Navigating the challenges

MERIDIAN ENERGY LIMITED
INVESTOR LETTER FOR THE YEAR ENDING 30 JUNE 2025

Meridian

MARK VERBIEST, CHAIR
MIKE ROAN, INCOMING CHIEF EXECUTIVE.

DIVIDEND DATES

- 5 September 2025
  Record date
- 4–10 September 2025
  Dividend Reinvestment Plan price determination period
- 23 September 2025
  Dividend paid and new shares issued under the Dividend Reinvestment Plan

Despite it being a very challenging year financially, we've had some important wins and made meaningful progress.

Dear Investor

Tēnā koutou

This year we weathered a perfect storm. The combination of historically low hydro inflows, periods of low wind, two major droughts and a dramatic decline in gas availability made this a very challenging financial year. At the same time, we worked hard to strengthen the fundamentals of the business through sound investment for growth and delivering on 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 our 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 is one of the ways New Zealand benefits from having large and financially strong gentailers supporting the economy.

Looking ahead, Meridian and the sector have taken steps to support electricity security by moving away from reliance on gas as a peaking fuel. The Strategic Energy Reserve alongside additional use of this country's hydro capacity are actions that will help make New Zealand's electricity system more resilient and affordable. An affordable, secure and highly renewable grid will enable future economic prosperity - allowing the country to take the opportunity to create and market green products internationally.

Tackling energy security

The loss of reasonably priced gas in August 2024 pushed up wholesale prices, creating risk for the overall energy sector which has relied primarily on gas for flexibility and support. This timing was particularly challenging as the electricity sector also experienced two prolonged droughts.

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.

It cost an extraordinary amount, but Meridian played a lead role in stabilising the electricity system by underwriting agreements with Methanex, making gas available for electricity security of supply. We also worked with the Tīwai Point aluminium smelter to utilise its demand flexibility and we are seeking improved access to 'contingent' hydro storage and lifting generation capacity across our fleet. While the vast majority of our customers were not affected by these significant events, energy costs are rising, including increases in gas pricing and electricity transmission and distribution costs.

We are focused on restoring long term confidence in energy security and improving affordability.

A group of large electricity suppliers, including Meridian, have signed an agreement (subject to Commerce Commission review), that will improve the operational resilience of the Genesis owned Huntly power station and provide increased generation capacity along with the necessary fuel. Maintaining a secure electricity supply is what we must do as we find ways to use more hydro generation and accelerate the deployment of new renewable projects to displace the use of coal in the electricity market.

That will help New Zealand navigate the transition to an electrified future that is secure, affordable and sustainable.

Our development programme accelerates

Our 7 in 7 renewable build programme has advanced with the first two milestones met - the 176MW Harapaki Wind Farm is now fully operational and the 100MW battery energy storage system (BESS) at Ruakākā Energy Park near Whangārei, was commissioned in May 2025. This BESS lifts system capacity and allows us to reintroduce stored power into the grid at peak demand times.

In addition, we have 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 named Te Rahui and the first re-powering of an existing wind farm at Te Rere Hau. We also have two consents currently under council review – Swannanoa solar and Waikato solar.

The Ruakākā solar farm was granted Board approval in March 2025 and early works are now underway. Planning for Te Rahui is also progressing well. Financial close on the joint venture is expected by early September 2025. Unfortunately, the timeline for Te Rere Hau 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 have invested over $1 billion in the last five years and a further $2 billion is planned for the next three years. The projects delivered so far, and in the next three years, will deliver almost 2,500GWh of new annual generation, a 6 percent increase to the electricity system.

Our frustrations over the inefficiencies of the current resource management system are well-documented. We continue to advocate strongly for more efficient decision-making around the allocation and use of natural resources in Aotearoa New Zealand.

Hydro essential to energy security

We've made good progress with the re-consenting of the Waitaki Power Scheme. The re-consent application with Environment Canterbury was publicly notified in July 2024 and the project was formally shifted to the Environment Court. Such a significant body of water attracts considerable interest from a wide range of stakeholders. We have worked with most of these parties to achieve rapport, align interests, and address key impacts for iwi, communities and other stakeholders.

We have been very clear in our view that securing access to more water at existing hydro schemes is a quick, low-impact and vital way to strengthen the country's security of supply. The role of hydro generation is changing, and we see it playing a key role as a firming fuel, supporting the system in peak periods and when wind and solar are not available.

In mid-August 2025 we were delighted to receive approval of our application to access contingent storage at Lake Pūkaki heard through the fast-track process. Ensuring feasible access to all available storage in Aotearoa New Zealand's largest hydro lake would release hundreds of gigawatt hours into the system in a sustainable and lower-cost fashion.

Shifting value to our customers

It's been a busy and significant year for our retail team as we transform the operating model to deliver digital and data-driven customer experiences.

It is a huge undertaking but streamlining decision-making has helped us to be more responsive to customer needs, including dealing with affordability issues. While Meridian's residential energy price increases are modest again this year, we know that the increase in lines and transmission charges that form part of the overall bill are going to impact all customers. Our new products will give customers more choice and flexibility. Ultimately, we plan to create a variety of products that help customers work with us to manage their electricity use and their budget.

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.

Flick joining us

This year our mass market volumes and market share grew across both Meridian and Powershop brands despite lower market demand. The conditional agreement to acquire the assets of Flick Electric, signed late in May 2025, adds to our customer base, reinforcing our position as the fourth largest retailer by customer numbers. Our business model is built on growth as a driver of customer value, and this year's performance reflected that. Even with changes to how our retail team operates, we exceeded our growth targets and remain on track to achieve our medium-term objectives.

Proud of our Energy Wellbeing Programme

The Energy Wellbeing Programme has continued to invest in promoting equitable access for those struggling with energy hardship. The goal is to support 5,000 of our most vulnerable households by FY28. This year, over 1,700 households have been supported and we've now assisted 3,185 households in total.

Tough operating environment affects financials

Our hydro storage was heavily affected by two consecutive record low inflow periods – last winter and again through summer. Periods of unseasonably low wind and the country's declining gas production also challenged electricity generation. The industry worked through these challenges and, at Meridian, we exercised our largest demand response option with New Zealand Aluminium Smelters (NZAS) and wrote hedge contracts to support gas purchases from Methanex at significant cost.

Operating cash flows of $318 million for the year ending 30 June 2025 are down $349 million (52 percent) from the previous year. Net profit after tax, which also reflected the changed treatment of the main NZAS contract, was a $452 million loss compared with a $429 million profit in the previous year. EBITDAF[1] was down 32 percent to $611 million and underlying net profit[2] fell by 84 percent to $56 million. Both of these measures are non-GAAP measures.

Long-time investors in Meridian will know Te Tai Ao (Nature) does not always play a kind hand and that exercising those insurance products, while rare, is necessary to maintain secure supply to customers. They will also know that we have the balance sheet structured and maintained to manage the impact of such conditions. While the FY25 earnings reflect low generation and substantial insurance costs, the overall financial position remains strong.

Recognising this strength, the Board was able to declare a final ordinary dividend of 14.85 cents per share. Combined with the interim dividend, this brings the total ordinary dividends declared in FY25 to 21.00 cents per share.

This level of dividend has allowed us to maintain our balance sheet strength, with a Stable/BBB+ credit rating and the capacity to continue to invest significant capital in new generation.

The significant future investment planned for new renewable generation, currently targeting up to 20 new projects by 2050, will require continued balance sheet strength. While rare, severe droughts will occur in the future. When they do, the Board may review the level of dividends at the time to prudently manage the cash flow impacts, prioritising the delivery of those new projects while maintaining our existing credit rating.

Important gains for generation

Two years ago, we set a goal to deliver 200MW of restored and 300MW of new capacity from our generation portfolio by the end of FY28. Every MW restored or added counts positively towards our target, while further outages set us back. We've faced challenges with further plant failures but achieved net 8.3MW of restored capacity and 111.6MW of new capacity.

At the same time, overall capacity at the Aviemore and Ōhau B and C stations has lifted. The arrival of a new transformer at Manapōuri returned 128MW in capacity from the beginning of 2025, and we were able to lease and install a transformer at West Wind which meant a further 45MW of capacity was restored. The new transformer has arrived and we expect to have it operational by the end of October 2025.

Misplaced focus on short-term alone

The dry periods this year have led to heightened media, regulatory and political scrutiny of the sector. The Electricity Authority (EA) has proposed new obligations on generator retailers to sell hedge contracts to third parties on terms comparable to notional internal agreements, in an effort to encourage more competition.

Our view is that the issues this year were signficantly driven by increasingly limited gas supplies and that there is no magic solution that will supplement them in the short term. Our business and others must invest in new renewable assets to replace the fossil-fuelled generation that relied on that gas. It will take time to do this and no change to either the electricity market or our business structure will fix that problem. We've continued to engage with officials and Ministers to emphasise that this is primarily a supply-side issue – not a competition one – and, in fact, high wholesale prices during this period provided important signals to the market to bring on new supplies and ultimately ensure that demand continued to be met. The contracted prices most customers enjoy in New Zealand rank favourably against other OECD country comparisons.

We are fully committed to competitive improvements that make a difference to customers. We note that significant structural changes at this point are more likely to impede rather than assist the sector in addressing current challenges. Solving this country's declining gas production cannot be resolved immediately. In the meantime, the sector has rallied around a solution that focusses on maintaining capacity at the Huntly power station. While a range of solutions will be needed, ultimately investment in new renewables will solve this structural challenge in time. As such, the focus should be on supporting new builds to progress as quickly as possible.

1 Earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges and asset related adjustments.
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.

Evolving our approach to people and planet

Big changes to the structure of the retail business were critically important before we introduced a new retail operating platform. The changes were completed by December 2024 and since then the retail team has been busy embedding new ways of working and starting the transition from the Flux platform to Kraken.

Those changes have been difficult for our people as, along with creating new roles and opportunities, they also resulted in redundancies both within retail and at Flux.

To help protect people's wellbeing during these times, and to support the broader organisation, we instigated a revised wellbeing strategy that balanced concern for the individual with a focus on team and collective psychological health. We also initiated a new approach to leadership that recognised how people can and should aspire to leadership in a range of ways.

Ranked #1

Pleasingly, Meridian was ranked #1 in the electric utilities sector in the Dow Jones Best-in-Class Sustainability Asia Pacific Index, an independent global S&P Index that ranks our ESG (environmental, social, and governance) performance against like companies in the region.

Changes to our Executive Team

The Board has remained unchanged this year. Directors' extensive and varied sector experience has been invaluable in helping navigate the different challenges and we thank them for the range of perspectives they have applied to different situations throughout the year.

A number of changes in our Executive Team were announced during the year. Mike Roan started his tenure as Meridian's new Chief Executive and Mandy Simpson has been appointed to Mike's previous role of Chief Financial Officer from 1 September 2025. The merging of the Wholesale Operations function into the Generation team has seen Chris Ewers leave the Executive Team to take up a new role in the company as Electricity Security Manager, reporting to Tania Palmer. Rory Blundell has been appointed to the newly created role of General Manager, Strategy and Portfolio and Chief Information Officer Bharat Ratanpal has returned from his secondment as Interim CEO for the Flux business. Sincere thanks to Edna Maddocks who stepped in during that time to lead the ICT team. Grateful thanks also to Helen Peters who has acted as Chief Financial Officer to the end of the financial year.

The end of the financial year marked the end of Neal Barclay's tenure as Chief Executive. Under Neal's exemplary leadership, Meridian has grown a renewable development pipeline that will double the size of the current asset base over time. We've refocused our business around customers while significantly growing that business and built valuable relationships with a variety of stakeholders. Importantly, Neal led the team that secured a sustainable 20-year contract with NZAS.

The Board and Executive Team would like to thank Neal for his commitment to growth and sustainable practice and for anticipating how Meridian could play its part in delivering long-term value for customers, investors and Aotearoa New Zealand. We wish him all the very best for the future.

Our sights set on a secure, affordable, sustainable future

As the country looks to improve energy security, Meridian will flourish due to our pipeline of renewable development options that will help meet the expected growth in electricity demand.

The transformation of our retail business will be a game changer in the long run, not only for our business but more importantly in how the electricity sector supports and interacts with customers. Our brands are catching the eye of customers looking for a service that makes sense to them through fair pricing and demand response opportunities that expand their choice and save them money.

It has been an uneasy year for our investors. The financial pressures we faced reinforce the need for new thinking if we want Aotearoa New Zealand to be a competitive economy globally. We've emerged with a development programme ahead of schedule, our assets operating strongly, our retail team revamped, and our balance sheet resilient, enabling both continued investment for growth and returns for shareholders.

The Board and Executive Team thanks everyone who is on this journey with us – our customers, the communities in which we work, our partners and our investors. Thanks too to our talented and hard-working teams for helping us deliver clean energy for a fairer and healthier world.

A powerful future is developing, thanks to you.

Ngā manaakitanga

Mark Verbiest,
Chair

Mike Roan,
Chief Executive

NEW STORAGE

100MW

Ruakākā BESS 200MWh storage

ENHANCED HYDRO

112MW

from outage

ACQUIRING/SIGNING

Acquiring NZ Windfarms and Flick. Signing Huntly reserve and Kraken

FULL YEAR DIVIDEND

21cps

EARLY WORKS

Ruakākā solar

DOUBLE-DIGIT GROWTH

+10%

Customer connections

STEADY

74%

Staff engagement (top 25% ranking)

OPERATING CASH FLOWS

$318m

(↓ 52%)

IN CONSENTING

Waikato solar

Swannanoa solar

Waitaki Hydro Scheme

EV CHARGERS

388 (↑ 60)

NEW

Staff wellbeing programme

EBITDAF

$611m

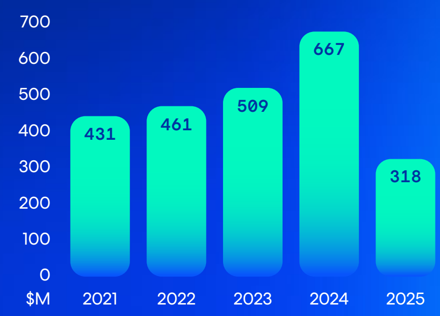
(↓ 32%)

Underlying net profit after tax reconciliation

Financial year ended 30 June

$M	FY25	FY24
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**

Operating cash flow



EBITDAF