



Meridian.

# 2022 Interim Results Presentation

# Highlights

lower NZAS pricing change absorbed by higher retail sales	\$A740M in sale proceeds from Australia	8% growth in New Zealand customer numbers
Harapaki bulk earthwork commenced	2.6% lift in interim dividend	8% growth in NZ electricity sales volumes
North Island battery and solar site acquired	good progress on NZAS contract termination mitigations	7% growth in NZ physical generation volumes

# Financial performance



# Dividends and capital structure

- Interim ordinary dividend declared of 5.85 cps (86% imputed), 2.6% increase from 1H FY21
- Dividend reinvestment plan will apply to this interim dividend at 0% discount
- Changes to Dividend Policy:
  - payout range increasing to 80%-100% of free cash flow (previously 75%-90%)
  - Stay in business capex decreasing to \$50M with MEA sale (previously \$65M)
- Board is committed to maintaining current BBB+ credit rating
- Meridian will take more time to advance future investment opportunities, including new generation development

Interim dividend declared



Six Months ended 31 December

Source: Meridian

Dividends declared	1H FY22		1H FY21	
	cents per share	imputation	cents per share	imputation
Ordinary dividends	5.85	86%	5.70	86%

## Dividend Reinvestment Plan Dates

Ex dividend date	17 Mar	Strike price announced	24 Mar
Record date	18 Mar	Dividend paid/shares issued	8 Apr
Elections close	21 Mar		

# Australia sale

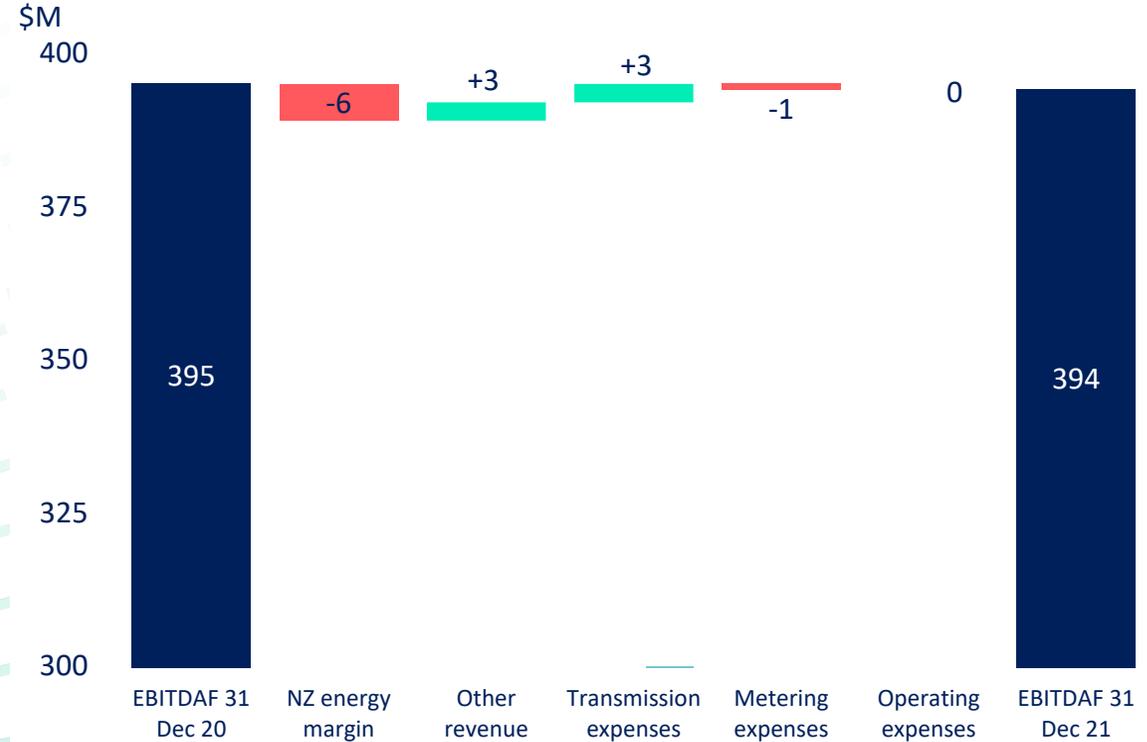
- Sale completed 31 January 2022
- Proceeds of A\$740M including interest and intercompany funding movements since 1 July 2021
- Expected \$240M gain on sale in FY22 full year accounts
- Some proceeds initially used in repayment of short-term borrowing; bank debt and commercial paper
- Sale supports medium to longer investment in Meridian's core NZ market
- Minimum 3-year agreement with Flux for retail software services and for call centre services
- Agreement for transitional services provided by Meridian Energy Ltd for up to 12-months
- Australia treated as discontinued operations in the FY22 interim results, re-presented below EBITDAF



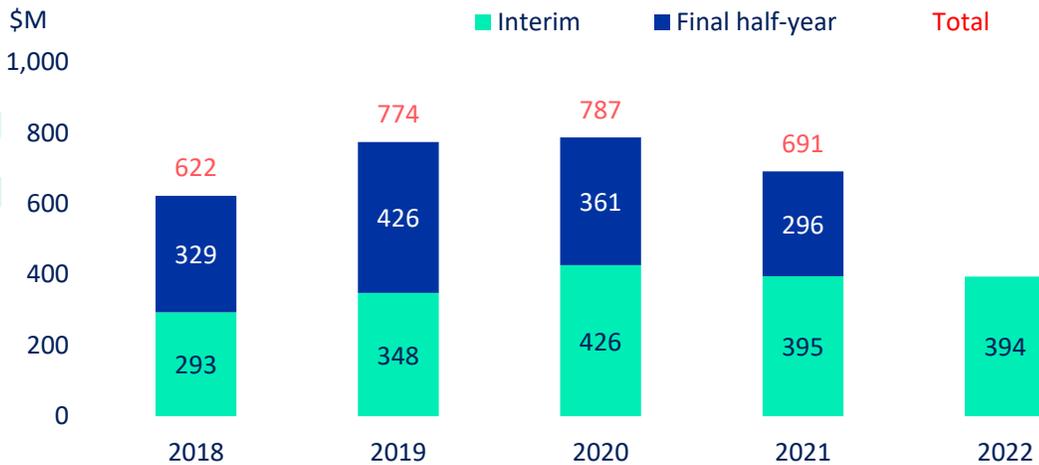
# EBITDAF

- EBITDAF<sup>1</sup> \$1M lower than 1H FY21
- Lower NZAS pricing absorbed by higher retail contracted sales revenue
- Higher physical generation, lower spot prices
- Operating costs flat to 1H FY21
- 2H FY22 has started with low inflow conditions and higher wholesale prices

## NZ Operations EBITDAF movement



## NZ Operations EBITDAF



Financial Year ended 30 June

Source: Meridian

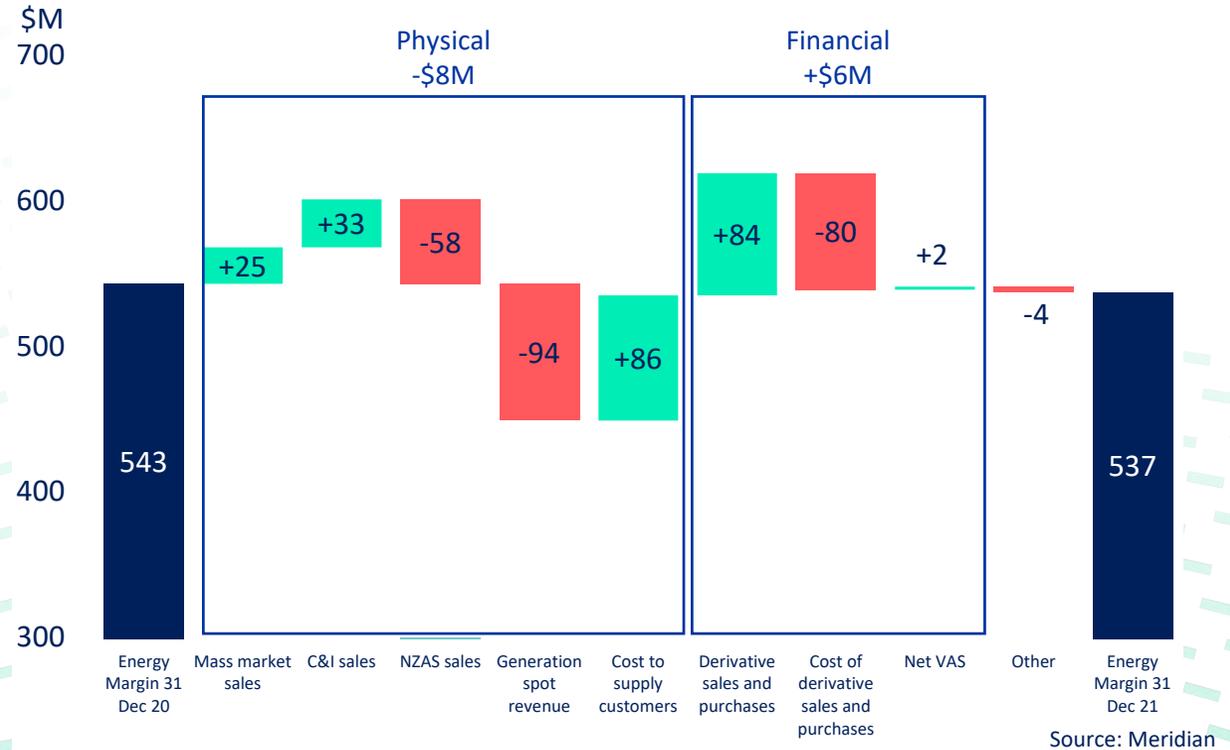
Source: Meridian

<sup>1</sup>Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items

# New Zealand energy margin

- Customer and sales volume growth across residential, small business and corporate segments
- Lift in both mass market and corporate average pricing
- Lower NZAS revenue from revised contract pricing
- Increased physical generation, +435 GWh
- Financial contract, spot generation and hedging revenues all reflected lower wholesale prices
- Those lower prices decreased costs in the portfolio
- Higher hedging volumes and contract sales increased costs in the portfolio

New Zealand energy margin movement



Refer to pages 39-42 for further breakdowns of New Zealand energy margin

# New Zealand customers

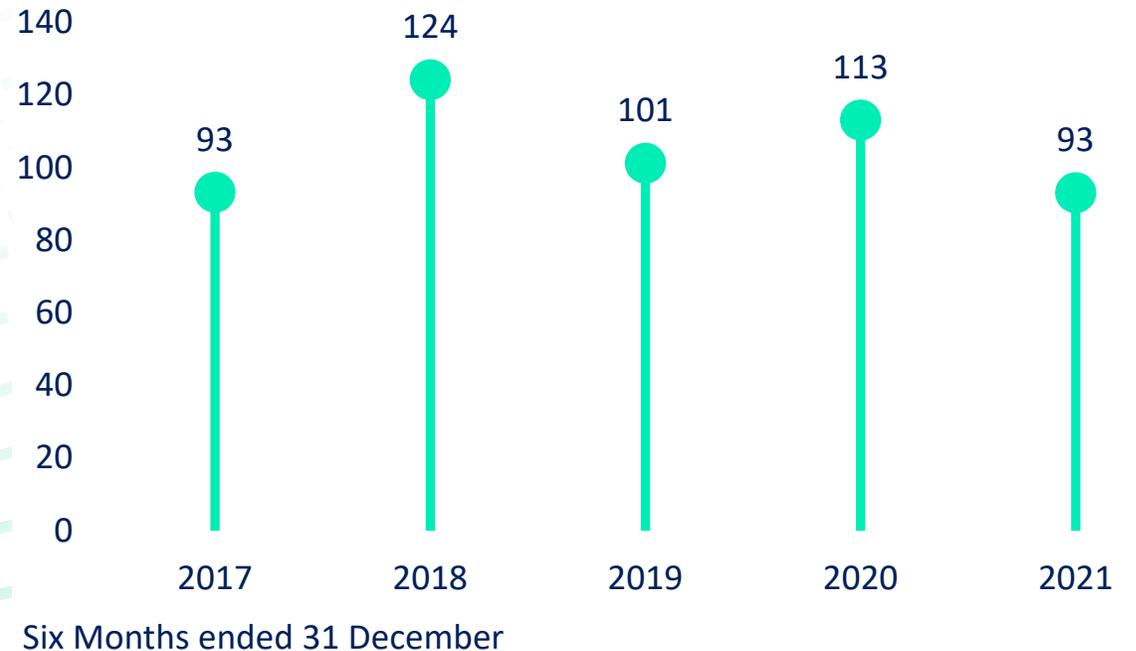
- 14% sales volume growth in residential and 20% in small medium business
- 3% higher mass market average sales price
- Mass market revenue increased \$25M (8%)
- 12% growth in corporate sales volume at a 7% higher average sales price
- Corporate sales revenue increased \$33M (20%)

Customer sales	Average price (\$/MWh)	Total sales volume (GWh)	North Island sales volume (GWh)	South Island sales volume (GWh)
<u>1H FY22</u>				
Residential		963	533	430
Small medium business		750	459	291
Agricultural		590	202	388
Large business		266	166	100
<b>Total mass market</b>	<b>\$125</b>	<b>2,569</b>	<b>1,360</b>	<b>1,209</b>
Corporate	\$105	1,883	1,287	596
<u>1H FY21</u>				
Residential		848	463	385
Small medium business		624	366	258
Agricultural		674	185	489
Large business		289	182	107
<b>Total mass market</b>	<b>\$121</b>	<b>2,435</b>	<b>1,197</b>	<b>1,238</b>
Corporate	\$98	1,684	1,133	551

# New Zealand generation

- 7% higher generation in 1H FY22, notably lower wind volumes
- Inflows 122% of average in 1H FY22
- Record low inflows in January 2022
- February 2022 rainfall has now lifted Lake Pukaki storage to 118% of average
- Manapōuri storage remains low
- Factors outside of hydrology continue to put upward pressure on wholesale prices

**NZ average generation price**  
\$/MWh

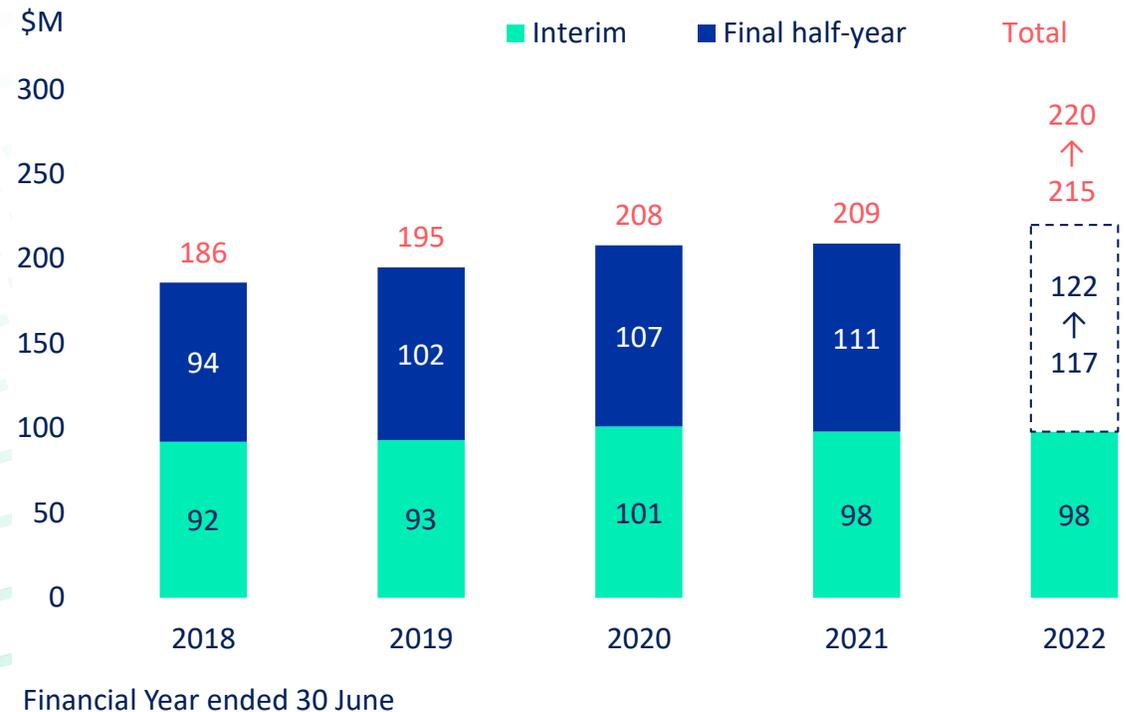


Source: Meridian

# Operating costs and capital expenditure

- Operating costs flat compared to 1H FY21
- Modest growth in Australia and Flux spend, offset by lower NZ asset maintenance
- Expecting FY22 NZ operating costs of between \$215M and \$220M, including release of \$6.8m provision in relation to holiday pay
- NZ operations capex of \$92M in 1H FY22
- Expecting FY22 NZ operations capex of between \$165M and \$175M
  - \$45M to \$50M of stay in business capex
  - \$120M to \$125M of currently approved investment spend

NZ Operating costs<sup>1</sup>



<sup>1</sup>Including historical adjustments for IFRS 16 and software as a service

# Below EBITDAF

- 5% increase in depreciation
- \$68M decrease in NPBT<sup>1</sup> from fair value of electricity hedges from falling forward electricity prices (\$73M increase in 1H FY21)
- \$58M increase in NPBT from fair value of treasury instruments from rising interest rates (\$25M increase in 1H FY21)
- Resulted in significant 1H FY22 decrease in NPAT (-36%)
- 3% decrease in Underlying NPAT<sup>2</sup> largely from higher depreciation and amortisation
- Net Debt to EBITDAF at 2.4 times at 31 December 2021

<u>Underlying net profit after tax</u>		
Six months ended 31 December	2021	2020
\$M		
EBITDAF	394	395
Depreciation and amortisation	(144)	(137)
Premiums paid on electricity options net of interest	(10)	(10)
Net finance costs	(39)	(41)
Tax effect	(56)	(58)
<b>Underlying net profit after tax</b>	<b>145</b>	<b>149</b>

<sup>1</sup>Net profit before tax

<sup>2</sup>Net profit after tax adjusted for the effects of non-cash fair value movements and other one-off items. A reconciliation of Underlying NPAT is on page 46

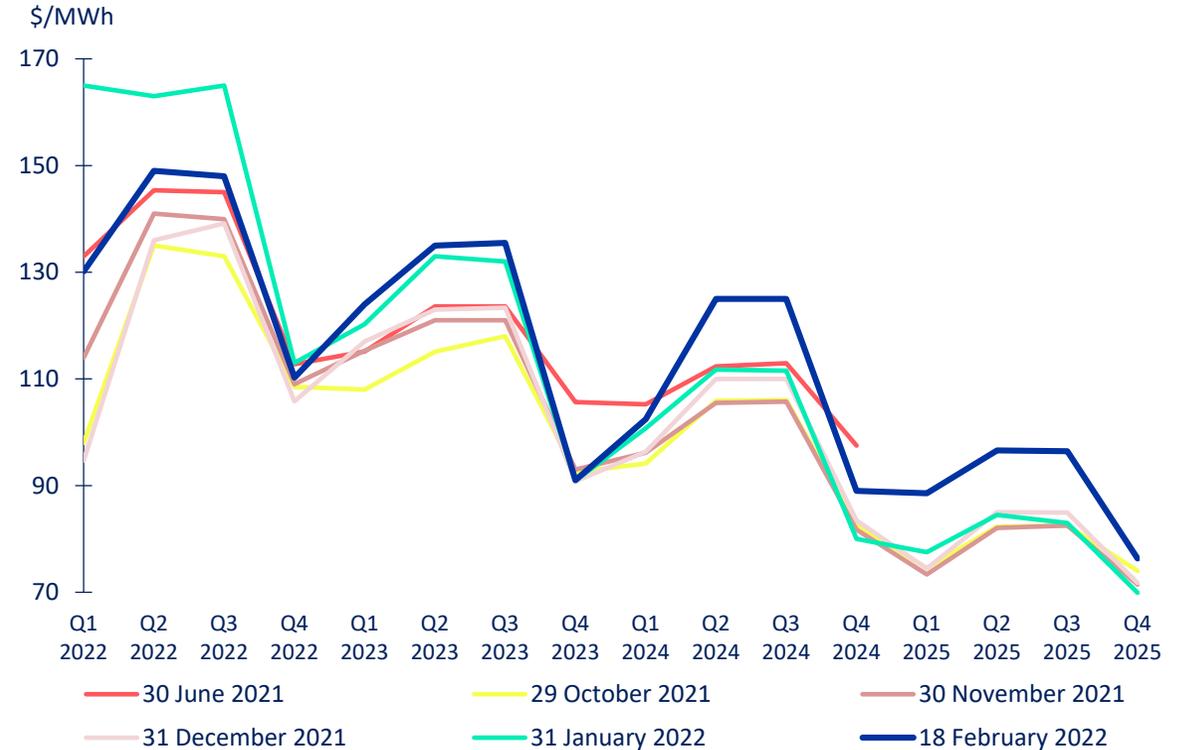
# Markets and regulation



# New Zealand wholesale prices

- Above average inflows during 1H FY22
- Record low January 2022 inflows
- Factors outside hydrology continue to put upward pressure on wholesale prices
- Rising thermal costs, concern around availability and higher carbon prices are resulting in wholesale prices above long-term averages
- Market is responding to these price signals
- \$2B in new generation investment now under construction
- Delivered into the market from 2023

**BENMORE ASX FUTURES SETTLEMENT PRICE**



Source: ASX

# New Zealand policy and regulation

## EA review of competition in the wholesale market (2018-2021)

- Confirms that high wholesale electricity prices over the last three years, reflect tight supply and demand conditions, and natural gas scarcity for electricity generation
- Consultation closed December 2021 where Meridian expressed concerns with some of the other findings
- Further consultation on recommendations may take place in early 2022

## 9 August 2021 power outage reviews

- Multiple reviews commissioned by MBIE, the EA and Transpower
- Common theme centres around Transpower's communication and process issues that exacerbated the situation
- The MBIE review (headed by Pete Hodgson) found fault with Transpower's demand allocation and that disconnections were not needed
- That review made 18 recommendations that Meridian believes will help avoid a similar situation in the future

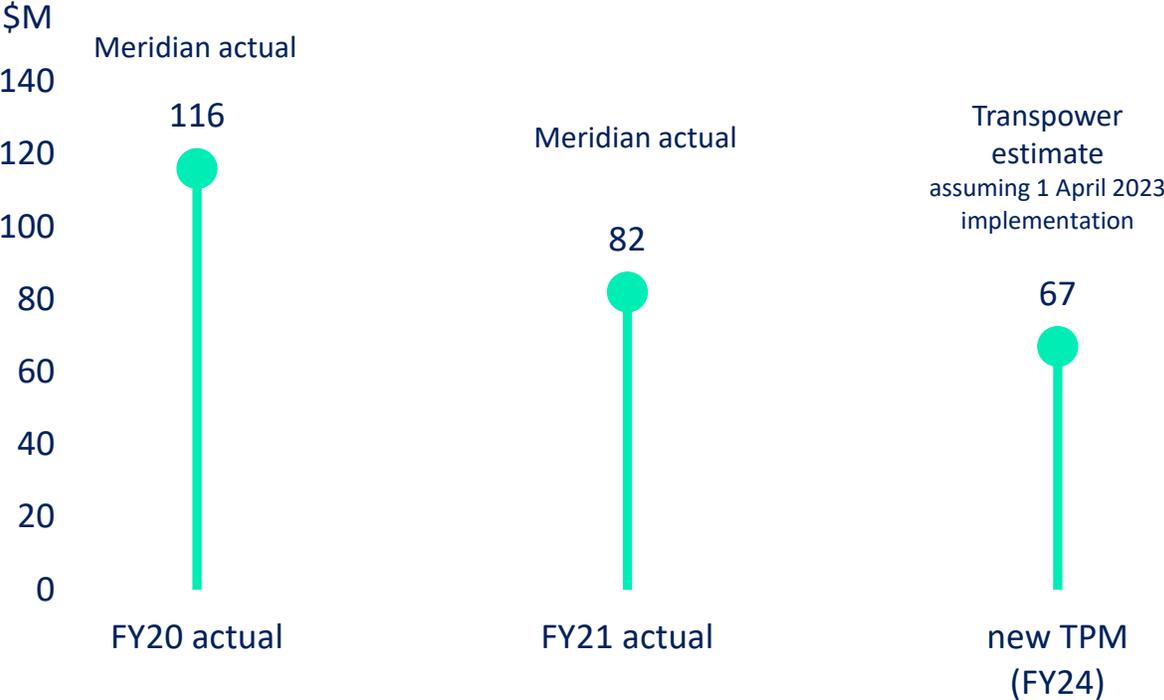


# New Zealand policy and regulation

## 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 consultation on the full proposed TPM closed in December 2021
- With the aim for a new TPM to take effect for prices from 1 April 2023
- Trustpower’s judicial review was heard in the High Court in October 2021, decision has been reserved, expected before end of March 2022

## Meridian's NZ transmission costs



Source: Meridian, Transpower

# New Zealand policy and regulation

## Decarbonisation

- Government deadline to set:
  - the first three emissions budgets out to 2035
  - and release the country's first emissions reduction plan
  - both pushed out to May 2022 (previously December 2021)
- Price of NZU's trading near \$85 (spot)
- Clean car discount in place since mid 2021, has seen a tripling in monthly EV purchases
- Legislation to introduce levy on high emitting vehicles delayed to likely April 2022
  
- April 2021 Government commitment to ban new low and medium temperature coal boilers and phase out coal in existing low and medium temperature boilers by 2037 has not yet been implemented, and delays have been signalled



# Business update



# Harapaki construction

- Site enabling and mobilisation works completed in September 2021
- Bulk earthworks commenced that month
- Main access road has required increased scope in soil nailing works to improve slope stability
- Project was shut down during the Alert Level 4 period (August 2021) and access restricted during Alert Level 3
- RAT testing is being used extensively
- A wet spring and early summer has impacted earthworks and slowed progress
- Initiatives being undertaken to mitigate the wet weather impacts
- Site switchyard platform handed over to Transpower and Meridian's electrical contractor for substation construction
- Offshore procurement items are on schedule



## Project metrics

**41** turbines x 4.3 MW

**176** MW

**542** GWh p.a. (P50 yield)

**\$395m** capital investment

**36** months construction time

**~\$35m** EBITDAF p.a. (assuming ~\$67/MWh received for generation)



# Retail initiatives

## Certified Renewable Energy

- 60 customers now with Meridian's Certified Renewable Energy product
- Net proceeds of the product will be reinvested back into decarbonisation projects

## Energy hardship

- Developing a new and more comprehensive energy hardship solution
- To be trialled this year, scaled up in 2023

## EV charging network

- 148 chargers contracted
- Includes 80 DC and AC chargers across the Wellington and Hutt Valley region

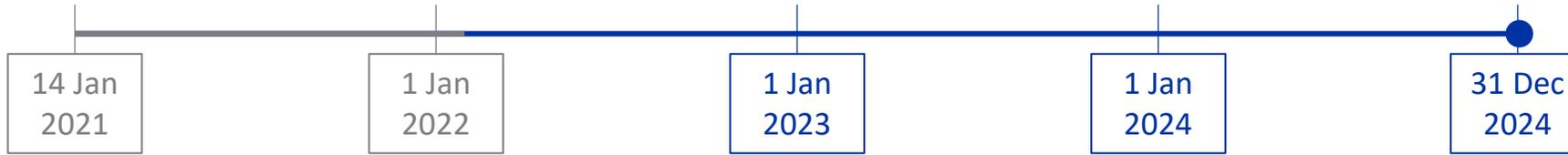


# Renewable development pipeline

- Utility scale solar development announced to complement battery at Ruākākā Energy Park
- Assessments continuing on additional solar sites, land option acquired at Bunnythorpe
- 2.3 GW (5,700 GWh) of development options, 1 GW of that secured
- Decision made not to proceed with Central Wind development (\$1.4M impairment expected in 2H FY22)



# NZAS contract termination



## Revised NZAS contract

400MW

no termination right (except terminal force majeure)

172MW

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

## Existing 4<sup>th</sup> potline contract

50MW

2 month termination right

27 Jan 22 – 31 May 22	current suspension period
26 May 22	latest date recommencement notice can be given
1 Jun 22	contract volume falls to zero if recommencement notice not given
1 Jun 22 – 31 Jul 22	unconditional recommencement possible
31 Dec 22	contract ends



Source: Meridian, HARBOR Aluminium

# NZAS contract termination - mitigation

## Current swaption

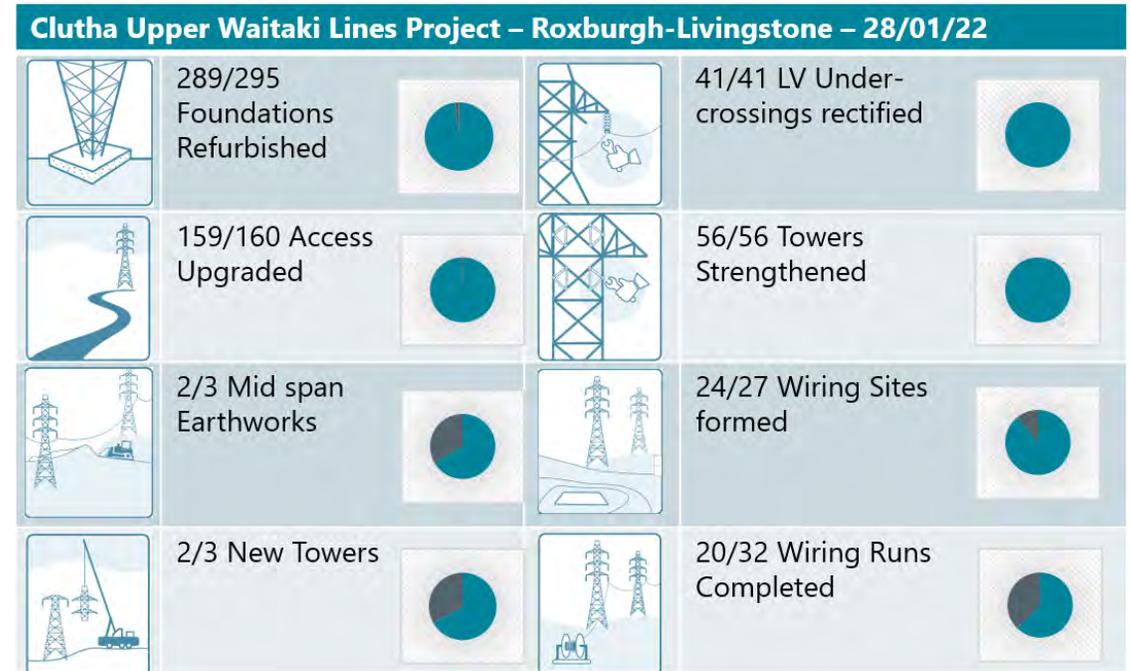
- Meridian selling Nova 235 GWh NI and SI CfDs
- Meridian buying call option for 235 GWh NI CfD's (minimum 10-hour call period)
- 17 MW Ngāwhā geothermal PPA from 2024

## Clutha Upper Waitaki Lines Project

- Final section (Naseby – Livingstone) commenced
- 1,180 MW expected all in service transfer limit
- Expected project completion in May 2022

## North Island battery

- 105 hectares of land adjacent to Marsden Point for the Ruākākā Energy Park
- 100 MW power capacity battery (100-200 MWh energy capacity), mid-2023 commissioning
- Construction of a utility scale solar farm will follow (indicatively 55-85 MW, ~\$120m)



Source: Transpower

# NZAS contract termination - mitigation

## Process heat

- 278 GWh in MOUs, 14 GWh contracted
- Includes A2 Milk's Matura plant coal conversion
- Round 3 GIDI funding closed, future funding unclear, EECA announcement in early 2022

## Data centre

- 43-hectare Southland site acquired by datagrid, OIO approval now received
- Datagrid expected to commence construction in 2H 2022
- Initial build of 1 of 10 potential modules (150 MW)

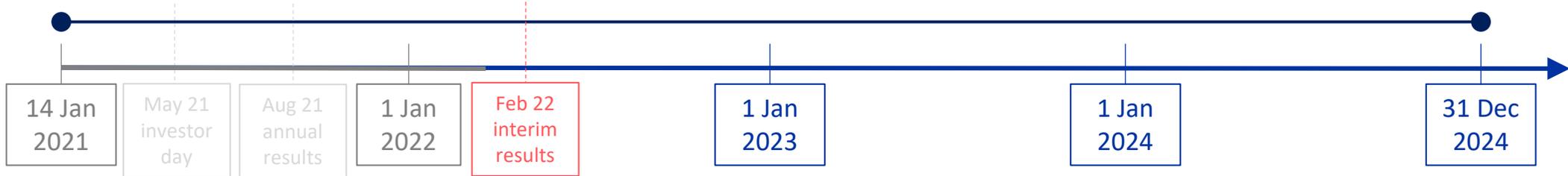
## Green hydrogen

- ROI closed; short listed parties received RFP in December 2021, seeking responses by April 2022
- Draft dry year flexibility pricing structure developed and incorporated into RFP
- Parallel discussions with several other parties and Mafic Partners engaged as financial advisors



# NZAS contract termination - mitigation

NZAS contract



## Meridian portfolio response

Current swaption



CUWLP



NI battery



Process heat



Data centre



Green hydrogen



# Closing comments

- Flat EBITDAF performance a sound outcome given impact of lower NZAS pricing
- Bulk of the MEA sale proceeds are earmarked for future NZ investment
- Ruākākā and Mt Munro are the current development focus
- Sound progress on development of new South Island demand
- There are no current discussions with NZAS on a new electricity contract



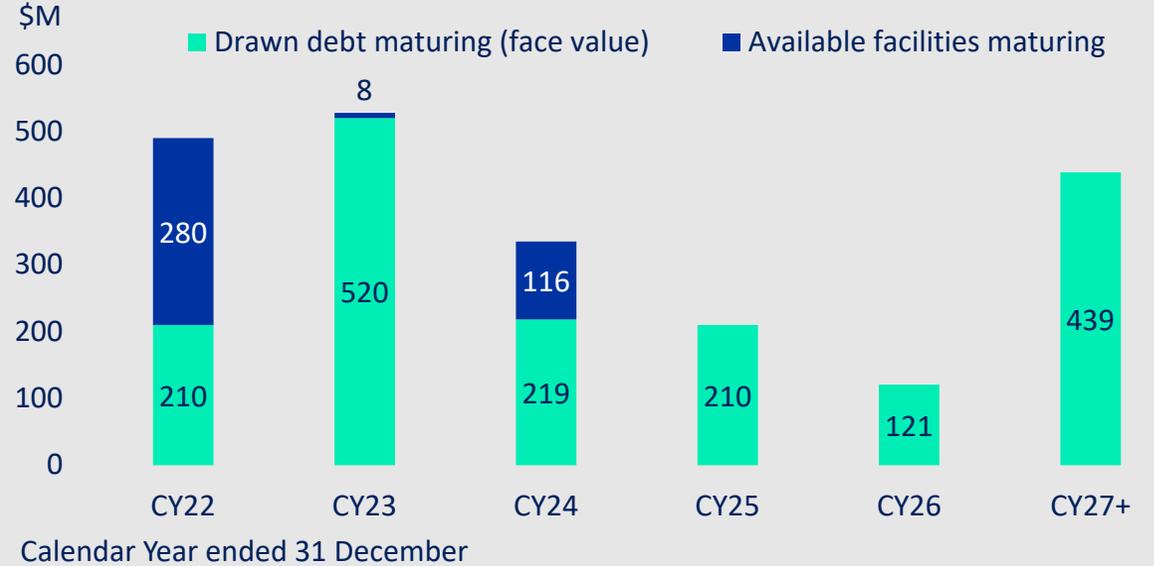
# Additional information



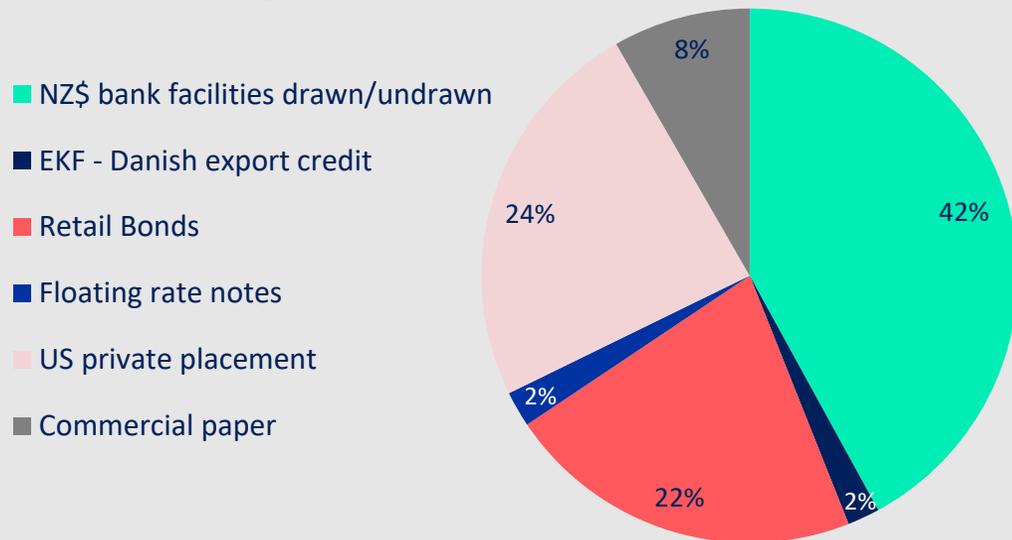
# Debt and funding

- December 2021 total borrowings of \$1,799M
- Committed bank facilities of \$955M, of which \$377M were undrawn
- \$192M of commercial paper issued on an uncommitted basis
- Net debt to EBITDAF at 2.4x

Debt maturity profile as at 31 December 2021



Sources of Funding - 31 December 2021



# Discontinued operations

- Investment in MEA classified as held for sale and a discontinued operation at 31 December 2021

## Income statement

Six months ended 31 December	2021	2020
<b>\$M</b>		
Australia energy margin	52	59
Other revenue	1	1
Energy transmission expense	(3)	(3)
Employee and other operating expenses	(26)	(29)
<b>EBITDAF</b>	<b>24</b>	<b>28</b>
Depreciation and amortisation	(6)	(16)
Gain/(loss) on sale of assets	(12)	-
Net change in fair value of energy hedges	(16)	(10)
Net finance costs	(2)	(2)
<b>Net profit before tax</b>	<b>(12)</b>	-
Income tax expense	-	-
<b>Net profit after tax</b>	<b>(12)</b>	-

*shown as a net gain (loss) from discontinued operations after tax in income statement*

## Cash flow

Six months ended 31 December	2021	2020
<b>\$M</b>		
Net cash from operating activities	12	1
Net cash used in investing activities	(8)	(9)
Net cash used on financing activities	-	(46)
<b>Net cash flows from discontinued activity</b>	<b>4</b>	<b>(54)</b>

*not shown separately in cash flows*

*\$19M adjustment included in cash flows for cash classified as assets held for sale*

## Balance sheet

Six months ended 31 December	2021
<b>\$M</b>	
Cash and cash equivalents	19
Trade receivables	34
Customer contract assets	11
Other current assets	55
Property, plant and equipment	570
Intangible assets	6
Other non-current assets	34
<b>Assets held for sale</b>	<b>729</b>
Payables and accruals	49
Employee entitlements	2
Customer contract liabilities	9
Term borrowings	-
Lease liabilities	44
Financial instruments	41
Current tax payable	-
Deferred tax	31
Provisions	21
<b>Liabilities held for sale</b>	<b>197</b>
<b>Net classification of assets</b>	<b>532</b>

*shown as assets and liabilities held for sale in balance sheet*

# Capital expenditure

- Consistent level of stay in business capex
- Largely consists of system and generation asset enhancement spend
- NZ operations capex of \$92M in 1H FY22
- Expecting FY22 NZ operations capex of between \$165M and \$175M
  - \$45M to \$50M of stay in business capex
  - \$120M to \$125M of currently approved investment spend

## New Zealand operations capital expenditure



# Segment results

- Flux Federation included in 'other and unallocated' segment

\$M	<u>Wholesale</u>		<u>Retail</u>		<u>Australia</u>		<u>Other &amp; unallocated</u>		<u>Inter-segment</u>		<u>Discontinued ops</u>		<u>Total</u>	
	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21	1H FY22	1H FY21
Contracted sales	<b>270</b>	256	<b>518</b>	460	<b>85</b>	92	-	-	-	-	<b>(85)</b>	(92)	<b>788</b>	716
Cost to supply customers	<b>(937)</b>	(998)	<b>(422)</b>	(370)	<b>(73)</b>	(54)	-	-	<b>454</b>	417	<b>73</b>	54	<b>(905)</b>	(951)
Net cost of hedging	<b>(4)</b>	24	-	-	<b>1</b>	(8)	-	-	-	-	<b>(1)</b>	8	<b>(4)</b>	24
Generation spot revenue	<b>661</b>	755	-	-	<b>40</b>	30	-	-	-	-	<b>(40)</b>	(30)	<b>661</b>	755
Inter-segment electricity sales	<b>454</b>	417	-	-	-	-	-	-	<b>(454)</b>	(417)	-	-	-	-
Virtual asset swap margins	<b>3</b>	1	-	-	-	-	-	-	-	-	-	-	<b>3</b>	1
Other market revenue/(costs)	<b>(6)</b>	(4)	-	-	<b>(1)</b>	(1)	-	-	-	2	<b>1</b>	1	<b>(6)</b>	(2)
<b>Energy margin</b>	<b>441</b>	<b>451</b>	<b>96</b>	<b>90</b>	<b>52</b>	<b>59</b>	-	-	-	<b>2</b>	<b>(52)</b>	<b>(59)</b>	<b>537</b>	<b>543</b>
Other revenue	<b>1</b>	1	<b>7</b>	7	<b>1</b>	1	<b>23</b>	23	<b>(17)</b>	(20)	<b>(1)</b>	(1)	<b>14</b>	11
Dividend revenue	-	-	-	-	-	-	-	46	-	(46)	-	-	-	-
Energy transmission expense	<b>(38)</b>	(41)	-	-	<b>(3)</b>	(3)	-	-	-	-	<b>3</b>	3	<b>(38)</b>	(41)
Energy metering expense	-	-	<b>(21)</b>	(20)	-	-	-	-	-	-	-	-	<b>(21)</b>	(20)
<b>Gross margin</b>	<b>404</b>	<b>411</b>	<b>82</b>	<b>77</b>	<b>50</b>	<b>57</b>	<b>23</b>	<b>69</b>	<b>(17)</b>	<b>(64)</b>	<b>(50)</b>	<b>(57)</b>	<b>492</b>	<b>493</b>
Operating expenses	<b>(41)</b>	(44)	<b>(33)</b>	(33)	<b>(26)</b>	(29)	<b>(32)</b>	(28)	<b>8</b>	7	<b>26</b>	29	<b>(98)</b>	(98)
<b>EBITDAF</b>	<b>363</b>	<b>367</b>	<b>49</b>	<b>44</b>	<b>24</b>	<b>28</b>	<b>(9)</b>	<b>41</b>	<b>(9)</b>	<b>(57)</b>	<b>(24)</b>	<b>(28)</b>	<b>394</b>	<b>395</b>

# NZ operations results

## NZ Operations EBITDAF

Financial year ended 30 June  
\$M

	2021	2020	2019	2018	2017
Contracted sales	1,433	1,327	1,178	1,064	968
Cost to supply customers	(2,896)	(1,486)	(1,874)	(1,194)	(707)
Net cost of hedging	271	11	126	41	(4)
Generation spot revenue	2,193	1,266	1,672	1,039	684
Inter-segment electricity sales	-	-	-	-	-
Virtual asset swap margins	(3)	9	11	(2)	4
Other market revenue/(costs)	(4)	(5)	(5)	(4)	(5)
<b>Energy margin</b>	<b>994</b>	<b>1,122</b>	<b>1,108</b>	<b>944</b>	<b>940</b>
Other revenue	27	24	23	21	19
Dividend revenue	-	-	-	-	-
Energy transmission expense	(82)	(116)	(125)	(122)	(125)
Energy metering expense	(39)	(36)	(33)	(31)	(30)
<b>Gross margin</b>	<b>900</b>	<b>994</b>	<b>973</b>	<b>812</b>	<b>804</b>
Employee expenses	(97)	(102)	(89)	(86)	(84)
Other operating expenses	(112)	(105)	(110)	(104)	(99)
Operating expenses	(209)	(207)	(199)	(190)	(183)
<b>EBITDAF</b>	<b>691</b>	<b>787</b>	<b>774</b>	<b>622</b>	<b>621</b>

# New Zealand retail

## Customers

- 3% increase in customers since June 2021

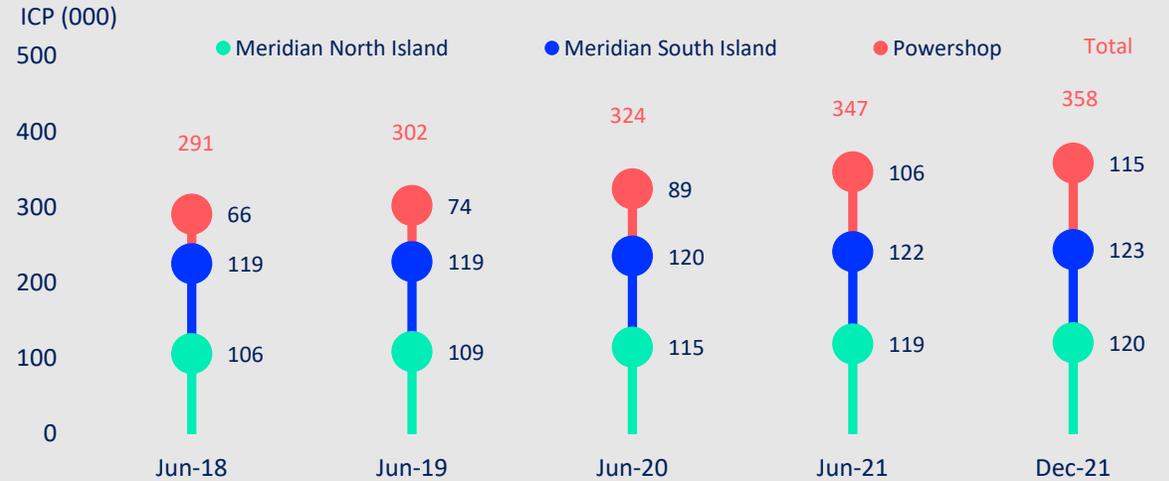
## Mass market segment

- 14% increase in residential volumes
- 20% increase in small business volumes
- 8% decrease in large business volumes
- 13% decrease in agri volumes
- 3% increase in average sales price

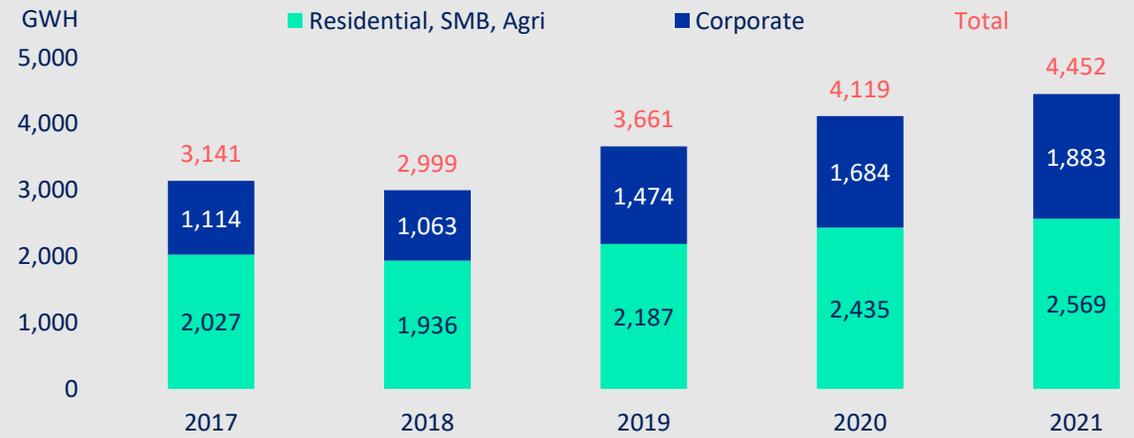
## Corporate segment

- 12% increase in volumes
- 7% increase in average sales price

**New Zealand customer connections**



**New Zealand retail sales volume**



Six Months ended 31 December

# New Zealand hydrology

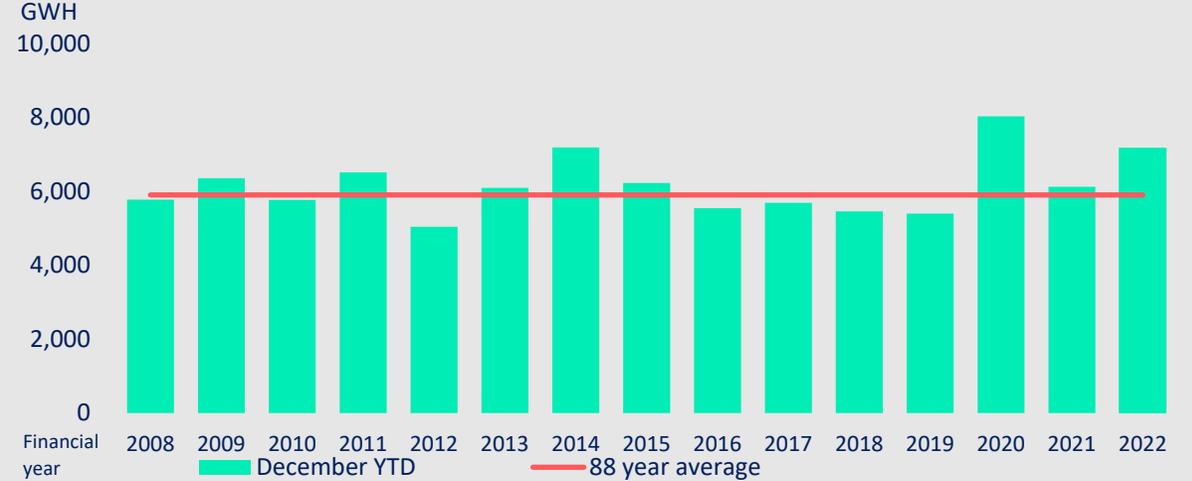
## Inflows

- 1H FY22 inflows were 122% of average
- January 2022 inflows were 41% of average

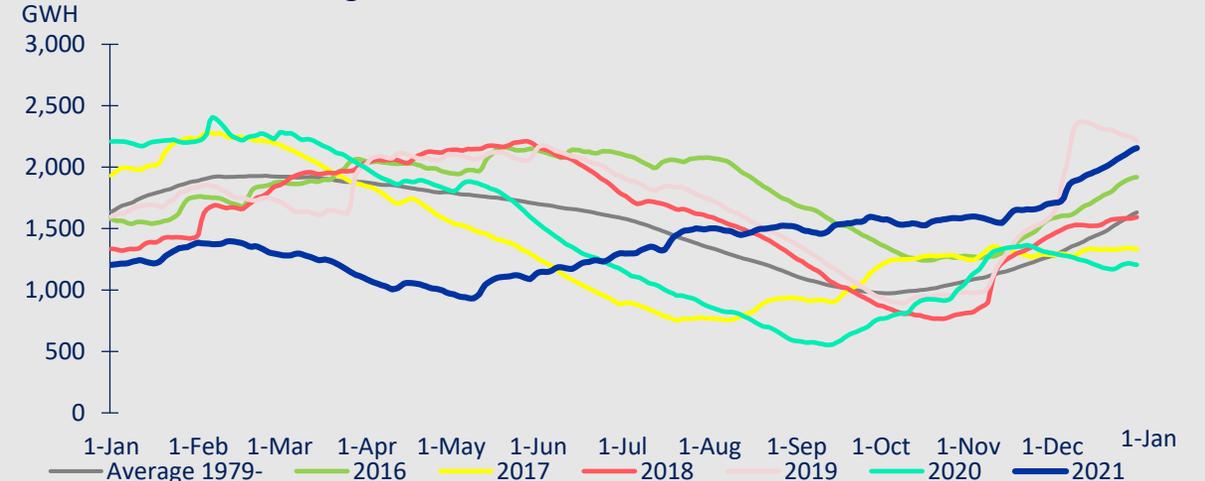
## Storage

- Meridian's Waitaki storage as of 31 December 2021 was 132% of average
- By 31 January 2022, this position was 99% of average

**Meridian's combined catchment inflows**



**Meridian's Waitaki storage**



# New Zealand generation

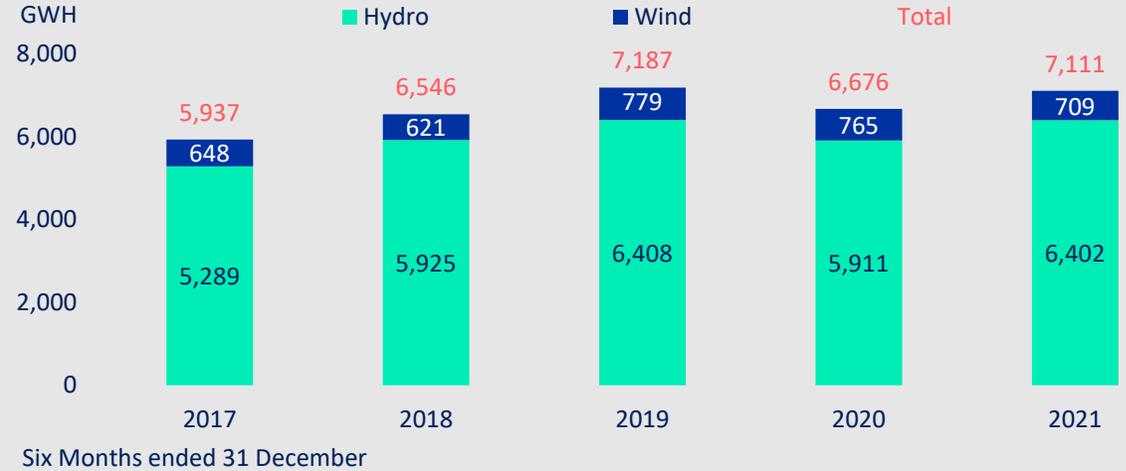
## Volume

- 1H FY22 generation was 7% higher than 1H FY21, with higher hydro and lower wind generation

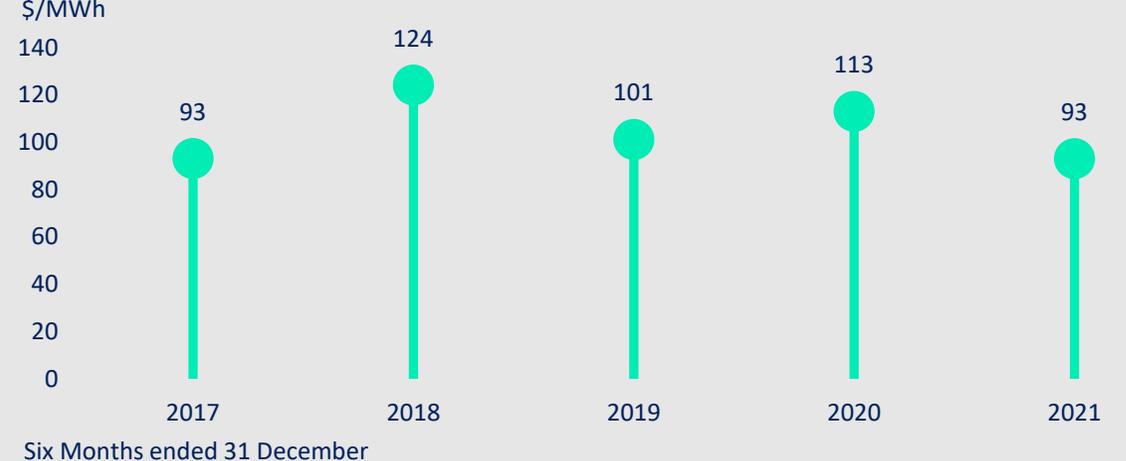
## Price

- 1H FY22 average price Meridian received for its generation was 18% lower than 1H FY21
- 1H FY21 average price Meridian paid to supply customers was 15% lower than 1H FY21

New Zealand generation



NZ average generation price



# Australian retail

## Customers

- 1% decrease in electricity customers since June 2021
- 8% growth in gas customers since June 2021

## Sales volume

- 6% growth in electricity sales volume in 1H FY22
- 7% growth in gas sales volume in 1H FY22

Australian customer connections



Australian retail sales volume



# Australian generation

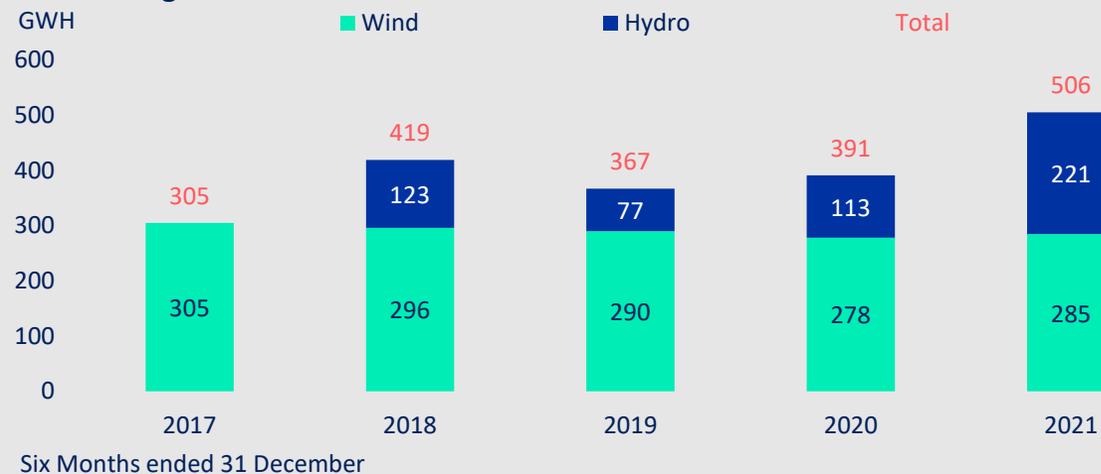
## Volume

- 1H FY22 wind generation was 2% higher than 1H FY21
- 1H FY22 hydro generation was 95% higher than 1H FY21

## Price

- 1H FY22 average price Meridian received for its wind generation was 10% lower than 1H FY21

Australian generation



Australian average wind generation price

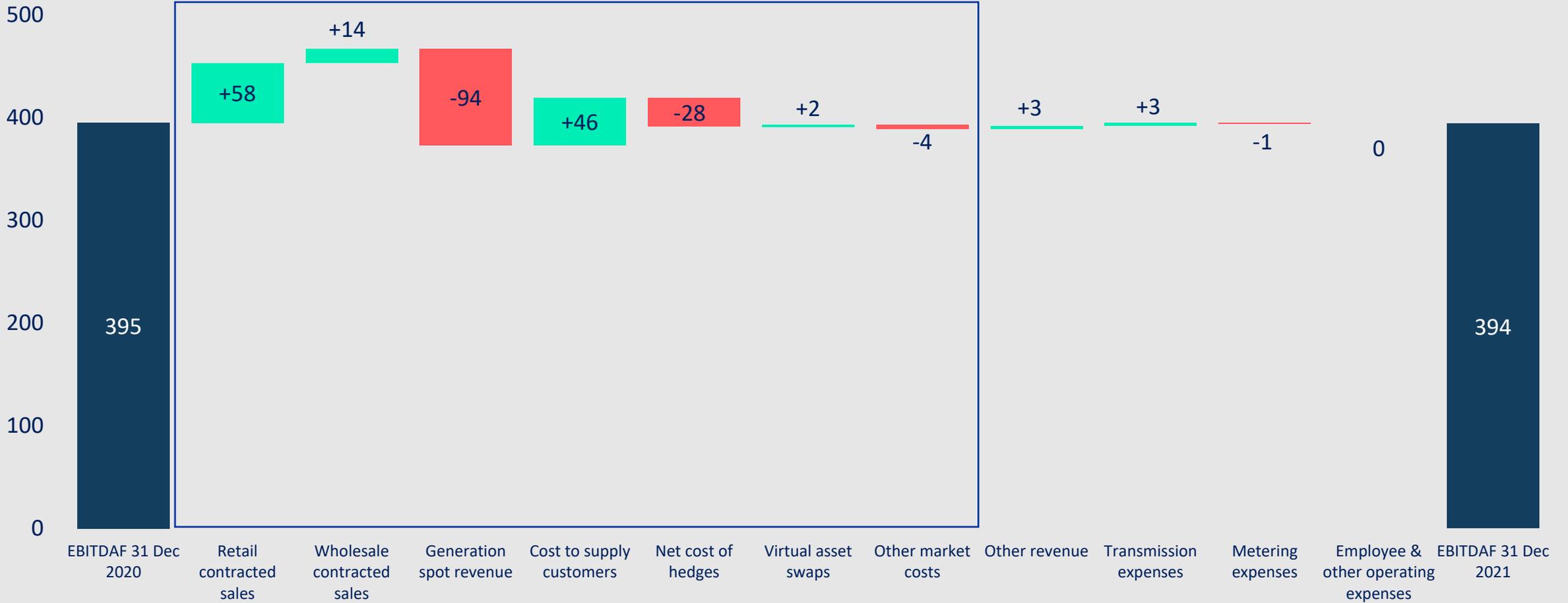


# 1H FY22 EBITDAF

## Movement in EBITDAF

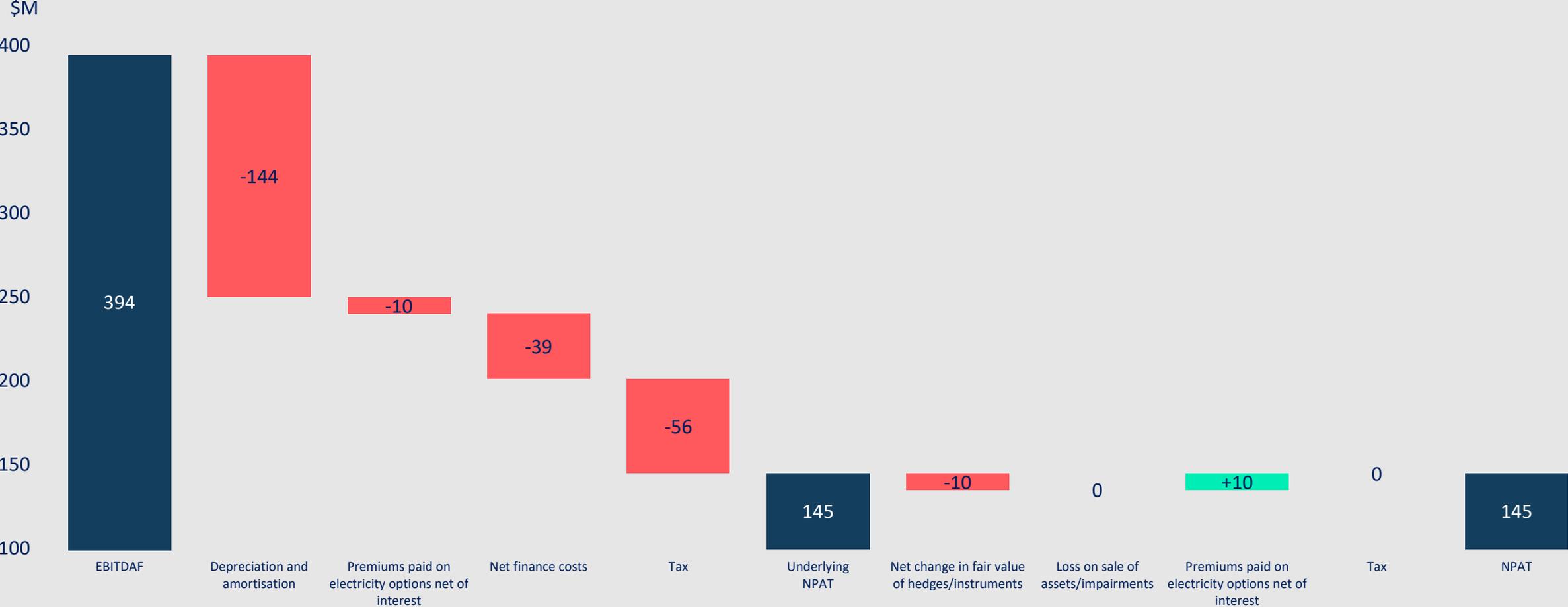
\$M

New Zealand energy margin -\$6M



# EBITDAF to NPAT

## 1H FY22 EBITDAF TO NPAT RECONCILIATION



# 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

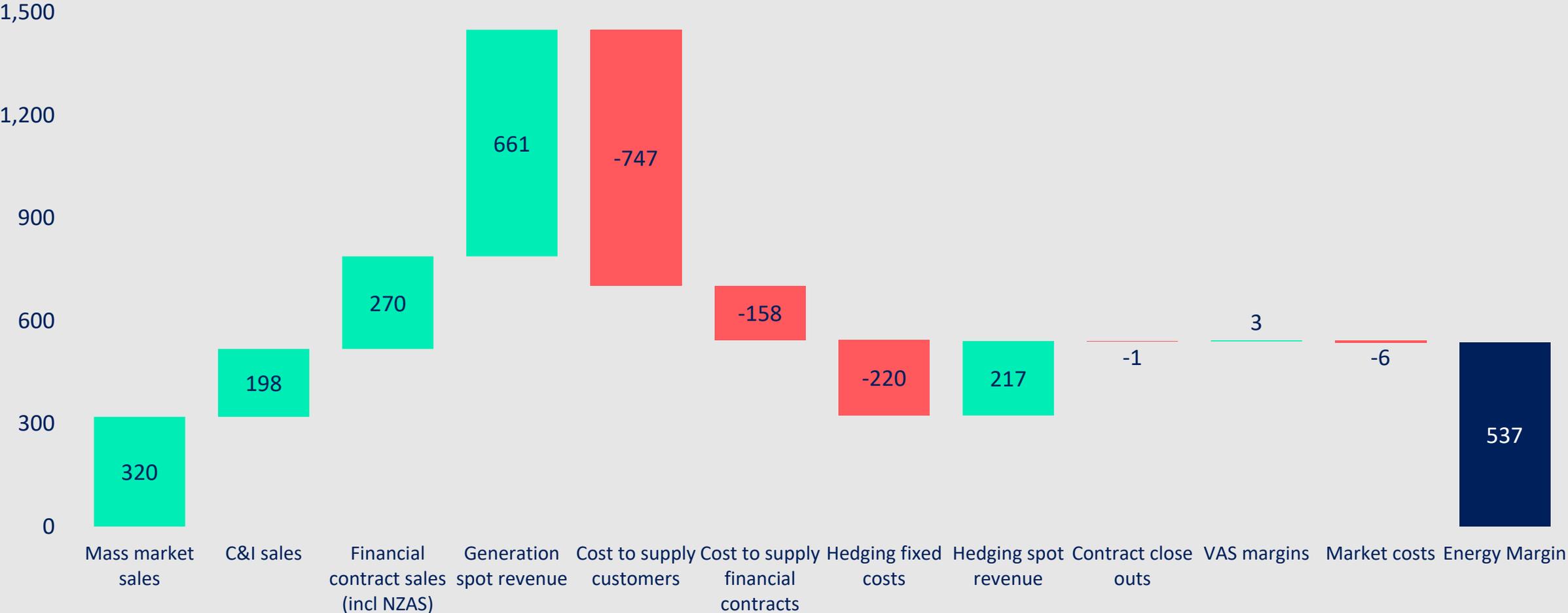
## Defined as

- 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



# New Zealand energy margin

## New Zealand energy margin movement

\$M

800

600

400

200

0

Energy Margin 31 Dec 20	Mass market 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 31 Dec 21
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543

+25

+33

+14

-94

+86

-40

-49

+12

+9

+2

-4

537

# New Zealand energy margin

	1H FY22			1H FY21		
	Volume	VWAP	NZD M	Volume	VWAP	NZD M
Mass market sales	2,569	\$125	320	2,435	\$121	295
Corporate and industrial sales	1,883	\$105	198	1,684	\$98	165
Retail contracted sales	4,452	\$116	518	4,119	\$112	460
NZAS sales	2,525			2,525		
Financial contract sales	1,590			1,000		
Wholesale contracted sales	4,116	\$66	270	3,526	\$73	256
Cost to supply retail customers	4,700	-\$113	(530)	4,331	-\$129	(557)
Cost to supply wholesale customers	2,525	-\$86	(217)	2,525	-\$110	(277)
Cost of financial contracts	1,590	-\$99	(158)	1,000	-\$118	(118)
Cost to supply customers and contracts	8,816	-\$103	(905)	7,857	-\$121	(951)
Hedging costs	1,978	-\$111	(220)	1,716	-\$100	(171)
Hedging spot revenue	1,978	\$110	217	1,716	\$120	206
Close-outs			(1)			(10)
Net cost of hedging			(4)			24
Hydro generation	5,911			5,912		
Wind generation	708			765		
Generation revenue	7,111	\$93	661	6,676	\$113	755
Virtual asset swap margins			3			1
Other			(6)			(2)
<b>Energy margin</b>			<b>537</b>			<b>543</b>

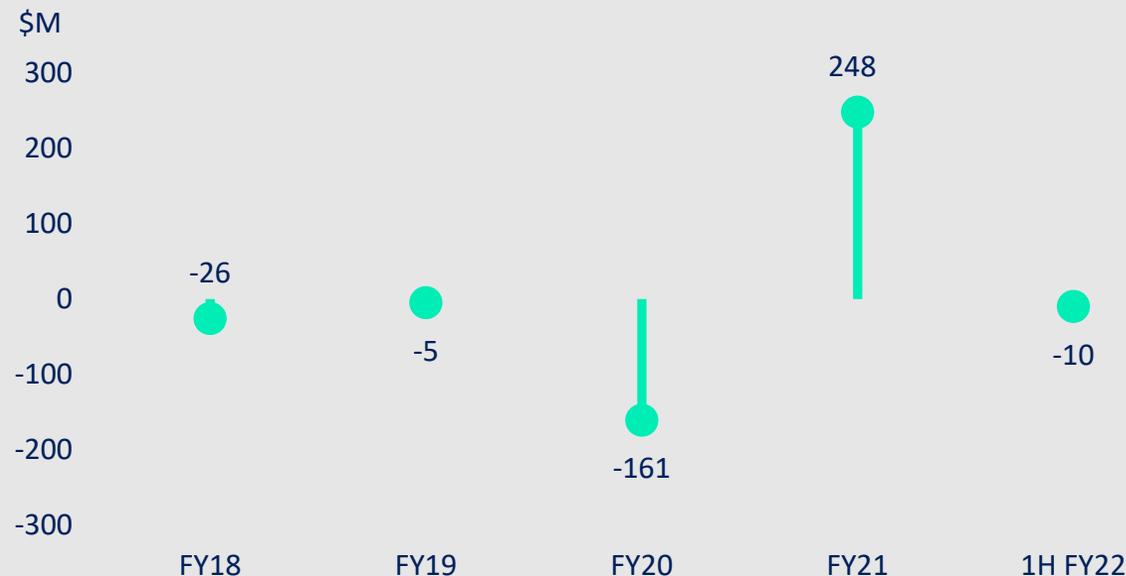
# Australian energy margin (AUD)

	1H FY22			1H FY21		
	Volume	VWAP	AUD M	Volume	VWAP	AUD M
Retail electricity sales, net of distribution	431	\$114	49	404	\$141	57
Retail gas sales, net of distribution	1,064	\$17	19	991	\$14	14
Financial contract sales	246	\$52	13	212	\$67	14
Contracted Sales			80			85
Cost to supply electricity customers	431	-\$95	-41	404	-\$69	-28
Cost to supply gas customers	1,064	-\$13	-14	991	-\$12	-12
Cost of financial contracts	246	-\$56	-14	212	-\$51	-11
Cost to supply customers and contracts			-69			-51
Hedging costs	179	-\$105	-19	163	-\$97	-16
Hedging spot revenue	179	\$108	19	163	\$55	9
Close-outs			0			0
Net cost of hedging			0			-7
Wind generation	285	\$68	19	278	\$75	21
Hydro generation	221	\$79	17	113	\$70	8
PPA generation received, net of costs	186	\$7	1	184	-\$6	-1
Generation revenue			38			28
Other			-1			-1
<b>Energy margin</b>			<b>49</b>			<b>55</b>

# 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
- \$68M decrease in NPBT from fair value of electricity hedges from changing forward electricity prices (\$73M increase in 1H FY21)
- \$58M increase in NPBT from fair value of treasury instruments (\$25M increase in 1H FY21)

Change in fair value of financial instruments



# Income statement

Six months ended 31 December

\$M

	2021	2020
New Zealand energy margin	537	543
Other revenue	14	11
Energy transmission expense	(38)	(41)
Electricity metering expenses	(21)	(20)
Employee and other operating expenses	(98)	(98)
<b>EBITDAF</b>	<b>394</b>	<b>395</b>
Depreciation and amortisation	(144)	(137)
Impairment of assets	-	-
Gain/(loss) on sale of assets	-	-
Net change in fair value of energy hedges	(68)	73
Net finance costs	(39)	(41)
Net change in fair value of treasury instruments	58	25
<b>Net profit before tax</b>	<b>201</b>	<b>315</b>
Income tax expense	(56)	(88)
<b>Net profit after tax from continuing operations</b>	<b>145</b>	<b>227</b>

# Underlying NPAT reconciliation

Six months ended 31 December	2021	2020
<b>\$M</b>		
Net profit after tax	145	227
Underlying adjustments		
<u>Hedging instruments</u>		
Net change in fair value of energy hedges	68	(73)
Net change in fair value of treasury instruments	(58)	(25)
Premiums paid on electricity options net of interest	(10)	(10)
<u>Assets</u>		
(Gain)/loss on sale of assets	-	-
Impairment of assets	-	-
Total adjustments before tax	-	(108)
<u>Taxation</u>		
Tax effect of above adjustments	-	30
<b>Underlying net profit after tax</b>	<b>145</b>	<b>149</b>

# Cash flow statement

Six months ended 31 December

\$M

	2021	2020
Receipts from customers	1,986	1,885
Payments to suppliers and employees	(1,629)	(1,523)
Interest paid	(40)	(41)
Income tax paid	(92)	(134)
<b>Operating cash flows</b>	<b>225</b>	<b>187</b>
Sale of property, plant and equipment	-	-
Sales of subsidiaries and other assets	-	-
Purchase of property, plant and equipment	(82)	(22)
Purchase of intangible assets and investments	(13)	(20)
<b>Investing cash flows</b>	<b>(95)</b>	<b>(42)</b>
Term borrowings drawn	182	97
Term borrowings repaid	(63)	(5)
Lease liabilities paid	(4)	(4)
Dividends	(222)	(287)
<b>Financing cash flows</b>	<b>(107)</b>	<b>(199)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>23</b>	<b>(54)</b>
Cash and cash equivalents at beginning of the six months	148	176
Adjustment for cash classified as assets held for sale	(19)	-
<b>Cash and cash equivalents at beginning of the six months</b>	<b>152</b>	<b>122</b>

# Balance sheet

Six months ended 31 December

	2021	2020
<b>\$M</b>		
Cash and cash equivalents	152	122
Trade receivables	303	303
Customer contract assets	15	25
Other current assets	156	203
Assets held for sale	729	
<b>Total current assets</b>	<b>1,355</b>	<b>653</b>
Property, plant and equipment	7,966	8,466
Intangible assets	80	76
Other non-current assets	241	189
<b>Total non-current assets</b>	<b>8,287</b>	<b>8,731</b>
Payables, accruals and employee entitlements	339	352
Customer contract liabilities	14	21
Current portion of term borrowings	269	271
Current portion of lease liabilities	4	7
Other current liabilities	78	86
Liabilities held for sale	197	
<b>Total current liabilities</b>	<b>901</b>	<b>737</b>
Term borrowings	1,530	1,408
Deferred tax	1,883	1,852
Lease liabilities	46	91
Other non-current liabilities	147	278
<b>Total non-current liabilities</b>	<b>3,606</b>	<b>3,629</b>
<b>Net assets</b>	<b>5,135</b>	<b>5,018</b>

# 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 <a href="http://www.emi.ea.govt.nz">www.emi.ea.govt.nz</a>
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](http://www.meridianenergy.co.nz/investors)

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