Powering today, protecting tomorrow

MERIDIAN ENERGY LIMITED Interim results presentation for the six months ended 31 December 2016

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

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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 2016 and is available at:

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

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

Highlights

[1]Net profit after tax adjusted for the effects of non-cash fair value movements and one-off items

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

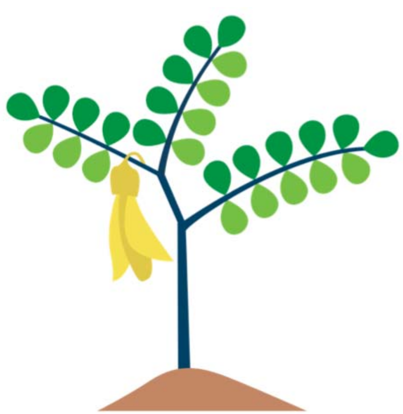
Developing opportunities for earnings growth

- 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



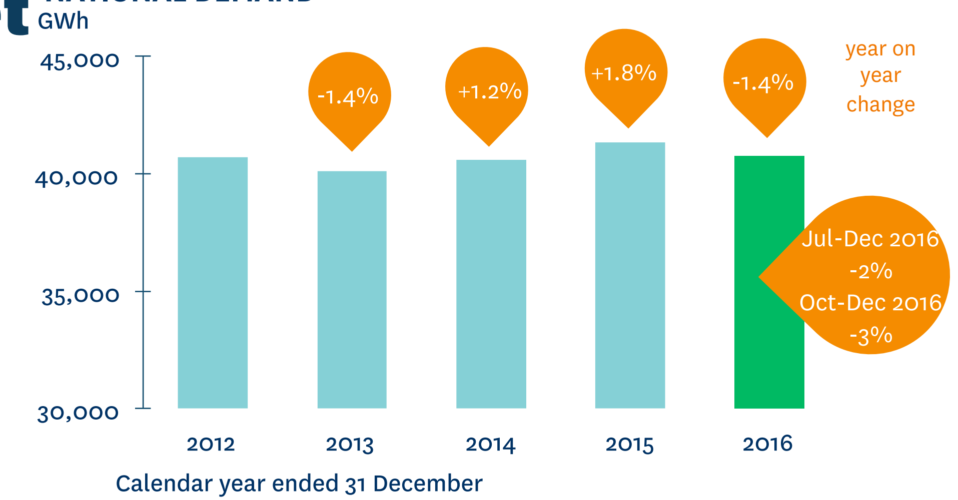
Growing retail value by making things easy for our customers and optimising our operations

- 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

The New Zealand market

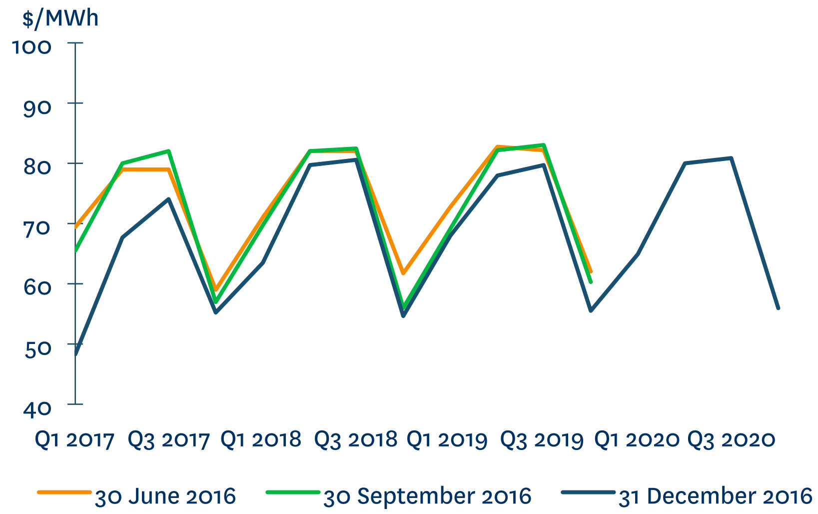
- Warm winter temperatures and high rainfall eliminated demand growth
- National demand has decreased 2.0% in the last six months and 1.4% in the last year
- Decreased South Island irrigation load in the second half of 2016 had a significant impact on annual demand (see next page)
- Forward ASX prices 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 Authoirty

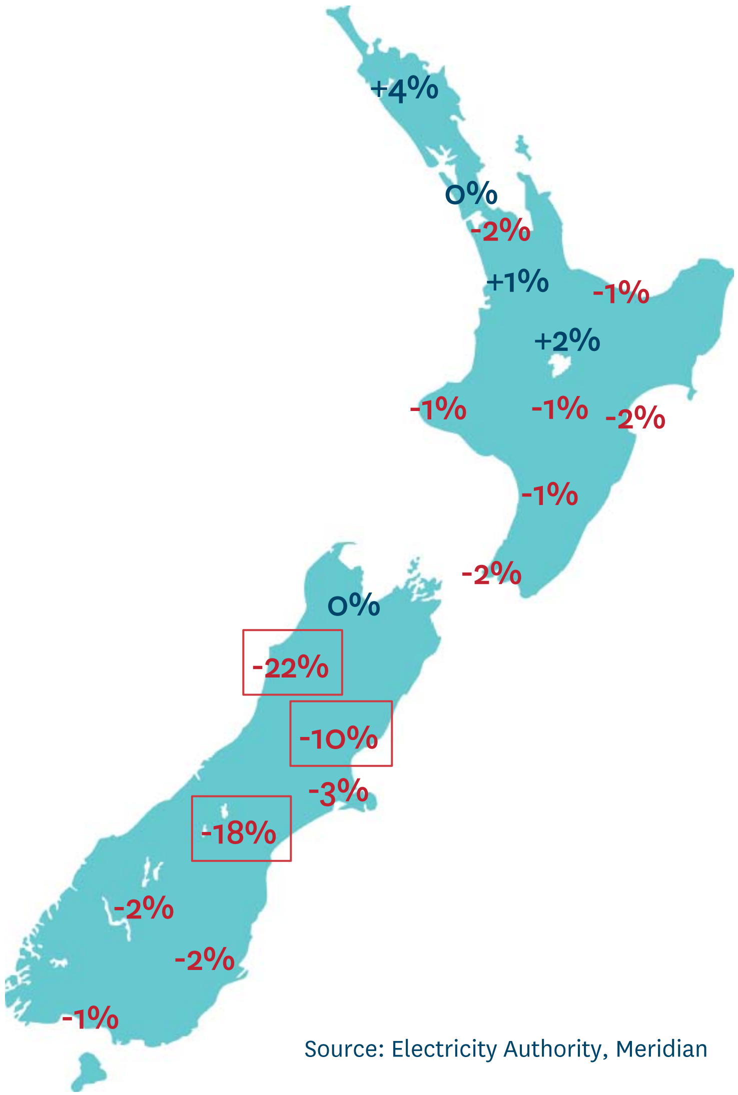
BENMORE ASX FUTURES SETTLEMENT PRICE



New Zealand demand

- Climatic factors have impacted demand:
  - 2016 was New Zealand's warmest year on record
  - Soil moisture levels in South Island irrigation regions were higher than the last two years
- Decreased South Island load accounts for almost 80% of the decrease in national demand in the six months to December 2016
- And 90% of decrease in national demand in the three months to December 2016
- Industrial closures have also been a factor:
  - Holcim cement plant at Westport
  - OceanaGold mine at Reefton
  - Pacific Steel plant in South Auckland

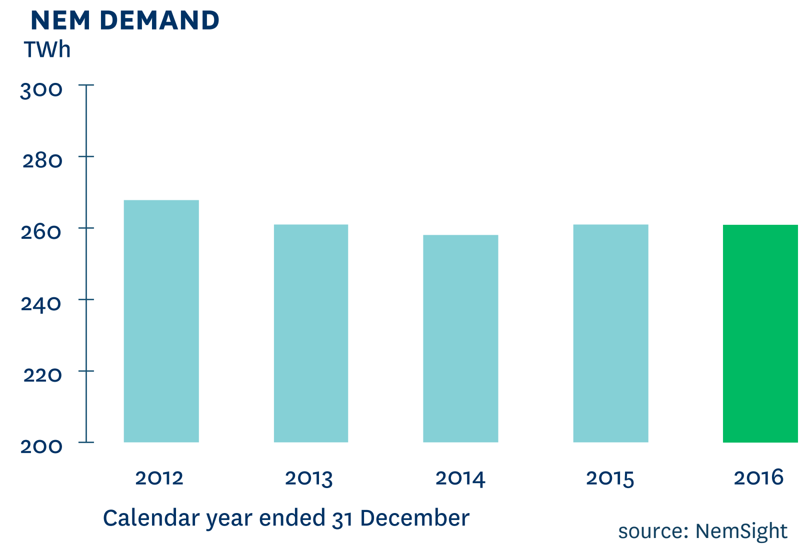
REGIONAL DEMAND 1H FY2017 V 1H FY2016

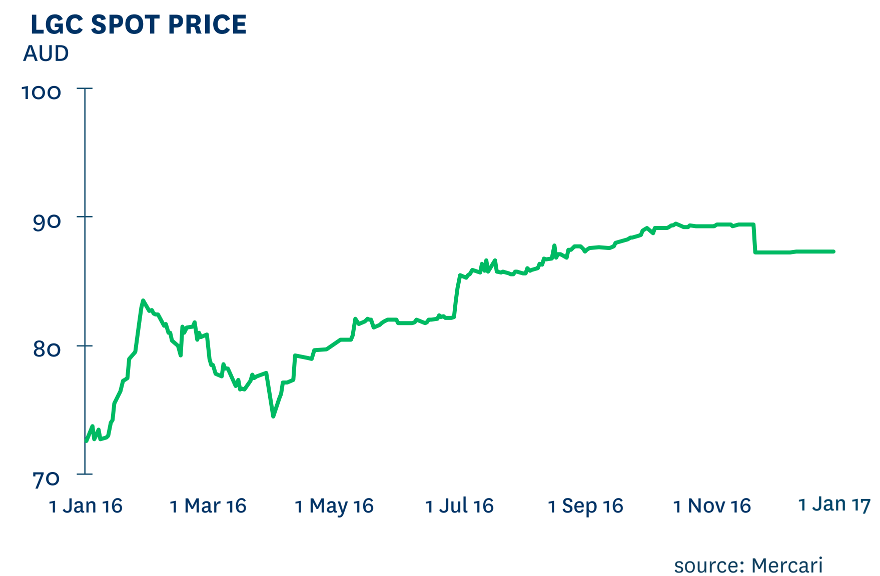


Source: Electricity Authority, Meridian

The Australian market

- Stable demand in the last year
- LGC prices have maintained their strong performance
- Political uncertainty around support of renewables
- Renewables are more politicised following the major South Australian transmission outage from storm damage
- Market is still reluctant to commit to new renewables, calling into question the likelihood of meeting the 2020 target





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

Wholesale and generation

- Stay in business capital spend of $19m in 1H FY2017
- Six year, $41m refurbishment programme on Ōhau stations commenced
- Record level of New Zealand generation for a six month period, 34% average generation market share
- 19% increase in Australian generation volumes
- NZ inflows 96% of historical average in 1H FY2017
- Meridian's January 2017 monthly inflows were 123% of historical average
- Meridian's Waitaki catchment storage sat at 118% of historical average at the end of January 2017

Retail

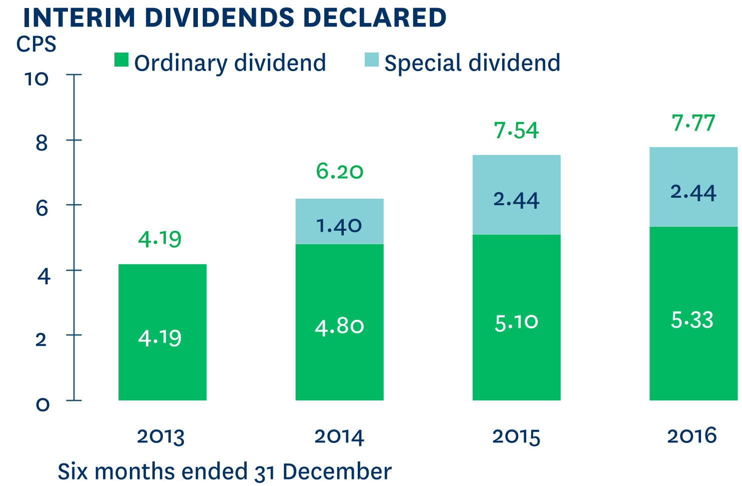
- Segment EBITDAF increased $1m (2%) in 1H FY2017
- Despite 12% decline in retail contracted sales volumes
- Impact of a wet spring and timing of corporate customer churn reduced contracted sales
- Some offset from a 22% increase in SMB sales
- January shows a more normal irrigation load and impact of recent large corporate signings
- Customer acquisition pressure managed within declining segment operating costs in 1H FY2017
- 48% increase in Powershop Australia sales volumes

MERIDIAN RETAIL		Dec 16	Dec 15	Dec 14
Time to answer (seconds)	6 month avg	26	30	93
New customer retention[1]	6 month avg	84%	83%	NM[3]
Cost to serve per customer[2]	6 month cost	$144	$146	$142
Overdue debt > 30 days	$m	3.3	4.1	5.1
Non payment disconnections	6 month total	370	749	1,524
E-billing takeup	as 31 Dec	71%	54%	50%

[1]First six months of customer life
[2]Excluding metering costs and including allocation of corporate costs
[3]Not measured

Dividends

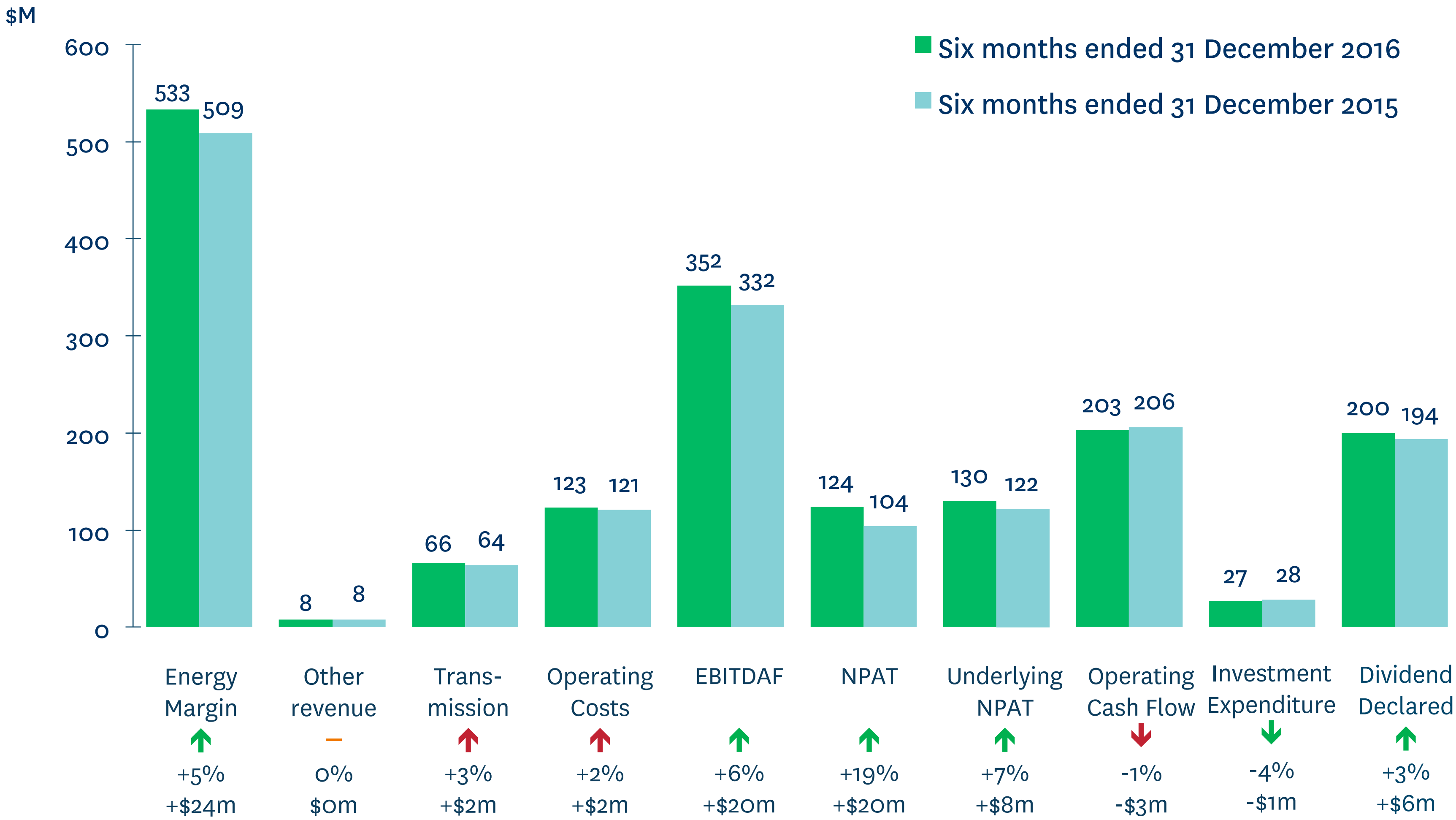
- Interim ordinary dividend of 5.33 cps, 88% imputed
- 4.5% increase on the interim dividend from last year
- Capital management interim special dividend of 2.44 cps, unimputed
- Brings capital management distributions to $250m (9.8 cps) since the programme commenced in August 2015
- To date, this has been paid as special dividends, buyback remains a consideration



INTERIM DIVIDENDS DECLARED	AMOUNT CPS	IMPUTATION %
FY2017		
Ordinary dividends	5.33	88%
Capital management special dividends	2.44	0%
Total	**7.77**	60%
FY2016		
Ordinary dividends	5.10	85%
Capital management special dividends	2.44	0%
Total	**7.54**	58%

Financial performance

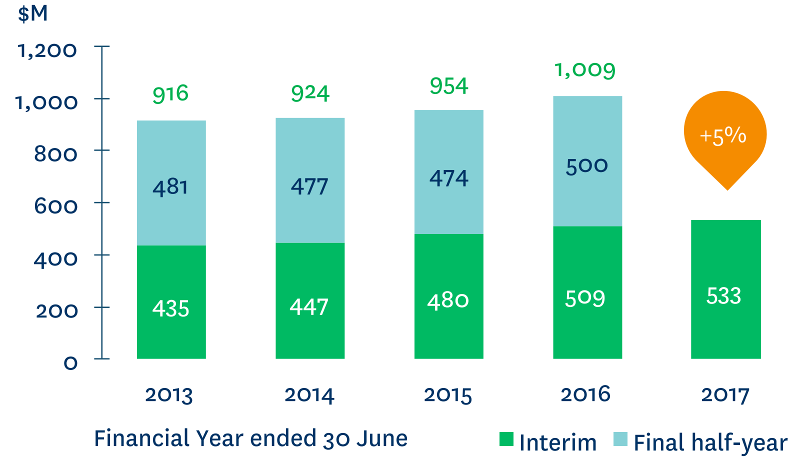
FINANCIAL PERFORMANCE AGAINST PRIOR YEAR



Earnings

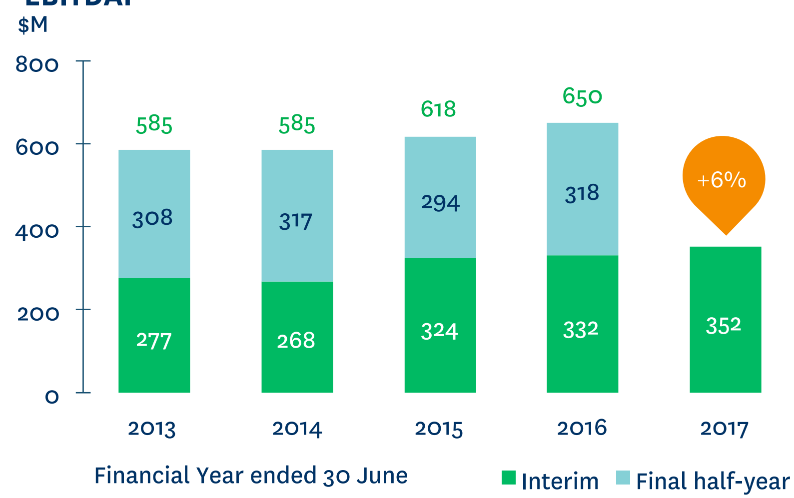
- EBITDAF increase of $20m (6%) in 1H FY2017 from:
  - \+ Powershop growth, higher generation and prices in Australia **+$14m**
  - – Lower residential/SMB/agri sales at higher prices **-$4m**
  - – Lower corporate sales **-$22m**
  - – Lower sell-side CFD volumes **-$7m**
  - \+ Higher spot exposed revenue from lower purchase volumes **+$32m**
  - \+ Lower acquired generation **+$9m**
  - – Higher HVDC charges **-$2m**

ENERGY MARGIN[1]



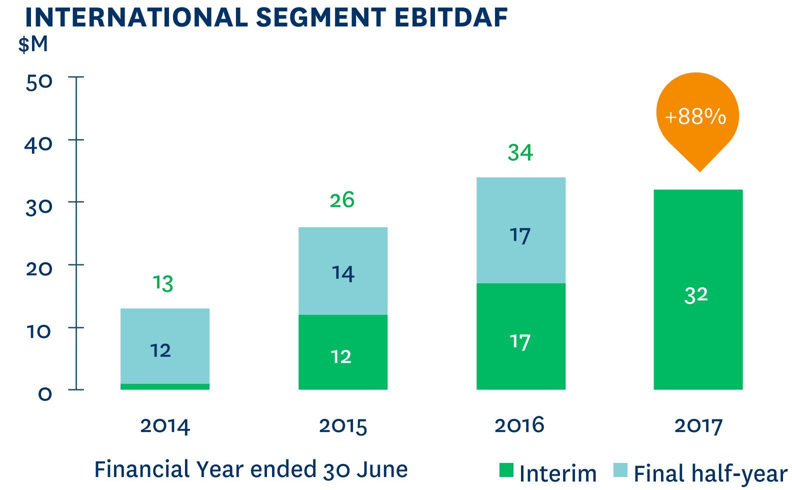
[1]See pg 27 for a definition of energy margin
[2]Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items

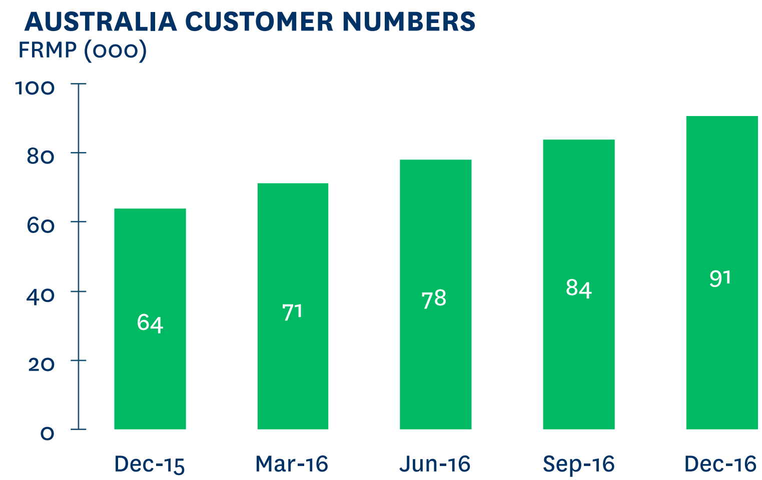
EBITDAF[2]



International

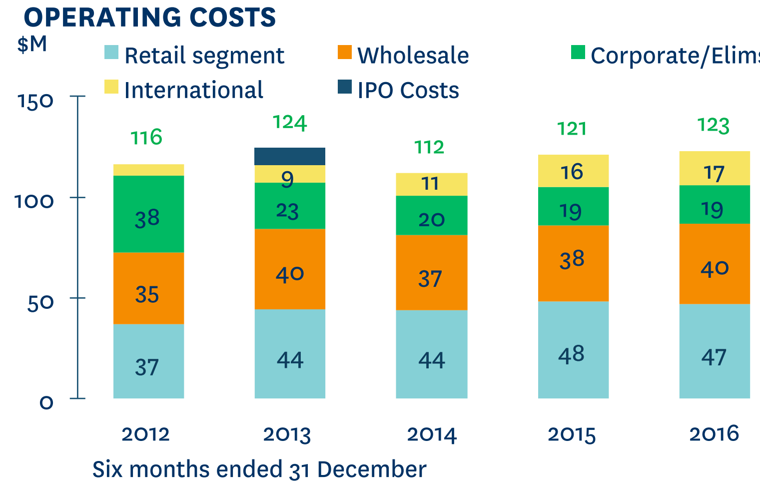
- Segment EBITDAF increased $15m (88%) in 1H FY2017
- Powershop Australia retail sales volumes 78GWh (48%) higher
- Customer numbers +16% since June 2016
- Wind generation volumes 19% higher in 1H FY2017
- Firming wholesale and LGC prices
- Segment earnings are first half weighted due to accounting treatment of LGCs
  - Forward LGC sales are marked to market through fair value movements
  - Sales settle in January each year
  - At which point fair value gains or losses on settled sales transfer to EBITDAF
  - 1H FY2017 includes mark to market losses of $8m expected to hit EBITDAF in 2H FY2017

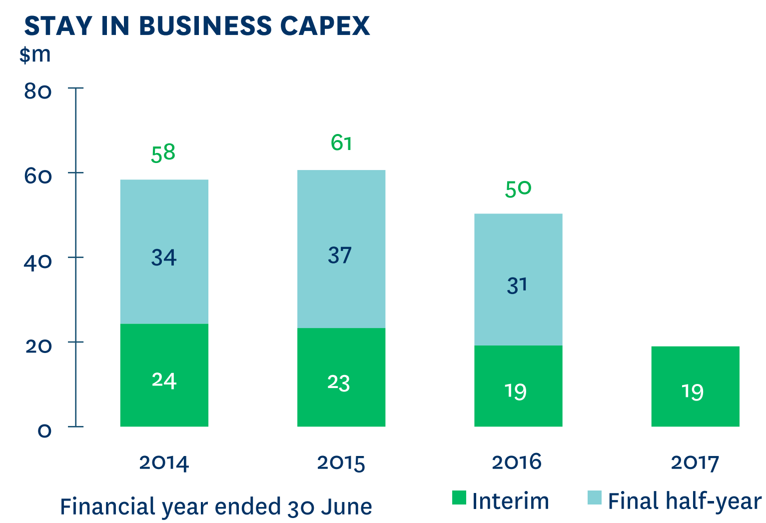




Costs

- Operating costs have increased +$2m (+2%) in 1H FY2017
- Investment supporting Powershop expansion offshore continues
- Continued customer acquisition pressure in NZ is being absorbed
- Expect cost growth in 2H FY2017 to be largely limited to growth investment
- Stay in business capital expenditure of $19m in 1H FY2017
- Six year, $41m refurbishment programme commenced on Ōhau stations, will include capital and operating cost elements
- Investment should peak in 2020

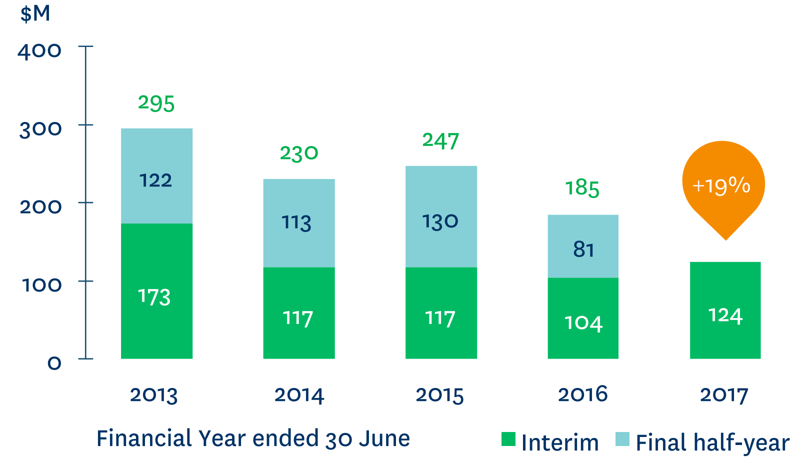




Below EBITDAF

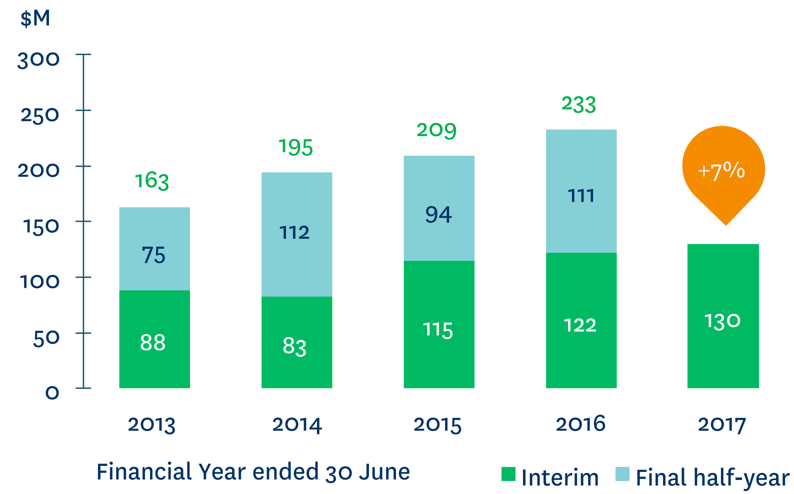
- Higher depreciation from June 16 revaluations
- Net finance costs $1m (3%) from lower interest on higher borrowings
- Positive change in fair value of treasury instruments reflecting a rising forward interest rate curve in 1H FY2017
- Negative change in fair value of electricity hedges
  - Lower forward electricity price curve in NZ leading to lower derivative contract valuations
  - Rising LGC prices in Australia have given rise to unrealised fair value losses on forward contracts
- $2m loss on the sale of surplus farm land in 1H FY2017, small gain on Damwatch
- Record interim underlying NPAT, $8m (7%) higher than 1H FY2016 from higher EBITDAF and lower financing costs

NET PROFIT AFTER TAX



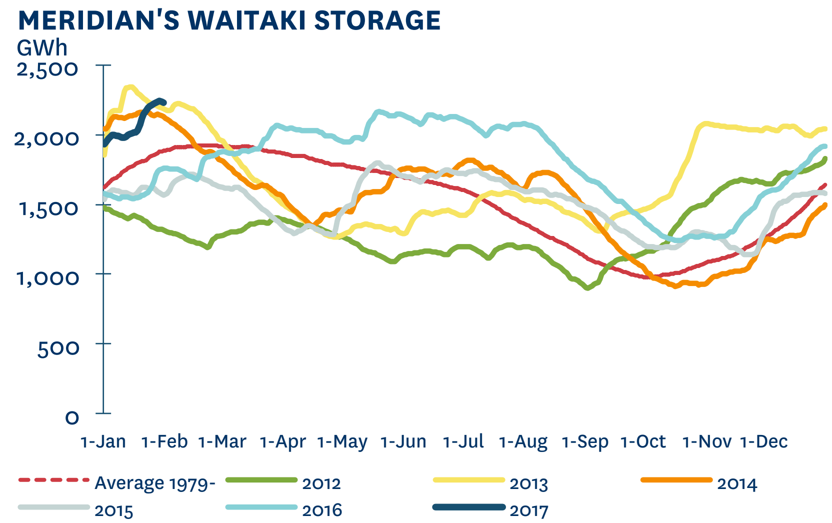
[1]Net profit after tax adjusted for the effects of non cash fair value movements and one-off items. A reconciliation between net profit after tax and underlying net profit after tax is on p36

UNDERLYING NPAT[1]



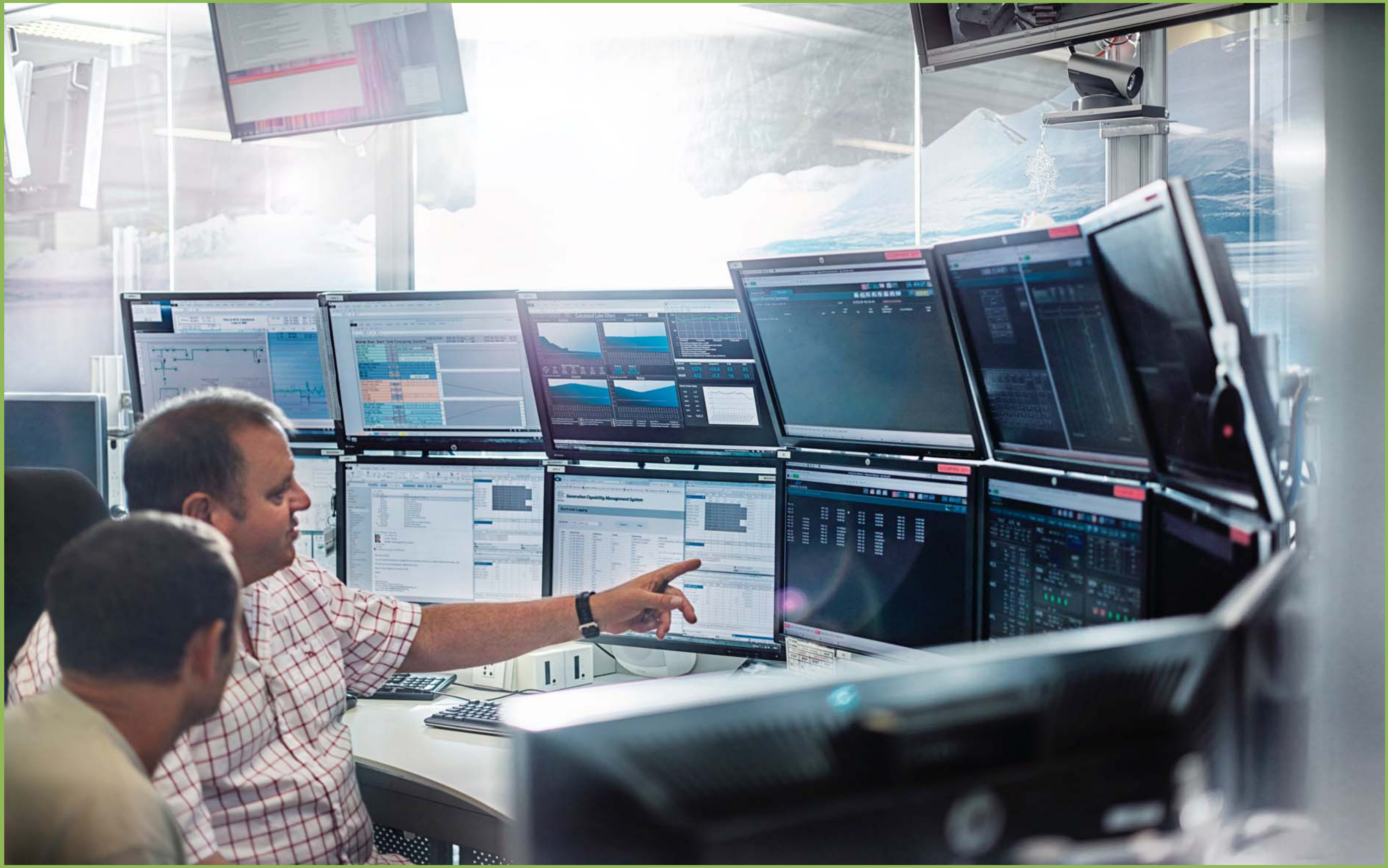
Concluding remarks

- Well positioned for generation
- 6 months of increase in Tiwai prices in 2H FY2017
- Back-to-back Tiwai support from other generators in place and providing options
- TPM decision from the EA a milestone
- Powershop UK market entry completed, white label and dual fuel capability to be delivered



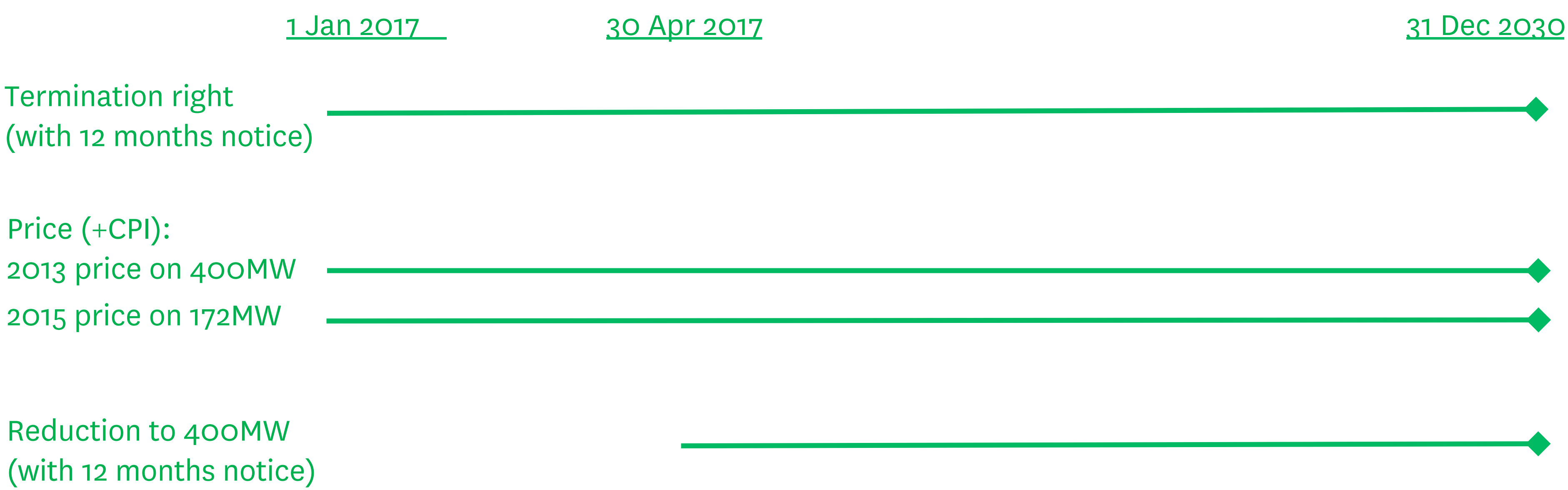
Questions

Additional information



Tiwai Point smelter contract

- Price on 400MW unchanged from 2013 variation, higher price on 172MW from 1 January 2017
- Perpetual termination right from 1 January 2017
- Window to give 12 months notice to reduce to 400MW any time after 30 April 2017



New Zealand retail

Customer connections

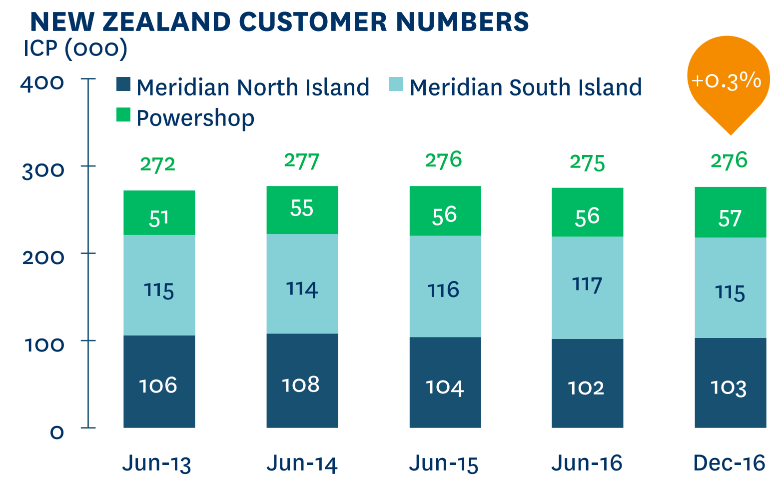
- 0.3% increase in ICP numbers since June 2016, reflecting greater SMB focus and aggressive residential sales activity

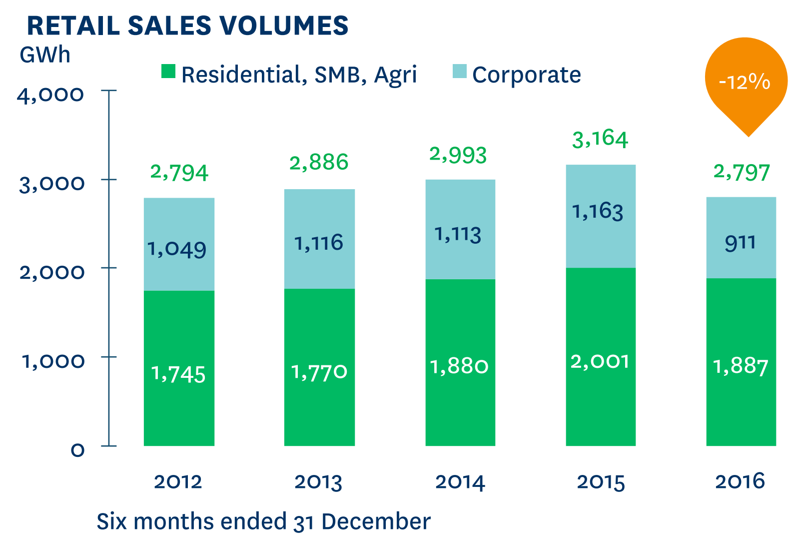
Residential, SMB, Agri segment

- 6% decrease in volumes
- 4% increase in average price from mix impact of less irrigation load

Corporate segment

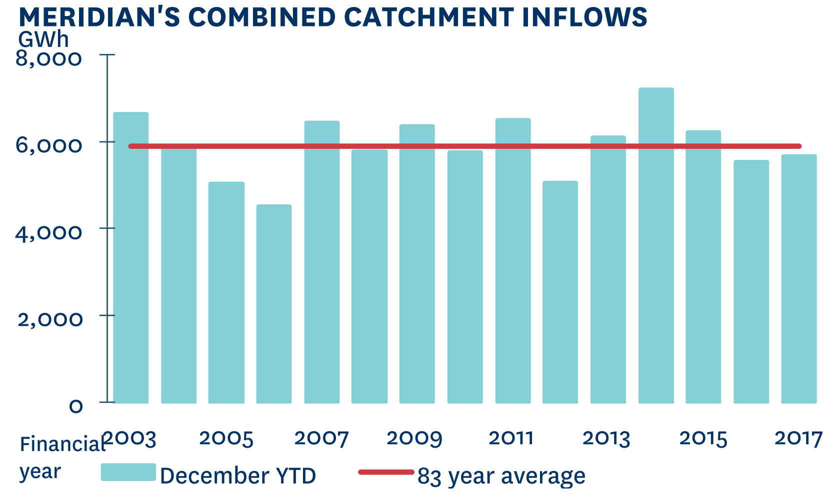
- 22% decrease in volumes from churn in time-of use-customers
- 1% decrease in average price in line with movements in the forward market

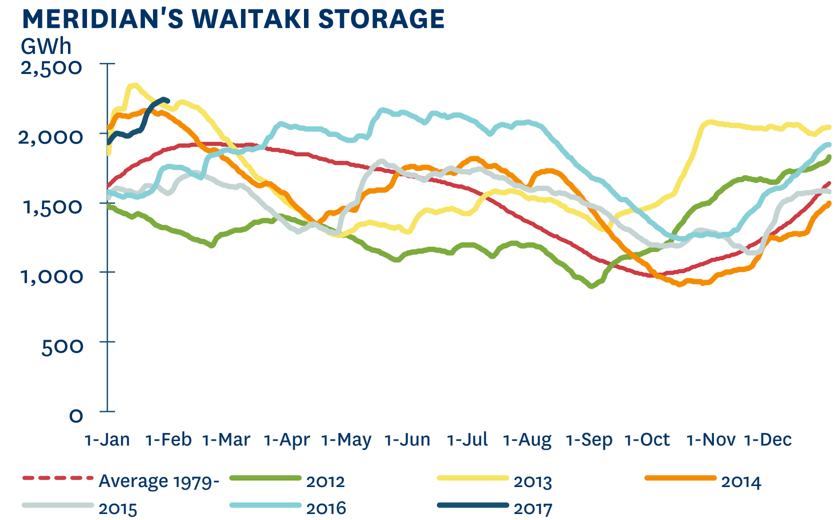




Hydrology

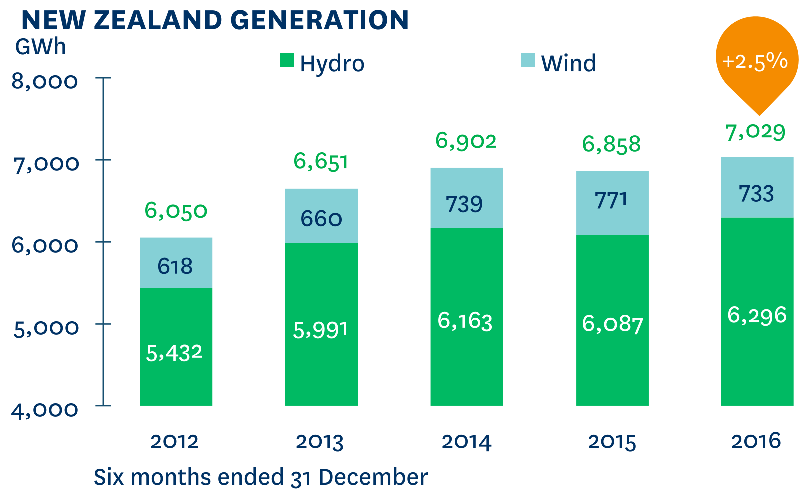
- Inflows for the six months ended December 2016 were 96% of historical average
- January 2017 inflows were 123% of historical average
- Meridian's Waitaki catchment storage at 31 December 2016 was 118% of historical average
- By 31 January 2017, this storage position remained unchanged at 118% of historical average

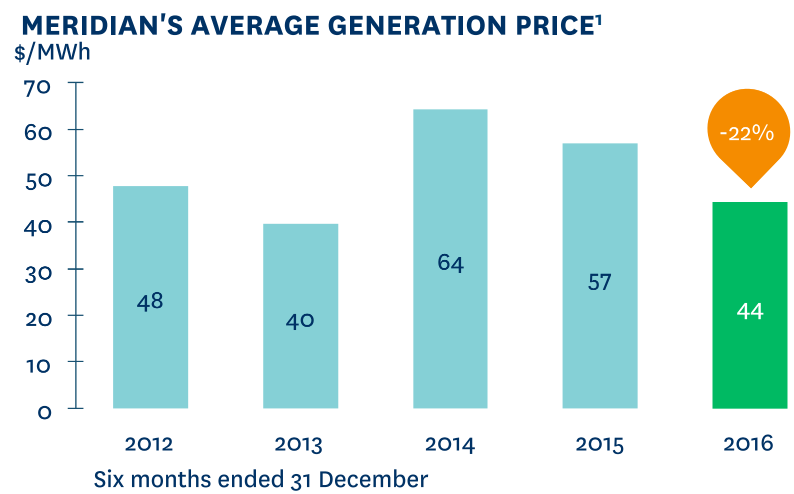




New Zealand generation

- For the six months ended 31 December 2016, Meridian's New Zealand generation was 2.5% higher than the same period last year
- This represents the highest generation in a six month period Meridian has produced
- For the six months ended 31 December 2016, the average price Meridian received for its generation was 22% lower than the same period last year
- Similarly, the price Meridian paid to supply contracted sales in the six months ended 31 December 2016 was also 22% lower than last year

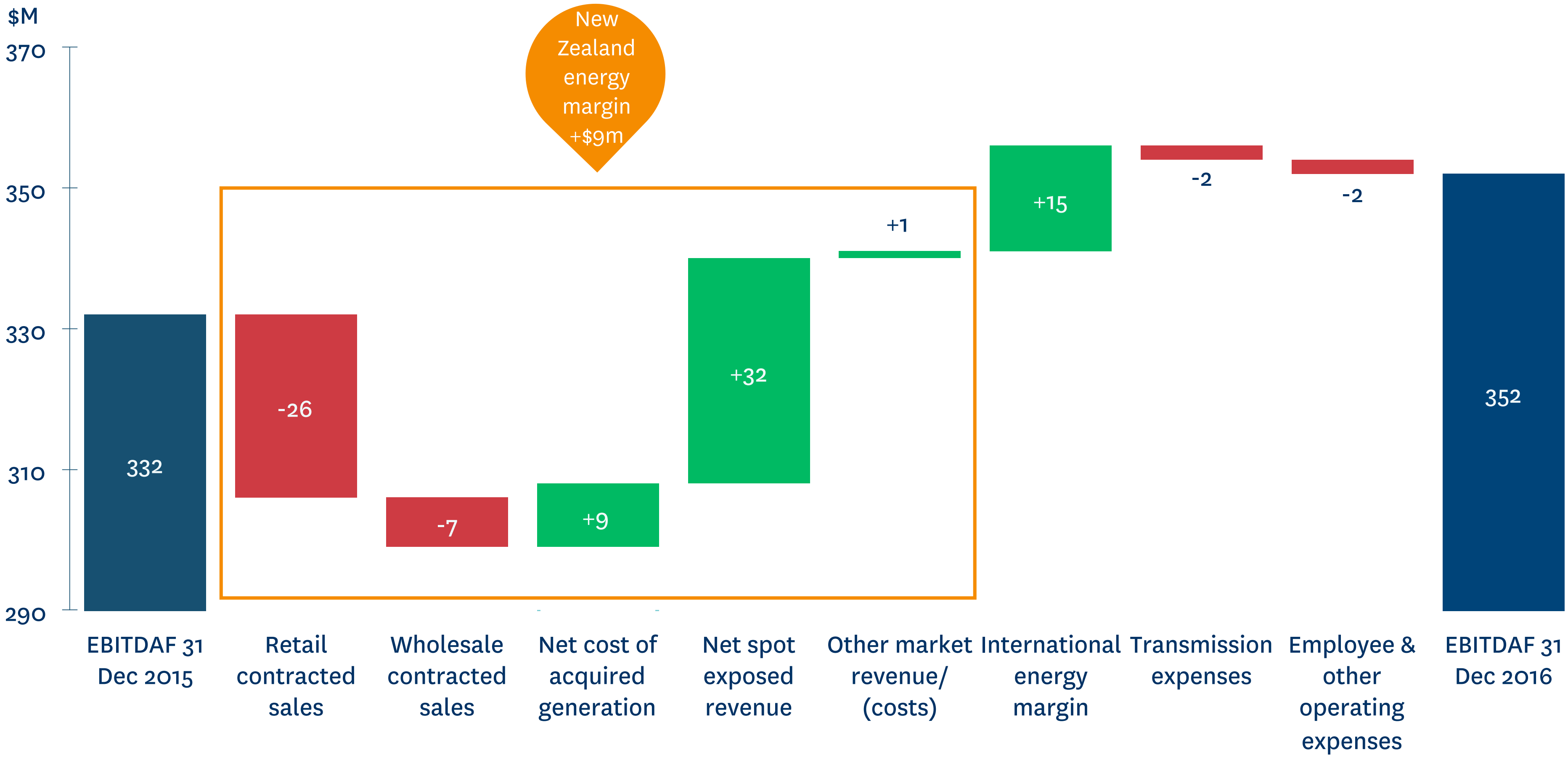




[1]Price received for Meridian's physical New Zealand generation

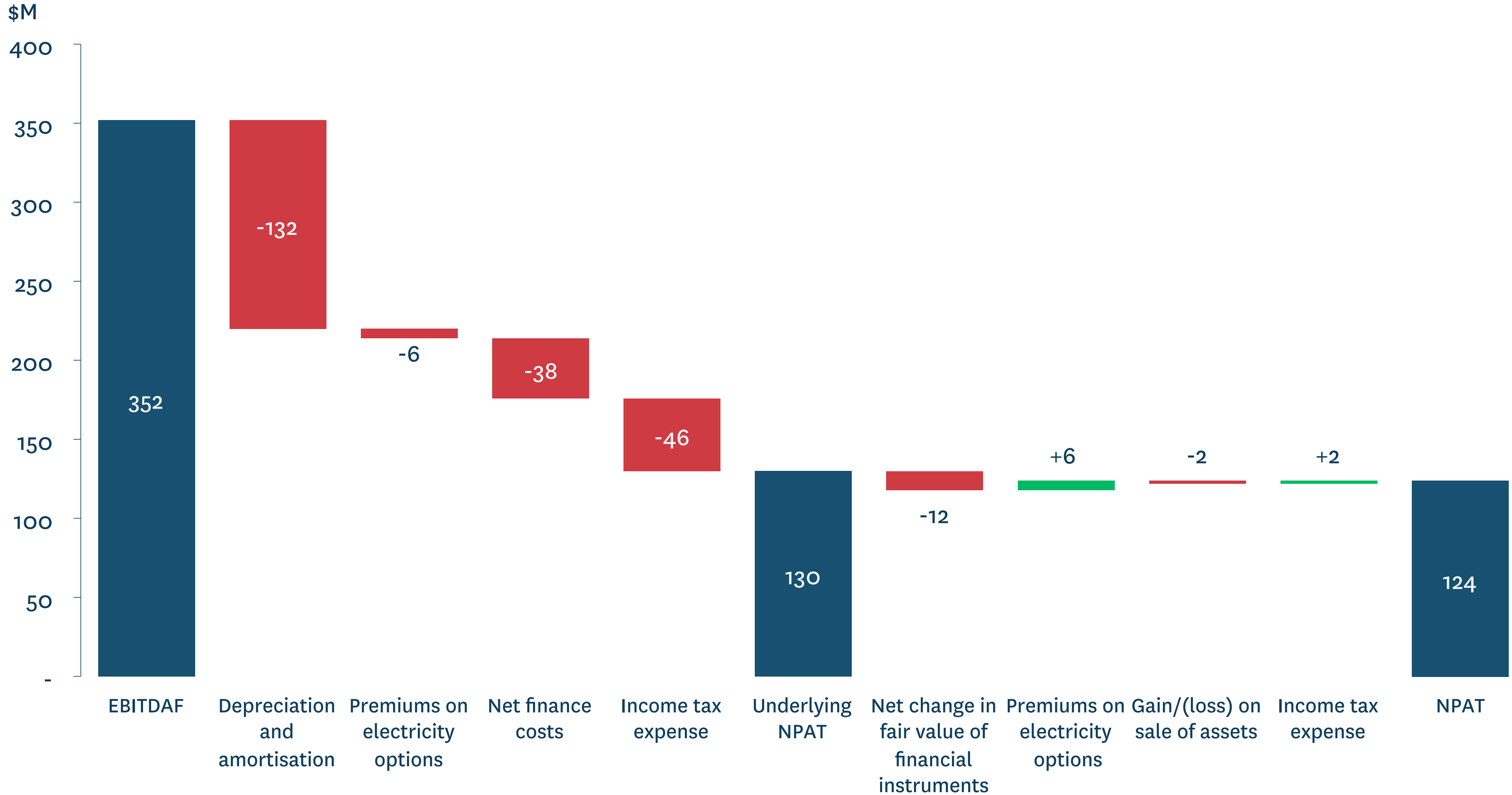
Movement in EBITDAF 1H FY2016 to 1H FY2017

MOVEMENT IN EBITDAF



EBITDAF and net profit after tax

1H FY2017 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 Mercury
  - − 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)

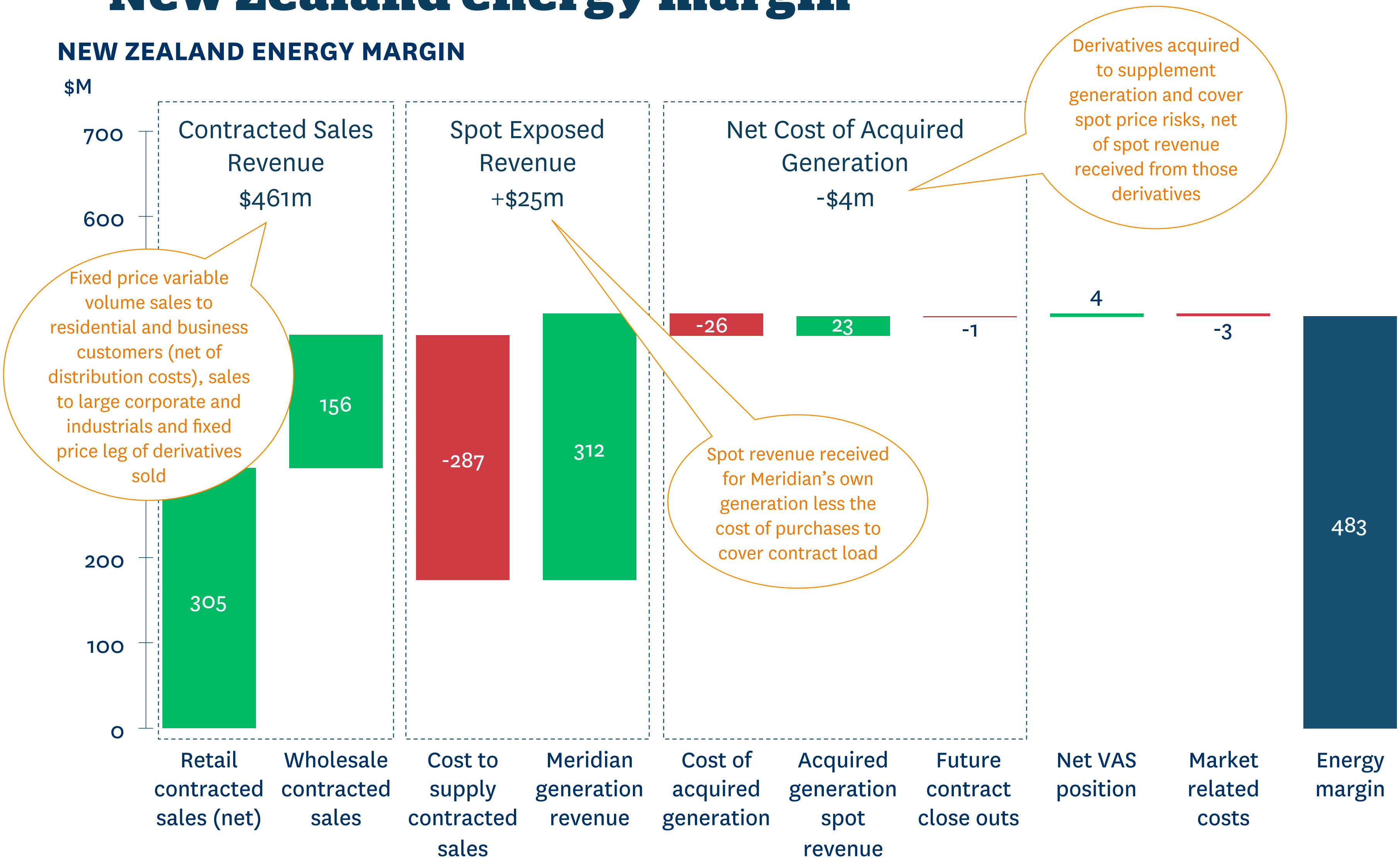
[1]Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of line losses

New Zealand energy margin

NEW ZEALAND ENERGY MARGIN	1H FY2017 VOLUME GWh	1H FY2017 VWAP $/MWh	1H FY2017 $M	1H FY2016 VOLUME GWh	1H FY2016 VWAP $/MWh	1H FY2016 $M
Residential/SMB contracted sales	1,887			2,001		
Corporate and industrial contracted sales	911			1,163		
Retail contracted sales	2,797	$108.9	$305	3,164	$104.6	$331
NZAS aluminium sales	2,525			2,525		
Sell side CFDs	577			676		
Wholesale contracted sales	3,102	$50.2	$156	3,201	$51.0	$163
Net VAS position	579		$4	579		$4
Acquired generation revenue	453	$50.5	$23	668	$58.6	$39
Cost of acquired generation	453	-$57.9	-$26	668	-$75.3	-$50
Future contract close outs			-$1			-$2
Net cost of acquired generation			-$4			-$13
Generation revenue	7,029	$44.4	$312	6,858	$57.0	$391
Costs to supply retail sales	2,932			3,333		
Costs to supply wholesale sales	3,102			3,201		
Cost to supply contracted sales	6,034	-$47.6	-$287	6,534	-$61.0	-$398
Net spot exposed revenue			$25			-$7
Other market revenue/(costs)			-$3			-$4
Energy Margin			**$483**			**$474**
LWAP:GWAP[1]			1.10			1.10

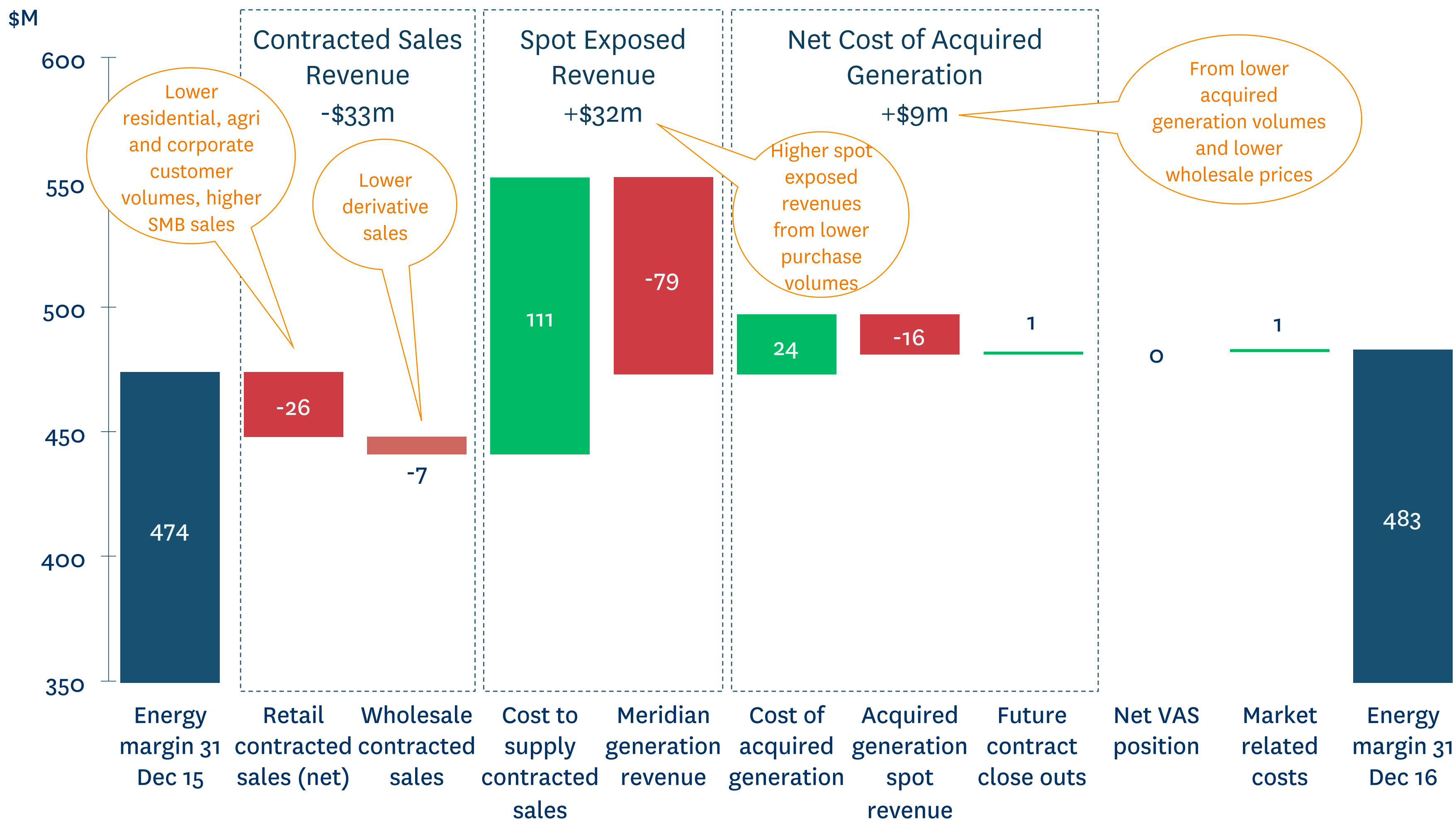
New Zealand energy margin

NEW ZEALAND ENERGY MARGIN



Movement in energy margin 1H FY2016 to 1H FY2017

NEW ZEALAND ENERGY MARGIN



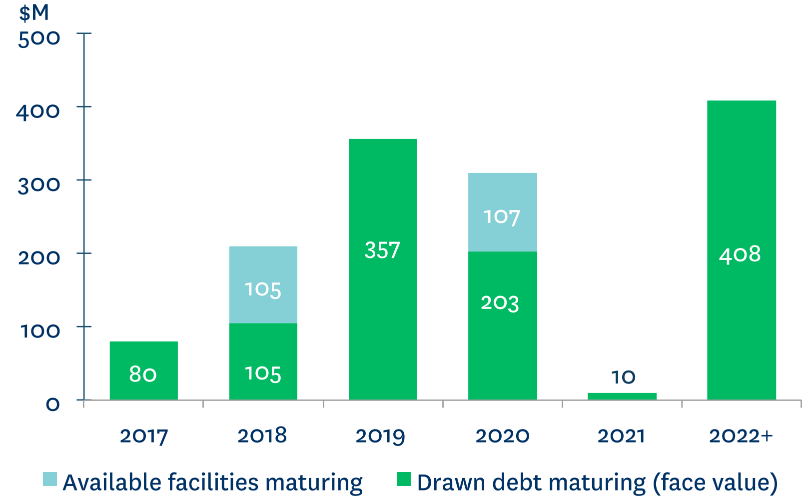
Other revenue

SUMMARY OF OTHER REVENUE	6 MONTHS ENDED 31 DEC 2016 $M	6 MONTHS ENDED 31 DEC 2015 $M	12 MONTHS ENDED 30 JUN 2016 $M
Retail service revenue (field services etc)	3	3	6
Damwatch	2	2	5
Miscellaneous	3	2	5
Lease income	0	1	1
Carbon credits	-	-	0
Total other revenue	**8**	**8**	**17**

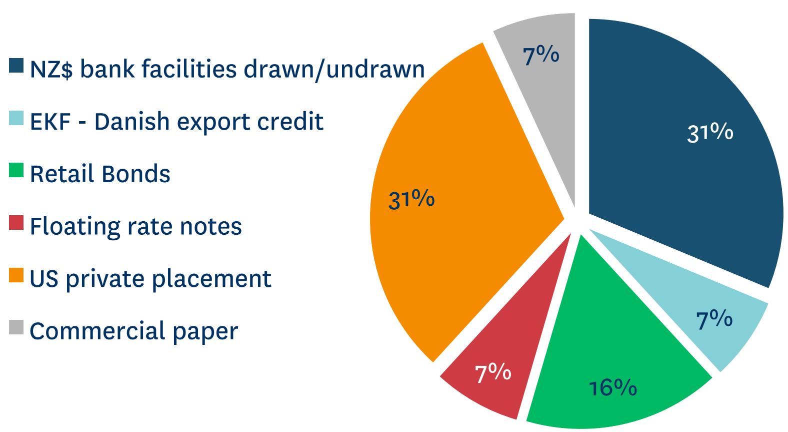
Funding

- Total borrowings as at 31 December 2016 of $1,229m, up $29m from 31 December 2015
- Net borrowings (net of cash) as at 31 December 2016 of $1,185m, up $54m from 31 December 2015
- Committed bank facilities of $620m as at 31 December 2015, of which $307m were undrawn
- Net finance costs $1m (3%) lower than 1H FY2016 from lower interest on borrowings

DEBT MATURITY PROFILE AS AT 31 DEC 2016

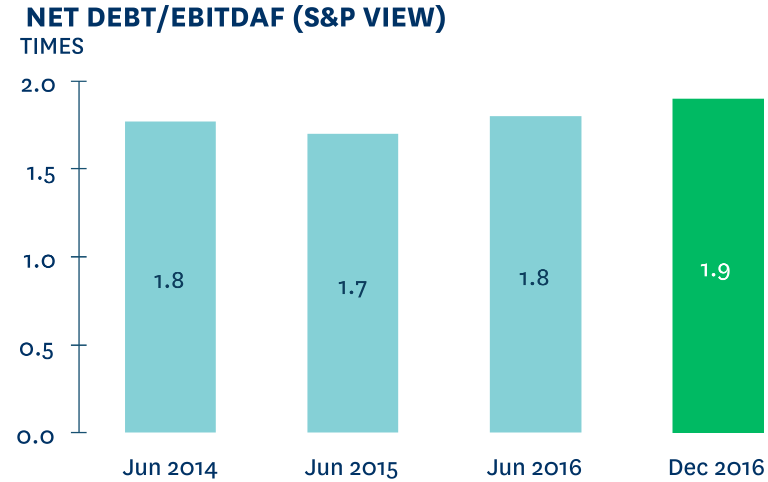


SOURCES OF FUNDING AS AT 31 DECEMBER 2016



Funding metrics

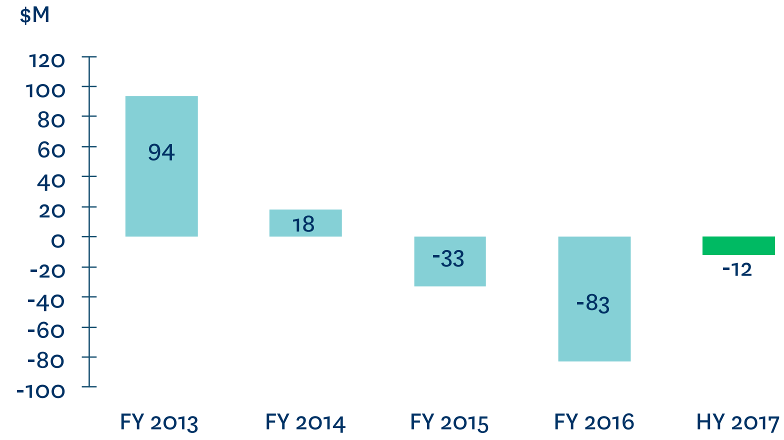
- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of Net debt/EBITDAF includes numerous adjustments to reported numbers
  - Borrowings are adjusted for the impact of finance and operating leases
  - Cash balances are adjusted for restricted cash
  - EBITDAF is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



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 interest rate increases in 1H FY2016
- Negative change in fair value of electricity hedges
  - Lower forward price curve in New Zealand leading to downward forward electricity contract valuations
  - Rising LGC prices in Australia continuing to give rise to unrealised fair value losses on some forward contracts

CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS



Group income statement

SUMMARY GROUP INCOME STATEMENT	6 MONTHS ENDED 31 DEC 2016 $M	6 MONTHS ENDED 31 DEC 2015 $M	12 MONTHS ENDED 30 JUN 2016 $M
New Zealand energy margin	483	474	939
International energy margin	50	35	70
Other revenue	8	8	17
Energy transmission expense	(66)	(64)	(128)
Employee and other operating expenses	(123)	(121)	(248)
EBITDAF	**352**	**332**	**650**
Depreciation and amortisation	(132)	(117)	(236)
Impairment of assets	-	-	4
Gain/(loss) on sale of assets	(2)	-	(1)
Net change in fair value of electricity and other hedges	(75)	(32)	(15)
Net finance costs	(38)	(39)	(78)
Net change in fair value of treasury instruments	63	-	(68)
Net Profit before tax	**168**	**144**	**256**
Income tax expense	(44)	(40)	(71)
Net Profit after tax	**124**	**104**	**185**

Group underlying NPAT

UNDERLYING NPAT RECONCILIATION	6 MONTHS ENDED 31 DEC 2016 $M	6 MONTHS ENDED 31 DEC 2015 $M	12 MONTHS ENDED 30 JUN 2016 $M
Net profit after tax	**124**	**104**	**185**
Underlying adjustments			
Hedging instruments			
Net change in fair value of electricity and other hedges	75	32	15
Net change in fair value of treasury instruments	(63)	-	68
Premiums paid on electricity options	(6)	(7)	(12)
Assets			
Gain/(loss) on sale of assets	2	-	1
Impairment of assets	-	-	(4)
Total adjustments before tax	**8**	**25**	**68**
Taxation			
Tax effect of above adjustments	(2)	(7)	(20)
Underlying net profit after tax	**130**	**122**	**233**

Group cash flow statement

SUMMARY GROUP CASH FLOW STATEMENT	6 MONTHS ENDED 31 DEC 2016 $M	6 MONTHS ENDED 31 DEC 2015 $M
Receipts from customers	1,110	1,166
Interest and dividends received	1	1
Payments to suppliers and employees	(794)	(862)
Interest and income tax paid	(114)	(99)
Operating cash flows	**203**	**206**
Sale of property, plant and equipment	-	-
Sale of other assets	1	-
Purchase of property, plant and equipment	(18)	(20)
Purchase of intangible assets and investments	(9)	(8)
Investing cash flows	**(26)**	**(28)**
Term borrowings	447	270
Term borrowings repaid	(420)	(139)
Shares purchased for long term incentive	-	(1)
Dividends	(278)	(307)
Financing cash flows	**(251)**	**(177)**

Group balance sheet

SUMMARY GROUP BALANCE SHEET	AS AT 31 DEC 2016 $M	AS AT 31 DEC 2015 $M	AS AT 30 JUN 2016 $M
Cash and cash equivalents	44	69	118
Trade receivables	184	220	194
Other current assets	121	104	94
Total current assets	**349**	**393**	**406**
Property, plant and equipment	7,648	6,970	7,771
Intangible assets	57	43	47
Other non-current assets	225	222	314
Total non-current assets	**7,930**	**7,235**	**8,132**
Payables, accruals and employee entitlements	211	230	220
Current portion of term borrowings	187	211	214
Other	72	54	79
Total current liabilities	**470**	**495**	**513**
Term borrowings	1,042	989	1,000
Deferred tax	1,598	1,384	1,617
Other	272	236	358
Total non-current liabilities	**2,912**	**2,609**	**2,975**
Net assets	**4,897**	**4,524**	**5,050**

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	Electricity Authority's reconciled grid demand www.emi.ea.govt.nz
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 Mercury. They do not result in the physical supply of electricity