A shift in energy

This year we made significant progress on our strategic commitment to an all-encompassing focus on climate action.

Meridian.

Our “7 in 7” renewable build programme is well advanced with Harapaki wind farm now completed, the Ruakākā BESS due for completion early next year and several other wind and solar projects at an advanced stage.

DIVIDEND DATES

- **5 September 2024**
  Record date
- **4–10 September 2024**
  Dividend Reinvestment Plan price determination period
- **20 September 2024**
  Dividend paid and new shares issued under the Dividend Reinvestment Plan

We finalised ground-breaking new contracts with New Zealand Aluminium Smelters Limited (NZAS) that provides much needed certainty for the entire electricity sector and will underpin further investment in renewable energy. We continued the work to shape what the next generation of retail means for our customers and our business. And we made net zero 2050 and net nature positive commitments that further anchor our sustainability performance towards ambitious, long-term goals.

A strong return on our climate-focused strategy

The business has delivered well for our shareholders. Increased capacity, strong wholesale pricing and trading by our wholesale team, and our momentum with increasing retail customer sales all contributed to an unprecedented financial result.

Meridian Energy has reported operating cash flows of $667 million for the year ending 30 June 2024, up from $509 million the previous year, with net profit after tax up from $95 million to $429 million.

The growth in net profit after tax was influenced significantly by net gains on hedge instruments of $249 million in the 2024 financial year. In the prior year the company recorded net losses on hedge instruments of $351 million.

EBITDAF[1] was up 16% to $905 million and underlying net profit[2] rose 14% to $359 million. Both of these are non-GAAP measures.

The strong and improved operating result was driven by higher customer sales and positive wholesale trading results. At the same time, the company invested $349 million in new and existing generation assets.

The Board declared a final ordinary dividend of 14.85 cents per share. This brings the total ordinary dividends declared in FY24 to 21.00 cents per share. The Board has approved continuation of the Dividend Reinvestment Plan (DRP) at a 2% discount.

While the operating result for the last financial year was strong, the operating environment shifted dramatically during June as an extended drought emerged. As a result, the 2025 financial year currently looks to be far more challenging.

Record low inflows into Meridian’s hydro catchments from May 2024 through to mid-August 2024 have combined with a shortage of gas and unseasonally low wind, causing wholesale prices to lift materially. Meridian quickly called on the hedge arrangements available to us to ensure our lakes were managed within consent conditions and to maintain the security of supply.

The wider sector took several steps including exercising demand response options, buying gas from Methanex for electricity generation, and securing access to contingent hydro storage should we need it. At the time of publication, these actions resulted in wholesale prices reducing by more than half from their peaks, although prices were still sitting above $300/MWh.

While a very small number of electricity users have direct exposure to the wholesale market, unfortunately, some have been significantly impacted. It’s a tough economic environment and this is not an outcome this sector wants for any business. Less than 0.01% of Meridian customers have been affected by these wholesale prices. Meridian’s residential customers, being on fixed prices, were shielded from wholesale market fluctuations. Meridian looked after our larger commercial and industrial customers rolling off their existing contracts by offering to extend their current pricing to 1 November 2024.

While we work through this issue in real time, it is worth noting that the system is continually building resilience from investment in new renewables, greater collaboration through demand response, and better access to contingent storage if we need it.

The impact of all this activity will be outlined in future operating results. Meridian’s ability to manage through this situation is sound and our balance sheet is geared to provide for this eventuality.

1 Earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairments and gains or losses on sale of assets.
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.

GROW RENEWABLE GENERATION

Groundbreaking 20-year agreement with Rio Tinto

It was very pleasing to settle the uncertainties around the aluminium smelter at Tiwai Point. At the end of May 2024, we announced a package of long-term contracts with NZAS for part of the smelter's electricity needs for a further 20 years. These agreements end a long and very stressful period of uncertainty for many people in Southland. They also provide much needed certainty for the electricity sector that will facilitate more investment in renewable energy across the motu. And importantly, the smelter owners are showing how large industrial businesses can thrive in Aotearoa, leveraging our highly renewable electricity system to create low carbon sustainable products, high value jobs and economic growth for New Zealand.

The package itself comprises two key elements, a long-term fixed price contract and a demand response agreement.

The core fixed price energy agreement will reduce in stages from 572MW to 377MW as at 1 January 2025. NZAS has negotiated directly with two other parties to meet the remainder of their energy needs. The pricing in the contract is sustainable and allows for price escalation at Consumer Price Index if the international market for aluminium also escalates.

The demand response element of this new agreement is groundbreaking. It will provide new levels of flexibility to support the electricity system when the country's hydro storage is low. Flexibility of this scale advances decarbonisation because it reduces the country's reliance on burning coal to meet seasonal electricity demand.

Construction underway at Ruakākā BESS.

Our ambitious development programme is on track

This year, and against the odds given the challenges of cyclones and storms, Harapaki, the 176MW wind farm located in the Hawke's Bay, and the first of our 7 in 7 projects, began generating on time and was delivered within budget. The 100MW peak and 200MWh (2 hours) grid-scale Battery Energy Storage System (BESS) at Ruakākā Energy Park near Whangārei is expected to be online by early 2025 and its introduction will support stable grid operations by enabling us to store energy during low demand times of the day and then inject it back into the grid at peak demand times.

We have a range of other wind, solar and battery projects at the advanced stage of design and close to being consented. This is important, because we estimate that by 2050, for Meridian to meet our share of the country's renewable energy needs, we will need to build the equivalent of 20 Harapaki-sized renewable generation assets. That is a huge and exciting challenge for our business. We have resourced up accordingly and we are getting on with it.

The Southern Green Hydrogen (SGH) opportunity has faced some headwinds over the past 18 months with global inflationary pressures increasing the cost of renewable energy, the key input to green hydrogen production, and capital costs relating to building hydrogen facilities increasing substantially. These factors have put pressure on SGH economics, consistent with challenges other hydrogen projects are experiencing overseas. Markets have been slow to resolve the significant gap between the cost of producing green hydrogen and potential customers' willingness to pay for green hydrogen.

As a result, the project has been put on hold. We will continue to actively monitor our target markets as we believe SGH remains well-placed to be a competitive green project opportunity, especially compared to other projects and jurisdictions. We will review the opportunity to progress it when the time is right.

DELIVER CLEANER, CHEAPER ENERGY

Aiming to lift 5,000 households out of hardship

As a country in pursuit of decarbonisation, we must ensure the transition does not further disadvantage those people who are struggling with energy hardship. We believe companies need to take action to support their most vulnerable customers and so this year, we continued to expand our Energy Wellbeing Programme beyond its initial pilot with the goal of helping 5,000 Meridian and Powershop households out of energy hardship. This followed the Board signing off a $5 million investment over 2 years to assist those who are finding it difficult to pay for their power and heat their homes. To date, through this programme, we have helped over 1,400 households. This project aligns well with the ‘fairer’ part of our company purpose, and we are immensely proud of the work we are doing to make a meaningful and sustainable difference for households in hardship.

Rewarding residential customers who work with us

As the electricity system evolves into an even more renewable one it creates the opportunity for customers to participate by being able to move energy use throughout the day. The new demand response agreement with NZAS is a great example and these kinds of opportunities are also becoming available for small business and residential customers. We are putting a lot of effort into introducing a new retail model, using new technology to evolve our retail propositions. We aim to create opportunities for all our customers to be involved by way of reducing consumption sensibly at times when they don’t necessarily need to consume all of the power they normally would, so this power can be used to balance demand across the grid. Importantly, where customers can be flexible, they can also be financially rewarded, reducing their overall energy costs.

Decarbonising industry

Industrial use of fossil-based fuels, particularly for process heating, remains a significant contributor to the country’s greenhouse gas profile.

Fortunately, more and more companies are making the commitment to decarbonise. A great example is Meridian’s partnership with Fonterra, announced in January 2024. That agreement will assist Fonterra to replace a coal-fired boiler with a new 20MW electrode boiler at their Edendale site in Southland. All up, our Process Heat Electrification Programme exceeded targets again this year, with 525GWh of process heat conversion (to date) from fossil fuels to electricity now fully committed. The pipeline for further conversions is substantial and by 2030 we expect to support enough electric conversions to remove around 140,000 tCO_2e annually from the environment.

Over the past year, 168 companies have purchased more than 863GWh of Renewable Energy Certificates (RECs) from Meridian. This is an increase of 35% on the last financial year with no signs of slowing. Through the purchase of RECs, our customers’ consumption volume is matched to our 100% renewable generation, allowing customers to offset the RECs against their Scope 2 emissions. To round out the environmental benefits, Meridian has committed to invest 100% of the net proceeds into community and business decarbonisation funds. This year our funds distributed $1.42 million to decarbonisation projects nationwide.

DELIVER OPERATIONAL EXCELLENCE

Important gains in our existing capacity

Alongside our renewable development programme, we have been making important changes to how we operate our generation assets.

We have increased peaking capacity at both Manapōuri and Benmore, giving us more than 15MWs of additional capacity available to support the electricity system over daily peak periods.

We are also changing our maintenance regimes to, wherever possible, avoid outages over peak periods of the day and minimise outages over winter full stop. And we are taking a new lens to the existing assets to establish where major enhancements can deliver more peak megawatts. We’re optimistic that there is significant further peaking capacity to be extracted from more of our existing assets in the years ahead.

GROW CAPABILITY AND CULTURE

Focusing on ESG performance for the long term

This year we set a target to reach Net Zero by 2050 and we've sought independent verification of this goal from the Science Based Targets initiative, due in FY25. This target is consistent with our purpose, our strategy and our focus on doing our part to limit global warming. While a challenge, this new commitment is a natural extension of our 'Half by 2030' operational emissions reduction target.

The Half by 2030 programme created the impetus to purchase the world's first electric hydrofoil ferry to replace our current boat at Manapōuri. This will arrive and go into testing in the next financial year and will remove around 240tCO_2e from our operations. Other areas of our Half by 2030 goal remain more challenging, like managing the growth of emissions in our supply chain and further reducing our emissions on our farms and from flying. The culture of the Meridian team, however, is such that we continue to push hard to innovate and adapt our behaviours to meet these important mid-term goals.

This year we also made a commitment for Meridian to drive for nature positive outcomes in all that we do. This commitment will guide us to better articulate our impact on biodiversity and explore areas where we can increase positive impact. Our investment in nature to date is significant, but we believe we can do better. If done well, this commitment will support our consenting processes and give investors, customers and communities even greater confidence in Meridian as a leader in sustainability and a developer of new renewable generation.

Pleasingly, Meridian was again included in the Dow Jones Sustainability Asia Pacific Index, an independent global S&P Index that ranks our Environmental, Social and Governance (ESG) performance against like companies in that region. This provides independent validation of our ESG performance for investors and other stakeholders and assists to attract a cohort of international institutional investors to our share register.

Experienced leadership

We continue to have a stable, experienced and highly capable Executive team at Meridian. There was only one change in our Executive team in the last year. Nic Kennedy resigned as CEO of Meridian's subsidiary, Flux Federation. And Meridian's Chief Information Officer, Bharat Ratanpal has been seconded as Interim CEO to lead the Flux business through the next phase of its development. We would like to acknowledge Nic's hard work in getting Flux to this point. While Bharat works with the Flux business, Edna Maddocks, one of our ICT team leaders, has stepped in to lead Meridian's ICT team.

The Board are also highly experienced governors with extensive and varied sector experience that enables them to bring a range of perspectives to the oversight of Meridian's strategy. For the Board, we were pleased to welcome David Carter as a Non-Executive Director. Our thanks and best wishes to Mark Cairns who, after a long tenure, retired at our last Annual Shareholder meeting.

Everyone stands to gain

The strengthening of our commitment to deliver on our strategy and help decarbonise Aotearoa's economy is changing how we do business on many fronts. Our teams are tackling issues in new and refreshing ways. The use of data is enabling much of the change and helping us to enhance our brand, our customer propositions and our generation assets.

Extending demand response opportunities to smaller business and residential customers will incentivise many kiwis to change how they manage power consumption whilst assisting greatly in the management of system demand peaks. In a global trading environment where energy use is under increasing scrutiny, more than ever we are convinced that Aotearoa's highly renewable electricity system can be a significant source of competitive advantage for our country.

Finally, our investors should take from our results that the pursuit of our purpose can indeed be achieved with competitive returns.

On behalf of the Board and the Executive team, ngā mihi to our customers, the communities we work in, our partners and our investors. And to our talented Meridian team, thanks for doing the mahi to ensure we continue to deliver on our purpose of 'clean energy for a fairer and healthier world'.

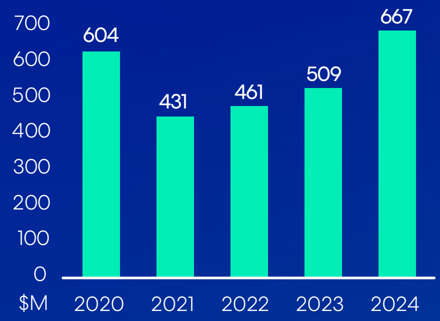
FY24 DIVIDEND	UNDERLYING NET PROFIT AFTER TAX	HARAPAKI WIND FARM
21cps ↑	$359M ↑	176MW FULLY OPERATIONAL AND ON BUDGET
EMPLOYEE ENGAGEMENT	NZAS AGREEMENTS	FAST TRACK APPROVAL BILL
75% ↑	20 years	WAIINU ENERGY PARK & WESTERN BAYS SOLAR PROJECTS
LODGED	LODGED	COMMITMENT
RUAKĀKĀ SOLAR & MANAWATŪ BESS CONSENTS	WAITAKI RECONSENT APPLICATION REFERRED TO ENVIRONMENT COURT	TO MANAPŌURI ELECTRIC HYDROFOIL FERRY

Underlying net profit after tax reconciliation

Financial year ended 30 June

$M	FY24	FY23
Net profit after tax	429	95
Underlying adjustments		
Hedging instruments		
Net change in fair value of energy hedges	(102)	333
Net change in fair value of treasury hedges	4	(24)
Premiums paid on electricity options net of interest	(23)	(17)
Assets		
Asset related adjustments	18	10
Total adjustments before tax	(103)	302
Taxation		
Tax effect of above adjustments	33	(82)
Underlying net profit after tax	**359**	**315**

Operating cash flow



EBITDAF