

A close-up photograph of a person's hand holding a single drop of water. The hand is positioned over the surface of the ocean, with the water's surface visible below. The background is a blurred view of the sea and sky, suggesting a coastal setting. The lighting is bright, likely from the sun, creating a warm and clear atmosphere.

Investor Letter.

For the six months ended
31 December 2021.



Meridian.

Financial results

Meridian Energy has reported \$145 million of net profit after tax from continuing operations for the six months ended 31 December 2021, 36% lower than the same period last year, mainly reflecting negative changes in the value of hedge instruments. Excluding these hedge value movements, Meridian's underlying net profit after tax reduced by \$4 million. Meridian also reported a \$1 million decrease in EBITDAF¹.

In November 2021, Meridian announced it had reached agreement for the sale of Meridian Energy Australia (MEA). With completion of the MEA sale having occurred on 31 January 2022, Meridian's investment in MEA has been classified as held for sale and a discontinued operation at 31 December 2021. Meridian expects to recognise a gain on the sale in the order of \$240 million in its full-year accounts for the financial year ended 30 June 2024.

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

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

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 of Meridian's results: www.meridianenergy.co.nz/investors/reports-and-presentations/interim-results-and-reports

New Zealand wholesale prices

Meridian's hydro catchments experienced above-average inflows during the six months to 31 December 2021. And while January 2022 was notably dry, February 2022 has seen rainfall, although Meridian's Waiau catchment storage is currently low.

Factors outside of hydrology continue to put upward pressure on wholesale prices. Rising thermal fuel costs and ongoing concerns around its availability, and higher carbon prices are resulting in wholesale prices above long-term averages.

The electricity market is reacting to these price signals with significant new capacity commitments. Around \$2 billion of generation investment is currently under construction and expected to be delivered into the market from 2023.

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.



Forever Forests is a Meridian programme to plant up to 1.5 million permanent native and hardwood trees across 1100ha of land

MEA sale

In November last year, Meridian's Board agreed to the sale of Meridian's Australian business (MEA) to a consortium of Shell Energy Operations Pty Limited, a wholly owned subsidiary of Shell ("Shell") and Infrastructure Capital Group ("ICG").

The sale was completed on 31 January 2022, with a sale price of A\$740 million including interest and intercompany funding movements since 1 July 2021.

We believe that the transaction is an outstanding result for Meridian's shareholders and a testament to the quality of the Meridian Energy Australia business and the employees who have been dedicated to its success. The transaction represents an exciting opportunity for the future of the Meridian Energy Australia business, given Shell's and ICG's intentions to grow their respective renewable energy and retail presences in Australia.

The sale includes a minimum three-year agreement with Flux for retail software

services and for call centre services. Transactional services will also be provided by Meridian Energy Limited for up to 12 months.

Shell is now the owner of the retail business, Powershop Australia, while ICG is the owner of the infrastructure assets (Mt Mercer and Mt Millar wind farms, Hume, Burrinjuck and Keepit hydro power stations and development assets).

Lazard Australia acted as Meridian's financial advisor in respect of this transaction.



Road construction at Meridian's Harapaki wind farm, near Napier

New renewable development (Harapaki and Ruākākā)

The construction of Meridian's Harapaki wind farm in Hawke's Bay began last year, with enabling works underway since June 2021.

Harapaki is located within the Maungaharuru Range in Hawke's Bay, approximately 35km northwest of Napier. When complete, it will be New Zealand's second-largest wind farm, with 41 turbines generating 176MW of renewable energy, enough to power over 70,000 average households. The construction will take around three years and during its building is expected to create 260 new jobs.

Bulk earthworks commenced in September 2021 and faced challenging wet weather during spring and early summer. COVID-19 responses saw the project shut down during Alert Level 4 (August 2021) and access restricted during Alert Level 3.

Pleasingly, the switchyard platform has now been handed over to Transpower and Meridian's electrical contractor for construction of the site substation.

Meridian continues to focus on enabling Aotearoa to transition to a net-zero emissions future, which is why late last year we also announced the development of Ruākākā Energy Park, north of Auckland.

Ruākākā Energy Park will consist of a grid-connected battery and solar farm with the intent to improve the stability of the national grid, reduce the chance of network outages and allow more electricity to flow north from South Island generators.

Meridian has purchased 105ha of land at Marsden Point for the Ruākākā Energy Park, which will house a battery energy storage system at least 100MW in capacity, as well as a utility-scale solar farm.

Aotearoa is moving to a fully renewable electricity system, which means generation will be made up of more intermittent sources like wind and solar. During periods of peak demand when there is little sun or wind, we will need stored energy that can be dispatched quickly.

Meridian is currently talking to iwi and other community stakeholders about our plans for the site and undertaking ecological and geotechnical site assessments as part of our due diligence.

We are actively working to increase our renewable pipeline and currently have 2.3GW (around 80% of Meridian's current generation capacity) as potential new development options.

We have also made the decision to not proceed with our Central Wind development option.



Meridian's West Wind farm, near Wellington

Hydrogen

One of the biggest opportunities from New Zealand's Aluminium Smelter's exit is the introduction of new industries that want to take advantage of New Zealand's unique abundance of renewable energy.

Meridian has partnered with Contact Energy to investigate the feasibility of developing the world's first large-scale green hydrogen facility in Southland.

There has been strong interest from both domestic and international businesses and recently we announced the four companies that we will be looking to work with on this project.

There is a significant focus on using green hydrogen produced from renewable energy for export and also to decarbonise carbon-intensive sectors including heavy transport, aviation, shipping and agriculture in New Zealand.

There is a growing appetite for green hydrogen to replace fossil fuels throughout the global economy. Green hydrogen has the potential to abate Aotearoa's long-life greenhouse gas emissions by more than 20%. It's exciting to see so much interest in domestic applications alongside the export opportunities. This interest suggests that the domestic uptake of hydrogen as a clean fuel could happen sooner and faster than we expect.

The Southern Green Hydrogen project has now moved to a "request for proposals" stage, with shortlisted parties invited to provide submissions by April 2022. To read more about Southern Green Hydrogen, visit southerngreenhydrogen.co.nz

Meridian continues to progress other initiatives in response to the contract termination with the New Zealand's Aluminium Smelter in December 2024. In addition to our battery and solar plans at Ruākākā, we have announced new financial contract arrangements with Nova Energy and an offtake agreement from the Ngāwhā geothermal power station.

Meridian now has agreements with seven customers under our Process Heat Electrification Programme, amounting to 292GWh of annual demand, to support conversion away from fossil-fuel-based heat processes.

Datagrid's hyperscale data centre plans will move forward with the acquisition of a 43ha site in Southland. Overseas Investment Office approval for the purchase was granted at the end of January 2022.

Transpower's project to double the capacity on transmission lines between Clutha and Upper Waitaki has commenced its final phase, with completion expected in May 2022.

Regulatory (wholesale market review and 9 August investigations)

On 9 August 2021, in an unfortunate series of events, about 35,000 households lost power on one of the coldest nights of the year.

Multiple reviews have been commissioned by the Ministry for Business, Innovation and Employment (MBIE), the Electricity Authority and Transpower.

The MBIE review is now complete and its recommendations have been published at www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/investigation-electricity-supply-interruptions-9-august-2021

The MBIE review found fault with Transpower's demand allocation processes, and the company has largely accepted all the recommendations and will be making changes to its processes and communications to avoid another incident like this in the future.

The Electricity Authority review of competition in the wholesale market (2018–2021) is ongoing. Late last year it released an initial report that confirmed that high wholesale electricity prices in the past three years have largely reflected the tight supply and demand conditions, and natural gas scarcity for electricity generation.

Consultations closed in December 2021, with Meridian expressing concerns with some of the review's preliminary findings. Further consultation on recommendations is expected in early 2022.

Retail performance

Meridian continues to deliver strong sales momentum in its retail business, particularly in the residential, small/medium business and industrial segments. Sales volumes in those segments in the six months to December 2021 grew by 14%, 20% and 12% respectively.

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

Meridian now has more than 60 customers for our Certified Renewable Energy (Certified) product. Certified enables our business customers to match the amount of electricity they use on an annual basis with an equivalent amount of electricity put into the national grid from one of Meridian's hydro stations or wind farms – reporting their Scope 2 electricity emissions as zero².

We are pleased to help our customers achieve their sustainability goals.

2. Using the market-based reporting methodology as per the Greenhouse Gas Protocol's Scope 2 Guidance.

People changes

At Meridian we're privileged to have a strong talent pool of dedicated and committed people. In the past few months we have had some of these people step into new roles, and our Executive and Board teams have gone from strength to strength.

In August last year we confirmed the appointment of Tania Simpson as a non-executive director to the Meridian Board.

Ms Simpson will complement and add to the Board's skills and expertise on the retirement of two longstanding directors, Peter Wilson and Anake Goodall, whose terms concluded at the company's Annual Shareholders' Meeting in October 2021. Meridian Chair, Mark Verbiest, acknowledges the significant contributions that Mr Wilson and Mr Goodall have made in the previous ten years.

Ms Simpson is a distinguished, well-respected Māori leader who has served on a range of iwi, commercial and public entities. She is affiliated to Ngāi Tahu, Tainui and Ngā Puhi.

She has extensive corporate governance experience, having served as a director of Mighty River Power Limited for 13 years from 2001. She also holds the distinction of being the first Māori director on the Reserve Bank of New Zealand Board, where she is currently the Deputy Chair.

We also appointed a new General Manager of Generation, Tania Palmer. Ms Palmer took over the role effective 6 December 2021. Tania stood out among high-quality candidates because of her passion for and deep expertise in building positive, resilient cultures founded on safety and wellbeing and constructive leadership behaviours.

Tania has worked in asset-intensive, operational businesses for most of her 30-year career, including 12 years at Contact Energy. She has a deep understanding of the operational generation environment, having led a transformational safety culture change and provided governance leadership for a Process Safety programme, and a major procurement/supplier review at Contact.

Tania was previously Meridian's Chief People Officer, and a process to appoint her replacement is underway. While we look for a replacement, Jason Stein, previously Chief Executive of Meridian Energy Australia, will be acting Chief People Officer.

Guy Waipara, General Manager Generation, has been appointed to a newly created permanent position of General Manager Development, leading the transformational aspects of Meridian's strategy to utilise renewable electricity to decarbonise the electricity sector and the wider economy.

Meridian's Benmore power station LINZ Data Service and licensed by Environment Canterbury, CC BY 4.0



Meridian.

At Meridian, we believe we are in for an exciting and challenging few years as we look to invest in our business and support New Zealand's efforts to reduce carbon emissions while maintaining high standards of living for us all. Our successful sale of our Australian business has given us a greater ability to deliver these outcomes.

On behalf of the Board and the executive team, we would like to thank our shareholders, our customers and our stakeholders for their continued support in helping Meridian to deliver clean energy for a fairer and healthier world.



One of Meridian's 100% fully electric light passenger vehicle fleet at the company's West Wind farm