

Changing Step. Together.



Meridian.

Meridian Energy Limited. Investor Letter.

For the six months ended 31 December 2022.

Financial results

Meridian Energy has reported net profit after tax of \$201 million for the six months ended 31 December 2022, \$56 million (39%) higher than the same period last year. Included in the result is an unrealised gain in the value of hedge instruments amounting to \$27 million (vs a loss last year of \$10 million) and a \$16 million reduction in finance costs due to the retirement of debt following the sale of Meridian Energy Australia during January 2022.

Meridian's operating earnings from continuing operations (EBITDAF¹) increased by \$31 million (8%) over the prior period. Operating earnings benefited from \$51 million of electricity hedge close outs.

The Board has announced an interim ordinary dividend of 6.00 cents per share, 2.6% higher than last year's interim dividend. The interim ordinary dividend will be 80% imputed and Meridian's Dividend Reinvestment Plan will apply to this interim ordinary dividend at no discount to the average

market price over a five-day period ending on 13 March 2023. The interim dividend will be paid, and new shares issued under the reinvestment plan on 23 March 2023.

Meridian's balance sheet remains in a strong position, with the company maintaining a BBB+ credit rating as defined by the agency Standard & Poor's. See the interim results financial commentary for more information: meridianenergy.co.nz/investors/reports-and-presentations/interim-results-and-reports

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



View of Aoraki/Mt Cook from Lake Pukaki, New Zealand's largest hydro storage lake.

Hydrology and wholesale prices

Meridian's lake storage levels lifted significantly during the first part of the current financial year, driven by the highest winter inflows on record. In contrast, late spring and summer has seen much drier conditions, with the Waiau catchment recording its lowest January inflow on record in January 2023.

During the six months ended 31 December 2022, inflows were 114% of average, with storage levels at that date 129% of average in the Waitaki catchment and 65% of average in the Waiau catchment.

The higher-than-average inflows during the six months ended 31 December 2022 supported 1.4% higher generation than the prior period.

Factors outside of hydrology continue to put upward pressure on wholesale prices. Thermal fuel costs, ongoing concerns about its availability, along with higher carbon prices have resulted in wholesale prices continuing to be above long-term averages.

The New Zealand electricity market is reacting to these price signals with significant new investment in renewable generation to increase overall capacity. Around \$2.5 billion of generation investment is currently under construction and expected to be delivered into the market from 2023.

Outages at Manapōuri

In December 2022, Manapōuri Unit 6 (125MW) was taken out of service for an expected six month period to resolve issues discovered with the unit's transformer.

The transformer for Manapōuri Unit 1 has previously indicated a similar issue. Meridian also undertook a physical inspection of that unit and after investigation, Manapōuri Unit 1 (125MW) has been returned to service.



Meridian is investigating construction of the Mt Munro wind farm near Eketahuna. (Visual simulation by Boffa Miskell.)

Southern Green Hydrogen

Meridian, with the support of Ngāi Tahu, has selected Woodside Energy (Woodside) as the preferred partner to move forward to the development stage of the proposed Southern Green Hydrogen (SGH) project in New Zealand. A final investment decision will follow the development stage.

Woodside was selected after an extensive competitive bidding process based on its capability and experience in operations, process safety, and liquids marketing.

Mitsui & Co., Ltd. (Mitsui) will participate in the development of potential markets for green ammonia offtake, with the aim of creating a world-class collaboration that covers the full green hydrogen and ammonia supply chain. Mitsui has 50 years of experience in the ammonia business, including the largest share of ammonia imports into Japan.

Subject to finalising commercial arrangements, Meridian, Woodside, and Mitsui will work towards commencing front-end engineering design for the project.

Murihiku Regeneration, representing both Ngāi Tahu and the local rūnanga of Murihiku, were closely involved in the selection process. Looking ahead, Meridian, Woodside, and Mitsui will actively work with Murihiku Regeneration to ensure the project aligns with their energy vision for the region and supports their principles under mana whenua.

The proposed project is targeting to produce 500,000 tonnes per year of green ammonia utilising electrolysis from renewable power. Technical work on the facility is continuing in parallel with the design of the commercial structure for the project. Options for the supply of hydrogen and ammonia to the domestic market, as well as for the potential to export ammonia to Asia and Europe, will be assessed.

The SGH project originally consisted of Meridian and Contact Energy. Contact has made the decision to no longer continue into the next phase of the project as a development partner and has indicated an interest in continuing to support the project as a potential electricity supplier.

Renewable development

In December 2022, Meridian announced it will begin construction of the Ruakākā Battery Energy Storage System (BESS) in the first quarter of 2023. The project will construct New Zealand's first large-scale grid battery storage system, providing Meridian with a versatile North Island asset, situated south of Whangārei.

With a 100MW peak and offering two hours of energy storage, the BESS offers multiple new revenue streams. It will provide the ability to store and release energy to the system between price periods and to participate in the North Island reserve electricity market. As intermittent renewable generation increases in this country, the Ruakākā BESS will help manage supply fluctuations through a low carbon footprint, reducing this country's reliance on fossil fuels.

Global battery specialist Saft (a subsidiary of French energy company TotalEnergies) will provide integrated battery supply, installation, commissioning and operational services for the Ruakākā BESS. Meridian will manage a multi contract delivery approach, with project completion expected in the second half of 2024.

Meridian expects to expand its operations at Ruakākā, with a grid-scale solar farm planned for construction in 2024.

Meridian is preparing to lodge consent applications in the middle of 2023 for both the 130MW solar farm at Ruakākā and a 60MW wind farm at Mount Munro in the Wairarapa.

Customers

Meridian continues to deliver strong sales momentum in its retail business, particularly in its business segments. Sales volumes in small/medium business, large business, agricultural and corporate segments in the six months to December 2022 grew by 13%, 9%, 17% and 2% respectively compared to the same period last year. Residential volumes were 1% lower than last year.

Meridian has now completed a four year project to migrate all its customers onto the its Flux platform, providing them with an enhanced customer care experience.

Our Process Heat Electrification Programme has earmarked up to 600GWh per annum, to support customers to switch from coal or gas to electricity. In doing so we will help our customers avoid pumping around 300,000 tonnes of CO₂ into the atmosphere every year, which is the equivalent of removing about 150,000 cars off our roads.

We have also continued to walk the talk when it comes to the electrification of transport, and in September we launched our own nationwide EV charging network – Zero. Zero is aiming to have 250 chargers installed nationwide. We have made good progress so far with 137 public chargers now installed. Zero is a tangible way that we can help New Zealanders to reduce their reliance on fossil fuels and help combat climate change.

Our Certified Renewable Energy product has also enabled around 100 large business customers to purchase more than 660GWh of Renewable Energy Certificates last year. This enables those customers to legitimately reduce their emissions and improve the sustainability and marketing of their products. Further, we have made a commitment to reinvest all the proceeds from the Renewable Energy Certificates into community group decarbonisation projects through the establishment of our Decarbonisation Fund.

We are also conscious that customers are facing significant cost-of-living increases. We continue to offer energy wellbeing support and have now completed an Energy Wellbeing pilot in 2022. We learnt how we can make a meaningful difference for customers and are developing this programme to significantly increase our support and reach.

Our sponsorship of the amazing work done by KidsCan includes both a cash contribution to its running costs and direct assistance with its fundraising activities. We continue to support KidsCan with a \$1 million contribution each year and we are proud of the difference that this funding support makes to under-privileged children in Aotearoa New Zealand.

Solar array at Lincoln University, Ōtautahi, Christchurch.





Tūi Corridor planting, Christchurch Adventure Park, Ōtautahi.

Continuing with our own decarbonisation efforts

During 2022 we completed a refreshed Climate Action Plan. The Plan sets out a roadmap for delivering our Half by 30 and Forever Forests programmes. It also accounts for the work we're doing to support our customers in their decarbonisation efforts.

Our Half by 30 target means we plan to halve our gross scope 1, 2 and 3 operational emissions by FY30 on an FY21 baseline. We recently gained approval from the Science Based Targets initiative (SBTi) that our near-term emission reduction targets are science-aligned*. Our light passenger vehicle fleet is now fully electrified and we are making good progress with the rest of our fleet.

We also continue to make good progress with our Forever Forests initiative and are on track to cover our remaining gross operational emissions by 2030.

Resource Management Reform

The New Zealand Government is intending to replace the current Resource Management Act with three new pieces of legislation.

The first two bills were introduced into Parliament in November 2022 and are expected to pass into law in 2023. These three new Acts, together with a new National Planning Framework, will set a new regulatory environment under which existing generation assets are re-consented and new development options are consented.

Meridian's focus through the reforms is to ensure the new regulatory environment enables the renewable energy this country needs to support its low carbon future.

Renewal of our partnership of Kākāpō Recovery Programme

In December we renewed our support of the Department of Conservation's Kākāpō Recovery Programme.

We have been National Partner of the programme since 2016 and are committed to the future of this endangered taonga species.

* The SBTi has approved that Meridian's underlying target to reduce absolute scope 1 and 2 GHG emissions by 50% by FY30 from a FY21 base year is in line with a 1.5°C trajectory, with our further commitment noted to also reduce absolute scope 3 GHG emissions by 50% within the same timeframe (excluding all one-time construction emissions from major projects and all activities that are capitalised as part of renewable energy projects).



Meridian.

Our momentum to contribute to decarbonising the economy continues to grow and we look forward to an exciting future. Building our partnerships is part of forging a strong, shared pathway for the future along with an active development programme. We're working with our customers to make it possible for them to evolve to a renewable future as well.

The strength of our brands and the resilience of our people remain key advantages in our bid to do right by Aotearoa New Zealand and continue to deliver value for all our stakeholders.

On behalf of the Board and the Executive Team, we would like to thank our customers, our partners, our investors and everyone in our teams for your commitment to cleaner energy for a fairer and healthier world.