



**Meridian Energy
Limited**

**UBS Australian
Resources, Energy &
Utilities Conference**

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Today

- Comparison of the Australian and New Zealand electricity markets
- The New Zealand state owned enterprise model
- Meridian's market position and its operations



Comparison of Australian (NEM) and NZ markets

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Regulatory Framework

Similar rule setting structure

AEMC

Electricity Authority

Retail

Some tariff control

No tariff control,
market determined

Spot market

Price cap and market floor

Market determines outcomes
(legal test of extremes)

Transmission

Regulated interconnectors

State owned backbone
Return regulated with exemptions

Renewable mandate

20% by 2020 via LRET

90% target by 2025

Slightly lighter regime in NZ



Comparison of Australian (NEM) and NZ markets

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Ownership Structure

Government/private

Listed, private & state owned

3 state owned gentailers, 2 listed with strategic shareholdings

Vertical integration

Prevalent, but incomplete

VI dominant business model

Local lines companies

12 with varying ownership structures

29 with varying ownership structures

Metering model

Line company recovery from retailers

Retailer pays various providers

Smart meter penetration

Growing rapidly
Victorian mandate for 2013

40%
Not regulated

Similar market models, some ownership differences



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Comparison of Australian (NEM) and NZ markets

Market size [2010]

Energy generation

204 TWh

43 TWh

Installed capacity

49,100 MW

9,600 MW

Number of generators

305

17

Customers

9.0m

1.9m

Peak demand

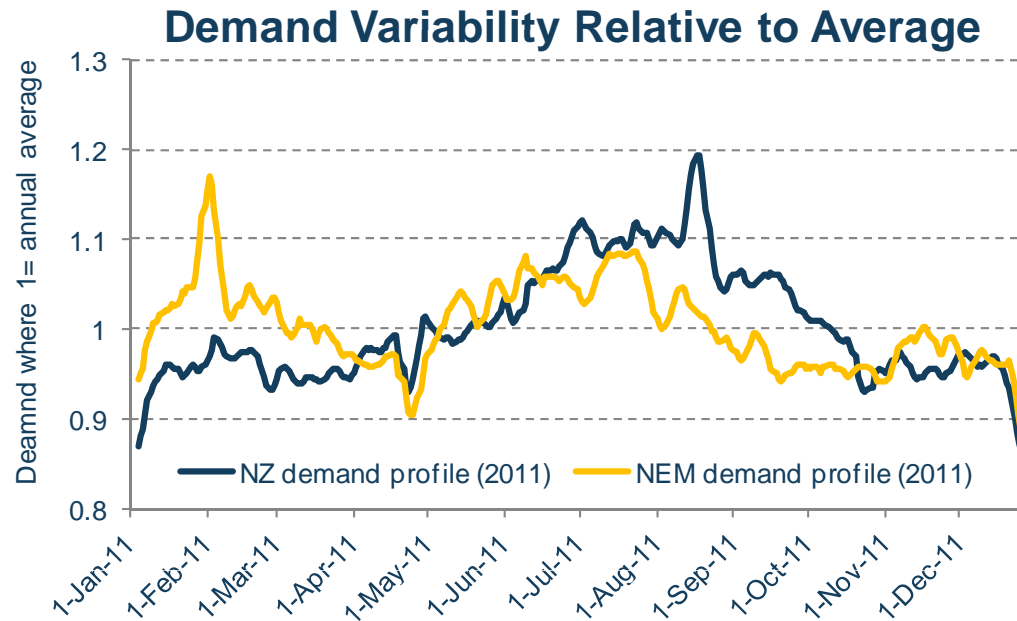
35,000 MW (summer)

6,500 MW (winter)

NZ demand is anti cyclical to Australia

Comparison of Australian (NEM) and NZ markets

Demand



Demand has declined in the last 5 years
Demand growth outlook ~+2%



Demand growth at +0.5% in last 5 years
Long run forecast +1% to +1.5% growth



Strong seasonal variation in NZ

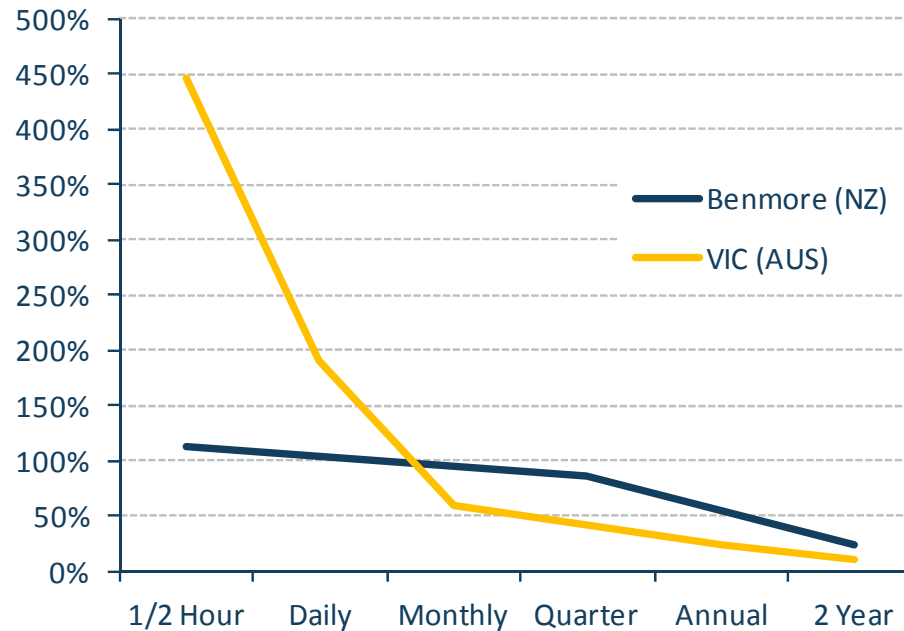


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Comparison of Australian (NEM) and NZ markets

Price

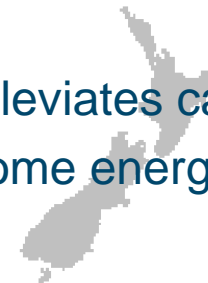
Wholesale Price Volatility



Signs of being capacity constrained



Hydro base alleviates capacity constraints
Can become energy constrained



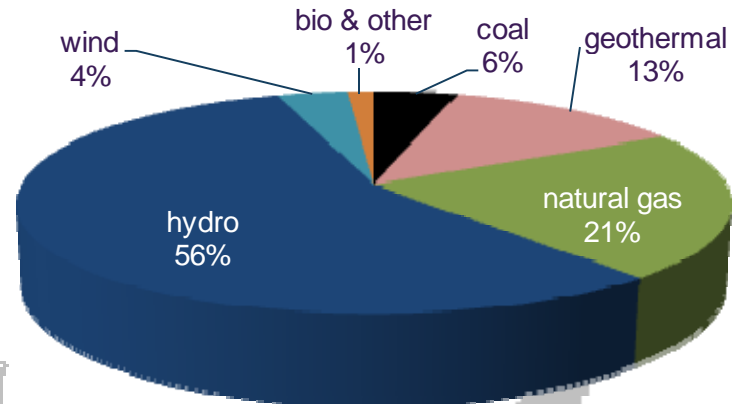
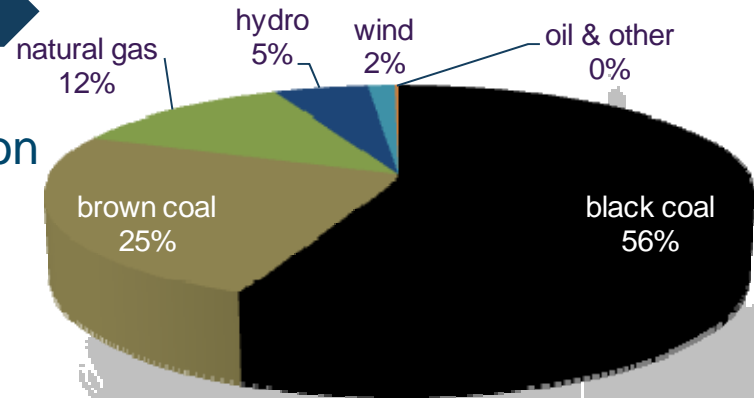


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Comparison of Australian (NEM) and NZ markets

Generation [2010]

Energy generation



Renewable %

7%

74%

Futures volume (May 12)

9,936 contracts
 21,000 GWh/\$A1b
 131% of system demand
 28% of volume was options

1,060 contracts
 1,000 GWh/\$NZ115m
 3% of system demand
 two options traded in total

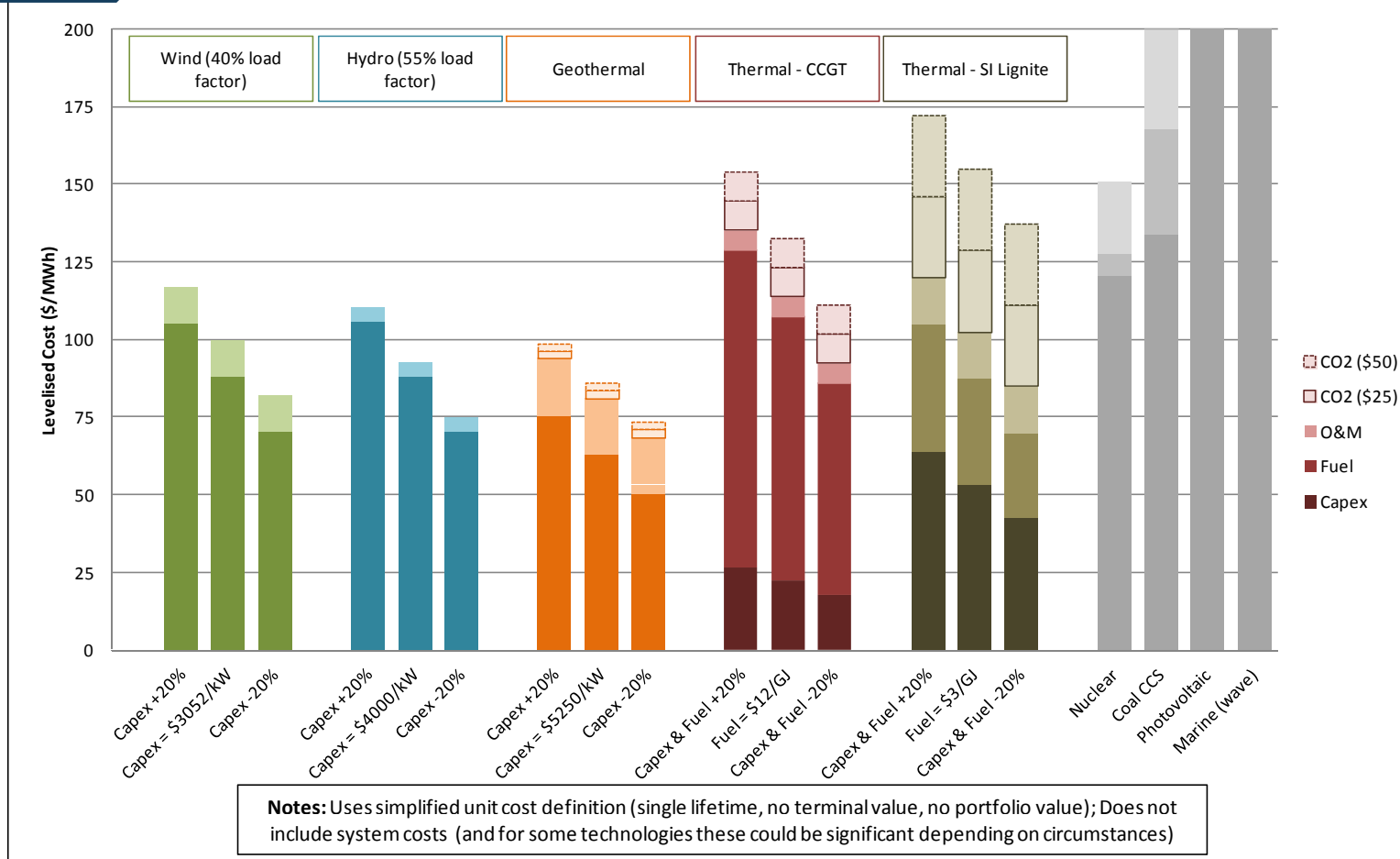
NZ is renewable dominant without mandated targets or subsidies



Comparison of Australian (NEM) and NZ markets meridian

NZ Unit Cost

Unit Cost Comparison for Generic Plant



Unsubsidised wind in NZ is cost competitive



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Comparison of Australian (NEM) and NZ markets

Retail

Market Competition

3 dominant retailers

95% by 5 big generators
1 Wholesale customer = 14%

Churn

30% average

21% annualised churn

Internet penetration

5.7m households

1.1m households

Opportunity in Australia for innovative, online retailing



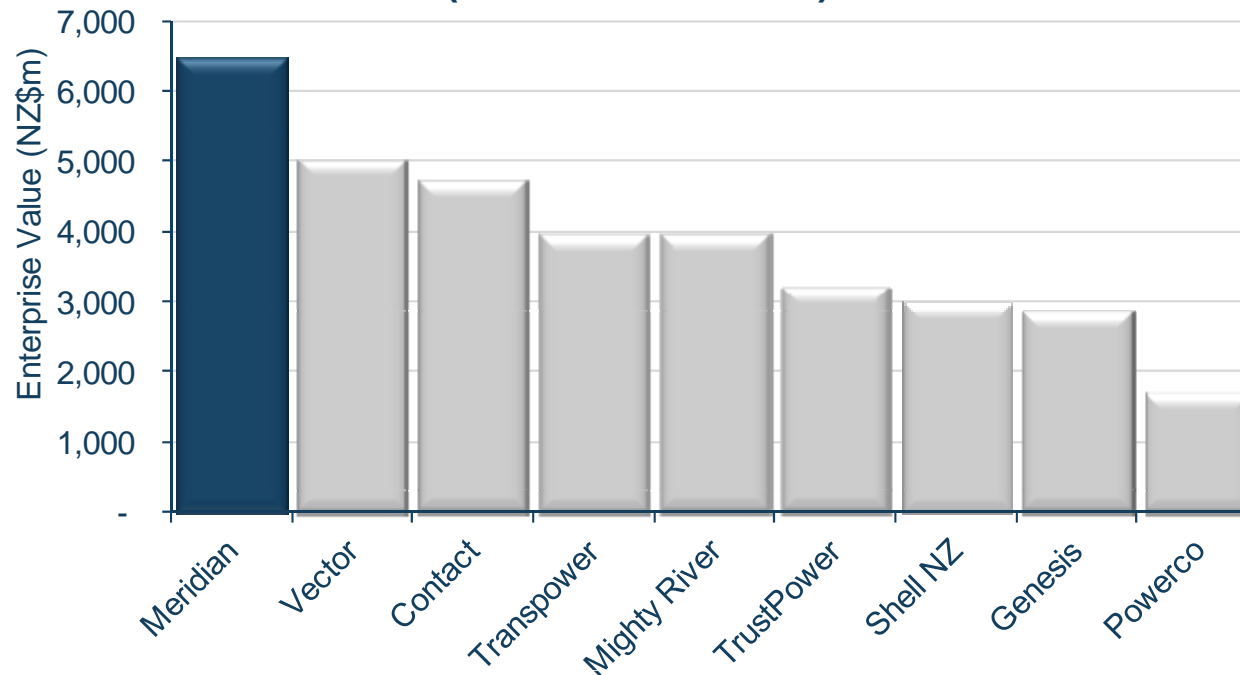
The NZ state owned enterprise model

- State owned entities required by law to operate as commercial businesses
- Independent Boards
- High visibility of current commercial performance
- Shareholder focus has been on dividend yield and measured growth
- Government share offer process (mixed ownership model) to list up to 49% of four energy SOE's

Energy SOE's are becoming increasingly like listed peers

Energy sector of the NZ capital market

**Relative Value of Top Energy Sector Companies
(listed and unlisted)**



Sources: First NZ Capital 31 May 12

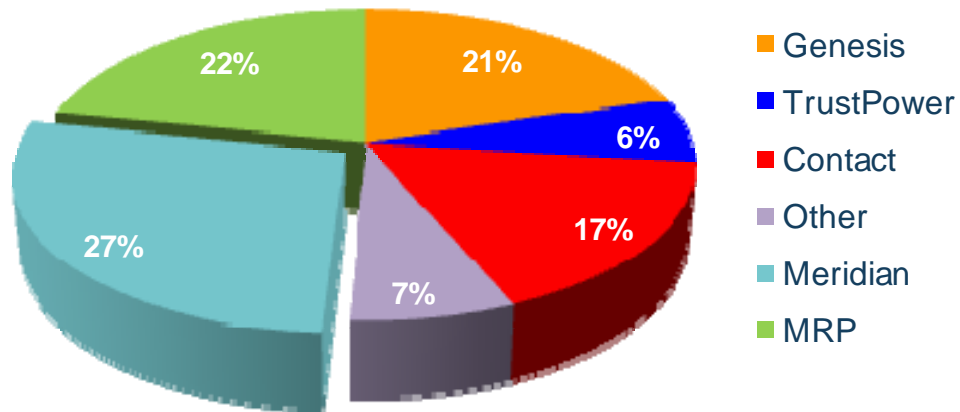
Government share offer will significantly shift weighting of energy stocks

Energy sector is currently 20% of the NZSX and could double with SOE listings



Meridian's position in the NZ market

Installed Generation Capacity (MW)



- Largest NZ generator
- Generation is hydro dominated (87%)
- Meridian is NZ's largest owner of wind assets

- Meridian has 15% of retail customers and supplies 30% of total demand
- Meridian supplies NZ's largest customer, Tiwai Point aluminium smelter, part of Pacific Aluminium (RTANZ)

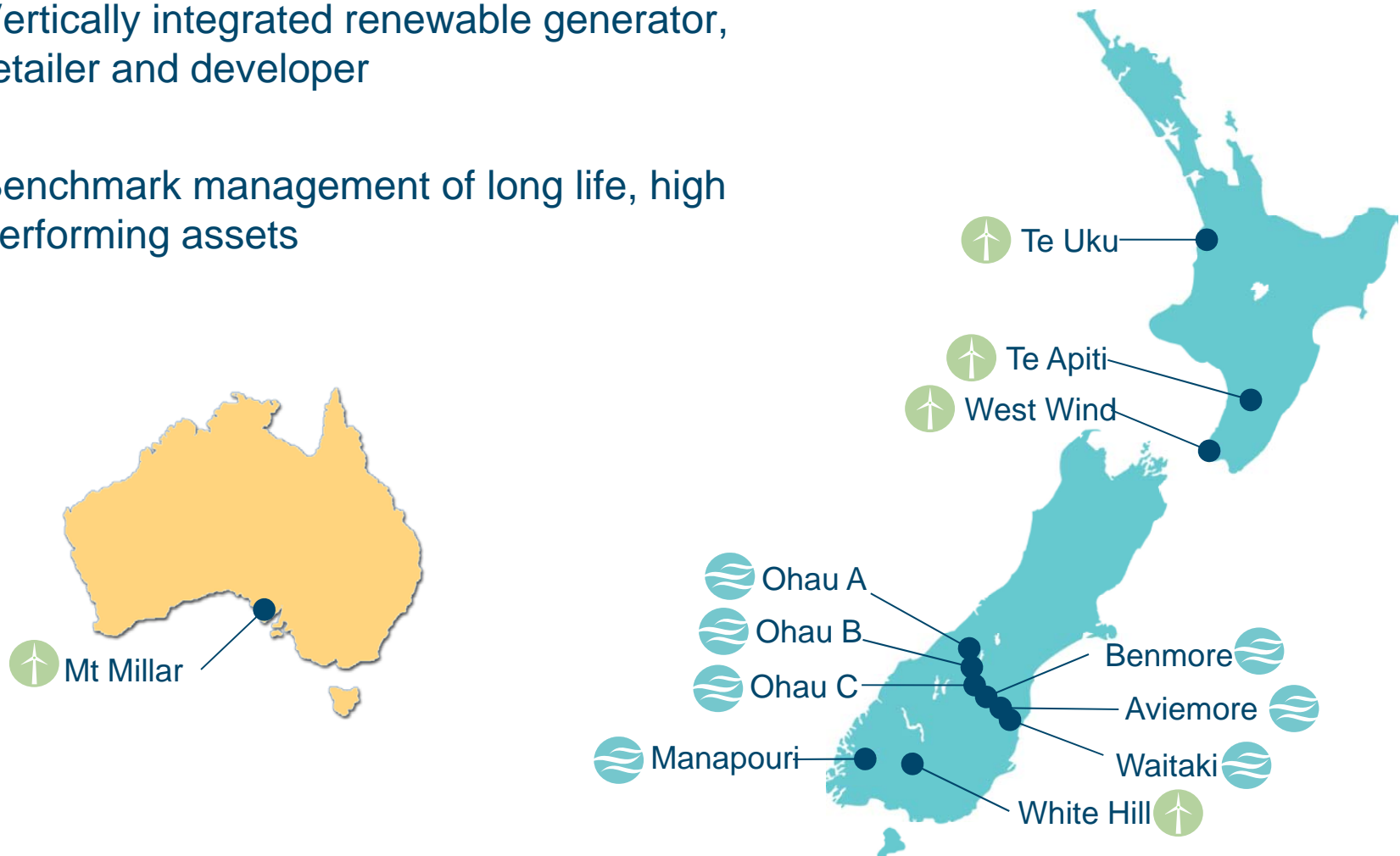
Key Numbers (2011) [\$NZ]	
Revenue (gross)	\$2.1b
EBITDAF	\$660m
Underlying RoE	19%
Dividends paid	\$684m
5 year average TSR	16%
Customer satisfaction	
Meridian Retail	81%, +6%
Powershop	96%, +4%



Overview of Meridian's generation operations

- Vertically integrated renewable generator, retailer and developer
- Benchmark management of long life, high performing assets

Generation Assets



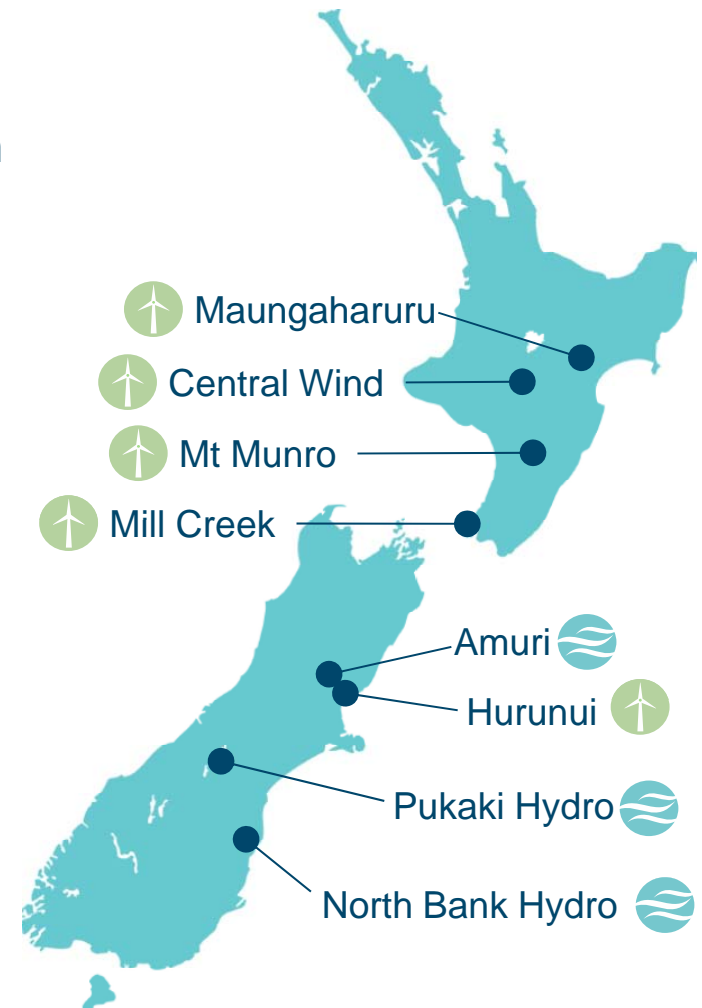


Overview of Meridian's generation pipeline

- Significant expertise in wind development built up over a decade
- Flexible option set over a 20 year time horizon
- Ability to leverage core wind competencies into Australia



Advanced Projects



Overview of Meridian's retail operations



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- Renewable brand position
- Mid market pricing
- High levels of service
- Highest residential satisfaction among the 5 big retailers (81%)
- Stable customer numbers
- Shift into the North Island
- Innovative, online offer
- Number one ranking in NZ Deloitte Fast 50 index in 2011 (5280% revenue growth, the highest rate ever recorded)
- Ranked 6th on the Deloitte Asia Pacific Fast 500 technology index
- Highest residential satisfaction among all retailers (96%)



Meridian in Australia

- Previous successful experience with Southern Hydro
- Measured wind generation investment to date with 70 MW Mt Millar purchase and 420MW Macarthur JV with AGL
- Developing opportunities to utilise our wind development strengths in a market supportive of renewables
- Trialling Powershop to test Australian consumers' appetite for a power company with a different attitude