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Stock Exchange Listings NZX (MEL) ASX (MEZ)

Meridian navigates challenging year, lays strong foundation for growth

27 August 2025

Meridian Energy has reported operating cash flows of $318 million for the year ending 30 June 2025, down from $667 million the previous year. The company recorded a net loss after tax of $452 million, compared to a net profit after tax of $429 million in FY24.

EBITDAF[1] was $611 million, down from $905 million, while underlying net profit[2] fell from $359 million to $56 million. Both of these are non-GAAP measures.

A key factor behind these results was a 23% decrease in energy margin, down from $1.276 billion to $982 million. This was impacted by two severe droughts and $300 million spent on hedge and demand response contracts to help maintain security of supply for New Zealand homes and businesses. This included calling the largest demand response option with New Zealand Aluminium Smelters.

"We weathered a perfect storm. The combination of historically low hydro inflows, extended periods of low wind, two major droughts and a dramatic decline in gas availability combined to make this a very challenging financial year. But the fundamentals of this business have been strengthened through sound investment and delivering on our strategy," says Meridian Chief Executive Mike Roan.

"Despite the challenges, there were important wins and meaningful progress against our strategy. We secured five resource consents for new assets, invested $193 million in building and maintaining generation plant, acquired two businesses and undertook a strategic reset of the Retail business while growing customer connections."

"For us, FY25 will be defined by Meridian putting New Zealand's security of supply first, keeping power flowing for homes and businesses, and the financial hit we took because of that. Our balance sheet is structured to underwrite major droughts, and that's one of the ways New Zealand benefits

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[1]Earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairments and gains or losses on sale of assets. EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

[2]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. Because they are not defined by GAAP or IFRS, Meridian's calculation of such measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures. A reconciliation of underlying net profit after tax is included on page 5.

from having large and financially strong integrated electricity companies supporting the economy," says Mike Roan.

That strong balance sheet meant the company was also able to provide stable returns to shareholders, with the Board declaring a final ordinary dividend of 14.85 cents per share. This brings the total ordinary dividends declared in FY25 to 21.00 cents per share. The Board approved continuation of the Dividend Reinvestment Plan at a 2% discount.

The Board also signals that it may review the level of future dividends in the event of a severe drought in future years so the company can prudently manage cash flows. This will enable the Board to maintain flexibility while maintaining Meridian's credit rating.

The Year in Review

The droughts and domestic gas supply issues that shaped Meridian's financial result also impacted wholesale and customer pricing, with increases in lines and transmission charges also key factors. These issues combined to generate intense scrutiny of the industry and potential reforms through the Energy Competition Task Force and the Government's Frontier Report.

"We're supportive of changes that are in the interests of electricity consumers. We would expect decision makers to focus any interventions on the core challenge driving costs into the sector, which is the rapid decline in the gas market," says Mike Roan.

"Freeing up contingent storage at Lake Pūkaki is a vital step and we're delighted that the Minister for Infrastructure has approved our request to have our application heard through the fast-track process. This lake holds more than 40% of the country's total hydro storage and access to more of its water will reduce the impacts of future droughts on both supply and prices. Continuing to focus on reducing resource consenting timeframes will also greatly assist to improve security of supply more rapidly."

In the meantime, Meridian and the sector have taken important steps to support security of supply for Winter 2026 and beyond by supplementing gas as a peaking fuel. Last month, Meridian, together with Contact, Mercury and Genesis, completed an agreement that will support Genesis to improve the operational resilience of its Huntly power station and increase available generation capacity and thermal fuel to the market in the form of a Strategic Energy Reserve. This agreement awaits Commerce Commission approval.

"It was a challenging decision for us given our commitment to decarbonisation and renewable energy but extending the life of Huntly and building a thermal fuel reserve are in the best interests of Kiwi homes and businesses, and the New Zealand economy in the short-to-medium term," says Mike Roan.

"It also gives our Meridian team further motivation to accelerate the deployment of new renewable projects to displace the use of coal in the future. We also continue to actively pursue options to increase access to stored water at our hydro stations, which we believe are the best and most sustainable firming options for the country."

FY25 also saw a change in Meridian leadership, with Mike Roan appointed Chief Executive following the resignation of Neal Barclay. This transition occurred on 1 July. The company appointed Mandy Simpson as its new Chief Financial Officer and she is set to join the company on 1 September.

Renewable Development

The company's 7 in 7 renewable build programme has advanced at pace. With the 176MW Harapaki Wind Farm now fully operational and the May 2025 completion of the 100MW Battery Energy Storage System (BESS) at Ruakākā Energy Park near Whangārei, two key milestones have been met.

In addition, Meridian has five wind, solar and battery projects consented – another BESS in the Manawatū, a wind farm at Mount Munro in the Wairarapa, a solar farm that will form part of the Ruakākā Energy Park, a large solar joint venture with Nova near Taupō and the first re-powering of the Te Rere Hau Wind Farm. Unfortunately, the timeline for Te Rere Hau investment decision has been revised from August 2025 to mid-to-late 2026 due to an additional consent required to relocate an Airways Corporation facility from the current site.

"We are doing our share of the heavy lifting needed to secure New Zealand's energy future. Having invested more than $1 billion in the past five years, we have a further $2 billion of planned investment over the next three years. These projects will add almost 2,500GWh of new annual generation, a six percent increase to the electricity system," says Mike Roan.

"The work underway will help make New Zealand's electricity system more resilient and affordable. I believe it will also enable future economic prosperity. With one of the most renewable grids in the world, New Zealand can take advantage of the opportunity to create and market more green products internationally."

Retail

The company's mass market volumes and market share grew across both the Meridian and Powershop brands, adding 35,405 new connections – an increase of 10 percent. The company supplies around 17 percent of all household and business customers, and remains the country's biggest supplier of retail electricity, with sales approaching 9,500GWh.

"Our Retail business has done really well, growing market share in very competitive conditions. We've transformed our operating model to help us deliver digital and data-driven customer experiences and brought some exciting new products to market that are saving customers money," says Mike Roan.

"We also rolled over pricing for commercial and industrial customers coming off contract during last August's elevated wholesale prices. This helped protect these businesses, the people they employ and the contribution they make to New Zealand's economy."

The acquisition of Flick in May 2025, following Ampol's divestment added further to Meridian's customer base, reinforcing the company's position as the fourth-largest retailer by customer numbers. To support further growth, Meridian has partnered with Kraken to deliver its new core energy platform. This will improve Meridian's in-house capability to deliver data-driven solutions that will make energy more affordable for homes and businesses.

Meridian's Energy Wellbeing Programme continued to invest in promoting equitable access for those struggling with energy hardship. This year over 1,700 households have been supported. The company has now assisted a total of 3,185 households since the programme launched in 2023.

Electricity Generation

Maintaining asset availability and maximising generation output have never been more critical than they were this year. Meridian's generation team were able to deliver 112MW of new capacity from existing hydro assets – more than the capacity of two units at Ōhau B or C – and increase levels of peak-period availability across the generation fleet.

The arrival of a new transformer at Manapōuri returned 128MW in capacity from the beginning of 2025 and the company was able to lease and install a transformer at West Wind, which meant a further 45MW of capacity was restored.

"Our Generation team has done a great job of maximising availability and generation output, which has been important for New Zealand's security of supply. Despite securing two replacements, transformers remain an issue. Independent advice confirmed the need to replace further transformers at Manapōuri, so in May we announced plans to procure five replacement transformers over the next two and a half years," says Mike Roan.

Sustainability

Meridian was included in the Dow Jones Best-in-Class Asia Pacific Index for the tenth successive year and ranked number one in the electric utilities sector. The index provides independent validation of the company's sustainability (ESG) performance for investors and other stakeholders.

The company conducted a review of its Half by 30 emissions reduction target. Scope 1 and Scope 2 remain at 50 percent by FY30, but the target for Scope 3 emissions (those emitted by supply chain partners) has been revised. Halving Scope 3 emissions by FY30 is now impossible given the amount of sector growth the country is planning and the speed at which this needs to happen.

From 1 July, Meridian will begin using an intensity-based target for Scope 3 emissions. This involves using a target based on dividing these supplier-based emissions by the total installed capacity of Meridian's generation assets. By linking supplier emissions to Meridian's growing amount of generation capacity, this enables the company to work towards a target that means there will be less emissions for each MW of capacity installed. The company is targeting a reduction of more than 51% by 2030 and will start reporting on this from FY26.

"The dramatic growth in the electricity sector and level of new build for Meridian were not anticipated when we set this target in 2019. We are still confident of reducing our overall Scope 3 emissions, but we have to be pragmatic and allow ourselves to continue to build. The revised goal remains credible and ambitious, and we have obtained independent verification from the Science Based Targets Initiative," says Mike Roan.

Future Investment

With construction commencing on the Ruakākā Solar Farm in the approaching spring, Meridian expects to invest over $350 million in new and existing assets during the 2026 financial year and a total of $2 billion over the next three years.

Segment earnings statement		
Financial year ended 30 June	**2025**	**2024**
$M		
Energy margin	982	1,276
Other revenue	52	36
Energy transmission expense	(4)	(4)
Electricity metering expense	(78)	(73)
Hosting expenses	(52)	(49)
Employee and other operating expenses	(289)	(281)
EBITDAF	**611**	**905**
Depreciation and amortisation	(447)	(334)
Asset related adjsutments	(33)	(18)
Net change in fair value of energy hedges	(659)	102
Net finance costs	(79)	(57)
Net change in fair value of treasury hedges	(12)	(4)
Net profit before tax	**(619)**	**594**
Income tax expense	167	(165)
Net profit after tax	**(452)**	**429**

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Financial year ended 30 June	**2025**	**2024**
$M		
Net profit after tax	(452)	429
Underlying adjustments		
Hedging instruments		
Net change in fair value of energy hedges	659	(102)
Net change in fair value of treasury hedges	(12)	4
Premiums paid on electricity options net of interest	12	(23)
Assets		
Asset related adjustments	33	18
Total adjustments before tax	692	(103)
Taxation		
Tax effect of above adjustments	(184)	33
Underlying net profit after tax	**56**	**359**

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