



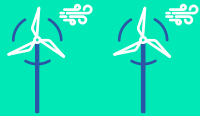
Meridian.



# 2022 Annual Results Presentation

24 AUGUST 2022

# Highlights



**Harapaki wind farm  
on schedule**



**Carbon neutral, stable  
operational emissions**



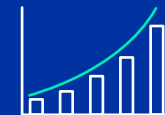
**NZ top 25% staff engagement,  
improving injury rate**



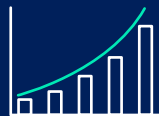
**300 GWh\* in MoU's or contracted  
for South Island process heat**



**1.1 GW of secured  
development options**



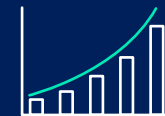
**2.5% increase in EBITDA\*\***



**6% customer sales volume growth**



**\$214 million gain on sale of Australia**



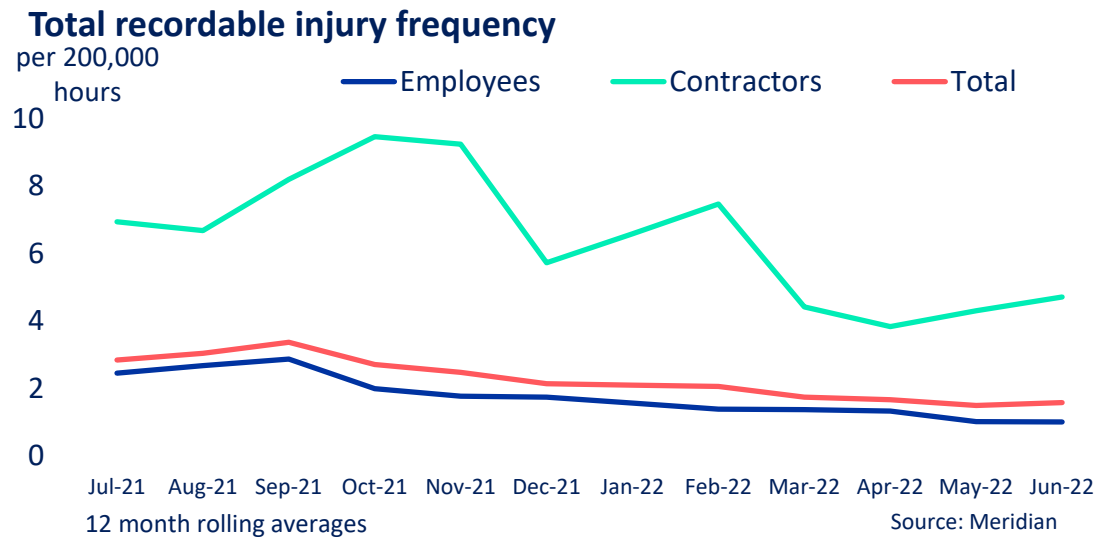
**3% increase in ordinary dividend**

\*250 GWh in Memorandums of Understanding, 50 GWh contracted (annual volumes)

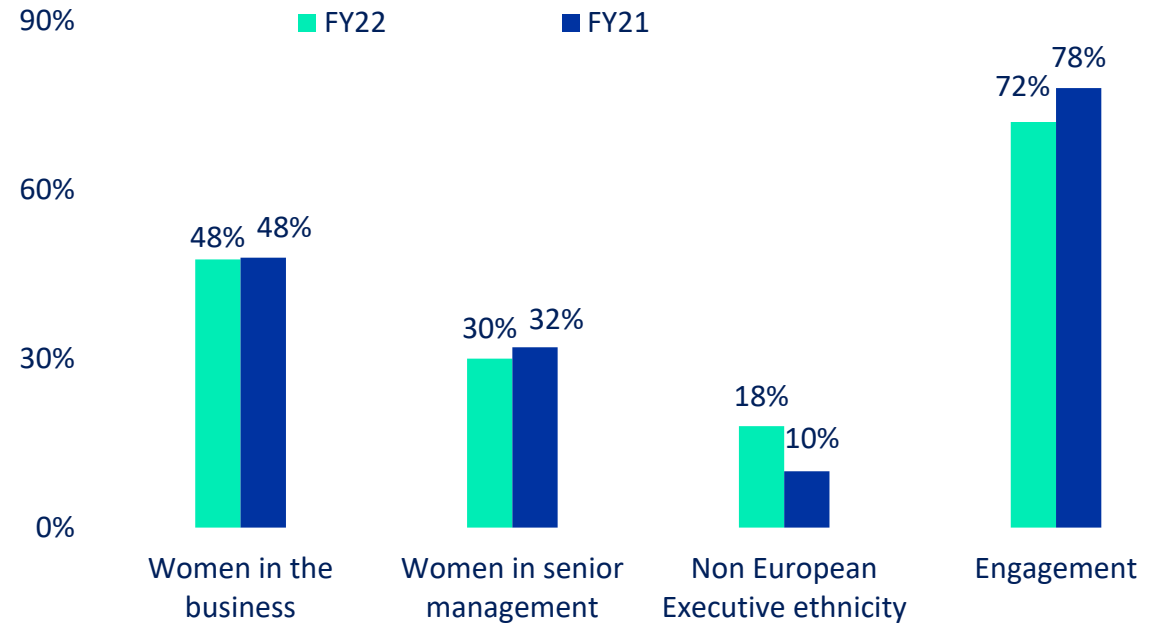
\*\*Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets

# Our people

- Decreasing injury rate with 13 non-serious lost time injuries in FY22
- NZ top quartile staff engagement despite challenging employment market



## Workforce measures



Source: Meridian

# Our strategy



Strategic initiatives	<b>Champion</b> Competitive markets Sustainability Climate action	<b>Optimise</b> Trading and asset management Re-consenting Financing	<b>Grow</b> Retail Generation Flux
5-year targets	Grow a clear sustainable leadership position		NZ's highest customer satisfaction
	Use our 5,000 GWh renewable opportunity to fast-track NZ's decarbonisation	Provide the most relevant and impactful options for our customers	Develop a high quality and diverse suite of renewable energy options
	Execute on options that optimise system and portfolio needs and reduce transition risks		3 million ICP's on Flux
	A resilient wellbeing and safety culture		
Current position	Asia Pacific Dow Jones Sustainability Index inclusion		Powershop market leading customer satisfaction, Meridian leading gentailer
	1,500 GWh new demand opportunities identified	300 GWh of process heat under MOU 61 public EV chargers installed	2.3 GW of sites/opportunities
	385 GWh of new swaptions, 250 GWh of smelter demand response		540,000 ICP's on Flux
	NZ top quartile staff engagement, improving injury frequency rates		

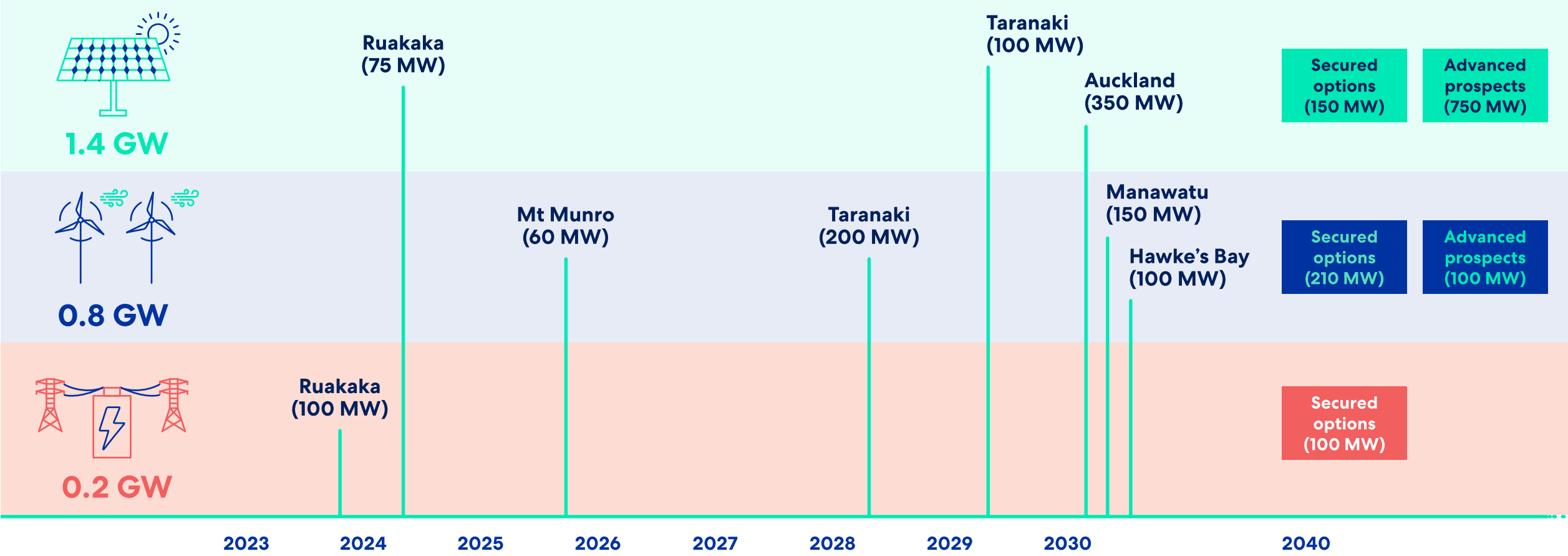
# Harapaki update

- \$53 million (13%) increase in total project capital costs from the original \$395 million announced in February 2021 to \$448 million
- First power milestone of mid 2023 and full power by mid 2024 both remain on schedule
- Additional civil costs to maintain overall programme against the impact of very wet spring and summer conditions
- COVID impacts and increases in global material, labour, shipping costs, and constraints across supply chains
- Revised roading design to address challenging site geology, improving resilience and site access
- Higher limestone extraction and transport emissions offset by lower cement production and transport emissions



# Renewable development pipeline

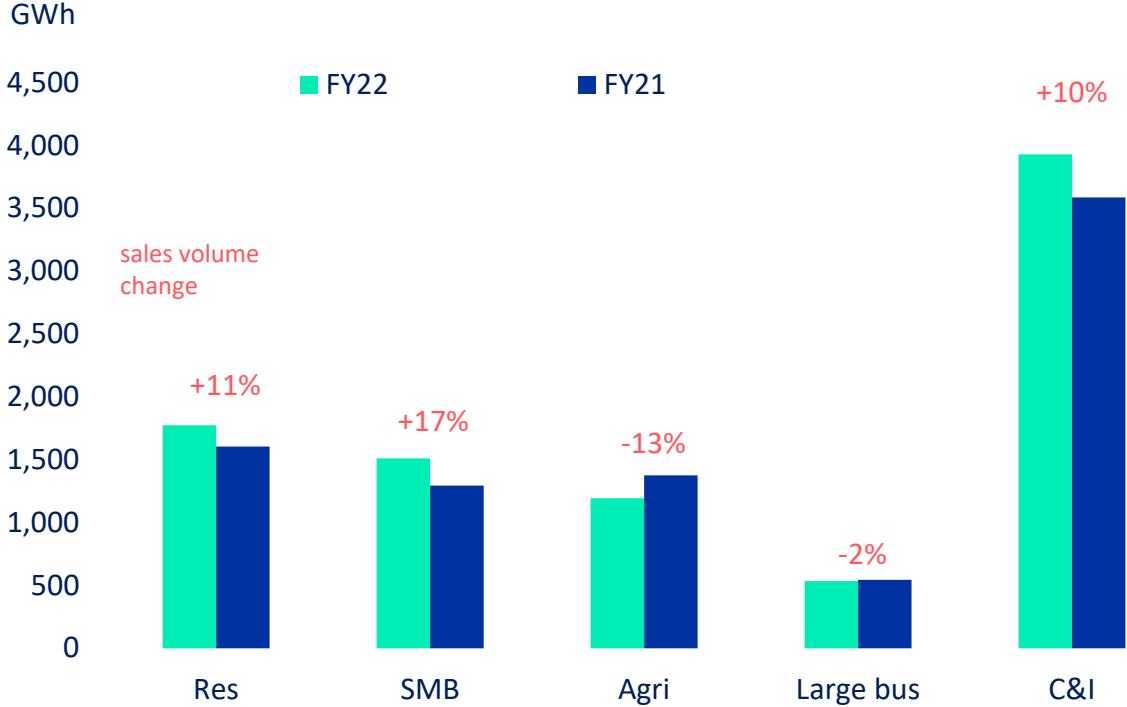
- Deep pipeline of 2.3 GW (5.4 TWh) of development options
- 1.1 GW secured, 1.2 GW in advanced prospects, further battery site acquired
- North Island focus, flexibility on South Island options maintained



# New Zealand customers

- Continued sales volume growth (6% in total)
- Mass market and C&I volumes together have more than doubled in the last three years
- Expecting future growth to moderate
- Core platform transformation completion by end of 2023
- EV charging network: 61 installed, 82 committed, targeting 250 by end of 2023
- Process heat electrification programme growing: 300 GWh committed, targeting 600 GWh by 2024
- Certified renewable energy: 82 customers (180% sales growth in 2022)

New Zealand retail sales volumes



Source: Meridian

# NZAS contract termination - mitigation

## Current swaption

- 235 GWh Nova swaption signed in December 2021
- 17 MW Ngāwhā geothermal PPA from 2024
- Greater reliance on existing smelter demand response (250 GWh)
- 150 GWh Contact swaption signed in August 2022

## Clutha Upper Waitaki Lines Project

- Project completed in April 2022
- Doubling of northward transmission capacity





# NZAS contract termination - mitigation

## North Island battery

- Currently tendering for 100 MW/200 MWh capacity battery
- Consent expected by September 2022, construction starting in 2023, completion now in 2024
- Construction of a utility scale solar farm (75 MW, ~\$100m), consents lodged in early 2023, completion by early 2025

## Process heat

- 250 GWh in MoU's, 50 GWh contracted
- Expanded GIDI fund: \$650M over 4 years
- Round 4 funding closed, successful applications notified from November 2022



# NZAS contract termination - mitigation

## Green hydrogen

- Woodside and FFI have entered final stage negotiations to be lead developer
- Final responses, followed by final selection in late 2022
- Potential final investment decision by late 2024

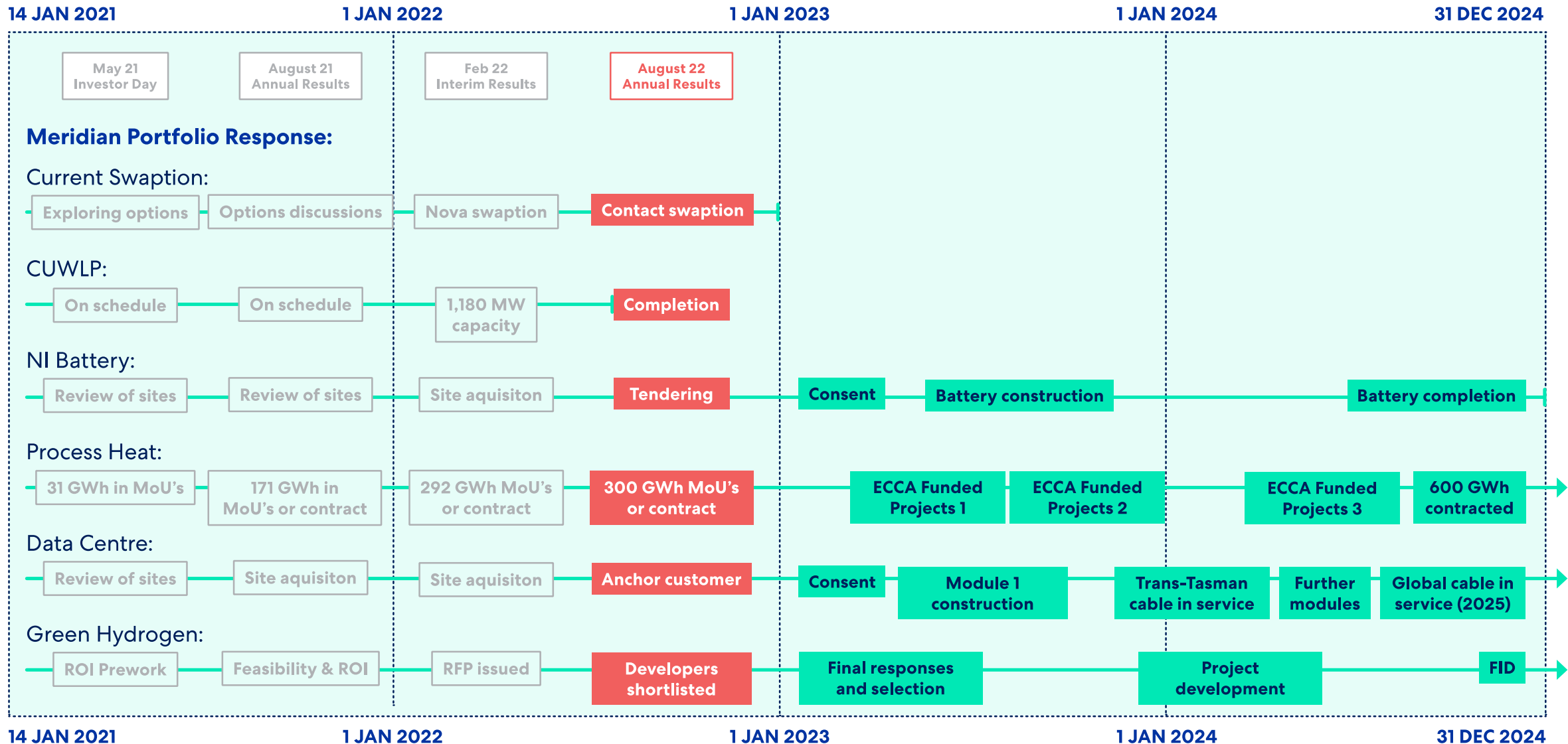
## Data centre

- University of Otago announced as an anchor customer
- Resource consent for construction expected to be filed this year
- Connectivity to US, Australia and Asia expected by 2025



# NZAS contract termination - mitigation

## NZAS Contract:



# New Zealand policy and regulation

## Emissions Reduction Plan

- Released in May 2022, it sets out how NZ will meet its first emissions budget for 2022-2025
- Requires additional emissions reductions of 4%
- Plan targets transport and energy emissions
- Supported by \$2.9B of funding from the Government's Climate Emergency Fund
- \$1.2B earmarked for transport, including increased access to low and zero emissions vehicles
- \$0.7B in funding for industrial decarbonisation



# New Zealand policy and regulation

## Resource management reform

- Reform programme risks renewable projects needing to clear a higher consenting hurdle
- Gentailer CEs have collectively written to Ministers outlining issues that need addressing, supported by Concept Consulting advice

## Low carbon commitment

- Meridian is part of a collective sector commitment to deliver a low carbon energy system
- Development of an independent roadmap by BCG for decarbonisation of the energy system

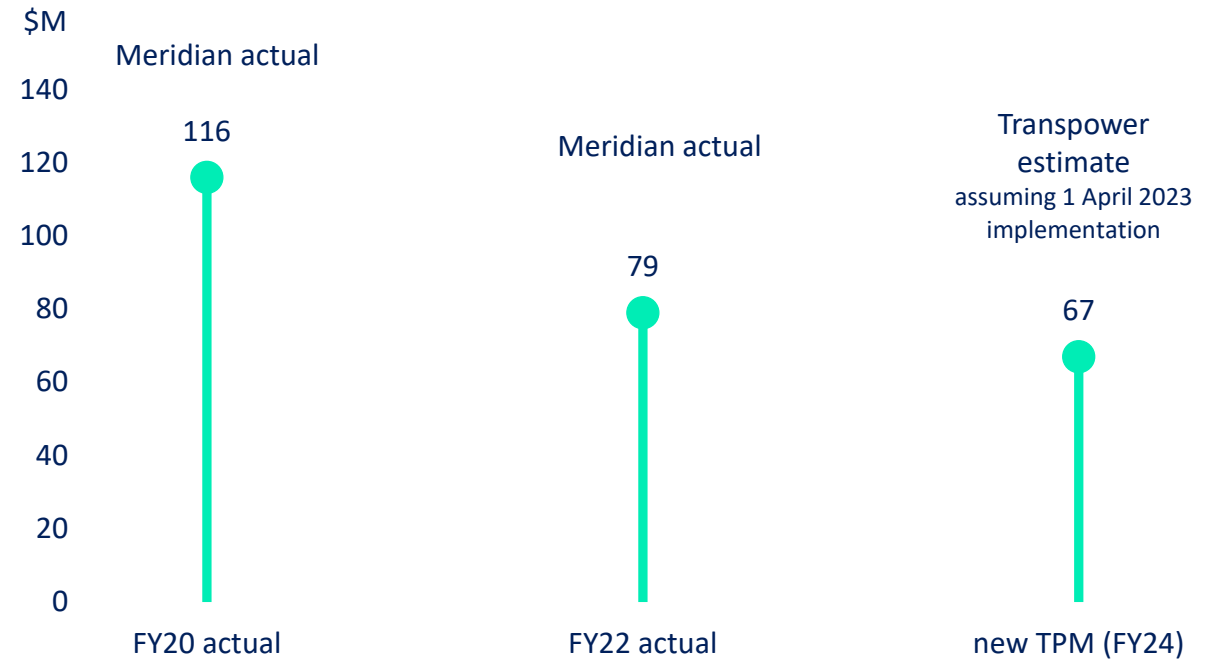


# New Zealand policy and regulation

## Transmission Pricing Methodology (TPM)

- New TPM to take effect from 1 April 2023
- High Court dismissed Manawa's application for a judicial review in June 2022
- In July 2022, Nova sought leave to appeal the case to the Court of Appeal
- Transpower's indicative TPM estimates show a \$67M p.a. cost estimate for Meridian
- Expecting this to lift by \$10M p.a. for significantly higher Transpower asset replacement costs

## Meridian's NZ transmission costs



Source: Meridian, Transpower

# Financial performance



**Meridian.**  
The Power to  
Make a Difference.

Available (flashed)  
Waiting (flashing)  
Charging in session  
Fully charged  
Error

1 Connect the charger to your vehicle with your charging cable.  
2 Insert vehicle into charging station and plug in the charging cable.  
3 To stop charging, disconnect the charging cable.

To report any problems call Meridian on 0800 496 711

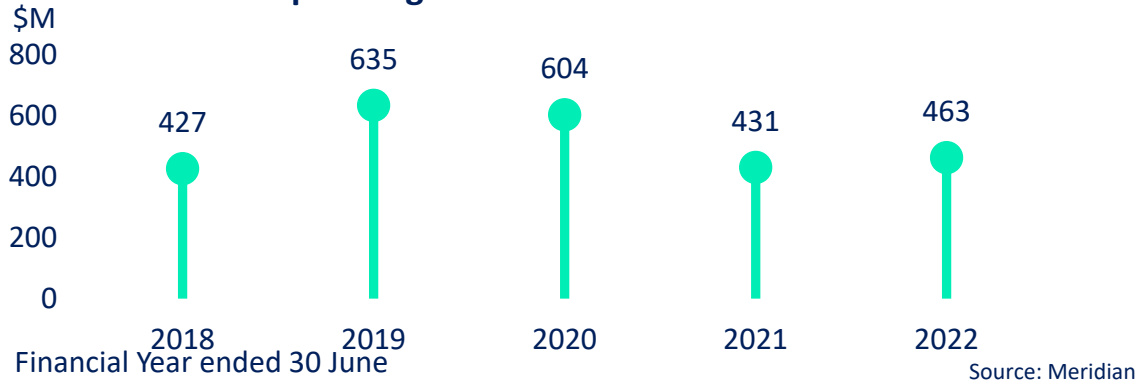
Goes like the wind.  
Meridian.

Your next journey starts here.  
EV CHARGING STATION  
HYUNDAI

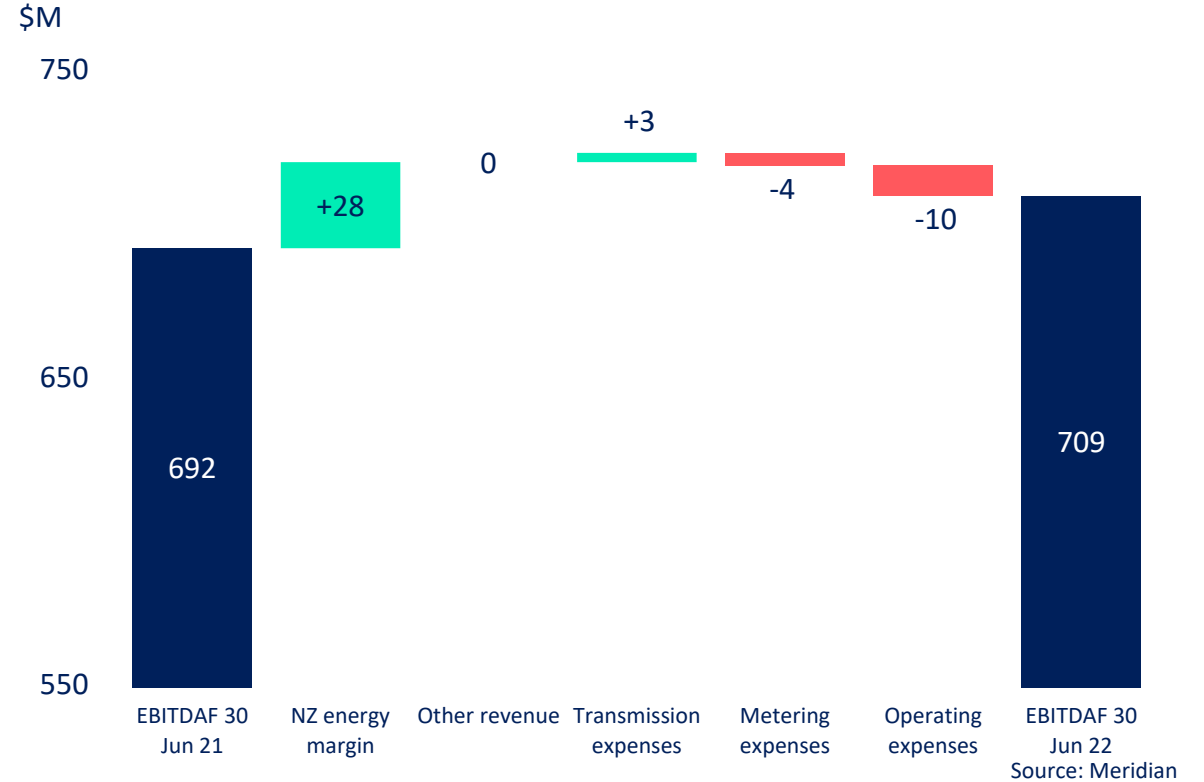
# EBITDAF<sup>1</sup>

- FY22 EBITDAF +2.5% on FY21 (continuing operations)
- Strong retail sales performance in New Zealand
- Q3-Q4 drought conditions again in FY22
- 5% growth in operating costs
- 7% growth in operating cash flows

## Cash flow from operating activities



## EBITDAF movement



<sup>1</sup>Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges, impairments and gains or losses on sale of assets



# Dividends

- Final ordinary dividend declared of 11.55 cps (+3%), 76% imputed
- Brings FY22 full year ordinary dividend declared to 17.4 cps (+3%), 79% imputed
- Represents 86% payout of free cash flow
- Dividend reinvestment plan will apply to this final dividend at 0% discount

\$M

Free cash flow

	2022	2021
Net profit after tax	664	428
Fair value movements	(260)	(248)
Impairment/remediation of assets	2	(6)
Gain on sale	(214)	1
Tax effect	78	72
<b>Adjusted NPAT</b>	<b>270</b>	<b>247</b>
Depreciation and Amortisation	300	303
Stay in business capital expenditure	(50)	(65)
<b>Free cash flow</b>	<b>520</b>	<b>485</b>
Annual dividend declared	448	433
Annual dividend declared (cps)	17.40	16.90
Payout ratio	86%	89%

## Dividends declared



Financial Year ended 30 June

Source: Meridian

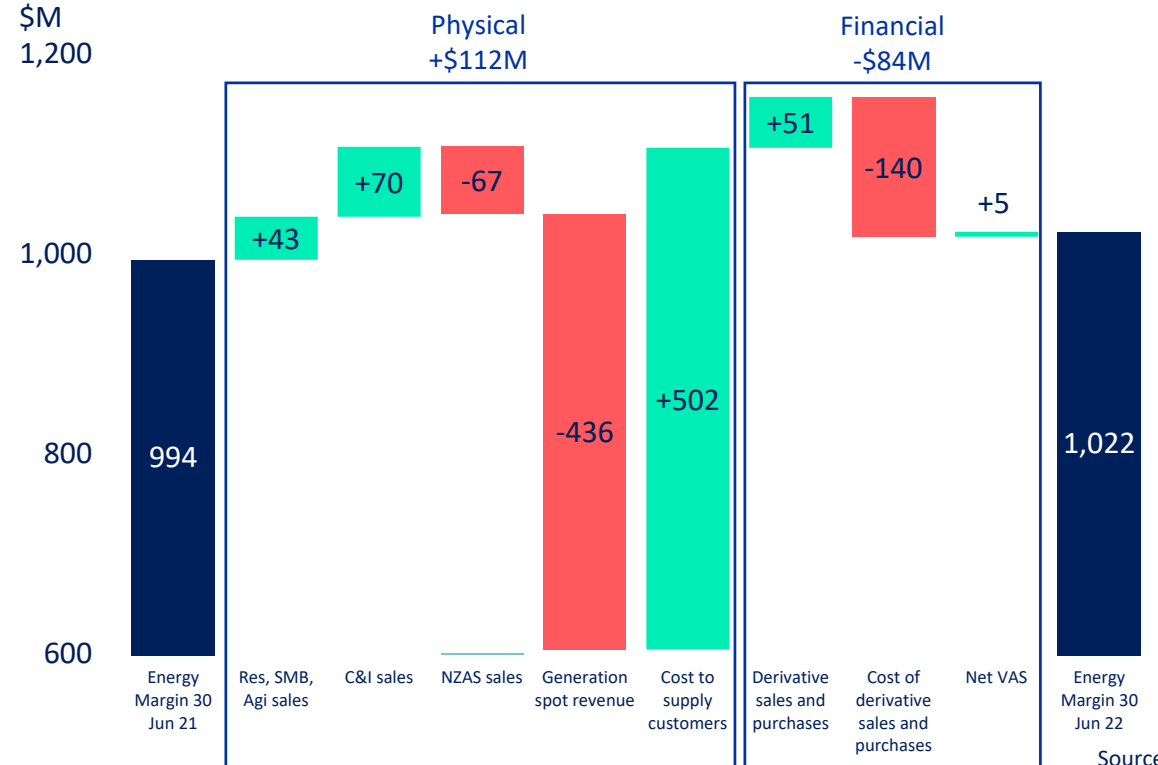
## Dividend Reinvestment Plan Dates

Ex dividend date	7 Sep	Strike price announced	14 Sep
Record date	8 Sep	Dividend paid/shares issued	23 Sep
Elections close	9 Sep		

# New Zealand energy margin

- \$113M customer revenue growth across mass market and C&I segments
- 55% increase in financial contract sales volumes
- 2H generation length again impacted by drought
- Lower wholesale market prices were reflected in lower spot generation and hedging revenues
- Those lower prices also decreased costs in the portfolio
- Higher hedging volumes needed to manage periods of low physical generation

## New Zealand energy margin movement

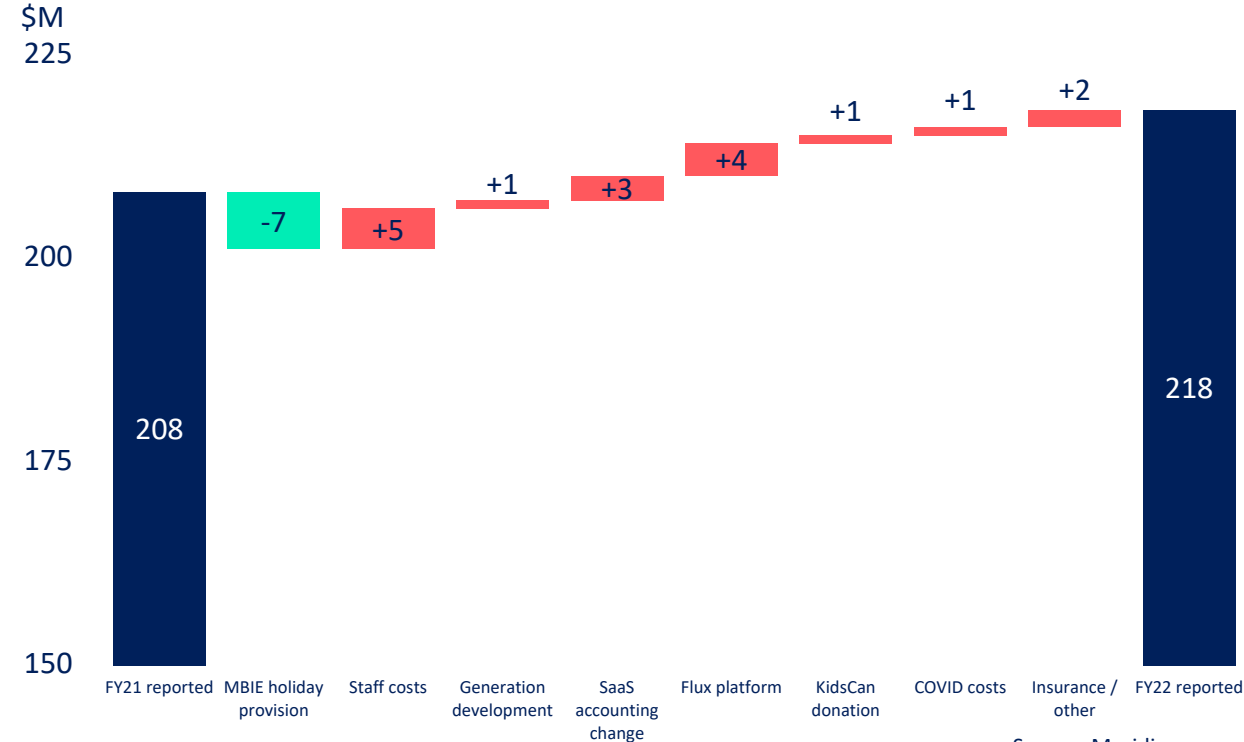


Refer to page 39 for a further breakdown of New Zealand energy margin

# Operating costs

- Midpoint of the \$215M-\$220M guidance range
- \$10M (5%) increase in FY21 operating costs
- \$17M (8%) increase including release of provision on Holidays Act payroll remediation:
  - Higher staff costs, including Aus services
  - Growth in development and Flux spend
  - Higher SaaS and insurance costs
  - COVID costs

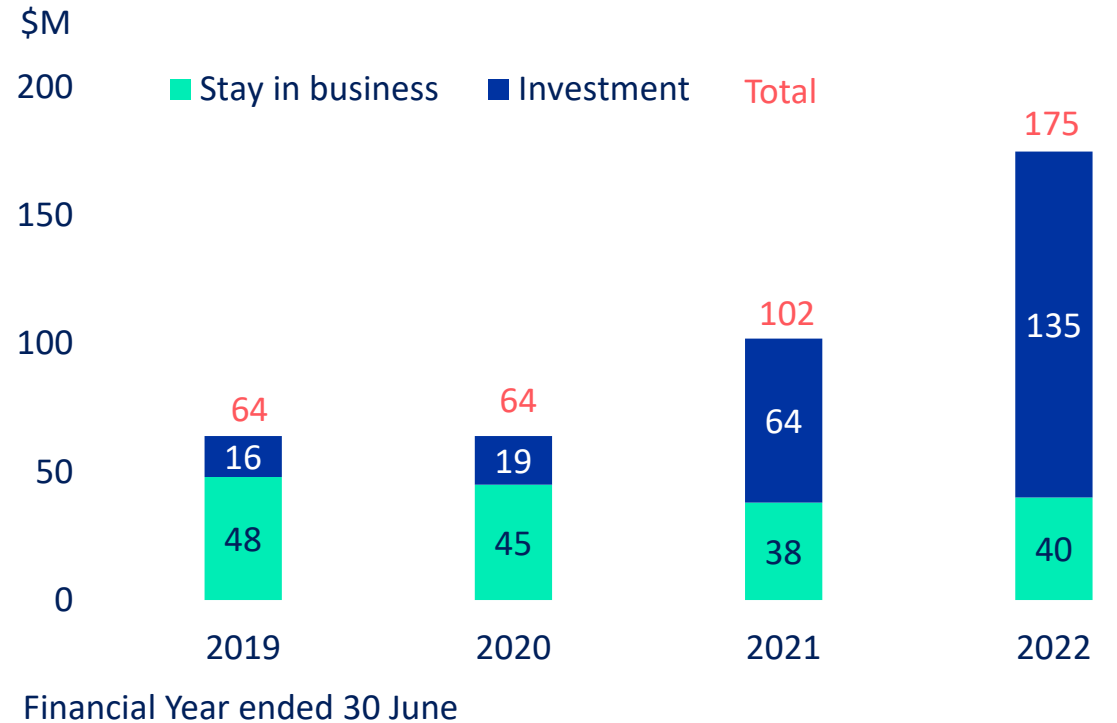
## Operating cost movement



# Capital expenditure

- Top end of the \$165M-\$175M guidance range
- Consistent level of stay in business capex
- Largely consists of system and generation asset enhancement spend
- Harapaki investment spend of \$86M in FY22

## Capital expenditure



Source: Meridian

# Cost guidance

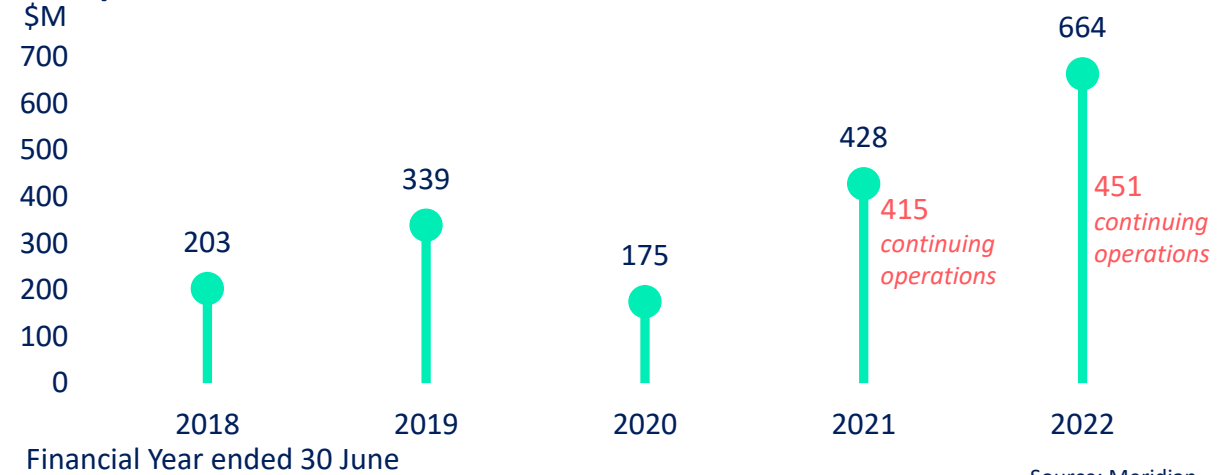
- Including total cash spend on maintenance and enhancement of generation assets
- 11%-13% operating cost growth expected in FY23:
  - Full year of Australia call centre costs (previously eliminated, now revenue recovery)
  - 7% average salary uplift reflecting current cost of living challenges for staff
  - Growth in Flux and generation development

	<u>FY23 Cost Guidance</u>			<u>FY22 Actual</u>		
	<u>Generation</u>	<u>Flux</u>	<u>Total Meridian</u>	<u>Generation</u>	<u>Flux</u>	<u>Total Meridian</u>
Operating Costs		\$18M	\$242M-\$247M		\$14M	\$218M
<i>Stay in Business</i>			<i>\$50M-\$55M</i>			<i>\$40M</i>
<i>Growth</i>			<i>\$360M-\$380M</i>			<i>\$135M</i>
Total Capital Expenditure			\$410M-\$435M			\$175M
Total Cash Costs	\$83M-\$88M			\$84M		

# Below EBITDAF

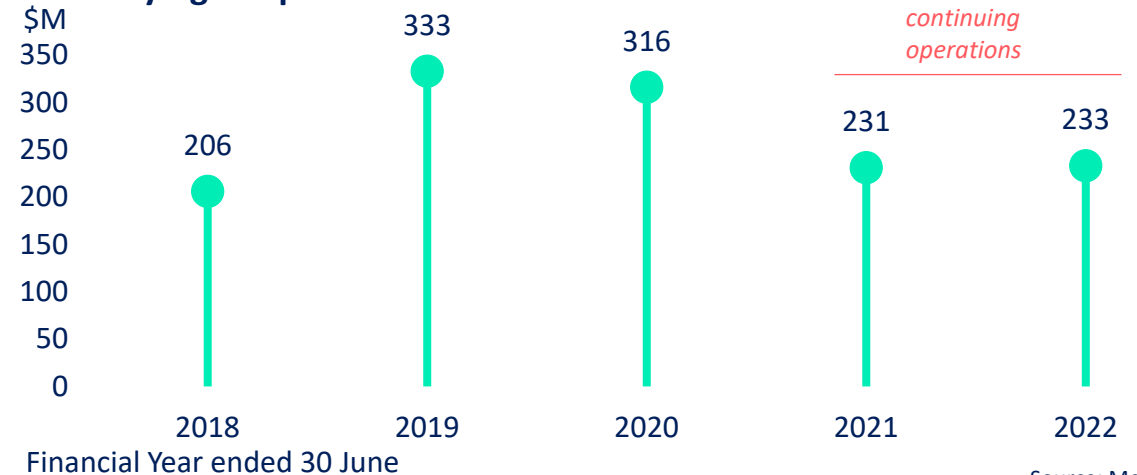
- 8% increase in depreciation following 2021 revaluation
- \$55M June 2022 revaluation (decrease)
- \$213M net profit after tax from discontinued operations (\$214M gain on Australia sale)
- \$145M increase in NPBT<sup>1</sup> from fair value of electricity hedges from higher forward electricity prices (\$157M increase in FY21)
- \$136M increase in NPBT from fair value of treasury instruments from higher forward interest rates (\$79M increase in FY21)
- Resulting 55% increase in FY22 net profit after tax (9% on continuing operations basis)
- Adjusting for fair value movements and discontinued operations, Underlying NPAT<sup>2</sup> increased slightly in FY22

## Net profit after tax



Source: Meridian

## Underlying net profit after tax



Source: Meridian

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

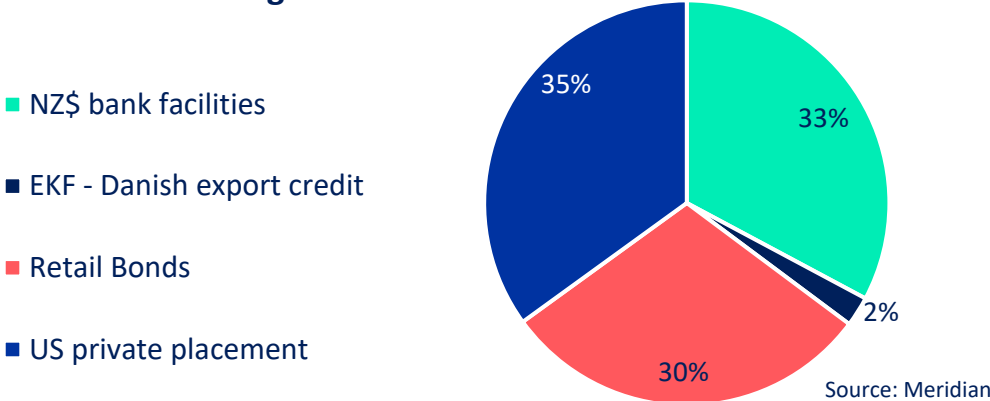
<sup>2</sup>Net profit before tax adjusted for the effects of changes in fair value of hedges and other non-cash items

A reconciliation of NPAT to Underlying NPAT is on page 43

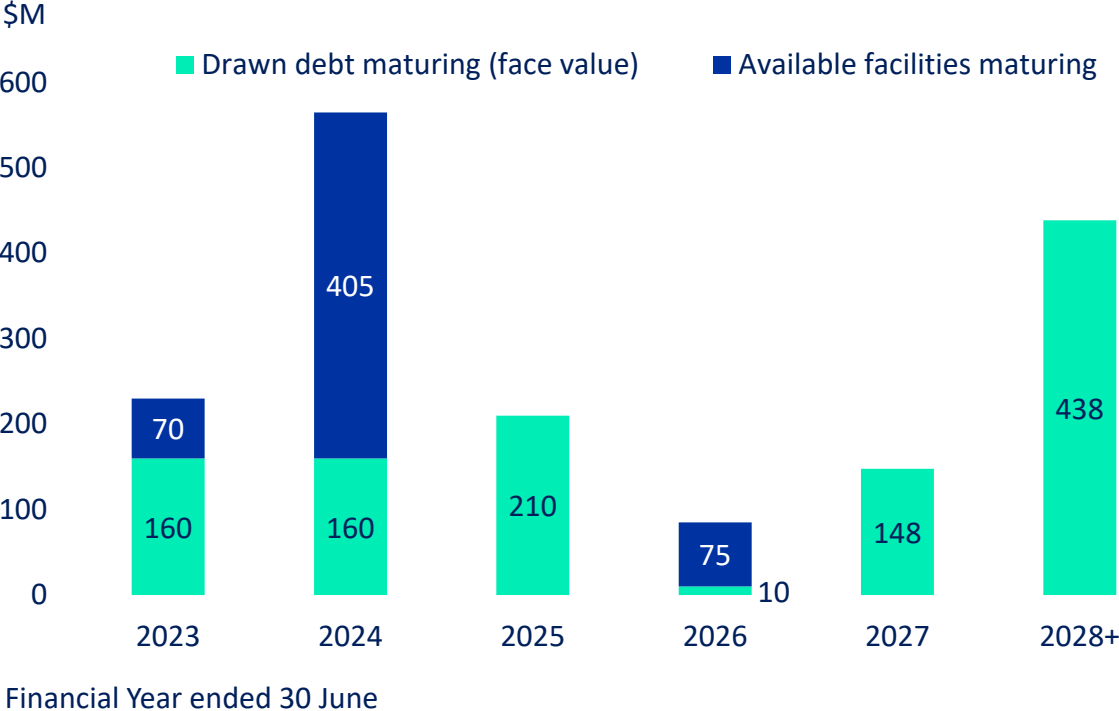
# Debt and funding

- June 2022 total borrowings of \$1,163M
- Total funding facilities of \$1,676M, of which \$550M were undrawn
- All facilities classified under Meridian’s Green Finance Programme
- Net debt of \$847M, down 48% from FY21
- Net debt to EBITDAF at 1.2x (FY21: 2.4x)
- Credit rating maintained at BBB+/Stable

Sources of Funding - 30 June 2022



Debt maturity profile as at 30 June 2022



Source: Meridian

# Closing comments

- Portfolio response to NZAS exit is well established
- Development pipeline is deep and diverse
- Successful exit from Australia
- The Government's first emissions reduction plan commits billions to transport and industrial decarbonisation
- Solid July 2022 operating result with significantly improved hydro storage





# Questions



# Additional information



# Segment results

- Flux Federation included in 'other and unallocated' segment

\$M	Wholesale		Retail		Australia		Other & unallocated		Inter-segment		Discontinued op's		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Contracted sales	525	489	1,057	944	96	172	-	-	-	-	(96)	(172)	1,582	1,433
Cost to supply customers	(2,554)	(3,020)	(874)	(782)	(82)	(115)	-	-	965	906	82	115	(2,463)	(2,896)
Net cost of hedging	148	271	-	-	1	(9)	-	-	-	-	(1)	9	148	271
Generation spot revenue	1,757	2,193	-	-	46	50	-	-	-	-	(46)	(50)	1,757	2,193
Inter-segment electricity sales	965	906	-	-	-	-	-	-	(965)	(906)	-	-	-	-
Virtual asset swap margins	2	(3)	-	-	-	-	-	-	-	-	-	-	2	(3)
Other market revenue/(costs)	(5)	(5)	1	1	(1)	(1)	-	-	-	-	1	1	(4)	(4)
<b>Energy margin</b>	<b>838</b>	<b>831</b>	<b>184</b>	<b>163</b>	<b>60</b>	<b>97</b>	-	-	-	-	<b>(60)</b>	<b>(97)</b>	<b>1,022</b>	<b>994</b>
Other revenue	2	3	14	14	-	2	41	55	(30)	(45)	-	(2)	27	27
Dividend revenue	-	-	-	-	-	-	-	52	-	(52)	-	-	-	-
Energy transmission expense	(79)	(82)	-	-	(3)	(5)	-	-	-	-	3	5	(79)	(82)
Electricity metering expenses	-	-	(43)	(39)	-	-	-	-	-	-	-	-	(43)	(39)
<b>Gross margin</b>	<b>761</b>	<b>752</b>	<b>155</b>	<b>138</b>	<b>57</b>	<b>94</b>	<b>41</b>	<b>107</b>	<b>(30)</b>	<b>(97)</b>	<b>(57)</b>	<b>(94)</b>	<b>927</b>	<b>900</b>
Employee expenses	(26)	(29)	(32)	(32)	(10)	(15)	(42)	(36)	-	-	10	15	(100)	(97)
Other operating expenses	(60)	(59)	(36)	(33)	(19)	(42)	(34)	(34)	12	15	19	42	(118)	(111)
Operating expenses	(86)	(88)	(68)	(65)	(29)	(57)	(76)	(70)	12	15	29	57	(218)	(208)
<b>EBITDAF</b>	<b>675</b>	<b>664</b>	<b>87</b>	<b>73</b>	<b>28</b>	<b>37</b>	<b>(35)</b>	<b>37</b>	<b>(18)</b>	<b>(82)</b>	<b>(28)</b>	<b>(37)</b>	<b>709</b>	<b>692</b>

# Six monthly results

\$M	1H			2H			Total		
	2022	2021	change	2022	2021	change	2022	2021	change
Contracted sales	788	716	72	794	717	77	1,582	1,433	149
Cost to supply customers	(905)	(951)	46	(1,558)	(1,945)	387	(2,463)	(2,896)	433
Net cost of hedging	(4)	24	(28)	152	247	(95)	148	271	(123)
Generation spot revenue	661	755	(94)	1,096	1,438	(342)	1,757	2,193	(436)
Virtual asset swap margins	3	1	2	(1)	(4)	3	2	(3)	5
Other market revenue/(costs)	(6)	(2)	(4)	2	(2)	4	(4)	(4)	-
<b>Energy margin</b>	<b>537</b>	<b>543</b>	<b>(6)</b>	<b>485</b>	<b>451</b>	<b>34</b>	<b>1,022</b>	<b>994</b>	<b>28</b>
Other revenue	14	11	3	13	16	(3)	27	27	-
Energy transmission expense	(38)	(41)	3	(41)	(41)	-	(79)	(82)	3
Electricity metering expenses	(21)	(20)	(1)	(22)	(19)	(3)	(43)	(39)	(4)
<b>Gross margin</b>	<b>492</b>	<b>493</b>	<b>(1)</b>	<b>435</b>	<b>407</b>	<b>28</b>	<b>927</b>	<b>900</b>	<b>27</b>
Operating expenses	(98)	(98)	-	(120)	(110)	(10)	(218)	(208)	(10)
<b>EBITDAF</b>	<b>394</b>	<b>395</b>	<b>(1)</b>	<b>315</b>	<b>297</b>	<b>18</b>	<b>709</b>	<b>692</b>	<b>17</b>
Depreciation & amortisation	(144)	(137)	(7)	(149)	(134)	(15)	(293)	(271)	(22)
Impairment of assets	-	-	-	(2)	-	(2)	(2)	-	(2)
Net change in fair value of electricity and other hedges	(68)	73	(141)	213	84	129	145	157	(12)
<b>Operating Profit</b>	<b>182</b>	<b>331</b>	<b>(149)</b>	<b>377</b>	<b>247</b>	<b>130</b>	<b>559</b>	<b>578</b>	<b>(19)</b>
Finance costs	(39)	(41)	2	(31)	(40)	9	(70)	(81)	11
Net change in fair value of treasury instruments	58	25	33	78	54	24	136	79	57
<b>Net profit before tax</b>	<b>201</b>	<b>315</b>	<b>(114)</b>	<b>424</b>	<b>261</b>	<b>163</b>	<b>625</b>	<b>576</b>	<b>49</b>
Income tax expenses	(56)	(88)	32	(118)	(73)	(45)	(174)	(161)	(13)
<b>Net profit after tax from continuing operations</b>	<b>145</b>	<b>227</b>	<b>(82)</b>	<b>306</b>	<b>188</b>	<b>118</b>	<b>451</b>	<b>415</b>	<b>36</b>
Net profit after tax from discontinued operations	(12)	-	(12)	225	13	212	213	13	200
<b>Net profit after tax</b>	<b>133</b>	<b>227</b>	<b>(94)</b>	<b>531</b>	<b>201</b>	<b>330</b>	<b>664</b>	<b>428</b>	<b>236</b>
<b>Underlying net profit after tax</b>	<b>145</b>	<b>149</b>	<b>(4)</b>	<b>88</b>	<b>82</b>	<b>6</b>	<b>233</b>	<b>231</b>	<b>2</b>

# Earnings from continuing operations

## NZ Operations

Financial year ended 30 June

\$M

	2022	2021	2020	2019	2018	2017
Contracted sales	1,582	1,433	1,327	1,178	1,064	968
Cost to supply customers	(2,463)	(2,896)	(1,486)	(1,874)	(1,194)	(707)
Net cost of hedging	148	271	11	126	41	(4)
Generation spot revenue	1,757	2,193	1,266	1,672	1,039	684
Virtual asset swap margins	2	(3)	9	11	(2)	4
Other market revenue/(costs)	(4)	(4)	(5)	(5)	(4)	(5)
<b>Energy margin</b>	<b>1,022</b>	<b>994</b>	<b>1,122</b>	<b>1,108</b>	<b>944</b>	<b>940</b>
Other revenue	27	27	24	23	21	19
Energy transmission expense	(79)	(82)	(116)	(125)	(122)	(125)
Energy metering expense	(43)	(39)	(36)	(33)	(31)	(30)
<b>Gross margin</b>	<b>927</b>	<b>900</b>	<b>994</b>	<b>973</b>	<b>812</b>	<b>804</b>
Operating expenses	(218)	(208)	(207)	(199)	(190)	(183)
<b>EBITDAF</b>	<b>709</b>	<b>692</b>	<b>787</b>	<b>774</b>	<b>622</b>	<b>621</b>

# New Zealand retail

<b>Customer sales</b>	Average price (\$/MWh)	Total sales volume (GWh)	North Island sales volume (GWh)	South Island sales volume (GWh)
<b>FY22</b>				
Residential		1,775	980	745
Small medium business		1,507	936	509
Agricultural		1,194	389	1,013
Large business		537	339	209
Total mass market	\$127	5,012	2,645	2,466
Corporate	\$107	3,929	2,646	1,283
<b>FY21</b>				
Residential		1,605	860	745
Small medium business		1,294	785	509
Agricultural		1,376	363	1,013
Large business		544	335	209
Total mass market	\$123	4,819	2,353	2,466
Corporate	\$98	3,586	2,432	1,154

<b>Average price (\$/MWh)</b>	FY18	FY19	FY20	FY21	FY22
Mass market	\$117	\$114	\$114	\$123	\$127
Corporate	\$83	\$89	\$99	\$98	\$107

# New Zealand retail

## Customers

- 5% increase in customers since June 2021

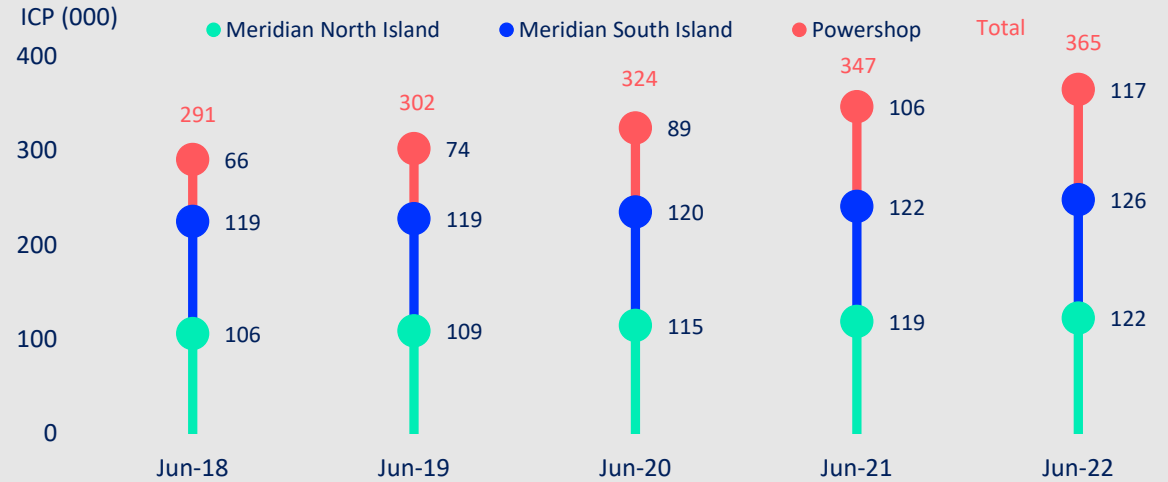
## Residential, business, agri segment

- 11% increase in residential volumes
- 17% increase in small business volumes
- 13% decrease in agri volumes
- 2% decrease in large business volumes
- 3% increase in average sales price

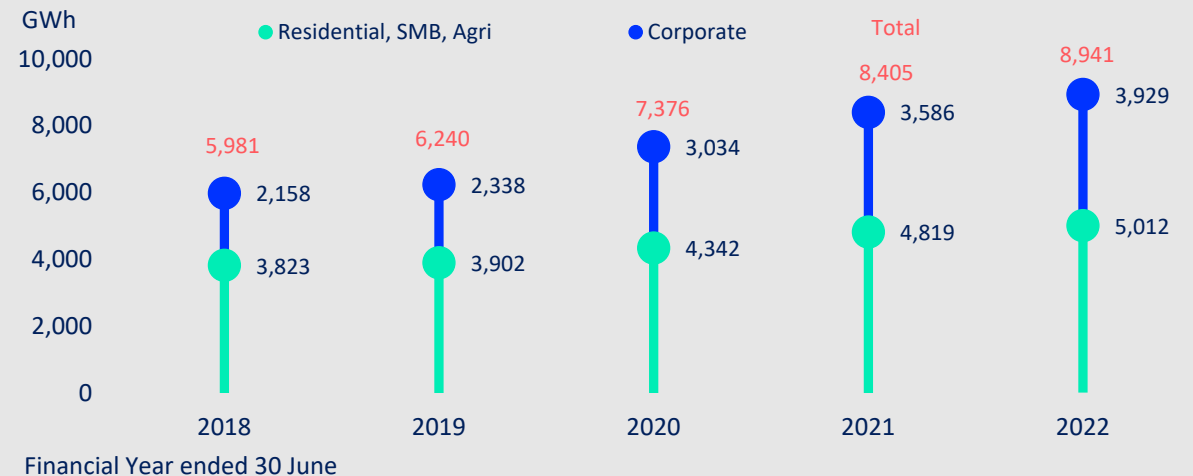
## Corporate segment

- 10% increase in volumes
- 10% increase in average sales price

**New Zealand customer connections**



**New Zealand retail sales volumes**



# New Zealand hydrology

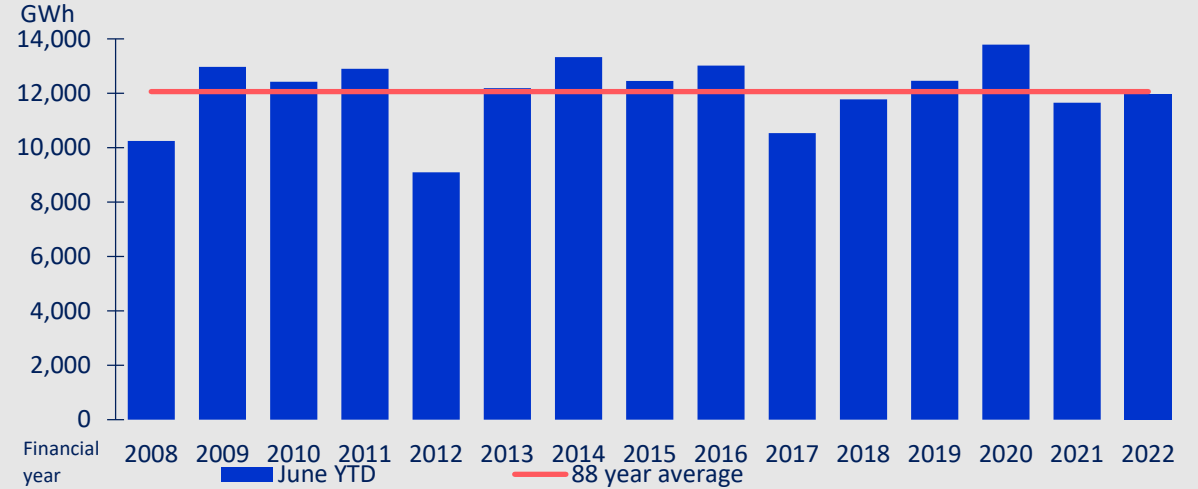
## Inflows

- FY22 inflows were 99% of average
- July 2022 inflows were 183% of average

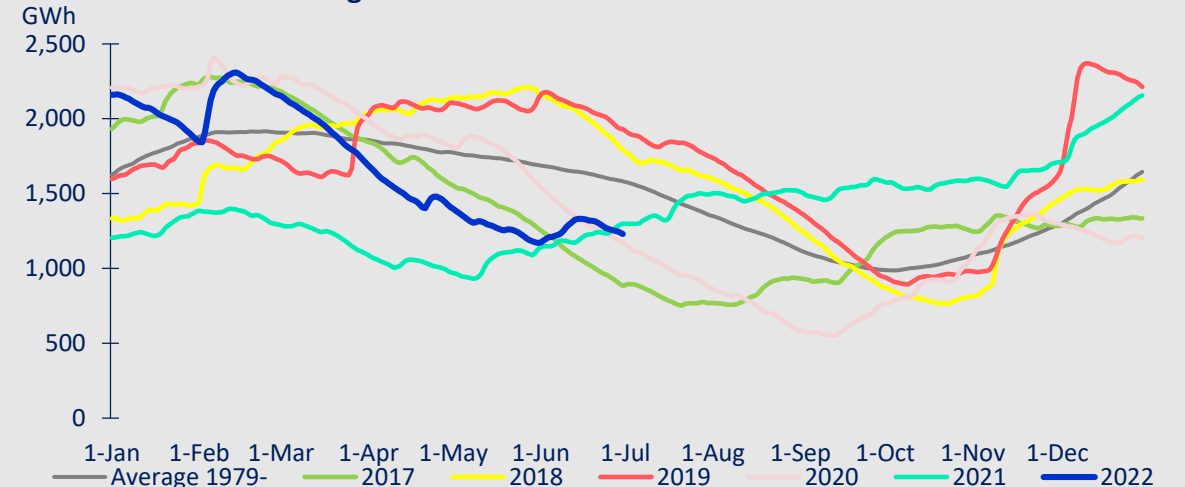
## Storage

- Meridian's Waitaki storage at 30 June 2022 was 78% of average
- By 31 July 2022, this position was 144% of average

**Meridian's combined catchment inflows**



**Meridian's Waitaki storage**





# New Zealand generation

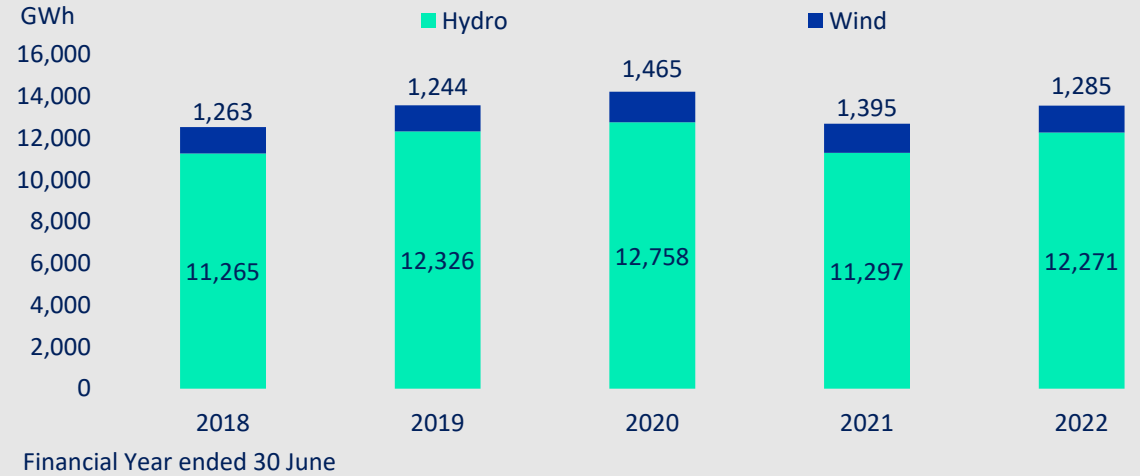
## Volume

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

## Price

- FY22 average price Meridian received for its generation was 25% lower than FY21
- FY22 average price Meridian paid to supply customers was 23% lower than FY21

### New Zealand generation

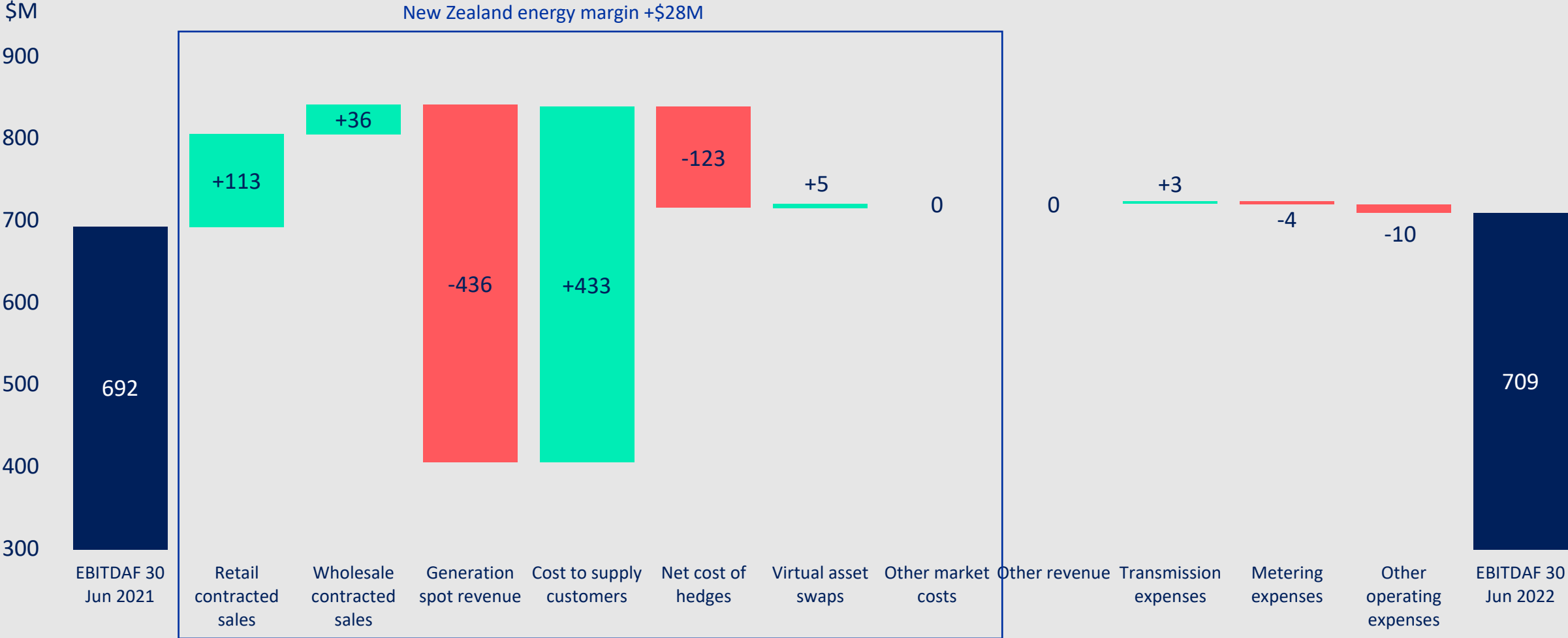


### NZ average generation price



# FY22 EBITDAF

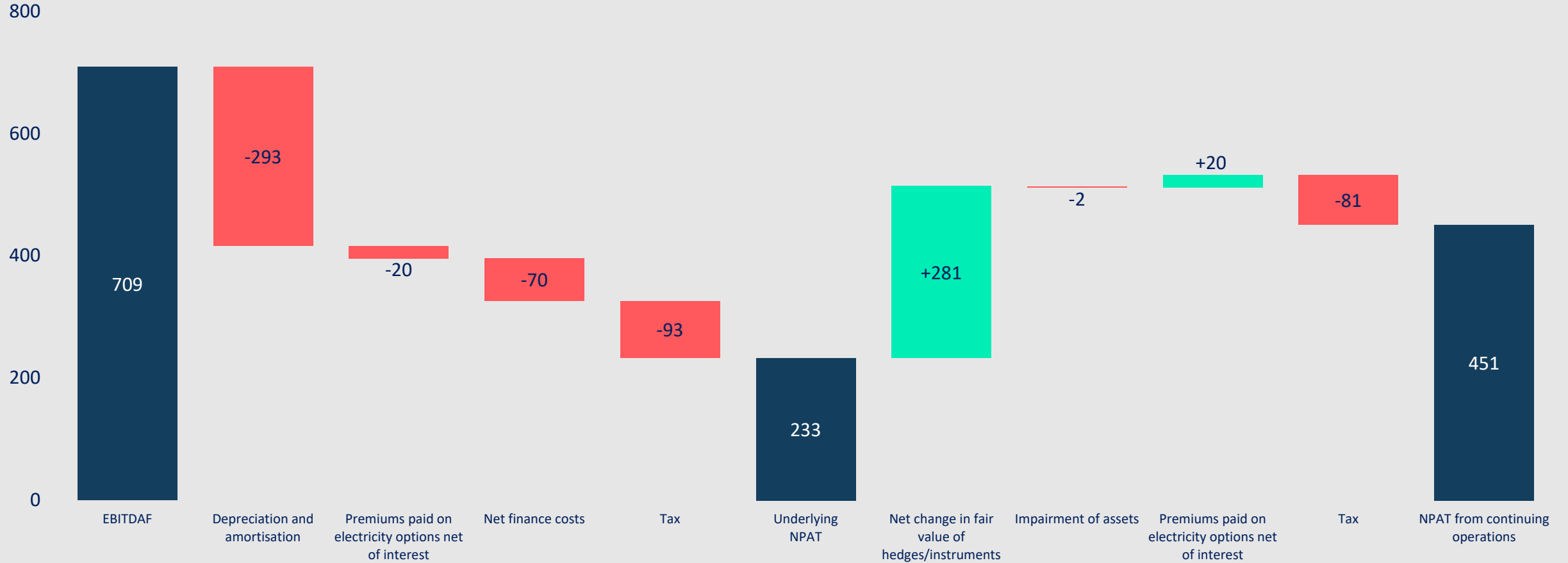
## Movement in EBITDAF



# EBITDAF to NPAT

## FY22 EBITDAF TO NPAT RECONCILIATION

\$M



# Energy margin

- A non-GAAP financial measure representing energy sales revenue less energy related expenses and energy distribution expenses
- Used to measure the vertically integrated performance of the retail and wholesale businesses
- Used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

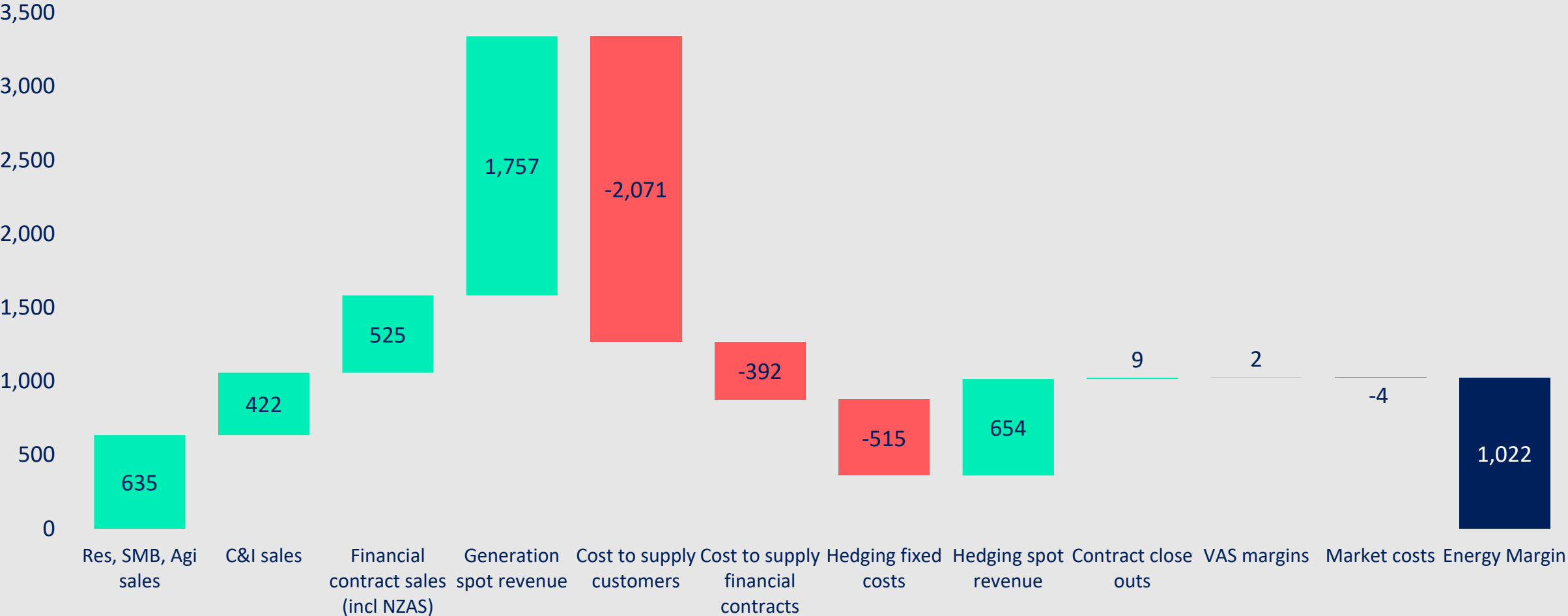
## Defined as

- Revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from financial contracts sold (contract sales revenue)
- The volume of electricity purchased to cover contracted customer sales and financial contracts sold (cost to supply customers)
- The fixed cost of derivatives used to manage market risks, net of spot revenue received from those derivatives (net cost hedging)
- Revenue from the volume of electricity that Meridian generates (generation spot revenue)
- The net margin position of virtual asset swaps with Genesis Energy and Mercury New Zealand
- Other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues, such as frequency keeping

# New Zealand energy margin

## New Zealand energy margin

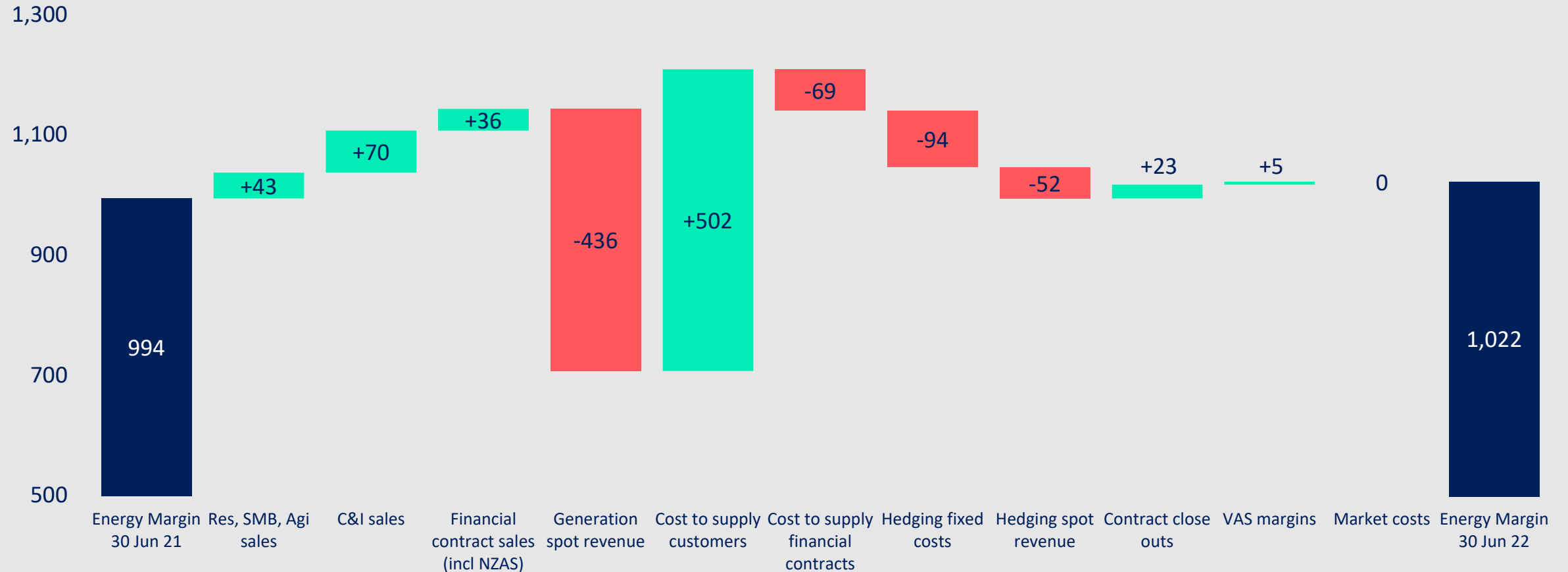
\$M



# New Zealand energy margin

## New Zealand energy margin movement

\$M



# New Zealand energy margin

	FY22			FY21		
	Volume	VWAP	NZD M	Volume	VWAP	NZD M
Res, business, agri sales	5,012	\$127	635	4,819	\$123	592
Corporate and industrial sales	3,929	\$107	422	3,586	\$98	352
Retail contracted sales	8,941	\$118	1,057	8,405	\$112	944
NZAS sales	4,992			5,011		
Financial contract sales	2,963			1,906		
Wholesale contracted sales	7,955	\$66	525	6,917	\$71	489
Cost to supply retail customers	9,433	-\$149	(1,407)	8,828	-\$193	(1,704)
Cost to supply wholesale customers	4,992	-\$133	(665)	5,011	-\$173	(869)
Cost of financial contracts	2,963	-\$132	(392)	1,906	-\$170	(323)
Cost to supply customers and contracts	17,389	-\$142	(2,463)	15,745	-\$184	(2,896)
Hedging costs	4,376	-\$118	(515)	3,883	-\$108	(421)
Hedging spot revenue	4,376	\$149	654	3,883	\$182	706
Close-outs			9			(14)
Net cost of hedging			148			271
Hydro generation	12,271			11,297		
Wind generation	1,285			1,395		
Generation revenue	13,556	\$130	1,757	12,692	\$173	2,193
Virtual asset swap margins	0		2	1,049		(3)
Other			(4)			(4)
<b>Energy margin</b>			<b>1,022</b>			<b>994</b>

# Funding metrics

- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of net debt/EBITDAF includes numerous adjustments to reported numbers;
  - Borrowings adjusted for the impact of leases
  - Cash balances adjusted for restricted cash

## Net debt to EBITDAF

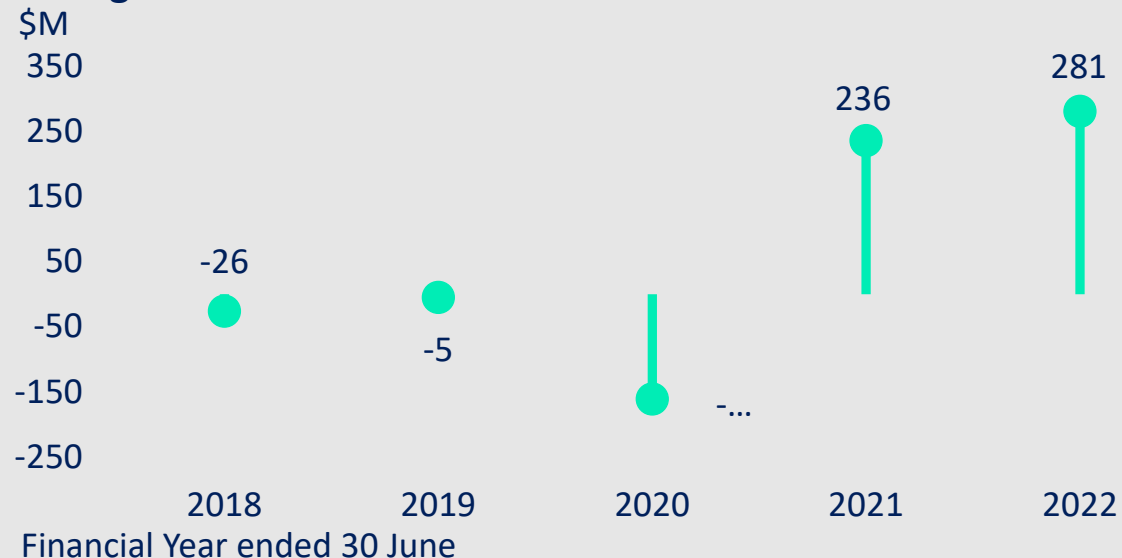
Financial year ended 30 June	2022	2021	2020	2019	2018
<b>\$M</b>					
Drawn borrowings	1,126	1,589	1,491	1,376	1,428
Finance lease payable	41	97	104	32	48
Operating lease commitments	-	-	-	91	76
Less: cash and cash equivalents	(363)	(148)	(176)	(78)	(60)
Add back: restricted cash	43	97	67	27	29
<b>Net debt</b>	<b>847</b>	<b>1,635</b>	<b>1,486</b>	<b>1,448</b>	<b>1,521</b>
<b>EBITDAF</b>	<b>709</b>	<b>692</b>	<b>853</b>	<b>838</b>	<b>666</b>
<b>Net debt to EBITDAF (times)</b>	<b>1.2</b>	<b>2.4</b>	<b>1.7</b>	<b>1.7</b>	<b>2.3</b>



# Fair value movements

- Meridian uses derivative instruments to manage interest rate, foreign exchange and electricity price risk
- As forward prices and rates on these instruments move, non-cash changes to their carrying value are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- \$145M increase in NPBT from fair value of electricity hedges from higher forward electricity prices (\$157M increase in FY21)
- \$136M increase in NPBT from fair value of treasury instruments from higher forward interest rates (\$79M increase in FY21)

Change in fair value of financial instruments



# Income statement

## Income statement

Financial year ended 30 June

\$M

	2022	2021	2020	2019	2018
New Zealand energy margin	1,022	994	1,122	1,108	944
Australia energy margin			122	118	86
Other revenue	27	27	27	25	22
Energy transmission expense	(79)	(82)	(123)	(131)	(127)
Electricity metering expense	(43)	(39)	(36)	(33)	(31)
Employee and other operating expenses	(218)	(208)	(259)	(249)	(228)
<b>EBITDAF</b>	<b>709</b>	<b>692</b>	<b>853</b>	<b>838</b>	<b>666</b>
Depreciation and amortisation	(293)	(271)	(312)	(276)	(268)
Impairment of assets	(2)	-	(58)	(5)	(2)
Gain/(loss) on sale of assets	-	-	-	3	7
Net change in fair value of electricity and other hedges	145	157	(113)	58	(22)
Net finance costs	(70)	(81)	(84)	(83)	(81)
Net change in fair value of treasury instruments	136	79	(48)	(63)	(4)
<b>Net profit before tax</b>	<b>625</b>	<b>576</b>	<b>238</b>	<b>472</b>	<b>296</b>
Income tax expense	(174)	(161)	(63)	(133)	(95)
<b>Net profit after tax from continuing operations</b>	<b>451</b>	<b>415</b>	<b>175</b>	<b>339</b>	<b>201</b>
Net profit after tax from discontinued operations	213	13	-	-	-
<b>Net profit after tax</b>	<b>664</b>	<b>428</b>	<b>175</b>	<b>339</b>	<b>201</b>

# Underlying NPAT reconciliation

<b>UNPAT</b>					
<b>Financial year ended 30 June</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>\$M</b>					
Net profit after tax	664	428	175	339	201
<b>Underlying adjustments</b>					
Discontinued operations	(213)	(13)	-	-	-
<u>Hedging instruments</u>					
Net change in fair value of electricity and other hedges	(145)	(157)	113	(58)	22
Net change in fair value of treasury instruments	(136)	(79)	48	63	4
Premiums paid on electricity options net of interest	(20)	(20)	(20)	(17)	(13)
<u>Assets</u>					
(Gain)/loss on sale of assets	-	-	-	(3)	(7)
Impairment of assets	2	-	58	5	2
Total adjustments before tax	(512)	(269)	199	(10)	8
<u>Taxation</u>					
Tax effect of above adjustments	81	72	(58)	4	(3)
<b>Underlying net profit after tax</b>	<b>233</b>	<b>231</b>	<b>316</b>	<b>333</b>	<b>206</b>

# Cash flow statement

## Cash flow statement

Financial year ended 30 June

\$M

	2022	2021	2020	2019	2018
Receipts from customers	3,934	4,164	3,375	3,463	2,765
Interest and dividends received	2	-	1	1	1
Payments to suppliers and employees	(3,254)	(3,472)	(2,520)	(2,628)	(2,152)
Interest and income tax paid	(221)	(261)	(252)	(201)	(187)
<b>Operating cash flows</b>	<b>461</b>	<b>431</b>	<b>604</b>	<b>635</b>	<b>427</b>
Sale of property, plant and equipment	2	-	-	-	23
Sales of subsidiaries and other assets	768	-	-	-	-
Purchase of property, plant and equipment	(141)	(76)	(43)	(45)	(33)
Stamp duty/capitalised interest	-	-	-	-	(10)
Purchase of intangible assets and investments	(31)	(38)	(21)	(24)	(204)
<b>Investing cash flows</b>	<b>598</b>	<b>(114)</b>	<b>(64)</b>	<b>(69)</b>	<b>(224)</b>
Term borrowings drawn	210	108	172	439	462
Term borrowings repaid	(685)	(10)	(60)	(484)	(200)
Shares purchased for long-term incentive	(2)	(3)	(2)	-	-
Lease liabilities repaid	(7)	(7)	(7)	(1)	-
Dividends and finance lease paid	(360)	(433)	(546)	(500)	(487)
<b>Financing cash flows</b>	<b>(844)</b>	<b>(345)</b>	<b>(443)</b>	<b>(546)</b>	<b>(225)</b>

# Balance sheet

## Balance sheet

Financial year ended 30 June

\$M

	2022	2021	2020	2019	2018	2017
Cash and cash equivalents	363	148	176	78	60	80
Trade receivables	416	491	323	292	261	260
Customer contract assets	16	25	24	20	19	18
Other current assets	282	253	142	152	109	91
<b>Total current assets</b>	<b>1,077</b>	<b>917</b>	<b>665</b>	<b>542</b>	<b>449</b>	<b>449</b>
Property, plant and equipment	7,830	8,598	8,594	8,825	7,941	7,961
Intangible assets	85	84	64	59	60	58
Other non-current assets	377	257	299	231	182	215
<b>Total non-current assets</b>	<b>8,292</b>	<b>8,939</b>	<b>8,957</b>	<b>9,115</b>	<b>8,183</b>	<b>8,234</b>
Payables, accruals and employee entitlements	488	602	388	320	283	311
Customer contract liabilities	13	23	23	16	14	-
Current portion of term borrowings	159	378	88	167	450	170
Other current liabilities	66	107	149	117	96	98
<b>Total current liabilities</b>	<b>726</b>	<b>1,110</b>	<b>648</b>	<b>620</b>	<b>843</b>	<b>579</b>
Term borrowings	1,004	1,298	1,600	1,303	1,023	1,022
Deferred tax	1,932	1,940	1,850	1,968	1,683	1,715
Other non-current liabilities	184	284	442	309	260	272
<b>Total non-current liabilities</b>	<b>3,120</b>	<b>3,522</b>	<b>3,892</b>	<b>3,580</b>	<b>2,966</b>	<b>3,009</b>
<b>Net assets</b>	<b>5,523</b>	<b>5,224</b>	<b>5,082</b>	<b>5,457</b>	<b>4,823</b>	<b>5,095</b>

# Glossary

Hedging volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers (including NZAS) and financial contracts
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of hedges	volume weighted average price Meridian pays for derivatives acquired
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales and financial contracts
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections (NZ)	number of installation control points, excluding vacants
FRMP	financially responsible market participant
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 84 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Electricity Authority's reconciled grid demand <a href="http://www.emi.ea.govt.nz">www.emi.ea.govt.nz</a>
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Financial contract sales	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
TJ	Terajoules
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mercury New Zealand. They do not result in the physical supply of electricity

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[www.meridianenergy.co.nz/investors](http://www.meridianenergy.co.nz/investors)

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