Meridian.

Financial Commentary.

Five-year performance

Group EBITDAF[1]

Financial year ended 30 June

Net profit after tax (NPAT)

Financial year ended 30 June

Underlying NPAT

Financial year ended 30 June

Operating cash flows

Financial year ended 30 June

Interim dividend declared

Six months ended 31 December

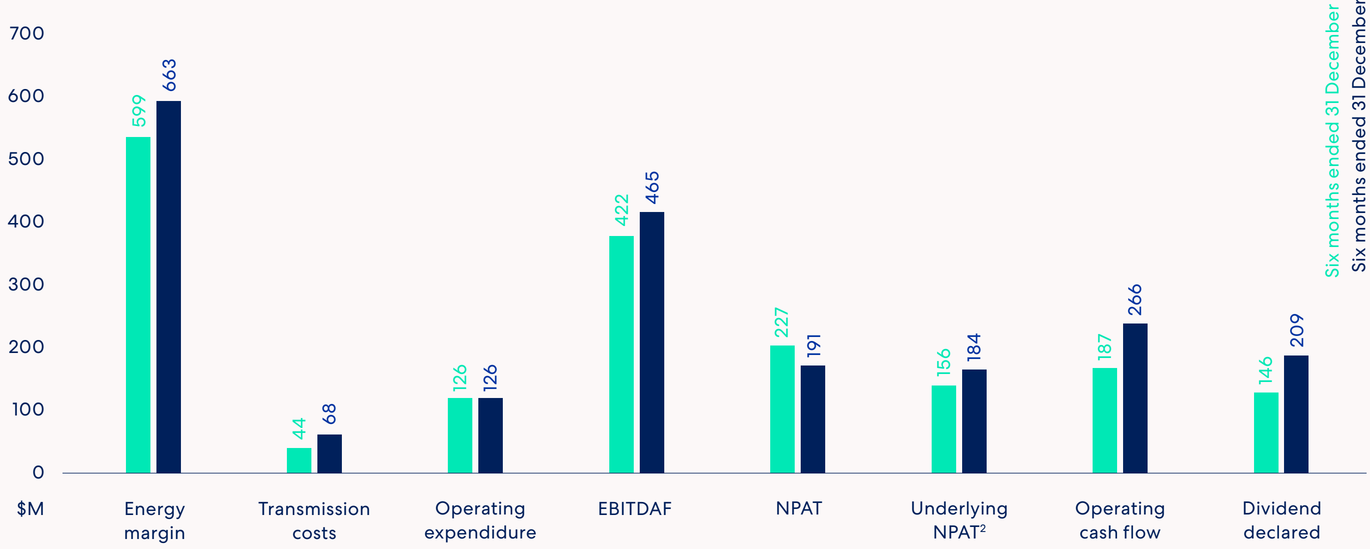
1. EBITDAF is a non-GAAP financial measure comprising of earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets.

Progress on strategy

	Champion	Optimise	Grow
Strategic theme	Competitive markets Sustainability Climate action	Trading and asset management Re-consenting Financing	Retail Generation Flux
Highlights	• Sustainability leadership • Lower real customer prices • Final Transmission Pricing Methodology (TPM) decision • Climate Change Commission (CCC) draft advice	• 2025 Waitaki re-consent progress • New Zealand Aluminium Smelter (NZAS) extended exit agreement • Green financing	• Growth in NZ and Australian retail businesses • Customer support during COVID-19 • Harapaki construction • New NSW wind option
Challenges	• Gas supply uncertainty • Speed of RMA reform and generation consenting • Dry-year support beyond current thermal fuels	• New South Island load beyond NZAS • Timing of thermal plant retirement	• Future COVID-19 uncertainty • Volatile Australian wholesale prices • E.ON's closure of Powershop UK

Overview

Financial performance against prior year



Meridian saw its earnings (EBITDAF) for the six months ended 31 December 2020 decrease by 9% compared to the prior corresponding period. Despite strong customer sales, lower hydro and wind generation saw New Zealand EBITDAF decrease by 8%. Our operations in Australia delivered 26% lower EBITDAF, as market prices decreased significantly.

Meridian has declared an interim ordinary dividend of 5.70 cents per share, consistent with the ordinary dividend from last financial year.

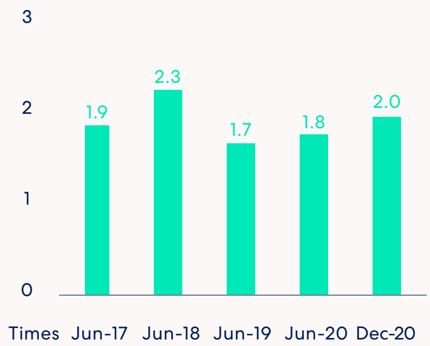
Meridian ceased its capital management programme in July 2020 and no further special dividends will be declared under that programme.

2. A non-GAAP measure representing net profit after tax adjusted for the effects of non-cash fair value movements and other one-off items.

Dividends declared

	1H FY21		1H FY20	
	cents per share	**imputation**	**cents per share**	**imputation**
Ordinary dividends	**5.70**	**86%**	5.70	86%
Capital management special dividends	**–**	**0%**	2.44	0%
Total	**5.70**		**8.14**	

Net debt/EBITDAF



Meridian's balance sheet remains in a strong position, with the company credit metrics below the bounds used by rating agency Standard & Poor's.

Cash flows

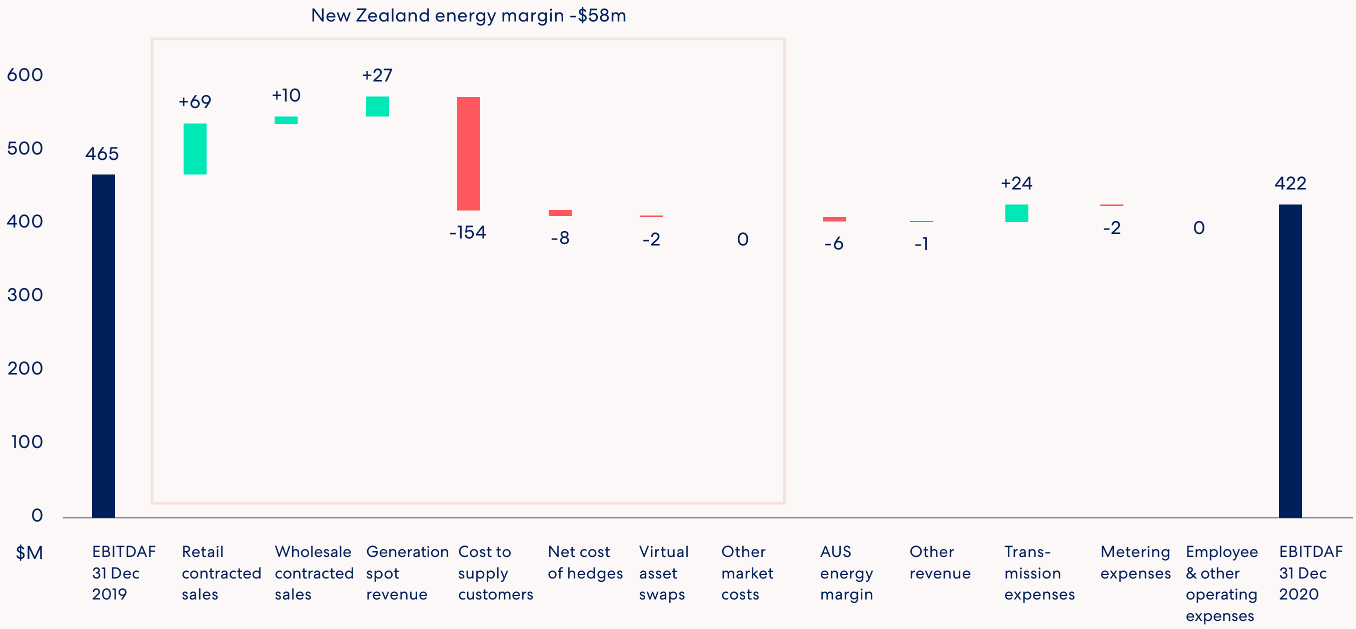
Operating cash flows were $187 million for 1H FY2021[3], $79 million (30%) lower than 1H FY2020[4], with lower EBITDAF and higher income tax paid.

Total capital expenditure in 1H FY2021 was $41 million, of which $20 million was stay-in-business capital expenditure.

3. The six months ended 31 December 2020.
4. The six months ended 31 December 2019.

Earnings

Movement in EBITDAF



EBITDAF was $422 million in 1H FY2021, $43 million (9%) lower than the same period last year.

New Zealand energy margin

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

$M		1H FY2021	1H FY2020
Retail contracted sales revenue	Revenue received from sales to retail customers net of distribution costs (fees to distribution network companies that cover the costs of the distribution of electricity to customers)	**460**	391
Wholesale contracted sales revenue	Sales to large industrial customers and fixed-price revenue from derivatives sold	**256**	246
Costs to supply customers	The volume of electricity purchased to cover contracted customer sales	**-951**	-797
Net hedging position	The fixed cost of derivatives used to manage market risk, net of the spot revenue recovered from those derivatives	**24**	32
Generation spot revenue	Revenue from the volume of electricity that Meridian generates	**754**	727
Net VAS revenue	The net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mercury New Zealand	**1**	3
Other	Other associated market revenue and costs including Electricity Authority levies and ancillary generation revenue (such as frequency keeping)	**-4**	-4
Total New Zealand energy margin		**540**	**598**

New Zealand energy margin was $540 million in 1H FY2021, $58 million (10%) lower than the same period last year. Meridian saw increases in customer numbers and sales volumes in all segments, with an 11% increase in mass market sales volumes and a 14% increase in corporate and industrial sales volumes.

The overall mass market sales price increased by 4% and the average corporate and industrial sales price increased by 6%.

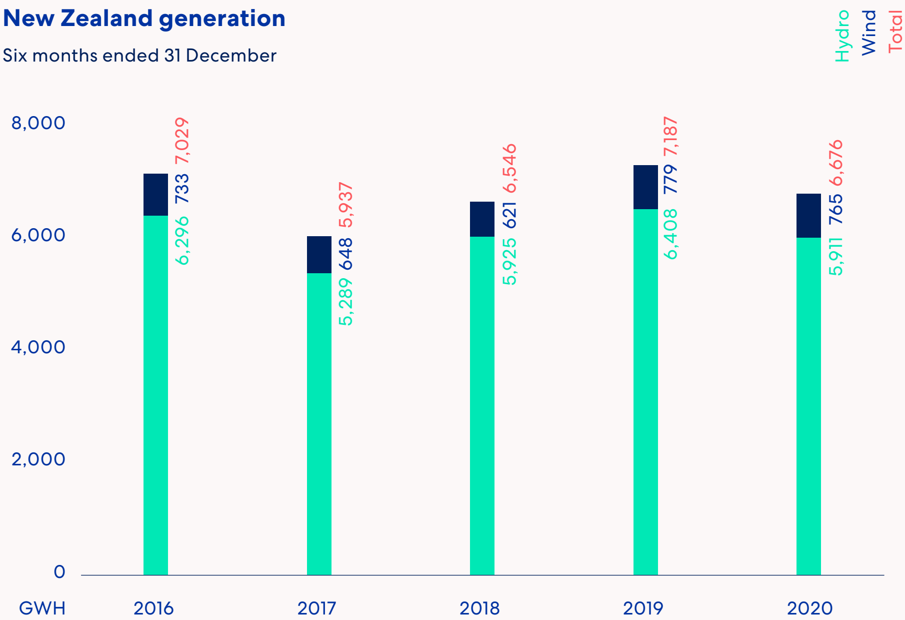
Wholesale contracted sales revenue was $10 million (4%) higher in 1H FY2021 than in the same period last year. Wholesale derivative sales volumes were 11% higher at higher average prices than the same period last year. Sales volumes to the Tīwai Point aluminium smelter were lower, largely reflecting the suspension of the smelter's fourth potline in April 2020.

The costs to supply customers increased by $154 million (19%) in 1H FY2021, with higher customer sales volumes in 1H FY2021 and the average price Meridian paid to supply customers increasing by 14%.

The net cost of hedging was $8 million lower in 1H FY2021 from a lower average net price and higher acquired generation volumes (93%) compared to the same period last year.

New Zealand generation

Six months ended 31 December



While inflows were above average across 1H FY2021, lower-than-average spring and early summer inflows resulted in generation volumes 7% lower than the same period last year. Average generation prices were 12% higher than the same period last year, resulting in generation revenue in 1H FY2021 being 4% higher than last year.

Australian energy margin

Australian energy margin was $59 million in 1H FY2021, $6 million (9%) lower than the same period last year. Powershop Australia's retail electricity sales volumes increased by 23% supported by strong customer gains; however, lower average prices and lower financial contract sales reduced retail contracted sales by 5%. Electricity customer numbers have increased by 4% and gas customers 8% since June 2020.

Lower wholesale prices drove a 39% decrease in generation spot revenue and a 32% decrease in the cost to supply customers.

Transmission and operating costs

Transmission costs were $44 million in 1H FY2021, $24 million (35%) lower than the same period last year, a result of lower HVDC charges from the Grid Owner.

Employee and other operating costs were $126 million in 1H FY2021, consistent with the same period last year.

Net profit after tax

NPAT was $227 million in 1H FY2021, $36 million (19%) higher than the same period last year. 1H FY2021 saw lower depreciation and amortisation ($4 million lower), with positive movements in the fair value of electricity hedges and treasury instruments.

These fair value movements relate to non-cash changes in the carrying value of derivative instruments and are influenced by changes in forward prices and rates on these derivative instruments.

Fair value movements in electricity hedges increased net profit before tax by $63 million in 1H FY2021, compared to a $6 million decrease in the same period last year, reflecting changes in forward electricity prices and the termination of a significant electricity contract.

Fair value movements in treasury instruments increased net profit before tax by $25 million in 1H FY2020, compared to a $6 million increase in the same period last year. Net financing costs fell slightly compared to the same period last year. Meridian has maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Income tax expense was $88 million in 1H FY2021, $14 million (19%) higher than the same period last year, reflecting higher NPAT.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's underlying NPAT (reconciliation on page 7) was $156 million in 1H FY2021. This was $28 million (15%) lower than the same period last year, largely as a result of lower EBITDAF.

Income statement

Six months ended 31 December

$M	2020	2019
New Zealand energy margin	**540**	598
Australia energy margin	**59**	65
Other revenue	**12**	13
Energy transmission expense	**(44)**	(68)
Energy metering expenses	**(19)**	(17)
Employee and other operating expenses	**(126)**	(126)
EBITDAF	**422**	**465**
Depreciation and amortisation	**(153)**	(157)
Impairment of assets	**–**	–
Gain/(loss) on sale of assets	**–**	–
Net change in fair value of electricity and other hedges	**63**	(6)
Net finance costs	**(42)**	(43)
Net change in fair value of treasury instruments	**25**	6
Net profit before tax	**315**	**265**
Income tax expense	**(88)**	(74)
Net profit after tax	**227**	**191**

Underlying NPAT

Six months ended 31 December

$M	2020	2019
Net profit after tax	**227**	191
Underlying adjustments	**–**	–
Hedging instruments		
Net change in fair value of electricity and other hedges	**(63)**	6
Net change in fair value of treasury instruments	**(25)**	(6)
Premiums paid on electricity options net of interest	**(10)**	(10)
Assets		
(Gain)/loss on sale of assets	**–**	–
Impairment of assets	**–**	–
Total adjustments before tax	**(98)**	(10)
Taxation		
Tax effect of above adjustments	**27**	3
Underlying net profit after tax	**156**	**184**