Right. **Now.**

Meridian.

Meridian Energy Limited. Investor Letter.
For the year ending 30 June 2023.

Acting on our purpose

This year we are proud to have put actions behind our purpose of Clean Energy for a Fairer and Healthier World. We are focused on decarbonisation and have several significant development projects underway and an ambitious programme for renewables-led growth through to 2050. This year we also successfully navigated significant rainfall, and summer droughts, to finish the year strongly and ahead of last year's result.

Creating energy solutions

In the past five years we've focused on growing Meridian's retail presence and the volume of energy sold to our customers. In that time, the Company's retail sales volumes have grown through our Meridian and Powershop brands by 60%, from around 5,730GWh in 2017 to more than 9,100GWh today. As a result, we continue to be the country's largest retail supplier of electricity.

We signalled last year that we would be evolving our customer approach to concentrate on developing energy solutions focused on transport, distributed generation and storage (e.g. rooftop solar with batteries), process heat and demand flexibility. This customer strategy aligns with our company's decarbonisation agenda and will support customers to take emissions out of their own operations whilst saving money on their overall energy bills.

Our public EV charging network, Zero continues to expand with 237 charging points across both North and South Islands.

Sales of our Certified Renewable Energy (CRE) product have continued to grow strongly, and large business customers have purchased more than 640GWh in Renewable Energy Certificates this year. Net proceeds from the purchases of CRE have been invested back into decarbonisation projects through our Decarbonisation Community Fund. To date, more than $1.2 million has been raised and more than $330,000 has been contributed to projects.

A sharper focus on energy hardship

Wholesale prices remained high this year, despite high levels of rainfall. Gas uncertainty remains an issue domestically, while lingering supply chain concerns and geopolitical issues mean costs have been increasing. Whilst we have been able to absorb some of the cost pressures within our operations, we had to increase retail prices during the year. For most homes this increase averaged less than the overall rate of inflation, but that still added to the pressures on New Zealanders facing ongoing cost-of-living increases.

It is worthwhile noting that average prices in real terms have broadly fallen since 2015. In 2023, an average household is paying less in real terms (on a price per unit $/kWh basis) than they would have in any year since 2011.

To counter the increased cost of living impacts on our most vulnerable customers, we piloted an energy wellbeing programme.

Our pilot provided support for 130 households, and we found that by being a conduit into social support agencies and by applying our own capabilities we were able to help these customers to a point where they could afford to pay for their power and heat their homes. We have now committed to growing our Energy Wellbeing Programme with a $5.1 million investment, aimed at supporting 5,000 Meridian and Powershop households in hardship on their journeys towards energy wellbeing by the end of 2024.

Our community Power Up fund continues to support a wide range of local projects in communities close to our assets. Over the last 16 years, we have invested more than $9.6 million into more than 1,300 community-led projects.

A sustainable approach to reconsenting Waitaki Power Scheme

In late July, we submitted a reconsenting application to secure the generation outputs from the portion of the Waitaki Power Scheme (WPS) that we own and will operate for the next 35 years. The existing consent conditions expire in April 2025.

Meridian and Genesis Energy are owners and operators of the power stations making up the WPS.

The scheme accounts for around 18% of Aotearoa's electricity and more importantly around 67% of average hydro-electricity storage, so the continued operation of the scheme is critical for all electricity users. The flexibility this scheme provides will play a key role in how New Zealand can help combat the impacts of climate change through continued electrification and by enabling the further growth of intermittent wind and solar electricity.

The scheme, as it was developed through much of the last century, made irrevocable changes the Mackenzie Country and the Waitaki river system. Some of the changes have been positive, especially for recreational users of the hydro lakes and the catchment fishery, but the dams and canal systems within the catchment have created significant challenges for biodiversity and cultural outcomes. So we are taking steps to build a much more sustainable mitigation programme that is consistent with our values and sustainability aspirations. As part of building this programme, we have engaged with a range of people and stakeholders. Most notably, together with Genesis, we are building a strong partnership with Waitaki Rūnaka (Moeraki, Waihao and Arowhenua), as the representatives of mana whenua Ngāi Tahu Whānui, and the Department of Conservation on their support for the reconsenting application and the operation of the scheme for the next 35 years.

These relationships create a strong foundation from which we can work collectively to help improve the indigenous biodiversity and cultural outcomes throughout the catchment for the next couple of generations, and beyond.

The reconsenting process still needs to run its course, but by ensuring that we have strong endorsement and support from iwi and the key parties in the region we can be confident of a positive outcome.

A multi-decade commitment to renewable growth

Protecting and enhancing our existing renewable generation assets is critical and so is building to meet future growth in demand for electricity. Electrification remains the obvious catalyst for New Zealand to achieve a net-zero-carbon economy. Aotearoa's long-term target of net zero emissions by 2050 will require around $30 billion of investment in new renewable generation. For Meridian to do our share of the heavy lifting we'll need to build the equivalent of 20 large wind farms in the next 27 years.

We are investing strongly in our pipeline of new renewable generation opportunities and our capability to deliver them. Our Renewable Development Team has more than doubled in size over the past couple of years and we have also more than doubled the size of our renewable development pipeline of potential projects. We now have a deep pipeline of 4.7GW (11.1TWh) of development options, with 1.5GW of that capacity secured and 3.2GW in advanced prospects (2.4GW solar, 2.1GW wind and 0.2GW battery storage).

In support of the massive capital investment needed to realise these renewable generation goals, Aotearoa needs an enabling Resource Management Framework. Specifically, consenting authorities must maintain their ability to balance localised environmental impacts and community views with the national and climate action advantages associated with large-scale renewable electricity projects. The Resource Management Act reform process is working through the legislative and consulting process right now and the outcome will be critical in ensuring electrification keeps moving forward – and fast.

Strong progress with our projects

Last year, we translated our longer-term goal of developing our share of the new renewable generation necessary to meet our country's decarbonisation aspirations into a near term target of having seven new large-scale renewable generation projects underway in the next seven years. It's an ambitious target but one that is clearly necessary, and we have made a solid start.

Our Harapaki wind farm, currently being built in Hawke's Bay, was in the path of Cyclone Gabrielle and did suffer some damage. Despite the significant disruption, the response from Transpower, Waka Kotahi, Unison and our site team, restoring the local and national grid and roading to the site means the project is three months behind schedule. Harapaki will produce first power later this year and be powering up to 70,000 households by September 2024.

As part of our Ruakākā Energy Park, near Whangārei, we are developing a 100MW grid-scale Battery Energy Storage System (BESS). The BESS will support stable grid operations as it enables us to store energy during low demand times of the day and then inject that energy back into the grid over the morning and evening peaks. Alongside this battery, we are planning a 120MW solar farm that will share the BESS infrastructure. The project is the third of our seven projects and is close to lodging for consent. We hope to commence building early in 2024.

The consent application we have lodged for a new 300GWh wind farm is Mount Munro in Wairarapa, the fourth of our seven projects and we plan to start construction early 2025.

Advancing our Southern Green Hydrogen Project

Many of the world's major economies are committing huge amounts of capital to hydrogen technology as a source of clean energy. New Zealand has competitive advantages that could enable us to be an early mover and leader in this industry.

We are moving forward on the Southern Green Hydrogen Project alongside our partners Woodside Energy (Woodside), Mitsui & Co Ltd (Mitsui) and Ngāi Tahu and are now moving towards detailed design.

Contingencies in place for the NZAS contract

Meridian's contract for energy supply with New Zealand's Aluminium Smelter (NZAS) ceases at the end of 2024. We have been in discussions with NZAS since 2022 on the possibility of entering into a new electricity agreement, but no agreement has been reached yet.

Meridian and NZAS entered into

a conditional demand response agreement in April 2023.

The demand response agreement was approved by the Electricity Authority and became unconditional in June 2023.

The demand flexibility arrangement for 2023 and 2024 allows Meridian to reduce the contract volume offered to NZAS by up to 50MW to help mitigate winter demand spikes and energy needs during dry hydro periods. Different levels of demand response are available, with Meridian compensating NZAS at a fixed price each time the demand response agreement is called. The demand response agreement will terminate on 31 December 2024 – the same day as the current NZAS contract.

We are often asked whether Southern Green Hydrogen would be able to co-exist with NZAS, if NZAS does remains operating in New Zealand beyond 2024. We absolutely believe that both industries can coexist, as can many other large industries e.g. milk powder manufacturing, which must convert from using fossil fuels in their manufacturing processes to using more renewable forms of energy.

To that end we continue to work with customers to help them convert their industrial heat processes to electric. We have contracts or Memoranda of Understanding amounting to 472GWh for new electrification projects. And, similarly to the demand response agreement struck with NZAS, our Energy Innovation Team has reached an agreement with Open Country Diary regarding a 27MW demand-flexibility arrangement. This arrangement sees energy returned to the grid during dry hydro periods or to meet peak demand for all other customers. Our assessment is that we are only just starting to tap the potential for customers to offer demand response to the electricity market and thus play a key part in ensuring overall system security.

Making even better use of our assets

Our Generation Team has encountered some challenges this year, most notably issues with two of the unit transformers at the Manapōuri Power Station. Both units have been taken out of service for extended periods for testing and are now operating under an enhanced monitoring regime. To date, the cause of the issue has not been established.

On the plus side, the team has made good progress in making additional capacity available from our existing portfolio of generation assets. We have lifted maximum capacity for each of the six Benmore units from 90MW to 95MW and from each of the seven Manapōuri units from 125MW to 128MW. These enhancements add similar capacity to our generation portfolio as a mid-sized wind farm at a fraction of the cost.

Sustainability is hardwired into how we work and plan

As the largest 100% renewable energy company in Aotearoa, sustainability has always been core to who we are and how we operate our business. We introduced our overarching Sustainability Framework this year and continued to focus on our Climate Action Plan, which includes ambitious targets for renewable electricity generation growth, customer decarbonisation and managing our own resilience and emissions. This is a team effort and one that also requires us to work with communities, customers, and sector peers.

It was pleasing to see our sustainability efforts recognised once again this year, as we were named in the Kantar Better Futures Report as one of New Zealand's most sustainable companies.

We continue to make great progress on Forever Forests, our afforestation programme, which is sized to sequester our remaining operational GHG emissions after our Half by 30 targets have been achieved. We currently have around 1,214 hectares of land in the programme and around 300,000 trees. We remain on track to have 700,000 trees in the ground by next financial year.

Continuing to attract talented people

The rate of change in our industry is only speeding up and our ability as a business to anticipate and lead change whilst delivering relevant solutions for our customers is all down to our people and our culture. Our Belonging Strategy is aimed at building on our diversity and encouraging a true sense of belonging that defies ethnic, belief and gender constraints. We introduced a Te Ao Māori strategy during the year to help lift the overall cultural capability of our people and support us to better recognise Māori values in how we operate, attract and retain Māori in our workforce.

Remuneration and benefits obviously have a part to play and during the year we refreshed our benefits package adding some important new features such as health insurance for all staff and wellbeing leave. We also believe we have effectively normalised hybrid ways of working and, in doing so, enhanced productivity across the company.

Keeping our people safe from harm

We have continued to evolve our response to harm with new training protocols and more holistic software to complement our Learning Teams and safety systems. Beyond physical safety, we're committed to protecting our people's mental health through our Care Teams.

We ended the year with calculated total recordable injury frequency rate for employees and contractors per 200,000 hours worked of 1.76 (compared with 1.58 in FY22), which compares well with industry averages.

Changes at Executive Team level

The Executive Team has proved to be a stable and productive team over the past year.

Nic Kennedy, CEO of Flux, now reports to an independent board as we want to accelerate growth in that business. Nic remains a key member of the executive talent at Meridian.

Changes at Board level

We continue to advocate for balanced and diverse views at Board level to oversee Meridian's strategy and guide the business through the years ahead. Graham Cockroft and David Carter are both experienced business leaders who joined the Board as Non-Executive Directors this year. We also welcome Benjamin Bateman (Ngāi Tahu) as our next Future Director.

We said goodbye to longstanding Director Jan Dawson at our last Annual Shareholders' Meeting (ASM), and we will farewell Mark Cairns at our upcoming ASM. Our thanks to Jan and Mark for their guidance and leadership while they were with the Board.

A strong financial result

Despite a range of weather challenges, healthy generation numbers and further overall growth in retail sales and volumes ensured a very strong financial result. We reported net profit after tax of $95 million for the year ended 30 June 2023, the result was heavily influenced by -$375 million net change in fair value of energy hedges. EBITDAF of $783 million was up $74 million or 10% on the prior year. Underlying net profit after tax (which is a non-GAAP measure)[1] was also up 35%, at $315 million.

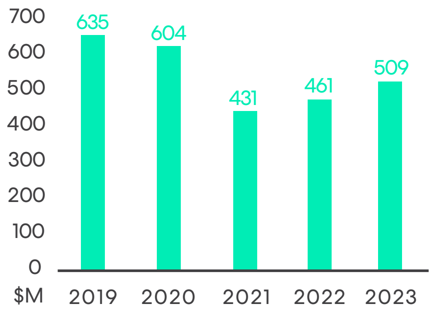
The sale of our Australian operations in January 2022 strengthened our balance sheet. We now have investment capacity to support our renewable generation and Southern Green Hydrogen Project growth strategies.

This year's final ordinary dividend of 11.90 cents per share, up 3% from the previous year, brings the total ordinary dividends declared in FY23 to 17.90 cents per share, also up 3% from the previous year.

The Dividend Reinvestment Plan remains available for those investors wishing to take advantage of it.

S&P Global Ratings has recently reaffirmed Meridian Energy's corporate credit rating as 'BBB+'/ Stable/A-2.

Operating cash flow



The time is now

The Board and the Executive Team, would like to thank our customers, our partners and our investors and everyone in our team for your hard work.

Underlying net profit after tax reconciliation ($M) Financial year ended 30 June	**FY23**	**FY22**
Net profit after tax	95	664
Underlying adjustments		
Discontinued operations	–	(213)
Hedging instruments		
Net change in fair value of energy hedges	333	(145)
Net change in fair value of treasury hedges	(24)	(136)
Premiums paid on electricity options net of interest	(17)	(20)
Assets		
(Gain)/loss on sale of assets	–	–
Impairment of assets	10	2
Total adjustments before tax	302	(512)
Taxation		
Tax effect of above adjustments	(82)	81
Underlying net profit after tax	**315**	**233**

1 Net profit after tax adjusted for the effects of changes in fair value of unrealised hedges, electricity option premiums and other non-cash items and their tax effects. Underlying net profit after tax is a non-GAAP financial measure.

11%
NZ energy margin

10%
EBITDAF

$315m
Underlying net profit after tax

10%
Operating cash flow

17.90cps
Total Ordinary Dividends

Developing a better future, together

Our momentum to contribute to decarbonising the economy continued to grow this year as we looked 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 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.

Visit **meridian.co.nz/investors** to download the full Meridian Integrated Report for the year ended 30 June 2023.