



meridian

Meridian Energy

RETAIL BOND OFFER PRESENTATION *March 2017*

Joint Lead Manager



Joint Lead 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 2024 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 \$75,000,000 bonds maturing on 16 March 2017 and \$150,000,000 bonds maturing on 14 March 2023 (together the "Existing Bonds") which are currently quoted on the NZX Debt Market under the ticker code MELO20 and MELO30 respectively. The 2024 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 2024 Bonds.

Investors should look to the market price of the Existing Bonds (MELO20 and MELO30) (which have a fixed interest rate of 7.55% and 4.53% 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, Bank of New Zealand & Westpac Banking Corporation (together "Joint Lead Managers"), Deutsche Craigs Limited (Co-Manager), Trustees Executors Limited (Supervisor), nor any of their respective directors, officers, employees, affiliates or agents to subscribe for, or purchase, any of the 2024 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 2024 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 2024 Bonds, which sets out how 2024 Bonds may be applied for.

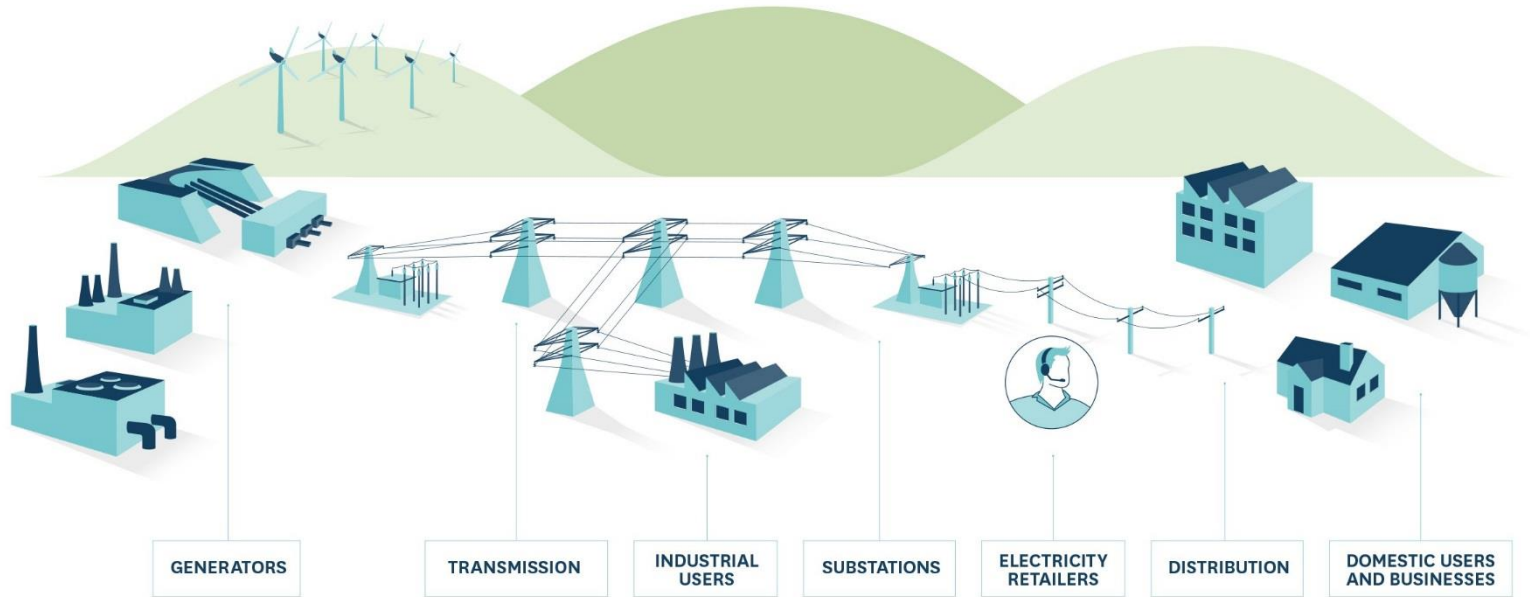
Application has been made to NZX for permission to quote the 2024 Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of the Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement 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
 - Risk management
 - Recent financial performance
 - Capital management
 - Funding
 - Credit rating
- **The Offer**
 - Key terms, dates and process
- **Investment Highlights**



The New Zealand electricity market



5 Major generators

1 Transmission grid operator

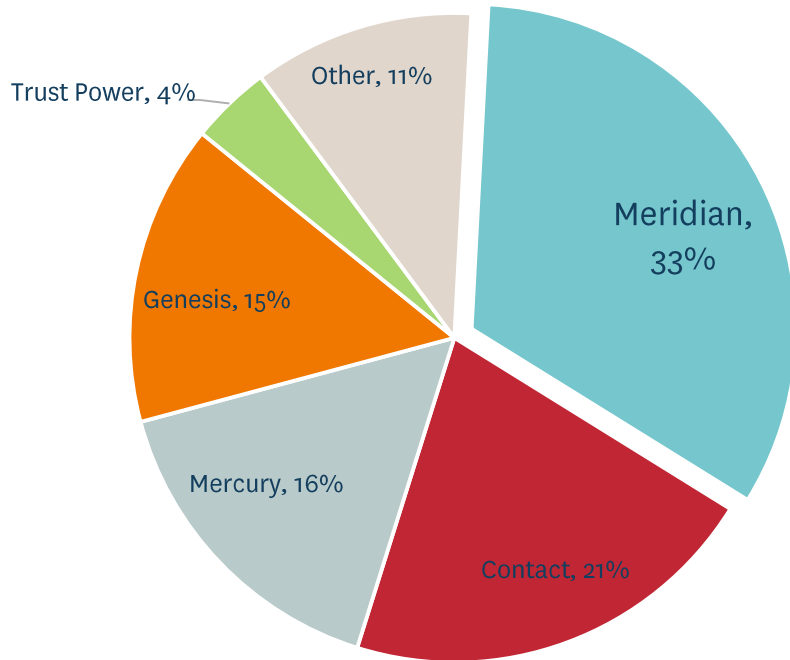
29 Distribution businesses

34 Electricity retail brands

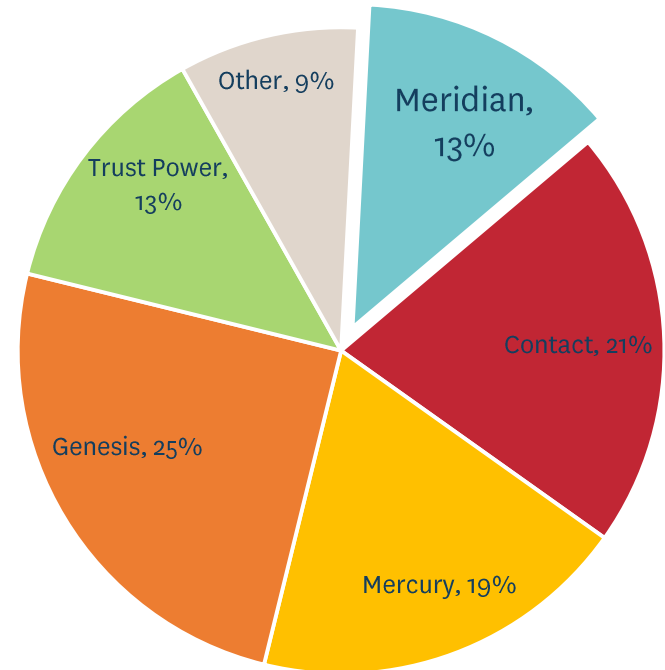
2 Million consumers

New Zealand electricity market structure

Generation market share by volume (GWh)



Retail market share by customer numbers (ICPs)



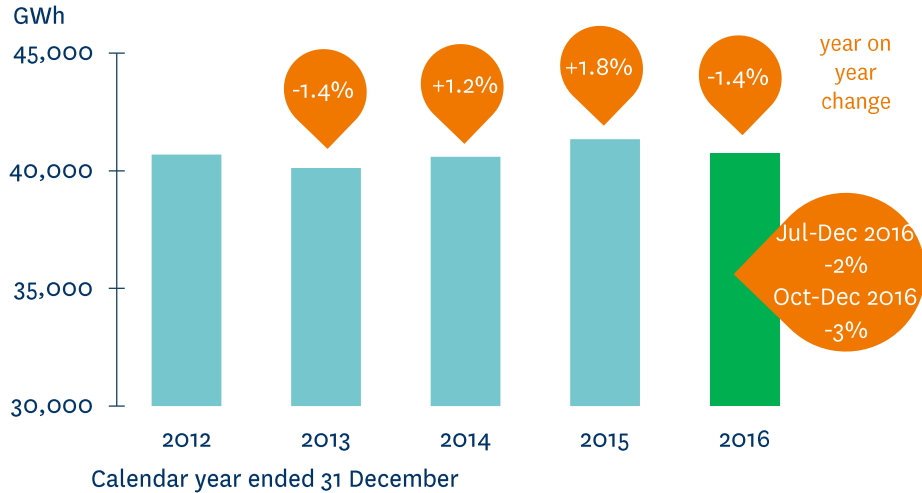
- Vertical integration is the dominant strategy

Source: Meridian (year ended 31 December 2016)

The New Zealand market

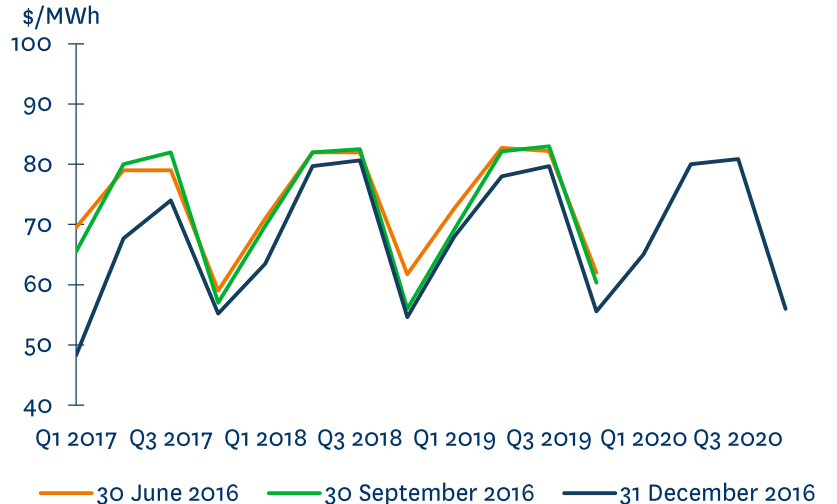
- Warm winter temperatures and high rainfall have eliminated demand growth in the last year, resulting in a decrease of 1.4% in national demand
- Decreased South Island irrigation load in the second half of 2016 had a significant impact on annual demand
- Forward ASX prices have softened during the last three months of 2016
- Largely a reflection of near-term national storage being high
- High retail competition and switching (dominated by premises moves) persist in the market

NATIONAL DEMAND



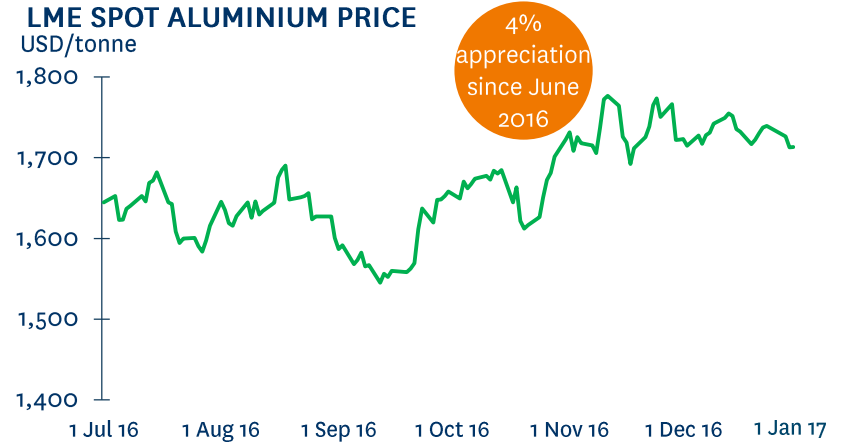
source: Electricity Authority

BENMORE ASX FUTURES SETTLEMENT PRICE



Tiwai Point smelter

- Price increased from 1 January 2017
- Contract now into NZAS perpetual 12-month termination right
- International aluminium market is improving, but remains difficult
- Positive sentiment on global demand and possible supply side discipline in China have driven a rally in spot prices
- However global demand growth is forecast to moderate
- USD spot aluminium prices have risen 4% since June 2016
- Depreciating NZD USD cross rate, down 3% since June 2016
- Meridian’s modelling suggests smelter remains cash positive after stay-in-business capex



source: London Metal Exchange



source: Thompson Reuters

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 366,000 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

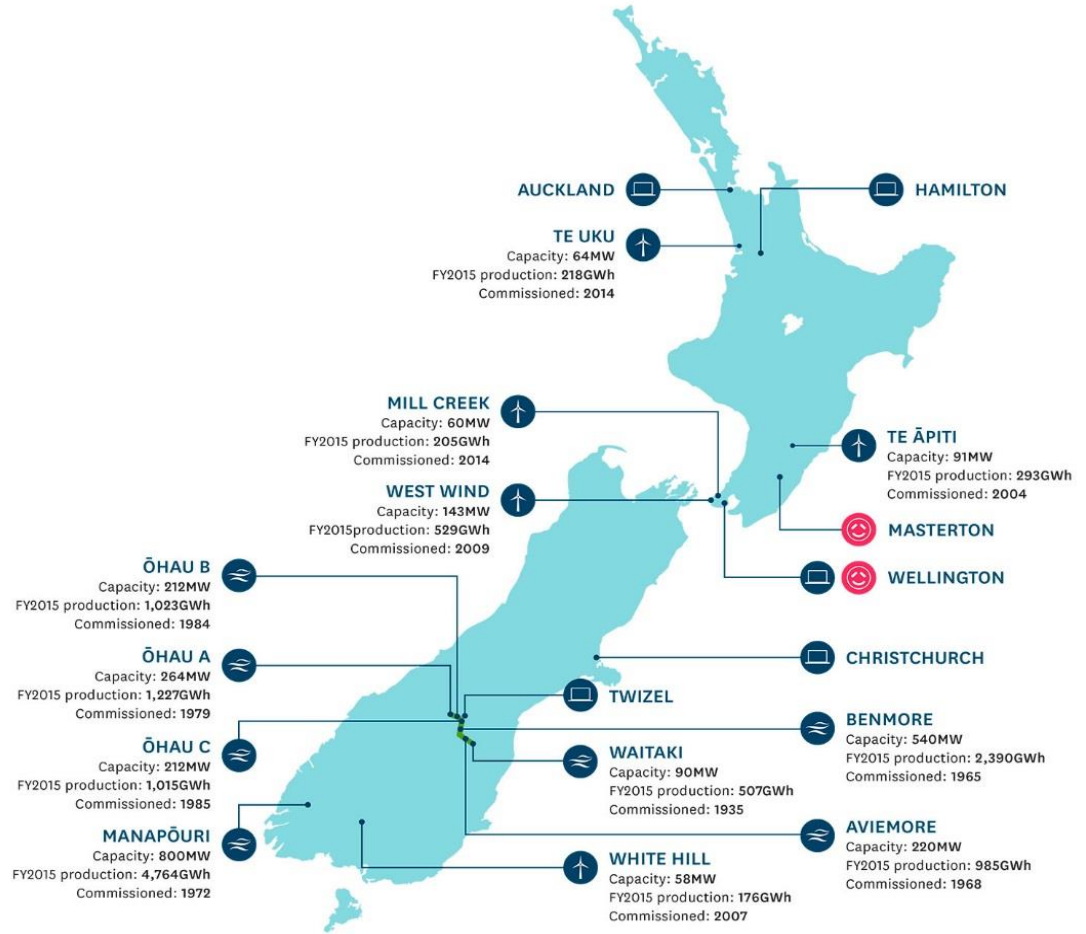
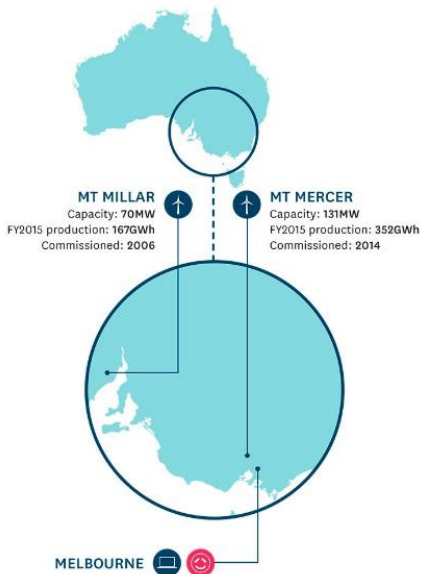
- **Seven wind farms**

More than a decade of construction and operational experience

- **Future development options**



Meridian's generation assets



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

Meridian Retail

- A retailer to around 276,000 homes, farms and businesses throughout New Zealand
- Converted 91,000 Australians to great kiwi customer service so far
- Offering choice through two different brands
- Have successfully delivered the first milestone in development of Powershop franchise for npower in the UK



meridian



Progress on strategy



Maintaining an open market in which we can compete effectively

- TPM supplementary consultation paper released, implementation expected by April 2020 (latest)
- Election year focus unlikely to be on electricity market structure



Developing opportunities for earnings growth

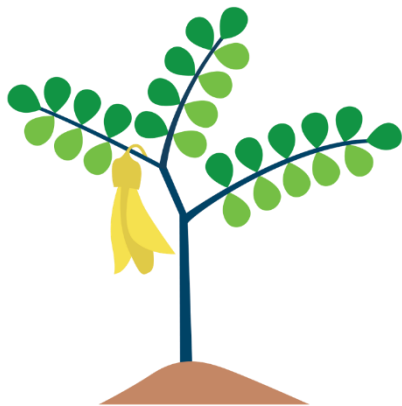
- NZ wind options ready to meet expected new supply needs after 2019
- Powershop Australia launch in Queensland
- First Powershop UK milestone met

Progress on strategy



Protecting and maximising our generation asset and wholesale position

- NZAS back-to-back arrangements with other generators in effect
- Transmission grid resilient to a Tiwai exit
- Ability of HVDC to deliver energy into the North Island is robust



Growing retail value by making things easy for our customers and optimising our operations

- Two years through a \$24m redevelopment of core customer support systems
- Small/medium business focus delivering segment volume growth
- Commitment to EVs with tailored tariffs, fleet conversion and infrastructure partnerships

Risk Management

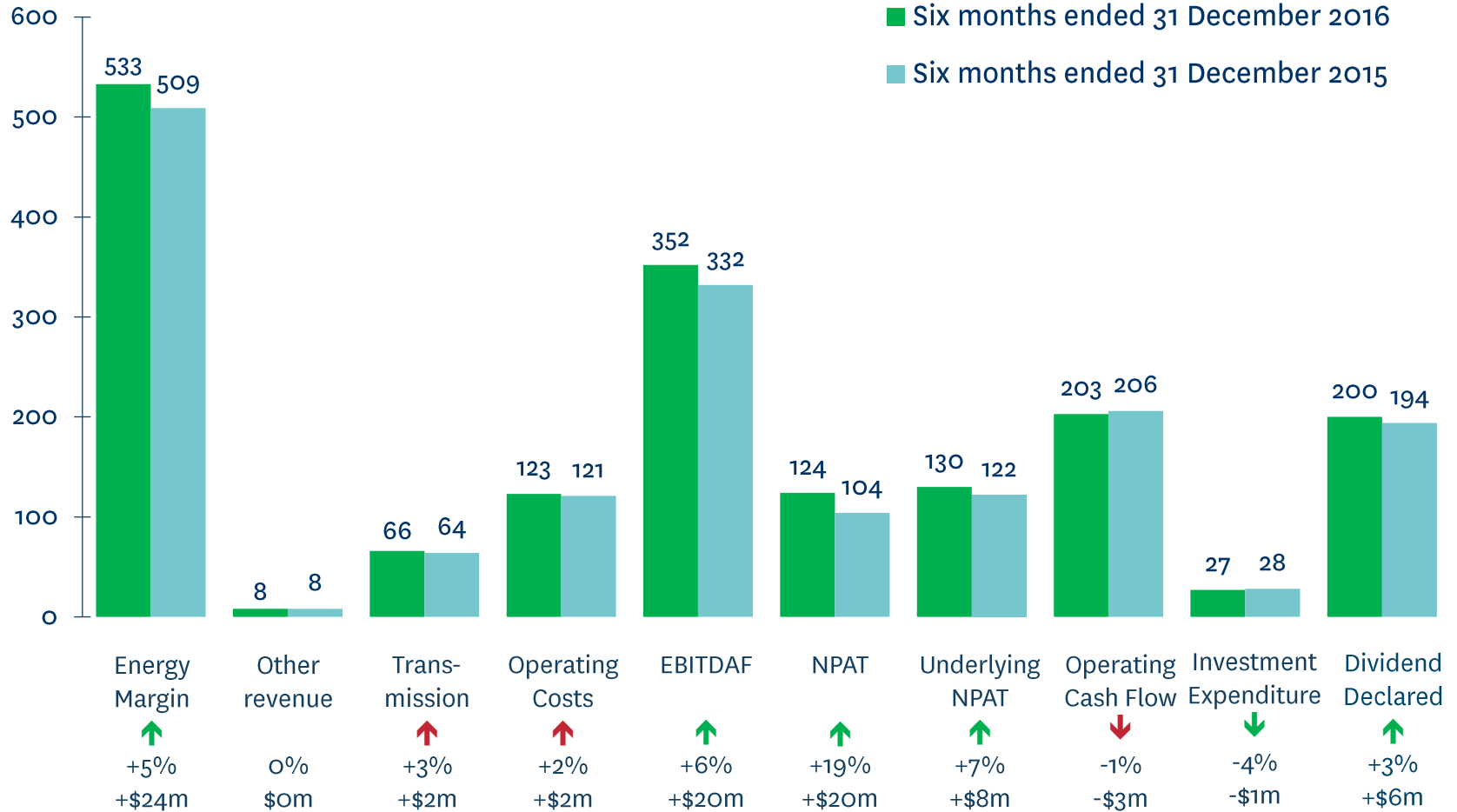
- Meridian operates an active risk management programme
- Key risks include:
 - Tiwai
 - Adverse hydrological conditions
 - Catastrophic events
 - Plant failure
 - Use of and access to water
 - Legislative and regulatory risks
- Details of Meridian's risk management structure are in Meridian's 2016 Annual Report, which can be found online at www.meridianenergy.co.nz



Financial performance - interim

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

\$M



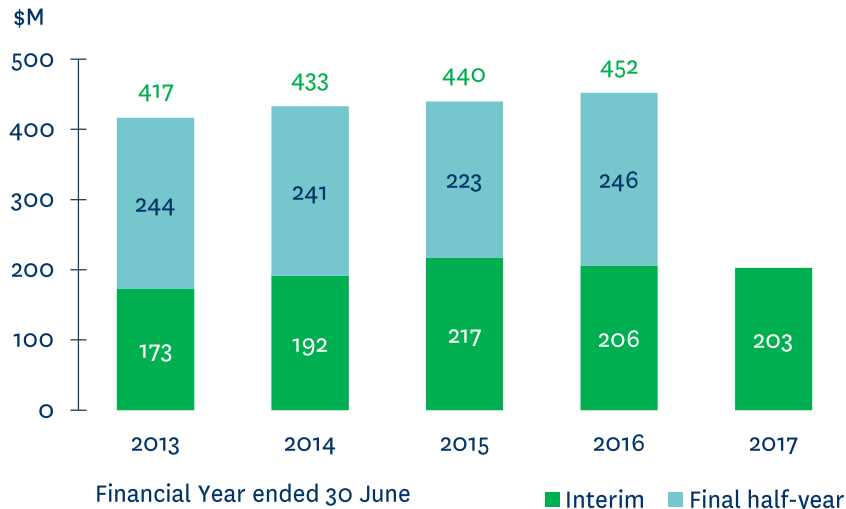
Key financial metrics

SUMMARY GROUP BALANCE SHEET	30 Jun	30 Jun	30 Jun	31 Dec
	2014	2015	2016	2016
	\$M	\$M	\$M	\$M
Total Assets	7,590	7,661	8,538	8,279
Total Liabilities	2,956	2,913	3,488	3,382
Equity	4,634	4,748	5,050	4,897
Debt	1,092	1,076	1,214	1,229
RATIOS & MULTIPLES				
Debt/(Debt+Equity) ¹	20%	18%	19%	19%
Net Debt/EBITDAF (x) ²	1.8	1.7	1.8	1.9
EBITDAF/Interest Cover (x) ¹	6.8	7.6	8.2	8.5

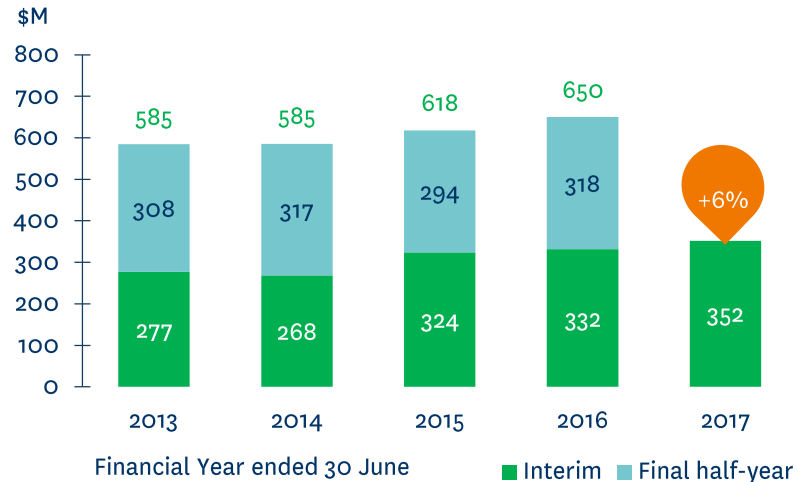
¹Per Guaranteeing Group (excludes certain Meridian entities)

²Per Standard and Poor's key metrics

CASH FLOW FROM OPERATING ACTIVITIES

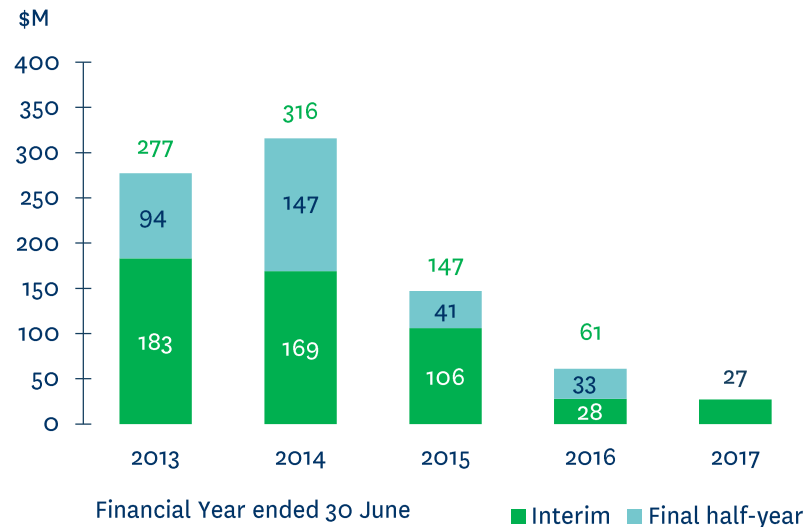


EBITDAF¹



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

INVESTMENT EXPENDITURE



Dividend policy and capital management

- Dividend policy set to return 75%-90% of free cash flow
- In August 2015 Meridian's Board approved a capital management programme to return capital to shareholders
- The programme is targeting a progressive return of \$625m over 5 years, with capital management distributions of \$250m¹ since programme commenced in August 2015
- Programme will continue only on the basis that Meridian does not receive a termination notice from NZAS, or any material change to the company's financial position

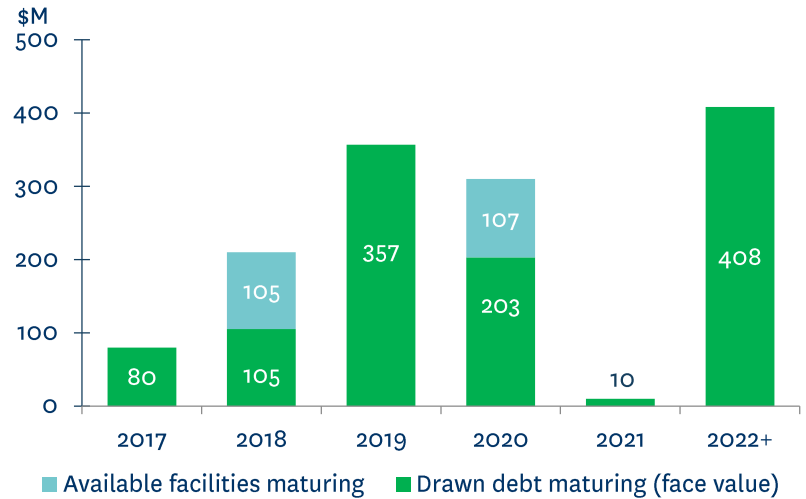


¹ Includes the December 2016 interim dividend declared

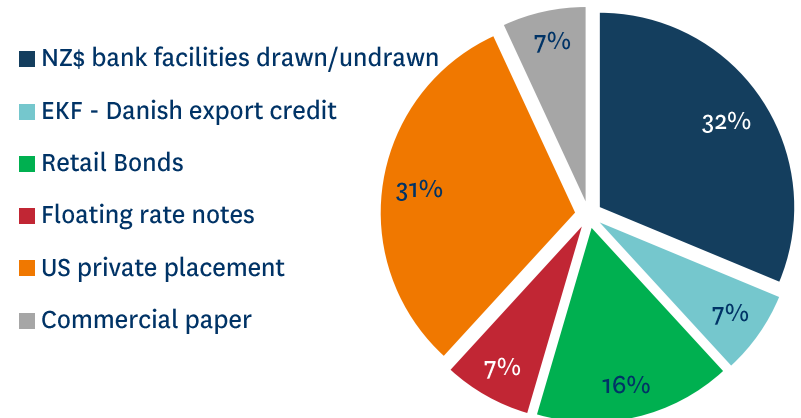
Funding

- Total borrowings as at 31 December 2016 of \$1,229m
- Committed bank facilities of \$620m as at 31 December 2016, of which \$307m were undrawn
- Minimum headroom required in addition to forecast requirements is \$200m
- 2017 retail bond issue proceeds primarily used for general corporate purposes including the refinance of a Mar-17 \$75m retail bond maturity
- Next capital market maturity is April 2019 (\$271m USPP)

DEBT MATURITY PROFILE AS AT 31 DEC 2016



SOURCES OF FUNDING AS AT 31 DEC 2016



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 Jul-2016

- 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 2016

1.9 X

Meridian targets a long term credit rating of BBB+

- Bond Covenants – consistent across capital providers

31 December 2016

Debt/(Debt + Equity) =< 55% 19 %

EBITDA/Interest => 2.5X 8.5 X

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	20 March 2024
Interest Rate	Equal to the sum of the Base Rate plus the Issue Margin, on the Rate Set Date
Indicative Issue Margin	1.50% to 1.60% p.a
Interest Payments	Semi-annual in arrear in equal amounts on 20 March and 20 September of each year up to and including the Maturity Date, commencing 20 September 2017
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 2024 Bonds on the NZX Debt Market under the code MELO40
Issue Credit Rating	BBB+ (Standard & Poor's)
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

Key dates and offer process

Date	
6 March (Monday)	Offer opens
6 – 8 March	Roadshow –Wellington, Auckland, Dunedin and Christchurch (plus conference call)
10 March (Friday)	Offer closes – bids due 12pm
10 March (Friday)	Allocations and rate set
20 March (Monday)	Issue Date
21 March (Tuesday)	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 2016 and interim report for the 6 months ended 31 December 2016 available at:

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

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