meridian

Better energy future

MERIDIAN ENERGY LIMITED Interim results presentation for the six months ended 31 December 2015

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain forward-looking statements and projections. These reflect Meridian's current expectations, based on what it thinks are reasonable assumptions. Meridian gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or NZX or ASX listing rules, Meridian is not obliged to update this presentation after its release, even if things change materially.

This presentation does not constitute financial advice. Further, this presentation is not and should not be construed as an offer to sell or a solicitation of an offer to buy Meridian Energy securities and may not be relied upon in connection with any purchase of Meridian Energy securities.

This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the condensed interim financial statements, which are included in Meridian's interim report for the six months ended 31 December 2015 and is available at:

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

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

Highlights

EBITDAF

GROWTH

INTERIM ORDINARY DIVIDEND

CENTS PER SHARE

SPECIAL DIVIDENDS

CENTS PER SHARE

NEW ZEALAND RETAIL SALES VOLUMES

INCREASE

POWERSHOP AUSTRALIA CUSTOMERS

GROWTH

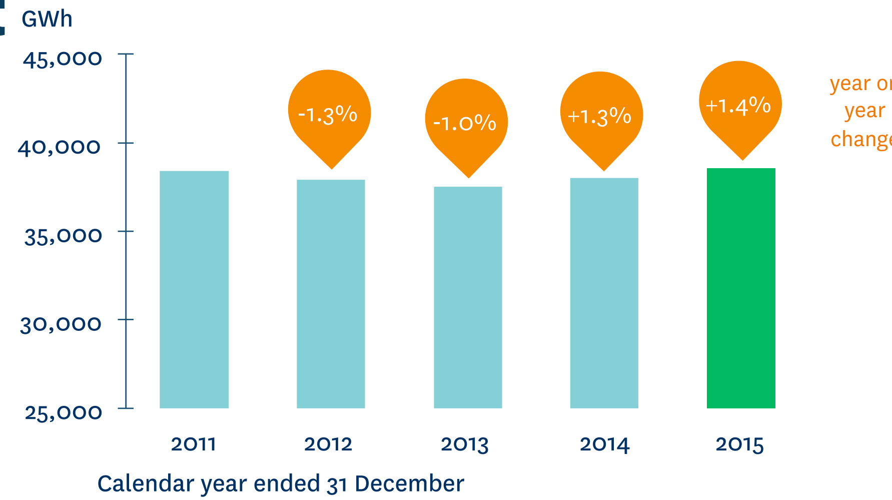
POWERSHOP AGREEMENT WITH NPOWER

NOVEMBER

The New Zealand market

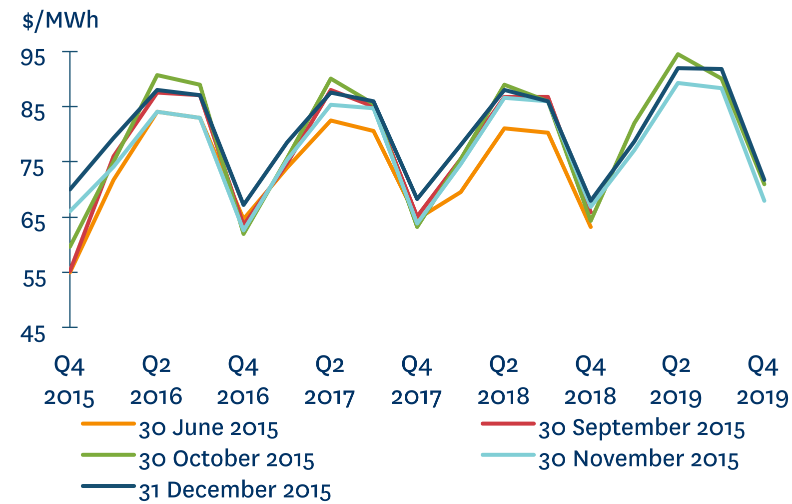
- Modest demand growth in last six months
- Growth in most regions and sectors (except industrial)
- 600MW of thermal plant closure has occurred in the last 6 months
- Market is working through implications of completed and planned thermal plant closure
- 2019 ASX prices are only trading around 4% above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

NATIONAL DEMAND



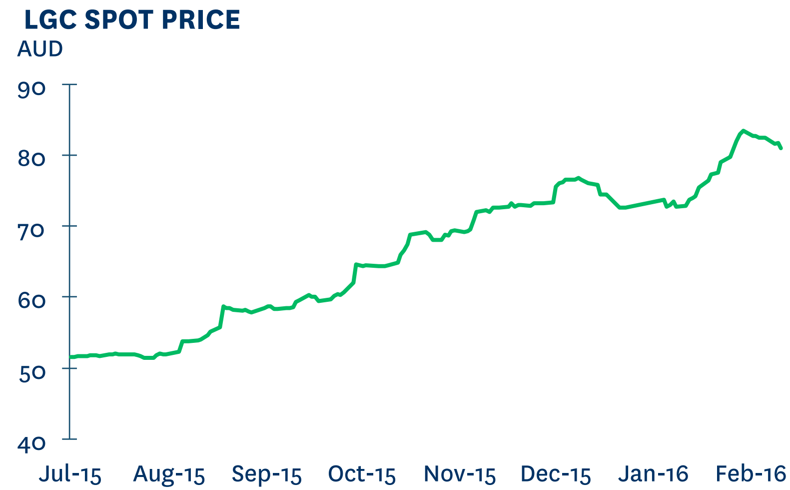
source: Transpower, Meridian

OTAHUHU ASX FUTURES SETTLEMENT PRICE

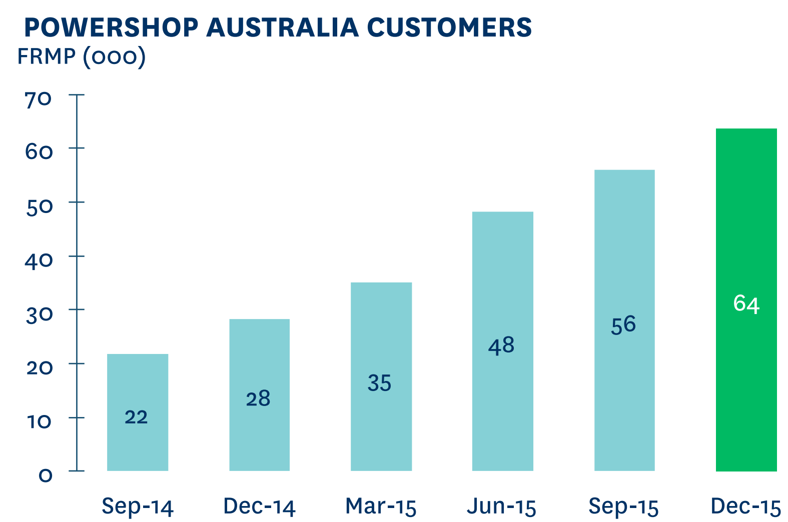


The Australian market

- LGC prices have responded to RET target decision in June 2015 and political changes in September 2015
- Has not yet translated into investment certainty, with little new investment announced
- Rising base wholesale prices with thermal retirement and new LNG gas consumption kicking in
- Powershop Australia has good traction in NSW and Victoria, despite competition remaining strong



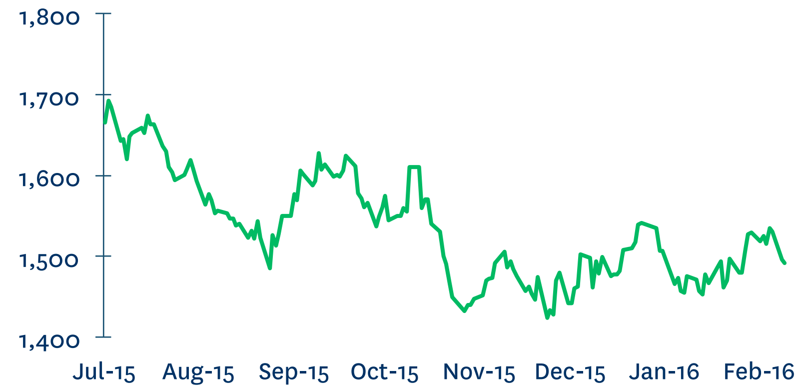
source: Bloomberg



Tiwai Point smelter

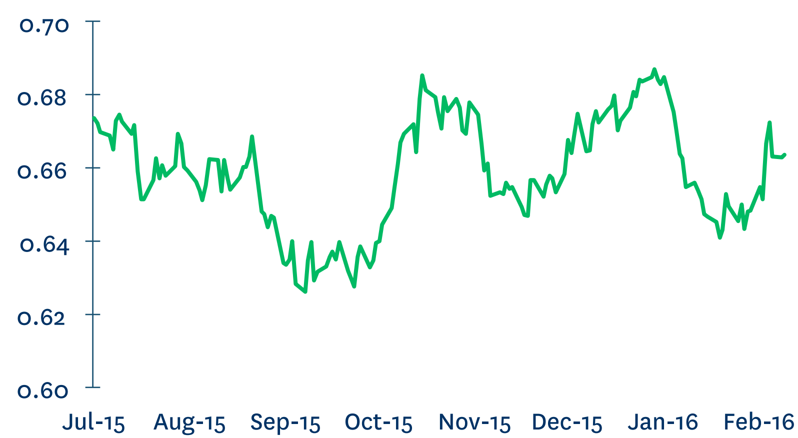
- Current trading environment for the aluminium industry is difficult
- USD aluminium prices have fallen 10% since the middle of 2015
- Price premia have stablised from declines in the first half of 2015
- Little additional relief for NZAS from a fluctuating NZD USD cross rate between July and December 2015
- 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

LME SPOT ALUMINIUM PRICE
USD/tonne



source: London Metal Exchange

NZD USD CROSS RATE
Daily spot



source: Reuters

Wholesale and generation

- Stay in business capital spend inside the annual $65m envelope
- Mill Creek wind farm performance running ahead of expectations
- Iconic Brooklyn turbine will be replaced in April 2016
- Consent extensions gained for Central Wind and Maungharuru wind options
- Meridian's January 2016 monthly inflows were 85% of historical average
- Meridian's Waitaki catchment storage sat at 93% of historical average at the end of January 2016

Meridian Retail

- Segment EBITDAF up +$5m (+19%)
- Growth in corporate and industrial sales volumes (+4%)
- Growth in residential and SMB sales volumes (+6%)
- Lift in average sales price
  - Corporate and industrial +4% in line with movements in the forward market
  - Residential and SMB +2% with inflation based price changes for some networks
- Some operating cost growth to counter competitive pressure

Meridian Retail

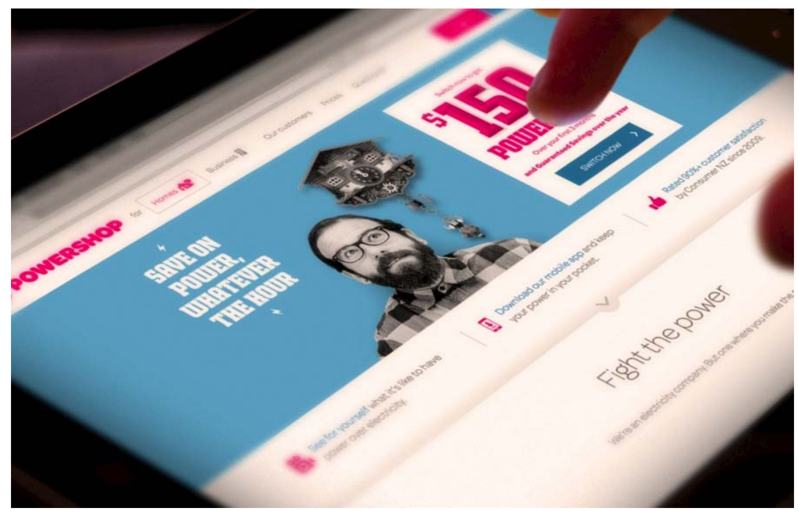
- Launch of Xero partnership
- Winner of CRM contact centre award (commercial and business services)
- Powershop net promoter score above 46 (energy sector average is -13)
- Good performance on retail metrics

MERIDIAN RETAIL		Dec 14	Jun 15	Dec 15
Time to answer (seconds)	6 month avg	93	40	30
Churn (variance to market)	12 month avg	-1.7%	-1.5%	-1.2%
Customer retention rate	6 month avg	81%	80%	77%
Cost to serve per customer[1]	6 month cost	$114	$124	$129
Overdue debt > 30 days	$m	5.1	2.4	4.1
Disconnections	6 month total	5,792	4,657	2,104

[1]Excluding metering costs

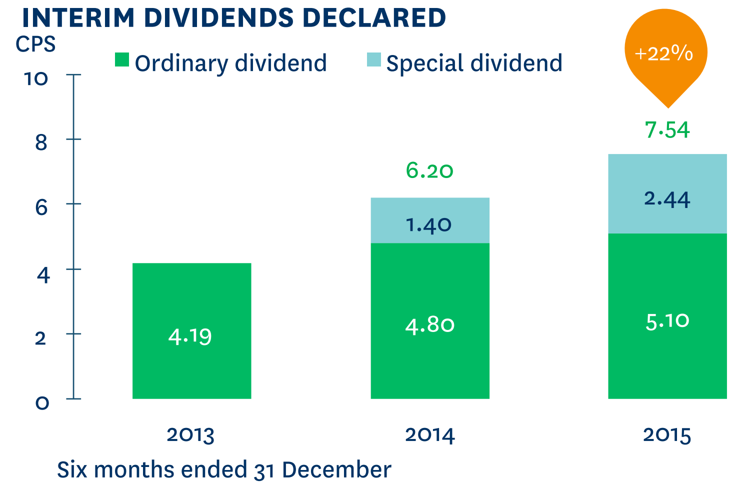
npower agreement

- Franchise licence agreement with RWE npower signed in November 2015
- Will take the Powershop service platform and brand to the UK without Meridian carrying market exposure
- Staged delivery of electricity, smart meter integration, gas and dual fuel and white label offerings
- Two year establishment phase with npower paying fixed development fees and making milestone payments
- From full launch, npower will pay an annual fixed fee and a variable per customer fee



Dividends

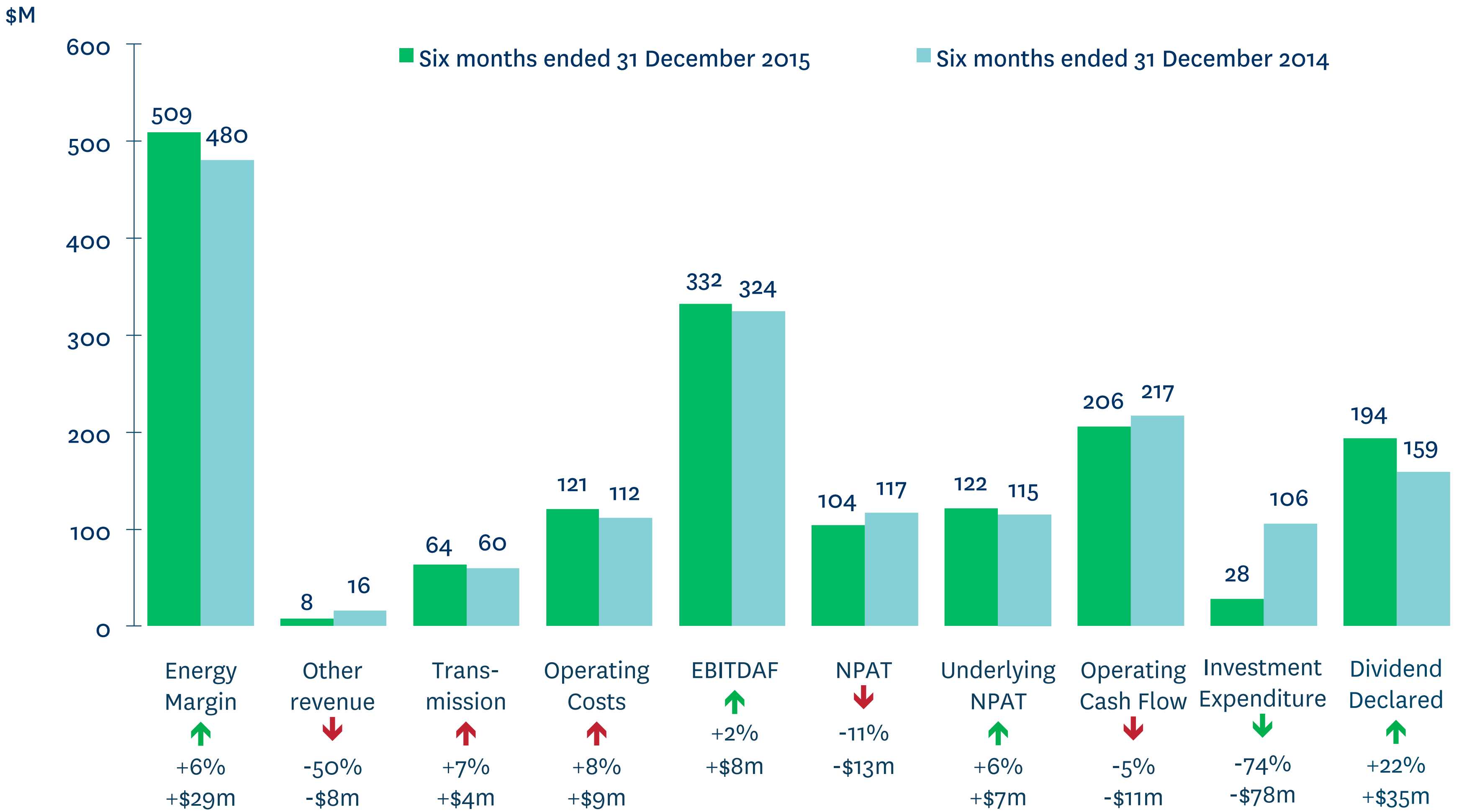
- Interim ordinary dividend of 5.10 cps, 85% imputed
- Is a 6% increase on the interim dividend from last year
- Capital management interim special dividend of 2.44 cps, unimputed
- Brings capital management distributions to $125m since the programme commenced in August 2015
- To date, this has been paid as special dividends, buyback remains a consideration



FY2016 DIVIDENDS DECLARED	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	5.10	85%
Interim Special Dividend	2.44	0%
Total Interim Dividend	7.54	

Financial performance

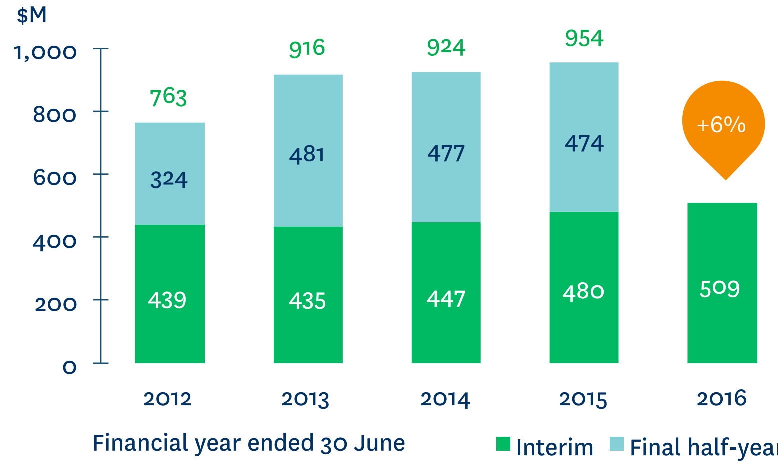
FINANCIAL PERFORMANCE AGAINST PRIOR YEAR



Earnings

- 'Like for like' EBITDAF (excluding FY2015 insurance proceeds) increase of $12m (4%) in 1H FY2016 from:
  - \+ Higher corporate sales volume in NZ
  - \+ Higher residential/SMB sales volumes in both countries
  - – Higher market purchases to support this volume
  - \+ Higher retail sales prices in NZ
  - \+ Higher generation prices in Australia
  - \+ Higher sell-side CFD volumes and lower acquired generation costs
  - – Higher HVDC charges
  - – Lower other revenue following sale of Arc and surplus farm land
  - – Higher costs including customer acquisition and Powershop expansion

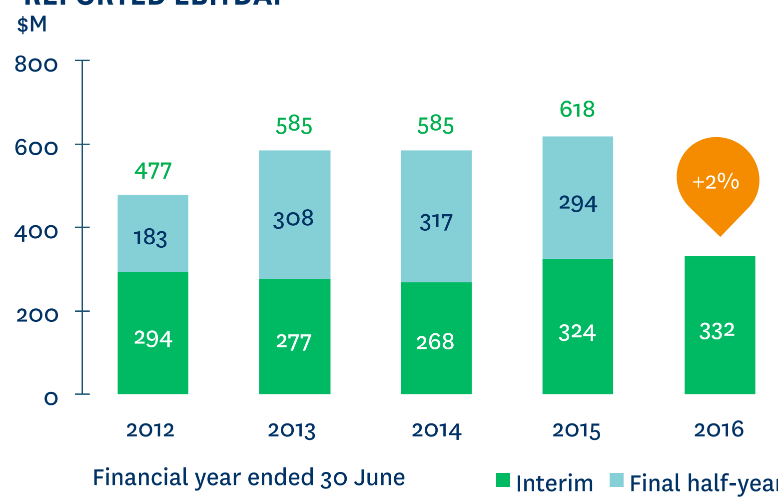
ENERGY MARGIN[1]



[1]See pg 25 for a definition of energy margin

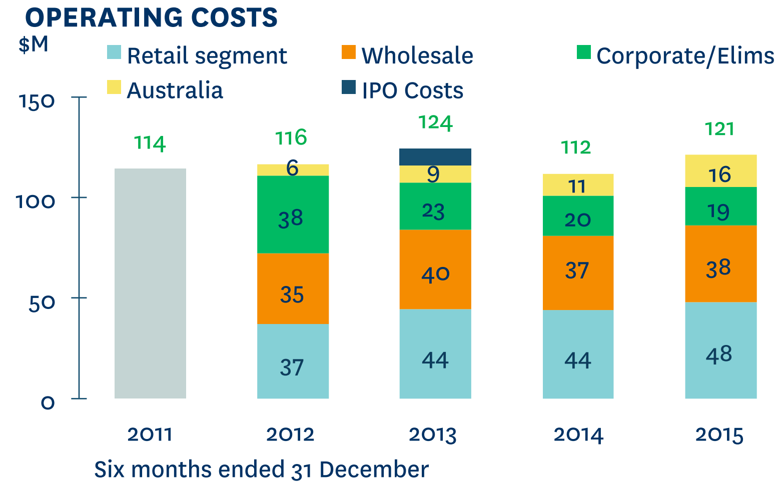
[2]Earnings before interest, taxation, depreciation, amortisation, changes in fair value of hedges and other significant items

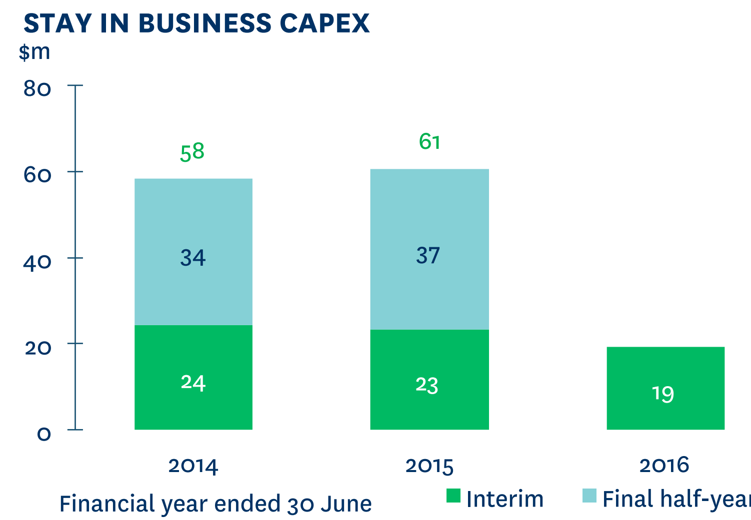
REPORTED EBITDAF[2]



Costs

- Operating costs have increased +$9m (+8%) in 1H FY2016
- Almost half of this growth is investment supporting Powershop expansion offshore
- Continued customer acquisition pressure in NZ
- Timing differences on some reoccurring spend
- Change in treatment of $1.4m of costs with Arc sale (now included in operating costs rather than energy margin)
- Expect cost growth in 2H FY2016 to be largely limited to growth investment
- Stay in business capital expenditure is within the $65m annual envelope

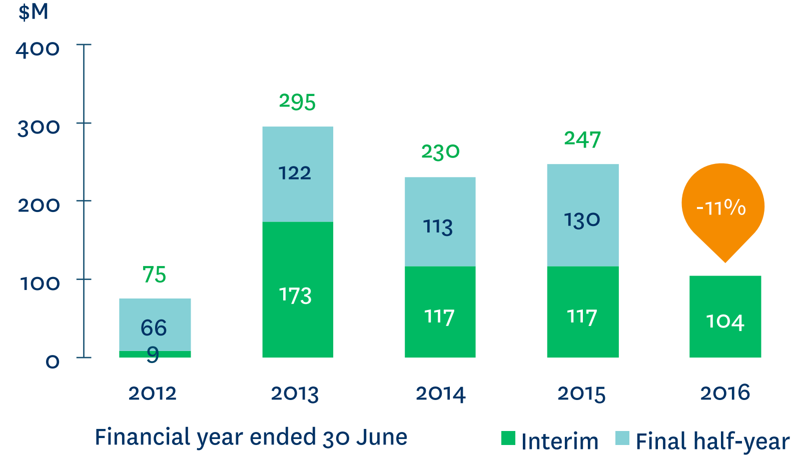




Below EBITDAF

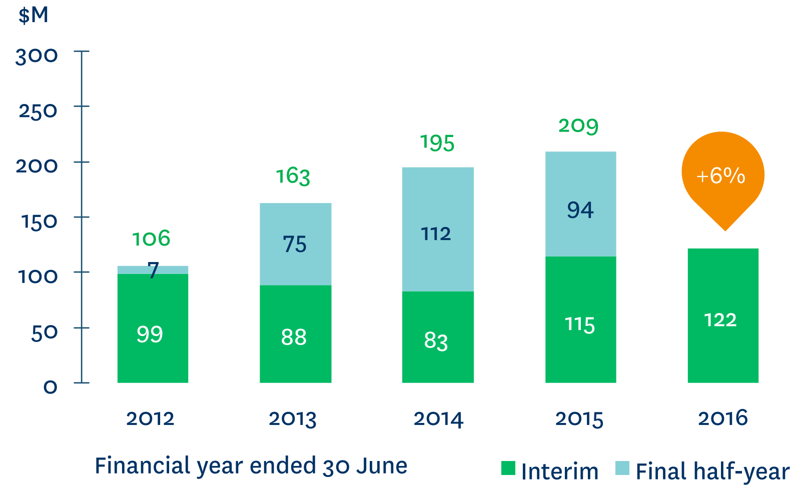
- Net finance costs -$1m (-3%) from lower interest on borrowings
- Positive change in fair value of treasury instruments reflecting forward rate changes in 1H FY2015
- Negative change in fair value of electricity hedges
  - Change to the treatment of LGCs and associated forward sales used to cover some future LGC production
  - Rising LGC prices have given rise to unrealised fair value losses on forward contracts
- $15m of gains on the sale from Arc and surplus farm land in 1H FY2015
- Underlying NPAT +$7m (+6%) from higher EBITDAF and lower financing costs

NET PROFIT AFTER TAX



[1]Net profit after tax adjusted for the effects of non cash fair value movements and one-off items
A reconciliation between net profit after tax and underlying net profit after tax is on p34

UNDERLYING NPAT[1]



Concluding remarks

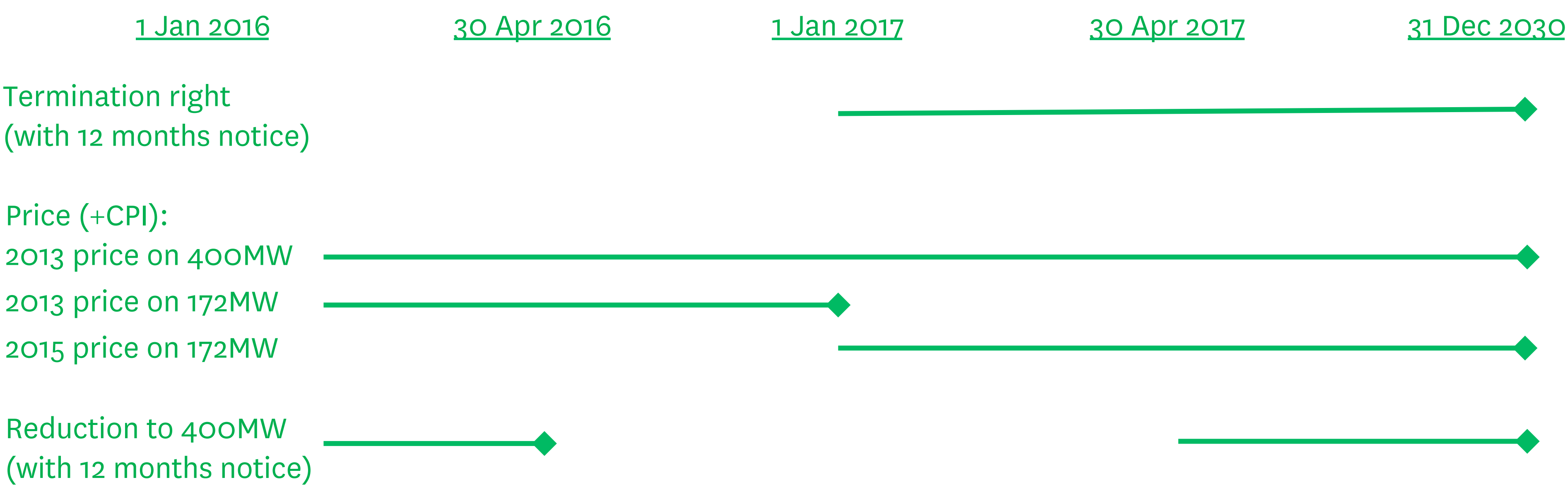
- Strategic focus remains unchanged:
  - Supporting TPM and thermal retirement outcomes to maintain an open and competitive market
  - Improving asset yield and maintaining low stay in business capex
  - Continuing to close our retail profit gap while lifting efficiency and service
  - Developing Powershop and future New Zealand renewable generation growth opportunities

Questions

Additional information

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



New Zealand retail

Customer connections

- -0.8% decline in ICP numbers since June 2015, reflecting aggressive residential sales activity and greater SMB focus

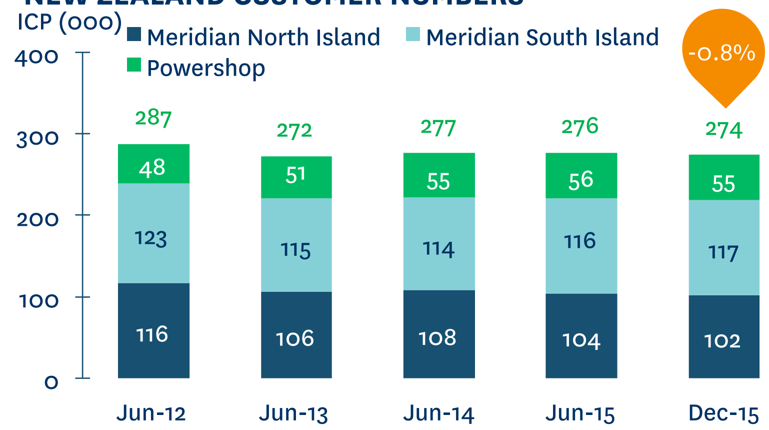
Residential, SMB, Agri segment

- +6% increase in volumes
- +2% increase in average price with inflation based price changes for some networks

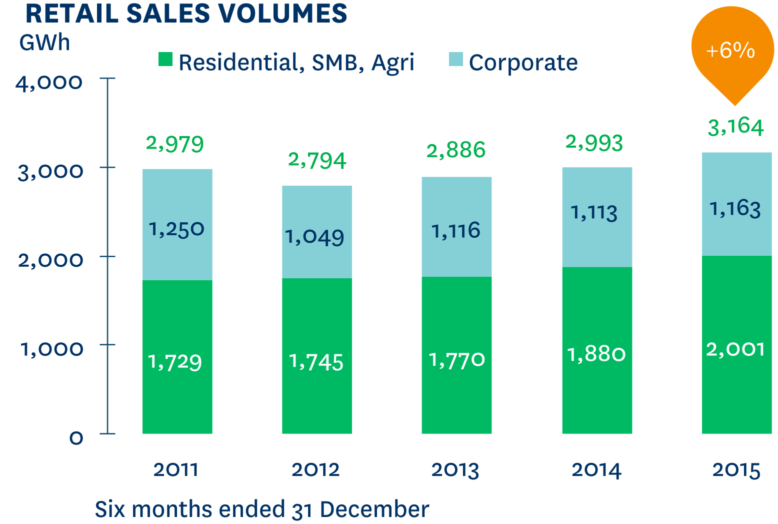
Corporate segment

- +4% increase in volumes
- +4% increase in average price in line with movements in the forward market

NEW ZEALAND CUSTOMER NUMBERS

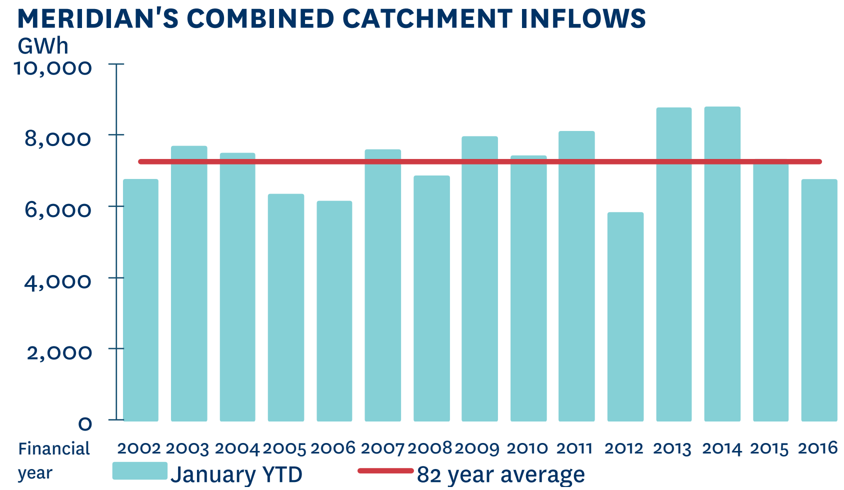


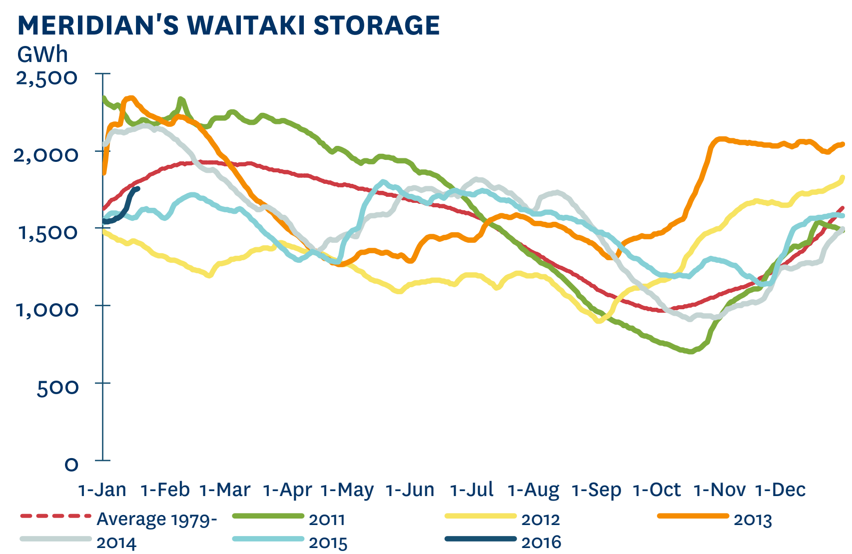
RETAIL SALES VOLUMES



Hydrology

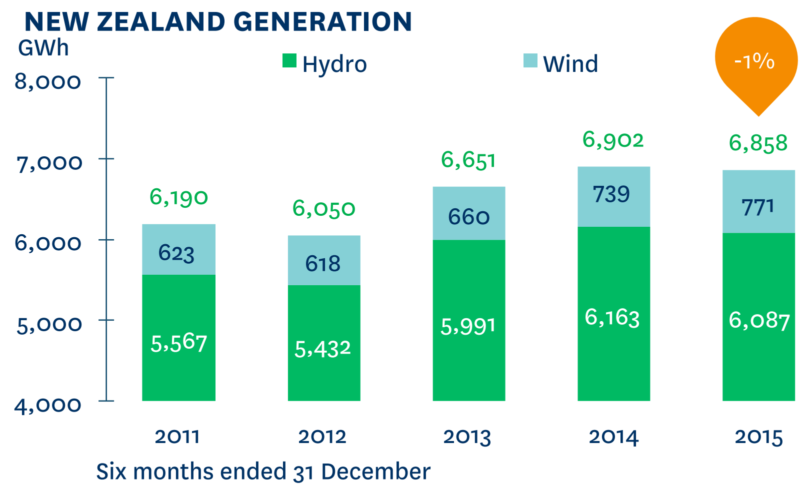
- Inflows for the six months ended December 2015 were 94% of historical average
- January 2016 inflows were 85% of historical average
- Meridian's Waitaki catchment storage at 31 December 2015 was 97% of historical average
- By 31 January 2016, this storage position was 93% of historical average

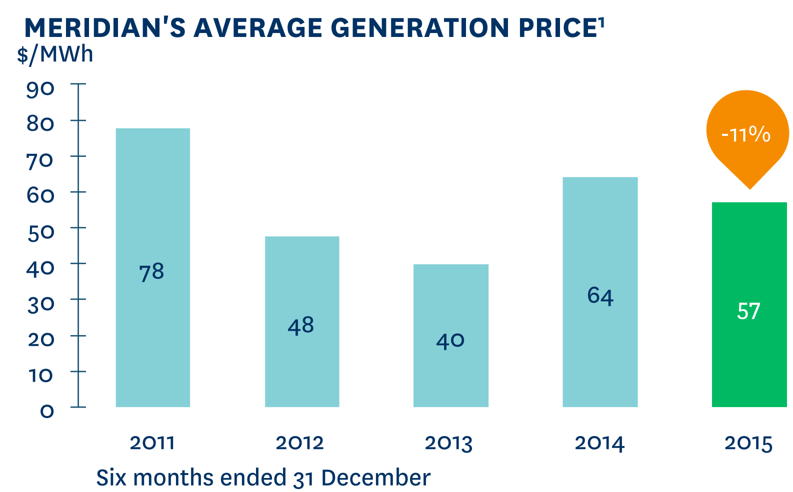




New Zealand generation

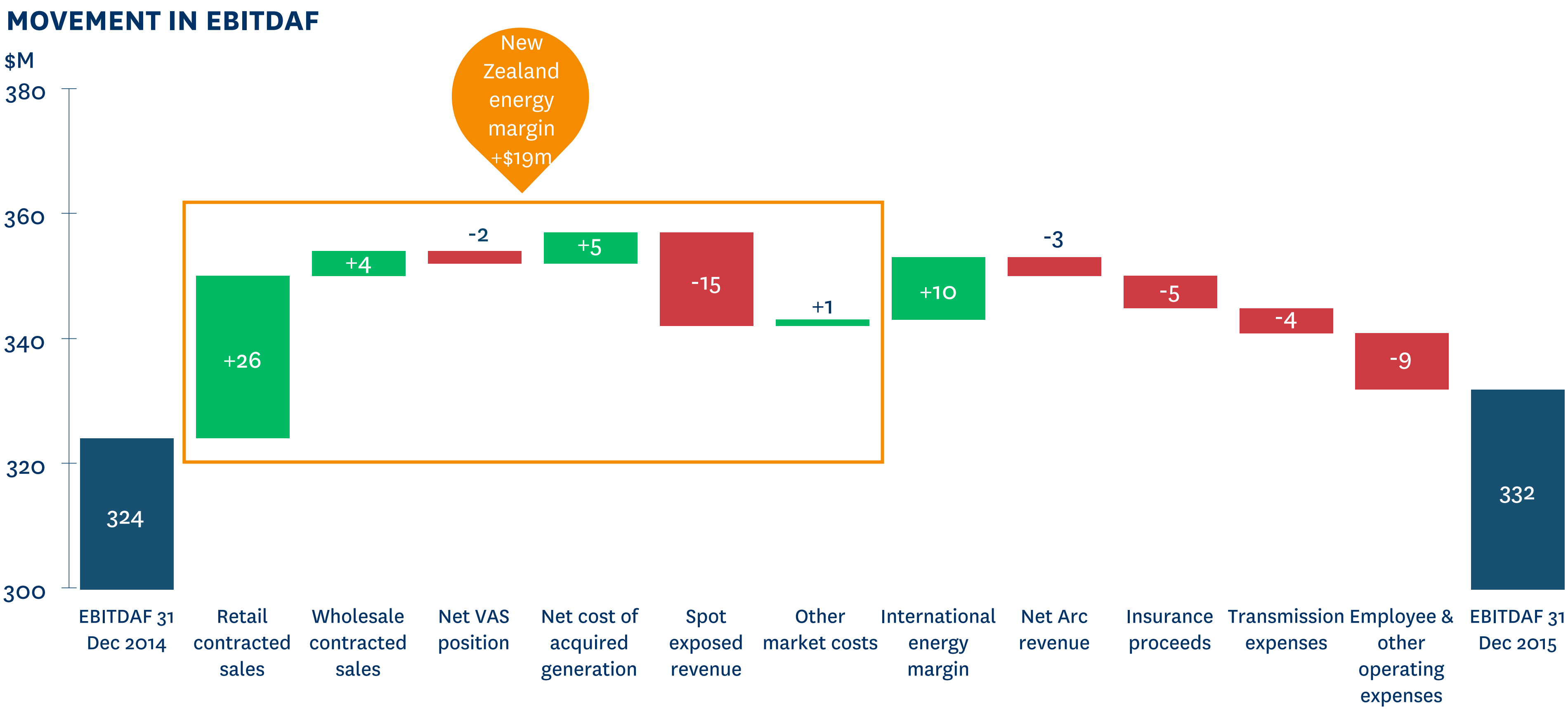
- For the six months ended 31 December 2015, Meridian's New Zealand generation was 1% lower than the same period last year
- For the six months ended 31 December 2015, the average price Meridian received for its generation was 11% lower than the same period last year
- Similarly, the price Meridian paid to supply contracted sales in the six months ended 31 December 2015 was 12% lower than last year





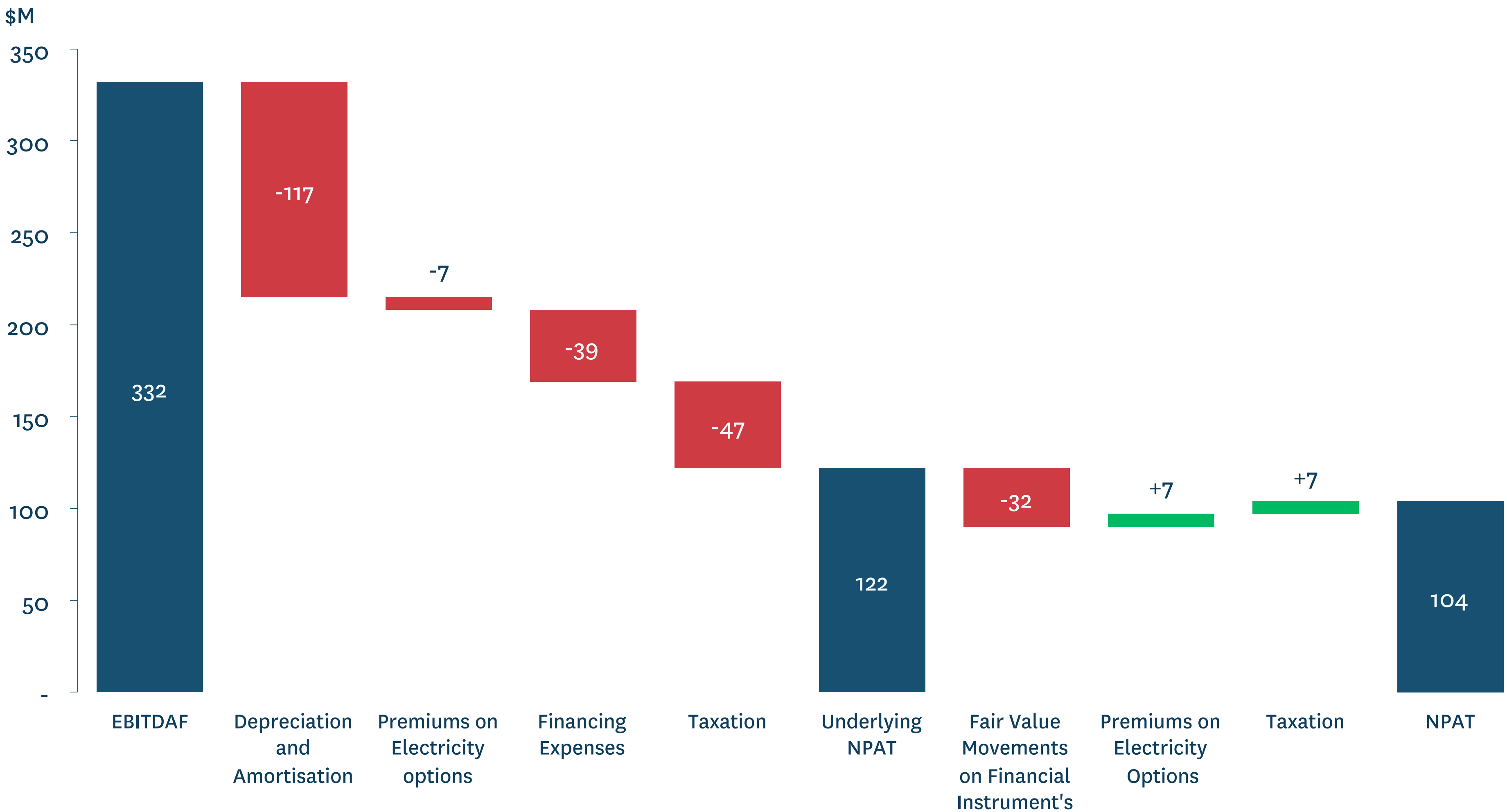
[1]Price received for Meridian's physical New Zealand generation

Movement in EBITDAF 1H FY2015 to 1H FY2016



EBITDAF and net profit after tax

1H FY2016 EBITDAF TO NPAT RECONCILIATION



New Zealand energy margin

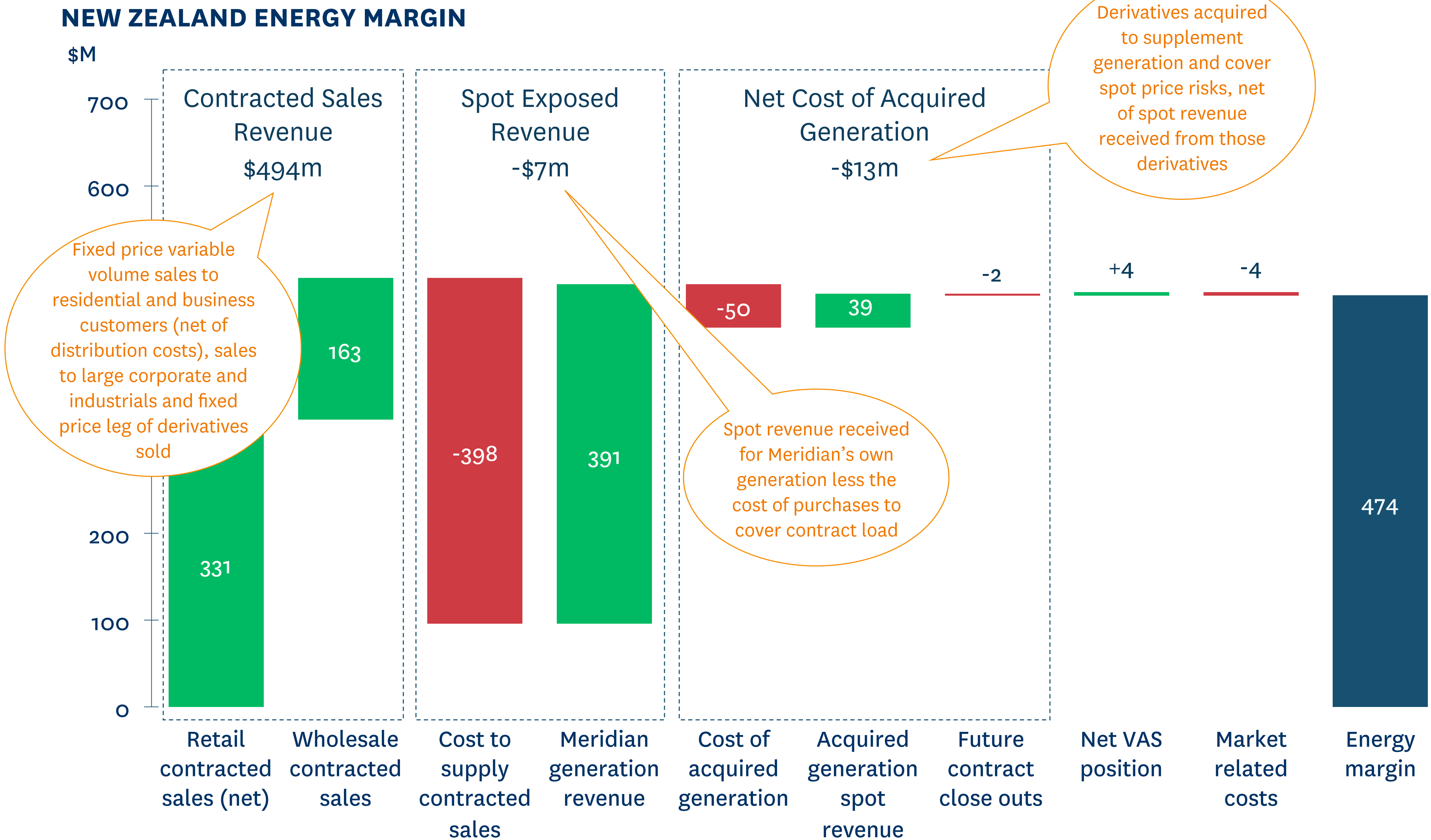
- Energy margin is a non-GAAP financial measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses
- Energy margin is used to measure the vertically integrated performance of the retail and wholesale businesses. This measure is used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases
- Energy margin is defined as:
  - \+ revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from derivatives sold (Contract sales revenue)
  - ± the net position of virtual assets swaps with Genesis Energy and Mighty River Power
  - − the cost of fixed cost of derivatives acquired to supplement generation and manage spot price risks, net of spot revenue received for generation acquired from those derivatives (Net cost of acquired generation)
  - ± revenue from the volume of electricity that Meridian generates that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)
  - ± other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

New Zealand energy margin

NEW ZEALAND ENERGY MARGIN	1H FY2016 VOLUME GWh	1H FY2016 VWAP $/MWh	1H FY2016 $M	1H FY2015 VOLUME GWh	1H FY2015 VWAP $/MWh	1H FY2015 $M
Residential/SMB contracted sales	2,001			1,880		
Corporate and industrial contracted sales	1,163			1,113		
Retail contracted sales	3,164	$104.6	$331	2,993	$101.9	$305
NZAS aluminium sales	2,525			2,525		
Sell side CFDs	676			606		
Wholesale contracted sales	3,201	$51.0	$163	3,131	$50.6	$159
Net VAS position	579		$4	579		$6
Acquired generation revenue	668	$58.6	$39	530	$63.2	$34
Cost of acquired generation	668	-$75.3	-$50	530	-$83.8	-$45
Future contract close outs			-$2			-$7
Net cost of acquired generation			-$13			-$18
Generation revenue	6,858	$57.0	$391	6,902	$64.2	$443
Costs to supply retail sales	3,333			3,171		
Costs to supply wholesale sales	3,201			3,131		
Cost to supply contracted sales	6,534	-$61.0	-$398	6,302	-$69.1	-$435
Net spot exposed revenue			-$7			$8
Other market revenue/(costs)			-$4			-$5
Energy Margin			**$474**			**$455**
LWAP:GWAP[1]			1.10			1.11

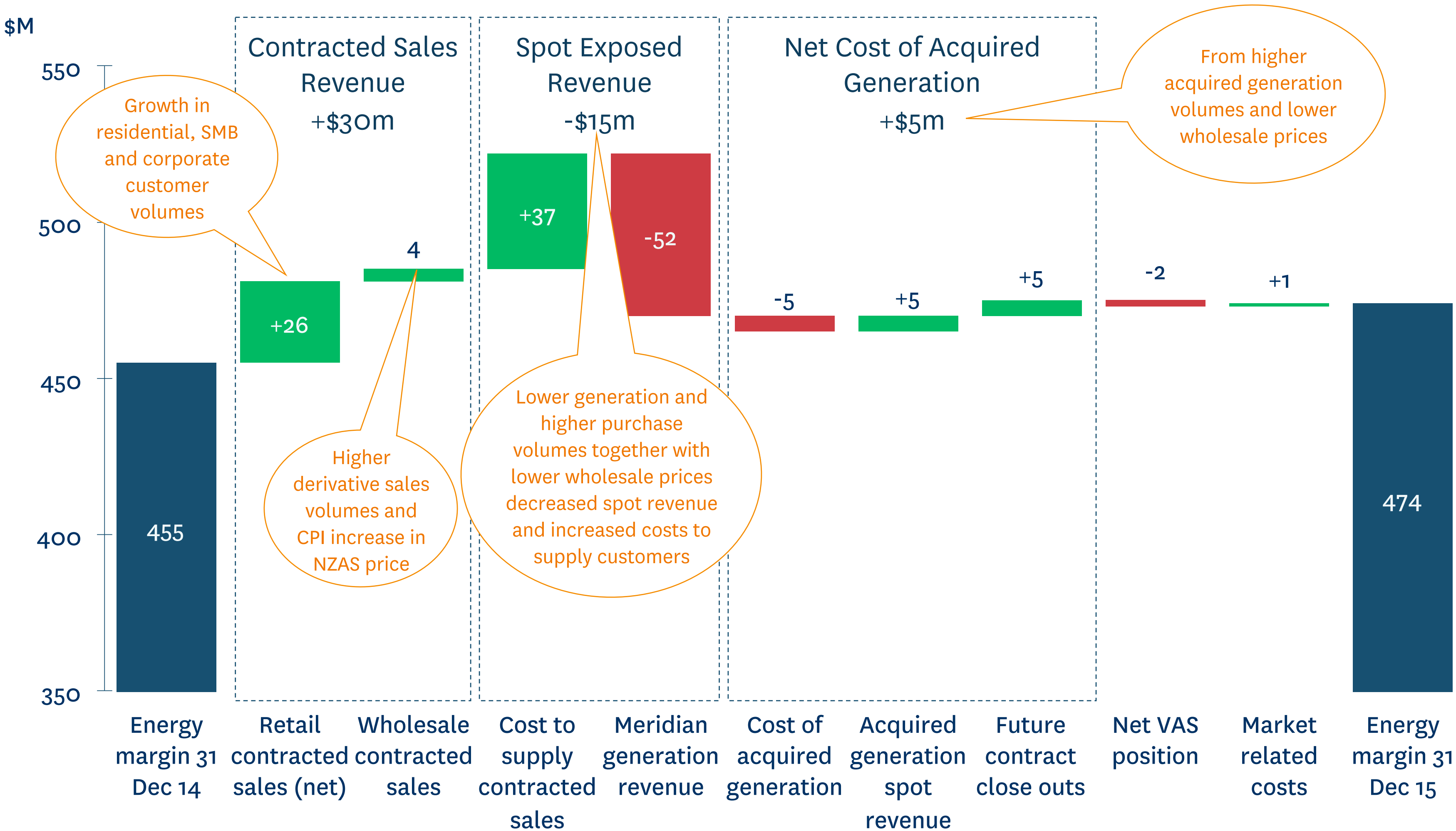
[1]Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of line losses

New Zealand energy margin



Movement in energy margin 1H FY2015 to 1H FY2016

NEW ZEALAND ENERGY MARGIN



Other revenue

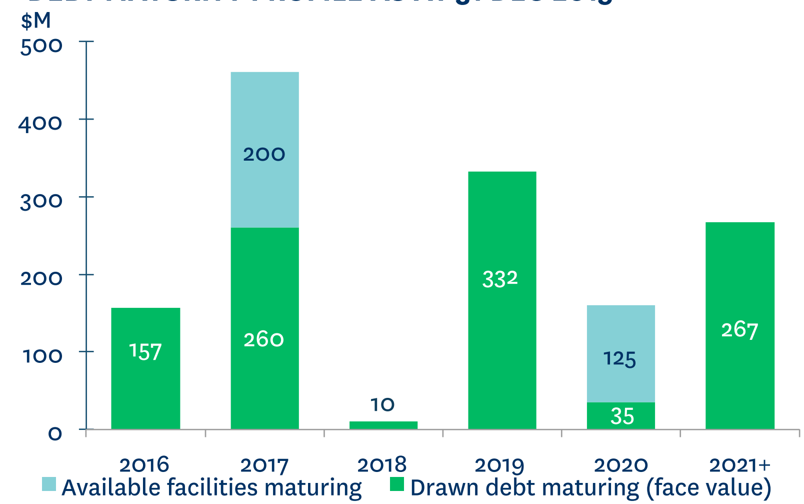
SUMMARY OF OTHER REVENUE	6 MONTHS ENDED 31 DEC 2015 $M	6 MONTHS ENDED 31 DEC 2014 $M	12 MONTHS ENDED 30 JUN 2015 $M
Retail service revenue (field services etc)	3	3	8
Arc Innovations	-	3	3
Damwatch	2	2	5
Miscellaneous[1]	2	6	7
Farming	-	1	1
Lease income	1	1	1
Carbon credits	-	-	8
Total other revenue	**8**	**16**	**25**

[1]Includes settlement of insurance proceeds in the year ended 30 June 2015

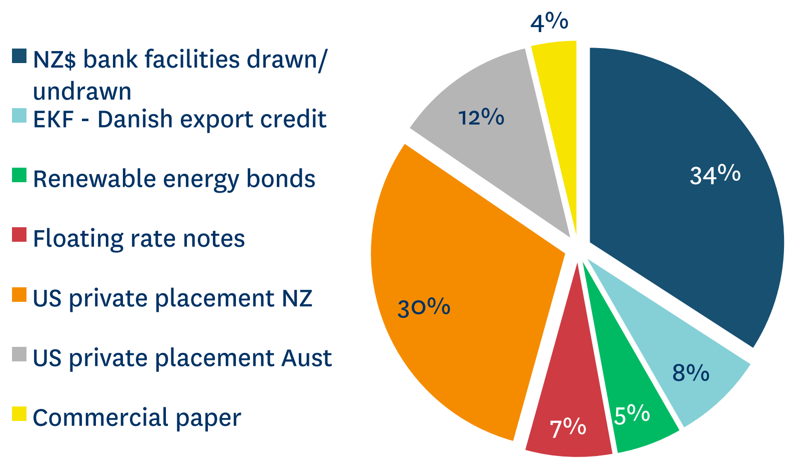
Funding

- Total borrowings as at 31 December 2015 of $1,200m, up $13m from 31 December 2014
- Net borrowings (net of cash) as at 31 December 2015 of $1,131m, up $175m from 31 December 2014
- Committed bank facilities of $630m as at 31 December 2015, of which $325m were undrawn
- Net finance costs -$1m (-3%) lower than 1H FY2015 from lower interest on borrowings

DEBT MATURITY PROFILE AS AT 31 DEC 2015



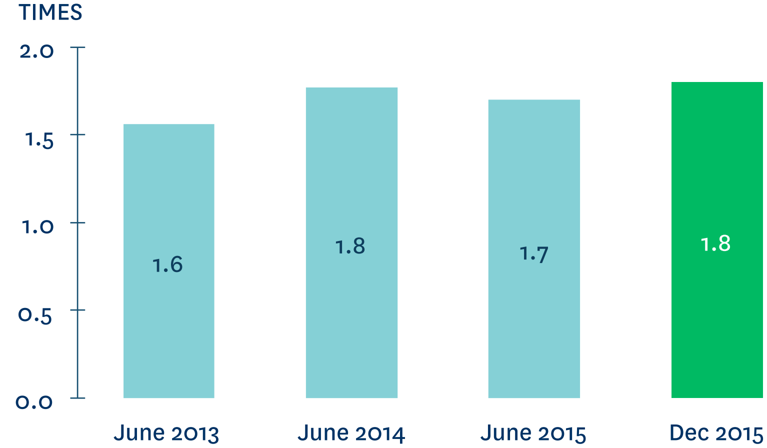
SOURCES OF FUNDING AS AT 31 DECEMBER 2015



Funding metrics

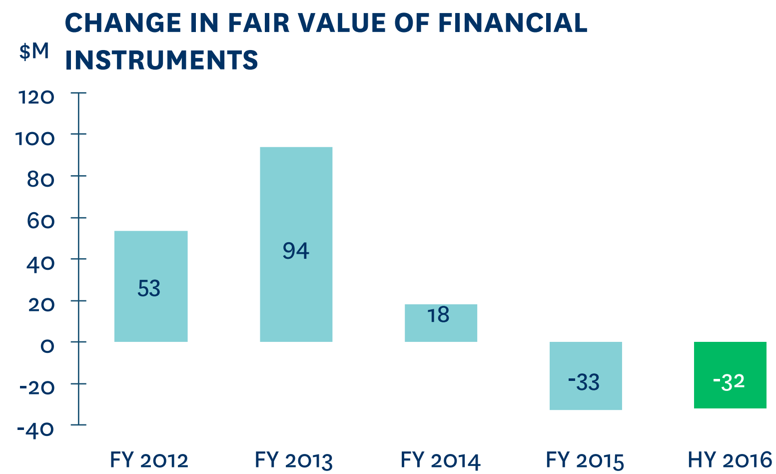
- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of Net debt/EBITDAF includes numerous adjustments to reported numbers
    - Borrowings are adjusted for the impact of finance and operating leases
    - Cash balances are adjusted for restricted cash
    - EBITDAF is adjusted for operating leases and non core revenue

NET DEBT/EBITDAF (S&P VIEW)



Fair value movements

- Meridian uses derivative instruments to manage commodity price, interest rate and foreign exchange risk
- As forward prices and rates on these instruments move, non cash changes to their carrying values are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- Positive change in fair value of treasury instruments reflecting forward rate changes in 1H FY2015
- Negative change in fair value of electricity hedges
  - Change to the treatment of LGCs and associated forward sales used to cover some future LGC production
  - Rising LGC prices have given rise to unrealised fair value losses on forward contracts



Group income statement

SUMMARY GROUP INCOME STATEMENT	6 MONTHS ENDED 31 DEC 2015 $M	6 MONTHS ENDED 31 DEC 2014 $M	12 MONTHS ENDED 30 JUN 2015 $M
New Zealand energy margin	474	455	900
International energy margin	35	25	54
Other revenue	8	16	25
Energy transmission expense	(64)	(60)	(123)
Employee and other operating expenses	(121)	(112)	(238)
EBITDAF	**332**	**324**	**618**
Depreciation and amortisation	(117)	(117)	(239)
Impairment of assets	-	-	(38)
Gain/(loss) on sale of assets	-	15	19
Net change in fair value of electricity and other hedges	(32)	-	(1)
Net finance costs	(39)	(40)	(78)
Net change in fair value of treasury instruments	-	(26)	(32)
Net Profit before tax	**144**	**156**	**249**
Income tax expense	(40)	(39)	(2)
Net Profit after tax	**104**	**117**	**247**

Group underlying NPAT

UNDERLYING NPAT RECONCILIATION	6 MONTHS ENDED 31 DEC 2015 $M	6 MONTHS ENDED 31 DEC 2014 $M	12 MONTHS ENDED 30 JUN 2015 $M
Net profit after tax	**104**	**117**	**247**
Underlying adjustments			
Hedging instruments			
Net change in fair value of electricity and other hedges	32	-	1
Net change in fair value of treasury instruments	-	26	32
Premiums paid on electricity options	(7)	(8)	(15)
Assets			
Gain/(loss) on sale of assets	-	(15)	(19)
Impairment of assets	-	-	38
Total adjustments before tax	**25**	**3**	**37**
Taxation			
Tax effect of above adjustments	(7)	(5)	(13)
Release of capital gains tax provision	-	-	(28)
Tax depreciation on powerhouse structures	-	-	(34)
Underlying net profit after tax	**122**	**115**	**209**

Group cash flow statement

SUMMARY GROUP CASH FLOW STATEMENT	6 MONTHS ENDED 31 DEC 2015 $M	6 MONTHS ENDED 31 DEC 2014 $M	12 MONTHS ENDED 30 JUN 2015 $M
Receipts from customers	1,409	1,002	2,348
Interest and dividends received	1	5	8
Payments to suppliers and employees	(1,105)	(686)	(1,742)
Interest and income tax paid	(99)	(104)	(174)
Operating cash flows	**206**	**217**	**440**
Sale of property, plant and equipment	-	15	19
Sale of other assets	-	24	29
Purchase of property, plant and equipment	(20)	(101)	(131)
Purchase of intangible assets and investments	(8)	(5)	(16)
Investing cash flows	**(28)**	**(67)**	**(99)**
Proceeds from borrowings	270	204	366
Shares purchased for long term incentive	(1)	(1)	(2)
Dividends	(307)	(229)	(385)
Term borrowings	(139)	(169)	(527)
Financing cash flows	**(177)**	**(195)**	**(548)**

Group balance sheet

SUMMARY GROUP BALANCE SHEET	AS AT 31 DEC 2015 $M	AS AT 31 DEC 2014 $M	AS AT 30 JUN 2015 $M
Cash and cash equivalents	69	231	69
Trade receivables	220	217	191
Other current assets	104	59	74
Total current assets	**393**	**507**	**334**
Property, plant and equipment	6,970	6,853	7,097
Intangible assets	43	46	47
Other non-current assets	222	143	183
Total non-current assets	**7,235**	**7,042**	**7,327**
Payables, accruals and employee entitlements	230	233	208
Current portion of term borrowings	211	134	213
Other	54	67	57
Total current liabilities	**495**	**434**	**478**
Term borrowings	989	1,053	863
Deferred tax	1,384	1,344	1,400
Other	236	201	172
Total non-current liabilities	**2,609**	**2,598**	**2,435**
Net assets	**4,524**	**4,517**	**4,748**

Glossary

Acquired generation volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers, including NZAS
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes
Cost of acquired generation	volume weighted average price Meridian pays for derivatives acquired to supplement generation
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections (NZ)	number of installation control points, excluding vacants
FRMP	financially responsible market participant
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Waiau hydro storage lakes over the last 81 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	New Zealand installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
National demand	Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku, White Hill and Mill Creek wind farms
NZAS	New Zealand Aluminium Smelters Limited
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Sell side derivatives	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mighty River Power. They do not result in the physical supply of electricity