

## **MERIDIAN SHARE OFFER**

### **Instalment Receipts Q&A**

---

#### **What is proposed?**

Investors will pay for shares in two stages; an initial part payment when the application for shares is made and the remaining final payment after 18 months. An instalment payment option allows investors to get a higher percentage return (or dividend yield) on their invested money for the instalment period (18 months).

#### **Why are you using instalment receipts?**

There are a number of reasons. Meridian is a large company – significantly bigger than Mighty River Power – and because we are committed to meeting our objective of 85-90% New Zealand ownership, allowing New Zealanders to pay for shares in two instalments is a sensible option. We also believe it creates an incentive for investors, given the enhanced yield it offers in the first 18 months.

#### **What are the benefits of paying in instalments?**

An investor receives a higher return on the investment during the instalment period because he or she has only partially paid for the shares yet still receives full dividend returns. In addition to dividend payments, investors retain the other benefits of an ordinary share, such as the ability to cast a shareholder vote and the option to sell the instalment receipts.

#### **What is an instalment receipt?**

At the conclusion of the share offer investors are issued a receipt for every share they partially pay for. These are called instalment receipts. These receipts work like ordinary shares. They will be traded on the NZX Main Board and they register the owner as the full beneficiary of any dividend payments and shareholder rights. When the final instalment payment is paid, the instalment receipts are cancelled and the investor receives ordinary Meridian shares.

#### **Can the instalment receipts be sold during the instalment period?**

The instalment receipts (which represent the shares that have been partially paid for) can be sold during the 18 month instalment period. If this occurs, the person who buys them becomes the beneficiary owner of the entitlements and responsible for the final instalment payment.

#### **If an investor decides to sell their instalment receipts, what price will they get?**

The instalment receipts will be traded on the NZX, so an investor will get the price that the instalment receipts are valued at (by the market) at the time of sale. The price will reflect the value of a share that is only partially paid for.

#### **How do investors know how much the instalment payments will be?**

The first instalment payment is fixed at a set price per share outlined in the offer document. The second payment is set at a fixed price per share at the conclusion of the share offer. Ministers have confirmed that the price for the second instalment will be capped for New Zealand retail investors, and this will be disclosed in the offer document.

#### **Does the second instalment payment change if the share price changes after listing?**

No. The second payment does not change if the company's trading price goes up or down. The remaining payment is a fixed price per share that will be set at the conclusion of the share offer.

**Who administers the instalment receipts?**

A trustee will be appointed to administer and protect investors' rights to shares represented by instalment receipts and instalment receipt holders will receive dividends, notices of meetings and invitations to attend meetings as if they were shareholders.

**Are there any risks that a future Government could cancel the second instalment?**

The Trustee will have a contractual obligation under the Trust Deed to transfer the shares to investors on payment of the final instalment.

**What happens if an investor doesn't pay the second/final instalment payment?**

If the final instalment payment is not paid, an investor's right to receive ordinary Meridian shares is forfeited and the Trustee may sell the shares on the investor's behalf. If the sale of the shares returns more than the outstanding payment, the investor receive the surplus proceeds (less fees and charges). If the sale returns less than the outstanding payment, the investor remains liable for the payment shortfall (plus any fees and charges).

**What dividends can be expected between the instalment payments?**

It is expected that Meridian will pay three dividend payments during the 18 month instalment period. These would be at six months, twelve months and 18 months.

**How will investors know what the underlying returns (dividend yield) are likely to be?**

Instalment payments provide an elevated dividend yield (percentage return on an investment) over the instalment period. The Offer Document will clearly outline the instalment period's enhanced dividend yield and Meridian's underlying dividend yield. The underlying dividend yield represents the return on the investment if the investor had been required to pay the full share price up-front.

**Are there tax implications?**

Imputation credits attaching to a dividend paid by Meridian are able to be passed through to and utilised by the instalment receipt holder. After the final payment is made and ordinary shares are received, this is not likely to trigger a capital gains tax event for the holder.

**Important information**

The Crown is considering offering shares to the public in Meridian Energy Limited ("Meridian") and is seeking indications of interest. No money is currently being sought and no applications for shares or instalment receipts will be accepted or money received until after an investment statement containing information about the offer is available (the "Offer Document").

It is intended that an application be made to NZX Limited ("NZX") for permission to list Meridian, and to quote initially the instalment receipts and then later Meridian's shares on the NZX Main Board. The application will be made closer to the time that the shares in Meridian are offered to the public. No such application has yet been made.

Not for distribution or release in the United States.

This factsheet is not an offer of securities. The securities referred to in this factsheet have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered in the United States except in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act and other applicable securities laws.