



meridian

INVESTING IN NEW ZEALAND MANAGEMENT PRESENTATION



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THE NEW ZEALAND ELECTRICITY MARKET

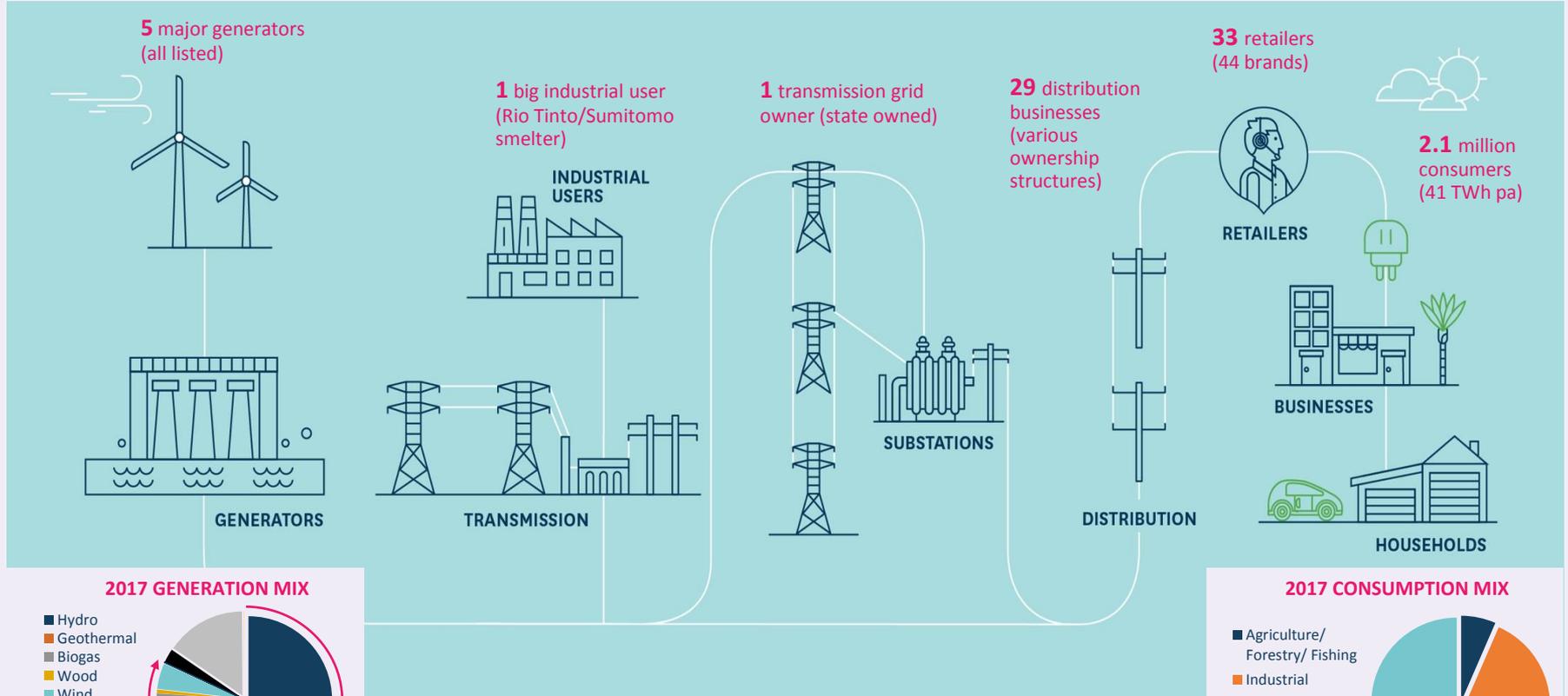
THE NEW ZEALAND ELECTRICITY MARKET

- Delivering a reliable, affordable and environmentally sustainable electricity system
- A well functioning market, characterised by:
 - Quality renewable resources
 - Progressive regulatory settings
 - Stable political environment
 - Rational market competition
- Vertical integration is the prevailing structure
- Wholesale and retail market regulation provided by an independent regulator – The Electricity Authority (EA)
- EA mandate to deliver efficient market operation, security of supply, promote competition
- No price controls, non-competitive distribution sector has regulated rates of return

“New Zealand serves as a model for effective energy markets and secure power system operation”

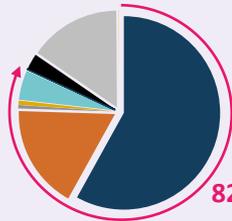
*International Energy Agency
(IEA) New Zealand 2017
Review*

THE NEW ZEALAND ELECTRICITY MARKET



2017 GENERATION MIX

- Hydro
- Geothermal
- Biogas
- Wood
- Wind
- Solar
- Oil
- Coal
- Gas
- Waste Heat

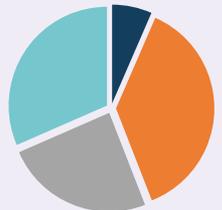


82% renewable

Sources: Electricity Authority and Ministry of Business, Innovation and Employment

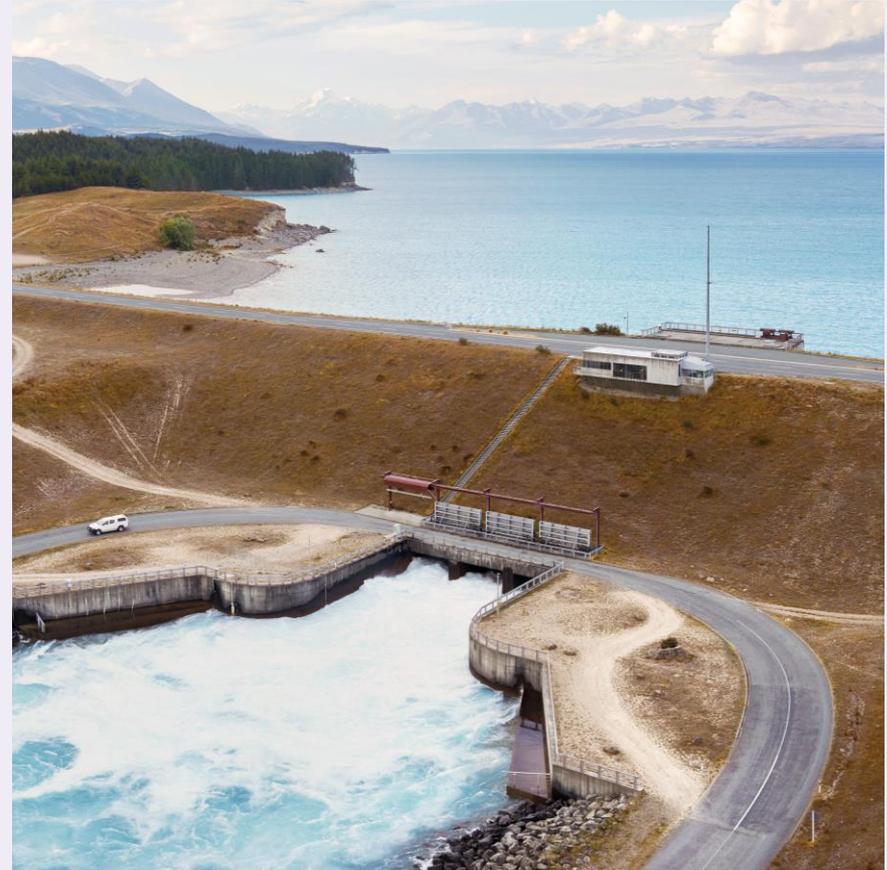
2017 CONSUMPTION MIX

- Agriculture/ Forestry/ Fishing
- Industrial
- Commercial (incl. Transport)
- Residential



THE NEW ZEALAND ELECTRICITY MARKET

- New Zealand's hydro generation is managed against limited controlled storage
- Bulk of hydro inflow is anti-correlated to winter demand peak
- Thermal capacity and fuel storage manages potential hydro inflow deficit and other renewable intermittency
- Efficient and well-functioning wholesale market manages this supply risk
- Significant oversupply has existed in the market, older thermal plant closure is bringing better balance
- Demand growth in the last decade has only been modest

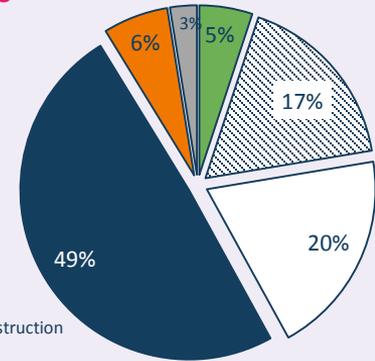


THE NEW ZEALAND ELECTRICITY MARKET

- Market will be the key enabler of greater decarbonisation in New Zealand
- 42% of non-agricultural carbon emissions could be removed over time through electrification
- Converting this fossil fuel-based energy use to predominately renewables could add 75% to current electricity demand
- Depending on the rate of future electrification, significant new generation will be needed
- Unsubsidised renewables are likely to form the bulk of new generation

NZ 2016 SECTOR EMISSIONS

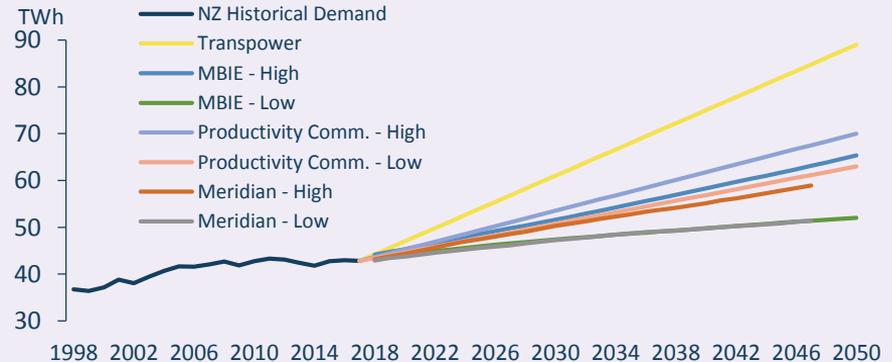
- Electricity
- ▨ Road transport
- Stationary energy*
- Agricultural
- Industrial processes
- Waste



*manufacturing (including milk processing), construction and commercial sectors and domestic heating

Source: Ministry for the Environment

DEMAND FORECASTS

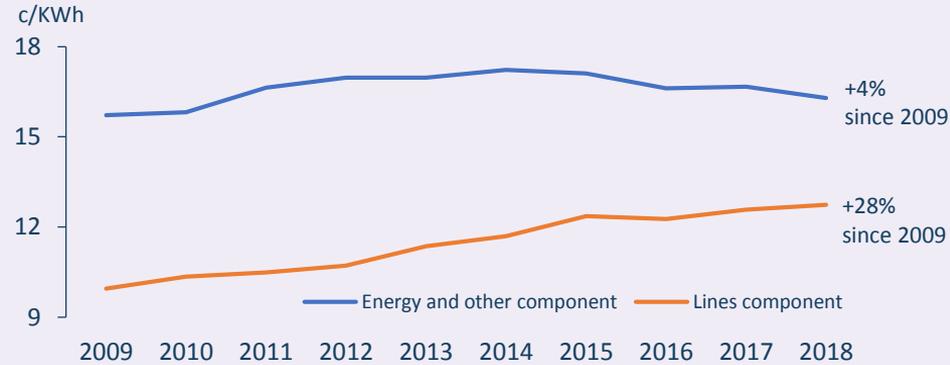


Source: Meridian

THE NEW ZEALAND ELECTRICITY MARKET

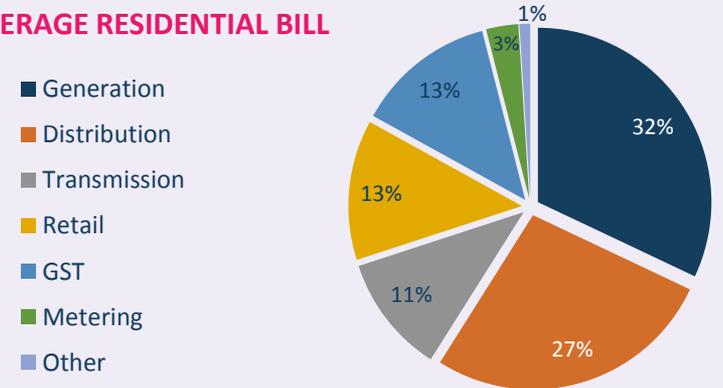
- New Zealand Government is conducting a review of electricity prices
- An initial paper has been released:
 - Energy affordability can be an issue
 - Low income households need better support
 - Competition is high, customer engagement varies
 - Industry delivers high quality supply
 - Distribution and transmission could be more efficient
- New Zealand residential electricity prices are 20% lower than the OECD average and 40% lower than Australia
- Pricing from the competitive parts of the electricity supply chain have been flat in real terms since 2011
- Historical distribution cost increases have resulted in higher residential prices

REAL RESIDENTIAL ELECTRICITY COST



Source: Ministry of Business, Innovation and Employment

AVERAGE RESIDENTIAL BILL



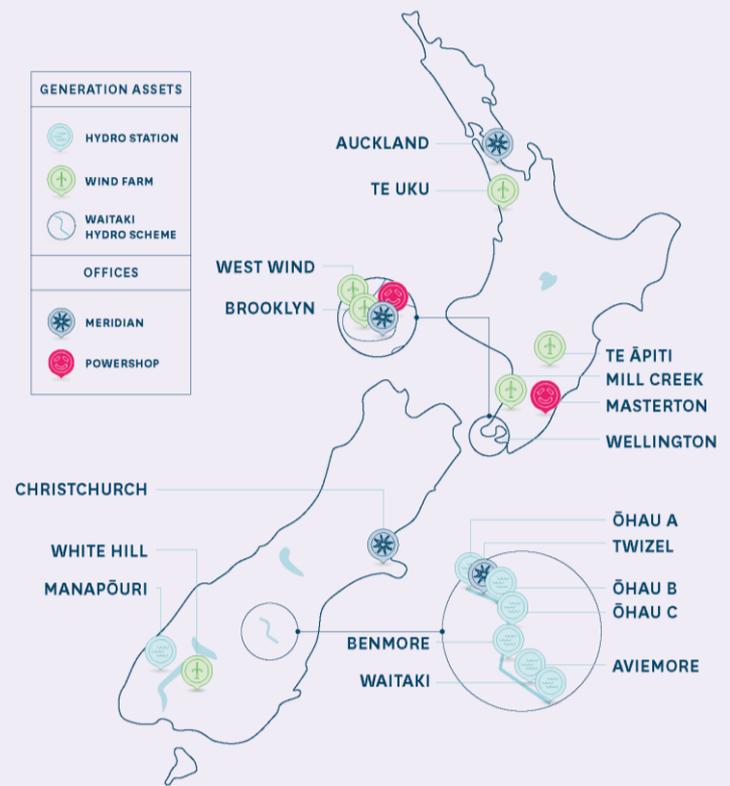
Source: Electricity Authority

An aerial photograph of a hydroelectric dam and power plant. The dam is a long, low concrete structure with a large reservoir behind it. A winding river flows through the landscape, which is a mix of brown, dry earth and green grass. In the background, there are large, brown mountains under a blue sky with some clouds. The text "MERIDIAN ENERGY" is overlaid in the center of the image.

MERIDIAN ENERGY

ABOUT MERIDIAN ENERGY

- NZ\$ 8b company, listed in 2013, 51% Government owned
- Largest and most liquid of five listed New Zealand retailer generators
- The only New Zealand electricity company with a customer and asset base diversified across different countries
- Strong environmental, social and governance focus
- 40% of New Zealand generation covered by a price guarantee contract with Rio Tinto/Sumitomo's New Zealand aluminium smelter



ABOUT MERIDIAN ENERGY

- New Zealand's largest generator, all production from renewable sources
- Seven big hydro stations – flexible plant with the country's largest storage
- With low operating costs and capital needs
- Five New Zealand wind farms and proven success operating in a high wind environment
- Backed with more than a decade of construction and operational experience
- Typical long generation position to manage variable hydro inflows
- Generation portfolio of wind, hydro and renewable offtake in Australia



STRATEGIC FOCUS



Champion benefits of competitive markets

- Competing vigorously
- Leadership in sustainability in New Zealand and Australia
- Supporting wholesale liquidity



Support retail growth & protecting our generation legacy

- Contribution of hydro to 100% renewable aspiration
- Maintaining a best in class generation portfolio
- 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

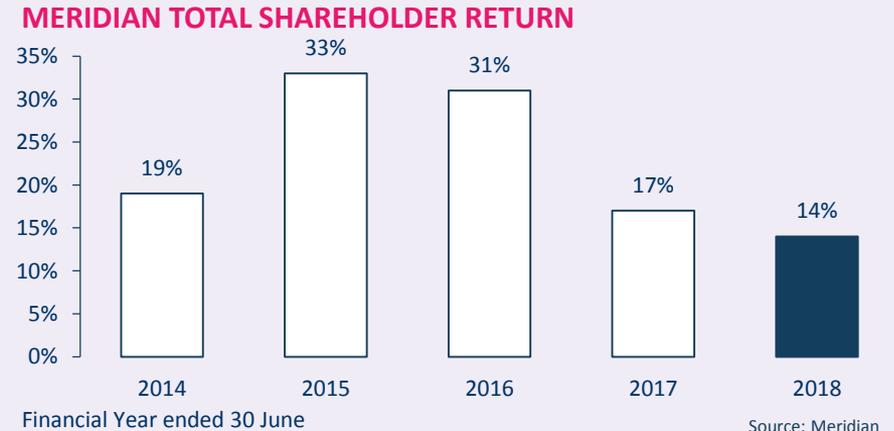
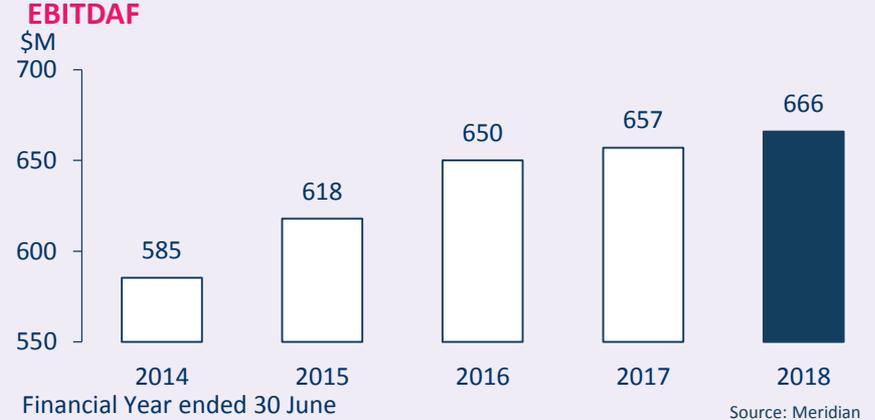


Grow New Zealand retail, through

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

SHAREHOLDER HIGHLIGHTS

- Five successive years of earnings and dividend growth since listing
- Double digit shareholder returns every year since listing
- High free cash flow, high payout ratio, progressive ordinary dividend policy
- Structured capital management programme running to 2022
- Strategic focus on potential market growth in three countries



NEW TECHNOLOGIES

- Solar uptake increasing in New Zealand as economics slowly improve
- New Zealand residential capacity factors are low (13%-15%) and payback high (13 years)
- Commercial solar opportunities are being developed
- Grid scale solar unlikely in New Zealand in the near term with competing land uses and winter peak demand
- Solar uptake is much higher in Australia with subsidy support
- Residential capacity factors and paybacks are better in Australia
- Grid scale development is happening in Australia as costs decrease significantly



NEW TECHNOLOGIES

- Battery value for energy management is in load shifting (high to low price periods)
- Grid scale unlikely in New Zealand due to large hydro storage
- Grid scale possible in Australia with subsidy support
- Solar and batteries to achieve residential off-grid in New Zealand remains very expensive (20 year payback)
- Batteries also offer other value:
 - Back-up power
 - Grid and transmission support
 - Avoided infrastructure costs

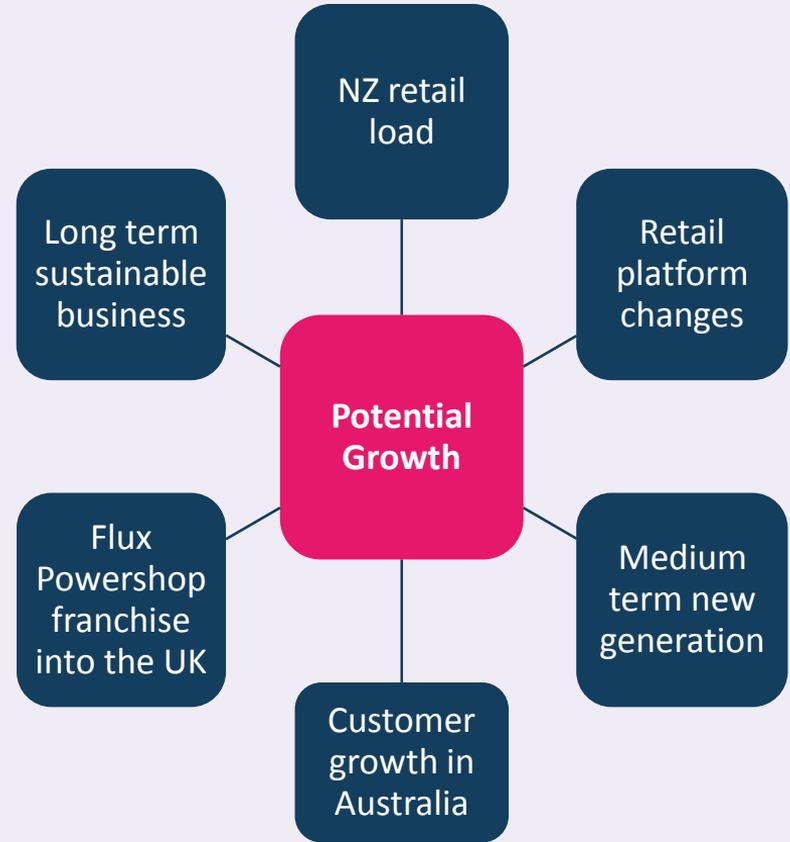


NEW TECHNOLOGIES

- Electric vehicle levels are growing in New Zealand
- Government and company fleet conversions increasing
- Meridian will have converted 80% of its passenger fleet by 2020
- New Zealand uptake dependent on the second-hand import market, so expected to be gradual
- Uptake may have system impacts, particularly network resilience in high peak periods
- Tariffs to incentivise off peak charging now in the market
- Technology may change with a move to fast charging infrastructure
- High fossil fuel generation in Australia limits electric vehicle environmental proposition



MERIDIAN'S INVESTMENT PROPOSITION



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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 2018 and is available at:

WWW.MERIDIANENERGY.CO.NZ/INVESTORS/

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