

MERIDIAN ENERGY.

RETAIL BOND OFFER PRESENTATION *JUNE 2018*

Joint Lead Manager



Joint Lead Manager



Co-Manager

DeutscheCRAIGS

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, maturing on 27 June 2025 ("2025 Bonds"), is an offer of unsecured, unsubordinated, fixed rate, interest bearing bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Meridian's \$150,000,000 bonds maturing on 14 March 2023 and \$150,000,000 bonds maturing on 20 March 2024 (together the "Existing Bonds") which are currently quoted on the NZX Debt Market under the ticker code MEL030 and MEL040 respectively. The 2025 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 are the only debt securities of Meridian's that are currently quoted and of the same class as the 2025 Bonds.

Investors should look to the market price of the Existing Bonds (MEL030 and MEL040) (which have a fixed interest rate of 4.53% and 4.88% per annum respectively) 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 and Westpac Banking Corporation (together "Joint Lead Managers"), Deutsche Craigs Limited and 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 2025 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 2025 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 2025 Bonds, which sets out how 2025 Bonds may be applied for.

Application has been made to NZX for permission to quote the 2025 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.

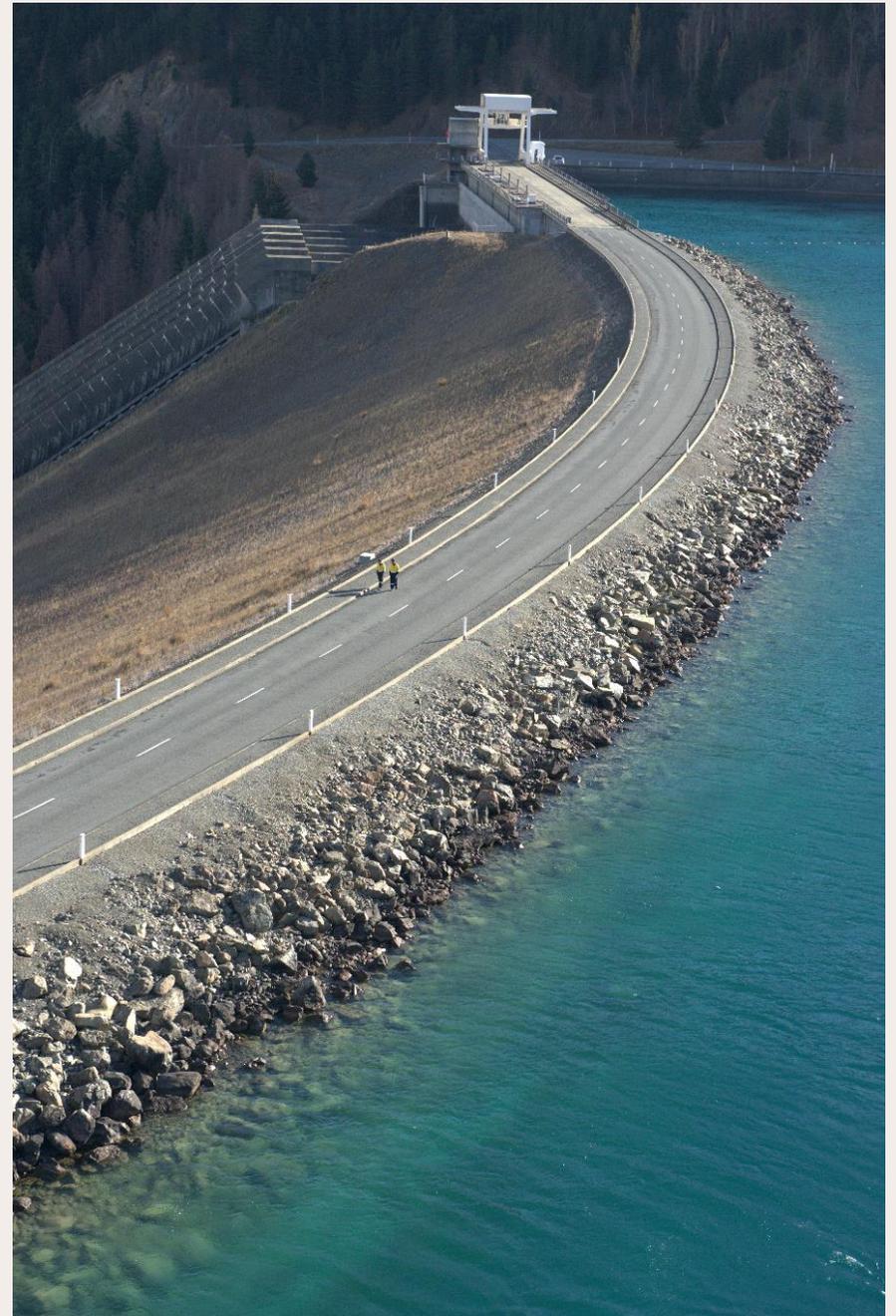
About Meridian

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- Generation assets
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- Key financial metrics
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- Credit rating

The offer

- Key terms, dates and process

Investment highlights

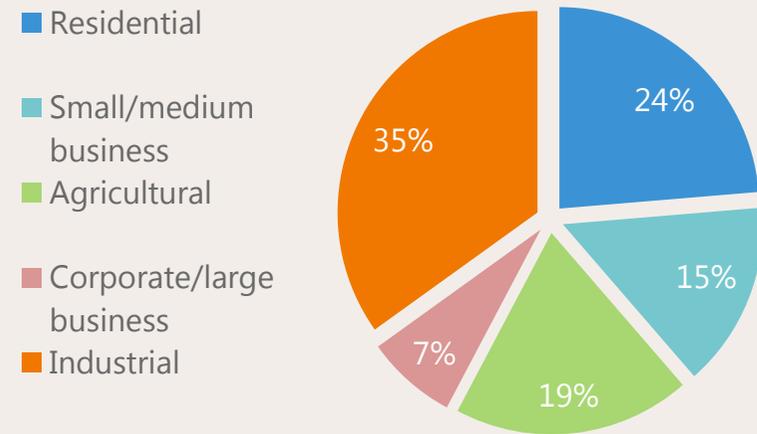


Meridian.

Over \$7bn total market capitalisation, listed in 2013, and 51% Government owned

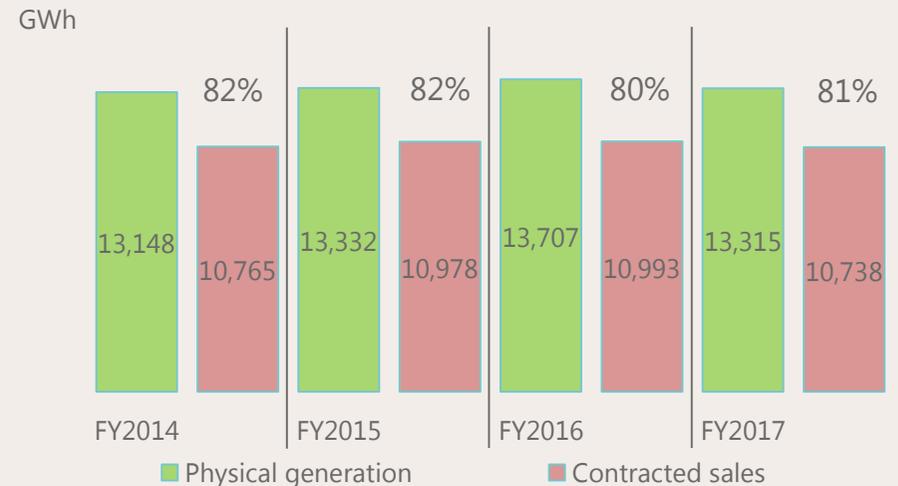
- Generation solely from renewable sources
- The biggest of five vertically integrated retailer generators in the NZ market
- 288,500 NZ customers with Meridian and Powershop
- Further 102,000 Powershop customers in Australia
- 25,000 UK customers through Powershop franchise with npower
- Diversified NZ customer sales, weighted towards business, commercial and agricultural
- 40% of generation covered by Tiwai Point contract (price guarantee, not supply)
- Typically hold a long generation position to manage variable hydro inflows

FY2017 RETAIL SALES EXCL TIWAI



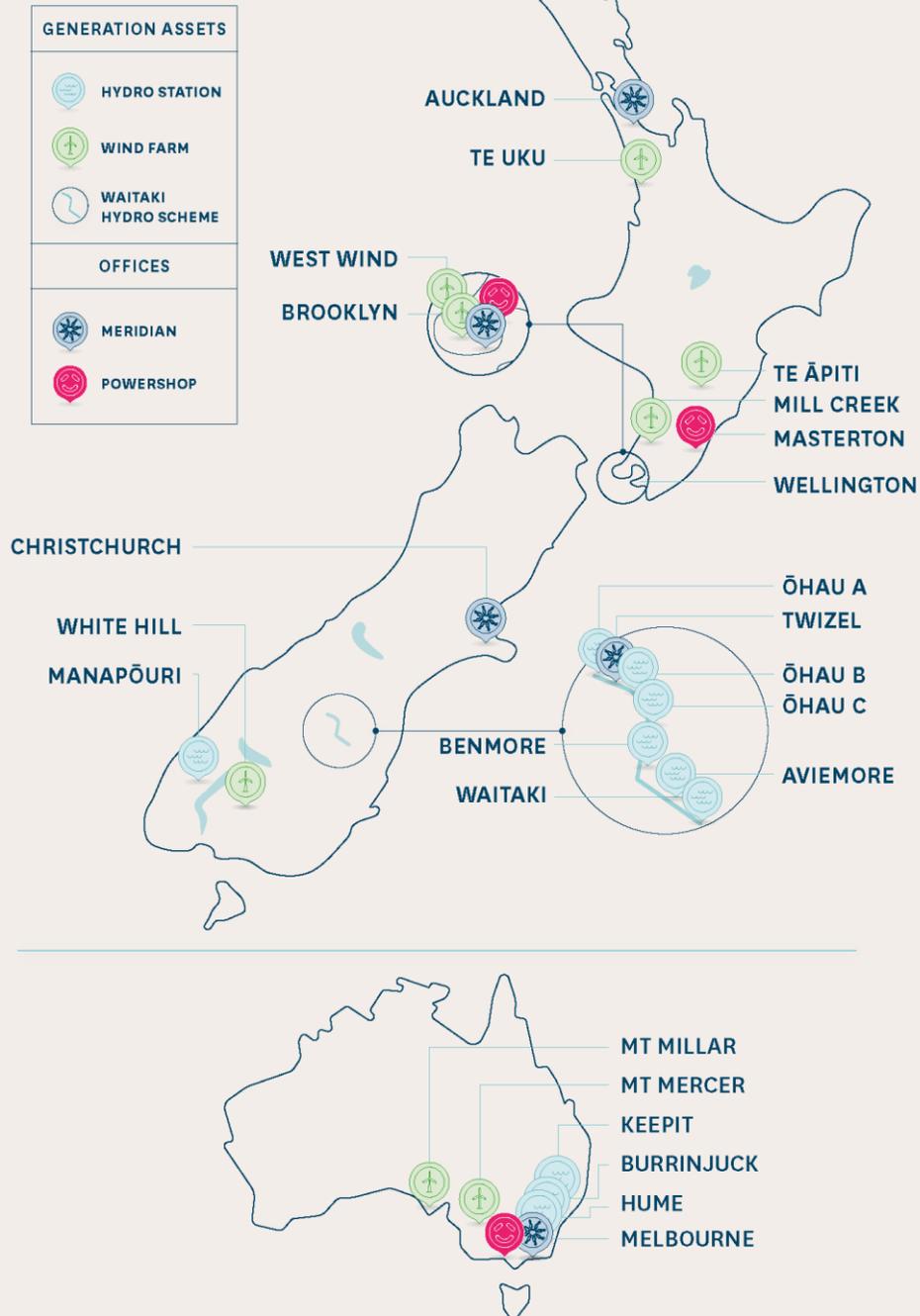
Source: Meridian

GENERATION AND CONTRACTED SALES



Source: Meridian

Meridian.



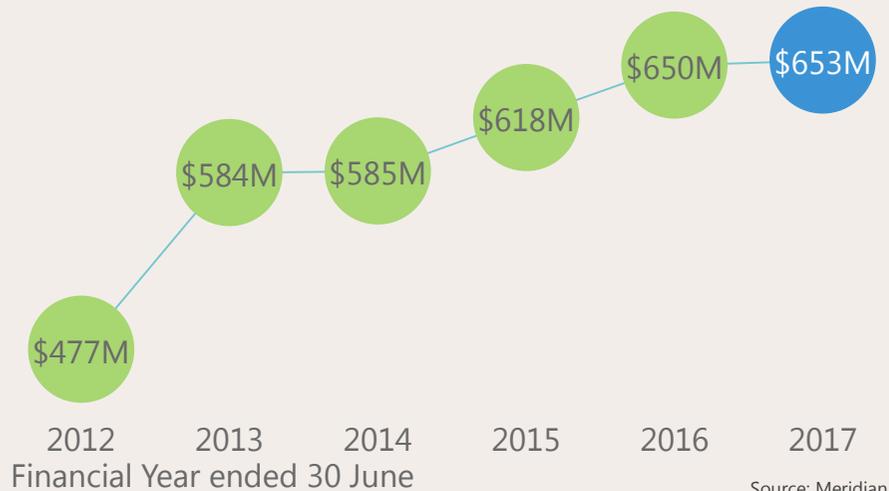
New Zealand's largest generator, with all production from purely renewable sources

- Seven big hydro stations – flexible plant with the country's largest storage
- Typically hold a long generation position to manage variable hydro inflows
- With low operating costs and capital needs
- Five NZ wind farms, two in Australia
- Proven success operating in high wind environments
- Backed with more than a decade of construction and operational experience
- Recent acquisition of Green State Power assets adding an additional ~300GWh p.a. of renewable generation in Australia

Financial highlights.

Five successive years of earnings and operating cash flow growth

EBITDAF¹

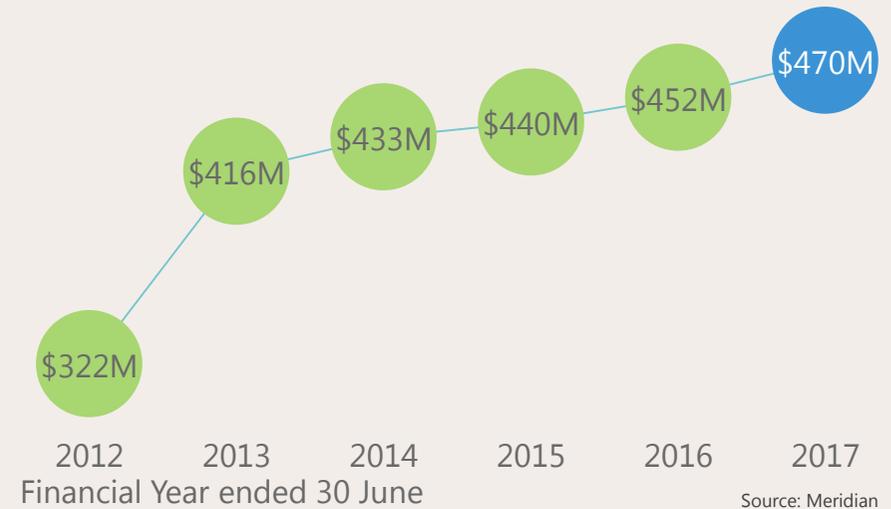


1. Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items

Improvement from:

- Lift in NZ retail profitability
- Customer growth in Australia
- Commissioning of new wind farms
- Operating cost discipline

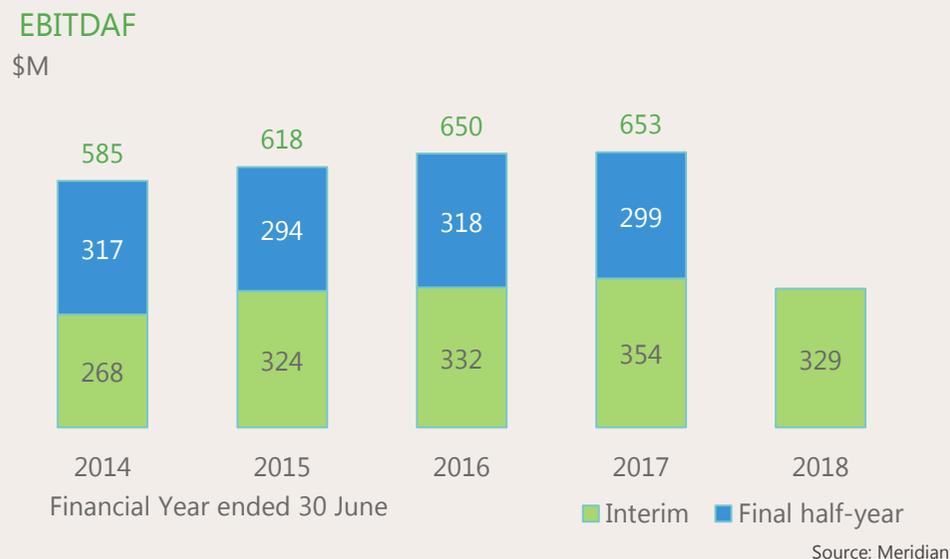
OPERATING CASH FLOW



Improvement from:

- Earnings growth

Earnings.



FY18 Interim Result

- \$25M (7%) decrease in EBITDAF from:

Business specific changes

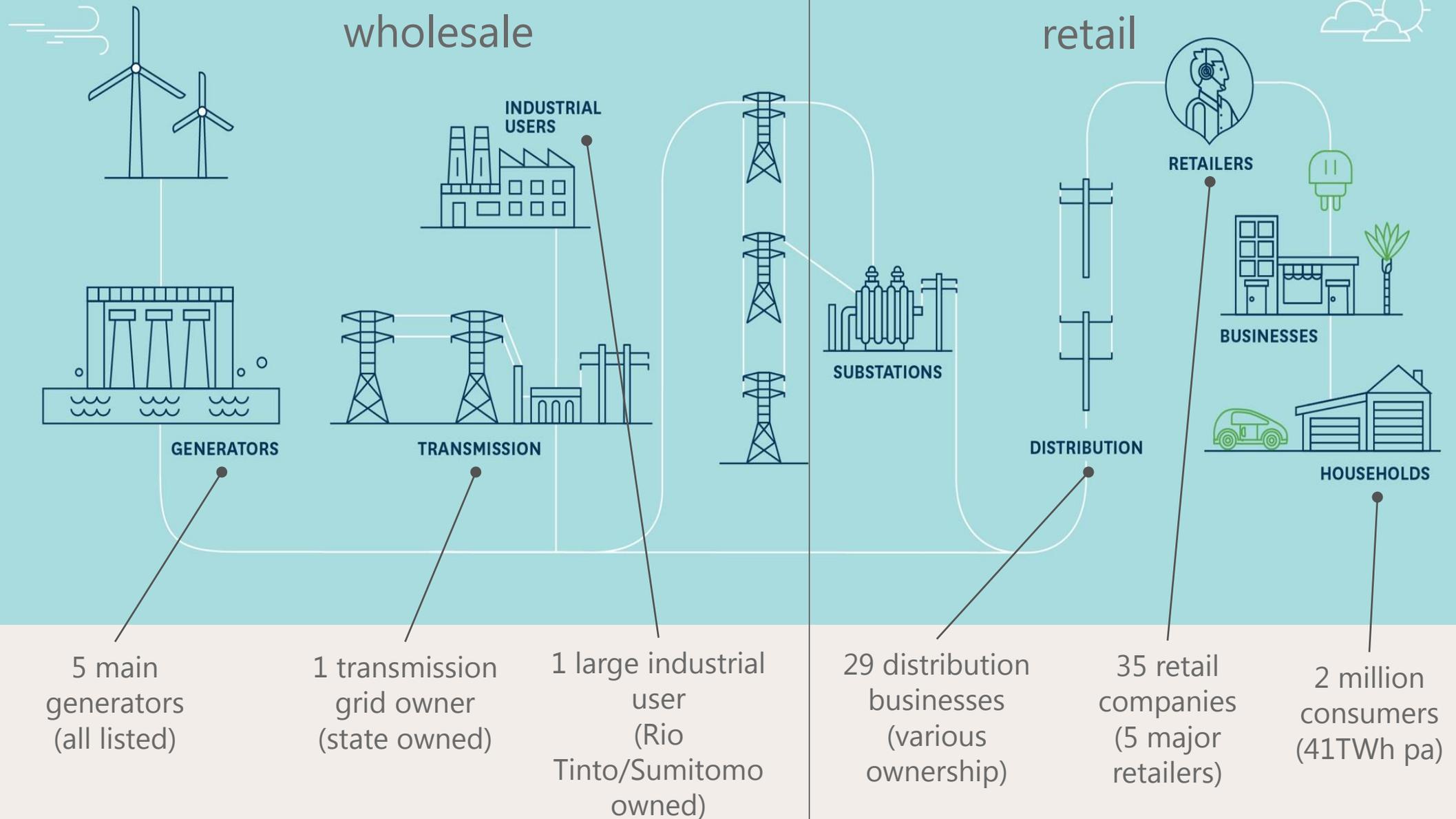
- Higher business sales
- Higher corporate sales, lower average price from timing of a large customer signing
- Some cost expansion to support this customer growth
- Some transmission cost relief
- Tiwai price increase from 1 January 2017
- Growth in Australian and UK earnings

Market and environmental impacts

- 1,100 GWh less physical generation leading to more acquired generation
- Higher market prices on derivative, physical and acquired generation sales
- Higher irrigation sales
- Higher market costs to purchase customer load

The New Zealand industry.

Source: Electricity Authority, Meridian



NZ demand.

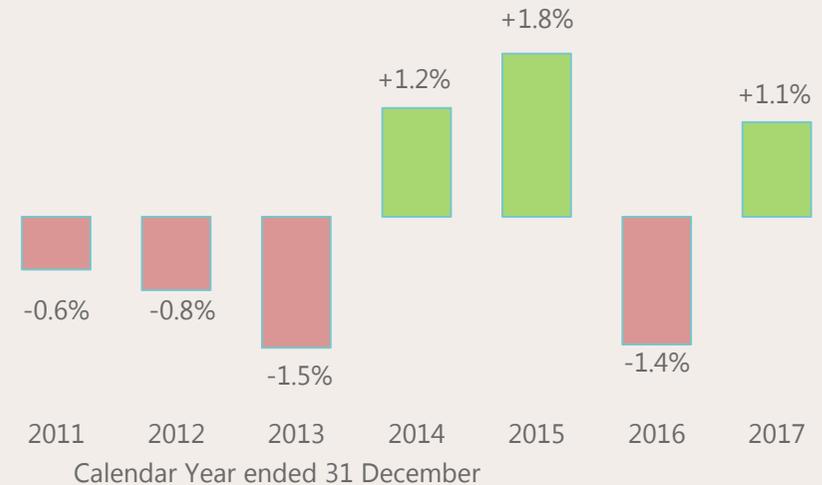
Little demand growth in the last 7 years

- + Economic growth
- + Positive net migration
- - Industrial and manufacturing closure
- - Warmer than average temperatures
- - Growing impact of technology and efficiency gains
- +/- Variable irrigation load depending on rainfall

Future demand is expected

- Likely to be modest, estimated between 0.5% and 1% pa on average
- New generation capacity will be needed, probably after 2020

ANNUAL DEMAND CHANGE SINCE 2010



Source: Electricity Authority

New Zealand political scene.

Positive government policy development

- Conversion of the government car fleet to electric by 2025/26 is positive
- Establishment of an independent Climate Change Commission
- Target of 100% renewable generation by 2035
- Winter energy payment support to superannuitants and beneficiaries

Electricity price review

- Terms of reference finalised and review panel appointed
- Looking at all aspects of the sector; technological changes, environmental factors, whether pricing mechanisms are efficient enough, whether consumers are paying fair prices and whether costs are spread equitably across all consumers



Australian political scene.



National energy guarantee

- State support is mixed
- Further analysis on multiple fronts
- Deadline for final agreement is mid 2018

ACCC report

- Preliminary report has concerns about national electricity market operation and affordability
- Final report with reform recommendations in June 2018

Thwaites review (Victoria)

- Victorian government is still considering the review panel's final report
- Appears broad support for the nine recommendations which do not advocate re-regulation and these may be advanced first

Strategic focus.



Champion benefits of competitive markets, through

- Competing vigorously
- Leadership in sustainability in NZ and Australia
- Supporting wholesale liquidity



Support retail growth & protect our generation legacy, through

- Demonstrating the contribution of hydro to the 100% renewable aspiration
- Maintaining a best in class generation portfolio (safety, efficiency & cost)
- Best placed renewable energy pipeline

Clean energy for a fairer & healthier world.



Grow overseas earnings, through

- Expansion of challenger brand
- Strengthening our vertically integrated position
- Flux client success



Grow NZ retail, through

- Simpler systems
- Reduced cost
- Faster adaptation
- Relentless focus on customer experience

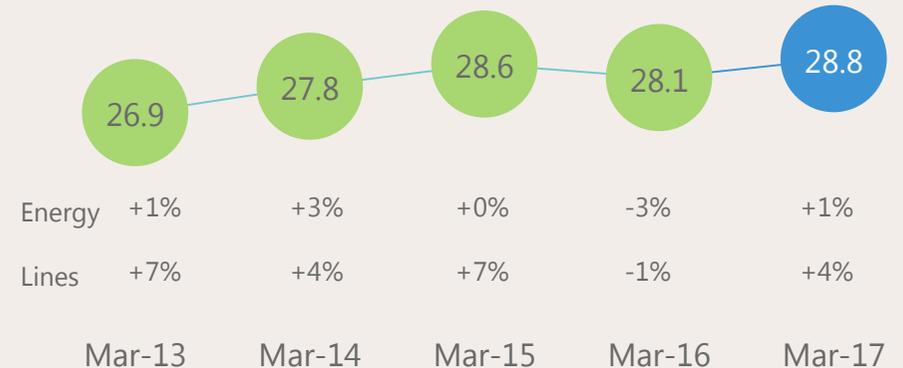


Growth opportunities.

New Zealand

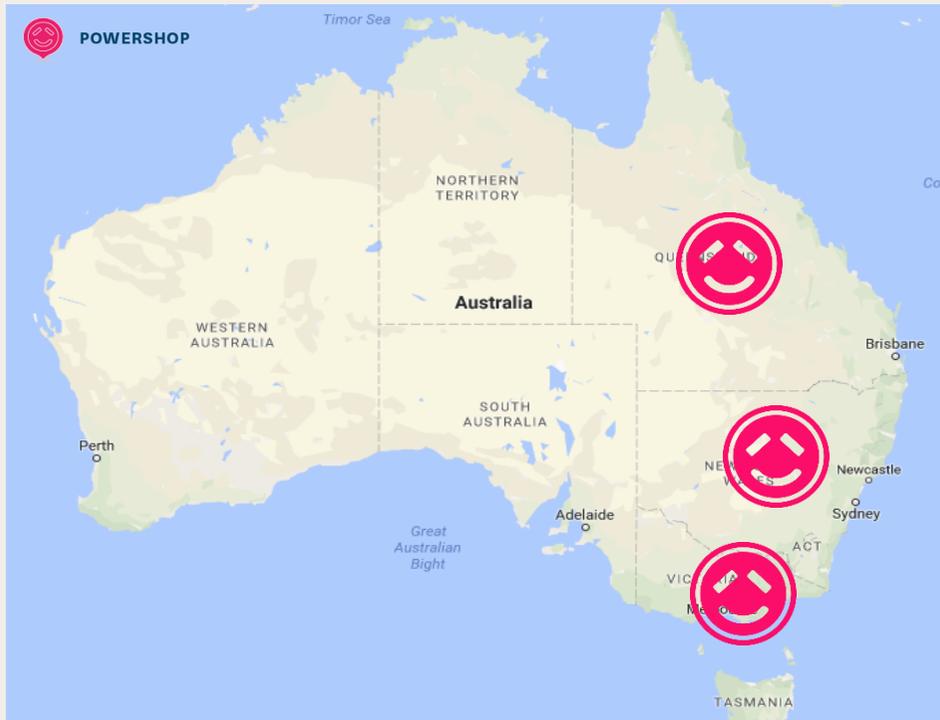
- Low growth in a highly competitive market
- Retail electricity price increases have been less than inflation, not expected to change
- Underweight residential position may provide future load growth
- Other customer segments have growth potential, including commercial solar
- Intending to transfer Meridian customers to the Flux Federation platform, to increase agility and reduce costs
- Wholesale prices may gradually lift as demand slowly grows
- Meridian is well positioned with future wind generation options

AVERAGE RESIDENTIAL ELECTRICITY COST
c/kWh



Source: Ministry of Business, Innovation & Employment

Growth opportunities.



Australia

- Potential retail growth off the back of recently acquired new physical and virtual generation (incl. power purchase agreements)
- Dual fuel offering will support further uptake in Victoria
- Unlikely to build new generation in the current environment

UK

- Powershop now in-market in the UK through a franchise with npower
- Dual fuel functionality delivered earlier in the year could offer meaningful growth

Risk management.

Meridian operates an active risk management programme

Key risks include:

- Tiwai
- Adverse hydrological conditions
- Catastrophic events
- Plant failure
- Use of and access to water
- Legislative and regulatory risks

Details of Meridian's risk management structure are in Meridian's 2017 Integrated Report, which can be found online at www.meridianenergy.co.nz



Tiwai Point smelter.



12% of New Zealand's total annual demand

- CfD contract with Meridian on NZAS perpetual 12-month termination right
- International aluminium is recovering, LME prices up 12% in the last year
- Meridian's modelling suggests smelter is currently making healthy cash profits
- Additional 50MW contract announced in May 18
- Aluminium remains a commodity exposed to cycles and Chinese supply decisions
- Meridian not expecting smelter closure, change in ownership may occur (view backed by the reinstatement of the 4th potline)
- A smelter closure would trigger further South Island grid investment (majority of lower South Island generation can be dispatched now)
- Greater HVDC capacity and North Island line upgrading possible in the medium term

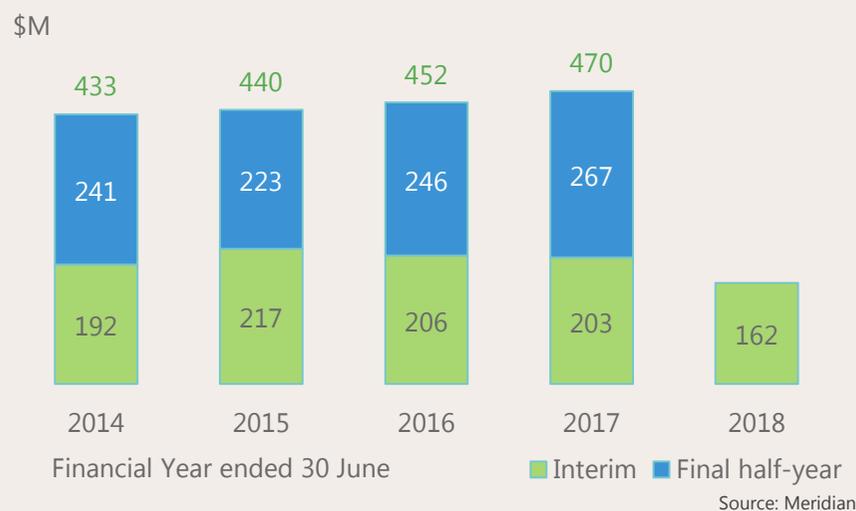
Key financial metrics.

SUMMARY GROUP BALANCE SHEET	30 Jun 2015 \$M	30 Jun 2016 \$M	30 Jun 2017 \$M	31 Dec 2017 \$M
Total Assets	7,661	8,538	8,683	8,694
Total Liabilities	2,913	3,488	3,588	3,761
Equity	4,748	5,050	5,095	4,933
Debt	1,076	1,214	1,192	1,366
RATIOS & MULTIPLES				
Debt/(Debt+Equity) ¹	18%	19%	19%	22%
Net Debt/EBITDAF (x) ²	1.7	1.8	1.9	2.2
EBITDAF Interest Cover (x) ¹	7.6	8.3	8.6	7.8

¹Per Guaranteeing Group (excludes certain Meridian entities)
²Per S&P Global Ratings key metrics

Source: Meridian

OPERATING CASHFLOW

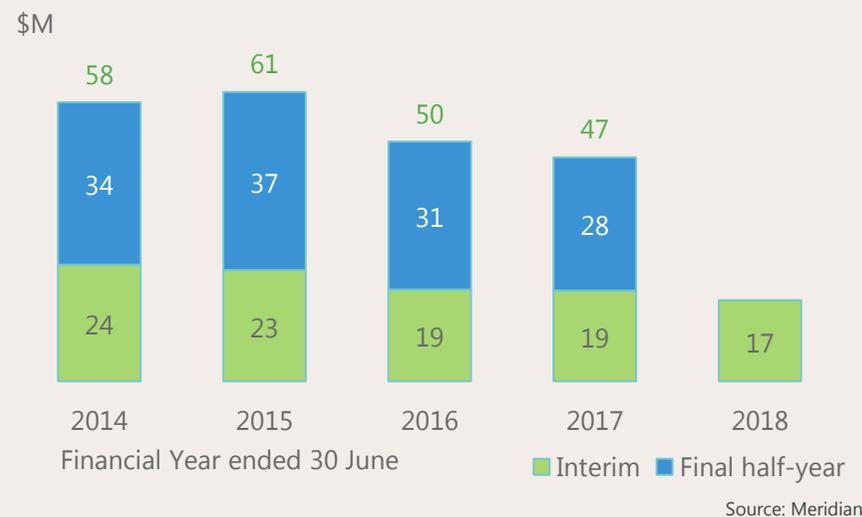


EBITDAF¹



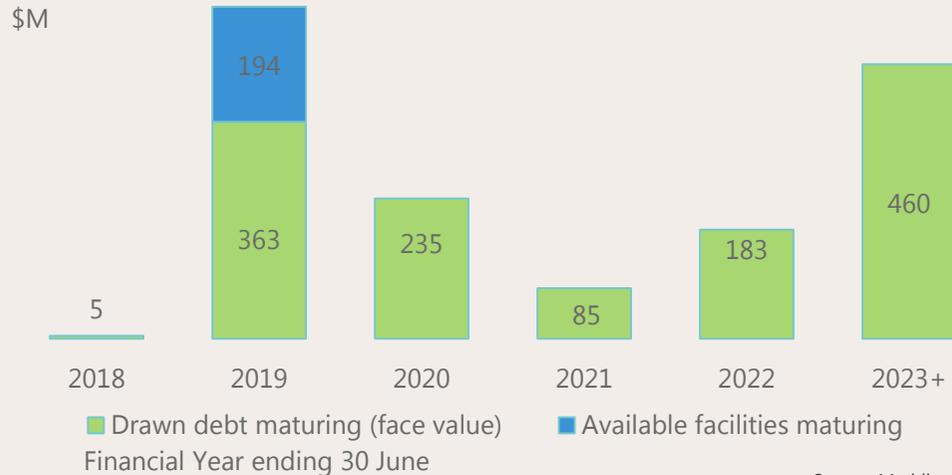
¹Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets

STAY IN BUSINESS CAPEX



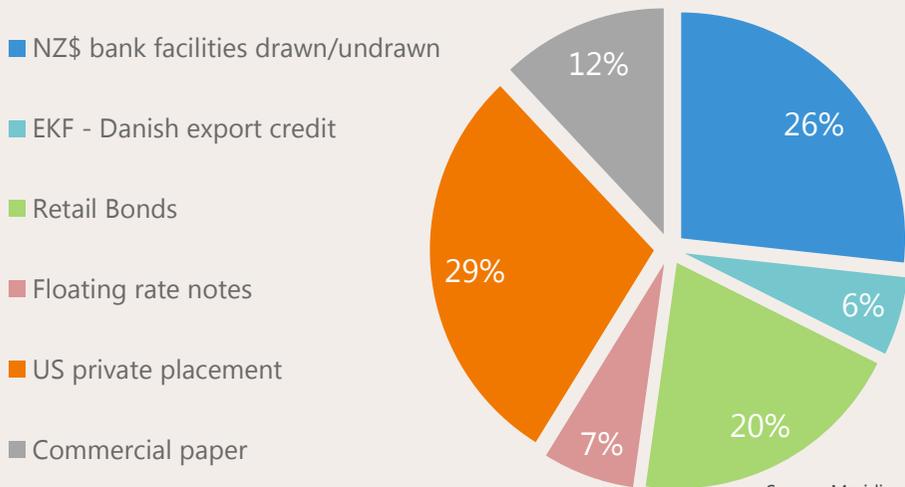
Funding.

DEBT MATURITY PROFILE AS AT 31 DECEMBER 2017



Source: Meridian

SOURCES OF FUNDING AS AT 31 DECEMBER 2017



Source: Meridian

- Total borrowings as at 31 December 2017 of \$1,366M
- Committed bank facilities of \$685M of which \$375M were undrawn as at 31 December 2017
- Minimum headroom required in addition to forecast requirements is \$200M
- 2018 retail bond issue proceeds used for general corporate purposes including the partial re-finance of Meridian's bank bridge facility used for the recent acquisition of hydro assets in Australia
- Next capital market maturity is April 2019 (\$271M USPP)

Credit rating and bond covenants.

Meridian targets a long term credit rating of BBB+

S&P Global Ratings 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 Jul-2017

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 2017		2.2x

Bond Covenants – consistent across capital providers

31 December 2017

Debt/(Debt + Equity)	<=	55%	22%
EBITDA/Interest	>=	2.5x	7.8x

The Offer.



Key terms of the offer.

Issuer	Meridian Energy Limited
Description of the Debt Securities	Unsecured unsubordinated fixed rate bonds
Guarantee	The 2025 Bonds are guaranteed by various subsidiaries of Meridian, that are members of the Guaranteeing Group
Purpose	General corporate purposes, including the partial re-finance of Meridian's bank bridge facility used for the recent acquisition of hydro assets in Australia
Issue Amount	Up to \$150,000,000 with the ability to accept oversubscriptions up to \$50,000,000
Maturity Date	27 June 2025
Interest Rate	Equal to the sum of the Base Rate plus the Issue Margin, on the Rate Set Date, but will be no less than the minimum interest rate.
Indicative Issue Margin	Announced via NZX on 11 June 2018
Interest Payments	Semi-annual in arrear in equal amounts on 27 June and 27 December of each year up to and including the Maturity Date, commencing 27 December 2018
Denominations	Minimum denomination of \$5,000 with multiples of \$1,000 thereafter

Key terms of the offer (continued).

Issuer	Meridian Energy Limited
Listing	Application has been made to NZX to quote the 2025 Bonds on the NZX Debt Market under the code MEL050
Issue Credit Rating	BBB+ (S&P Global Ratings)
Financial covenants	<p>The Trust Documents contain the following financial covenants:</p> <ul style="list-style-type: none">(a) EBITDA / Interest \geq 2.5x(b) Debt / (Debt plus Equity) \leq 55%(c) Minimum Equity NZ\$1,250,000,000(d) Total Tangible Assets (TTA) of the Guaranteeing Group \geq 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

Key dates and offer process.

Date	
11 June (Monday)	Offer opens
11 – 13 June	Roadshow – Wellington, Auckland, Dunedin and Christchurch (plus conference call)
15 June (Friday)	Offer closes – bids due 2pm
15 June (Friday)	Allocations and rate set
27 June (Wednesday)	Issue date
28 June (Thursday)	Expected quotation date
27 June 2025	Maturity 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 the company's financial statements, which are included in Meridian's integrated report for the year ended 30 June 2017 and is available at:

www.meridianenergy.co.nz/investors/

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

Thank you.



meridian