Changing Step. Together.

Meridian Energy Limited.
Condensed Interim Financial Statements.
As at and for the six months to 31 December 2022.

Meridian.

Condensed Interim Financial Statements

Notes to the Condensed Interim Financial Statements

COVER: Planting the next phase of coastal forest on the Kaitoke Peninsula with Raglan Area School.

Income Statement

For the six months to 31 December 2022

	Note	Unaudited 2022 $M	Unaudited 2021 $M
Operating revenue	A2	**1,529**	1,672
Operating expenses	A3	**(1,104)**	(1,278)
Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items (EBITDAF)		**425**	394
Depreciation and amortisation	B1, B2	**(144)**	(144)
Impairment of assets	A3	**(6)**	–
Net change in fair value of energy hedges	D1	**(5)**	(68)
Operating profit		**270**	182
Finance costs	A3	**(29)**	(39)
Interest income		**6**	–
Net change in fair value of treasury hedges	D1	**32**	58
Net profit before tax from continuing operations		**279**	201
Income tax expense	A4	**(78)**	(56)
Net profit after tax from continuing operations		**201**	**145**
Net profit from discontinued operation after tax	S1	**–**	**(12)**
Net profit after tax attributed to the shareholders of the parent company		**201**	**133**

Earnings per share (EPS) attributed to ordinary equity holders of the parent		**Cents**	Cents
Basic and diluted EPS from continuing operations	C2	**7.8**	5.6
Basic and diluted EPS	C2	**7.8**	5.2

Comprehensive Income Statement

For the six months to 31 December 2022

	Note	Unaudited 2022 $M	Unaudited 2021 $M
Net profit after tax		**201**	133
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Asset revaluation	B1	**740**	–
Deferred tax on the above item		**(207)**	–
		533	–
Items that may be reclassified to profit or loss:			
Net (loss)/gain on cash flow hedges		**(11)**	9
Exchange differences arising from translation of foreign operations		**–**	(4)
Income tax on the above items		**3**	(3)
		(8)	2
Other comprehensive income for the period, net of tax		**525**	2
Total comprehensive income for the period, net of tax attributed to shareholders of the parent company		**726**	**135**

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

Balance Sheet

As at 31 December 2022

	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 June 2022 $M
Current assets				
Cash and cash equivalents		**198**	152	363
Trade receivables		**271**	303	416
Customer contract assets		**14**	15	16
Financial instruments	D1	**288**	121	232
Assets held for sale	S1	**–**	729	–
Other assets		**48**	35	50
Total current assets		**819**	1,355	1,077
Non-current assets				
Property, plant and equipment	B1	**8,587**	7,966	7,830
Intangible assets	B2	**82**	80	85
Financial instruments	D1	**345**	241	377
Total non-current assets		**9,014**	8,287	8,292
Total assets		**9,833**	**9,642**	**9,369**

	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 June 2022 $M
Current liabilities				
Payables and accruals		**322**	326	470
Employee entitlements		**14**	13	18
Customer contract liabilities		**12**	14	13
Current portion of term borrowings	C4	**159**	269	159
Current portion of lease liabilities	C4	**3**	4	4
Financial instruments	D1	**54**	48	30
Liabilities held for sale	S1	**–**	197	–
Current tax payable		**36**	30	32
Total current liabilities		**600**	**901**	**726**
Non-current liabilities				
Term borrowings	C4	**959**	1,530	1,004
Deferred tax		**2,118**	1,883	1,932
Lease liabilities	C4	**25**	46	37
Financial instruments	D1	**111**	88	93
Term payables		**50**	59	54
Total non-current liabilities		**3,263**	3,606	3,120
Total liabilities		**3,863**	**4,507**	**3,846**
Net assets		**5,970**	**5,135**	**5,523**
Shareholders' equity				
Share capital		**1,690**	1,658	1,671
Reserves		**4,280**	3,477	3,852
Total shareholders' equity		**5,970**	**5,135**	**5,523**

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 28 February 2023.

Mark Verbiest,
Chair, 28 February 2023

Julia Hoare,
Chair, Audit and Risk Committee, 28 February 2023

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

Statement of Changes in Equity

For the six months to 31 December 2022

Audited $M	Note	Share capital	Share option reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
Balance at 1 July 2021		**1,595**	**1**	**5,198**	**(24)**	**2**	**(1,548)**	**5,224**
Net profit for the year		–	–	–	–	–	664	**664**
Other comprehensive income								
Asset revaluation		–	–	(55)	–	–	–	**(55)**
Transferred to retained earnings on disposal		–	–	(113)	–	–	113	**–**
Transferred to income statement on disposal		–	–	–	24	–	–	**24**
Net gain/(loss) on cash flow hedges		–	–	–	–	16	–	**16**
Income tax relating to other comprehensive income		–	–	49	–	(5)	(34)	**10**
Total other comprehensive income, net of tax		**–**	**–**	**(119)**	**24**	**11**	**79**	**(5)**
Total comprehensive income for the year, net of tax		**–**	**–**	**(119)**	**24**	**11**	**743**	**659**
Share-based transactions		(2)	1	–	–	–	–	**(1)**
Dividend reinvestment plan	C3	78	–	–	–	–	–	**78**
Dividends paid/reinvested	C3	–	–	–	–	–	(437)	**(437)**
Balance at 30 June 2022 and 1 July 2022		**1,671**	**2**	**5,079**	**–**	**13**	**(1,242)**	**5,523**
Unaudited $M								
Net profit for the period		–	–	–	–	–	201	**201**
Other comprehensive income								
Asset revaluation	B1	–	–	740	–	–	–	**740**
Net gain/(loss) on cash flow hedges		–	–	–	–	(11)	–	**(11)**
Income tax relating to other comprehensive income		–	–	(207)	–	3	–	**(204)**
Total other comprehensive income, net of tax		**–**	**–**	**533**	**–**	**(8)**	**–**	**525**
Total comprehensive income for the year, net of tax		**–**	**–**	**533**	**–**	**(8)**	**201**	**726**
Share-based transactions		–	–	–	–	–	–	**–**
Dividend reinvestment plan	C3	19	–	–	–	–	–	**19**
Dividends paid/reinvested	C3	–	–	–	–	–	(298)	**(298)**
Balance at 31 December 2022		**1,690**	**2**	**5,612**	**–**	**5**	**(1,339)**	**5,970**
Unaudited $M								
Balance at 1 July 2021		**1,595**	**1**	**5,198**	**(24)**	**2**	**(1,548)**	**5,224**
Net profit for the period		–	–	–	–	–	133	**133**
Other comprehensive income								
Asset revaluation		–	–	–	–	–	–	**–**
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 year, net of tax		**–**	**–**	**–**	**(4)**	**6**	**133**	**135**
Share-based transactions		(2)	–	–	–	–	–	**(2)**
Dividend reinvestment plan	C3	65	–	–	–	–	–	**65**
Dividends paid/reinvested	C3	–	–	–	–	–	(287)	**(287)**
Balance at 31 December 2021		**1,658**	**1**	**5,198**	**(28)**	**8**	**(1,702)**	**5,135**

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

Statement of Cash Flows

For the six months to 31 December 2022

	Note	Unaudited 2022 $M	Unaudited 2021 $M
Operating activities			
Receipts from customers		**1,637**	1,986
Interest received		**6**	–
Payments to suppliers and employees		**(1,253)**	(1,629)
Interest paid		**(33)**	(40)
Income tax paid		**(92)**	(92)
Operating cash flows		**265**	225
Investing activities			
Purchase of property, plant and equipment		**(136)**	(82)
Purchase of intangible assets		**(8)**	(13)
Investing cash flows		**(144)**	(95)
Financing activities			
Term borrowings drawn	C4	**–**	182
Term borrowings repaid	C4	**(5)**	(63)
Lease liabilities repaid	C4	**(3)**	(4)
Dividends paid	C3	**(278)**	(222)
Financing cash flows		**(286)**	(107)
Net increase/(decrease) in cash and cash equivalents		**(165)**	23
Cash and cash equivalents at beginning of year		**363**	148
Adjustment for cash classified as assets held for sale	S1	**–**	(19)
Cash and cash equivalents at end of period		**198**	152

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 (Financial Markets Conduct) reporting entity for the purposes of the Financial Markets Conduct 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 287-293 Durham Street North, Christchurch. 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 His Majesty the King 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 2022 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 currencies of international subsidiaries are:

- Australian dollars (AUD): the closing rate at 31 December 2022 was 0.9319 (31 December 2021: 0.9401, 30 June 2022: 0.9045); and
- British Pounds (GBP): the closing rate at 31 December 2022 was 0.5249 (31 December 2021: 0.5045, 30 June 2022: 0.5127).

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 2022 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 2022.

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 HFS 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 (or 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.

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 AU$729 million, subject to possible adjustment depending on timing of completion. Completion occurred on 31 January 2022 and final consideration was AU$740 million. A net gain on sale was recorded of NZ$214 million and net cash was received of NZ$768 million.

Accordingly, for the comparative period ending 31 December 2021, MEA was reported as held for sale and as a discontinued operation. In the Income Statement and Comprehensive Income Statement, the profit and loss arising from MEA is shown separately to continuing operations.

Results of discontinued operation	6 months to 31 December 2022 $M	6 months to 31 December 2021 $M
Operating revenue	–	184
Operating expenses	–	(160)
Net result from operating activities	–	**24**
Depreciation and amortisation	–	(6)
Gain/(loss) on sale of investment	–	(12)
Net change in fair value of energy hedges	–	(16)
Operating profit/(loss)	–	**(10)**
Finance costs	–	(2)
Net change in fair value of treasury hedges	–	–
Net profit/(loss) from discontinued operations 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
Current liabilities	–	197
Net assets of discontinued operation	–	**532**
Cash flows from/(used in) discontinued operation		
Net cash from/(used in) operating activities	–	12
Net cash from/(used in) investing activities	–	(8)
Net cash from/(used in) financing activities	–	–
Net cash flows of discontinued activity	–	**4**

S1 Meridian Energy Australia continued

Effect of reclassification of the disposal group on the financial position of the Group	At 31 December 2021
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 classification 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 Property, plant and equipment

Within property, plant and 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.

At 31 December 2022, a valuation of Meridian's generation structures and plant assets has been undertaken, to determine the fair value of the assets at this date. The valuation has resulted in an increase of $740 million, driven mainly by an increase in our wholesale electricity price assumptions offset by higher interest rates. Management calculates a valuation on which the Board's ultimate decision is based. The valuation is set using discounted cashflow (DCF) analysis and NZAS continuing to operate until 31 December 2024.

Refer to Note B1 Property, plant and equipment for more information.

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

Meridian's lake storage levels lifted significantly during the first part of the current financial year, with the highest winter inflows on record. In contrast, late spring and summer has seen much drier conditions.

During the six months ended 31 December 2022, inflows were above average and storage levels at that date were above average in the Waitaki catchment. The very dry lower South Island conditions have seen storage in the Waiau catchment fall below average.

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 (the chief operating decision-maker) 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 35% (31 December 2021: 36%) 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 $104 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. In the comparative period, revenue of $2 million was recorded in 'Other revenue' and was eliminated on Group consolidation.

Australia

- As noted in the Significant Matters section, the Australia segment was sold in January 2022 and is presented as a discontinued operation.
- Meridian generated energy from two wind farms, three hydro power stations and energy acquisition through power purchase agreements, for sale into the Australian wholesale electricity market.
- Retailing of electricity and gas, was mainly through the Powershop brand in Australia.
- Development of renewable electricity generation options in Australia.

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 (refer to page 9 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.

A

A1 Segment performance continued

For the six months to 31 December	NZ Wholesale 2022 $M	NZ Wholesale 2021 $M	NZ Retail 2022 $M	NZ Retail 2021 $M	Australia 2022 $M	Australia 2021 $M	Other and Unallocated 2022 $M	Other and Unallocated 2021 $M	Inter-segment and discontinued operations 2022 $M	Inter-segment and discontinued operations 2021 $M	Group 2022 $M	Group 2021 $M
Contracted sales, net of distribution costs	**226**	270	**600**	518	**–**	85	**–**	–	**–**	(85)	**826**	788
Costs to supply customers	**(541)**	(937)	**(503)**	(422)	**–**	(73)	**–**	–	**521**	527	**(523)**	(905)
Net cost of hedging	**(68)**	(4)	**–**	–	**–**	1	**–**	–	**–**	(1)	**(68)**	(4)
Generation spot revenue	**371**	661	**–**	–	**–**	40	**–**	–	**–**	(40)	**371**	661
Inter-segment electricity sales	**521**	454	**–**	–	**–**	–	**–**	–	**(521)**	(454)	**–**	–
Virtual asset swap margins	**(4)**	3	**–**	–	**–**	–	**–**	–	**–**	–	**(4)**	3
Other market revenue/(costs)	**(5)**	(6)	**1**	–	**–**	(1)	**–**	–	**–**	1	**(4)**	(6)
Energy margin	**500**	**441**	**98**	**96**	**–**	**52**	**–**	**–**	**–**	**(52)**	**598**	**537**
Other revenue	**1**	1	**8**	7	**–**	1	**13**	23	**(8)**	(18)	**14**	14
Energy transmission expense	**(41)**	(38)	**–**	–	**–**	(3)	**–**	–	**–**	3	**(41)**	(38)
Electricity metering expenses	**–**	–	**(23)**	(21)	**–**	–	**–**	–	**–**	–	**(23)**	(21)
Gross margin	**460**	**404**	**83**	**82**	**–**	**50**	**13**	**23**	**(8)**	**(67)**	**548**	**492**
Employee expenses	**(13)**	(12)	**(18)**	(16)	**–**	(8)	**(29)**	(17)	**–**	8	**(60)**	(45)
Other operating expenses	**(29)**	(29)	**(17)**	(17)	**–**	(18)	**(20)**	(15)	**3**	26	**(63)**	(53)
EBITDAF	**418**	**363**	**48**	**49**	**–**	**24**	**(36)**	**(9)**	**(5)**	**(33)**	**425**	**394**
Depreciation and amortisation	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(144)**	(144)
Impairment of assets	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**(6)**	–
Net change in fair value of electricity and other hedges	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5)**	(68)
Operating profit	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**270**	**182**
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(29)**	(39)
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**6**	–
Net change in fair value of treasury instruments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**32**	58
Net profit before tax from continuing operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**279**	**201**
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(78)**	**(56)**
Net profit after tax from continuing operations	**–**	–	**–**	–	**–**	–	**–**	**–**	**–**	**–**	**201**	**145**
Net profit / (loss) from discontinued operations after tax	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	**(12)**
Net profit after tax attributed to the shareholders of the parent company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**201**	**133**
Reconciliation of energy margin												
Energy sales revenue, net of hedging	**1,061**	1,229	**975**	883	**–**	183	**–**	–	**(521)**	(637)	**1,515**	1,658
Energy expenses, net of hedging	**(561)**	(788)	**(530)**	(460)	**–**	(76)	**–**	–	**521**	530	**(570)**	(794)
Energy distribution expenses	**–**	–	**(347)**	(327)	**–**	(55)	**–**	–	**–**	55	**(347)**	(327)
Energy margin	**500**	**441**	**98**	**96**	**–**	**52**	**–**	**–**	**–**	**(52)**	**598**	**537**

The Australia segment was sold in January 2022 and is presented above as a discontinued operation.

A2 Income

6 Months ended 31 December **Operating revenue**	Unaudited 2022 $M	Unaudited 2021 $M
Energy sales to customers	**1,063**	971
Generation revenue, net of hedging	**452**	687
Energy related services revenue	**5**	5
Other revenue	**9**	9
Total operating revenue	**1,529**	**1,672**

6 Months ended 31 December **Total revenue by geographic area**	Unaudited 2022 $M	Unaudited 2021 $M
New Zealand	**1,529**	**1,664**
United Kingdom	**–**	**8**
Total operating revenue	**1,529**	**1,672**

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

Operating expenses	Unaudited 2022 $M	Unaudited 2021 $M
Energy expenses, net of hedging	570	794
Energy distribution expenses	347	327
Energy transmission expenses	41	38
Energy metering expense	23	21
Employee expenses	60	45
Other expenses	63	53
	1,104	1,278

(6 Months ended 31 December)

Finance costs	Unaudited 2022 $M	Unaudited 2021 $M
Interest on borrowings	32	41
Interest on option premiums	1	–
Interest on lease liabilities	1	1
Less capitalised interest	(5)	(3)
	29	39

Impairment of assets	Unaudited 2022 $M	Unaudited 2021 $M
Impairment of property, plant and equipment	(6)	–

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 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.

Finance costs – capitalised interest

Meridian is capitalising interest costs relating to the building of new assets. The average rate used to determine the amount of borrowing costs eligible for capitalisation was 5.37% (2021: 5.05%)

Impairment of non-financial assets

Net impairment expense relates to the exit of Meridian's office lease at Lady Elizabeth Lane in Wellington following a seismic reassessment. This is the net impact of derecognising the corresponding right of lease asset and lease liability.

A4 Taxation

6 Months ended 31 December	Unaudited	Unaudited
Tax expense	2022 $M	2021 $M
Current income tax charge	**97**	85
Deferred tax	**(19)**	(29)
Income tax expense	**78**	**56**
Reconciliation to profit before tax		
Profit before tax	**279**	**201**
Income tax at applicable rates	**78**	56
Income tax expense	**78**	**56**

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 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 2022, indicating that the fair value of the assets had increased by $740 million.

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.

B1 Property, plant and equipment

Position as at	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 June 2022 $M
Opening net book value		**7,830**	8,598	8,598
Additions		**162**	80	148
Transfers to Held For Sale	S1	**–**	(570)	–
Impairment		**(12)**	–	(2)
Disposals		**(2)**	(1)	(574)
Adjustment of Right of Use assets		**–**	–	(8)
Foreign currency exchange rate movements		**–**	(6)	–
Generation structures and plant revaluation:				
– revaluation reserve	S2	**740**	–	(55)
Depreciation expense		**(131)**	(135)	(277)
Closing net book value		**8,587**	**7,966**	**7,830**

B2 Intangible assets

Position as at	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 June 2022 $M
Opening Net Book value		**85**	84	84
Additions		**10**	11	29
Disposals		**–**	–	(6)
Amortisation expense		**(13)**	(9)	(22)
Transfers to Held For Sale	S1	**–**	(6)	–
Closing net book value		**82**	**80**	**85**

Capital Commitments

At 31 December 2022, Meridian Energy Limited has capital commitments of $295 million (30 June 2022: $289 million).

B

The table below describes the key valuation inputs and their sensitivity to changes.

Key input to measure fair value	Description	Unaudited 31 December 2022 Range of unobservable inputs	Sensitivity	Impact on valuation	Audited 30 June 2022 Range of unobservable inputs	Sensitivity	Impact on valuation
Future New Zealand wholesale electricity prices	The price received for New Zealand generation	$42MWh to $148MWh between FY23 and FY42 (in real terms)	+ $3MWh - $3MWh	$440M ($440M)	$45MWh to $117MWh between FY23 and FY42 (in real terms)	+ $3MWh - $3MWh	$494M ($494M)
New Zealand generation volume	Annual generation production	13,284GWh p.a. to 13,832GWh p.a. (in real terms)	+ 250GWh - 250GWh	$225M ($225M)	13,413GWh p.a. to 13,964GWh p.a.	+ 250GWh - 250GWh	$227M ($227M)
Operating expenditure (excluding electricity purchase costs or transmission charges)	Meridian's cost of operations	Forecast costs are in line with 30 June 2022 inputs and inflated at appropriate escalation rates	+ $10M - $10M	($130M) $130M	$134M in FY23, $141M in FY24 (in real terms) and inflated at appropriate escalation rates from FY25 onward	+ $10M - $10M	($128M) $128M
Weighted Average Cost of Capital (WACC)	The discount rate considers the time value of money and relative risk of achieving the cash flow forecast	8.40%	+ 0.5% - 0.5%	($575M) $675M	7.74%	+ 0.5% - 0.5%	($571M) $680M

Sensitivities show the movement in fair value as a result of a change in each input (keeping all other inputs constant).

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 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.

Position as at	Note	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 Jun 2022 $M
Share capital		**1,690**	1,658	1,671
Retained earnings		**(1,339)**	(1,702)	(1,242)
Other reserves		**5,619**	5,179	5,094
Total Shareholders' equity		**5,970**	**5,135**	**5,523**
Drawn borrowings	C4	**1,121**	1,718	1,126
add: Lease liabilities		**28**	50	41
less: Cash and cash equivalents		**(198)**	(152)	(363)
Net Debt		**951**	1,616	804
Net capital		**6,921**	**6,751**	**6,327**

C2 Earnings per share

Basic and diluted earnings per share (EPS)	Unaudited 31 Dec 2022	Unaudited 31 Dec 2021
Net profit after tax from continuing operations ($M)	**201**	145
Net profit after tax attributed to the shareholders of the parent company ($M)	**201**	133
Weighted average number of shares used in the calculation of EPS	**2,578,784,219**	2,569,700,057
Basic and diluted EPS from continuing operations (cents per share)	**7.8**	5.6
Basic and diluted EPS (cents per share)	**7.8**	5.2

C3 Dividends

6 Months ended 31 December	Unaudited	Unaudited
Dividends declared and paid	**2022 $M**	**2021 $M**
Final ordinary dividend 2022: 11.55cps (2021: 11.2cps)	**298**	287
Total dividends paid	**298**	**287**
Dividends declared and not recognised as a liability		
Interim ordinary dividend 2023: 6.00cps (2022: 5.85cps)	**155**	151

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 28 February 2023 the Board declared a partially imputed interim ordinary dividend of 6 cents per share.

Dividend Reinvestment Plan

Meridian operates a dividend reinvestment plan (DRP) under which shareholders can elect to receive dividends in additional shares rather than cash.

The DRP was available for use in the September 2022 final dividend payment. For this payment, new shares were issued at a 0% 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. Meridian investors were issued 3,864,231 new Meridian shares with a value of $19 million.

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

C4 Borrowings

Group ($M)	Currency borrowed in	Unaudited 31 Dec 2022 Drawn facility amount	Transaction costs paid	Fair value adjustment	Carrying amount	Unaudited 31 Dec 2021 Drawn facility amount	Transaction costs paid	Fair value adjustment	Carrying amount	Audited 30 June 2022 Drawn facility amount	Transaction costs paid	Fair value adjustment	Carrying amount
Current borrowings													
Unsecured borrowings	NZD	160	(1)	–	159	270	(1)	–	269	160	(1)	–	159
Unsecured borrowings	USD	–	–	–	–	–	–	–	–	–	–	–	–
Total current borrowings		**160**	**(1)**	**–**	**159**	**270**	**(1)**	**–**	**269**	**160**	**(1)**	**–**	**159**
Non-current borrowings													
Unsecured borrowings	NZD	375	–	–	375	835	–	–	835	380	–	–	380
Unsecured borrowings	AUD	–	–	–	–	59	–	–	59	–	–	–	–
Unsecured borrowings	USD	586	(1)	(1)	584	554	(1)	83	636	586	(1)	39	624
Total non – current borrowings		**961**	**(1)**	**(1)**	**959**	**1,448**	**(1)**	**83**	**1,530**	**966**	**(1)**	**39**	**1,004**
Total borrowings		**1,121**	**(2)**	**(1)**	**1,118**	**1,718**	**(2)**	**83**	**1,799**	**1,126**	**(2)**	**39**	**1,163**

Meridian has committed bank facilities of $585 million of which $550 million were undrawn at 31 December 2022 (31 December 2021: facilities of $1 billion of which $578 million were undrawn). Where facilities have expiry dates, these expiries range from April 2024 to April 2026. $200 million 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, along with any amounts relating to fair value hedge adjustments.

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.

Meridian borrows under a negative pledge arrangement, which does not permit it to grant any security interest over its assets, unless it is an exception permitted within the negative pledge.

Fair value of items held at amortised cost

Position as at	Carrying value Unaudited 31 Dec 2022 $M	Carrying value Unaudited 31 Dec 2021 $M	Carrying value Audited 30 June 2022 $M	Fair value Unaudited 31 Dec 2022 $M	Fair value Unaudited 31 Dec 2021 $M	Fair value Audited 30 June 2022 $M
Retail bonds	**500**	500	500	**489**	518	497
Floating Rate Notes	**–**	50	–	**–**	50	–
Unsecured term loan (EKF facility)	**35**	45	40	**36**	47	41

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 2022

Group (NZ$M)	Balance at 30 Jun 2022	Term borrowings drawn	Term borrowings repaid	Fair value adjustments	Foreign Exchange	Transferred to Held For Sale	MEA sale	Lease liabilities paid	Lease derecognition	Unwind of discounting	Balance at 31 Dec 2022
Unsecured borrowings – NZD	**539**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**534**
Unsecured borrowings – USD	**624**	**–**	**–**	**(29)**	**(11)**	**–**	**–**	**–**	**–**	**–**	**584**
Lease Liabilities	**41**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(11)**	**1**	**28**
Total	**1,204**	**–**	**(5)**	**(29)**	**(11)**	**–**	**–**	**(3)**	**(11)**	**1**	**1,146**

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	MEA sale	Lease liabilities paid	Lease derecognition	Unwind of discounting	Balance at 31 Dec 2021
Unsecured borrowings – NZD	984	125	(5)	–	–	–	–	–	–	–	1,104
Unsecured borrowings – USD	692		(58)	1	1	–	–	–	–	–	636
Unsecured borrowings – AUD	–	57	–	–	2	–	–	–	–	–	59
Lease Liabilities	97	–	–	–	–	(44)	–	(4)	–	1	50
Total	**1,773**	**182**	**(63)**	**1**	**3**	**(44)**	**–**	**(4)**	**–**	**1**	**1,849**

Audited
30 June 2022

Group (NZ$M)	Balance at 30 Jun 2021	Term borrowings drawn	Term borrowings repaid	Fair value adjustments	Foreign Exchange	Transferred to Held For Sale	MEA sale	Lease liabilities paid	Lease derecognition	Unwind of discounting	Balance at 30 June 2022
Unsecured borrowings – NZD	984	122	(567)	–	–	–	–	–	–	–	539
Unsecured borrowings – USD	692	31	(60)	(78)	39	–	–	–	–	–	624
Unsecured borrowings – AUD	–	57	(58)	–	1	–	–	–	–	–	–
Lease Liabilities	97	–	–	–	–	–	(43)	(7)	(8)	2	41
Total	**1,773**	**210**	**(685)**	**(78)**	**40**	**–**	**(43)**	**(7)**	**(8)**	**2**	**1,204**

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 above tables, have been allocated (directly or notionally) to refinance eligible wind and hydro projects and assets that meet the market standards.

At 31 December 2022, Meridian remains compliant with the requirements of the programme.

Green Debt Instruments under Meridian's Green Finance Programme

Green Debt allocated to the Hydro Pool[1]

			Unaudited 31 Dec 2022		Unaudited 31 Dec 2021		Audited 30 June 2022	
Type ($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 B[2]	Q5995*AB4	USD	**147**	**147**	115	115	147	147
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			**586**	**586**	**554**	**554**	**586**	**586**
Wholesale FRN – 10yr		NZD	**–**	**–**	50	50	–	–
Bank Facilities[3]		NZD	**550**	**–**	955	377	550	–
Commercial Paper[4]		NZD	**–**	**–**	192	192	–	–
Total Green Debt allocated to the Hydro Pool			**1,136**	**586**	**1,751**	**1,173**	**1,136**	**586**

Green Debt allocated to the Wind Pool[5]

			Unaudited 31 Dec 2022		Unaudited 31 Dec 2021		Audited 30 June 2022	
Type – $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	**35**	**35**	45	45	40	40
Total Green Debt allocated to the Wind Pool			**535**	**535**	**545**	**545**	**540**	**540**
Total Green Debt			**1,671**	**1,121**	**2,296**	**1,718**	**1,676**	**1,126**

Further information on the Green Finance Programme, including the Programme framework document, opinions from DNV 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/about-us/investors/reports/green-finance**.

1. Verified as meeting the criteria established by Meridian by DNV which aligns with the stated definition of Green Bonds and Loans within the Green Bond/Loan Principles.
2. USPP notes are included as the NZD equivalent under the cross currency swaps related to the notes.
3. Committed bank facilities are included at the face value of the facilities.
4. Commercial Paper is included as the face value 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 2022		31 Dec 2021		30 June 2022		31 Dec 2022	31 Dec 2021
	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	**(34)**	**(11)**	51	–	(9)	(6)	**1**	–
CCIRS – basis and margin risk	2	**–**	**(4)**	(1)	–	(1)	–	**–**	–
CCIRS – foreign exchange risk	2	**44**	**–**	32	–	54	–	**–**	–
Total CCIRS		**10**	**(15)**	**82**	**–**	**44**	**(6)**	**1**	**–**
Foreign exchange hedges	2	**13**	**–**	11	(1)	19	–	**–**	(1)
Interest rate swaps (IRS)	2	**51**	**(11)**	13	(83)	30	(20)	**31**	59
Total Treasury Hedges		**74**	**(26)**	**106**	**(84)**	**93**	**(26)**	**32**	**58**
Energy hedges									
Market traded electricity hedges	1	**267**	**–**	117	(22)	283	(1)	**(11)**	(21)
Other electricity hedges	3	**250**	**(139)**	85	(30)	194	(96)	**13**	(40)
Electricity options	3	**42**	**–**	54	–	39	–	**(7)**	(7)
Energy hedges		**559**	**(139)**	**256**	**(52)**	**516**	**(97)**	**(5)**	**(68)**
Total hedges		**633**	**(165)**	**362**	**(136)**	**609**	**(123)**	**27**	**(10)**

D

D1 Financial instruments continued

Settlements

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

	Unaudited 2022			Unaudited 2021		
$M	Operating Revenue	Operating expenses	Total Settlements In EBITDAF	Operating Revenue	Operating expenses	Total Settlements In EBITDAF
Market traded electricity hedges	28	(37)	**(9)**	28	(32)	**(4)**
Other electricity hedges	32	(58)	**(26)**	(5)	33	**28**
Electricity options	–	–	**–**	–	3	**3**
Total settlements in EBITDAF	**60**	**(95)**	**(35)**	**23**	**4**	**27**

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 2022			Unaudited 2021		
$M	Other Electricity Hedges	Electricity Options	Total	Other Electricity Hedges	Electricity Options	Total
Energy hedges settled in EBITDAF:						
Operating revenue	**32**	**–**	**32**	(5)	–	(5)
Operating expenses	**(58)**	**–**	**(58)**	33	3	36
Total settlements in EBITDAF	**(26)**	**–**	**(26)**	**28**	**3**	**31**
Net change in fair value of energy hedges:						
Remeasurement	**(13)**	**(7)**	**(20)**	(12)	(4)	(16)
Hedges settled	**26**	**–**	**26**	(28)	(3)	(31)
Total net change in fair value of energy hedges	**13**	**(7)**	**6**	**(40)**	**(7)**	**(47)**
Balance at the beginning of the period	**98**	**39**	**137**	**99**	**29**	**128**
Fair value movements	**13**	**(7)**	**6**	(40)	(7)	(47)
Balance transferred to Held For Sale	**–**	**–**	**–**	(4)	–	(4)
New hedge recognised	**–**	**10**	**10**	–	32	32
Balance at the end of the period	**111**	**42**	**153**	**55**	**54**	**109**

D

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 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 market wholesale interest rate curves, adjusted for counterparty risk;
- calibration factor applied to forward price curves as a consequence of initial recognition differences;
- NZAS continues to operate to 31 December 2024; 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 below table)	$29/MWh to $243/MWh (30 June 2022: $34/MWh to $115/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.

Movements in recalibration differences arising from energy hedges

Position as at	Unaudited 31 Dec 2022 $M	Unaudited 31 Dec 2021 $M	Audited 30 June 2022 $M
	Carrying value		
Opening difference	–	(2)	(2)
Initial differences on new hedges	–	–	–
Volumes expired and amortised	–	–	2
Closing difference	**–**	**(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

During the period, Meridian LTI Trustee Limited was wound up and removed from the companies register. No other changes occurred to Meridian's Group structure in the six months to 31 December 2022. In the comparative period, MEA was still part of the Group, although it has been shown as Held For Sale and as a discontinued operation. Refer to Note S1 for further details.

E2 Contingent assets and liabilities

In August 2022, Meridian and Contact Energy Limited entered into a swaption and a contract-for-difference (CfD). The contract period for both derivatives covers calendar years 2023 and 2024; however, the 2024 portion only activates if specified conditions precedent are met. These conditions are due to be concluded upon on 15 September 2023. As we are unsure if the pre-conditions will be met, the 2024 portion of both derivatives is not presently recognised in the Meridian statement of financial position. If confirmed, the approximate value of the swaption derivative asset and amortised cost liability for premiums would be $10 million, with the swaption limited to 150GWh of calls per annum. The CFD has a notional volume of 294GWh.

During the reporting period, Meridian sought a stamp duty refund from the Australian Tax Office for the amount of AU$7.8 million (NZ$8.3 million) in relation to its former holdings in Meridian Energy Australia. Meridian initially won the decision in the NSW Supreme Court in August 2022, however, the Chief Commissioner of State Revenue has appealed in the NSW Court of Appeal. A hearing in the Court of Appeal has been set down for March 2023. No amount has been recognised in the financial statements in relation to the stamp duty refund because Meridian is pursuing the amount through a legal process, where the outcome is uncertain.

There were no contingent assets or liabilities in comparative periods (31 Dec 2021: $0 million, 30 Jun 2022: $0 million).

E3 Subsequent events

Meridian is considering making an offer of up to $150 million (with the ability to accept oversubscriptions of up to an additional $50 million at Meridian's discretion) of 5.5 year unsecured, unsubordinated, fixed rate Green Bonds to institutional and New Zealand retail investors. It is expected that full offer details will be released on 6 March 2023, when the offer is expected to open.

The Directors declared an interim dividend on 28 February 2023. 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.

Independent auditor's report

To the shareholders of Meridian Energy Limited

Deloitte.

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 2 to 25, which comprise the balance sheet as at 31 December 2022, 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 the notes, including 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 2022 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 independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Boards. We note that during the period our systems identified that a non-audit partner in the same office as the engagement partner inadvertently held an interest in the entity for part of the period, which was rectified prior to the issuance of this opinion. The matter does not impact on the financial statements and has not compromised our objectivity as auditor.

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 inventory assurance, limited assurance of the sustainability content in the integrated report, audits of the securities registers, audit of the fixed rate bond 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 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.

The directors are also responsible for the publication of the interim financial statements, whether in printed or electronic form.

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
28 February 2023
CHRISTCHURCH, NEW ZEALAND

This review report relates to the unaudited interim financial statements of Meridian Energy Limited for the 6 months ended 31 December 2022 included on Meridian Energy Limited's website. The Board of Directors (the Board) are responsible for the maintenance and integrity of Meridian Energy Limited's website. We have not been engaged to report on the integrity of Meridian Energy Limited'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 28 February 2023 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.

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Condensed Interim Financial Statements.

As at and for the six months to 31 December 2022.