Meridian.

Generating change: Changing generation

Condensed Interim Financial Statements.

As at and for the six months to 31 December 2021.

Condensed Interim Financial Statements

Notes to the Condensed Interim Financial Statements

Income Statement

For the six months to 31 December 2021

	Note	Unaudited 2021 $M	Unaudited 2020 $M
Operating revenue	A2	**1,672**	1,690
Operating expenses	A3	**(1,278)**	(1,295)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		**394**	395
Depreciation and amortisation	B1, B2	**(144)**	(137)
Net change in fair value of energy hedges	D1	**(68)**	73
Operating profit		**182**	331
Finance costs	A3	**(39)**	(41)
Net change in fair value of treasury instruments	D1	**58**	25
Net profit before tax from continuing operations		**201**	315
Income tax expense	A4	**(56)**	(88)
Net profit after tax from continuing operations		**145**	227
Net profit / (loss) from discontinued operations after tax	S1	**(12)**	–
Net profit after tax attributed to the Shareholders of the parent company		**133**	227
Earnings per share (EPS) attributed to the shareholders of the parent company		Cents	Cents
Basic and diluted EPS from continuing operations	C2	**5.6**	8.9
Basic and diluted EPS	C2	**5.2**	8.9

The notes to the condensed interim financial statements form an integral part of these financial statements.

Comprehensive Income Statement

For the six months to 31 December 2021

	Unaudited 2021 $M	Unaudited 2020 $M
Net profit after tax	**133**	**227**
Other comprehensive income		
Net gain / (loss) on cash flow hedges	**9**	(6)
Exchange differences arising from translation of foreign operations	**(4)**	–
Income tax on the above items	**(3)**	2
Other comprehensive income for the period, net of tax	**2**	(4)
Total comprehensive income for the period, net of tax attributed to shareholders of the parent company	**135**	**223**

Balance Sheet

As at 31 December 2021

	Note	Unaudited 31 Dec 2021 $M	Unaudited 31 Dec 2020 $M	Audited 30 Jun 2021 $M
Current assets				
Cash and cash equivalents		**152**	122	148
Trade receivables		**303**	303	491
Customer contract assets		**15**	25	25
Financial instruments	D1	**121**	151	192
Assets held for sale	S1	**729**	–	–
Other assets		**35**	52	61
Total current assets		**1,355**	**653**	**917**
Non-current assets				
Property, plant and equipment	B1	**7,966**	8,466	8,598
Intangible assets	B2	**80**	76	84
Deferred tax		**–**	34	35
Financial instruments	D1	**241**	155	214
Other assets		**–**	–	8
Total non-current assets		**8,287**	**8,731**	**8,939**
Total assets		**9,642**	**9,384**	**9,856**

	Note	Unaudited 31 Dec 2021 $M	Unaudited 31 Dec 2020 $M	Audited 30 Jun 2021 $M
Current liabilities				
Payables and accruals		**326**	333	577
Employee entitlements		**13**	19	25
Customer contract liabilities		**14**	21	23
Current portion of term borrowings	C4	**269**	271	378
Current portion of lease liabilities	C4	**4**	7	7
Financial instruments	D1	**48**	57	63
Liabilities held for sale	S1	**197**	–	–
Current tax payable		**30**	29	37
Total current liabilities		**901**	**737**	**1,110**
Non-current liabilities				
Term borrowings	C4	**1,530**	1,408	1,298
Deferred tax		**1,883**	1,852	1,940
Provisions		**–**	18	23
Lease Liabilities	C4	**46**	91	90
Financial instruments	D1	**88**	214	131
Term payables		**59**	46	40
Total non-current liabilities		**3,606**	**3,629**	**3,522**
Total liabilities		**4,507**	**4,366**	**4,632**
Net assets		**5,135**	**5,018**	**5,224**
Shareholders' equity				
Share capital		**1,658**	1,598	1,595
Reserves		**3,477**	3,420	3,629
Total shareholders' equity		**5,135**	**5,018**	**5,224**

For and on behalf of the Board of Directors who authorised the issue of the condensed interim financial statements on 22 February 2022.

Mark Verbiest
Board Chair

Julia Hoare
Chair Audit & Risk Committee

The notes to the condensed interim financial statements form an integral part of these financial statements.

Changes in Equity

For the six months to 31 December 2021

$M

Audited	Note	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Shareholders equity
Balance at 1 July 2020		**1,598**	**1**	**5,053**	**(26)**	**(2)**	**(1,542)**	**5,082**
Net profit for the year		–	–	–	–	–	428	428
Other comprehensive income								
Asset revaluation		–	–	202	–	–	–	202
Transfer to retained earnings on disposal		–	–	1	–	–	(1)	–
Net gain (loss) on cash flow hedges		–	–	–	–	6	–	6
Exchange differences from translation of foreign operations		–	–	–	2	–	–	2
Income tax relating to other comprehensive income		–	–	(58)	–	(2)	–	(60)
Total other comprehensive income, net of tax		**–**	**–**	**145**	**2**	**4**	**(1)**	**150**
Total comprehensive income for the year, net of tax		**–**	**–**	**145**	**2**	**4**	**427**	**578**
Share-based transactions		(3)	–	–	–	–	–	(3)
Dividends paid	C3	–	–	–	–	–	(433)	(433)
Balance at 30 June 2021 and 1 July 2021		**1,595**	**1**	**5,198**	**(24)**	**2**	**(1,548)**	**5,224**
Unaudited								
Net profit for the period		–	–	–	–	–	133	133
Other comprehensive income								
Net gain (loss) on cash flow hedges		–	–	–	–	9	–	9
Exchange differences from translation of foreign operations		–	–	–	(4)	–	–	(4)
Income tax relating to other comprehensive income		–	–	–	–	(3)	–	(3)
Total other comprehensive income, net of tax		**–**	**–**	**–**	**(4)**	**6**	**–**	**2**
Total comprehensive income for the period, net of tax		**–**	**–**	**–**	**(4)**	**6**	**133**	**135**
Share-based transactions		(2)	–	–	–	–	–	(2)
Dividend reinvestment plan	S2, C3	65	–	–	–	–	–	65
Dividends paid	C3	–	–	–	–	–	(287)	(287)
Balance at 31 December 2021		**1,658**	**1**	**5,198**	**(28)**	**8**	**(1,702)**	**5,135**
Unaudited								
Balance at 1 July 2020		**1,598**	**1**	**5,053**	**(26)**	**(2)**	**(1,542)**	**5,082**
Net profit for the period		–	–	–	–	–	227	227
Other comprehensive income								
Net gain (loss) on cash flow hedges		–	–	–	–	(6)	–	(6)
Income tax relating to other comprehensive income		–	–	–	–	2	–	2
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Total comprehensive income for the period, net of tax		**–**	**–**	**–**	**–**	**(4)**	**227**	**223**
Dividends paid	C3	–	–	–	–	–	(287)	(287)
Balance at 31 December 2020		**1,598**	**1**	**5,053**	**(26)**	**(6)**	**(1,602)**	**5,018**

The notes to the condensed interim financial statements form an integral part of these financial statements.

Cash Flows

For the six months to 31 December 2021

	Note	Unaudited 2021 $M	Unaudited 2020 $M
Operating activities			
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)
Operating cash flows		**225**	187
Investing activities			
Purchase of property, plant and equipment		**(82)**	(22)
Purchase of intangible assets		**(13)**	(20)
Investing cash flows		**(95)**	(42)
Financing activities			
Term borrowings drawn	C4	**182**	97
Term borrowings repaid	C4	**(63)**	(5)
Lease Liabilities paid	C4	**(4)**	(4)
Dividends	C3	**(222)**	(287)
Financing cash flows		**(107)**	(199)
Net increase / (decrease) in cash and cash equivalents		**23**	**(54)**
Cash and cash equivalents at beginning of the six months		**148**	176
Adjustment for cash classified as assets held for sale	S1	**(19)**	–
Cash and cash equivalents at end of the six months		**152**	**122**

The notes to the condensed interim financial statements form an integral part of these financial statements.

About this report

In this section.

The summary notes to the condensed interim financial statements include information which is considered relevant and material to assist the reader in understanding changes in Meridian's financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Meridian;
- it helps to explain changes in Meridian's business; or
- it relates to an aspect of Meridian's operations that is important to future performance.

Meridian Energy Limited is a for-profit entity domiciled and registered under the Companies Act 1993 in New Zealand. It is a FMC reporting entity for the purposes of the Financial Markets Conduct (FMC) Act 2013. Meridian's core business activities are the generation, trading and retailing of electricity and the sale of complementary products and services. The registered office of Meridian is 55 Lady Elizabeth Lane, Wellington. Meridian Energy Limited is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). As a Mixed Ownership Company, majority owned by Her Majesty the Queen in Right of New Zealand, it is bound by the requirements of the Public Finance Act 1989.

These unaudited condensed interim financial statements for the six months ended 31 December 2021 have been prepared:

- using Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as appropriate for interim financial statements, accounting policies consistent with International Financial Reporting Standards (IFRS) and the New Zealand equivalents (NZ IFRS) and in accordance with IAS 34: Interim Financial Reporting and NZ IAS 34: Interim Financial Reporting, as appropriate for a for-profit entity;
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost, modified by revaluation of certain assets and liabilities; and
- in New Zealand dollars (NZD). The principal functional currency of international subsidiaries is Australian dollars. The closing rate at 31 December 2021 was 0.9401 (December 2020: 0.9339, 30 June 2021: 0.9311).

All values are rounded to millions ($M) unless otherwise stated.

Accounting policies

The accounting policies, methods of computation and classification set out in the Group financial statements for the year ended 30 June 2021 have been applied consistently to all periods presented in the condensed interim financial statements, except as noted below.

Judgements and estimates

The basis of key judgements and estimates have not changed from those used in preparing the financial statements for the year ended 30 June 2021.

Basis of consolidation

The condensed interim Group financial statements comprise the financial statements of Meridian Energy Limited and its subsidiaries and controlled entities.

Assets and disposal groups held for sale

Assets and disposal groups classified as held for sale (HFS) are measured at the lower of carrying amount or fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset (of disposal group) is available for immediate sale in its present condition and the sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

On the balance sheet, HFS assets and liabilities are shown as separate line items under current assets and current liabilities. No adjustment is made to the prior period balance sheet figures or classifications.

Discontinued operations

Classification as a discontinued operation occurs on disposal, or when the operation meets the criteria to be classified as a non-current asset or disposal group HFS (see above), if earlier, and represents a separate major line of business or geographical area of operations. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year. The comparative balance sheet is not adjusted. In the cash flow statement, neither current or comparative period are adjusted.

Significant matters in the six months

In this section.

Significant matters which have impacted Meridian's financial performance.

S1 Meridian Energy Australia

In June 2021, Meridian announced that it had begun a review of its ownership of Meridian Energy Australia (MEA) and was considering all options, including partial or full divestment. On 20 August 2021, Meridian deemed that MEA was HFS.

On 22 November 2021, Meridian announced that an agreement had been reached with a consortium, comprised of Shell Energy Operations Pty Ltd and Infrastructure Capital Group, to purchase the MEA business for consideration of A$729m, subject to possible adjustment depending on timing of completion, with this expected to occur in the first quarter of 2022. Completion has now occurred, refer to Section E and the post balance date events note for further details.

As the carrying amount of Meridian's investment in MEA is to be recovered through a sale transaction, the investment in MEA has been classified as HFS and a discontinued operation at 31 December 2021. The comparative consolidated statement of comprehensive income and respective notes have been re-presented to show the discontinued operation separately from continuing operations.

As at 22 November 2021, the expected sales proceeds less costs to sell are higher than the carrying amount and as a result no adjustment has been made to the carrying value of Meridian's investment in MEA.

Six months ended 31 December

Results of discontinued operation	2021 $M	2020 $M
Operating revenue	**184**	180
Operating expenses	**(160)**	(152)
Net result from operating activities	**24**	**28**
Depreciation and amortisation	**(6)**	(16)
Gain / (loss) on sale of investment	**(12)**	–
Net change in fair value of energy hedges	**(16)**	(10)
Operating profit / (loss)	**(10)**	**2**
Finance costs	**(2)**	(2)
Net change in fair value of treasury hedges	**–**	–
Net profit / (loss) before tax	**(12)**	**–**
Tax expense	**–**	–
Net profit / (loss) from discontinued operations after tax	**(12)**	**–**
Basic and diluted earnings per share (cents per share)	**–**	–
Current assets	**729**	663
Current liabilities	**197**	168
Net assets of discontinued operation	**532**	**495**
Cash flows from / (used in) discontinued operation		
Net cash from / (used in) operating activities	**12**	1
Net cash from / (used in) investing activities	**(8)**	(9)
Net cash from / (used in) financing activities	**–**	(46)
Net cash flows of discontinued activity	**4**	**(54)**

Significant matters in the six months continued

Effect of reclassification of the disposal group on the financial position of the Group	At 31 December 2021 $M
Cash and cash equivalents	(19)
Trade receivables	(34)
Customer contract assets	(11)
Financial instruments (assets)	(40)
Other assets	(15)
Property, plant & equipment	(570)
Intangible assets	(6)
Deferred tax (asset)	(34)
Payables and accruals	49
Employee entitlements	2
Customer contract liabilities	9
Term borrowings	–
Lease liabilities	44
Financial instruments (liabilities)	41
Current tax payable	–
Deferred tax (liability)	31
Provisions	21
Term payables	–
Net reclassification of (assets) and liabilities	**(532)**

The effect of the reclassification of the discontinued operation on the financial position of Meridian is to transfer the carrying value of the individual assets and liabilities that relate to MEA to assets and liabilities held for sale at 31 December 2021.

S2 Dividend reinvestment plan

In March 2021, the Meridian Board approved the creation of a Dividend Reinvestment Plan (DRP), with program details later released in August 2021. The DRP was available for use on the FY21 final dividend, which was paid to shareholders on 15 October 2021.

Under the DRP, Meridian shareholders can elect to receive Meridian shares in lieu of cash for all or part of their dividend. Of the final dividend paid in October 2021, $65m was settled under the DRP by the issuance of 13,400,114 new Meridian shares. New shares are issued at the prevailing market price around the time of issue, which may be subject to a small discount (at the Meridian Board's discretion). A 2% discount was approved in relation to the DRP for October 2021.

Further details on the DRP can be found at **www.meridianenergy.co.nz/investors/dividend#Dividend-reinvestment-plan**.

Significant matters in the six months continued

In this section.

This section outlines significant matters which have impacted Meridian's financial performance and an explanation of non-GAAP measures used within the notes to the condensed interim financial statements.

Hydro Inflows

After starting the financial year at low levels, there was a recovery in Lake Pūkaki storage during July. This trend continued through to October, as the Waitaki experienced one of the wetter winter quarters in our historical record. Snow began to melt in October and there were significant inflow events in November and December, leading us to end the calendar year with close to maximum storage in Lake Pūkaki.

The Waiau Lakes also experienced above average inflows from July to September. Spill began there in September and continued into October. Lake Manapōuri and Te Anau were within their main ranges for November and December.

COVID-19

In light of the continuing uncertainty around the economy, Meridian continues to hold a higher provision for credit losses in the short to medium term. Meridian will continue to assess the level of the provision at each reporting date to ensure it reflects current economic conditions.

Meridian has also considered the potential impact of COVID-19 as part of our key assumptions when valuing our property, plant and equipment and financial instruments. However, there was no impact when taking this into consideration. Refer to Notes B1 Property, plant & equipment and D1 Financial instruments for further detail.

Non-GAAP measures

Meridian refers to non-GAAP financial measures within these condensed interim financial statements and accompanying notes. The limited use of non-GAAP measures is intended to supplement GAAP measures to provide readers with further information to broaden their understanding of Meridian's financial performance and position. They are not a substitute for GAAP measures.

As these measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards, Meridian's calculations may differ from similarly titled measures presented by other companies. The measures are described below, including page references for reconciliations to the condensed interim financial statements.

EBITDAF

Earnings before interest, tax, depreciation, amortisation, change in fair value of hedges, impairments and gains and losses on sale of assets.

EBITDAF is reported in the income statement allowing the evaluation of Meridian's operating performance without the non-cash impact of depreciation, amortisation, fair value movements of hedging instruments and other one-off or infrequently occurring events and the effects of Meridian's capital structure and tax position. This allows a better comparison of operating performance with that of other electricity industry companies than GAAP measures which include these items.

Energy margin

Energy margin provides a measure of financial performance that, unlike total revenue, accounts for the variability of wholesale energy markets and the broadly offsetting impact of the wholesale prices on the cost of Meridian's energy purchases and revenue from generation. Meridian uses the measure of energy margin within its segmental financial performance in Note A1 Segment performance.

Net debt

Net debt is a metric commonly used by investors as a measure of Meridian's indebtedness that takes account of liquid financial assets. Meridian uses this measure within its capital management and this is outlined in Note C1 Capital management.

A

Financial performance

In this section.

This section explains the financial performance of Meridian, providing additional information about individual items in the income statement, including:

a. accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statement; and

b. analysis of Meridian's performance for the six months by reference to key areas including: performance by operating segment, revenue, expenses and taxation.

A1 Segment performance

The Chief Executive monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

The Chief Executive considers the business according to the nature of the products and services and the location of operations, as set out below:

New Zealand wholesale

- Generation of electricity and its sale into the New Zealand wholesale electricity market.
- Purchase of electricity from the wholesale electricity market and its sale to the New Zealand Retail segment and to large industrial customers, including NZAS representing the equivalent of 36% (31 December 2020: 38%) of Meridian's New Zealand generation production.
- Development of renewable electricity generation opportunities in New Zealand.

New Zealand retail

- Retailing of electricity and complementary products through two brands (Meridian and Powershop) in New Zealand.
- Electricity sold to residential, business and industrial customers on fixed price variable volume contracts is purchased from the Wholesale segment at an average annual fixed price of $93 per megawatt hour (MWh) and electricity sold to business and industrial customers on spot (variable price) agreements is purchased from the Wholesale segment at prevailing wholesale spot market prices.
- Agency margin from spot sales is included within "Contracted sales, net of distribution costs".
- Meridian provides front line customer and back office services for Powershop Australia. Revenue of $2m has been recorded in 'Other revenue' and is eliminated on Group consolidation.

Australia

- Generation of energy from Meridian's two wind farms, three hydro power stations and acquired under power purchase agreements, for sale into the Australian wholesale electricity market.
- Retailing of electricity and gas, mainly through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.
- As noted in the Significant Matters section, the Australia segment is now shown as HFS and a discontinued operation.

Other and unallocated

- Other operations, that are not considered reportable segments, including licensing of the Flux developed electricity and gas retailing platform.
- Activities and centrally based costs that are not directly allocated to other segments.

The financial performance of the operating segments is assessed using energy margin and EBITDAF (see page 10 for a definition of these measures) before unallocated central corporate expenses. Balance sheet items are not reported to the Chief Executive at an operating segment level.

A1 Segment performance continued

For the six months to 31 December	NZ Wholesale 2021 $M	NZ Wholesale 2020 $M	NZ Retail 2021 $M	NZ Retail 2020 $M	Australia 2021 $M	Australia 2020 $M	Other and Unallocated 2021 $M	Other and Unallocated 2020 $M	Inter-segment and discontinued operations 2021 $M	Inter-segment and discontinued operations 2020 $M	Group 2021 $M	Group 2020 $M
Contracted sales, net of distribution costs	**270**	256	**518**	460	**85**	92	**–**	–	**(85)**	(92)	**788**	716
Costs to supply customers	**(937)**	(998)	**(422)**	(370)	**(73)**	(54)	**–**	–	**527**	471	**(905)**	(951)
Net cost of hedging	**(4)**	24	**–**	–	**1**	(8)	**–**	–	**(1)**	8	**(4)**	24
Generation spot revenue	**661**	755	**–**	–	**40**	30	**–**	–	**(40)**	(30)	**661**	755
Inter-segment electricity sales	**454**	417	**–**	–	**–**	–	**–**	–	**(454)**	(417)	**–**	–
Virtual asset swap margins	**3**	1	**–**	–	**–**	–	**–**	–	**–**	–	**3**	1
Other market revenue/(costs)	**(6)**	(4)	**–**	–	**(1)**	(1)	**–**	–	**1**	3	**(6)**	(2)
Energy Margin	**441**	**451**	**96**	**90**	**52**	**59**	**–**	**–**	**(52)**	**(57)**	**537**	**543**
Other Revenue	**1**	1	**7**	7	**1**	1	**23**	23	**(18)**	(21)	**14**	11
Dividend Revenue	**–**	–	**–**	–	**–**	–	**–**	46	**–**	(46)	**–**	–
Energy transmission expense	**(38)**	(41)	**–**	–	**(3)**	(3)	**–**	–	**3**	3	**(38)**	(41)
Energy metering expenses	**–**	–	**(21)**	(20)	**–**	–	**–**	–	**–**	–	**(21)**	(20)
Gross Margin	**404**	**411**	**82**	**77**	**50**	**57**	**23**	**69**	(67)	(121)	**492**	**493**
Employee expenses	**(12)**	(16)	**(16)**	(16)	**(8)**	(7)	**(17)**	(15)	**8**	7	**(45)**	(47)
Other operating expenses	**(29)**	(28)	**(17)**	(17)	**(18)**	(22)	**(15)**	(13)	**26**	29	**(53)**	(51)
EBITDAF	**363**	**367**	**49**	**44**	**24**	**28**	**(9)**	**41**	(33)	(85)	**394**	**395**
Depreciation and amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(144)**	(137)
Net change in fair value of electricity and other hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(68)**	73
Operating profit	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**182**	331
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(39)**	(41)
Net change in fair value of treasury instruments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**58**	25
Net profit before tax from continuing operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**201**	**315**
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(56)**	(88)
Net profit after tax from continuing operations	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**145**	227
Net profit / (loss) from discontinued operations after tax											**(12)**	–
Net profit after tax attributed to the shareholders of the parent company											**133**	**227**
Reconciliation of energy margin												
Electricity sales revenue, net of hedging	**1,229**	1,295	**883**	800	**183**	179	**–**	–	**(637)**	(595)	**1,658**	1,679
Electricity expenses, net of hedging	**(788)**	(844)	**(460)**	(421)	**(76)**	(66)	**–**	–	**530**	484	**(794)**	(847)
Electricity distribution expenses	**–**	–	**(327)**	(289)	**(55)**	(54)	**–**	–	**55**	54	**(327)**	(289)
Energy margin	**441**	**451**	**96**	**90**	**52**	**59**	**–**	**–**	(52)	(57)	**537**	**543**

The Australia segment is classified as HFS and treated as a discontinued operation as at 31 December 2021.

A2 Income

Six months ended 31 December	Unaudited	Unaudited
Operating revenue	**2021 $M**	**2020 $M**
Energy sales to customers	**971**	948
Generation revenue net of hedging	**687**	731
Energy related services revenue	**5**	4
Other revenue	**9**	7
	1,672	**1,690**

Total revenue by geographic area		
New Zealand	**1,664**	1,684
United Kingdom	**8**	6
Total operating revenue	**1,672**	**1,690**

Operating revenue

Energy sales to customers

Revenue received or receivable from residential, business and industrial customers. This revenue is influenced by customer contract sales prices and their demand for energy.

Generation revenue, net of hedging

Revenue received from:

- energy generated and sold into the wholesale markets; and
- the net settlement of energy hedges sold on futures markets, and to generators, retailers and industrial customers.

This revenue is influenced by the quantity of generation and the wholesale spot price and is recognised at the time of generation or hedge settlement.

A3 Expenses

Six months ended 31 December	Unaudited	Unaudited
Operating expenses	**2021 $M**	**2020 $M**
Energy expenses, net of hedging	**794**	847
Energy distribution expenses	**327**	289
Energy transmission expenses	**38**	41
Energy metering expense	**21**	20
Employee expenses	**45**	47
Other expenses	**53**	51
	1,278	**1,295**

Finance costs		
Interest on borrowings	**41**	39
Interest on option premiums	**–**	1
Interest on lease liabilities	**1**	1
Less capitalised interest	**(3)**	–
	39	**41**

Energy expenses, net of hedging

The cost of:

- energy purchased from wholesale markets to supply customers;
- the net settlement of buy-side energy hedges; and
- related charges and services.

Energy expenses are influenced by quantity and timing of customer consumption and the wholesale spot price.

Energy distribution expenses

The cost of distribution companies transporting energy between where it is transmitted/stored and customers' properties.

Energy transmission expenses

Meridian's share of the cost of the high voltage direct current (HVDC) link between the North and South Islands of New Zealand and the cost of connecting Meridian's generation sites to the national grid by grid providers.

Employee expenses

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement.

The current period includes the release of a $7m provision. This related to a Ministry of Business, Innovation and Employment review of Meridian's approach to application of the Holidays Act (2003). It had previously been assessed that liability was probable and therefore a provision was created. However, recent legal cases have meant this position has reversed, that Meridian's application of the Holidays Act (2003) is appropriate, and that further liability is highly unlikely.

Finance costs – capitalised interest

In the six month ending 31 December 2021, Meridian commenced capitalisation of interest costs relating to the build of the Harapaki wind farm.

A

A4 Taxation

Six months ended 31 December **Income tax expense**	Unaudited 2021 $M	Unaudited 2020 $M
Current income tax charge	**85**	85
Deferred tax	**(29)**	3
Income tax expense	**56**	**88**
Reconciliation to profit before tax		
Profit before tax	**201**	315
Income tax at applicable rates	**56**	88
Expenditure not deductible for tax	**–**	–
Income tax expense	**56**	**88**

Income tax expense

Income tax expense is the income tax assessed on taxable profit for the period. Taxable profit differs from profit before tax reported in the income statement as it excludes items of income and expense that are taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Meridian's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at balance date, being 28% for New Zealand and 30% for Australia.

Income tax expense components are current income tax and deferred tax.

B

Assets used to generate and sell electricity

In this section.

This section shows the assets Meridian uses in the production and sale of electricity to generate operating revenues. In this section of the summary notes there is information about:

a. property, plant and equipment, and

b. intangible assets

Recognition and measurement

Generation structures and plant assets (including land and buildings) are held on the balance sheet at their fair value at the date of revaluation, less any subsequent depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Fair value and revaluation of generation structures and plant

Within Property, plant & equipment, generation structures and plant are carried at fair value for financial reporting purposes. Revaluations are performed with sufficient regularity to ensure that carrying value does not differ materially from that which would be determined using fair values at balance date.

Meridian continues to use an income approach in calculating the fair value of generation structures and plant. Meridian uses a discounted cash flow (DCF) approach to determine a fair value range.

A review and assessment of key inputs included in the valuation of generation structures and plant has been undertaken as at 31 December 2021, indicating that there has been no material change in fair value.

The value of our generation structures and plant is sensitive to movements in fair value as a result of a change in each valuation input, the nature of these sensitivities has not significantly changed since 30 June 2021.

Capital Commitments

As at 31 December 2021 Meridian Energy Limited has capital commitments of $286m (30 June 2021: $329m).

B1 Property, plant and equipment

Position as at	Note	Unaudited 31 Dec 2021 $M	Unaudited 31 Dec 2020 $M	Audited 30 Jun 2021 $M
Opening net book value		**8,598**	8,594	8,594
Additions		**80**	19	80
Transfers to Held For Sale	S1	**(570)**	–	–
Disposals		**(1)**	(1)	(9)
Decomissioning asset – remeasurement		**–**	–	11
Adjustment of Right of Use assets		**–**	(4)	1
Foreign currency exchange rate movements		**(6)**	2	4
Generation structures and plant revaluation:				
– revaluation reserve		**–**	–	202
Depreciation expense[1]		**(135)**	(144)	(285)
Closing net book value		**7,966**	**8,466**	**8,598**

B2 Intangible assets

Position as at	Note	Unaudited 31 Dec 2021 $M	Unaudited 31 Dec 2020 $M	Audited 30 Jun 2021 $M
Opening Net Book value		**84**	65	64
Additions		**11**	20	40
Expensed to income statement		**–**	–	(2)
Amortisation expense[1]		**(9)**	(9)	(18)
Transfers to Held For Sale	S1	**(6)**	–	–
Closing net book value		**80**	**76**	**84**

1. Depreciation and amortisation expense for the six months ended 31 December 2020 does not match the Income Statement, due to the re-presenting of the Income Statement for the MEA discontinued operation.

C
Managing funding

In this section.

This section explains how Meridian manages its capital structure and working capital, the various funding sources, and how dividends are returned to shareholders. In this section of the summary notes there is information about equity and dividends.

C1 Capital management

Capital risk management objectives

Meridian's objective when managing capital is to provide appropriate returns to shareholders whilst maintaining a capital structure that safeguards its ability to remain a going concern and optimises the cost of capital.

Capital is defined as the combination of shareholders' equity, reserves and net debt.

Meridian manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- raising or returning capital; and
- raising or repaying debt.

Meridian regularly monitors its capital requirements using various measures that consider debt facility financial covenants and credit ratings. The key measures being net debt to EBITDAF and interest cover. The principal external measure is Meridian's credit rating from Standard & Poor's.

Meridian is in full compliance with debt facility financial covenants.

		Unaudited	Unaudited	Audited
Position as at	**Note**	**31 Dec 2021 $M**	**31 Dec 2020 $M**	**30 Jun 2021 $M**
Share capital		**1,658**	1,598	1,595
Retained earnings		**(1,702)**	(1,602)	(1,548)
Other reserves		**5,179**	5,022	5,177
		5,135	**5,018**	**5,224**
Drawn borrowings	C4	**1,718**	1,582	1,589
add Lease liabilities		**50**	98	97
less: Cash and cash equivalents		**(152)**	(122)	(148)
		1,616	**1,558**	**1,538**
Net capital		**6,751**	**6,576**	**6,762**

C

C2 Earnings per share

Basic and diluted earnings per share (EPS)	Unaudited 31 Dec 2021	Unaudited 31 Dec 2020
Net profit after tax from continuing operations	**145**	227
Net profit after tax attributed to the shareholders of the parent company	**133**	227
Weighted average number of shares used in the calculation of EPS	**2,569,700,057**	2,563,000,000
Basic and diluted EPS from continuing operations (cents per share)	**5.6**	8.9
Basic and diluted EPS (cents per share)	**5.2**	8.9

C3 Dividends

Six months ended 31 December Dividends declared and paid	Unaudited 2021 $M	Unaudited 2020 $M
Final ordinary dividend 2021: 11.2cps (2020: 11.2cps)	**287**	287
Total dividends paid	**287**	**287**
Dividends declared and not recognised as a liability		
Interim ordinary dividend 2022: 5.85cps (2021: 5.7cps)	**151**	146

Dividend policy

Meridian's dividend policy considers free cash flow, working capital requirements, the medium-term investment programme, maintaining a BBB+ credit rating and risks from short and medium-term economic, market and hydrology conditions.

Subsequent event – dividend declared

On 22 February 2022 the Board declared a partially imputed interim ordinary dividend of 5.85 cents per share.

Dividend Reinvestment Plan (DRP)

As noted in the Significant Matters section, Meridian has instituted a DRP under which shareholders can elect to receive dividends in additional shares rather than cash. The first time the DRP was available for use was for the October 2021 final dividend payment.

For the October 2021 dividend payment, new shares were issued at a 2% discount to the prevailing market price of Meridian shares around the time of issue. Whether a discount is available, and if so the level of that discount, is at the discretion of the Meridian Board.

In October 2021, 13,400,114 new Meridian shares with a value of $65m were issued to Meridian investors.

Shares issued in lieu of cash are excluded from dividends paid in the Statement of Cash Flows.

C4 Borrowings

Position as at		Unaudited 31 Dec 2021				Unaudited 31 Dec 2020				Audited 30 Jun 2021			
Group (NZ$M)	Currency borrowed in	Drawn facility amount	Transaction costs	Fair value adjustment	Carrying amount	Drawn facility amount	Transaction costs	Fair value adjustment	Carrying amount	Drawn facility amount	Transaction costs	Fair value adjustment	Carrying amount
Current borrowings													
Unsecured borrowings	NZD	**270**	**(1)**	**–**	**269**	215	(1)	–	214	321	(1)	–	320
Unsecured borrowings	USD	**–**	**–**	**–**	**–**	47	–	10	57	47	–	11	58
Total current borrowings		**270**	**(1)**	**–**	**269**	**262**	**(1)**	**10**	**271**	**368**	**(1)**	**11**	**378**
Non-current borrowings													
Unsecured borrowings	NZD	**835**	**–**	**–**	**835**	765	(1)	–	764	665	(1)	–	664
Unsecured borrowings	AUD	**59**	**–**	**–**	**59**	–	–	–	–	–	–	–	–
Unsecured borrowings	USD	**554**	**(1)**	**83**	**636**	555	(1)	90	644	556	(1)	79	634
Total non-current borrowings		**1,448**	**(1)**	**83**	**1,530**	**1,320**	**(2)**	**90**	**1,408**	**1,221**	**(2)**	**79**	**1,298**
Total borrowings		**1,718**	**(2)**	**83**	**1,799**	**1,582**	**(3)**	**100**	**1,679**	**1,589**	**(3)**	**90**	**1,676**

Meridian has committed bank facilities of $955 million of which $377m were undrawn at 31 December 2021 (31 December 2020: facilities of $755m of which $525m were undrawn). Where facilities have expiry dates, these expiries range from March 2022 to April 2026. $275m of facilities are evergreen / have no expiry date.

Borrowings, measurement and recognition

Borrowings are recognised initially at the fair value of the drawn facility amount (net of transaction costs paid) and are subsequently stated at amortised cost using the effective interest method. Any borrowings which have been designated as hedged items (USD borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. Any borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date. Any retranslation effect is included in the "Fair value adjustment" column in the above table.

Meridian uses cross currency interest rate swap (CCIRS) hedge contracts to manage its exposure to interest rates and borrowings sourced in currencies different to that of the borrowing entity's reporting currency.

Fair value of borrowings held at amortised cost

	Unaudited		Audited	Unaudited		Audited
Position as at	31 Dec 2021 $M	31 Dec 2020 $M	30 Jun 2021 $M	31 Dec 2021 $M	31 Dec 2020 $M	30 Jun 2021 $M
Group (NZ$M)	Carrying value			Fair value		
Retail bonds	**500**	500	500	**518**	554	540
Floating rate notes	**50**	50	50	**50**	51	51
Unsecured term loan (EKF facility)	**45**	55	50	**47**	58	52

Within term borrowings there are longer dated instruments which are not in hedge accounting relationships. The carrying values and estimated fair values of these instruments are noted in the table above.

Fair value is calculated using a discounted cash flow calculation and the resultant values are classified as Level 2 within the fair value hierarchy. The Retail Bonds are listed instruments; however, a lack of liquidity on the NZX precludes them from being classified as Level 1 (a definition of levels is included in note D1 Financial instruments).

Carrying value approximates fair value for all other instruments within term borrowings.

C

C4 Borrowings continued

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Unaudited 31 Dec 2021										
Group (NZ$M)	**Balance at 30 Jun 2021**	**Term borrowings drawn**	**Term borrowings repaid**	**Fair value adjustments**	**Foreign Exchange**	**Transferred to Held For Sale**	**Lease liabilities recognised**	**Lease liabilities paid**	**Lease derecognition**	**Unwind of discounting**	**Balance at 31 Dec 2021**
Unsecured borrowings – NZD	984	125	(5)	–	–	–	–	–	–	–	1,104
Unsecured borrowings – AUD	–	57		–	2	–	–	–	–	–	59
Unsecured borrowings – USD	692	–	(58)	1	1	–	–	–	–	–	636
Lease Liabilities	97	–	–	–	–	(44)	–	(4)	–	1	50
Total	**1,773**	**182**	**(63)**	**1**	**3**	**(44)**	**–**	**(4)**	**–**	**1**	**1,849**

	Unaudited 31 Dec 2020										
Group (NZ$M)	**Balance at 30 June 2020**	**Term borrowings drawn**	**Term borrowings repaid**	**Fair value adjustments**	**Foreign Exchange**	**Transferred to Held For Sale**	**Lease liabilities recognised**	**Lease liabilities paid**	**Lease derecognition**	**Unwind of discounting**	**Balance at 31 Dec 2020**
Unsecured borrowings – NZD	886	97	(5)	–	–	–	–	–	–	–	978
Unsecured borrowings – USD	802	–	–	(31)	(70)	–	–	–	–	–	701
Lease Liabilities	104	–	–	–	–	–	–	(4)	(4)	2	98
Total	**1,792**	**97**	**(5)**	**(31)**	**(70)**	**–**	**–**	**(4)**	**(4)**	**2**	**1,777**

	Audited 30 Jun 2021										
Group (NZ$M)	**Balance at 30 Jun 2020**	**Term borrowings drawn**	**Term borrowings repaid**	**Fair value adjustments**	**Foreign Exchange**	**Transferred to Held For Sale**	**Lease liabilities recognised**	**Lease liabilities paid**	**Lease derecognition**	**Unwind of discounting**	**Balance at 30 Jun 2021**
Unsecured borrowings – NZD	886	108	(10)	–	–	–	–	–	–	–	984
Unsecured borrowings – USD	802	–	–	(58)	(52)	–	–	–	–	–	692
Lease Liabilities	104	–	–	–	–	–	1	(7)	(5)	4	97
Total	**1,792**	**108**	**(10)**	**(58)**	**(52)**	**–**	**1**	**(7)**	**(5)**	**4**	**1,773**

C

C5 Green financing

To recognise Meridian's commitment, leadership and investment in renewable energy, Meridian operates a Green Finance Programme which covers both existing and future issuances of debt instruments ("Programme").

The Programme Framework (Framework) sets out the process, criteria and guidelines under which Meridian intends to issue and/or manage existing and future bonds and loans under the Programme which contribute towards achieving Meridian's sustainable objectives. The Framework is aligned with the following market standards as at the date of the Framework:

International Capital Markets Association (ICMA) Green Bond Principles (GBP); Climate Bonds Standard currently version 3.0 (CBS); and Asia Pacific Loan Market Association Green Loan Principles (GLP), (together the Market Standards).

The proceeds of Meridian's debt instruments, outlined in the following tables, have been allocated (directly or notionally) to refinance eligible wind and hydro projects and assets that meet the market standards.

Further information on the Green Finance Programme, including the Programme framework document, opinions from DNV GL Business Assurance Pty. Ltd, Climate Bonds Standard Certification and Green Asset and Debt registers are available on Meridian's website at **www.meridianenergy.co.nz/investors/reports-andpresentations/green-finance.**

Green Debt Instruments under Meridian's Green Finance Programme

Green Debt allocated to the Hydro Pool[1]			Unaudited 31 Dec 2021		Unaudited 31 Dec 2020		Audited 31 June 2021	
Type – Group (NZ$M)	**CUSIP/ NZX Code**	**Currency borrowed in**	**Facility amount**	**Drawn facility amount**	**Facility amount**	**Drawn facility amount**	**Facility amount**	**Drawn facility amount**
USPP Series 2014 – 1 Tranche A[2]	Q5995*AA6	USD	–	–	47	47	47	47
USPP Series 2014 – 1 Tranche B[2]	Q5995*AB4	USD	115	115	116	116	117	117
USPP Series 2019 – 1 Tranche A[2]	Q5995#AE4	USD	183	183	183	183	183	183
USPP Series 2019 – 1 Tranche B[2]	Q5995#AF1	USD	183	183	183	183	183	183
USPP Series 2019 – 1 Tranche C[2]	Q5995#AG9	USD	73	73	73	73	73	73
Total USPP			**554**	**554**	**602**	**602**	**603**	**603**
Wholesale FRN – 10yr		NZD	50	50	50	50	50	50
Bank Facilities[3]		NZD	955	377	700	175	770	161
Commercial Paper[4]		NZD	192	192	200	200	225	225
Total Green Debt allocated to the Hydro Pool			**1,751**	**1,173**	**1,552**	**1,027**	**1,648**	**1,039**

Green Debt allocated to the Wind Pool[5]			Unaudited 31 Dec 2021		Unaudited 31 Dec 2020		Audited 31 Jun 2021	
Type – Group (NZ$M)	**CUSIP/ NZX Code**	**Currency borrowed in**	**Facility amount**	**Drawn facility amount**	**Facility amount**	**Drawn facility amount**	**Facility amount**	**Drawn facility amount**
Retail Bond (Mar-23)	MEL030	NZD	150	150	150	150	150	150
Retail Bond (Mar-24)	MEL040	NZD	150	150	150	150	150	150
Retail Bond (Mar-25)	MEL050	NZD	200	200	200	200	200	200
Total Domestic Bonds			**500**	**500**	**500**	**500**	**500**	**500**
EKF Amortising Facility		NZD	45	45	55	55	50	50
Total Green Debt allocated to the Wind Pool			545	**545**	**555**	**555**	**550**	**550**
Total Green Debt			**2,296**	**1,718**	**2,107**	**1,582**	**2,198**	**1,589**

At 31 December 2021, Meridian remains compliant with the requirements of the programme.

1. Verified as meeting the criteria established for Meridian by DNV GL which align with the stated definition of Green Bonds and Loans within the Green Bond/Loan Principles.
2. United States private placement (USPP) Notes are included as the NZD equivalent under the Cross –Currency Interest Rate Swaps related to the Issue.
3. Committed Bank facilities are included at the face value of the facilities.
4. Commercial Paper is included as the amount on issue.
5. Climate Bonds Standard Certified.

D

Financial instruments

In this section.

In this section of the summary notes there is information:

a. analysing financial (hedging) instruments used to manage risk; and

b. outlining Meridian's fair value techniques and key inputs.

D1 Financial instruments

Fair value of hedging financial instruments

The recognition and measurement of hedging financial instruments requires management estimation and judgement (this is discussed in further detail later in this note). These estimates can have a significant risk of material adjustment in future periods. Fair value measurements are grouped within a three-level fair value hierarchy based on the observability of valuation inputs (described below).

- **Level 1 Inputs** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2 Inputs** – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1.
- **Level 3 Inputs** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value on the balance sheet						Fair value movements in the income statement	
		Unaudited				Audited		Unaudited	
		31 Dec 2021		31 Dec 2020		30 June 2021		31 Dec 2021	31 Dec 2020
	Level	Assets $M	Liabilities $M	Assets $M	Liabilities $M	Assets $M	Liabilities $M	$M	$M
Treasury Hedges									
Cross currency interest rate swap (CCIRS) – interest rate risk	2	**51**	**–**	89	–	62	–	–	–
CCIRS – basis and margin risk	2	**(1)**	**–**	(11)	–	(6)	–	–	–
CCIRS – foreign exchange risk	2	**32**	**–**	10	–	28	–	–	–
Total CCIRS		**82**	**–**	**88**	**–**	**84**	**–**	**–**	**–**
Foreign exchange hedges	2	**11**	**(1)**	1	–	6	–	(1)	–
Interest rate swaps (IRS)	2	**13**	**(83)**	23	(207)	16	(145)	59	25
Total Treasury Hedges		**106**	**(84)**	**112**	**(207)**	**106**	**(145)**	**58**	**25**
Energy hedges									
Market traded electricity hedges	1	**117**	**(22)**	86	(23)	149	(21)	**(21)**	2
Market traded gas hedges	1	**–**	**–**	–	(1)	–	–	**–**	**–**
Other electricity hedges	3	**85**	**(30)**	49	(11)	113	(14)	**(40)**	78
Other gas hedges	2	**–**	**–**	–	(11)	3	–	**–**	–
Electricity options	3	**54**	**–**	43	–	29	–	**(7)**	(7)
Large scale generation certificates (LGC) – Holdings created from wind farm generation	1	**–**	**–**	14	–	5	–	**–**	–
LGC – forward and option contracts	2	**–**	**–**	2	(18)	1	(14)	**–**	–
Energy hedges		**256**	**(52)**	**194**	**(64)**	**300**	**(49)**	**(68)**	**73**
Total hedges		**362**	**(136)**	**306**	**(271)**	**406**	**(194)**	**(10)**	**98**

D1 Financial instruments continued

Settlements

The following provides a summary of the settlements through EBITDAF for energy hedges:

	Unaudited 2021			Unaudited 2020		
$M	Operating Revenue	Operating expenses	Total Settlements In EBITDAF	Operating Revenue	Operating expenses	Total Settlements In EBITDAF
Market traded electricity hedges	28	(32)	**(4)**	(5)	(9)	**(14)**
Other electricity hedges	(5)	33	**28**	(19)	51	**32**
Electricity options	–	3	**3**	–	1	**1**
Total settlements in EBITDAF	**23**	**4**	**27**	**(24)**	**43**	**19**

Level 3 financial instrument analysis

The following provides a summary of the movements through EBITDAF and movements in the fair value of level three financial instruments:

	Unaudited 2021			Unaudited 2020		
$M	Other Electricity Hedges	Electricity Options	Total	Other Electricity Hedges	Electricity Options	Total
Energy hedges settled in EBITDAF:						
Operating revenue	(5)	–	(5)	(19)	–	(19)
Operating expenses	33	3	36	51	1	52
Total settlements in EBITDAF	28	3	31	32	1	33
Net change in fair value of energy hedges:						
Remeasurement	(12)	(4)	(16)	108	(6)	102
Hedges settled	(28)	(3)	(31)	(32)	(1)	(33)
Total net change in fair value of energy hedges	(40)	(7)	(47)	76	(7)	69
Balance at the beginning of the period	99	29	128	(38)	50	12
Fair value movements	(40)	(7)	(47)	76	(7)	69
Balance transferred to Held For Sale	(4)	–	(4)	–	–	–
New hedge recognised	–	32	32	–	–	–
Balance at the end of the year	55	54	109	38	43	81

D1 Financial instruments continued

Fair value technique and key inputs

In estimating the fair value of an asset or liability, Meridian uses market-observable data to the extent that it is available. The Audit and Risk Committee of Meridian determines the overall appropriateness of key valuation techniques and inputs for fair value measurement. The Chief Financial Officer explains fair value movements in his report to the Board.

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (DCFs), a number of inputs and assumptions are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market data on gas/oil prices, published market interest rates and published forward foreign exchange rates;
- Meridian's best estimate of electricity volumes called over the life of electricity options;
- discount rates based on the forward IRS curve adjusted for counterparty risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate; and
- contracts run their full term.

The table below describes the additional key inputs and techniques used in the valuation of level 2 and 3 financial instruments:

Financial asset or liability	Description of input	Range of significant unobservable inputs	Relationship of input to fair value
Energy hedges, valued using DCFs	**Price**, where quoted prices are not available or not relevant (i.e. for long dated contracts), Meridian's best estimate of long-term forward wholesale electricity price is used. This is based on a fundamental analysis of expected demand and the cost of new supply and any other relevant wholesale market factors. **Calibration factors,** which are applied to forward curves as a consequence of initial recognition differences (see following page)	$27/MWh to $118/MWh (in real terms), excludes observable ASX prices.	An increase in forward wholesale electricity price increases the fair value of buy hedges and decreases the fair value of sell hedges. A decrease in forward wholesale electricity price has the opposite effect.
LGC forward contracts and options, valued using DCFs/Black-Scholes	**Price**, based on a forward LGC price curve from a third-party broker and benchmarked against market spot prices.	A$18 – A$43	An increase in the forward LGC price decreases the fair value of sell hedges and increases the fair value of buy hedges. A decrease in forward LGC prices has the opposite effect.

D

D1 Financial instruments continued

Movements in recalibration differences arising from energy hedges

Position as at	Unaudited 31 Dec 2021 $M	Unaudited 31 Dec 2020 $M	Audited 30 Jun 2021 $M
Opening difference	**(2)**	(1)	(1)
Recalibration for future price estimates and time	**–**	–	(1)
Closing difference	**(2)**	**(1)**	**(2)**

Initial recognition difference

An initial recognition difference arises when the modelled value of an energy hedge differs from the transaction price (which is the best evidence of fair value). This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration is then applied to future valuations over the life of the contract.

The resulting difference shown in the table reflects potential future gains or losses yet to be recognised in the income statement over the remaining life of the contract.

E
Other

E1 Group structure

No changes occurred to Meridian's Group structure in the six months to 31 December 2021. As noted in the Significant Matters sections, Meridian's MEA business has been classified as HFS and is treated as a discontinued operation in the current reporting period.

E2 Contingent assets and liabilities

There were no contingent assets or liabilities at 31 December 2021 (31 Dec 2020: $0m, 30 Jun 2021: $0m).

E3 Subsequent events

On 1 February 2022, Meridian announced that it had completed the sale of MEA with a final purchase value of A$740m. The completion of the sale represents a non-adjusting post balance date event and as such, MEA is still shown as HFS and a discontinued operation in these interim financial statements.

The Directors declared an interim dividend on 22 February 2022. Refer to Note C3 Dividends for further details.

E4 Changes in financial reporting standards

Meridian is not aware of any standards in issue but not yet effective which would materially impact on the amounts recognised or disclosed in the financial statements.

Deloitte.

Independent Review Report

To the Shareholders of Meridian Energy Limited

The Auditor-General is the auditor of Meridian Energy Limited (the 'Company') and its subsidiaries (the 'Group'). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the review of the condensed consolidated interim financial statements ('interim financial statements') of the Group on his behalf.

Conclusion

We have reviewed the interim financial statements of the Group on pages 3 to 26, which comprise the balance sheet as at 31 December 2021, and the income statement, comprehensive income statement, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2021 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*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the Auditor-General's ethical requirements relating to the audit of the annual financial statements, which incorporate the independence requirements issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to this review and the audit of the Group annual financial statements, our firm carries out other assurance assignments for the Group in the areas of greenhouse gas assurance, limited assurance of the sustainability content in the integrated report, audits of the securities registers, and the solvency returns of Meridian Energy Captive Insurance Limited, as well as a review of the vesting of the executive long-term incentive plan and supervisor reporting. We also carried out non-assurance assignments for the Group relating to the Corporate Taxpayers Group and the CFO Vantage Programme, which are compatible with those independence requirements.

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. These services and trading activities have not impaired our independence as auditor of the Group.

Other than these assignments and trading activities, we have no relationship with, or interests in the Group.

Directors' responsibilities for the interim financial statements

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

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim 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*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

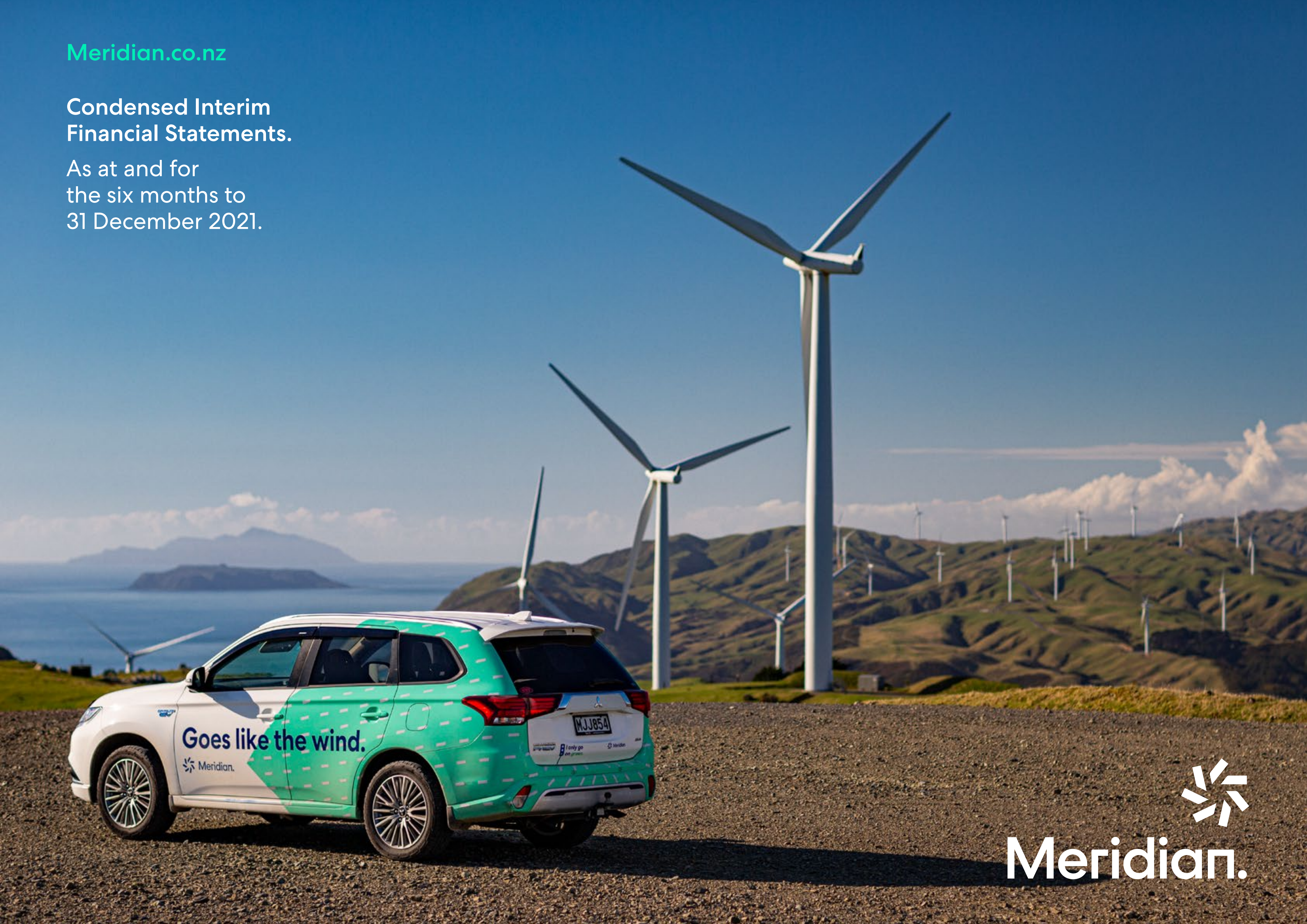
Mike Hoshek
for Deloitte Limited
On behalf of the Auditor-General
22 February 2022
CHRISTCHURCH, NEW ZEALAND

This review report relates to the unaudited interim financial statements of Meridian Energy for the six months ended 31 December 2021 included on Meridian Energy's website. The Board of Directors is responsible for the maintenance and integrity of Meridian Energy's website. We have not been engaged to report on the integrity of Meridian Energy's website. We accept no responsibility for any changes that may have occurred to the unaudited interim financial statements since they were initially presented on the website. The review report refers only to the unaudited interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited interim financial statements and related review report dated 22 February 2022 to confirm the information included in the unaudited interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Meridian.co.nz

Condensed Interim Financial Statements.

As at and for
the six months to
31 December 2021.



Meridian.