MARKET ANNOUNCEMENT
8 November 2024

FY25 Interim Results

Key metrics

For the 6 months ending 30 September	FY25	FY24	Change
Profit after tax ($M)	(3.3)	55.9	(59.2)
EBITDAF ($M)[1,2]	43.6	77.8	(34.2)
Normalised EBITDAF[1,2,3]	45.7	77.8	(32.1)
Underlying earnings ($M)[4]	15.5	39.0	(23.5)
Underlying earnings per share (cps)	4.4	12.1	(7.7)
Operating cash flow ($M)	46.5	57.4	(10.9)
Interim dividend declared (cps)	4.0	8.0	(4.0)
Generation production volume (GWh)	922	1,110	(188)
Employees (FTE)	215	234	(19)

Key points:

- Profit after tax of ($3.3m), down from $55.9m in H1 FY24, driven by challenging market conditions, a material provision for bad debt, and a $23.0m non-cash fair value loss on financial instruments (prior corresponding period was a $23.6m gain);
- EBITDAF[1,2] fell $34.2m to $43.6m, and underlying earnings fell $23.5m to $15.5m due to extremely challenging market conditions in H1 FY25, including record wholesale prices during periods of significant fuel constraints, and the material provision for bad debt;
- Manawa's production volumes were 188GWh (or 17%) lower than the pcp, driven by a prolonged period of very low hydro inflows;
- Fully imputed interim dividend declared of 4.0 cents per share to be paid on 6 December 2024;
- Significant progress on the major asset refurbishment programme across the period included the commissioning of a new turbine at Matahina, completion of the Highbank 'pumps as turbines' project, practical completion of the Arnold Dam strengthening works, restoration of both Esk scheme stations, and Bream Bay station capacity restored to 8MW (from 4.5MW);
- Two key new development projects and two existing asset reconsenting projects were included in the Fast Track Approvals Bill (FTAB) schedule; and
- Resource consents have been secured for the 65MWac Argyle Solar Farm.

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1 EBITDAF (earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, and asset impairments) is a non-GAAP financial measure. For more detail, please refer to Manawa Energy's FY24 Integrated Report.

2 From continuing operations

3 Normalised EBITDAF is a non-GAAP measure. Normalised EBITDAF excludes transaction costs (for the proposed acquisition of Manawa by Contact Energy). For more detail, please refer to the FY25 interim results presentation.

4 'Underlying earnings' is a non-GAAP financial measure. For more detail, please refer to Manawa Energy's FY24 Integrated Report.

Extreme market conditions dominated H1 FY25

The first half of the financial year saw extreme market conditions that impacted many participants in the New Zealand electricity sector. A 'perfect storm' of very low sustained hydro inflows, calm wind conditions, constrained gas supply, and elevated gas prices, culminated in reduced production volume and record wholesale electricity prices.

Manawa's hydro production volumes across the 6 months were 188GWh below the same period last year, and 185GWh below long-run expected average. Manawa also saw wind PPA offtake volumes significantly below average, particularly over the period coinciding with low hydro production and elevated market prices.

Manawa responded to these conditions in a number of ways. Key planned outages were deferred where economic to do so and stored water was utilised prudently where available, including utilising operating ranges at key storages only available under specific circumstances, and not accessed in over a decade or more. Manawa also undertook additional hedging activities to further limit downside risks. This hedging was taken out at elevated pricing, impacting the first half performance. This will also have impacts across the second half of FY25.

Manawa's key storage lakes reached very low levels in the first half of August as sustained low inflows (well below the 5th percentile in the May – July 2024 period) and very high pricing necessitated and incentivised the use of this water during the period.

Since mid-August, strong inflows, reduced demand, increased wind generation, and additional gas supply availability has seen a material reduction in wholesale pricing and a return to more normal levels of water storage, both nationally and across Manawa's key storage lakes.

Financial Performance

Manawa's first half financial performance was materially impacted by these conditions. Reduced generation production volumes, lower wind offtake volumes, elevated cost of hedging, and a provision for bad debt all weighed heavily on the result.

Normalised EBITDAF[3] fell $32.1m and underlying earnings saw a $23.5m reduction from the same period last year.

Profit after tax of ($3.3m) was $59.2m lower than the corresponding period last year – a result of the above combined with a $23.0m non-cash fair value loss on financial instruments (prior corresponding period was a $23.6m gain).

Capital investment totalled $25.9m and was predominantly related to the major asset refurbishment programme.

A fully imputed interim dividend of 4.0 cents per share has been declared, compared to 8.0 cents per share in the prior corresponding period, reflecting the challenging conditions across the first half.

Major asset refurbishment programme

Significant progress has been made on Manawa's major asset refurbishment programme, with key milestones being reached including:

- New Matahina G2 turbine works completed, adding ~12GWh per annum of production volume from higher efficiency matched to regular scheme flow patterns. Matahina G1 replacement outage has commenced, expected to add a further 5GWh per annum of volume uplift (expected completion Q2 CY2025);
- Highbank 'Pumps as Turbines' project completed, which has added 6MW of capacity for use during major scheme outage and providing future resilience;

- Highbank full unit replacement project has commenced site works, with the scheme outage underway late October. This project will deliver 8GWh of additional production once completed, and will materially improve asset and scheme performance;
- Practical completion of Arnold dam safety works has reduced Manawa's portfolio dam safety risk;
- Bream Bay capacity restored from 4.5MW to 8MW – providing additional peaking capacity, portfolio cover and regional support; and
- Both Esk scheme stations (significantly damaged during Cyclone Gabrielle) have been restored to full capacity, with improved operational performance.

In addition to these significant milestones, upcoming works at KCE's Mangahao scheme will restore ~9GWh pa of average production volume once complete (expected completion Q2 CY2025).

Another major project to replace three turbines and one generator at Manawa's Coleridge scheme remains on schedule to commence in 2025, with major component manufacture underway. This project will provide an average annual uplift of 24GWh per annum, as well as significantly improved reliability. These benefits will be recognised progressively across the project as each unit is completed.

Manawa has also seen materially improved plant reliability over the last 2 years, with a significant reduction in the amount of lost energy from unplanned outages.

New development and Fast Track Approvals Bill

Two of Manawa's key new development projects, and two existing hydro asset reconsenting projects were included on the Fast Track Approvals Bill (FTAB) project Schedule.

The proposed Kaihiku Wind Farm (50% JV with Pioneer Energy, 300MW) and the Huriwaka Wind Farm (300MW) were included, as was reconsenting of the Kaimai (41MW) and Wheao (28MW) hydro schemes.

The proposed Argyle Solar Farm (65MWac) is now fully consented. Design and procurement activities continue to progress.

Good progress with key land, environmental assessment, and connection activities continues across the development pipeline, in addition to prospecting and securing land access options for new projects.

Looking ahead

FY25 Normalised EBITDAF[3] is still expected to be in the range of $95m- $115m and capital expenditure is expected to remain in the range of $40m-$50m.

Full year hydro generation volumes are expected to be around 1,750 gigawatt hours, reflecting the impact of hydrology experienced across H1 FY25, as well as the impact of a planned extended outage at Highbank.

Manawa expects to spend approximately $6.5m on operational expenditure and $4.0m of capital expenditure on the progression and growth of the new development pipeline in FY25.

As noted in Manawa's 8 August market update, Manawa acted as a wholesale intermediary for an electricity retailer. The retailer defaulted on its payment obligations and Manawa subsequently terminated the supply agreement. Since termination, Manawa has received some cash in partial payment of the outstanding debt and continues to work with the retailer to recover as much of the outstanding debt as possible.

The proposed acquisition of Manawa by Contact Energy remains subject to satisfaction of a number of conditions which are expected to be achieved in H1 of calendar 2025 (indicative and subject to change). In the interim Manawa remains focussed on 'business as usual'.

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MORE INFORMATION

1/ Interim Results webcast

Chief Executive Clayton Delmarter and Chief Financial Officer Phil Wiltshire will present the results to investors and analysts via a webcast at 10:30am (NZ time) today. To pre-register for the webcast please click here. The webcast will also be recorded and uploaded to the investor section of our website.

2/ About Manawa Energy Limited

Manawa Energy is Aotearoa New Zealand's largest independent electricity generator and renewables developer. We have 26 power schemes throughout Aotearoa New Zealand and a total installed capacity of 510 megawatts, generating an average of 1,942 gigawatt hours of electricity per year. We supply around 650 commercial and industrial customers.

Manawa (meaning 'heart') acknowledges our heritage establishing electricity generation on the Omanawa River in the Kaimai area during the early 1900s. Our name was gifted by Ngāti Hangarau hapū, mana whenua of the area where our Kaimai hydro-electric power scheme is located.