

2017 ANNUAL SHAREHOLDER MEETING - CHAIR'S ADDRESS

SLIDE THREE: Chairman's Address

I will now move to my Chairman's address.

An important part of a Board's role, in conjunction with Management, is to identify trends that are likely to reshape, or significantly alter, the Company's position to the benefit or detriment of its shareholders.

The electricity industry of course faces a number of such trends, whether it is the continuing reduction of the costs of renewable technologies, the rise of batteries as a means of solving some of the problems of renewable energy's intermittency, or the growth of electric vehicles.

Many of the world's major economies are managing a transition from fossil fuel generation to renewable sources, which is leading to tectonic shifts in market dynamics that will play out in New Zealand over time.

In addition, investors are becoming increasingly engaged, and indeed activist, about sustainability issues, demanding improved performance and reporting in respect of environmental, social and governance issues.

SLIDE FOUR: Value through Sustainability

Meridian was established as a company with a portfolio of renewable generation assets, so it is unsurprising that sustainability has always been at the core of our ethos.

There is no doubt though, that there is an accelerating recognition that sustainable environmental practises and relationships with stakeholders, are imperative for a company to remain relevant over the long term and represent a good investment.

We are also seeing large institutional shareholders being prepared to publicly take action when the companies they invest in are perceived not to be up to the required

sustainable mark.

When members of the management team are presenting at investor road shows, both in New Zealand and overseas, there are more and more questions around sustainability matters and we expect this trend will continue.

Accordingly the timing has been opportune for us to review and refresh Meridian's sustainability framework.

We have taken the lead from the United Nations Sustainable Development Goals to which the New Zealand Government, our majority shareholder, has committed, along with one hundred and ninety-two other countries.

The UN has set seventeen goals that can transform our world and we believe we can contribute in a significant way to a number of these, particularly in the areas of affordable, clean energy and in the reduction of New Zealand's carbon footprint.

Our integrated annual report this year is designed to explain the contribution we are making to these goals and I hope you will take the time to read it, if you have not already done so.

It clearly demonstrates that your Company is operating at the leading edge of sustainability in everything that it does.

SLIDE FIVE: Shareholder highlights (1)

Moving from sustainability to our financial performance, in August, Meridian announced another strong result for twenty seventeen, despite encountering significant hydrology challenges in the second half of the year.

This is the fifth consecutive year of growth in earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items.

And dividend payments to shareholders have increased every year since listing.

SLIDE SIX: Shareholder highlights (2)

These distributions have been made possible by the record levels of operating cash flows the Company has generated as shown in the graph on this slide.

This in turn drives the Company's total shareholder return, being the change in the share price plus dividends paid.

Since listing, Meridian's total shareholder return is one hundred and thirty two percent, including a further seventeen percent delivered in the last financial year.

This achievement is particularly pleasing when compared with the increase in the NZX50 Gross Index of ten percent and an increase in the MSCI, an index for all of the world's share markets, which increased by fifteen percent.

Accordingly Meridian's shareholders have done well against both the national and international benchmarks.

While it would be nice to take all of the credit for this, the strong share price performance is partially attributable to the continued low interest rate environment that prevails around the world, given that Meridian is primarily a yield stock.

The cash dividend yield of six point four percent, based on the share price as at 30 June, remains highly appealing to investors when compared to the interest rates available in the United Kingdom, Europe, the United States, Australia, and, of course, here in New Zealand.

The fact that, as a country, we have a relatively stable economy, political system, market and industry structure, adds to the attractiveness of quality stocks in New Zealand.

However just how long the current low interest rate environment lasts is a matter of constant conjecture by economic experts but at some point, the cycle will turn and there may be some impact on global stock markets as investors once again focus on growth.

SLIDE SEVEN: New Zealand demand

However growth is not exactly the term that one would apply to New Zealand's energy demand.

As can be seen on the graph, there has been no consistent pattern in demand since twenty eleven and indeed, in the year to thirty June, energy consumption was down zero point six percent on the prior year, largely due to low irrigation loads on the east coast of the South Island.

However trying to back out climatic conditions and determine any long term trend is difficult, given the number of variables at play.

On the one hand strong economic growth and immigration, both suggest that underlying conditions are positive but conversely this is being offset, at least in part, by industrial and manufacturing closures, warmer than average temperatures and improving technology and efficiency gains of appliances.

For instance, the television you buy today is, on average, sixty seven percent more efficient in its power consumption compared to fifteen years ago.

Similarly refrigerators are now twenty five percent more efficient.

The big energy efficiency mover for the future will be LED lighting, which has the ability to deliver eighty five percent efficiency gains compared with traditional lighting.

The net result of these technology improvements is that the average Kiwi household is using six percent less electricity than it did in two thousand and two.

Taking all of these factors into account, we still believe economic growth, electric vehicles and more intensive use of appliances will drive overall underlying demand

up by between half and one percent (or between two hundred and four hundred Giga Watt hours) per annum into the future.

So we remain of the view that the right time for additional generation capacity will probably be in a window between twenty twenty-one and twenty twenty-three, but clearly the assumptions on which this projection is made will need to be constantly reviewed.

SLIDE EIGHT: Offshore opportunities

Recognising that the New Zealand market has limited growth options and market participants are fighting over largely static customer numbers, maintaining and growing profitability in our main market is dependent on providing customers with relevant products at good prices and top service levels, while containing costs.

We have managed to achieve this in recent years, but it is an ongoing challenge and we remain focussed on looking for new avenues for potential growth domestically, including such things as the demand expected to be created for charging electric vehicles and batteries.

Offshore Meridian has been involved in Australia for more than a decade and this market provides us with opportunities, because it is going through a period of intense disruption.

However, this disruption brings with it risks, particularly as a result of there being no bi-partisan political consensus to creating a cohesive energy policy in Australia.

The market currently faces an environment of volatile wholesale and retail prices and the potential threat of re-regulation of retail prices in some states

Our Powershop retail business now has one hundred thousand Australian customers and we are investigating the viability of supporting further retail growth, through entering into Power Purchase Agreements with renewable developers on the eastern seaboard.

Indicative pricing to date has been very encouraging, both in solar and wind, and we are seeing prices significantly cheaper than where they were two years ago; indeed in the case of solar, they have halved.

Our other avenue for international growth is to monetise our Flux Federation, formerly Powershop, platform in other parts of the world.

In twenty fifteen the Company agreed to franchise the platform to nPower, one of the largest energy retailers in the United Kingdom.

nPower's satisfaction with the product has led to Meridian engaging with nPower's German parent, Innogy, with a view to franchising the platform in other European countries.

It will take some time for us to evaluate this opportunity in terms of resource requirements and ensure that it can be undertaken on acceptable commercial terms.

Nevertheless, we aim to make an 'in-principle' decision by early next year, but a final commitment by both parties, assuming there is agreement, could take until the middle of twenty eighteen.

In short Meridian will continue to pursue earnings growth outside of New Zealand but in a highly disciplined manner.

SLIDE NINE: Transmission Pricing

The one significant disappointment for the year was the fact that the Transmission Pricing Review was not brought to a conclusion by the Electricity Authority.

However, we remain confident that the case for change is compelling and that the Authority will re-engage on the issue over the next year and, when it does, it will do so with our full support.

SLIDE TEN: The Year Ahead

Looking to the year ahead, the most notable matter we have immediately in front of us is the transition to a new Chief Executive.

Sadly, although all good things have to come to an end, Mark Binns will cease his employment with Meridian at the end of the calendar year, but the transition to Chief Executive – Designate, Neal Barclay, is already well underway.

The Board is delighted with how Neal's appointment has been received, both internally and externally.

Mark joined Meridian for the challenge of preparing us for what was New Zealand's largest Initial Public Offering (IPO).

The process was an outstanding success and since listing, shareholders have enjoyed a total return, including share price appreciation and dividends paid, of one hundred and thirty two percent during the period of Mark's stewardship.

On behalf of the Board, Management and all staff, I want to publicly thank Mark for the outstanding job he has done in leading Meridian through this crucial period of transformation.

Neal's credentials for the role are exceptionally strong having already served nine years with the Company, during which time he has held the roles of Chief Financial Officer, General Manager (Markets and Production) and more lately, General Manager (Retail).

Accordingly the Board is confident that Neal's leadership skills and deep industry and Company knowledge will ensure that Meridian does not miss a beat during the transition period.

From an operational point of view, the Company got away to a slow start due to entering the year with depleted water reserves following the lowest ever hydro inflows between February and June; however, perversely there has been above average rainfall since July, not only in our catchments, but across the total country, which has seen wholesale and forward prices fall significantly.

Consequently the start of the year has not been optimal, but weather patterns can, and do, change quickly.

In addition we have a great Trading team, ably led by Mike Roan, to manage the vagaries of the weather, demand and water resources, just as they did in the first half of this calendar year.

In conclusion, I would like to thank the members of Meridian's Board, Management, employees, customers, Iwi and in particular Ngāi Tahu, business partners and our communities for their continued support.

And of course, sincere thanks to you our shareholders for continuing to invest in Meridian.

I now invite Mark Binns to address you for the last time.

ENDS

2017 ANNUAL SHAREHOLDER MEETING – CHIEF EXECUTIVE'S ADDRESS

SLIDE ELEVEN: Chief Executive Review

Thank you Chris

Kia ora koutou

Ladies and Gentlemen

This is the last time I will address shareholders but it will not be the last time I attend this meeting. Next time I will be sitting with you, with the advantage, of course, that I know all the awkward questions to ask!

So I will spend most of my time talking about some of the things I will want to hear when I am on the other side of the podium next year.

First, let me introduce you to Meridian's executive team – stand up team ***[note those present who will be in the front row to your left].***

Chris has commented on the year already – I will be brief.

SLIDE TWELVE: Our People

How did we perform in terms of looking after our people? Our safety numbers were good. We had no serious harm injuries and our TRIFR was half the previous year's number. Numbers cannot measure attitude and that has to be the thing that a CE has to worry about – are we doing safety in a 'paint by numbers' way or do we have a deep underlying concern for safety for our people and others on our sites and offices?

I would not be so arrogant to say we are at the top of the league – but I believe safety is a deeply embedded part of our culture.

Employee engagement remained strong this year. Yes – we have the best, lowest cost generation assets in NZ – but that isn't enough to sustain performance. I'm proud of our engaged, focussed and talented staff, which is essential for any company to perform well over the long term.

You will note that in New Zealand we are on the cusp of the Top 25% of the 'IBM Best Places to Work' and we would like to exceed that benchmark.

SLIDE THIRTEEN: 2017 Financial Results

We can be proud of the numbers for the 2017 financial year, given we were tested with the lowest inflows on record in the February to June period. At the half year, we were \$20m ahead at the EBITDAF level against the previous year – unfortunately the dry that followed saw us give \$17m of that back, as we took hedge cover for our position. This is the second bad hydrology sequence in the six years I have been with the Company and I can assure you we are getting better and better at handling them.

Our EBITDAF saw a slight improvement on last year – the fifth year in a row of improvement, which enabled us to increase our total dividend to shareholders by 3%.

But that is all consigned to history – sitting where you are, you are more interested in the future. So here's some thoughts on what I will want to be hearing next year.

SLIDE FOURTEEN: A Change in Government

Starting at the macro level, we now have a new Government with different priorities and approach to the previous one. I have read the Coalition Agreement (didn't take long) and there are aspects that will have implications for the electricity sector.

In a positive sense, the commitment to take a leadership position in the conversion of the Government car fleet to electric by 2025/26, where practicable, has to be a positive. We are well on the way to achieving our own goal of having 50% of our passenger car fleet electric by June 2018.

The coalition has committed to an independent Climate Change Commission to advise on the setting of carbon reduction targets and to hold the Government accountable for delivery. At the time, the Commissioner for the Environment proposed this in July, Meridian publicly came out in support of this initiative. Meridian believes that Climate Change is real and tangible action over the next year should be welcomed by shareholders, given Meridian's commitment to NZ growing renewables.

On the water front, we are supportive of the emphasis on water quality and there would be few New Zealanders in disagreement with the intent. However the devil is

always in the detail – so understanding the framework within which this will be considered, is important.

As anticipated, there will not be any resource rentals for water in this parliamentary term. I take from this wording that there is an intent to consider the matter and potentially go into the next election with some form of proposal.

Meridian has always said that fresh water is an issue that needs to be resolved in a holistic way: it cannot be done piecemeal and there are a lot of stakeholders involved, including iwi “rights and interests” – which remain outstanding.

This is a complex issue and this time next year we will hopefully know how the Government intends to approach the issue, given its material importance to the New Zealand economy. Meridian has always been supportive of a holistic, equitable solution for New Zealanders.

SLIDE FIFTEEN: New Zealand Residential Electricity Pricing

I would also hope that the Government will have completed its full scale review into retail power pricing. Retail prices have two large components – the price of electricity itself – which we make – and the grid and network charges for transporting it – which we merely pass on.

As you can see from the graph, electricity itself has gone up at a compound 1.0% p.a. over the last 4 years, about bang on inflation. Levels of competition have kept price increases low and are likely to continue doing so. If the Government wanted to look at some sacred cows for efficiency gains, it may pay them to look at the number of network companies in New Zealand – 29 compared to 5 in the State of Victoria, with a comparable population to New Zealand. The level of inefficiency that such a number drives into electricity costs is significant.

They also might like to look at Low Fixed Charges for Low Users – a well-intentioned policy that was meant to help lower income households on the premise that these households were low users – but when you see a number of people here at Meridian, for example, who don't fall into low income households, qualify for this break – you know it is misdirected.

So there is a lot of detail in terms of Coalition proposals that Meridian (and others) are keen to engage on with the Government, but overall we are positive on what has been flagged to date.

SLIDE SIXTEEN: Tiwai Point Aluminium Smelter

Narrowing it down a bit from the macro. In the near future it would be nice to hear that our friends at Rio Tinto have finally sold their interest in the Tiwai Point smelter. It has been Rio Tinto's stated intention to sell all its Australasian aluminium smelter assets for five years and an improving aluminium market has not reduced their ardour.

There have been media reports of discussions with interested buyers but nothing has yet come to fruition. In my view, a new owner would be good news, as arguably Meridian – indeed the whole sector – has suffered from a share price discount for Tiwai uncertainty and a new owner is highly unlikely to buy and then close it down with the associated remediation costs.

On our modelling, the Tiwai smelter is currently making very good cash profits, with aluminium prices being up nearly 19% since the beginning of the year. I will be surprised if the smelter is not here for the full duration of its contract through to 2030 and potentially longer.

SLIDE SEVENTEEN: Commercial Solar

For customers, I'll want to hear that we have stayed focussed on areas where we can truly help customers.

As an industry, there is great intent, lots of talk of new technology and (in my view) often little value for customers. I would want to see Meridian remaining disciplined in the value it brings to customers. Solar is one such area where economics have improved with costs plummeting and we have seen real opportunities open up for customers and ourselves.

Over the last year, we have done a lot of work looking at a number of commercial and industrial users, where the 7-day usage and network location gives us confidence we can offer certain customer groups solar systems (installed and owned by Meridian) that are right for customers economically and meet their environmental aspirations – that is a truly sustainable partnership.

We have just signed a Memorandum of Understanding with Kiwi Property to install solar systems on four of their shopping centres over the next few years that Meridian will own and I will be looking forward to hearing that this is progressing well. The offer of a complete solution is something that is resonating with a significant number of commercial customers and we are currently working with a number of well-known companies on solutions for their power needs.

SLIDE EIGHTEEN: Powershop Offshore

Expanding the horizons a little, I will look forward to seeing Meridian's growth initiatives in Australia, the UK and Europe developing. As Chris noted, total demand growth in New Zealand has been low for some time and demand growth forecasts are not high. Time and patience is required when developing new markets but we are entering an exciting phase in Australia.

The Australian market is not for the faint hearted with energy policy – or the lack thereof – never being far from the front page of the print media. But Australia provides real opportunities for a company such as ours with smart people on the ground and balance sheet credibility. We have just signed off on the parameters for the final negotiation of Power Purchase Agreements with a number of Australian developers, potentially underwriting a number of solar and wind projects in Victoria and New South Wales.

These arrangements should be completed within the coming months and will provide the generation to allow Powershop to grow its retail customer base in Australia. Hopefully this commitment to renewables will help Powershop retain the mantle as the Greenest Retailer in Australia, which it has held for the last two years.

In the UK I will be looking for an update on the success of nPower with the Powershop platform and brand, which we have licenced to them. We will add gas functionality in January and I will want to see meaningful growth in calendar year 2018. It will also be good to hear that we have been able to agree upon providing the Powershop platform for another of Innogy (npower's parent company) markets in Europe.

SLIDE NINETEEN: September Quarter

But what about the 2018 numbers? However as you know we do not provide forecasts. The dry period experienced in the first half of the financial year has had implications for the start of the New Year as the Swaption we have with Genesis remained active until mid-August. This has been countered, to some extent, by better wind generation in Australia and good customer load numbers.

So it would be good to see another increase in profits for this new financial year, but it is still too early to form a view. As you can see from the graph, hydrology has now returned to more normal levels, which is great news.

SLIDE TWENTY: Final Thoughts

So – some final thoughts. Being given the opportunity to run Meridian has, without doubt, been the pinnacle of my career. Leading the IPO was a fantastic experience, but the real thrill has been in seeing the process being so successful for all concerned - the Crown, staff, shareholders and all New Zealanders.

I often note that the taxpayer owns 51% of Meridian and virtually everyone who has been in KiwiSaver since 2013 will have been an indirect shareholder and the beneficiary of the 132% total cumulative shareholder return that has been delivered over this time.

To the Board, thank you for the opportunity you gave me. I trust you don't regret it. And particularly to Chris Moller for your deft guidance, support and willingness to listen.

And the Executive Team – a massive thank you. Neal, Paul, Guy, Jason, Sandra, Jacqui and Ed – you have made it a dream run – we're a great team. As they say, smart leaders should be looking to employ smarter people than themselves – they make you look good!

Finally, it has been a buzz to see an internal appointment with Neal Barclay as my successor. Neal has earned his stripes, having been with the company longer than me and he has done all the hard jobs. He is going to do a great job for you!

While I believe Meridian is a better company today than it was when I arrived, I'm very confident that Neal and the team have the ability to improve on this again. And I wish them the best of luck – you always need a little!

NGA MIHI.

ENDS