



meridian

**Release**

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*Stock exchange listings: NZX (MEL) ASX (MEZ)*

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## Meridian Energy Limited Annual Shareholder Meeting

28 October, 2016

Please find attached the following announcements that will be delivered at Meridian's Annual Shareholders' Meeting today at 10am in Christchurch.

- a) Chairman's address
- b) Chief Executive's address
- c) The presentation to shareholders.

**ENDS**

Mark Binns  
Chief Executive  
Meridian Energy Limited

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## 2016 Annual Shareholder Meeting: Chairman Address

Turning now to my Chairman's address.

### Welcome

Firstly I would like to acknowledge the presence of the Crown and other shareholders present here today as well as our critically important and enduring relationship with Ngāi Tahu. Christchurch is a very important city for Meridian in that:

- 11% of our total shareholders reside in the region;
- The Head Office of Ngāi Tahu is located in Christchurch;
- We have a strong and loyal customer base in the City; and
- 370 of our staff work in and form part of the Christchurch community, serving Meridian's customers nationwide from our Call Centre on Durham Street.

This month Meridian staff relocated to our new building, shown here, in the Central Business District after being displaced by the earthquake, some 6 years ago.

Moving back into the City centre fulfils a promise Meridian made in the aftermath of the earthquake to return to and rebuild in the CBD.

Despite it being a long and drawn-out process, settling into our new premises is a tangible demonstration of Meridian's solidarity with and commitment to the City of Christchurch in particular and the South Island in general.

The Board and Management would like to acknowledge and thank Christchurch shareholders, bondholders, customers, staff and families for their fortitude over a very difficult period in the City's history.

## Purpose and Direction

The Board, Management and staff are proud to represent a company with the purpose of creating a better energy future.

Our commitment to only owning and building assets that generate renewable energy is at the heart of our purpose and as such the Company remains the single most important contributor to New Zealand's renewable future by generating 32% of New Zealand's total electricity demand.

We believe we have the best assets in the business and we remain focused on excellence in operations, underpinned by a strong culture and record of safety. Manapouri remains the jewel in our asset portfolio in terms of both efficiency and scale.

This hydro station produces more renewable energy than all of the stations on the Waikato River, while operating in a World Heritage Site at the centre of one of New Zealand's principal tourist destinations.

Collaborating openly as a market participant and competing hard in the marketplace to ensure the best outcomes for New Zealanders is also a part of our commitment to creating a better energy future.

This year has seen us up our game in terms of our retail performance.

We remain focused on supplying energy solutions for all of our customers by providing excellent service, at a fair price.

We continue to play our part to help make a tangible difference in areas that matter to Kiwis through sponsorships such as KidsCan and the Kākapō Recovery Programme.

We also support our young athletes and future Olympians through South Island Rowing.

Our Community Funds programme provides a sustainable and collaborative way to assist the communities in which our operations are based.

Meridian has become one of only three New Zealand companies to be included in the Dow Jones Sustainability Asia Pacific Index.

This provides independent validation to our customers, shareholders and communities that Meridian has the right focus across the economic, social and environmental aspects of our operations to create a sustainable future for our Company, our country and the nation's future generations.

### Shareholder Highlights

The period ended June 2016 has been another successful year, the third consecutive one since the Company was listed.

The next two slides look at how Meridian has performed over that period in comparison to other Australasian energy companies in terms of our share price appreciation and dividends declared.

Our performance is set against a challenging international economic environment.

Geopolitical events such as the United Kingdom's decision to leave the European Union have created uncertainty in world equity markets.

We must also acknowledge that globally we are operating in a low interest rate environment, which sees investors chasing stocks with high dividend yields.

This is reflected in the growth in the NZX 50, contrasted with the decline in US 10 year bond yields.

As you can see, Meridian's share price performed solidly in the year to June 2016, appreciating 22%.

However as a high yielding stock, any increase in international interest rates may have an impact on the future demand for our shares.

Our gross dividend yield in the year to June 2016 was also solid, at 11%.

This saw Meridian pay \$355 million dollars in dividends and tax to our largest shareholder, which in turn benefits New Zealanders through Government initiatives.

Our strong dividend distributions have also supported a total return to shareholders of one hundred and eighteen percent in the period since listing in October 2013 through to June 2016.

This places us among the top five performing stocks on the NZX 50 during this period.

These results and returns reflect the effort, focus and talent of the business you as shareholders have invested in.

The Chief Executive will provide further information on our financial performance in his address shortly.

This month marked the 20th anniversary of the New Zealand wholesale market.

During that period New Zealand has not suffered from a country-wide disruption to supply.

Even in 2012, the driest summer in 80 years, supply continued uninterrupted without additional costs to retail consumers.

The market has also delivered \$8.5 billion dollars of generation since 1996, including 12 terawatt hours of new renewable generation during that time.

Having a market delivering clean power without subsidy is unusual in global terms, recognising that, on the last count in 2015, 173 countries had policy targets for renewable energy generation.

New Zealand's renewable energy advantage provides us with a unique platform for future growth and diversification, by leveraging our clean energy profile and decreasing our reliance on carbon.

Decarbonising the transport sector is recognised as a huge opportunity and our renewable energy resource will help New Zealand to meet its climate change commitments.

A second standout feature of the market is that it has encouraged unprecedented levels of competition.

New Zealand has developed from a market where there was little choice for consumers to one in which there are now 31 market participants providing new and innovative services.

There are a variety of offers and ways to purchase energy that enable customers to engage with electricity as a product as well as save power and money.

Choice and competition are demonstrated by statistics that show New Zealand to be the most active market in the world in terms of customers switching between electricity providers.

A third important aspect of the market has been the progress made on a number of fronts during the year under review.

The Electricity Authority has proposed a fairer and more durable option for transmission pricing that will underpin the security of power supply for all New Zealanders.

The transmission pricing proposal adopts a beneficiaries' pays approach, which means that the cost of the grid assets would be allocated amongst all parties that benefit from these assets.

In short, it is users' pay, a concept introduced to New Zealand many decades ago.

It is an approach that Kiwis are familiar with and applies to many other sectors of the economy, so why not electricity as well?

Despite some misinformation in the public domain, the fact remains that households in most areas of New Zealand will see a decrease in their bills.

And, as the Electricity Authority has indicated, all electricity consumers will save money in the long term, as the new pricing model incentivises more even and more efficient investment into the national grid.

The Board hopes that at our next Annual Meeting, we are in a position to outline a timeframe for implementation of the resolution of this long-standing issue.

New market challenges also emerged this year following the change in supply-demand dynamics created by the retirement of approximately 800 megawatts of thermal generation capacity.

The market has successfully managed the consequent dry year risk by negotiating and agreeing bilateral swaptions with Genesis to run the Rankine Units to ensure security of supply for New Zealand during periods when the country is suffering from drought conditions.

These demand and supply dynamics have also spurred Meridian to revise its view of when new renewable generation will be required, with planning brought forward to potentially as soon as 2019.

It is our intention to be ready with the lowest cost renewable option when the market requires it.

The Tiwai Point contract remains in place and again, this has become something the market as a whole manages as part of its every day operations.

Over the Tasman, Meridian is performing better in the Australia market.

The Australian market is the exact converse of New Zealand's renewable profile, having around 80% thermal generation and 20% renewable generation.

The Federal Government's Renewable Energy Target to reach 33,000 gigawatt hours of renewable energy by 2020 remains in place, but it requires ongoing focus and commitment if Australia is to meet its Paris commitments.

## Board Governance

Before I hand over to Mark, I want to cover two matters relating to governance.

Firstly I want to acknowledge the contribution Sally Farrier has made to Meridian.

In September Sally announced she would not seek re-election at this meeting today where she retires by rotation.

She therefore ceases to be a Director at the conclusion of this meeting.

The Board was able to farewell Sally at our meeting yesterday, as she is travelling to Paris today.

Sally was appointed a Director in 2012 and was a member of the Board throughout the complex process of Meridian's listing.

The Board thanks Sally for her contribution as a Director and wishes her well for the future.



Yesterday the Board discussed the process for appointing a replacement for Sally during 2017.

Secondly, I wish to make a brief comment on resolution three, which relates to a proposal to increase the total pool of fees available for Meridian's Directors.

The Board has considered the skills and time requirements placed on Directors in governing Meridian.

Having Directors with the appropriate skills and capability to continue to deliver the financial performance expected by our investors is a key priority for the Board, particularly given the need to replace Sally.

The Board has also obtained independent advice from PriceWaterhouseCoopers, who conducted a review of the Board's remuneration against a peer group of listed companies.

These are companies that are broadly of a similar scale and complexity to Meridian.

A summary of the PWC report can be found on our website.

The recommendation of the Board is therefore based on independent benchmarking, a robust consideration of skills and time requirements and follows significant consultation with a number of shareholder representatives.

Finally, I wish to place on record my thanks to the Board, Management and staff for another top performance, the third in a row since listing.

I will now hand over to Mark, who will provide more detail on key matters relating to your company.

## 2016 Annual Shareholder Meeting: Chief Executive Address

Kia ora Chris

Tena koutou katoa

I am delighted you could join us for our third Annual Meeting as a listed company. Chris has outlined a pleasing performance for shareholders over both the last year and since listing. I will provide an overview of the year's performance in a minute.

### Our people

But first let me talk about people – because we would not have been able to deliver these results without them. I am lucky to have a highly skilled and motivated team and the metric that I am most proud of is our Engagement Score in the IBM Kenexa survey – which this year sat at 82%, our third year of improvement.

The importance of high engagement comes from a belief that engaged employees deliver better results. Meridian's high level of engagement is reflected in the fact that nearly 50% of full time employees have chosen to be shareholders. Our annual staff share scheme, MyShare, saw take up at over 48%, which sits at a leading level compared to similar schemes operating in Australasia.

We are also making sound progress in our commitment to creating a diverse and inclusive working environment.

This year we have achieved an increase in women in senior leadership roles to 30% and have increased the ethnic diversity, or Asian Maori and Pacifica staff members, in customer facing roles by more than 15%.

Meridian looks to further increase the number of women in senior leadership and senior specialist positions to 40% and further increase ethnic diversity right across the workforce to ensure we are truly representative of the New Zealand population.

There were also changes to the senior management team with the General Managers of Australia, Retail and ICT moving to new jobs. Two of the three roles were filled with internal appointments. While it is imperative to bring in new experience and ideas, it is also pleasing to retain talent by providing new opportunities. The changes we have been able to make reflect the bench strength that exists across our company.

### Financial highlights

A quick recap on our FY16 results. All our key financial metrics improved in the year and in fact improved for the fourth year in a row with NZ wholesale markets, NZ Retail and Australia all reporting better results.

### Generation

During the year Meridian generated 13,707 GWh of electricity in New Zealand, approximately 32% of the total electricity produced in the country.

In the past 10 years the Ministry of Business Innovation and Employment data shows renewable generation in New Zealand has grown from 63% to 83% of the total market. This is a great outcome and compared to its peak in 2006, industry emissions have fallen from 10 million tonnes of CO<sub>2</sub> to under 4 million tonnes last year.

Carbon emissions from electricity now make up less than 6% of New Zealand's total emissions, which sets us apart from most other developed countries. There remains scope for the industry to assist in decarbonising the country through the growth of electric vehicles and further displacing reliance on fossil fuels.

### Retail sales

Retail is a crowded space with a large number of competitors making it imperative that we provide fair pricing and excellent customer service.

It was therefore pleasing to see New Zealand residential, small business and agri customer sales volumes grow 2% in the year, despite overall customer numbers being down by 1%.

Powershop Australia customer numbers continued to grow. For the second year in a row Powershop was named the greenest electricity supplier in Australia by Greenpeace. Australia improved its contribution to the business by 31% with wind farms also performing well with firming prices.

### **Communities**

Part of being a genuinely sustainable business includes making a commitment to being a local partner in our communities and supporting organisations that make a real difference to the lives of everyday New Zealanders.

Over the year our Community Funds programme gave over three-quarters of a million dollars to local projects around our hydro and wind sites.

### **Kākāpō Recovery Programme**

Meridian also joined forces with the Department of Conservation and Ngāi Tahu to support the Kākāpō Recovery Programme. As part of our commitment to raise awareness, we've used our brand to create a quirky way to highlight the importance of preserving these beautiful native birds – one of New Zealand's national treasures.

This campaign achieved unprecedented engagement – a record for Meridian through our social media channels – but importantly this engagement provides us with feedback that validates the wider initiatives we support.

### **KidsCan**

KidsCan is our principal sponsorship. We are immensely proud of our association and what this charity is achieving for young New Zealanders.

This charity provides targeted support by providing food, footwear, clothing, health and hygiene supplies for kids in need so they can concentrate on what's important, succeeding at school.

When we joined KidsCan in 2013 approximately 66,000 Kiwi kids had access to their support in around 300 partner schools. Today, KidsCan supports 594 low decile schools – which equates to around 135,000 children getting the help they need.

Due to the nature of our partnership with the KidsCan team – and through staff involvement right across the country – we have seen first-hand the positive impacts KidsCan makes in communities and schools.

### **Our customers**

So what will 2017 bring?

We will complete the roll out of smart meters to 90% of our customers by March next year. This will make for more accurate billing and help more customers access their own data and innovative tariffs.

Meridian has 88% of customers engaging with us online, with 70% of all our customers choosing to take up e-billing. We've also had a 56% increase in the number of customers using our self-service portal MyMeridian, showing our customers are willing to engage in ways that help them understand and manage their electricity use, saving power and money.

Our focus will also be on giving our customers a number of reasons to stay with us. Increasingly we know these reasons absolutely include, but go beyond, great service and a fair price.

## Innovation and growth

Creating opportunities in a market with low demand growth, but with the challenges and opportunities presented by disruptive technologies, is an area of focus for everyone in the sector.

Over the last four years Meridian has invested over \$600m in renewable generation in NZ and Australia, delivering two new wind farms. Demand growth in New Zealand will determine when additional base load capacity will be required - and this could be some way off.

In Australia there are still significant regulatory and political challenges that impact our appetite for further development opportunities at this point.

We have taken our Powershop retail brand to Victoria and New South Wales and we are currently planning to enter the Queensland market at the end of the year.

The Powershop platform also provides an avenue for growth in markets of larger scale and we have franchised the system to npower, a major U.K electricity retailer. This franchise allows us to access a large but competitive market without taking energy market risk. While success is never guaranteed, this venture represents a relatively low level of investment and an opportunity for good returns if the Powershop proposition is launched successfully by npower. We remain on schedule for market entry in early 2017.

In our home markets we continue to test solar as a utility scale investment in Australia and as an opportunity for Meridian's large base of commercial customers. At this point we still believe wind is the superior option to solar in Australia on an unsubsidised basis. While solar costs are declining, wind costs are also declining, with costs in Euros on a per MWh basis having declined 51% over the last 7 years, according to Bloomberg New Energy Finance.

With respect to commercial solar installations investigated, the rates of return available are currently still lower than needed, however we expect some industry

segments with good electricity usage profiles may present opportunities for us and our customers, as costs decline further.

The Australian market provides vastly different challenges, given it is a market that is transitioning away from fossil fuels, a move we strongly support.

This subsidised transition, and a market that is more conducive to disruption by solar and battery storage, provides an easier environment to test technology.

We are conducting trials with existing Powershop customers looking to optimise their solar and battery installations. Powershop Australia has also launched a new product that is a first step towards peer to peer energy trading – allowing customers to support their neighbours by paying a premium to them for using solar.

As always, we maintain a disciplined approach to investment with a promise not to invest unless we believe we can provide an acceptable return.

The will to be self-sufficient in energy is gaining traction in other ways too with Australians seeing real benefit of working together to get their own renewable projects off the ground. This year we joined with the Hepburn township in Victoria to help run Australia's first community-owned wind farm, seen here.

The two distinctive turbines – named Gale and Gusto – generate renewable energy to power 2000 households.

### Industry issues

I have recently returned from seeing investors in the U.K. and U.S. and the smelter is always the first issue for discussion. Not surprising given the smelter uses 12% of NZ's electricity and its future has implications for the whole sector. From 1 January next year a price increase is effective and from this date New Zealand Aluminium Smelters has a perpetual right to terminate its contract upon giving 12 months' notice.

Investors' views on this vary. Some are concerned – they tend to be those who have not invested in the sector but probably would if the smelter left and the uncertainty

was removed. Others are of the view that the economics of the smelter, although still difficult, do not justify a closure and its associated costs.

Where do we sit on the issue?

My views have not changed. I believe the smelter will stay for the foreseeable future and hope that they do so. However, the owners have to form their own views based on the reality of the world aluminium market and their view of the future. The only thing we can manage is the energy price, which even with the 1 January increase, will remain the cheapest electricity price to any NZ customer.

If the smelter did close, the excess power available in the lower South Island will flow north and there would be both supply and demand side adjustments as the market adjusts to a “new normal”. While short term price movements are difficult to predict with any certainty, it is probable (on our modelling) that Meridian, over a medium term horizon of around 5 years, could be in an even stronger strategic position than it is today – but of course, modelled outcomes are always dependent on assumptions made and in this there will always be uncertainty which is why we would prefer the smelter to stay – but not at any cost.

Finally, transmission pricing. Chris mentioned that there are a number of long term cost benefits for the majority of consumers in the new proposal. With the recent news of a short delay in proceedings while the Electricity Authority consults on refinements, we remain adamant that the solution proposed is a durable one that will ultimately benefit all and we will continue to be supportive of the Electricity Authority’s approach.

## Outlook

While we do not provide a financial forecast for the year, we do, of course, provide a Monthly Operating Report which provides information on water levels in our catchments and market prices. This month’s report shows that our main storage catchment was 142% of average and generation for the first quarter of the year is 8.7% ahead of last year, although we are achieving lower prices for this generation.



On the retail side, sales to residential, SMB and agri customers are at a similar level to last year, but we have seen a reduction in the level of corporate sales.

This good storage position has meant that we have not had to buy forward cover for potential dry periods, which has reduced our costs. So while there are a lot of moving parts, overall it is a pleasing start to the new financial year. However we are in the risk management game and rapidly changing hydrology can quickly impact forecasts.

So, thanks to you all for listening. Meridian has had another good year and Management is confident we can continue to deliver for customers and shareholders in both 2017 and in to the future. I look forward to meeting you at the conclusion of the meeting.

Ka kite anō

**ENDS**



meridian

# *Powering today, protecting tomorrow*



MERIDIAN ENERGY LIMITED Annual Shareholder Meeting

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# Order of business

- This meeting
- Last year's minutes
- Your Board and Management



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# Notice of meeting

- Chairman's address
- Chief Executive's review
- Questions relating to the management and operations of the company
- Resolutions and questions relating to the resolutions
- Close of the meeting
- Refreshments



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# Annual report

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## 2016 highlights

\$1.5M

GRANTED TOWARDS COMMUNITY PROJECTS AND SUSTAINABILITY PARTNERS

33%

TOTAL SHAREHOLDER RETURN<sup>1</sup>

4<sup>TH</sup>

SUCCESSIVE YEARS OF UNDERSTRICTING NI4TH<sup>2</sup> GROWTH

Powershop launched in NSW

AND 60 TO 65 NEW STORES IN VIC AND QUEENSLAND BY 2017<sup>3</sup>

New markets

Powershop customer builders continue to grow in both Victoria and New South Wales, with more than 16,000 customers now enjoying great service from Australia's greenest electricity retailer. And we've joined forces with repair, one of the largest electrical companies in the United Kingdom to franchise Powershop into Britain.

58%

INCREASE IN CUSTOMER USES OF OUR ONLINE ENERGY MANAGEMENT TOOL

Enhancing our digital capability

We've focused on enhancing our customer's experience online. We have experienced a 30% increase in customers using digital services. We have also seen an 8% increase in customer reaching electronic 95% this year and now 80% of our customers pay online.

5%

EBITDA<sup>3</sup> GROWTH

EBITDA, a key measure of profitability, was 5% higher this year, the fourth consecutive year of growth.

\$650M

EBITDA

Dow Jones Sustainability Indices

Building on our reputation

During the year we were included in the Dow Jones Sustainability Asia Pacific Index, identifying us as a sustainability leader in our industry. The indices are recognised globally as a leading benchmark for sustainable business practices.

Caring for our communities

FRONT COVER - Rita Ngatai, Fellowship Park School, Melbourne at the Meridian Tennis & Golf Club, August 2016.

1 Movement in share price during the year also total dividends declared.

2 Net profit after tax adjusted for the effects of non-cash fair value movements and one-off items.

3 Percentages before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items.

IN THIS REPORT

- 2 Company overview
- 4 Report from our Chair and Chief Executive
- 10 Our Brand
- 16 Our Executive team
- 18 What our most important risks are
- 20 Our ESG
- 22 The next generation of talent
- 24 Environmental report
- 26 Governance report
- 28 Summary of Group performance
- 29 Director's declaration
- 30 Corporate governance statement
- 32 This year's report
- 34 Auditor's report
- 36 Other disclosures
- 38 About this report
- 39 Glossary

# Chairman's address



28 October 2016

# Welcome

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MERIDIAN ENERGY LIMITED Annual Shareholder Meeting

28 October 2016

# Purpose and direction

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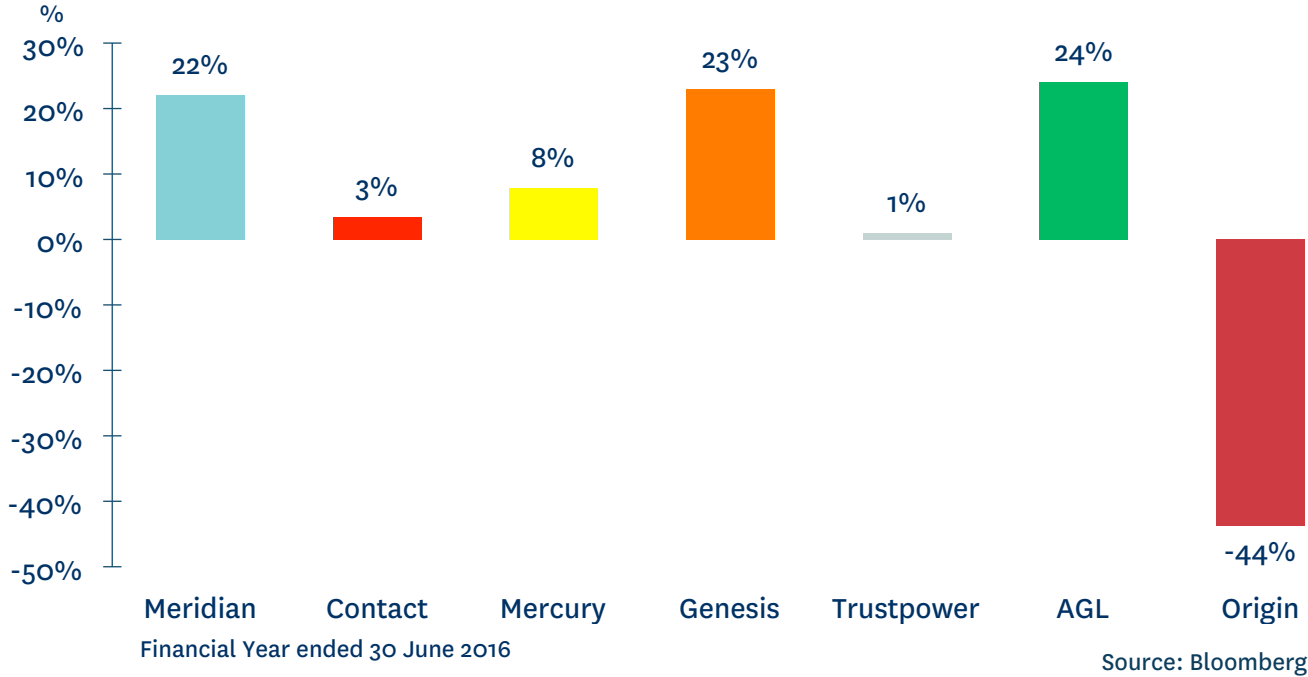




# Shareholder highlights

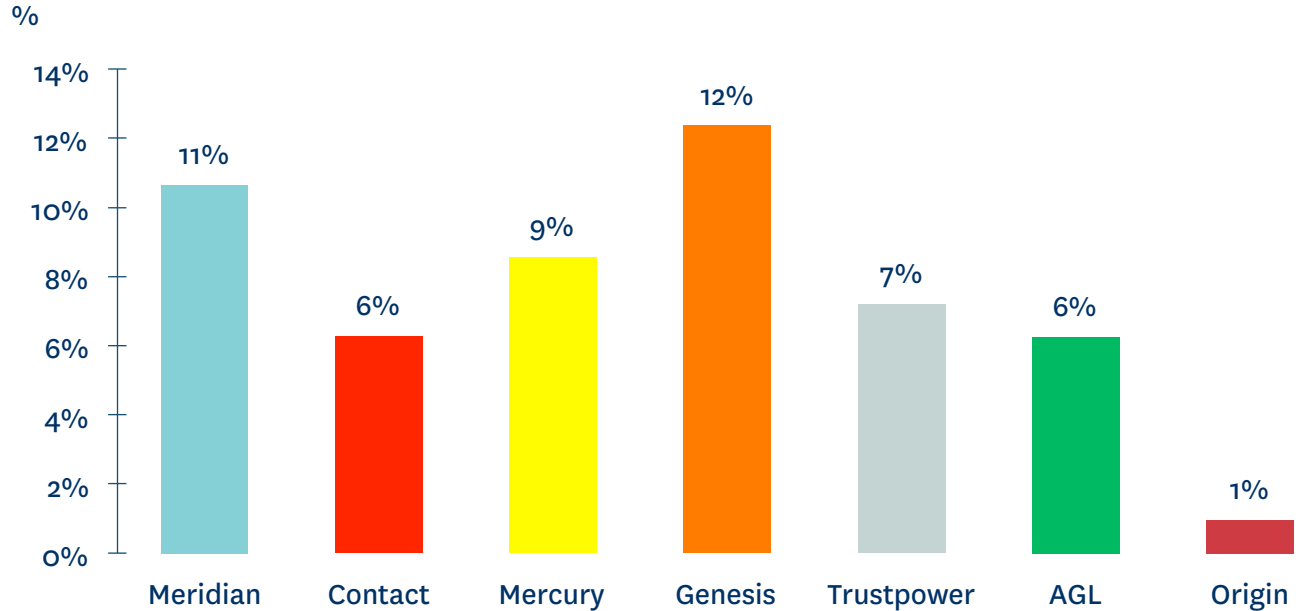
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## SHARE PRICE CHANGE



# Shareholder highlights

## GROSS DIVIDEND YIELD



Financial Year ended 30 June 2016

Source: Bloomberg

# Industry highlights



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# Board governance

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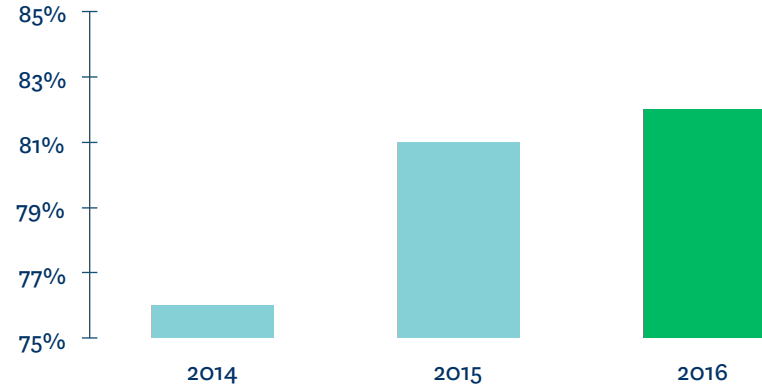
# Chief Executive's review



# Our people



## STAFF ENGAGEMENT Index Score



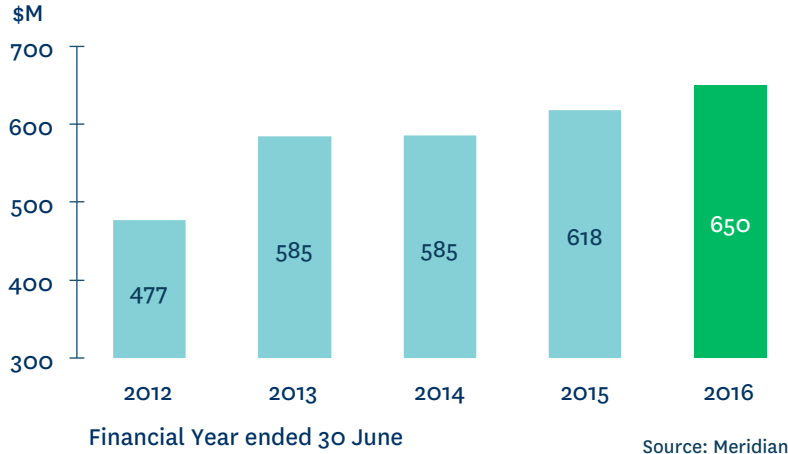
Source: Meridian

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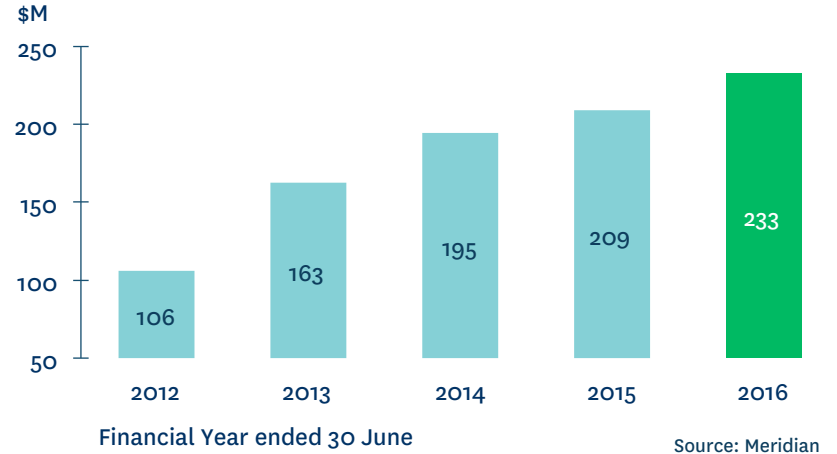
# Financial highlights

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## EBITDAF



## UNDERLYING NPAT

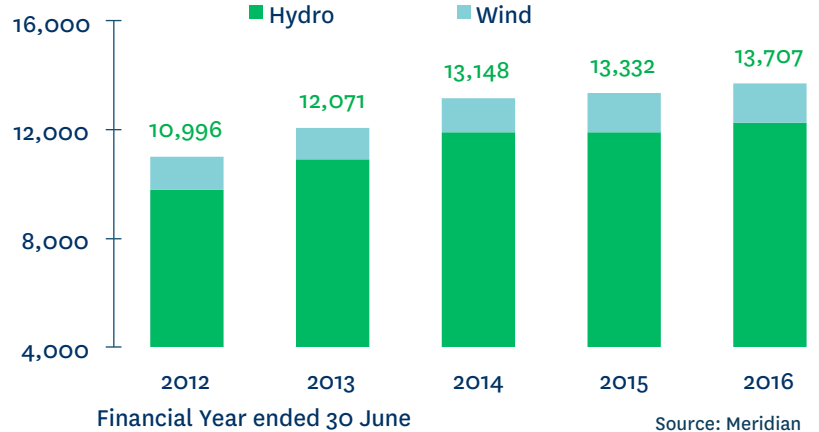


# Generation

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**NEW ZEALAND GENERATION**  
GWh



Source: Meridian



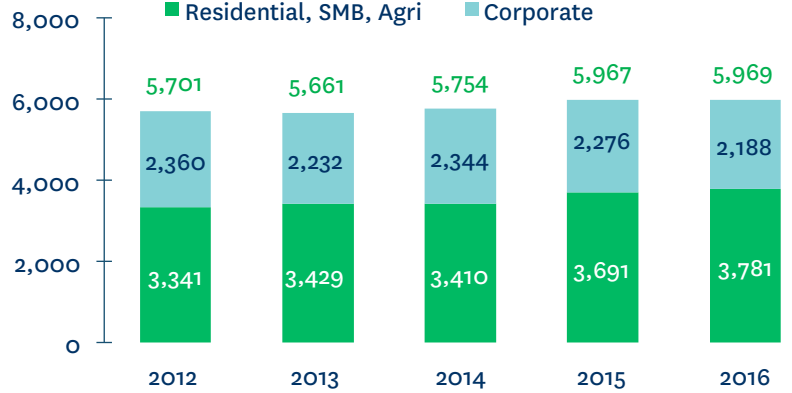
# Retail sales

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## RETAIL SALES VOLUMES

GWh



Financial Year ended 30 June

Source: Meridian

# Communities

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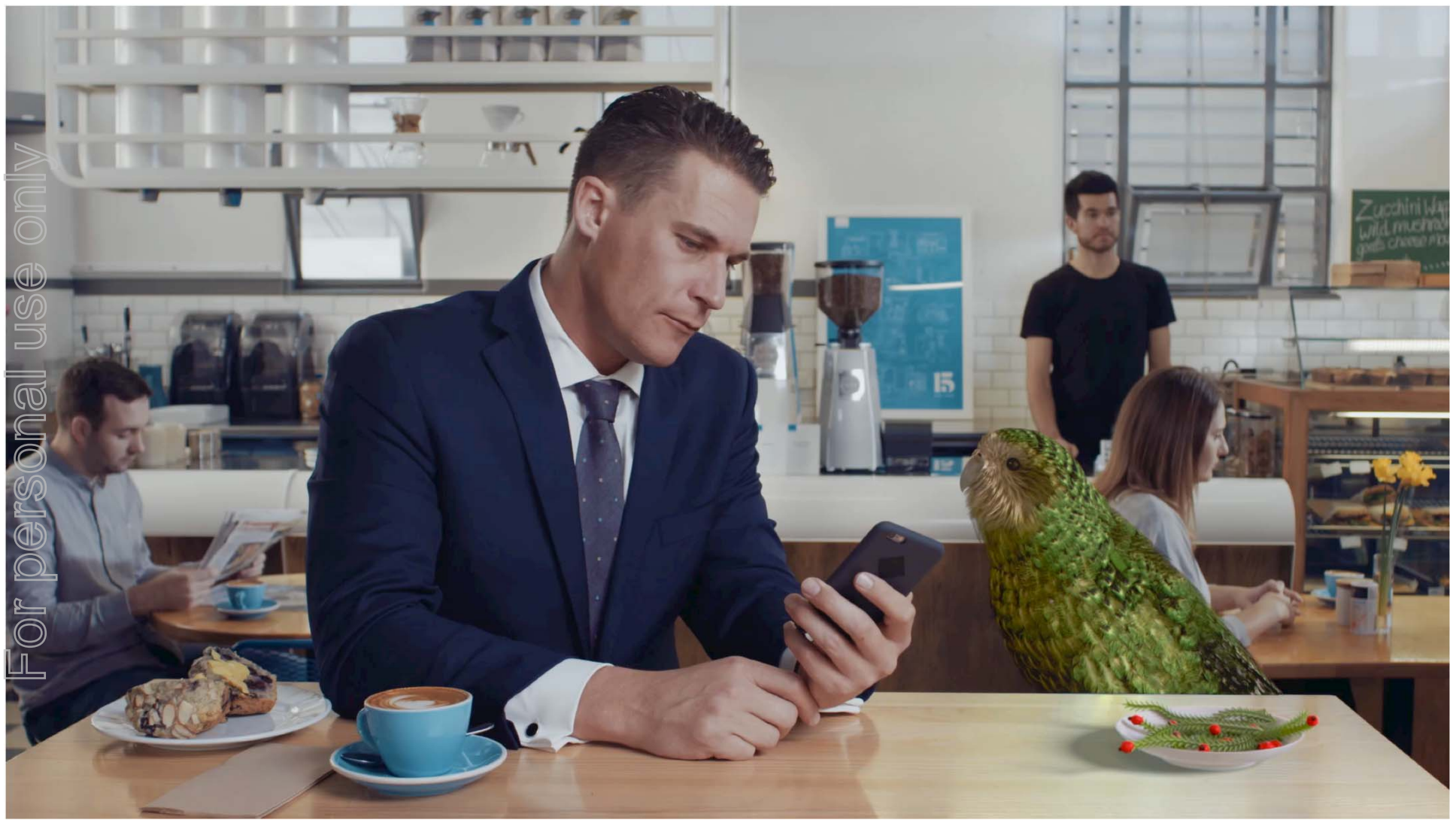
28 October 2016

# Kākāpō recovery programme



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# Kidscan

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# Our customers

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# Innovation and growth



# Industry issues

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# Outlook



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# Questions



# Resolutions and voting

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## Resolution 1: Re-election of Jan Dawson

- That Jan Dawson, who retires by rotation and is eligible for re-election, be re-elected as a director of the Company

Postal and proxy vote totals		% of securities voted
For	583,347,704	30.8%
Against	2,737,348	0.1%
Discretionary Votes <sup>1</sup>	1,311,011,415	69.1%
Abstain	629,695	0.0%



<sup>1</sup>Discretionary/open votes held by the Chairman, Directors and other proxies

## Resolution 2: Re-election of Chris Moller

- That Chris Moller, who retires by rotation and is eligible for re-election, be re-elected as a director of the Company

Postal and proxy vote totals		% of securities voted
For	584,937,115	30.8%
Against	1,167,943	0.1%
Discretionary Votes <sup>1</sup>	1,311,018,345	69.1%
Abstain	602,759	0.0%



<sup>1</sup>Discretionary/open votes held by the Chairman, Directors and other proxies

## Resolution 3: Directors Fees

- That the total annual director fee pool be increased over two years by \$114,000 from \$986,000 to \$1,100,000, with the first annual increase to be backdated to take effect from 1 July 2016

Postal and proxy vote totals		% of securities voted
For	1,886,707,997	99.5%
Against	6,731,052	0.3%
Discretionary Votes <sup>1</sup>	3,458,539	0.2%
Abstain	828,574	0.0%

<sup>1</sup>Discretionary/open votes held by the Chairman, Directors and other proxies

# Closing



# Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

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This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the company's financial statements, which are included in Meridian's annual report for the year ended 30 June 2016 and is available at:

[www.meridianenergy.co.nz/investors/](http://www.meridianenergy.co.nz/investors/)

All currency amounts are in New Zealand dollars unless stated otherwise.