Financial Commentary.

Five-year performance

EBITDAF[1] (NZ operations)

Financial year ended 30 June

Net profit after tax (continuing operations)

Financial year ended 30 June

Operating cash flows

Financial year ended 30 June

Interim dividend declared

Six months ended 31 December

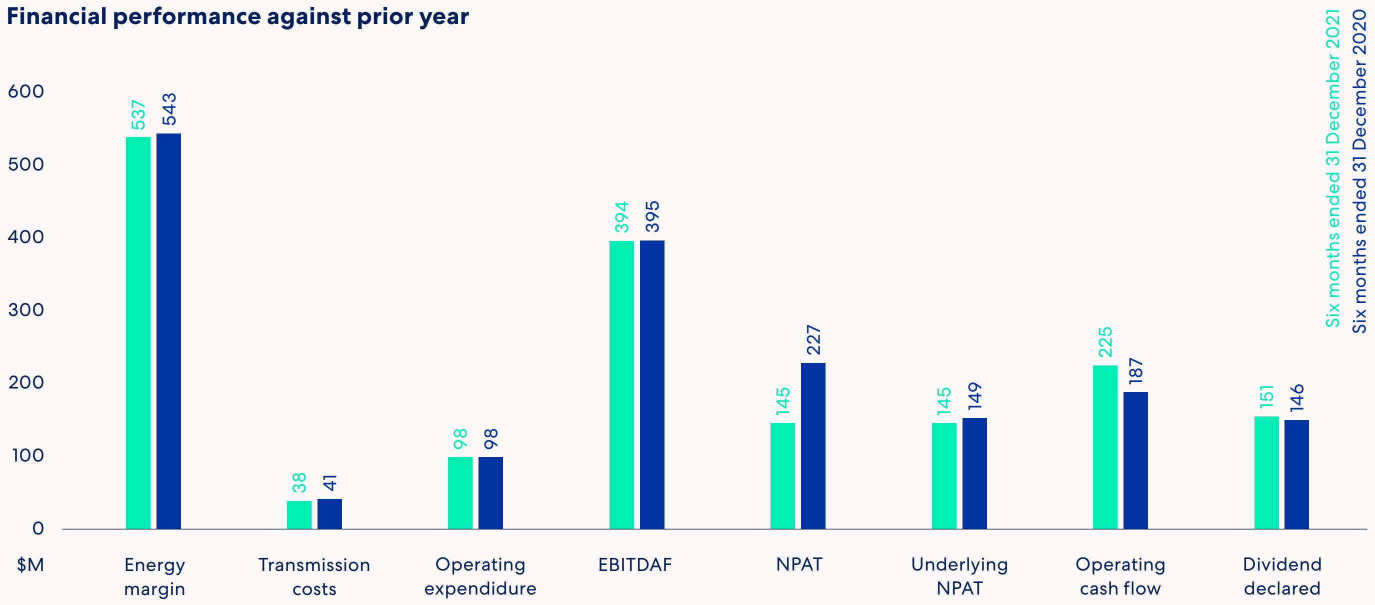
Capital expenditure (NZ operations)

Financial year ended 30 June

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

Overview

Financial performance against prior year



The six months ended 31 December 2021 saw a 36% decrease in net profit from continuing operations, mostly because of negative changes in the net value of hedge instruments.

In November 2021, Meridian announced it had reached agreement for the sale of Meridian Energy Australia (MEA). With completion of the MEA sale having occurred on 31 January 2022, Meridian's investment in MEA has been classified as held for sale and a discontinued operation at 31 December 2021.

Meridian has reported a $1 million decrease in EBITDAF from its New Zealand operations compared to the prior corresponding period. Higher retail and wholesale contracted sales and higher generation volumes helped to offset the impacts of lower pricing on the contract with New Zealand's Aluminium Smelter.

The Board has announced an interim ordinary dividend of 5.85 cents per share, 2.6% higher than last year's interim dividend. The interim ordinary dividend will be 86% imputed and Meridian's Dividend Reinvestment Plan will apply to this interim ordinary dividend at no discount to the average market price over a five-day period ending on 23 March 2022. The interim dividend will be paid, and new shares issued under the reinvestment plan on 8 April 2022.

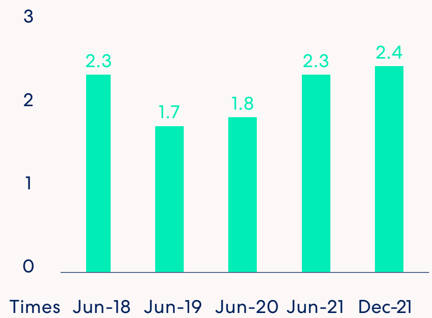
The Board has also approved changes to Meridian's dividend policy. More information is available here: **www.meridianenergy.co.nz/investors/dividend**

Dividends declared

	1H FY22[2]		1H FY21[3]	
	cents per share	imputation	cents per share	imputation
Ordinary dividends	5.85	86%	5.70	86%

Meridian's balance sheet remains in a strong position, with the company maintaining a BBB+ credit rating as defined by rating agency Standard & Poor's.

Net debt/EBITDAF



2. The six months ended 31 December 2021
3. The six months ended 31 December 2020

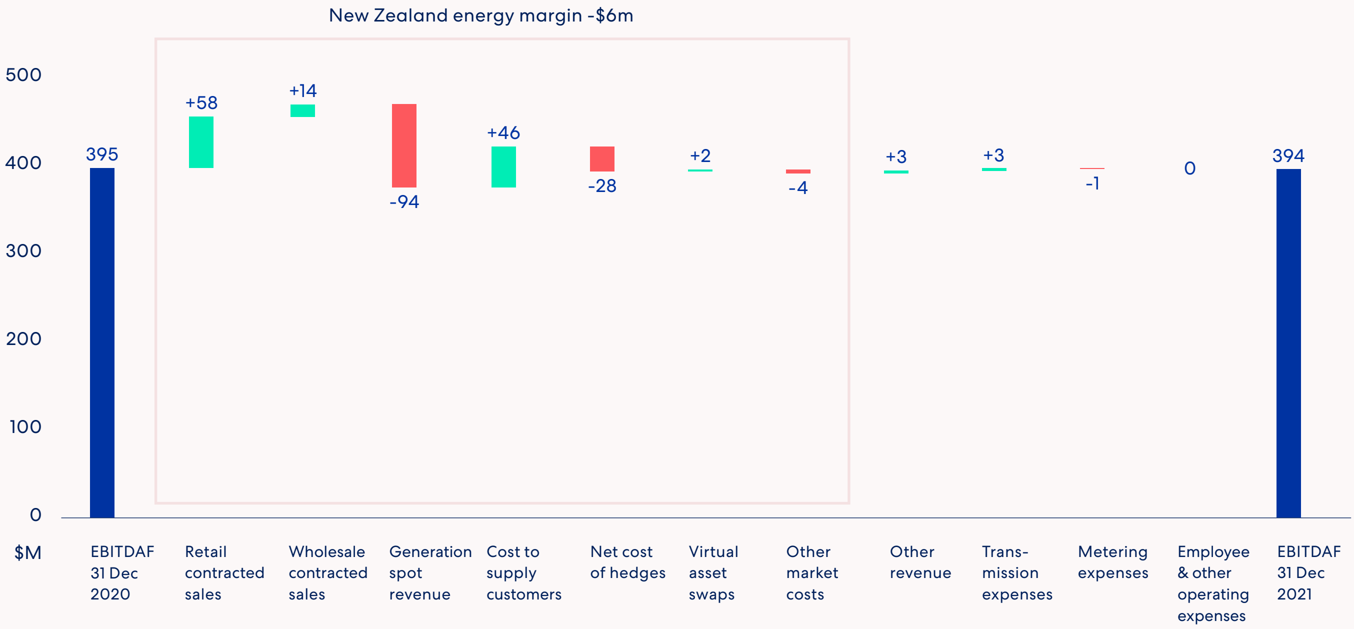
Cash flows

Operating cash flows were $225 million for 1H FY2022, $38 million (20%) higher than for 1H FY2021, largely as a result of lower income tax paid.

Capital expenditure[4] in 1H FY2022 was $92 million, of which $21 million was stay-in-business capital expenditure. Growth capital expenditure largely reflects Meridian's Harapaki wind farm development in Hawke's Bay, which began construction in June 2021.

Earnings

Movement in EBITDAF



EBITDAF from New Zealand operations was $394 million in 1H FY2022, $1 million (0%) lower than the same period last year.

4. For New Zealand operations

New Zealand energy margin

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

$M		1H FY2022	1H FY2021
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)	**518**	460
Wholesale contracted sales revenue	Sales to large industrial customers and fixed-price revenue from derivatives sold	**270**	256
Costs to supply customers	The volume of electricity purchased to cover contracted customer sales	**-905**	-951
Net hedging position	The fixed cost of derivatives used to manage market risk, net of the spot revenue recovered from those derivatives	**-4**	24
Generation spot revenue	Revenue from the volume of electricity that Meridian generates	**661**	755
Net VAS revenue	The net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mercury New Zealand	**3**	1
Other	Authority levies and ancillary generation revenue (such as frequency keeping)	**-6**	-2
Total New Zealand energy margin		**537**	**543**

New Zealand energy margin was $537 million in 1H FY2022, $6 million (1%) lower than the same period last year. Meridian continues to deliver strong sales momentum in its retail business, particularly in the residential, small/medium business and industrial segments. Sales volumes in those segments in the six months to December 2021 grew by 14%, 20% and 12% respectively.

Agricultural volumes were 13% lower than last year, reflecting the wet spring conditions much of the country experienced. With the country's ongoing restrictions in response to COVID-19, corporate and large business sales volumes were 8% lower.

Overall, the mass market sales price increased by 3% and the average corporate and industrial sales price increased by 7%.

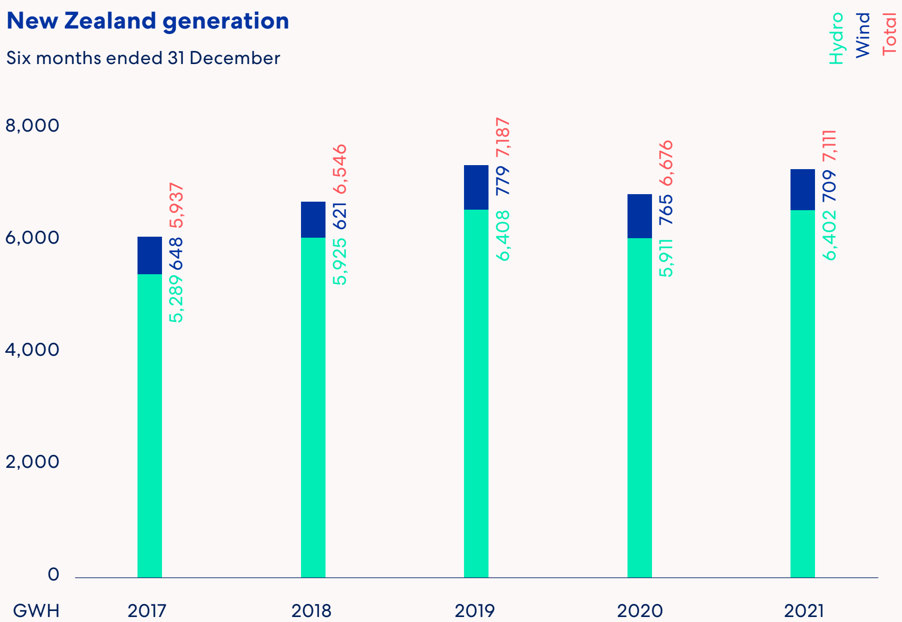
Wholesale contracted sales revenue was $14 million (5%) higher in 1H FY2022. Wholesale derivative sales volumes were 59% higher at higher average prices than the same period last year. Sales to New Zealand's Aluminium Smelter reflected the impacts of lower pricing agreed in January 2021.

The costs to supply customers decreased $46 million (5%) in 1H FY2022, with higher customer sales volumes in 1H FY2021 more than offset by the 15% lower average price Meridian paid to supply customers.

The net cost of hedging was $28 million higher in 1H FY2022 from a lower average net cost and 15% higher hedging volumes compared to the same period last year.

New Zealand generation

Six months ended 31 December



With inflows above average across the 1H FY2022, generation volumes were 7% higher than the same period last year. Average generation prices were 18% lower than the same period last year, resulting in generation revenue in 1H FY2022 being 12% lower than last year.

Lake Manapōuri, Fiordland

Australian energy margin

Australian energy margin was $52 million in 1H FY2022, $7 million (12%) lower than the same period last year. Powershop Australia's retail electricity sales volumes increased 7%, however lower average prices reduced retail contracted sales 8%.

With higher generation volumes in 1H FY2022, generation spot revenue increased 33%.

The Australia segment is now classified as held for sale and treated as a discontinued operation as at 31 December 2021.

Meridian expects to recognise a gain on sale in the order of $240 million in its full year accounts for FY2022.

Expenses

1H FY2022 saw small changes in transmission and metering costs, while employee and other operating costs were $98 million in 1H FY2022, consistent with the same period last year.

Net profit after tax

NPAT from continuing operations was $145 million in 1H FY2022, $82 million (36%) lower than the same period last year. 1H FY2022 saw higher depreciation and amortisation ($7 million higher), with net negative 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 decreased net profit before tax by $68 million in 1H FY2022, compared to a $73 million increase in the same period last year, reflecting changes in forward electricity prices.

Fair value movements in treasury instruments increased net profit before tax by $58 million in 1H FY2022, compared to a $25 million increase in the same period last year.

Net financing costs decreased 5% compared to the same period last year. Meridian maintained its BBB+ (stable outlook) credit rating from Standard & Poor's.

Income tax expense was $56 million in 1H FY2022, $32 million (36%) lower than the same period last year, reflecting lower net profit before tax.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's underlying NPAT (reconciliation on page 6) was $145 million in 1H FY2022. This was $4 million (3%) lower than the same period last year.

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)
Energy metering expenses	**(21)**	(20)
Employee and other operating expenses	**(98)**	(98)
EBITDAF	**394**	**395**
Depreciation and amortisation	**(144)**	(137)
Impairment of assets	**–**	–
Gain/(loss) on sale of assets	**–**	–
Net change in fair value of electricity and other hedges	**(68)**	73
Net finance costs	**(39)**	(41)
Net change in fair value of treasury instruments	**58**	25
Net profit before tax	**201**	**315**
Income tax expense	**(56)**	(88)
Net profit after tax from continuing operations	**145**	**227**

Underlying net profit after tax

Six months ended 31 December

$M	2021	2020
Net profit after tax	**145**	227
Underlying adjustments		
Hedging instruments		
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)
Assets		
(Gain)/loss on sale of assets	**–**	–
Impairment of assets	**–**	–
Total adjustments before tax	**–**	(108)
Taxation		
Tax effect of above adjustments	**–**	30
Underlying net profit after tax	**145**	**149**