



meridian

Meridian Energy

RETAIL BOND OFFER PRESENTATION *March 2016*

Arranger & Lead Manager

Co-Manager

Co-Manager



Important Notice

The offer of debt securities by Meridian Energy Limited (Meridian or the Issuer) is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The offer of Meridian's fixed rate bonds (2023 Bonds) is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Meridian's \$75,000,000 unsecured, unsubordinated, fixed rate, interest bearing bonds maturing on 16 March 2017 which are currently quoted on the NZX Debt Market under the ticker code MELO20 (Existing Bonds). The 2023 Bonds are of the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

The Issuer is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/MEL.

The Existing Bonds (MELO20) are the only debt securities of Meridian's that are currently quoted and of the same class as the 2023 Bonds.

Investors should look to the market price of the Existing Bonds (MELO20) (which have a fixed interest rate of 7.55% per annum) to find out how the market assesses the returns and risk premium for those bonds.

This document does not constitute a recommendation by the Issuer, ANZ Bank New Zealand Limited (Lead Manager and Organising Participant), First New Zealand Capital Securities & Forsyth Barr Limited (together Co-Managers), Trustees Executors Limited (Supervisor), nor any of their respective directors, officers, employees, affiliates or agents to subscribe for, or purchase, any of the 2023 Bonds. To the extent permitted by law, none of the Issuer, Lead Manager, Co-Managers or Supervisor nor any of their respective directors, officers, employees, affiliates or agents accept any liability whatsoever for any loss arising from this document or its contents, or otherwise in connection with the offer or any person's investment in these 2023 Bonds.

This document is for preliminary information purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the 2023 Bonds and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed.

A terms sheet (Terms Sheet) has been prepared by the Issuer in respect of the offer of the 2023 Bonds, which sets out how 2023 Bonds may be applied for.

Application has been made to NZX for permission to quote the 2023 Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this document. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Agenda

- **New Zealand Electricity Market**
- **About Meridian**
 - The business
 - Generation assets
 - Retail business
 - Current strategic focus
 - Recent financial performance
 - Capital management
 - Funding
 - Credit rating
- **The Offer**
 - Key terms, dates and process
- **Investment Highlights**

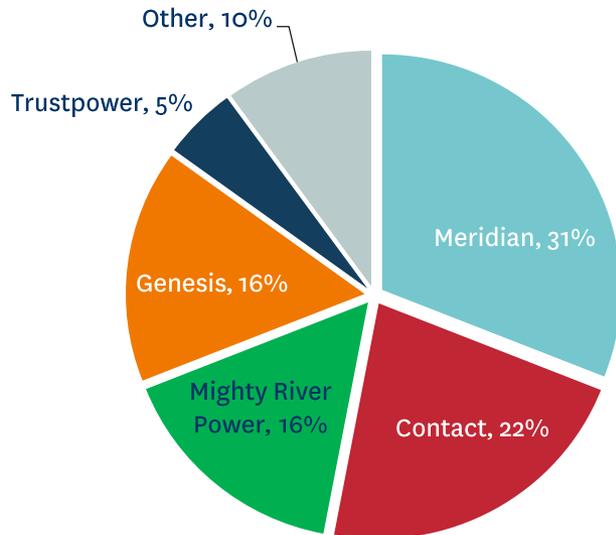


New Zealand Electricity Market

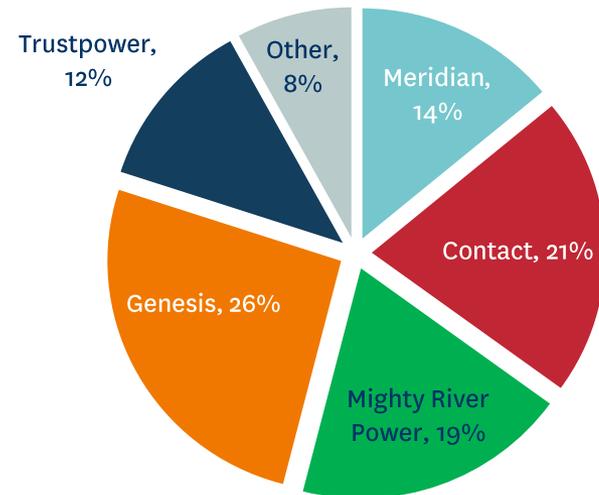


New Zealand electricity market structure

GENERATION MARKET SHARE BY VOLUME (GWH)



RETAIL MARKET SHARE BY CUSTOMER NUMBERS (ICPs)



- Vertical integration is the dominant strategy

The New Zealand market

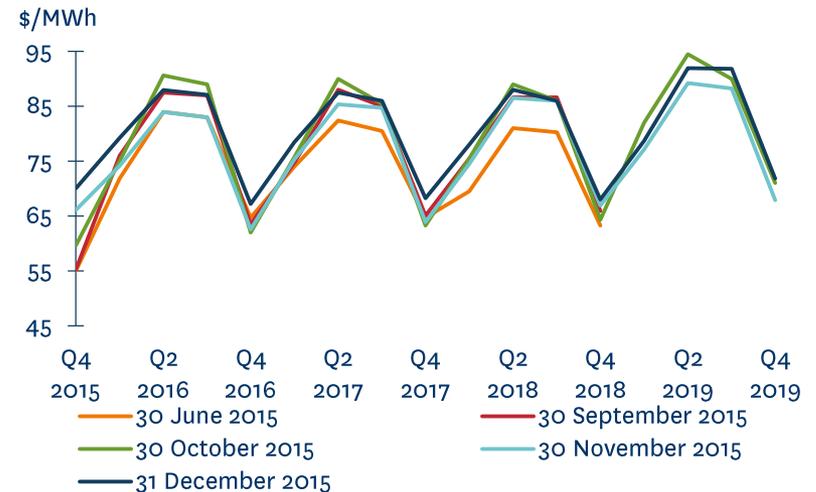
- Modest demand growth in last six months
- Growth in most regions and sectors (except industrial)
- 600MW of thermal plant closure has occurred in the last 6 months
- Market is working through implications of completed and planned thermal plant closure
- 2019 ASX prices are only trading around 4% above 2018 prices, demonstrating confidence a market solution will be successful
- Meridian is confident in the management of its own risk position
- High retail competition now has to be seen as a permanent feature
- Currently expecting Electricity Authority to clearly signal proposed final transmission pricing methodology decision by 31 March 2016

NATIONAL DEMAND



source: Transpower, Meridian

OTAHUHU ASX FUTURES SETTLEMENT PRICE

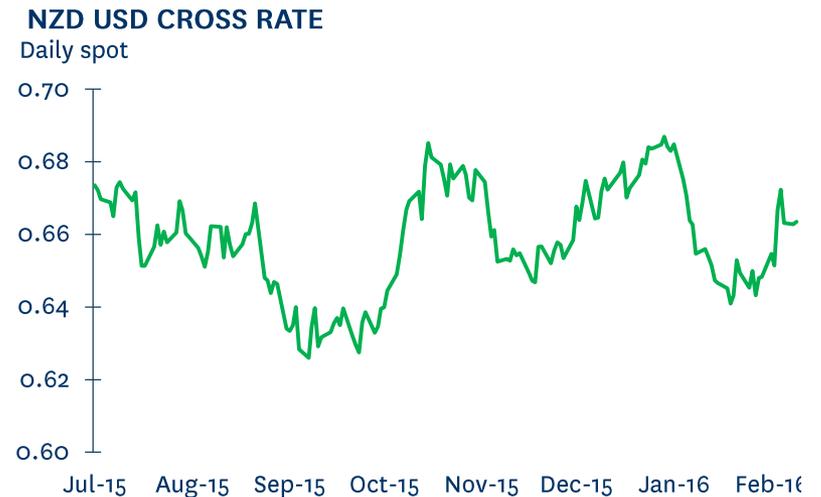


Tiwai Point smelter

- Meridian’s largest customer – circa 37% of Meridian’s New Zealand generation and circa 12% of New Zealand’s production
- Current trading environment for the aluminium industry is difficult
- USD aluminium prices have fallen 10% since the middle of 2015
- Price premia have stabilised from declines in the first half of 2015
- Little additional relief for NZAS from a fluctuating NZD USD cross rate
- Announcements of closure of significant US smelting capacity in 2015, however the oversupplied Chinese market is the key driver
- Forecast global demand growth has moderated
- TPM may potentially provide significant cost upside for NZAS



source: London Metal Exchange



source: Reuters

Tiwai Point smelter contract

- Contract terms (other than price) similar to those previously agreed
- Price on 400MW unchanged from 2013 variation, higher price on 172MW from 1 January 2017
- Window to give 12 months notice to reduce to 400MW extended to 1 April 2016, then any time after 30 April 2017
- Other generators provided back to back cover of varying quantity and tenure

1 Jan 2016

30 Apr 2016

1 Jan 2017

30 Apr 2017

31 Dec 2030

Termination right
(with 12 months notice)



Price (+CPI):

2013 price on 400MW



2013 price on 172MW



2015 price on 172MW



Reduction to 400MW
(with 12 months notice)



Meridian Energy



About Meridian

- **Vertically integrated renewable energy generator and retailer**

New Zealand's largest generator from purely renewable resources – hydro and wind

Supplying more than 30% of New Zealand's electricity

Electricity retailer to over 337,000 customers in New Zealand and Australia

- **Seven hydro stations**

Flexible plant with New Zealand's largest hydro storage

Long life assets with low operating costs

Benchmark operational efficiency and low capital needs

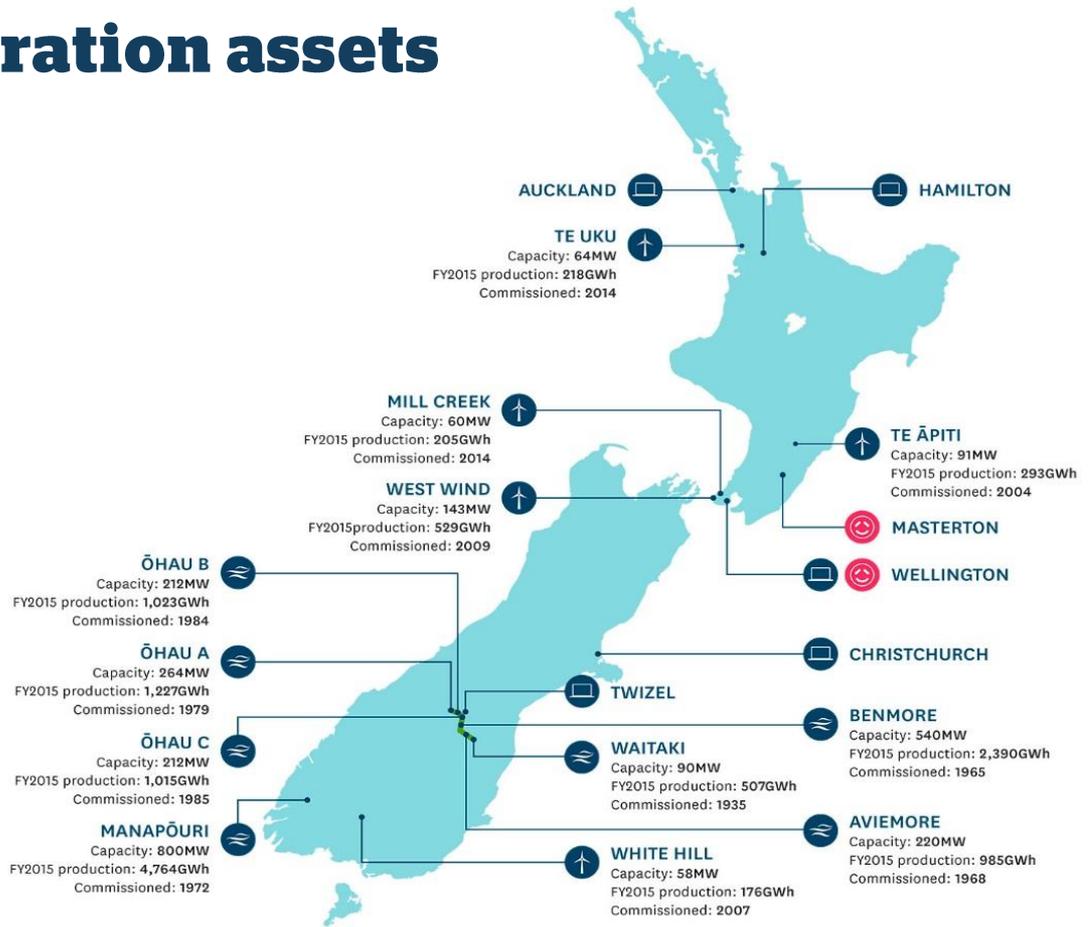
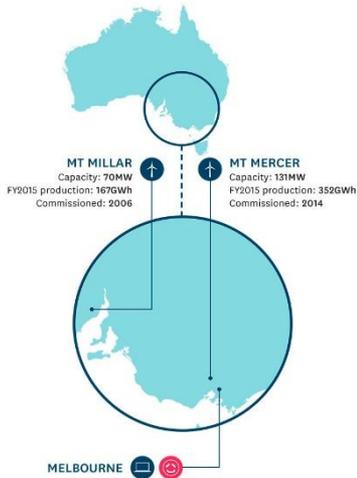
- **Seven wind farms**

More than a decade of construction and operational experience

- **Future development options in New Zealand**



Meridian's generation assets



GENERATION ASSETS	OFFICES
HYDRO STATION	MERIDIAN
WIND FARM	POWERSHOP
WAITAKI HYDRO SCHEME	

Meridian's retail business

- **Meridian**

Renewable brand position

Sells into all market segments

Market leader in agri business

Improving performance is a source of future value



meridian



- **Powershop**

Innovative, online offer

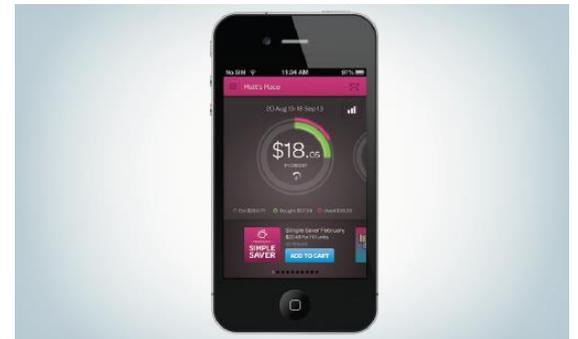
High customer satisfaction –exceeding 90%

Now launched in Australia

Providing platform services to UK retailer



POWERSHOP
A better power company



Meridian's current strategic focus

Maintaining an open market in which we can compete effectively

- Transmission pricing
- Renewable Energy Target
- Thermal retirements

Close known retail profit gap

- Efficiency – full smart meter rollout and investment in self service
- Service – significantly improved service statistics
- Price – focus on higher profitability segments and shift in comparative price position

Protecting and maximising generation asset and wholesale position

- Agreed position on water use with main competing interests including enhanced storage
- Reducing exposure to NZAS
- Improving asset yield while maintaining low stay in business capex

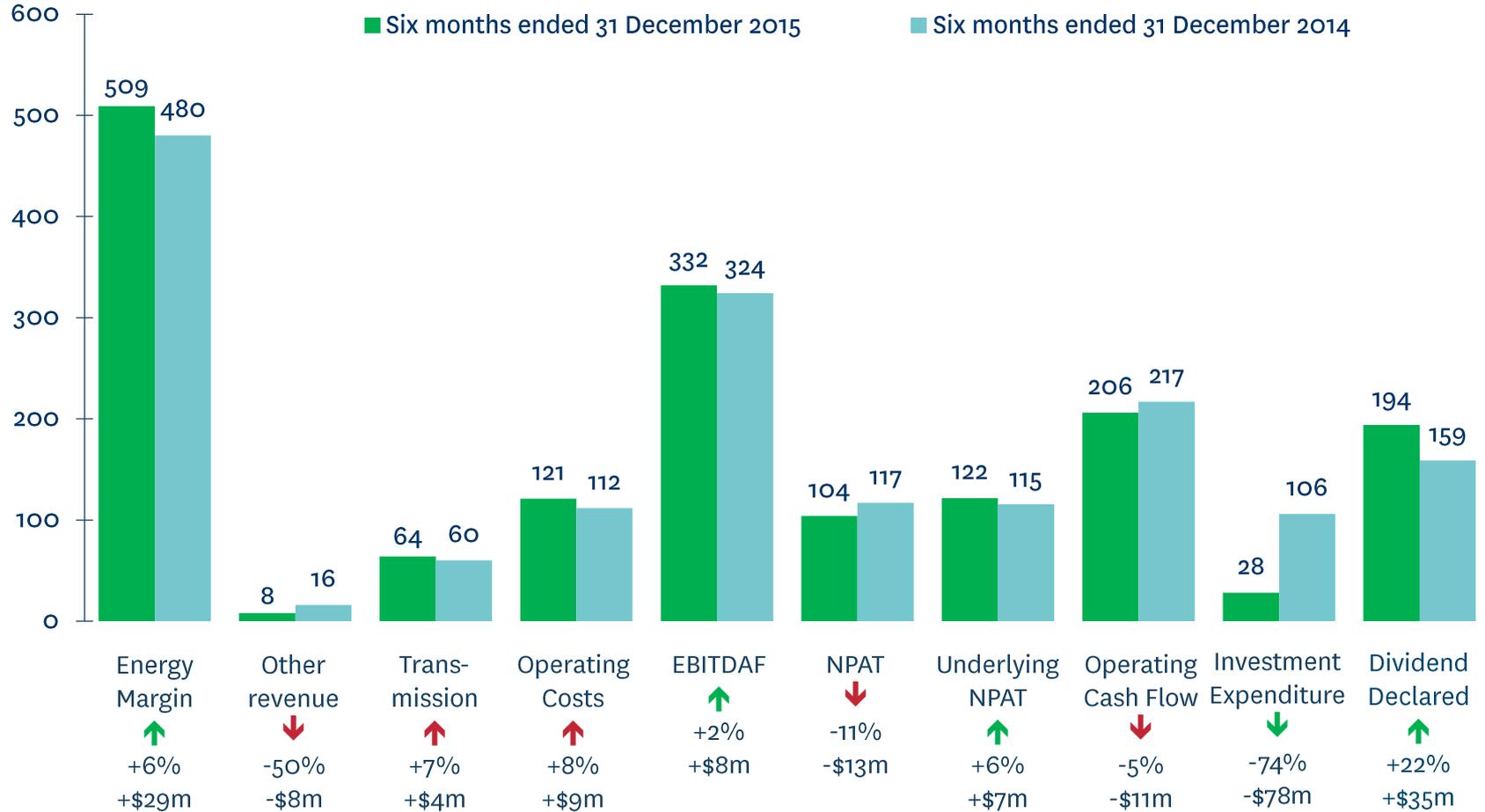
Opportunities for earnings growth

- Powershop Australia
- Powershop in the Northern Hemisphere
- NZ renewable pipeline

Financial performance

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

\$M



Key financial metrics

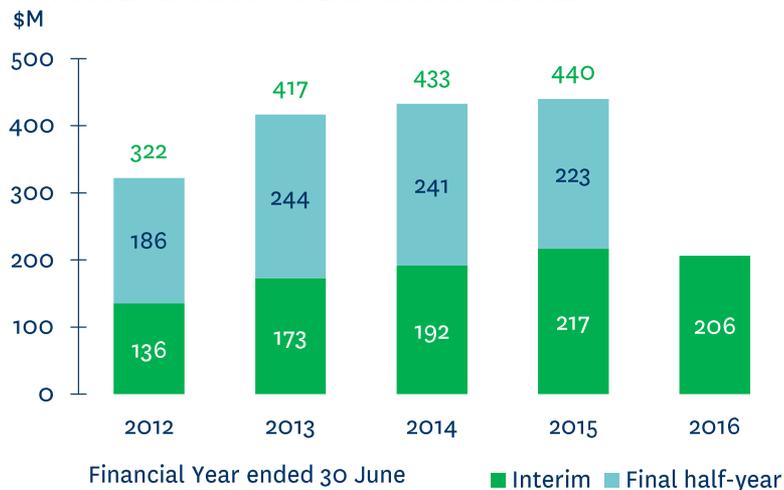
SUMMARY GROUP BALANCE SHEET	30 Jun	30 Jun	30 Jun	31 Dec
	2013	2014	2015	2015
	\$M	\$M	\$M	\$M
Total Assets	7,737	7,590	7,661	7,628
Total Liabilities	3,049	2,956	2,913	3,104
Equity	4,688	4,634	4,748	4,524
Debt	1,180	1,092	1,076	1,200
RATIOS & MULTIPLES				
Debt/(Debt+Equity)	20%	20%	18%	20%
Net Debt/EBITDAF (x)	1.6	1.8	1.7	1.8
EBITDAF/Interest Cover (x)	5.0	6.8	7.6	8.0

REPORTED EBITDAF¹

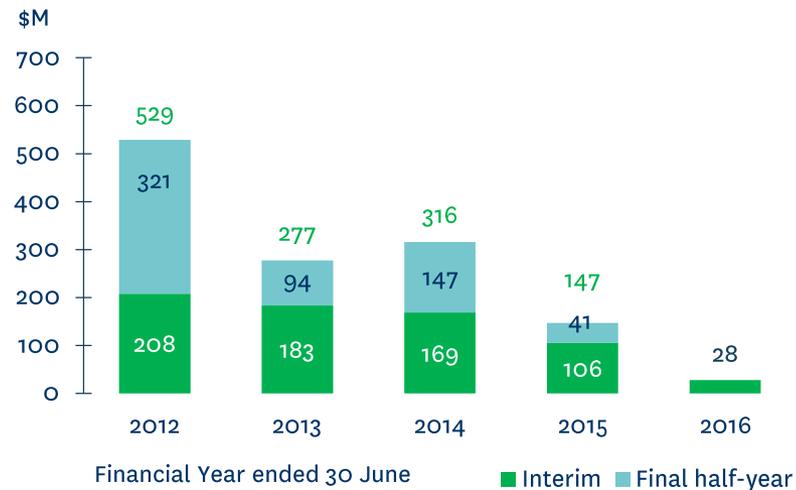


¹Earnings before interest, taxation, depreciation, amortisation, changes in fair value of hedges and other significant items

CASH FLOW FROM OPERATING ACTIVITIES

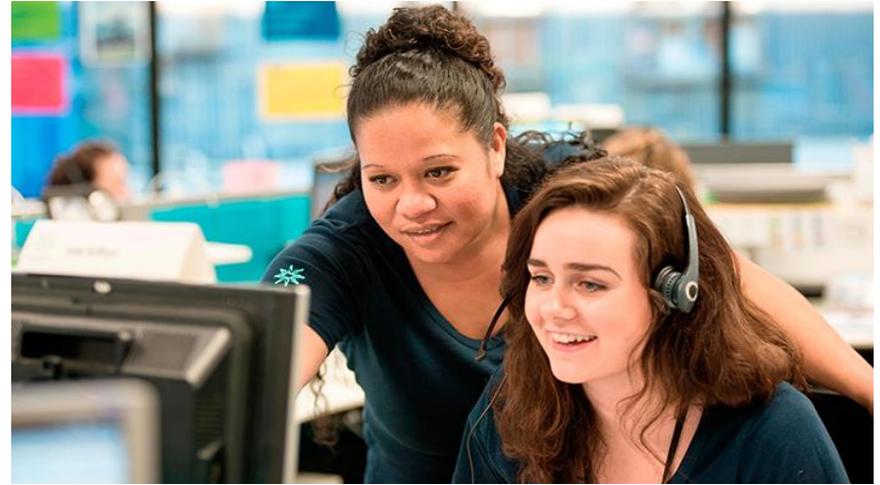


INVESTMENT EXPENDITURE



Dividend policy and capital management

- Dividend policy set to return 75%-90% of free cash flow
- Board approved a capital management programme to return capital to shareholders
- Programme will go ahead on the basis that Meridian does not receive a termination notice from NZAS, or any material change to the company's financial position
- Targeting a progressive return of a further \$625m over the next 5 years. This commenced in August 2015
- Mechanism for this additional return will be considered on an ongoing basis



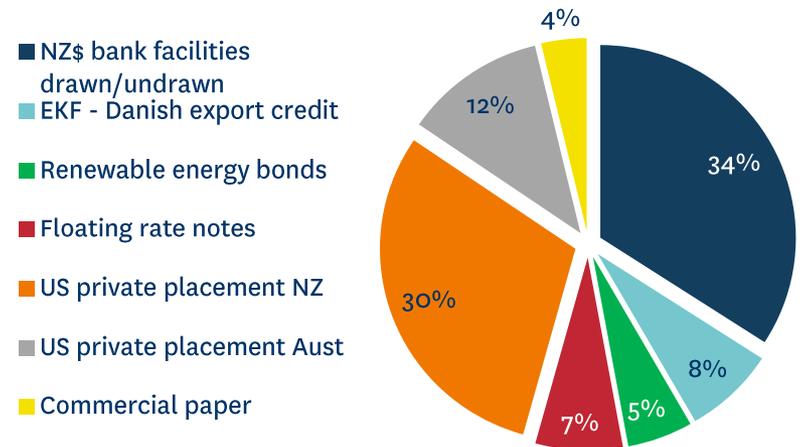
Funding

- Total borrowings as at 31 December 2015 of \$1,200m
- Committed bank facilities of \$630m as at 31 December 2015, of which \$325m were undrawn
- Minimum headroom required in addition to forecast requirements is NZ\$200m
- 2016 retail bond issue proceeds to refinance April 2016 USPP maturity
- Last Meridian retail bond issue was 2010 (\$200m)
- Next capital market maturity is March 2017 (\$75m retail bond)

DEBT MATURITY PROFILE AS AT 31 December 2015



SOURCES OF FUNDING AS AT 31 December 2015



Credit rating and bond covenants

- **Standard and Poor’s BBB+/Stable**

Rating supported by strong market position as New Zealand’s largest electricity generator

Modest capital expenditure over the medium term absent any compelling investment proposition

Adequate headroom in credit metrics for the rating, expected to be managed through capital management subject to hydrological conditions, and positive free operating cash flow

Rating reaffirmed in Aug-2015

- **Key Metrics**

Debt/EBITDA

BBB+ Stable outlook

2.0-2.5X

BBB+ Downside scenario >

2.8x sustained basis

BBB+ Upside scenario <

2.0x commitment to maintain

31 December 2015

1.8X

Meridian targets a long term credit rating of BBB+

- **Bond Covenants – consistent across capital providers**

31 December 2015

Debt/(Debt + Equity) =<

55%

20%

EBITDA/Interest =>

2.5X

8.0X

The Offer



KEY TERMS OF THE OFFER

Issuer	Meridian Energy Limited
Description of the Debt Securities	Direct, unsecured unsubordinated fixed rate bonds
Guarantee	The Bonds are guaranteed by various subsidiaries of Meridian, that are members of the Guaranteeing Group
Purpose	General corporate purposes
Issue Amount	Up to \$100,000,000 with the ability to accept oversubscriptions up to \$50,000,000
Maturity Date	Tuesday, 14 March 2023
Interest Rate	Equal to the sum of the Base Rate plus the Issue Margin, on the Rate Set Date
Indicative Issue Margin	1.60% to 1.75% p.a
Interest Payments	Semi-annual in arrear in equal amounts on 14 March and 14 September of each year up to and including the Maturity Date, commencing 14 September 2016
Brokerage	0.50% brokerage and 0.25% firm commitments
Denominations	Minimum denomination of \$5,000 with multiples of \$1,000 thereafter

KEY TERMS OF THE OFFER (cont.)

Issuer	Meridian Energy Limited
Listing	Application has been made to NZX to quote the Bonds on the NZX Debt Market under the code MELO30
Issue Credit Rating	BBB+ (Standard & Poor's) ¹
Financial covenants	<p>The Trust Documents contain the following financial covenants:</p> <ul style="list-style-type: none"> (a) EBITDA / Interest => 2.5x (b) Debt / (Debt plus Equity) <= 55% (c) Minimum Equity NZ\$1,250,000,000 (d) Total Tangible Assets (TTA) of the Guaranteeing Group => 80% TTA of the Group. <p>(Refer to the Trust Deed for further detail including calculations and relevant testing periods)</p>
Negative pledge	Trust Deed contains a negative pledge. No Guaranteeing Group Member will create or permit to arise or subsist any Security Interest over its assets except under certain limited exceptions

¹A rating is not a recommendation by any rating organisation to buy, sell or hold the 2023 Bonds. The above credit rating is current as at the date of this Presentation and may be subject to suspension, revision or withdrawal at any time by Standard & Poor's.

KEY DATES AND PROCESS

Date	
1 March	Offer open
1 – 3 March	Roadshow –Wellington, Auckland, Dunedin and Christchurch (plus conference call)
7 March	Offer closes – bids due 12pm
7 March	Allocations and rate set
14 March	Issue Date
15 March	Expected Quotation Date

Investment Highlights



Investment Highlights



- New Zealand's largest hydro generator and wind farm operator
- 100% renewable, low operating cost generation
- Vertically integrated generation and retail operations
- Strong and stable operating cash flows
- Strong credit metrics supporting BBB+ credit rating
- Modest capital expenditure over the medium term
- Crown majority shareholding

Questions?



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The information contained in this presentation should be considered in conjunction with Meridian's annual report for the year ended 30 June 2015 and interim report for the 6 months ended 31 December 2015 available at:

<http://www.meridianenergy.co.nz/investors/>

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