

Chair's Report

Trustees of the Marlborough Electric Power Trust are elected by our beneficiaries, the electricity users connected to MLL's network, and we collectively hold the 28 Million shares in Marlborough Lines Limited (MLL) on behalf of those beneficiaries.

Our role includes to protect and increase the benefits of 100% ownership in Marlborough Lines Limited for the benefit of our beneficiaries. It is important to note that our beneficiaries are not just the electricity users of today, they are also the electricity users of the future. Therefore, the focus is on long-term value and ensuring Marlborough Lines continues to operate as a successful business.

The energy sector is currently experiencing the most significant change for our industry in our lifetimes.

As one industry leader puts it, "We are no longer talking about decarbonisation and electrification – it is upon us and happening". We are seeing the decarbonisation of process heat, increasing electrification of transport and increasing demand for larger connections. The increased demand for electricity requires significant investment in networks such as that of Marlborough Lines, to ensure it continues to provide the infrastructure to meet our consumers' needs. It also requires innovation and collaboration with others in the industry to ensure cost-effective solutions.

Trustees support Marlborough Lines' vision to "Energise Marlborough's Future" and note the progress that is being made in achieving this vision. In addition to the investments in our network, the Company is also investing in electricity generation with solar and wind generation projects that will bolster the ability to meet the growing demand for electricity, and provide long-term investment returns for beneficiaries.

Trustees are very aware of the impacts of climate change on our electricity network, and continue to support and encourage Marlborough Lines' commitment to network resilience in their operations and future planning. Significant weather events over the past few years have impacted beneficiaries, particularly those in remote areas such as the Marlborough Sounds. The ability to respond to electricity outages has been challenging with road access cut off, and we congratulate the team at Marlborough Lines for their commitment to responding in a timely manner under difficult circumstances.

To enable MLL's pursuit of renewable energy and electrification opportunities, the company announced last year that it was seeking a strategic partner for their investment in Yealands Wine Group. We are unable to make comment on this process while it remains ongoing. However, we do note that YWG has continued to focus on its business plan amidst challenges brought about by cost inflation and higher interest rates, both of which have impacted profitability performance.

While the overall post-tax rate of return on shareholders funds was below target (achieving a 3.00% return, against a target of 3.34%), the cashflow generated from investments allowed a dividend of \$2.5m to be paid to shareholders, enabling the Marlborough Electric Power Trust to pay a \$75 distribution to each beneficiary next month.

With 100% trust ownership, all company profits benefit our community. Marlborough Lines continues to demonstrate an ongoing focus on customer needs, community support and network capability. I would like to acknowledge the dedication of the directors, management and the entire team of Marlborough Lines for ensuring a strong focus on great service and a resilient, future-focused network we can all be proud of.

I would also like to acknowledge my fellow trustees for their commitment to their roles, and ensuring our beneficiaries' interests are always at the forefront of our discussions.

A handwritten signature in black ink, appearing to read 'Nicki Stretch', with a long horizontal line extending to the right.

Nicki Stretch
Chair