

MERIDIAN ANNUAL SHAREHOLDER MEETING: 17 OCTOBER 2019

SLIDE THREE: CHAIR'S ADDRESS

I will now move to my Chairman's address.

Today we are gathered in the Balmerino Room at Riccarton Racecourse in Christchurch.

Balmerino was a national champion racehorse with many international successes.

He started forty-six times, won twenty-two races and was placed a further thirteen times.

He raced in New Zealand, Australia, the United States, England, Italy and France, including being runner-up in the nineteen ninety-seven Prix de l'Arc de Triomphe in Paris, the richest horse race in the world at that time.

SLIDE FOUR: CLEAN ENERGY

Meridian also strives to be a national champion.

We pioneered and led renewable generation in this country, years before the current Prime Minister declared quote "climate change is my generation's nuclear-free moment" unquote.

As a company, our stated purpose is to strive for clean energy for a fairer and healthier world in ways that align with our social commitments, the needs of our customers and the expectations of our shareholders.

This is why Meridian is a strong supporter of the Climate Change Response (Zero Carbon) Amendment Bill introduced by the Government in May twenty-nineteen.

Once passed, the Bill will provide for a series of emissions budgets to act as stepping stones towards New Zealand's, twenty-fifty targets of net zero greenhouse gas emissions and a reduction in methane emissions of between twenty-four and forty-seven percent.

The Bill also establishes a new, independent Climate Change Commission to provide expert advice and monitoring to help keep successive Governments on track.

Given Meridian's one hundred percent renewable generation legacy in New Zealand, we continue to lead environmental change.

Meridian is now net zero carbon across our operations and we have committed to halve our gross emissions by twenty-thirty.

We have made real progress in Australia, growing renewable generation and customers, including offering a carbon neutral alternative in a country that is dominated by fossil fuel energy.

Similarly, in New Zealand Meridian has launched a renewable energy certification that provides business customers with an assurance the Company has generated enough renewable energy to cover their electricity usage.

The first customer was the Garage Project, a craft beer company that is passionate about making its business as sustainable as it can, with Meridian's help.

Renewable electricity is the solution to many of New Zealand's carbon challenges.

Providing clean energy that will be transformative for many industries, particularly transport, means it is an exciting time for our sector and the Meridian Board and Management believe this will be positive for both our customers and shareholders.

Through the release of our Integrated Annual Report in August, we became the first New Zealand company to publicly disclose the risks climate change poses to our business.

We believe that this type of reporting to shareholders is equally, if not more important, than historical financial results, which, rest assured, I will cover before concluding my address.

SLIDE FIVE: FAIRER AND HEALTHIER WORLD

Two weeks ago, the Minister of Energy and Resources released the Government's response to the recommendations of the Electricity Price Review or the EPR as I will refer to it in the balance of my speech.

We have always said that Meridian is broadly supportive of the suite of initiatives put forward by the EPR and nothing has materially changed since the Government's announcements on the third of October.

The Minister's press release says quote "the EPR found that while overall the market is working well, it is not delivering for everyone. Too many people are paying higher bills than they need to, and many people struggle with the cost of power" unquote.

This statement resonates with our view that the New Zealand market is delivering reliable, affordable and largely renewable electricity consistent with our purpose that "we strive for clean energy for a fairer and healthier world in ways that align with our

social commitments, the needs of our customers and expectations of our shareholders”.

Evidence of this are the numerous climate change initiatives I have referred to earlier in my address and our decision to remove Prompt Payment Discounts and replace them with simpler tariffs, in advance of any public recommendations on the subject being made to the Minister by the EPR.

Indeed, it is pleasing to note that in her press release of third October the Minister said quote “we will also be requiring retailers to follow Meridian’s lead and change pricing structures to pass discount rates to all customers instead of relying on hidden late payment penalties. When Meridian did this, it put five million dollars back into the pockets of customers, and the EPR estimates that forty-five million dollars would be saved when other companies follow suit” unquote.

In removing the Prompt Payment Discount, the Board was fully cognisant of the potential cost to shareholders of five million dollars; however in the grander scheme of things, it was obvious that the Prompt Payment Discount was patently unfair to those facing hardship because they were the very people who were less able to pay their bills by the due date and the discount they forfeited bore no relation to the cost of collecting overdue debts.

Meridian also has a number of other ways of helping low-income households, including tailored payment plans and a LevelPay product that keeps bills the same throughout the year, with options to pay for power weekly, fortnightly or monthly.

In addition, we employ a Hardship Consultant to help customers in difficulty and we also support a pilot programme called EnergyMate.

This free in-home coaching service is run by the Electricity Retailers' Association of New Zealand (otherwise known as ERANZ) and brings together electricity retailers like us, lines companies, community organisations and the Government.

The coaches support families at highest risk of energy hardship by helping them talk to their retailers about payment plans, doing high-level assessments of how warm and healthy their homes are and working with them to access services like curtain banks or talk to their landlords about insulation.

SLIDE 6: TRANSMISSION PRICING METHODOLOGY

While I am on the subject of unfairness, the Electricity Authority has concluded that the Transmission Pricing charging regime is unfair to the South Island generators and results in inefficient outcomes as it imposes a tax on further investment in South Island generation.

This because an element of the current Transmission Pricing Methodology, or TPM as it is often referred to, is that the costs of the HVDC link across Cook Strait, are levied in totality on the South Island generators even though electricity flows through the cable in both directions: that is from the North Island to the South Island as well as from the South Island to the North Island.

As a company we are highly frustrated by the inter-decadal delay in resolving the lack of fairness and economic inefficiency the current regime creates.

Accordingly, we support the Electricity Authority's plan to deliver the reform package they have proposed as quickly as possible.

SLIDE SEVEN: SHAREHOLDER RESULTS

Turning now to the year in review.

The Board and the Executive are proud of the record result achieved this year.

Group EBITDAF increased by twenty-six percent to eight hundred and thirty-eight million dollars, which resulted in a net profit after tax of three hundred and thirty-nine million dollars, an increase of sixty-nine percent on the previous year.

Contemporaneously our share price increased by fifty-two percent over the year, which culminated in Meridian becoming New Zealand's largest company on the stock exchange as measured by value or commonly referred to as the Company's market capitalisation.

At the risk of being accused of profiteering, I think this is a simply stunning result.

Wholesale market prices significantly exceeded the prior year, as a result of unplanned outages at the Pohokura gas field, whilst smart and prudent use of our hydro storage allowed us to generate and sell record hydro volumes at those very high prices.

The share price was also underpinned by declining interest rates in New Zealand and around the world.

SLIDE EIGHT: YOUR BOARD

Looking to the future, the composition of your Board is changing in the most significant manner since the Company was listed in October twenty-thirteen.

Later in the meeting today, you will be asked to re-elect Jan Dawson to the Board and elect three other women, Julia Hoare, Michelle Henderson and Nagaja Sanatkumar, as Directors of the Company for the first time.

The biographies of each of the four candidates are set out in the Notice of Meeting and they will all address you at the time the appropriate resolution is considered by meeting.

The three new Directors standing for election were selected following a comprehensive external independent search based solely on merit and if elected today, together with Jan Dawson, will result in the Board having a fifty/fifty gender mix.

I stand to be corrected but I am not aware of any other significant listed company in New Zealand that can lay claim to an equal Board composition of females and males.

The three new Directors replace Steve Reindler, Mary Devine and myself.

Steve stepped down prior to last year's Annual Shareholder Meeting due to a conflict of interest that arose when Z Energy, of which he was also a Director, purchased a controlling interest in energy retailer and competitor, Flick.

Accordingly, I thanked Steve for his service to the Company in Auckland last year.

Mary Devine, who resides in Christchurch, so some of you will no doubt know her, retires at the conclusion of today's meeting having served as a Director since twenty-ten.⁶

Unfortunately, Mary is an apology for today, but she did attend yesterday's Board meeting and we paid tribute to her last night.

In March this year, Mary was appointed Managing Director of Hallenstein Glassons and advised the Company of her intention to stand down from her governance positions.

Mary made a significant contribution to Meridian as Chair of the Remuneration and People Committee and as the Board's retail expert having formerly served as Managing Director of renowned Christchurch institution Ballantynes, Chief Executive of Ezibuy and as a Director of Briscoes Group, Foodstuffs South Insurer, IAG and Top Retail.

Accordingly, I would ask that the Company formally records its thanks to Mary accompanied by a round of acclamation.

The other person, who will retire at the close of this meeting, is myself.

Consequently, Mark Verbiest will assume the role of Chair of the Company later this morning.

He is a highly experienced chairman, being the current Chair of the very successful Freightways and the former Chair of both Transpower, which manages New Zealand's electricity transmission network, and Spark.

SLIDE NINE: REFLECTIONS

As I reflect on my time as a Director and Chair of Meridian, one very special thing stands out – the Initial Public Offering on the twenty-ninth of October twenty thirteen, which is the biggest IPO in New Zealand's history.

But it wasn't the IPO itself that merits attention because it was a hard slog, twenty-four months in the gestation, complex because of the instalment receipts and not without controversy.

Thankfully the Board at the time took the decision not to push to be first to market so that we had time to recruit a top-class Chief Executive, clean up a somewhat untidy balance sheet and learn from the listing experience of Mighty River Power (now Mercury), which the Government in the end selected to be the first cab off the rank.

Instead the special thing that stands out for me is the massive transformation and legacy that the IPO brought about by revolutionising the culture of the company and its performance.

The Mixed Ownership Model was politically unpopular at the time of its inception, but it has delivered in spades for Meridian, just like Air New Zealand and Port of Tauranga, and without the nay-sayers predicted loss of New Zealand control and significant retail price increases.

We secured the services of Mark Binns from Fletchers, who simply would not have joined the Company had we remained as a State-Owned Enterprise.

Given investment market scrutiny, the Board also knew it had to put in place a capital management programme, initially for five, and subsequently extended to seven years, to address the Company's lazy balance sheet, with the result that, whilst all shareholders have benefited, the Crown has received more in dividends each year for its fifty-one percent shareholding in Meridian, the listed company, than it did for its previous one hundred percent shareholding in Meridian, the State Owned Enterprise.

Overall, since listing, the total shareholder return is three hundred and forty-eight percent.

This means that if you subscribed for the minimum shareholding of one thousand dollars at the time of listing in two thousand and thirteen and paid the required further five hundred dollars in May twenty-fifteen for the instalment receipts, your investment as at last Friday, was worth five thousand three hundred and ten dollars, giving an unrealised profit of three thousand eight hundred and ten dollars, or two and half times your original investment.

In addition, since listing you will have received one thousand, three hundred and seventy dollars in gross dividends.

SLIDE TEN: ACKNOWLEDGMENTS

Finally, as I depart I would like to acknowledge a number of people from a personal perspective.

Firstly, the Honourable Simon Power, who as Minister of State-Owned Enterprises appointed me as the Chair of Meridian prior to the Company being listed.

Secondly the Treasury staff that were involved during the IPO and subsequently, in particular Chris White and Juston Anderson.

Thirdly Peter Wilson, our Deputy Chairman, who has been on most of the journey with me.

Fourthly the Directors, especially those who joined the Board before the IPO – Jan Dawson, Anake Goodall and Mark Cairns, who are all still here today and former Directors, John Bongard, Steve Reindler and Mary Devine.

Fifthly, the two Chief Executives, who have led Meridian as a listed company, Mark Binns and Neal Barclay.

Sixthly the Executive Team, in particular those that have served the Company though-out my tenure on the Board, namely Jason Stein, Guy Waipara and Mike Roan.

Seventhly, my thanks to all of the staff throughout New Zealand, Australia and the United Kingdom.

You do a magnificent job and I am very grateful to you.

Finally, I wish the new Board, under Mark Verbiest's leadership, the very best for the future.

I now invite our Chief Executive to address you.

SLIDE 11 – CHIEF EXECUTIVE'S REVIEW

Thank you, Chris.

I'd like to do a quick introduction to the Executive team present today. They are all sitting in the front row so can I introduce:

Guy Waipara, our General Manager of Generation and Natural Resources

Tania Palmer, Chief People Officer

Mike Roan, Chief Financial Officer

Nic Kennedy, Chief Executive of Flux Federation

Chris Ewers, General Manager Wholesale

Claire Shaw – Acting General Manager of Office of the Chief Executive

Jason Stein – noted on the stage as company Secretary, Jason is currently our Acting Chief Customer Officer.

Absent today is Catherine Anderson, our Acting Chief Executive of Meridian Energy Australia and Powershop Australia.

SLIDE 12: PEOPLE

I'm going to start with our people and move to our performance. It has certainly been a year of change.

Jacqui Cleland, Paul Chambers, Julian Smith and Ed McManus have all made personal decisions to leave the Meridian Executive Team and move onto their next career steps.

We've introduced Tania Palmer and Nic Kennedy from outside the Company, Mike Roan has changed roles on the Executive Team and Chris Ewers has stepped up to join the Executive team as GM Wholesale.

We are progressing with further new appointments for our Chief Customer Officer and Australian CEO and are looking at internal and external candidates for both of those roles.

Despite the change at the top table, I've been delighted that the business has lost no momentum at all, demonstrated by the result we have produced. To me that shows the talent runs deep through our business and across our teams.

Meridian continues to build a more diverse, more inclusive, more engaged workforce. Our gender balance, pay parity, diversity and inclusion measures all continue to move in the right direction.

SLIDE 13: SAFETY

Certainly, the most sobering aspect of our performance in the last year has been safety.

Our total injury rate has spiked and in FY19 two of those incidents resulted in serious hand injuries.

While I remain confident that our safety culture and processes are strong, we can't take that for granted. So, we have sought specialist external advice to help us ensure our worksite environments and the safety behaviour of our people are at the highest level.

SLIDE 14: OUR CUSTOMERS

I am delighted with how our New Zealand retail brands are performing and total customer numbers in New Zealand grew by 4%.

Price dynamics have been interesting. The competitive acquisition pressures in residential and small business have seen average price fall, while the higher wholesale prices observed in the ASX futures market have flowed into corporate, industrial and spot exposed pricing.

I'd also call out our growing commercial solar book, we have completed significant new solar builds with both Kiwi Property and Mainfreight during the last year and the pipeline for new developments is expanding rapidly. Most recently we have begun

working with Lincoln University as it takes its first step towards harnessing renewable energy, with the installation of a solar array.

SLIDE 15: DRIVERS OF RETAIL VALUE

Beyond volume and price, the underlying drivers of retail value are trending well.

Powershop leads the industry and Meridian leads the large retailers in Brand Preference, which we measure as Net Promotor Scores. Both brands were recognised as finalists as Retailer of the Year at the Deloitte Energy Awards in August and Powershop won.

Customer retention rates are improving and our cost to serve on a per customer basis have declined by 6%.

As Chris mentioned we made a values-based decision to stop clawing back Prompt Payment Discounts and we introduced simpler tariffs this year. This resonated strongly with customers and is part of our plan to build the value of our business in the long run.

A big project we have underway is the migration of the Meridian customer base to the Flux platform. Flux Federation is our in-house software business that developed the technology that allows us to serve and bill our Powershop customers. By moving the Meridian customers onto the same platform, we expect to reduce costs and improve the agility of our Meridian customer offerings. Progress is slightly slower than expected, but costs remain under control.

All up, the increased size of our New Zealand customer base accompanied by improved brand preference and customer retention rates are contributing toward a stronger more profitable retail business.

SLIDE 16: GENERATION

I'm particularly proud of the performance of our wholesale and generation teams this year. Sure, Wholesale prices spiked significantly over the prior year, but in the context of average rain and water inflows into our hydro catchments and some significant planned plant outages, the Teams delivered a record amount of generation to take advantage of the high wholesale prices.

Meridian owns the largest, most reliable and efficient fleet of electricity generation assets in New Zealand. Our philosophy is that we are caretakers of those assets for future generations of New Zealanders and we ensure they are well maintained. They will continue to underpin the strong financial performance of our Company for decades to come (if not centuries).

SLIDE 17: AUSTRALIA

We've had stellar success in growing the scale of our Australian business and by year end our customer numbers were up 36% on prior year.

Australia is obviously a significantly larger market than New Zealand and we believe the potential reach of our Powershop customer proposition, which is strongly centred on our Green credentials, is several times the size of our customer base today.

In recent months, the regulators in Australia have introduced Default Offer Prices that retailers must offer to all customers. These default prices are a form of retail price

cap. Price caps often have the perverse effect of reducing service levels and ultimately increasing costs to consumers. But we think at the level that the default prices have been introduced, Powershop can continue to compete at an acceptable margin.

The electricity wholesale market in Australia is also very volatile so we must focus on managing the cost of supplying our growing number retail customers.

We have expanded our portfolio of generation assets from two wind farms to now include three small hydro stations and two off-take agreements for new wind farms. We currently have enough generation capacity to support a customer base close to twice what it is today.

Shareholders can expect Australia to continue to play a significant part in growing Meridian's bottom line performance.

SLIDE 18: NZAS

New Zealand's Aluminium smelter at Bluff jointly owned by Rio Tinto and Sumitomo Chemicals remains Meridian's most significant customer. The smelter produces some of the lowest carbon aluminium in the world powered by electricity that is mostly renewable. NZAS also produces the purest aluminium largely due to the smart kiwis who operate the plant in Southland. If you own a smart phone, chances are it has aluminium in it that was smelted in NZ.

NZAS owners are clear that operating costs are high compared to other aluminium smelters across the globe. Also, over the last 12 months, aluminium prices have fallen by upwards of US\$300 per tonnes, so given its significance we remain

regularly engaged with the smelter owners to help support their continued operation in New Zealand.

It is also well understood that given how transmission costs are allocated in New Zealand, the smelter effectively subsidises consumers of electricity outside of Southland and those consumers are mostly in the upper North Island. The Transmission Pricing Methodology reform currently being proposed by the Electricity Authority, that Chris referred to earlier, will resolve some of this issue, but it may be several years before that reform package is implemented. To help support the long-term viability of the smelter we support adoption of the TPM reform package as soon as possible.

SLIDE 19: LOOKING FORWARD

In the near term, we have started the new financial year in good fashion. The storage in New Zealand's hydro lakes is below average for this time of year and wholesale prices for electricity are significantly higher than normal. This is not in itself unusual because we rarely get average weather conditions in this country. Like we did last financial last year, we have demonstrated prudent use of the hydro storage that we manage and as of today Meridian's hydro lakes are at about average levels. As such we have been able to maintain a strong market share of electricity generation and benefit from high wholesale prices.

However, coming up in the first quarter next year, Transpower is planning a partial outage on the Cook Strait cable. This outage will limit Meridian and other South Island generators' ability to transmit our generation to the North Island. As a result, our generation market share will reduce during that outage and so too our

generation revenues. Whilst we have planned for that, the reduction in generation revenues over the upcoming summer will make it tough to match the great bottom line result from last financial year.

Looking further ahead, the outlook for the electricity sector is strong in both New Zealand and Australia. We are seeing organic demand growth on the back of continued growth in GDP and migration. That, in itself, will require some new renewable generation to be built in New Zealand over the next few years. And as a result, we are looking to make an investment decision on our best new wind farm within the next six months.

There is also a much bigger opportunity on the horizon. Our ability, as a country, to reduce our dependence on fossil fuels is closely linked to our ability to cost effectively build more renewable electricity. Every electric car we introduce to the country removes 4tonnes of CO2 emissions each year and whilst we can't go fully electric overnight, the economic vs carbon trade-off makes electrifying much of New Zealand's transport fleet a no brainer.

Also, the cost of new renewable electricity generation is coming down. So, despite what you may read or hear from time to time, on shore wind is highly profitable in New Zealand. The machines are getting bigger, costs are coming down and undoubtedly the bulk of new generation in this country will be wind. Meridian is New Zealand's most successful and experienced wind farm developer. We also have a strong balance sheet and are therefore particularly well placed strategically to grow our dividends on the back of new renewable investments.

From where I am standing, the future looks pretty darn exciting for our industry and for this company.

SLIDE 20: TRIBUTE TO OUR CHAIR

And lastly, our incoming Chair, Mark Verbiest, outlined some of the many achievements of the company under Chris's time as Chairman.

I'd also like to thank you Chris on behalf of all past and present members of the Meridian Team who have worked with you.

You've challenged us to be the best we can be. You've set the bar very high for the standard for our interactions, our discussions and our decision making as a Board and Management.

You've also shown immense support and encouragement for management that has set the tone and allowed the people in our business to flourish. As a first time Chief Executive I've truly valued the guidance and counsel you have given me over the last two years, and I will be a better much CEO as a result.

So, we thank you Chris for your challenge, your commitment, your encouragement, which I believe, is based upon your belief in this company and its people.

ENDS