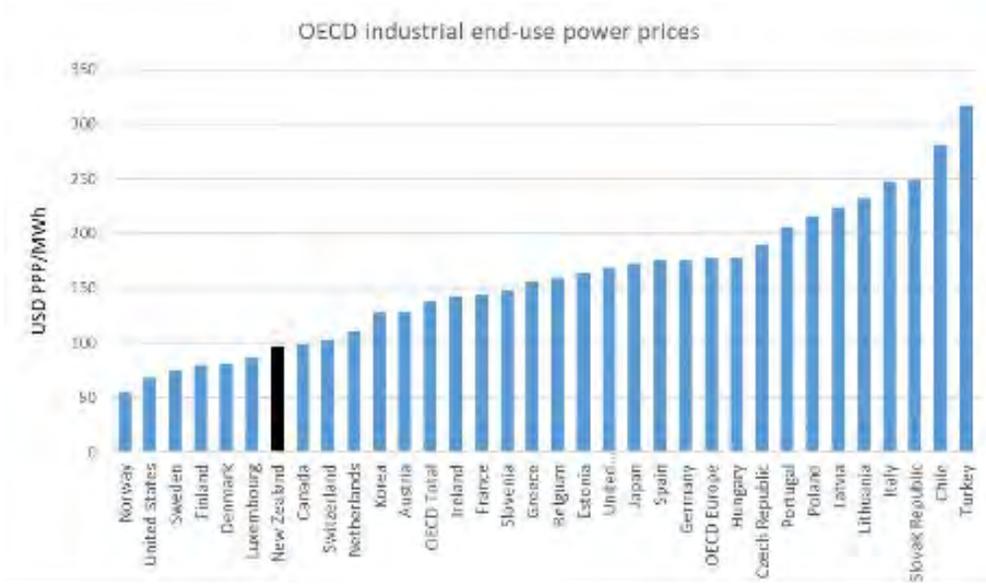
New Zealand wholesale prices

- High June and July 2021 inflows have lifted national storage to 108% by early August 2021
- Forward curves have responded to this reduced hydro fuel scarcity and recent announcements of contract rearrangements to help alleviate gas scarcity

Benmore ASX futures settlement price



Source: Meridian, ASX, Electricity Authority

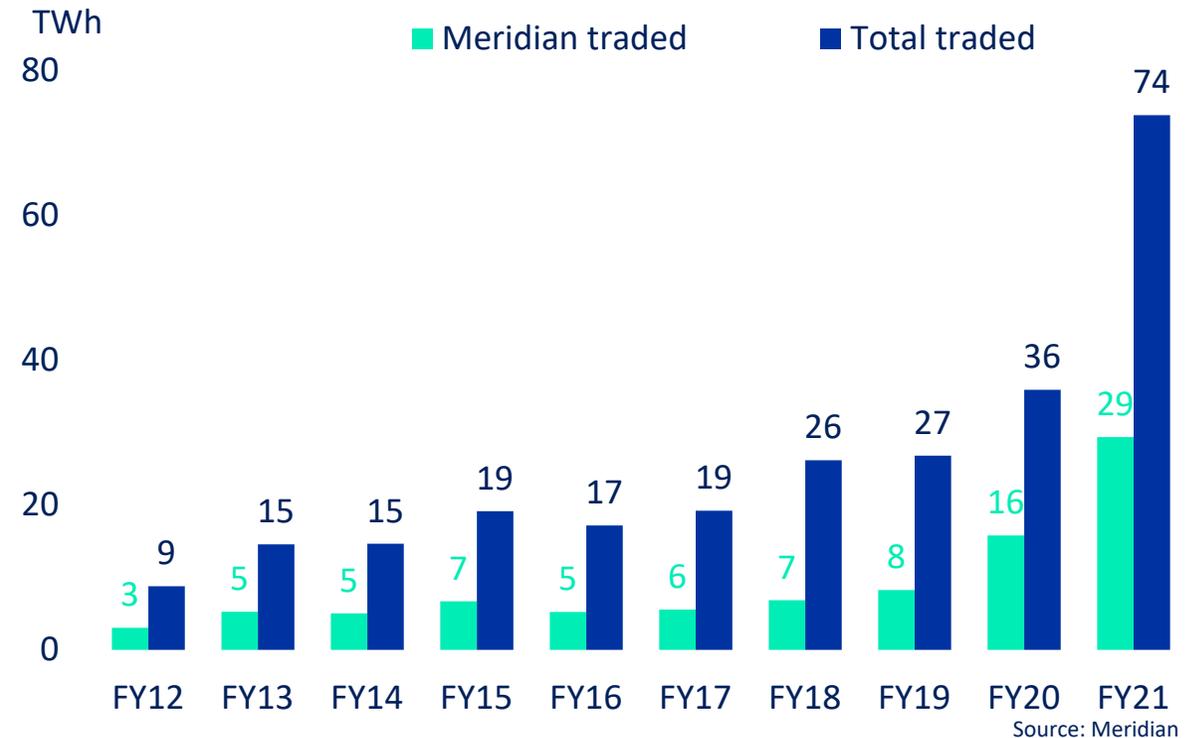


Source: ERANZ

Wholesale market liquidity

- ASX total trading volumes has increased 275% in the last 3 years
- Total traded volumes is approaching 2 times the level of system demand
- Meridian is involved in 40% of total traded volume
- Meridian trades a volume equivalent to 70% of the level of system demand

ASX trading trading volumes



New Zealand policy and regulation

Current Electricity Authority focus

- Continuing to implement Electricity Price Review related recommendations
- Undertaking a review of wholesale market competition in the wholesale market for the period 2018 to early 2021
- Implemented new trading conduct provisions, in effect on 30 June 2021
- Final decision on actions to correct 2019 Undesirable Trading Situation (UTS)
- Concluded an investigation finding Meridian and Contact did comply with the high standard of trading conduct obligations during the 2019 UTS period
- Commenced an advisory group project investigating price discovery in the wholesale electricity market under a 100% renewable electricity supply



9 August 2021 power outage reviews

- EA review, initially examining Transpower's communication and demand processes and then a second, broader review of all roles in the sector, including generators
- The EA will consider a claim lodged by Electric Kiwi and Haast Energy Trading that Genesis and Contact breached the new trading conduct provisions of the Code
- The EA will consider a pricing error claim lodged by Electric Kiwi and Haast Energy Trading
- The EA will separately consider whether the events of 9 August 2021 constituted an undesirable trading situation
- A wide-ranging review by MBIE on instruction from the Minister of Energy

New Zealand policy and regulation

Climate Change Commission Final Advice

- Released in June 2021, final advice on 2022-35 emissions budgets
- Proposes deeper emissions cuts in first two budget periods than earlier draft advice
- Recommends major expansion in the electricity system needs to start immediately
- Considers replacing 100% renewable electricity target with achieving 95%-98% by 2030, with gas to provide flexibility until at least 2035
- Government has until end of 2021 to set the first three emissions budgets out to 2035 and release the country's first emissions reduction plan with detailed policies
- Following the draft final advice, Government has introduced a Clean Car Discount effective 1 July 2021
- And have raised the cost containment reserve price in the ETS from \$50 to \$70 and the price floor from \$20 to \$30 (both from 2022 onwards with 10%/5% plus inflation annual increases thereafter)
- And started consultation on reforms to the industrial allocation in the Emissions Trading Scheme (ETS)



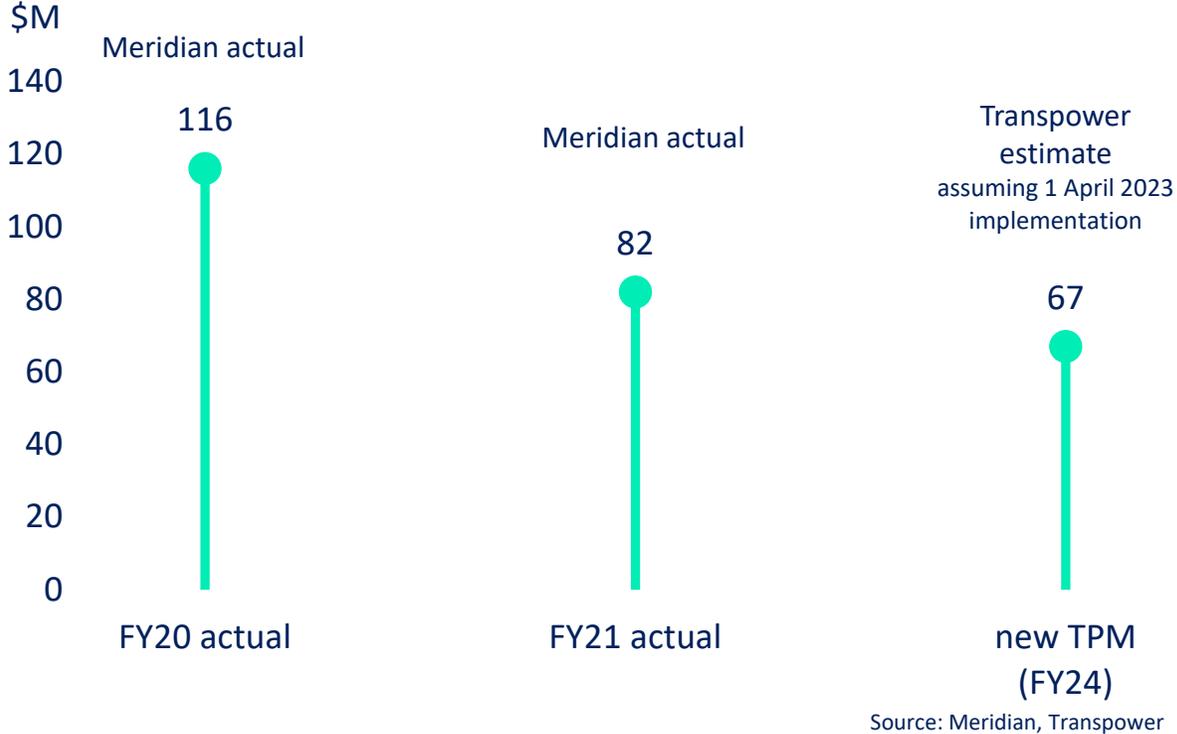
	Budget 1	Budget 2	Budget 3	
Transport	Lower-emissions vehicles	Accelerate uptake of electric and zero-emissions cars, buses and trucks Improve efficiency of vehicles and freight movement	Phase out imports of internal combustion engine light vehicles	
	Reducing vehicle trips	Encourage switching to walking, cycling and public transport Reduce demand for travel, for example through smart urban development and increased working from home Increase use of rail and coastal shipping for freight		
	Aviation and shipping	Improve efficiency	Start electrifying ferries and coastal shipping	Start electrifying short-haul flights
	Low carbon liquid fuels	Increase use of biofuels		
Energy, industry and buildings	Buildings	No new fossil gas heating systems installed after 2025 Improve thermal efficiency		Start phasing out existing fossil gas use in buildings
	Electricity	Phase out fossil base-load generation	Transmission and distribution grid upgrades Expand renewable generation	Achieve ~95% renewable generation
	Industrial process heat	Replace coal with biomass and electricity		Replace fossil gas with biomass and electricity
Land	Agriculture	Adopt low-emissions practices on-farm	Adopt low-emissions breeding for sheep	Encourage new low biogenic methane technologies to be adopted when available
	Native forests	Ramp up establishing new native forests		Establish 25,000 ha per year
	Exotic forests	Average 25,000 ha per year of new exotic forests		Ramp down planting new exotic forests for carbon storage
Waste and F-gases	Waste	Divert organic waste from landfill Improve and extend landfill gas capture		
	F-gases	Increase end-of-life recovery of F-gases		

New Zealand policy and regulation

Transmission Pricing Methodology (TPM)

- EA published final TPM guidelines in June 2020
- Replaces current HVDC and RCPD charges with benefit-based and residual charges
- Transpower released its proposed new TPM in August 2021
- EA will consult on the full proposed TPM later in 2021
- With the aim for a new TPM to take effect for prices from 1 April 2023
- Trustpower’s judicial review scheduled to be heard in the high Court in October 2021

Meridian's NZ transmission costs



NZAS exit



Revised NZAS contract

400MW

no termination right (except terminal force majeure)

172MW

NZAS termination right with 6 months notice (terminal FM also applies)

Existing 4th potline contract

50MW

2 month termination right

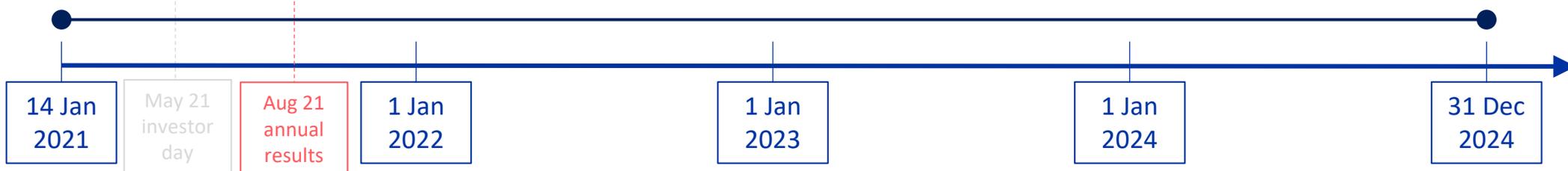
- 15 Aug 21 - 9 Sep 21 conditional recommencement possible
- 9 Sep 21 – 31 Oct 21 unconditional recommencement possible
- 31 Oct 21 current suspension period ends
- 1 Nov 21 – 31 Dec 22 extended suspension/recommencement
- 31 Dec 22 contract ends



Source: Meridian, HARBOR Aluminium

NZAS exit response

NZAS contract

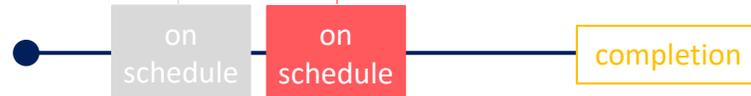


Meridian portfolio response

Current swaption



CUWLP



NI battery



Process heat



Data centre

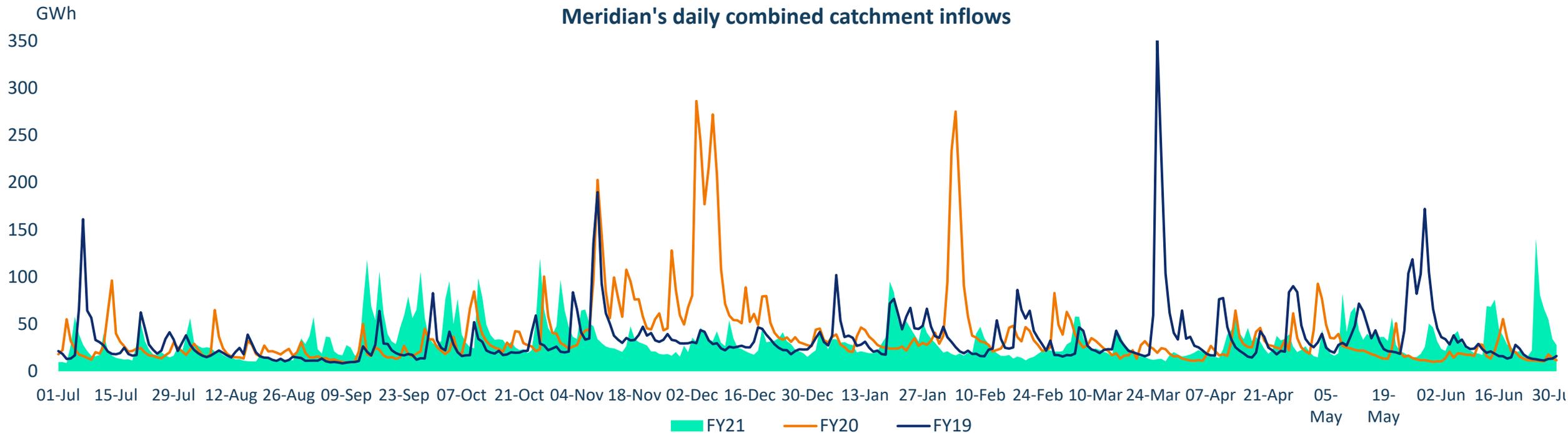


Green hydrogen



2021 drought

- FY21 lacked any significant inflow events until near the end of the year
- November 2020 to April 2021 inflows were the 3rd lowest November to April inflows on record
- With 43% less inflows in that period than in the same period of the previous financial year
- FY21 hydro generation 12% lower than last year
- High June and July inflows have lifted storage levels



Source: Meridian

Australian ownership review

- Ownership review announced in May 2021
- Information Memorandum released to interested parties in August 2021
- The review process is expected to take several more months



Meridian Energy Australia

- Owns and operates 300MW of wind (201 MW) and hydro (99 MW) assets
- Has contracted another 127 MW of wind energy through PPA's
- Developing 108 MW Rangoon Wind Farm and 20 MW Hume Battery Storage System
- With 185,000 Powershop retail electricity and gas connections
- Offering electricity into residential and SME markets in VIC, NSW, SA and south-east QLD
- Offering gas into residential and SME markets in VIC (currently) and NSW (from Sep 2021)

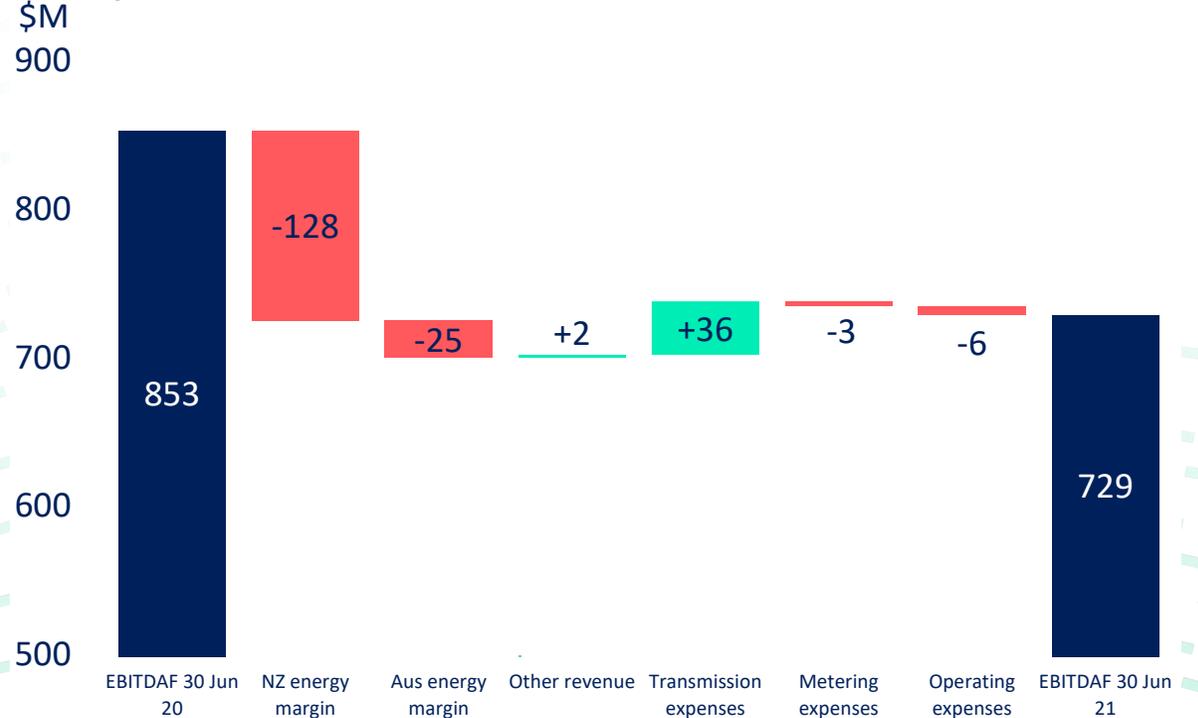
Financial performance



EBITDAF¹

- FY21 EBITDAF -15% on FY20
- Strong retail sales performance in New Zealand
- Severe 2021 drought conditions have only eased recently
- Lowest Australian wholesale spot prices since 2015/16
- Lower New Zealand transmission charges with the new regulatory control period

Group EBITDAF movement



Cash flow from operating activities



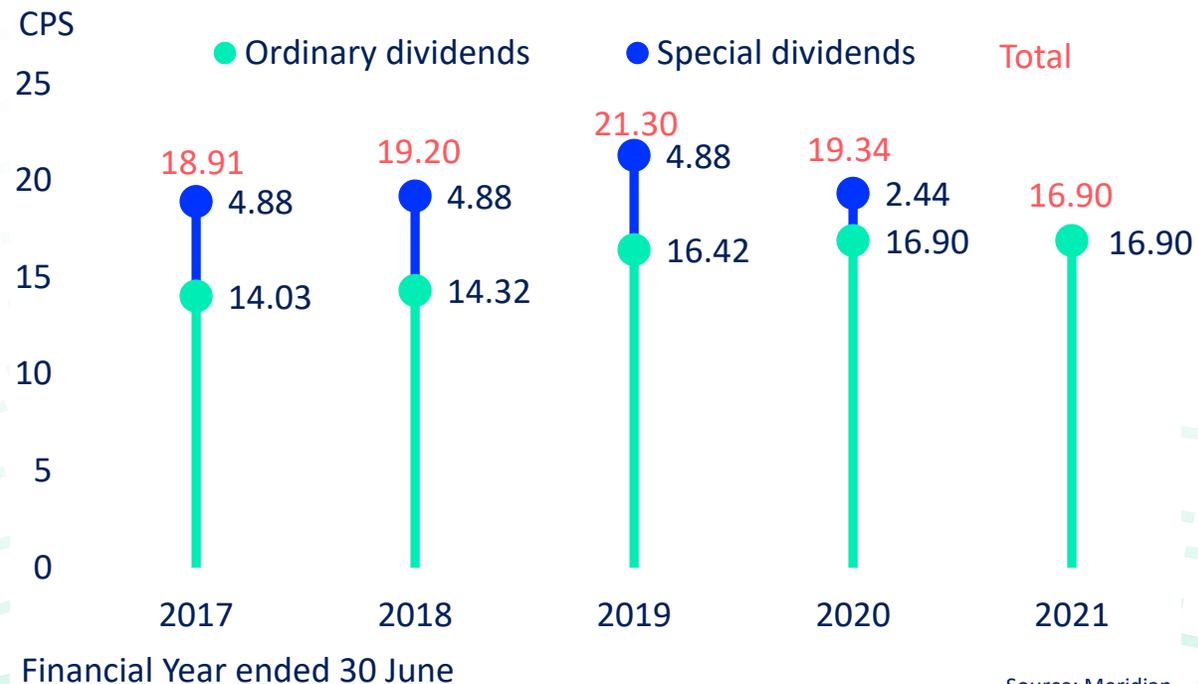
Source: Meridian

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

Dividends

- Final ordinary dividend declared of 11.20 cps, 86% imputed
- Brings FY20 full year ordinary dividend declared to 16.90 cps, 86% imputed
- Represents 89.5% payout of free cash flow
- FY21 full year ordinary dividend unchanged from FY20
- Dividend reinvestment plan now launched, a 2.0% discount will apply to the FY21 final ordinary dividend

Dividends declared



Source: Meridian

Dividends declared	FY21		FY20	
	cents per share	imputation	cents per share	imputation
Total ordinary dividends	16.90	86%	16.90	86%
Capital management special dividends	-	-	2.44	0%
Total	16.90		19.34	

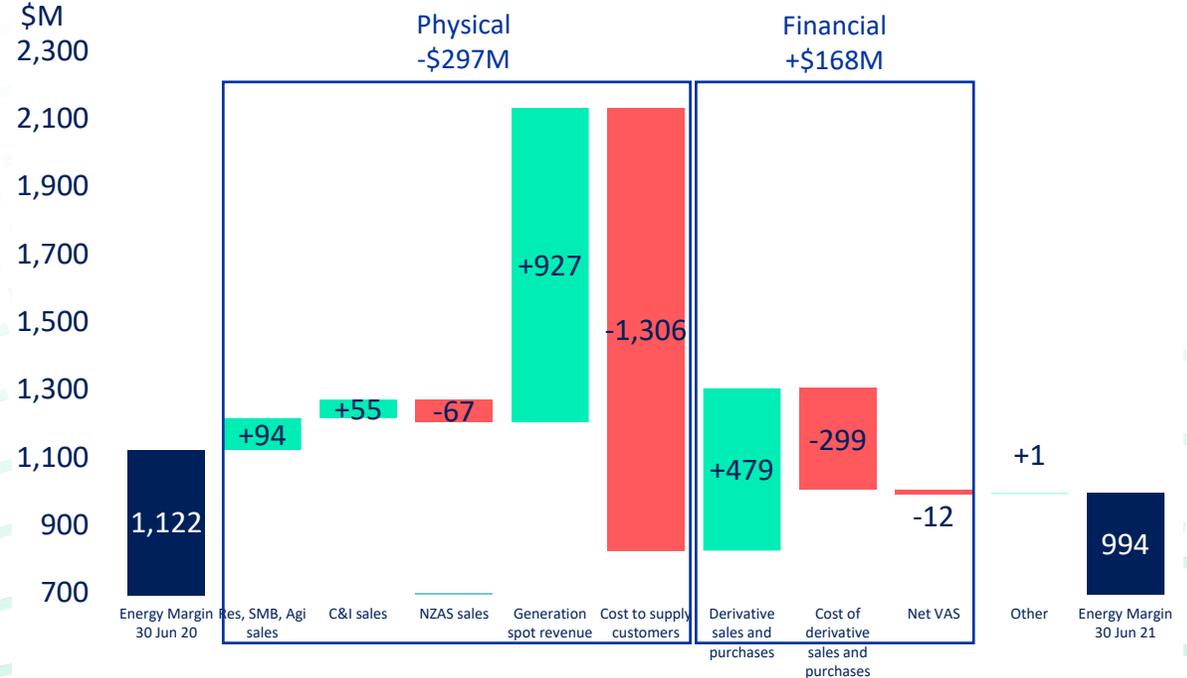
Dividend Reinvestment Plan Dates

Elections open	25 Aug
Ex dividend date	29 Sep
Record date	30 Sep
Elections close	1 Oct
Strike price announced	6 Oct
Dividend paid/shares issued	15 Oct

New Zealand energy margin

- Customer and sales volume growth across all segments
- Higher average mass market and stable corporate pricing supported higher sales
- Generation length in 2H FY21 impacted by drought; 2H FY21 generation volumes were 15% lower than 2H FY20
- Fuel scarcity saw elevated wholesale market prices, reflected in higher financial contract, spot generation and hedging revenues
- Those higher prices also increased costs in the portfolio, along with higher hedging volumes needed to manage lower physical generation

New Zealand energy margin movement



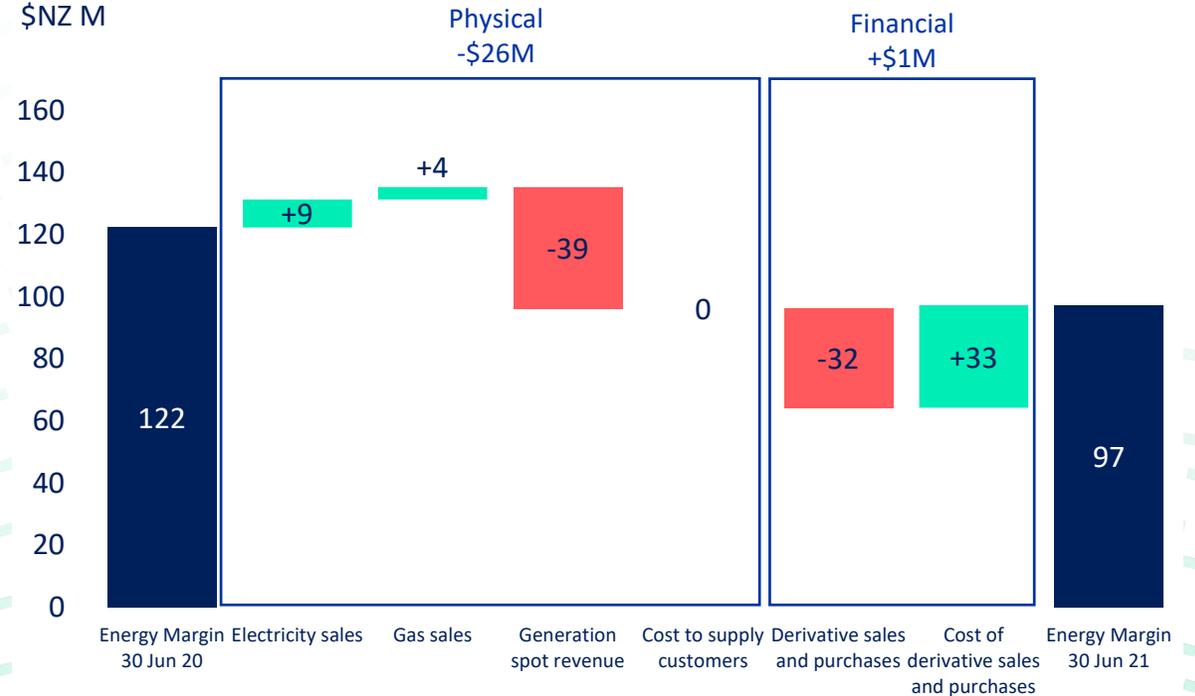
Source: Meridian

Refer to page 44 for a further breakdown of New Zealand energy margin

Australian energy margin

- Electricity and gas sales volumes have lifted physical margin, despite residential price pressure from lower wholesale market prices
- Respite from prior year drought conditions lifted physical generation by 15% above FY20
- The low wholesale market prices drove a 44% reduction in generation revenue
- Significantly lower wholesale prices in 2H FY21 impacted generation revenue
- A balanced net financial position, despite a negative outcome on LGC hedging

Australian energy margin movement



Source: Meridian

Refer to page 45 for a further breakdown of Australian energy margin

Cost to supply customers

- NZ Retail segment cost to supply customers:
 - Residential, business and industrial fixed price variable volume customers at an average annual fixed price of \$88/MWh (FY20 \$81/MWh)
 - Corporate and industrial customers on spot agreements at prevailing wholesale spot prices
- NZ Retail segment FPVV supply cost is based on medium term price modelling

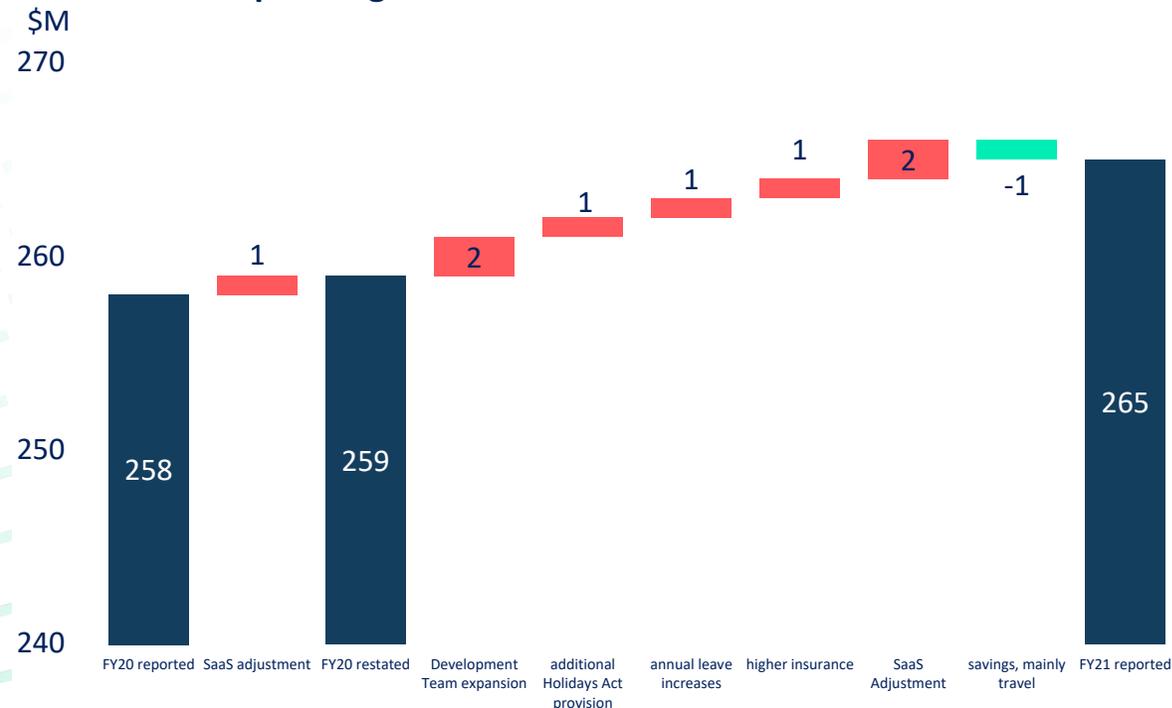
Total NZ	FY21			FY20			YoY Change			Price change	Volume change
	Volume	VWAP	NZD M	Volume	VWAP	NZD M	Volume	VWAP	NZD M	NZD M	NZD M
Cost to supply retail customers	8,828	-\$193	(1,704)	7,731	-\$102	(786)	1,097	-\$91	(918)	(806)	(112)
Cost to supply wholesale customers	5,011	-\$173	(869)	5,431	-\$89	(482)	-421	-\$85	(387)	(425)	37
Cost of financial contracts	1,906	-\$170	(323)	2,527	-\$86	(218)	-621	-\$83	(105)	(159)	54
Cost to supply customers and contracts	15,745	-\$184	(2,896)	15,689	-\$95	(1,486)	55	-\$89	(1,410)	(1,405)	(5)
NZ Retail segment											
Cost to supply retail customers	8,828	-\$88	(782)	7,731	-\$81	(625)	1,097	-\$8	(157)	(67)	(89)
NZ Wholesale segment and eliminations											
Cost to supply wholesale customers	5,011	-\$173	(869)	5,431	-\$89	(482)	-421	-\$85	(387)	(425)	37
Cost of financial contracts	1,906	-\$170	(323)	2,527	-\$86	(218)	-621	-\$83	(105)	(159)	54
Inter-segment eliminations			(922)			(161)			(761)		
Cost to supply customers and contracts	6,917	-\$306	(2,114)	7,958	-\$108	(861)	-1,042	-\$198	(1,254)	(1,366)	113

Operating costs

- \$6M (2%) increase in FY21 operating costs
- \$1M increase to provision taken on Holidays Act payroll remediation
- Expansion of Renewable Development team
- Lower level of annual leave taken
- Further insurance cost increases
- Reduced business travel spend
- Expecting FY22 Group operating costs¹ of between \$275M and \$280M, including \$6M of SaaS cost reclassification

Operating costs	FY19	FY20 restated	FY21 reported	FY22 estimate
Employee & other operating costs	\$244M	\$259M	\$265M	\$275M-\$280M
Software as a Service component ¹		\$1M	\$2M	\$6M

FY20 to FY21 operating cost movement



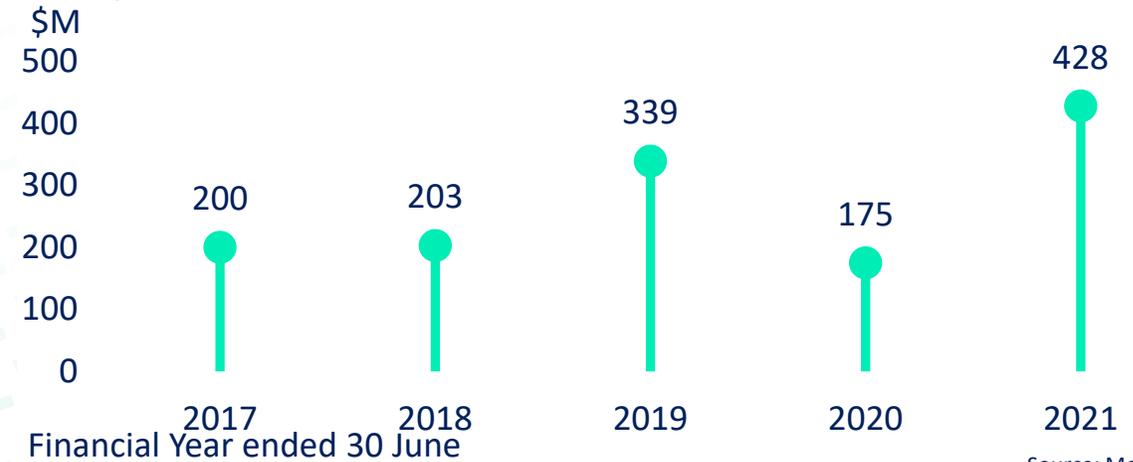
Source: Meridian

¹Costs incurred to configure or customise and the ongoing access to cloud providers' application software are now recognised as operating expenses (previously recognised as intangible assets and amortised)

Below EBITDAF

- 3% decrease in depreciation following small June 2020 devaluation
- \$202M June 2021 revaluation
- \$6M gain from changes in Australian generation asset remediation assessments
- \$169M increase in NPBT¹ from fair value of electricity hedges from higher forward electricity prices (\$113M decrease in FY20)
- \$79M increase in NPBT from fair value of treasury instruments from higher forward interest rates (\$48M decrease in FY20)
- Resulting 145% increase in FY21 net profit after tax
- Adjusting for fair value movements, Underlying NPAT² decrease of 27% in FY21

Net profit after tax



Source: Meridian

Underlying net profit after tax



Source: Meridian

¹Net profit before tax

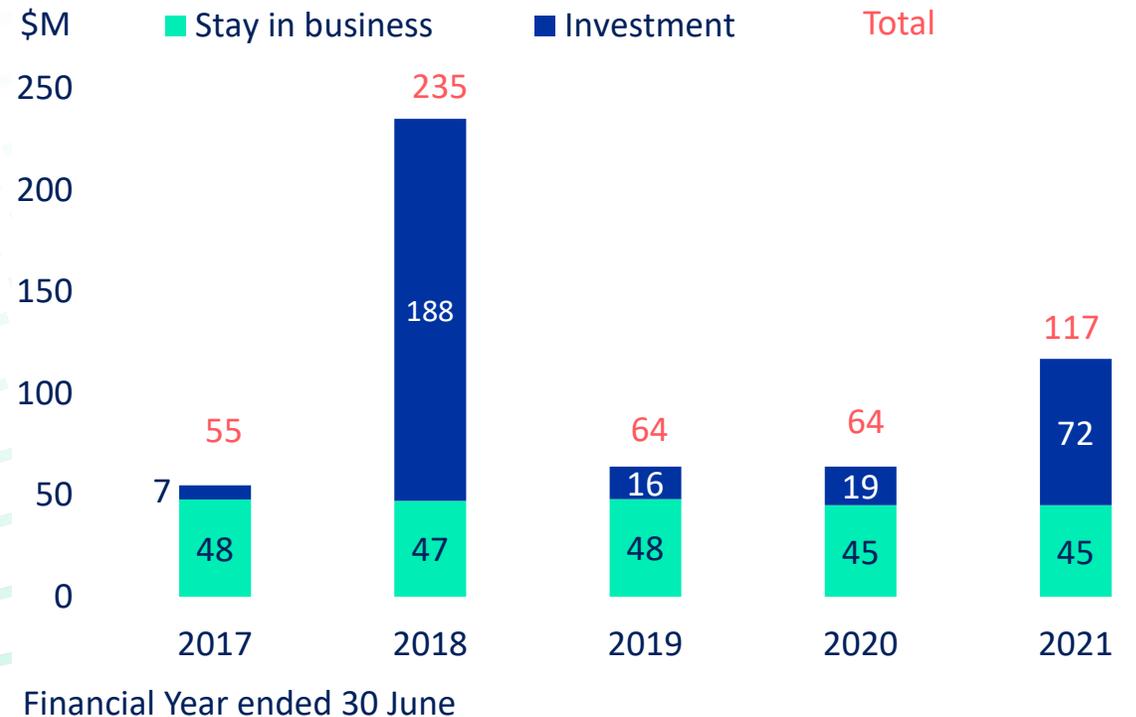
²Net profit before tax adjusted for the effects of changes in fair value of hedges and other non-cash items

A reconciliation of NPAT to Underlying NPAT is on page 49

Capital expenditure

- Consistent level of stay in business capex
- Largely consists of system and generation asset enhancement spend
- Harapaki investment spend of \$42M in FY21
- FY21 investment capex includes commencement works at the Harapaki wind farm and the first payment to Siemens Gamesa under the contract
- Currently expecting FY22 Group capex of between \$205M and \$215M
 - \$55M to \$60M of stay in business capex
 - \$150M to \$155M of currently approved investment spend

Capital expenditure

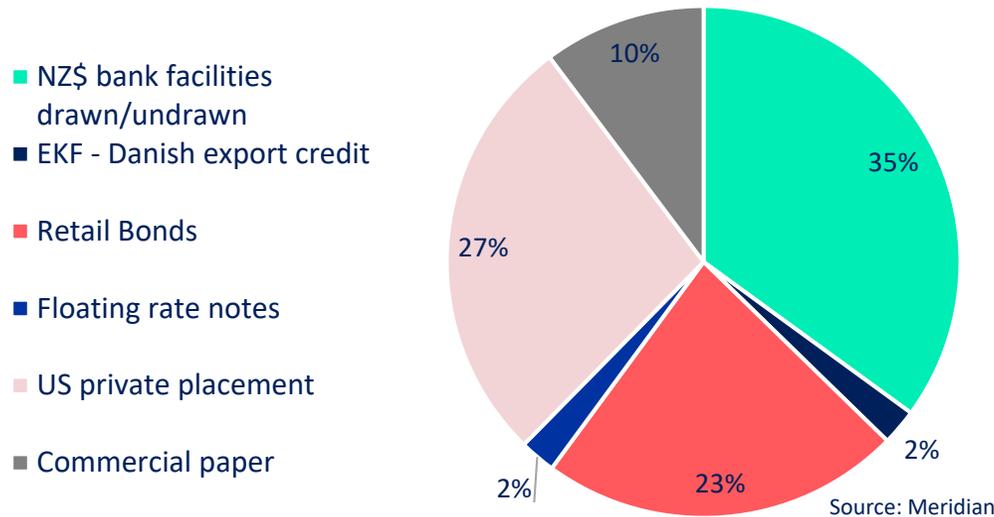


Source: Meridian

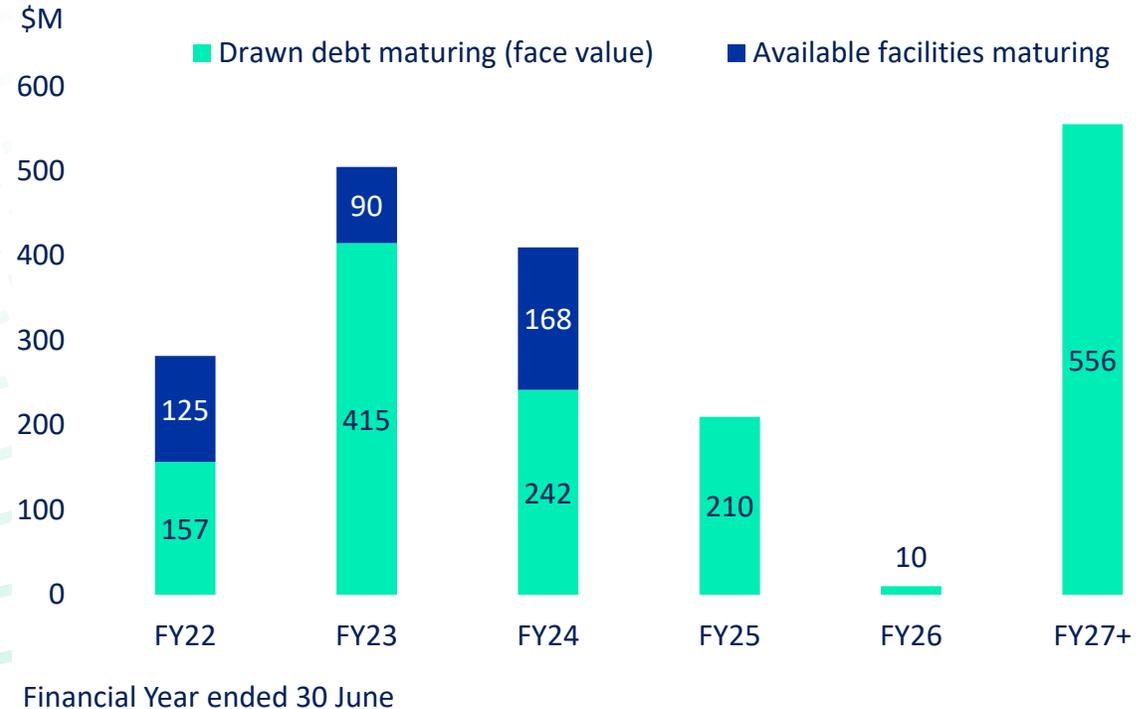
Debt and funding

- June 2021 total borrowings of \$1,676M
- Total funding facilities of \$2,198M, of which \$609M were undrawn
- All facilities classified under Meridian’s Green Finance Programme
- Net debt of \$1,648M, up 9% from FY20
- Net debt to EBITDAF at 2.3x (FY20: 1.8x)
- Credit rating revised up to to BBB+/Stable

Sources of Funding - 30 June 2021



Debt maturity profile as at 30 June 2021



Closing comments

- Portfolio response to NZAS exit is gaining traction
- The Government's first carbon budgets and emissions plans will further firm up this country's electrification opportunity
- Australian ownership review expected to take several more months
- Momentum in Meridian's retail businesses is strong
- FY22 will absorb the first full year of NZAS exit pricing
- Reasonable July 2021 operating result with improved hydro storage



Questions



Additional information

Segment results

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

\$M	Wholesale		Retail		Australia		Other & unallocated		Inter-segment		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2019
Contracted sales	489	531	944	796	172	182	-	-	-	-	1,605	1,509
Cost to supply customers	(3,020)	(1,558)	(782)	(625)	(115)	(139)	-	-	906	697	(3,011)	(1,625)
Net cost of hedging	271	11	-	-	(9)	(9)	-	-	-	-	262	2
Generation spot revenue	2,193	1,266	-	-	50	89	-	-	-	-	2,243	1,355
Inter-segment electricity sales	906	697	-	-	-	-	-	-	(906)	(697)	-	-
Virtual asset swap margins	(3)	9	-	-	-	-	-	-	-	-	(3)	9
Other market revenue/(costs)	(5)	(6)	1	1	(1)	(1)	-	-	-	-	(5)	(6)
Energy margin	831	950	163	172	97	122	-	-	-	-	1,091	1,244
Other revenue	3	3	14	13	2	3	55	32	(45)	(24)	29	27
Dividend revenue	-	-	-	-	-	-	52	27	(52)	(27)	-	-
Energy transmission expense	(82)	(116)	-	-	(5)	(7)	-	-	-	-	(87)	(123)
Electricity metering expenses	-	-	(39)	(36)	-	-	-	-	-	-	(39)	(36)
Gross margin	752	837	138	149	94	118	107	59	(97)	(51)	994	1,112
Operating expenses	(88)	(93)	(65)	(66)	(56)	(52)	(70)	(61)	14	13	(265)	(259)
EBITDAF	664	744	73	83	38	66	37	(2)	(83)	(38)	729	853

Six monthly results

\$M	1H			2H			Total		
	2021	2020	change	2021	2020	change	2021	2020	change
Contracted sales	808	734	74	797	775	22	1,605	1,509	96
Cost to supply customers	(1,005)	(876)	(129)	(2,006)	(749)	(1,257)	(3,011)	(1,625)	(1,386)
Net cost of hedging	16	30	(14)	246	(28)	274	262	2	260
Generation spot revenue	784	776	8	1,459	579	880	2,243	1,355	888
Virtual asset swap margins	1	3	(2)	(4)	6	(10)	(3)	9	(12)
Other market revenue/(costs)	(5)	(4)	(1)	-	(2)	2	(5)	(6)	1
Energy margin	599	663	(64)	492	581	(89)	1,091	1,244	(153)
Other revenue	12	13	(1)	17	14	3	29	27	2
Dividend revenue	-	-	-	-	-	-	-	-	-
Energy transmission expense	(44)	(68)	24	(43)	(55)	12	(87)	(123)	36
Electricity metering expenses	(19)	(17)	(2)	(20)	(19)	(1)	(39)	(36)	(3)
Gross margin	548	591	(43)	446	521	(75)	994	1,112	(118)
Operating expenses	(126)	(126)	-	(139)	(133)	(6)	(265)	(259)	(6)
EBITDAF	422	465	(43)	307	388	(81)	729	853	(124)
Depreciation & amortisation	(153)	(157)	4	(150)	(155)	5	(303)	(312)	9
Impairment of assets	-	-	-	6	(58)	64	6	(58)	64
Gain / (loss) on sale of assets	-	-	-	(1)	-	(1)	(1)	-	(1)
Net change in fair value of electricity and other hedges	63	(6)	69	106	(107)	213	169	(113)	282
Operating Profit	332	302	30	268	68	200	600	370	230
Finance costs	(42)	(43)	1	(42)	(42)	-	(84)	(85)	1
Interest income	-	-	-	-	1	(1)	-	1	(1)
Net change in fair value of treasury instruments	25	6	19	54	(54)	108	79	(48)	127
Net profit before tax	315	265	50	280	(27)	307	595	238	357
Income tax expenses	(88)	(74)	(14)	(79)	11	(90)	(167)	(63)	(104)
Net profit after tax	227	191	36	201	(16)	217	428	175	253
Underlying net profit after tax	156	184	(28)	76	132	(56)	232	316	(84)

New Zealand retail

Customer sales	Average price (\$/MWh)	Total sales volume (GWh)	North Island sales volume (GWh)	South Island sales volume (GWh)
FY21				
Residential		1,605	860	745
Small medium business		1,294	785	509
Agricultural		1,376	363	1,013
Large business		544	335	209
Total mass market	\$123	4,819	2,353	2,466
Corporate	\$98	3,586	2,432	1,154
FY20				
Residential		1,547	825	722
Small medium business		1,046	602	444
Agricultural		1,265	333	932
Large business		484	313	171
Total mass market	\$115	4,342	2,074	2,268
Corporate	\$98	3,034	2,125	909

Retail cost to serve	FY19	FY20	FY21
Retail costs excl. metering	\$66M	\$66M	\$65M
Other segment cost allocation	\$16M	\$19M	\$22M
Year end customer numbers	302,277	324,253	346,830
Cost to serve per customer	\$273	\$261	\$250

New Zealand retail

Customers

- 7% increase in customers since June 2020

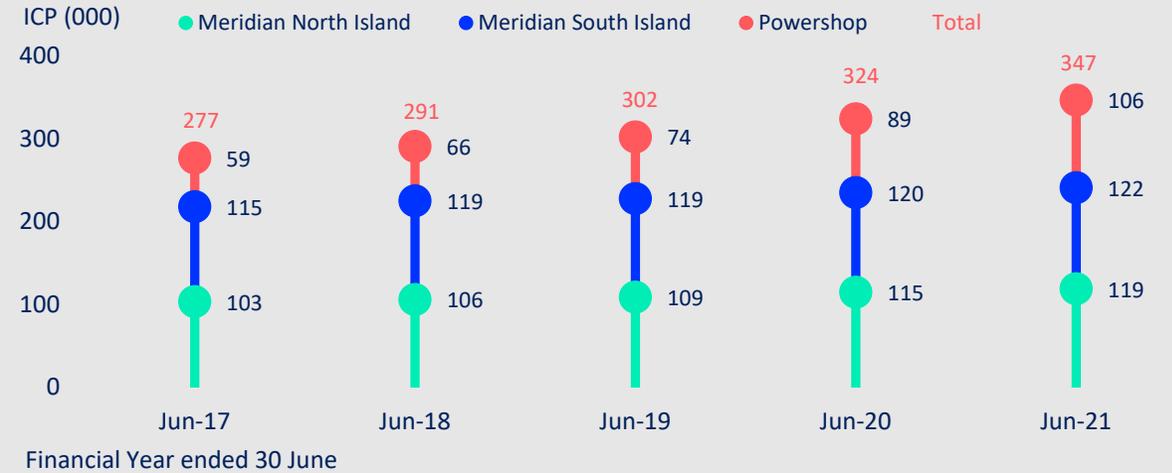
Residential, business, agri segment

- 4% increase in residential volumes
- 24% increase in small business volumes
- 9% increase in agri volumes
- 12% increase in large business volumes
- 8% increase in average sales price

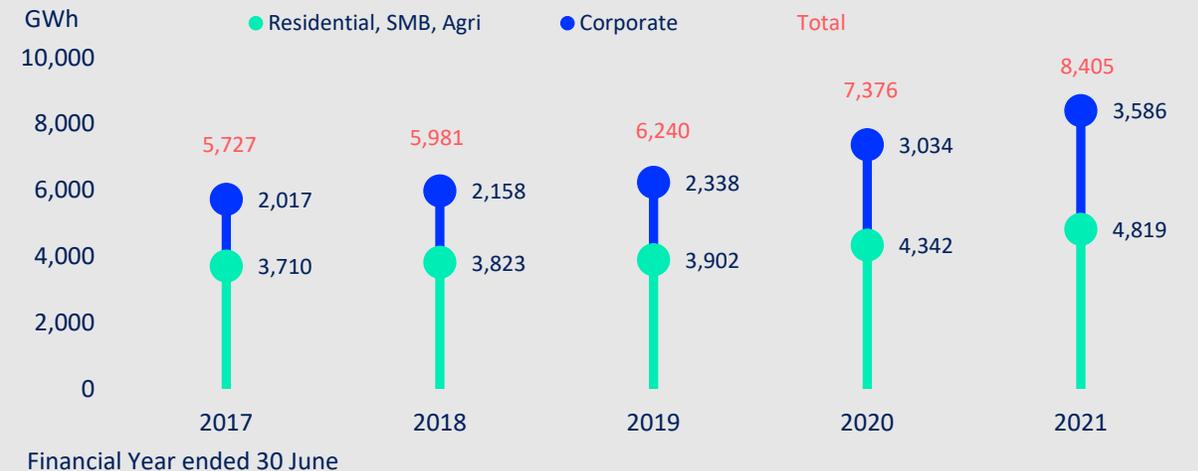
Corporate segment

- 18% increase in volumes
- 1% decrease in average sales price

New Zealand customer connections



New Zealand retail sales volumes



New Zealand hydrology

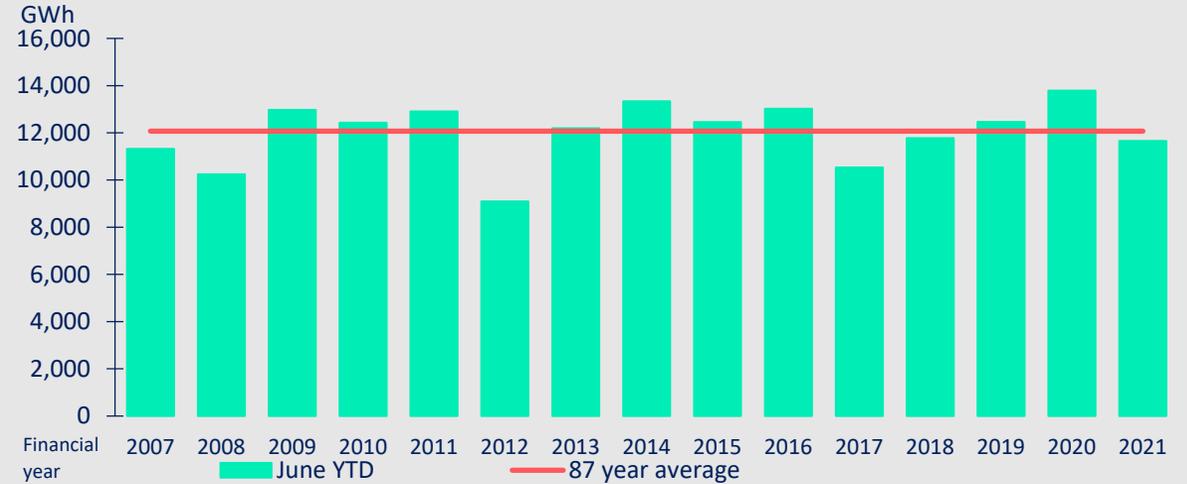
Inflows

- FY21 inflows were 97% of average
- July 2021 inflows were 156% of average

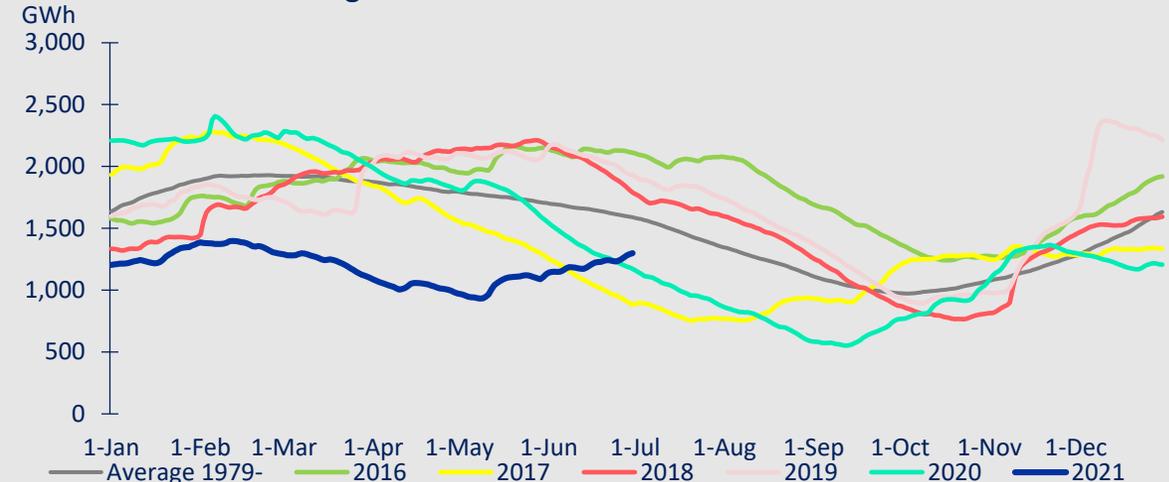
Storage

- Meridian's Waitaki storage at 30 June 2021 was 82% of average
- By 31 July 2021, this position was 111% of average

Meridian's combined catchment inflows



Meridian's Waitaki storage



New Zealand generation

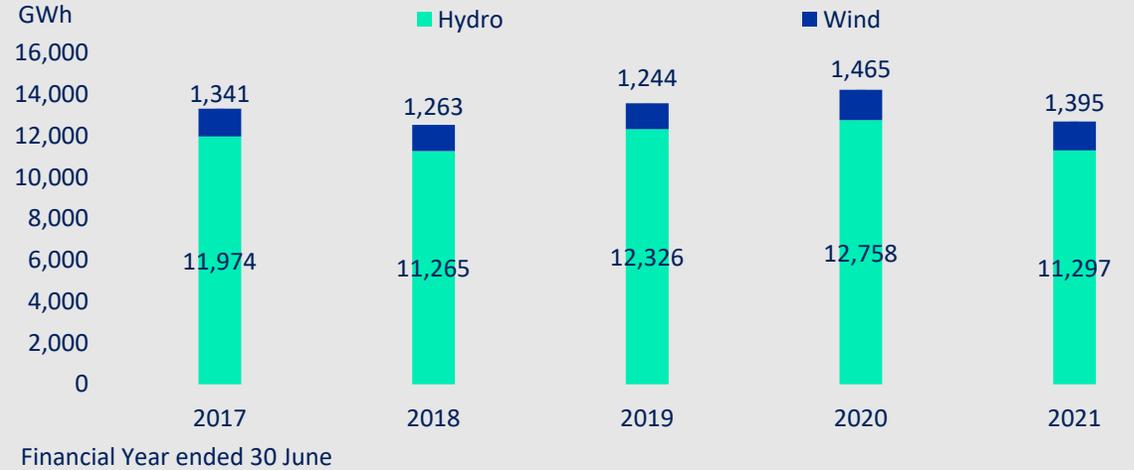
Volume

- FY21 generation was 11% lower than FY20, with lower hydro and wind generation

Price

- FY21 average price Meridian received for its generation was 94% higher than FY20
- FY21 average price Meridian paid to supply customers was 94% higher than FY20

New Zealand generation



NZ average generation price



Australian retail

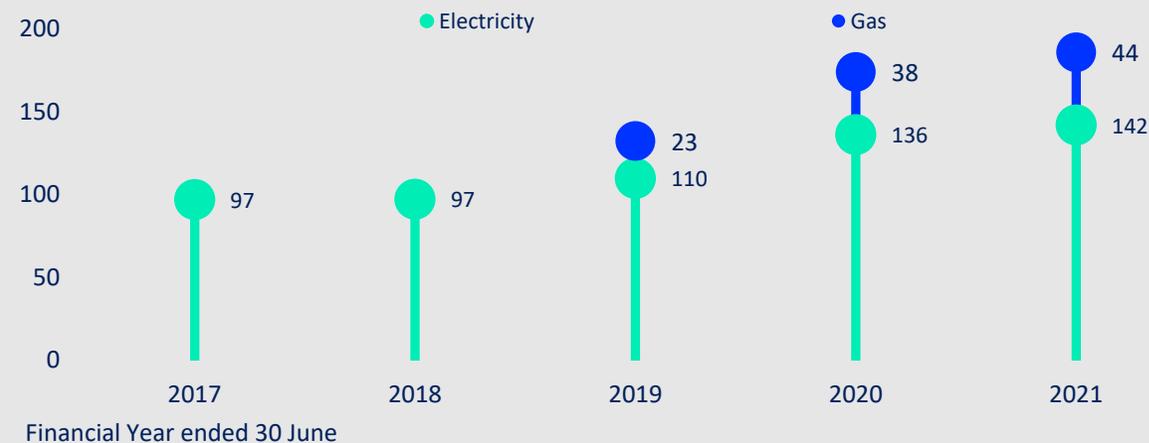
Customers

- 4% growth in electricity customers since June 2020
- 16% growth in gas customers since June 2020

Sales volume

- 15% growth in electricity sales volume in FY20
- 15% growth in gas sales volume in FY20

Australian customer connections



Australian retail electricity sales volume

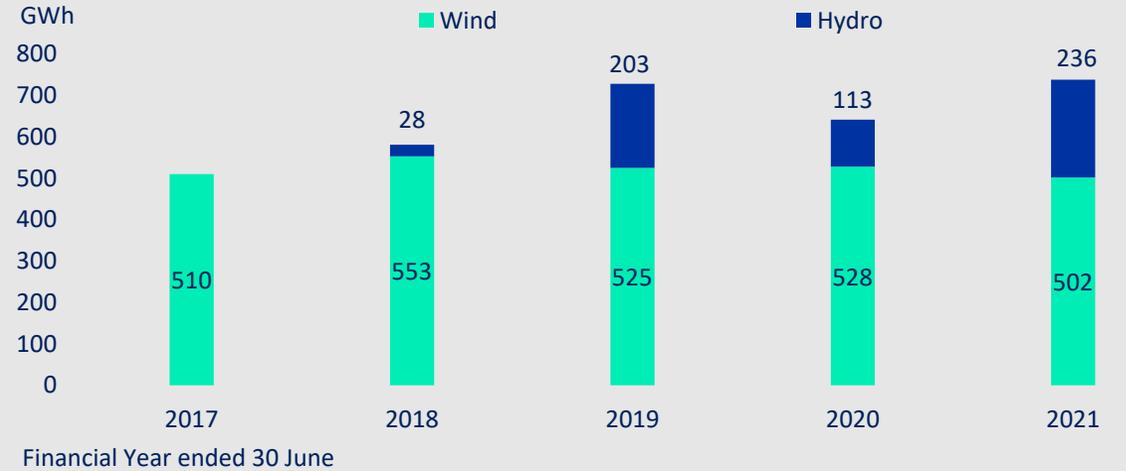


Australian generation

Volume

- FY21 generation was 15% higher than FY20
- Lower wind and higher hydro generation
- 344GWh of PPA offtake in FY21

Australian generation

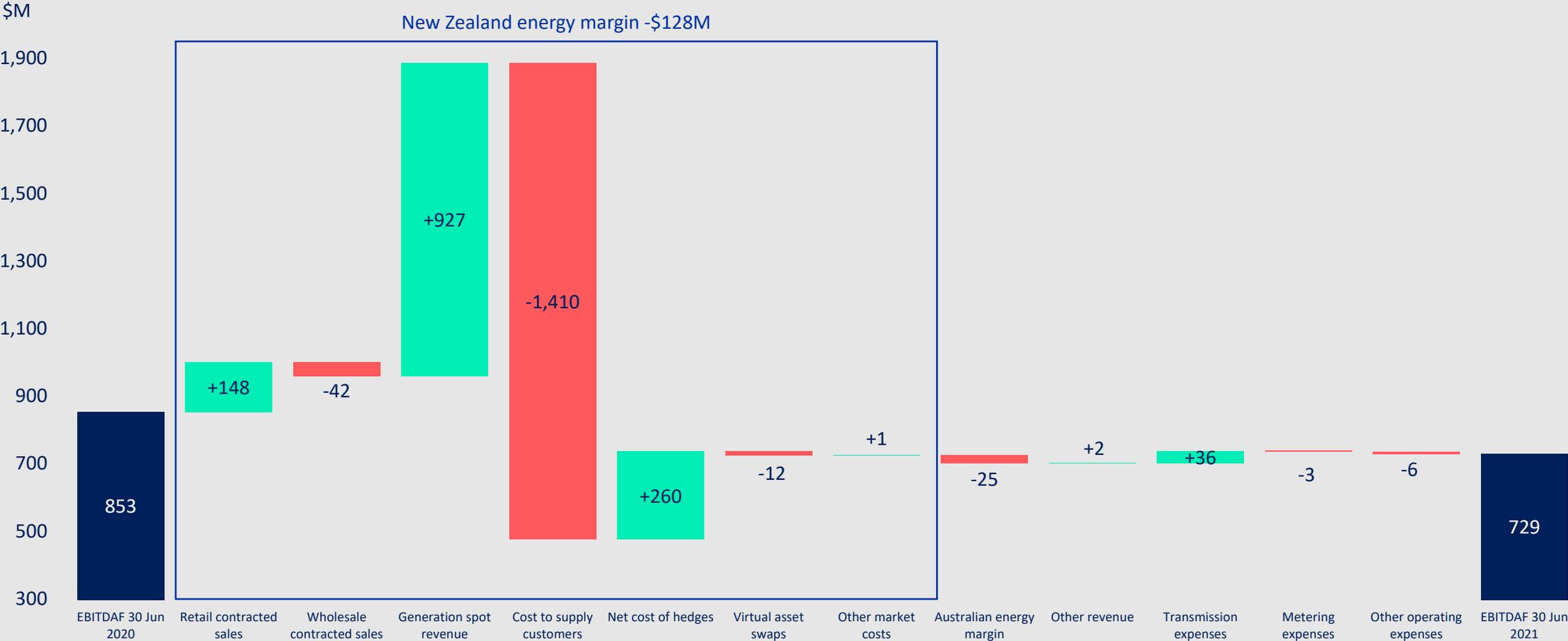


Australian average wind generation price



FY21 EBITDAF

Movement in EBITDAF



EBITDAF to NPAT

FY21 EBITDAF TO NPAT RECONCILIATION

\$M

1,000

800

600

400

200

0



Energy margin

- A non-GAAP financial measure representing energy sales revenue less energy related expenses and energy distribution expenses
- Used to measure the vertically integrated performance of the retail and wholesale businesses
- Used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

Defined as

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

New Zealand energy margin

New Zealand energy margin

\$M

4,000

3,500

3,000

2,500

2,000

1,500

1,000

500

0

Res, SMB, Agi
sales

C&I sales

Financial
contract sales
(incl NZAS)

Generation
spot revenue

Cost to supply
customers

Cost to supply
financial
contracts

Hedging fixed
costs

Hedging spot
revenue

Contract close
outs

VAS margins

Market costs

Energy Margin

593

352

489

2,193

-2,574

-323

-421

706

-14

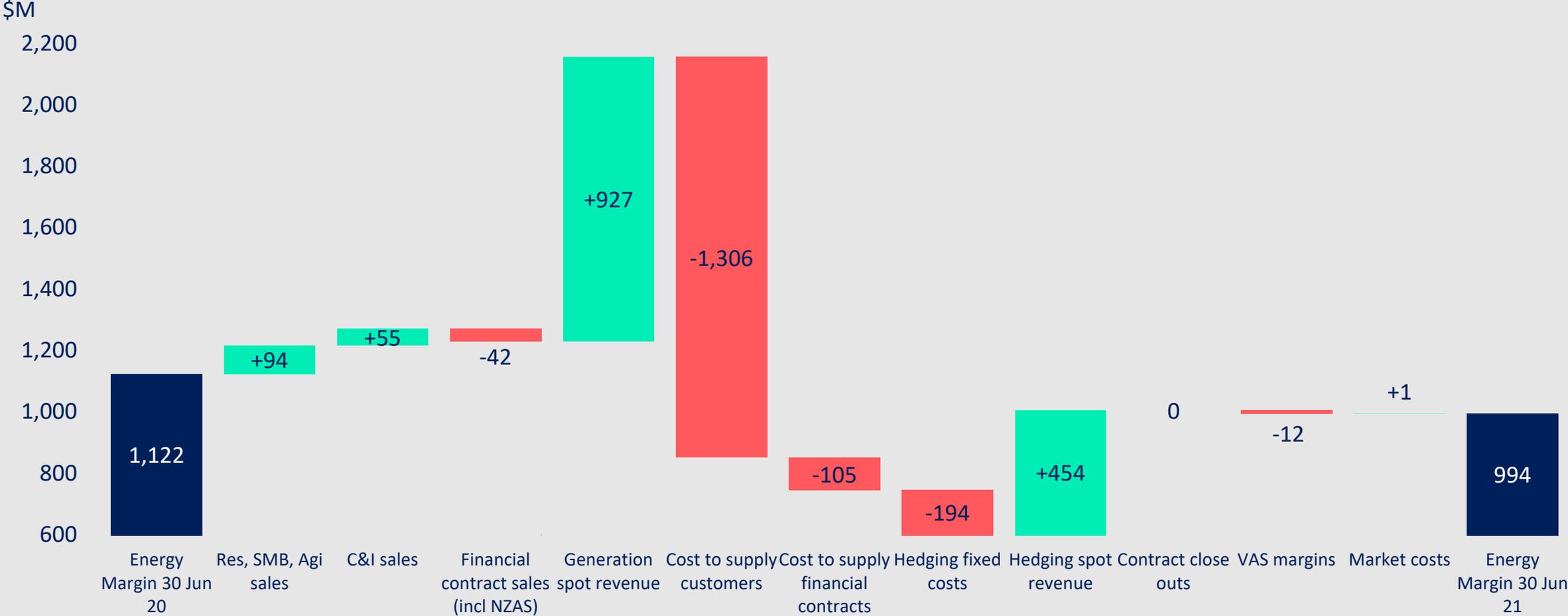
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-4

994

New Zealand energy margin

New Zealand energy margin movement



New Zealand energy margin

		FY21			FY20		
	Volume	VWAP	NZD M		Volume	VWAP	NZD M
Res, business, agri sales	4,819	\$123	592		4,343	\$114	497
Corporate and industrial sales	3,586	\$98	352		3,033	\$99	299
Retail contracted sales	8,405	\$112	944		7,376	\$108	796
NZAS sales	5,011				5,431		
Financial contract sales	1,906				2,527		
Wholesale contracted sales	6,917	\$71	489		7,958	\$67	531
Cost to supply retail customers	8,828	-\$193	(1,704)		7,731	-\$102	(786)
Cost to supply wholesale customers	5,011	-\$173	(869)		5,431	-\$89	(482)
Cost of financial contracts	1,906	-\$170	(323)		2,527	-\$86	(218)
Cost to supply customers and contracts	15,745	-\$184	(2,897)		15,689	-\$95	(1,486)
Hedging costs	3,883	-\$108	(421)		2,730	-\$83	(227)
Hedging spot revenue	3,883	\$182	706		2,730	\$92	252
Close-outs			(14)				(14)
Net cost of hedging			271				11
Hydro generation	11,297				12,758		
Wind generation	1,395				1,466		
Generation revenue	12,692	\$173	2,193		14,224	\$89	1,266
Virtual asset swap margins	1,049		(3)		1,051		9
Other			(4)				(5)
Energy margin			994				1,122

Australian energy margin

	FY21			FY20		
	Volume	VWAP	AUD M	Volume	VWAP	AUD M
Retail electricity sales, net of distribution	785	\$135	106	683	\$147	100
Retail gas sales, net of distribution	1,711	\$15	26	1,491	\$15	22
Financial contract sales	383	\$71	27	534	\$93	50
Contracted sales			159			172
Cost to supply electricity customers	785	-\$85	(67)	683	-\$104	(71)
Cost to supply gas customers	1,711	-\$12	(21)	1,491	-\$12	(18)
Cost of financial contracts	383	-\$50	(19)	534	-\$81	(43)
Cost to supply customers and contracts			(107)			(132)
Hedging costs	292	-\$124	(36)	500	-\$98	(49)
Hedging spot revenue	292	\$100	29	500	\$76	38
Close-outs			(1)			3
Net cost of hedging			(8)			(8)
Wind generation	502	\$66	33	528	\$131	69
Hydro generation	236	\$59	14	113	\$86	10
PPA generation received, net of costs	344	-\$1	(0)	367	\$15	5
Generation revenue			47			84
Other			(1)			(1)
Energy margin			89			115

Funding metrics

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

Net debt to EBITDAF

Financial year ended 30 June	2021	2020	2019	2018	2017
\$M					
Drawn borrowings	1,589	1,491	1,376	1,428	1,158
Finance lease payable	97	104	32	48	47
Operating lease commitments	-	-	91	76	71
Less: cash and cash equivalents	(148)	(176)	(78)	(60)	(80)
Add back: restricted cash	97	67	27	29	51
Add back: cash buffer	13	27	13	8	7
Net debt	1,648	1,513	1,461	1,529	1,254
EBITDAF	729	853	838	666	657
Net debt to EBITDAF (times)	2.3	1.8	1.7	2.3	1.9

Fair value movements

- Meridian uses derivative instruments to manage interest rate, foreign exchange and electricity price risk
- As forward prices and rates on these instruments move, non-cash changes to their carrying value are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- \$169M increase in NPBT from fair value of electricity hedges from higher forward electricity prices (\$113M decrease in FY20)
- \$79M increase in NPBT from fair value of treasury instruments from higher forward interest rates (\$48M decrease in FY20)

Change in fair value of financial instruments



Income statement

Income statement

Financial year ended 30 June

\$M

	2021	2020	2019	2018	2017
New Zealand energy margin	994	1,122	1,108	944	940
Australia energy margin	97	122	118	86	74
Other revenue	29	27	25	22	19
Energy transmission expense	(87)	(123)	(131)	(127)	(130)
Electricity metering expense	(39)	(36)	(33)	(31)	(30)
Employee and other operating expenses	(265)	(259)	(249)	(228)	(216)
EBITDAF	729	853	838	666	657
Depreciation and amortisation	(303)	(312)	(276)	(268)	(264)
Impairment of assets	6	(58)	(5)	(2)	(10)
Gain/(loss) on sale of assets	(1)	-	3	7	(4)
Net change in fair value of electricity and other hedges	169	(113)	58	(22)	(76)
Net finance costs	(84)	(84)	(83)	(81)	(77)
Net change in fair value of treasury instruments	79	(48)	(63)	(4)	55
Net profit before tax	595	238	472	296	281
Income tax expense	(167)	(63)	(133)	(95)	(81)
Net profit after tax	428	175	339	201	200

Underlying NPAT reconciliation

UNPAT					
Financial year ended 30 June	2021	2020	2019	2018	2017
\$M					
Net profit after tax	428	175	339	201	200
Underlying adjustments					
<u>Hedging instruments</u>					
Net change in fair value of electricity and other hedges	(169)	113	(58)	22	76
Net change in fair value of treasury instruments	(79)	48	63	4	(55)
Premiums paid on electricity options net of interest	(20)	(20)	(17)	(13)	(12)
<u>Assets</u>					
(Gain)/loss on sale of assets	1	-	(3)	(7)	4
Impairment of assets	(6)	58	5	2	10
Total adjustments before tax	(273)	199	(10)	8	23
<u>Taxation</u>					
Tax effect of above adjustments	77	(58)	4	(3)	(2)
Underlying net profit after tax	232	316	333	206	221

Cash flow statement

Cash flow statement

Financial year ended 30 June

\$M

	2021	2020	2019	2018	2017
Receipts from customers	4,164	3,375	3,463	2,765	2,250
Interest and dividends received	-	1	1	1	2
Payments to suppliers and employees	(3,472)	(2,520)	(2,628)	(2,152)	(1,596)
Interest and income tax paid	(261)	(252)	(201)	(187)	(186)
Operating cash flows	431	604	635	427	470
Sale of property, plant and equipment	-	-	-	23	-
Sales of subsidiaries and other assets	-	-	-	-	2
Purchase of property, plant and equipment	(76)	(43)	(45)	(33)	(33)
Stamp duty/capitalised interest	-	-	-	(10)	-
Purchase of intangible assets and investments	(38)	(21)	(24)	(204)	(21)
Investing cash flows	(114)	(64)	(69)	(224)	(52)
Term borrowings drawn	108	172	439	462	158
Term borrowings repaid	(10)	(60)	(484)	(200)	(136)
Shares purchased for long-term incentive	(3)	(2)	-	-	-
Lease liabilities repaid	(7)	(7)	(1)	-	-
Dividends and finance lease paid	(433)	(546)	(500)	(487)	(478)
Financing cash flows	(345)	(443)	(546)	(225)	(456)

Balance sheet

Balance sheet

Financial year ended 30 June

\$M

	2021	2020	2019	2018	2017
Cash and cash equivalents	148	176	78	60	80
Trade receivables	491	323	292	261	260
Customer contract assets	25	24	20	19	18
Other current assets	253	142	152	109	91
Total current assets	917	665	542	449	449
Property, plant and equipment	8,598	8,594	8,825	7,941	7,961
Intangible assets	84	64	59	60	58
Other non-current assets	257	299	231	182	215
Total non-current assets	8,939	8,957	9,115	8,183	8,234
Payables, accruals and employee entitlements	602	388	320	283	311
Customer contract liabilities	23	23	16	14	-
Current portion of term borrowings	378	88	167	450	170
Other current liabilities	107	149	117	96	98
Total current liabilities	1,110	648	620	843	579
Term borrowings	1,298	1,600	1,303	1,023	1,022
Deferred tax	1,940	1,850	1,968	1,683	1,715
Other non-current liabilities	284	442	309	260	272
Total non-current liabilities	3,522	3,892	3,580	2,966	3,009
Net assets	5,224	5,082	5,457	4,823	5,095

Glossary

Hedging volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers (including NZAS) and financial contracts
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of hedges	volume weighted average price Meridian pays for derivatives acquired
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales and financial contracts
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections (NZ)	number of installation control points, excluding vacants
FRMP	financially responsible market participant
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 84 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Electricity Authority's reconciled grid demand www.emi.ea.govt.nz
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Financial contract sales	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
TJ	Terajoules
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mercury New Zealand. They do not result in the physical supply of electricity

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www.meridianenergy.co.nz/investors

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