MERIDIAN ENERGY ANNUAL SHAREHOLDER MEETING: 1 OCTOBER 2020

CHAIR ADDRESS

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Now to my Chairman's address.

Meridian's purpose of clean energy for a fairer and healthier world provides our company with the foundation and context for all our decisions. And as a 100% renewable energy generator that is committed to sustainability, we focus our efforts in areas in which we think we can make a meaningful difference.

We are proud to have been once again named one of the top 5 leaders in sustainability, through the Colmar Brunton Better Futures Report. But we know that now isn't the time to take our foot off the pedal, and we need to accelerate the pace of action on climate change.

SLIDE 4

As we have seen through the COVID-19 pandemic, businesses across the globe have re-evaluated what is important, and what value they are providing. As a leading New Zealand business and one of the largest on the New Zealand stock exchange, we too need to be confident in the direction that we are heading. We are privileged to have such a strong Board and Management team driving this company and delivering results for you, our shareholders, and for New Zealand.

As of today, we have had 1,836 probable and confirmed cases of COVID-19 in this country. We have been extremely lucky in comparison to many other parts of the world, but there is still a long way to go. The impact on our business community is yet to be fully understood and realised. We do know the effects on our economy will be far reaching and long lasting. Meridian has been and will remain focused on working with our customers who were impacted by COVID-19. We've supported customers with tailored payment solutions, while making sure that no one had their power disconnected due to COVID-19. In our efforts to lessen the impact we haven't charged late payment fees or credit reminder fees to customers across our brands in both New Zealand and Australia.

We've supported our suppliers with quicker payment terms, and we've supported our non-senior staff with working from home allowances during lockdown.

We also wanted to do something more to help families facing hardship. So, we matched the $1 million donation made by generous Kiwis to our charity partner KidsCan. After working with Julie Chapman and her team at KidsCan for a number of years, we know that this additional contribution is providing targeted help for families who need it most and at a time when it has been most needed.

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At Meridian, the product we generate and sell is needed by everyone, so the COVID-19 pandemic's impacts on demand and on our business to date have not been significant. We will play our part to assist the economy to recover as quickly as possible and to help shape the opportunities that will deliver sustainable economic and environmental outcomes.

It is those environmental outcomes in particular that Meridian is pleased to see being prioritised by the Government. We are strongly supportive of the Government's approach to tackling climate change, and regardless of the outcome of this year's General Election, we hope that the same focus remains a key priority for any future Government.

This year, there have been considerable efforts made at the policy level to support New Zealand to meet its zero carbon aspirations. The Climate Change Response (Zero Carbon) Amendment Bill was passed, the Climate Change Commission was established, and we also now have a package of Emissions Trading Scheme (ETS) reforms that are a key policy tool driving emission reductions and helping to guide the efforts of businesses.

In June a water reform package outlined proposed changes to how freshwater is managed and steps to improve water quality. These changes protect the flexibility and output of existing large hydro to support further decarbonisation, whilst aiming to improve the health of our waterways and, importantly, better recognise the values and perspectives of tangata whenua.

These policies provide a runway for us all to radically reduce our emissions and transform our economy for the benefit of every New Zealander. Meridian will continue to champion change that delivers on clean energy for a fairer and healthier world and you will see us act and be a part of that change.

Outside of the electricity sector, where the renewable share of generation was 82% for the four quarters ended June 2020, most of the energy New Zealand consumes still comes from burning fossil fuels – the fuels that power our cars and provide heat for industries, homes and public infrastructure. Combined, these energy sources account for around 41% of New Zealand's greenhouse gas emissions. About half of that's from transport. And only 4% of that comes from electricity generation.

We strongly support policy options like the Clean Car Standard for newly imported vehicles – that will prevent New Zealand becoming a dumping ground for cheap high emission vehicles.

We also think the Government should lead the way in converting the Crown's light vehicle fleet to be powered by electricity, as a number of large corporations, including Meridian, have committed to.

That could occur quite quickly and would be a meaningful way of assisting to develop a second-hand market for electric vehicles to stimulate demand, without subsidy. More co-funding of charging infrastructure and EV purchases would be money well spent to both stimulate the economy and reduce a significant percentage of our emissions. Let's not stay in the slow lane with Australia.

The opportunity to electrify transport and industrial energy use – the demand side of the equation - with renewable electricity is massive for our country and, once it's done, will go a long way to eliminating our non-agricultural emissions.

We need to do all this while keeping electricity affordable and maintaining investment in renewable generation. It is important that all options are canvassed before significant public investment is committed. Public investment in pumped hydro could lead to an uneconomic generation overbuild, crowd out private investment and push up electricity prices – slowing down the electrification of the economy. This risk has been highlighted by independent experts like the Productivity Commission and Interim Climate Change Committee. Meridian encourages any future government to proceed with caution when investigating such options.

We need to be a nation of climate activists and Government and business need to work together to decarbonise our country and accelerate the pace of change to achieve our emissions targets. We are in a fortunate position in New Zealand with our renewable energy advantage, and the time to act is now.

It is an exciting time and provides us with a real opportunity to make a meaningful difference and help combat climate change. We know that the work Meridian does in the coming years to navigate the transformation of our market once Tiwai closes, will bring us closer to our purpose, while demonstrating our commitment as a sustainable business which is focused on combating climate change.

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Turning now to the year that was.

The Board and the Executive are proud to have achieved another record result this year.

Group EBITDAF (a measure of our underlying operating performance) increased by 2% to $854 million. Due to higher depreciation on previously revalued assets and non-cash movements in forward prices and rates on financial instruments used to manage risk, net profit after tax decreased 48%. Underlying net profit after tax also decreased 5%.

The Board has declared a final ordinary dividend of 11.20 cents per share, 4% higher than the previous year. This brings the total ordinary dividends declared in FY20 to 16.90 cents per share, 3% higher than last year's, and represents a 75% payout of free cash flow. Meridian also declared an interim special dividend of 2.44 cents per share in February 2020 under the company's capital management programme. With Rio Tinto's announcement of its intention to close the Tīwai aluminium smelter, the Board has now ceased this programme.

Meridian continues to deliver strong returns for shareholders. In the 2020 financial year, Meridian's total shareholder return was again stronger than other major electricity companies we measure ourselves against. In fact, if you bought Meridian shares in the 2013 IPO, our latest dividend, which will be paid on the 16th October, will take your total gross return since listing to 318%.

Before we move onto re-elections, I would like to take this opportunity to thank you, our shareholders. The significant developments of COVID-19 and upcoming closure of the Tiwai Point Smelter have created more uncertainty for our business and your Board appreciates your continued support for and investment in clean energy for a fairer and healthier world.

I will now ask our Chief Executive, Neal Barclay to address the meeting.

CHIEF EXECUTIVE'S REVIEW

Executive team

Kia ora Mark and Tenei Koutou Katou.

Ladies and Gentlemen, I'd like to start by quickly introducing you to Meridian's Executive team, who are mostly present here today. They are:

Mike Roan, Chief Financial Officer

Tania Palmer, Chief People Officer

Guy Waipara, General Manager of Generation and Natural Resources

Lisa Hannifin, Chief Customer Officer

Chris Ewers, General Manager Wholesale

Nic Kennedy, Chief Executive of Flux Federation

Claire Shaw, General Manager of Corporate Affairs and Sustainability

And **Jason Woolley** our General Counsel and Company Secretary.

Jason Stein, Chief Executive of Meridian Energy Australia and Powershop Australia can't be here but he is clearly a very important member of the Team.

There are four new faces in the Executive Team this year and I'm pleased that the introduction of new blood has not caused the business to lose any momentum at all. That is both due to the quality of the new people appointed and also the fact that they are all internal appointments and were able to hit the ground running.

Jason Stein, who was previously our General Counsel, has taken on responsibility for our Australian operations. And Lisa Hannifin, Claire Shaw, Chris Ewers, and Jason Woolley were all promoted from within the ranks. Each of the appointees were tested through recruitment processes that included external candidates. So I think these appointments show that the skills and leadership we're developing here at Meridian, tests very well against the market.

Employee Engagement and injury rates

Employee engagement has remained strong and engagement scores across all of the major business Groups lifted to 85% or more. This tells me that our people are proud to work for Meridian and are committed to the company. This is confirmed by the fact that nearly 60% of Meridian's New Zealand employees now own shares in the company through our employee share ownership scheme.

So that is all good but on the flip side, our health and safety results have not been nearly as positive. The thing that worries me most in our business is keeping our people safe and clearly our safety performance needs to improve. We had eight Lost time Injuries during the year and three of those resulted in serious injuries. But worrying about it doesn't make it better, so we remain very focussed on making tangible progress and evolving our workforce safety culture. I am confident that the backward-looking injury rate indicators will start to improve in line with what we are doing to manage all aspects of our work safely. The most important thing at Meridian is that our people go home safely at the end of each day.

Covid-19 impacts on electricity demand

Financially, last year was a very good year for Meridian with another record EBITDAF result. But the global impact of the COVID-19 pandemic and the announcement of the closure of the Tiwai Point Aluminium Smelter has presented us with some unique challenges and opportunities for the next few years.

Throughout the COVID-19 pandemic we have maintained full operational capability. Our people right across our businesses have been exceptional in both looking after each other and looking after our customers – and I'm very proud of them for that.

We did see a significant drop in demand for electricity during the Level 4 lock down, but demand has bounced back to pre-COVID levels since that time. I would say however, that the long-term effects on demand from COVID are still far from certain.

I can assure you that your company is already adapting the way it operates and I am confident that we have the team and the strategies to manage through these uncertain times.

2020 results - customers

Growing our retail businesses is one way we are adapting.

Powershop in Australia, once again, achieved outstanding growth as customers continued to choose cleaner energy options. Customer numbers grew by 24% and there was also a 24% increase in the volume of electricity sold, whilst gas sales were up three-fold. Our retail success in Australia means we're looking at new generation options that the business will need in the medium term. These include the 130-megawatt Rangoon wind farm development that we have secured in northern New South Wales. The wind farm would power the equivalent of 58,000 Aussie homes when built.

In New Zealand across both the Meridian and Powershop brands, we grew customer numbers by 7% and the volume of energy sold by 18%. Even more pleasing, our overall customer satisfaction ratings and our customer retention rates improved and set the benchmark for the industry.

We're also extending the capability of Flux Federation, our software-as-a-service business that has developed the Powershop IT platform. We are doing that to support the migration of Meridian customers to the platform and to open up new sales opportunities for Flux offshore. The complexity of Meridian's customer base has meant that the Flux migration project, which started in 2018, has needed to be extended by nine months and is now scheduled for completion during September 2021. Despite the delay, the benefits and business case for the project and for Flux remain very positive.

2020 results - generation

The wholesale trading conditions during the year were far more challenging for our Generation businesses on both sides of the Tasman.

In New Zealand, we generated a record amount of electricity due primarily to healthy inflows into our hydro storage lakes and good availability of our wind fleet. But it wasn't all handed to us on a plate as we did cope with some significant transmission outages, most notably the Cook Strait Cable outage during January to March which limited our ability to generate electricity during those months. So achieving a record amount of generation was a very good outcome.

But the big story for generation was a 28% reduction in the average wholesale price for electricity compared to the prior year. This was expected and prices fell as the gas system reliability issues that emerged during FY 19, were progressively overcome.

All up, whilst generation volumes were up 5%, overall spot generation revenues were down 24% on the prior year.

The generation trading conditions in Australia throughout the year were also very challenging. Wholesale electricity prices trended down as oil prices and then gas prices collapsed. And generation volumes from our hydro assets were down year on year due to the deepening drought conditions. Our risk management processes were put to the test particularly during a number of high price events during the summer. Temperatures soared and bush fires raged whilst people consumed energy to stay cool. And that energy could cost as much as $14,000/MWh at peak times. We were hard pressed to make headway, but we avoided any significant losses during those events.

Group EBITDAF

EBITDAF (or cash operating earnings) is the primary performance metric that investment analysts look at to assess Meridian's comparable performance. As you can see the trend has been very good.

So whilst the wholesale trading conditions during the year were challenging in both New Zealand and Australia:

- our continued success in growing our retail businesses
- our ability to get the most out of the renewable resources that we had available
- and our ability to manage wholesale trading risk

  meant that, for the eighth consecutive year, we delivered EBITDAF growth.

Tiwai Point aluminium smelter

In October 2019 Rio Tinto announced that it was undertaking a strategic review of New Zealand's Aluminium Smelter at Tiwai Point in Southland. And on 9 July 2020, Rio Tinto announced the termination of its contract with Meridian and its intention to close the smelter by 31 August 2021.

Rio Tinto's decision is hugely disappointing for the smelter workforce and the Southland community, of which we're a part. During the Rio Tinto strategic review, Meridian was able to put together a package of contractual amendments that would have delivered a significant reduction in the cost of delivered energy to the smelter, well in excess of $60 million per annum. We believe that this offer was fair and in the interests of Meridian shareholders, the smelter owners and New Zealand more broadly. As part of that package we asked the smelter owners to commit to New Zealand for a period of at least four years. Rio Tinto were not willing to make that commitment and instead chose to terminate the contract with Meridian.

The loss of roughly 13% of electricity demand within a relatively short space of time will undoubtedly be disruptive for our industry and Southland in the short term. To better adapt to this disruption, we have offered Rio Tinto terms to exit over a longer period of time. We have also noted the Prime Minister's announcement earlier this week that the Government are also in discussion with Rio Tinto to provide the smelter with a discounted transmission bill, also in support of a longer exit term. To date nothing has been resolved and it appears unlikely that anything will be, until after the General Election.

What we can be confident of, is the smelter will close sometime within the next few years, and with that challenge comes opportunities. Our team is working hard on our plan to mitigate the effects of the closure, maintain our balance sheet strength and build an even stronger business for the future – all still while remaining committed to 100% renewable generation.

One of the tough decisions the Board has had to make as a result of Rio Tinto announcing its exit from New Zealand is the deferral of our Harapaki windfarm in the Hawke's Bay. While the business case for Harapaki is very sound, the market needs time to adjust to Rio Tinto's decision to exit New Zealand. We're still confident that we'll build Harapaki in the future as it remains one of the country's best new renewable options.

Transmission pricing methodology (TPM)

In the regulatory space there has been some good and some bad for Meridian.

Let's start with the good news. Just before the end of the financial year the Electricity Authority released its final decision on the Transmission Pricing Methodology guidelines. We're pleased that a benefits-based approach to transmission pricing was adopted by the Authority. It will provide certainty, be fairer and enable more efficient investment and use of the transmission grid. And it will be positive for Meridian financially.

Undesirable trading situation

Now the not-so-good.

In December 2019, a claim was made to the Electricity Authority by some of our competitors that the trading actions of Meridian and Contact during November and December had caused an Undesirable Trading Situation (or UTS). The claim covered a period of truly exceptional South Island flood conditions with inflows among the highest ever recorded.

On 30 June the Electricity Authority released its preliminary decision, determining that a UTS had occurred between 3 and 18 December 2019. The Authority have observed that in their opinion, too much water was spilled and prices were too high during periods where water was being spilled.

We disagree with the Authority's preliminary finding and we stand by our decisions during the flood events to manage both the safety of those downstream from our dams and our environmental obligations first. The conditions dictated that proactive spill was necessary.

We also believe our trading conduct was within the normal, and previously observed, operation of the market.

That said, we have certainly taken some learning from this event and we are also asking the Authority to support the market by providing clearer guidance on generation offers at times of spill. Their preliminary decision has created significant uncertainty in that regard and the whole industry needs that uncertainty resolved.

At this stage there has been no timeline provided by the Authority in terms of when we can expect a final decision. To be conservative our financial statements have been prepared on the basis that the Authority does not change their preliminary decision.

Decarbonisation

I'll now make a few concluding comments in support of Marks' earlier observations around New Zealand's decarbonisation opportunity.

For Meridian, this means that our commitment to 100% renewable energy and helping New Zealand achieve its zero-carbon goals remain our focus. Renewable electricity is the solution to combating climate change in New Zealand, as it will enable us to reduce our emissions and reliance on fossil fuels. It also creates real opportunity for our company to grow value, not only for ourselves but for others.

The key to taking advantage of renewable electricity is to keep electricity affordable. Both to ensure that we're playing our part to reduce energy hardship and to ensure the right priority is put on vital decarbonisation projects.

We expect the current trajectory to continue with renewable electricity generation only getting cheaper relative to other options. Meridian's modelling indicates that electricity generation in New Zealand will be in excess of 95% renewable by 2035. Which is why we don't think there is a case for intervention in the electricity generation market. Renewables are already the most economical new generation investment option and we're seeing that in the new builds currently underway – they're all windfarms, geothermal, and solar.

Under current market settings I think we can expect the right investment signals will exist that will encourage private investment in new generation at the right time. The Government are best to focus on supporting users of fossil fuelled based energy, to transition to electric. It would seem that smart use of the Emissions Trading Scheme is the best way to do this. The ETS will provide cost signals that drive businesses to innovate to compete and deliver the lowest cost emissions abatement solutions.

It is really hard for any one entity or person, as a central planner, to pick the winning technology solutions of the future. That is why competition works and in the ETS we have a market based tool that, with some refinements, can help foster competition of ideas and deliver the most efficient solutions. We need to use that tool.

Where Government can, and are, helping on the electricity supply side, is evolving New Zealand's environmental law to support new renewables to be built whilst also preserving our backbone of hydro generation. Hydro is part of New Zealand's legacy but is also absolutely the key to the future expansion of renewables as it can flex and fill the gaps between intermittent wind and solar generation. As Mark referred to earlier, the Governments direction on fresh water reform seems balanced and pragmatic.

The argument for renewable electricity is even stronger in Australia. Around 80% of electricity generated in Australia comes from coal gas, and with a large number of coalfired plants approaching the end of their 20- to 30-year lives, we're confident that there will be significant opportunities for renewable electricity developments across the ditch.

Meridian will work with government, industries and our customers to support the future electrification and decarbonisation of the New Zealand economy. There's much to do and I'm excited about the future challenges ahead and the opportunity this company has to help shape the future.