

CRAIGS QUEENSTOWN INVESTOR DAY.



meridian

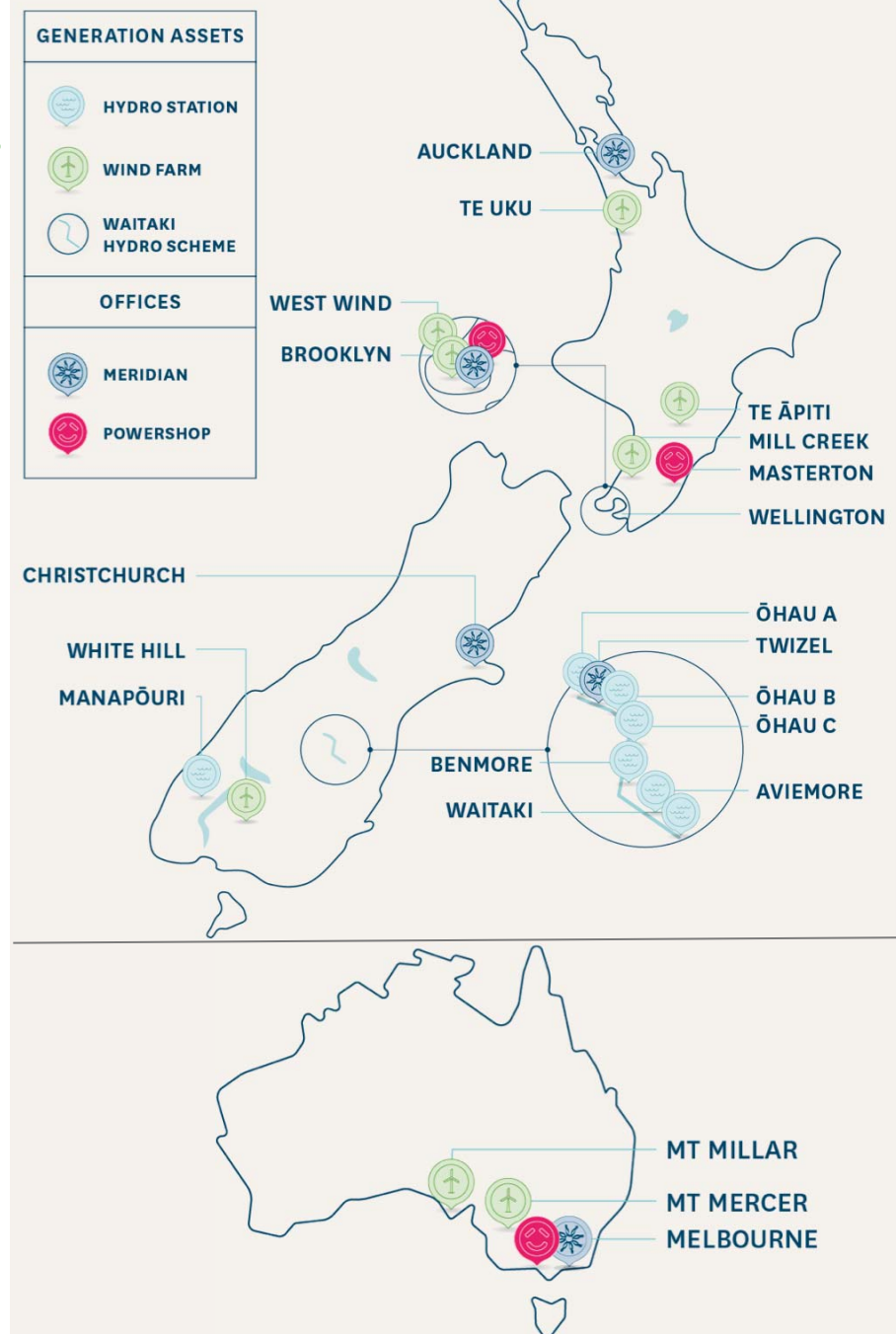
MERIDIAN
ENERGY
LIMITED
MANAGEMENT
PRESENTATION

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Meridian – a reminder.

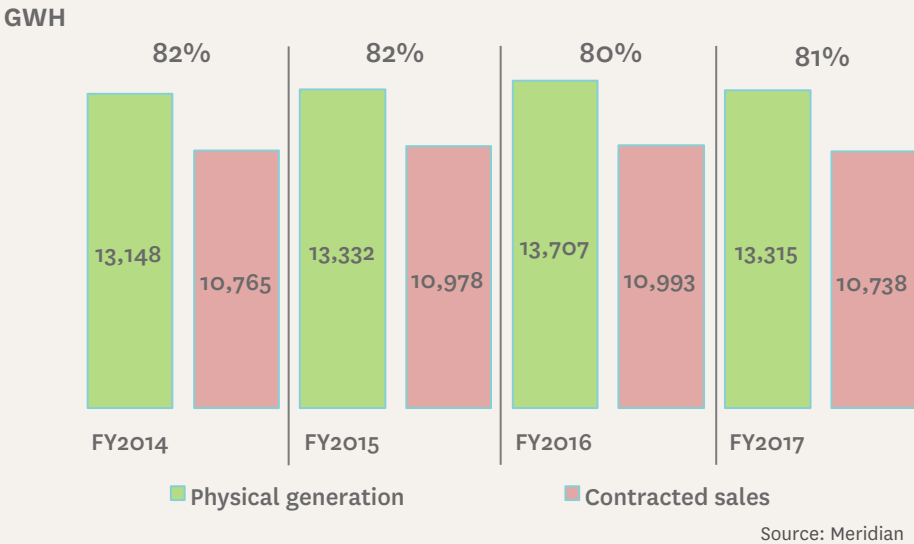
\$7b company, listed in 2013, 51%
Government owned

- New Zealand’s largest generator, from purely renewable sources
- Seven big hydro stations – flexible plant with the country’s largest storage
- Very long life, highly efficient assets
- With low operating costs and capital needs
- Five NZ wind farms, two in Australia
- Proven success operating in a high wind environment
- Backed with more than a decade of construction and operational experience
- One of five vertically integrated generator retailers in the New Zealand market

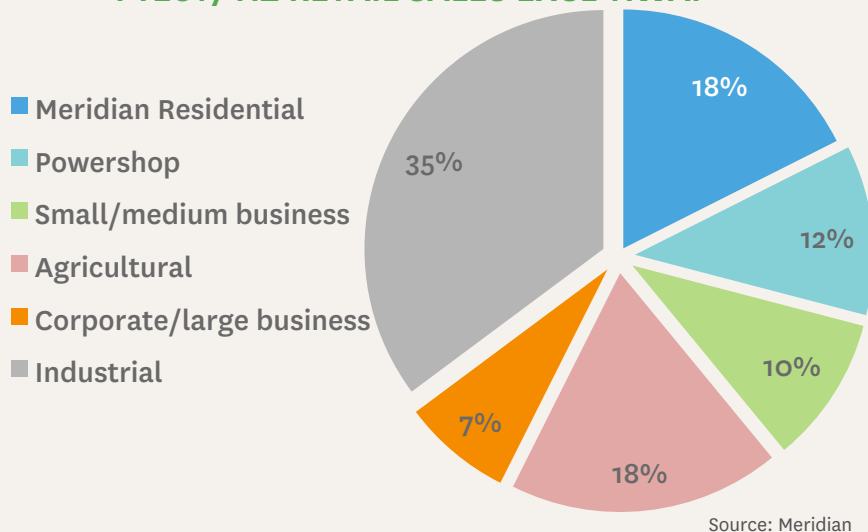


Meridian – a reminder.

GENERATION AND CONTRACTED SALES



FY2017 NZ RETAIL SALES EXCL TIWAI



Large generator, smaller retailer

- Second smallest retailer of the five gentailers (by customer numbers)
- Typical long generation position to manage variable hydro inflows
- 40% of generation covered by Tiwai Point contract (price guarantee, not supply)
- Retail load is weighted towards business, commercial and agricultural load

280,000 NZ customers with Meridian and Powershop

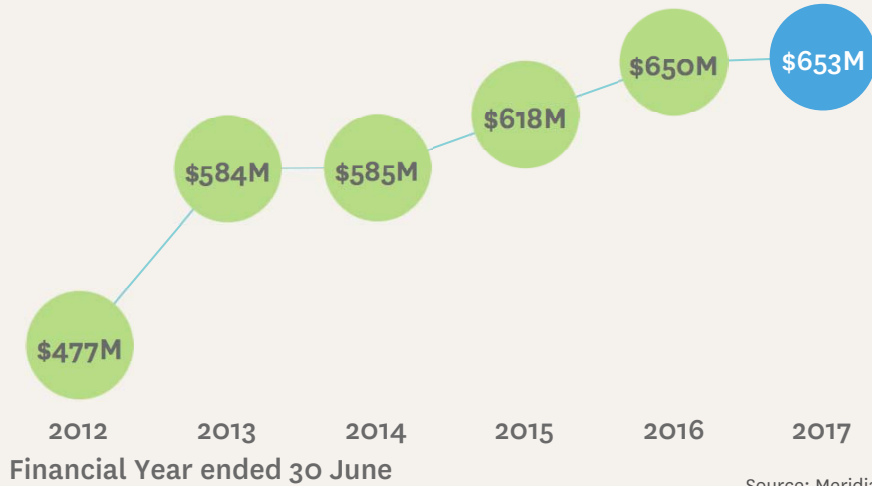
Further 100,000 Powershop customers in Australia

Now in-market in the UK, franchising Powershop

Shareholder highlights.

Five successive years of earnings growth

EBITDA¹



Source: Meridian

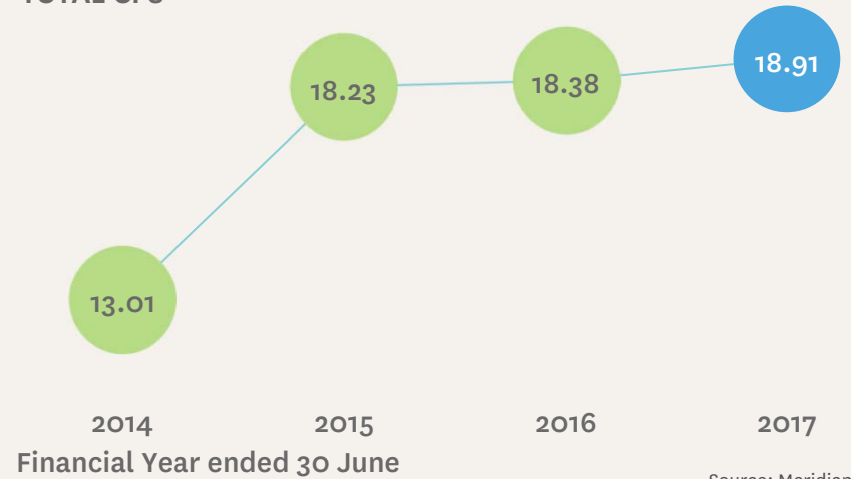
1. Earnings before interest, tax, depreciation, amortisation, changes in fair value of hedges and other significant items

Improvement from:

- Lift in NZ retail profitability
- Customer growth in Australia
- Commissioning of new wind farms
- Operating cost discipline

Higher dividends every year since listing

DIVIDENDS DECLARED TOTAL CPS



Source: Meridian

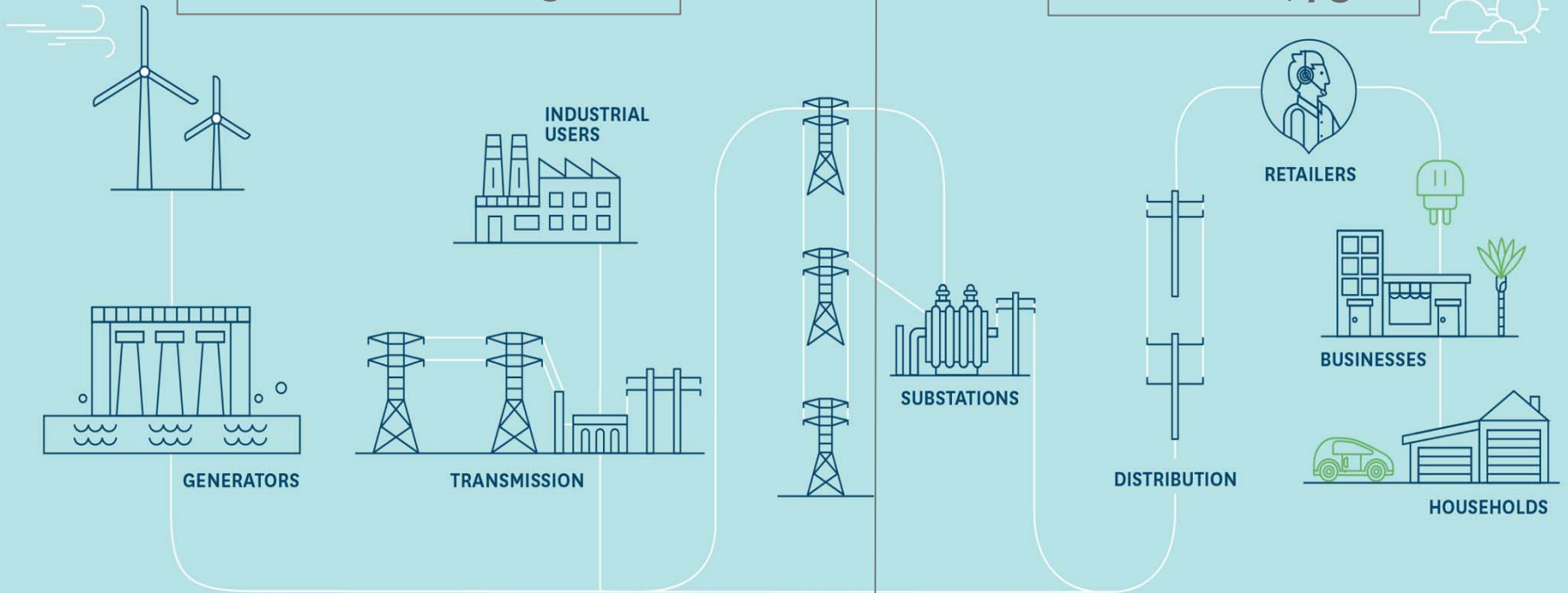
Improvement from:

- Earnings growth increasing free cash flow
- Low capital needs
- Progressive ordinary dividend
- 5 year capital management programme

Meridian's FY17 earnings.

NZ wholesale \$588M

NZ retail \$75M



Australia \$34M

Other/corporate -\$38M

FY17 EBITDAF \$653M

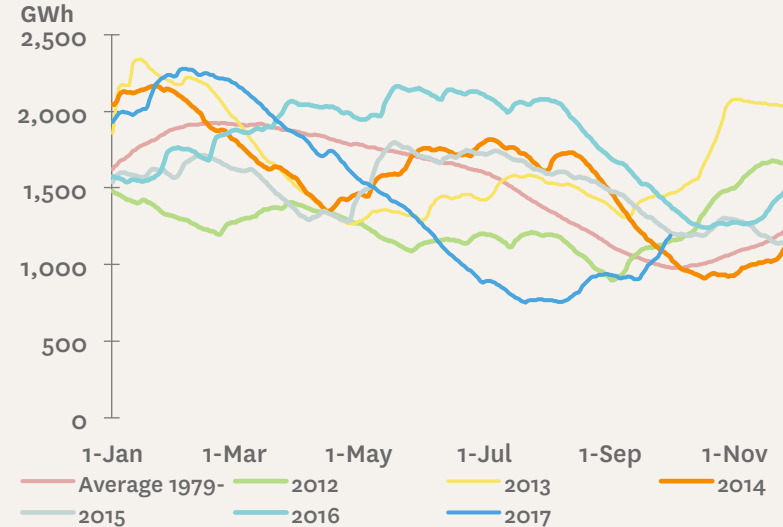
Source: Meridian

September quarter.

High August and September 2017 monthly inflows

- September quarter inflows were 131% of average
- Meridian's Waitaki storage now at 121% of average
- Compared to the September quarter last year:
 - 25% lower NZ generation
 - 10% higher NZ retail sales
 - Higher Australian generation and retail sales
 - Higher customer numbers in both countries

MERIDIAN'S WAITAKI STORAGE



New technologies.



Solar

- Solar uptake increasing in NZ as economics slowly improve
- NZ residential capacity factors are low (13%-15%) and payback high (13 years)
- Commercial solar opportunities are being developed
- Our agreement with Kiwi Property will see them being NZ's largest solar consumer
- Grid scale solar unlikely in NZ with competing land uses and winter peak demand
- Solar uptake is much higher in Aus with subsidy support
- Residential capacity factors and paybacks are better in Aus
- Grid scale development is happening in Aus as costs decrease significantly

New technologies.

Batteries

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



New technologies.



Electric vehicles

- EV levels are growing in NZ (currently 3,500 pure EV and 1,500 hybrids)
- Government and company fleet conversions increasing
- Meridian will have converted 50% of its passenger fleet by June 2018
- NZ 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 Aus limits EV environmental proposition

NZ demand.

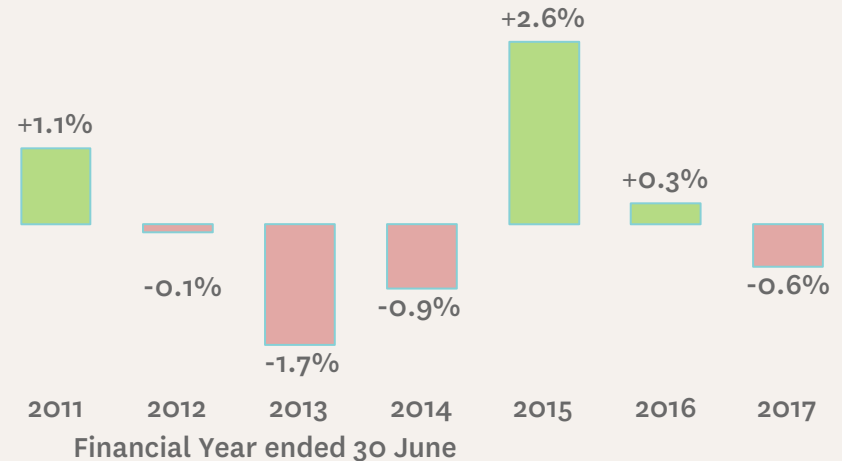
Little demand growth in the last 7 years

- + Economic growth
- + Positive net migration
- - Industrial and manufacturing closure
- - Warmer than average temperatures
- - Growing impact of technology and efficiency gains
- +/- Variable irrigation load depending on rainfall

Future demand is expected

- Likely to be modest, estimated between 0.5% and 1% pa on average
- New generation capacity will be needed, probably after 2021

ANNUAL DEMAND CHANGE SINCE 2010



Source: Electricity Authority

Tiwai Point smelter.

12% of New Zealand's total annual demand

- CfD contract with Meridian on NZAS perpetual 12-month termination right
- International aluminium is recovering, prices up 19% this year
- Meridian's modelling suggests smelter is currently making healthy cash profits
- Aluminium remains a commodity exposed to cycles and Chinese supply decisions
- Meridian not expecting smelter closure, change in ownership may occur
- A smelter closure would trigger further South Island grid investment (majority of lower South Island generation can be dispatched now)
- Greater HVDC capacity and North Island line uprating possible in the medium term

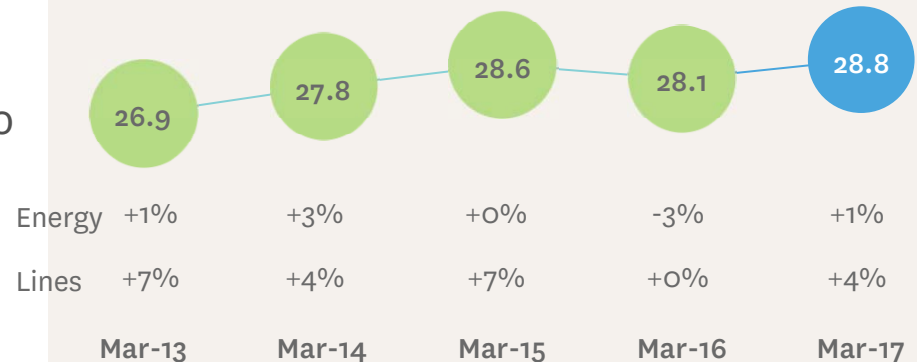
Growth opportunities.

New Zealand

- Low growth in a highly competitive market
- Retail electricity price increases have been less than inflation, not expected to change
- Wholesale prices may gradually lift as demand slowly grows
- Meridian is well positioned with future wind generation options
- Underweight residential position may provide future load growth
- Other customer segments have growth potential, including commercial solar
- Examining synergies between Meridian Retail and Powershop platforms

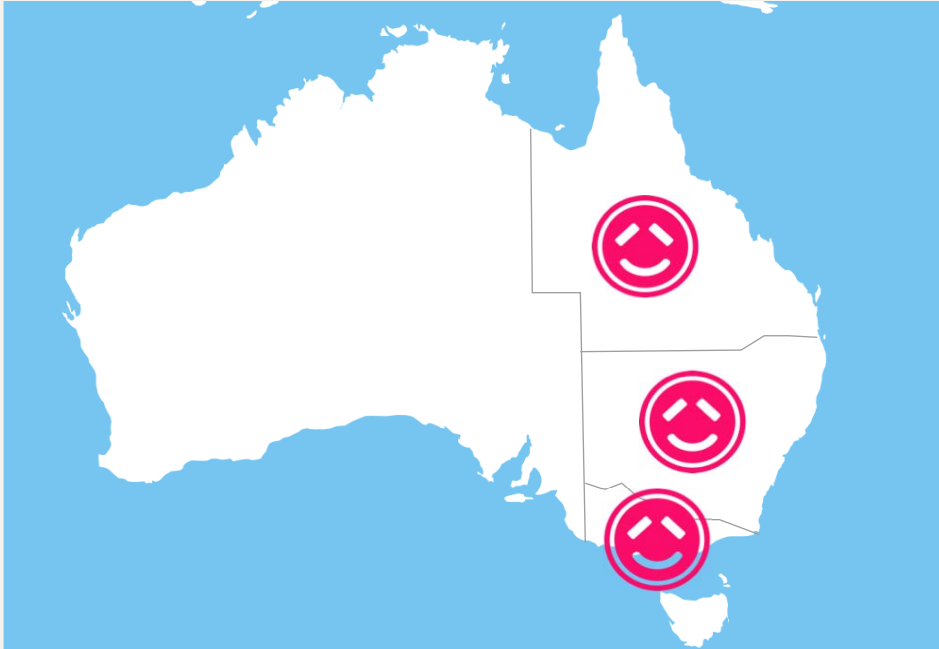
AVERAGE RESIDENTIAL ELECTRICITY COST

c/kWh



Source: Ministry of Business, Employment & Innovation

Growth opportunities.



Australia

- Potential retail growth off the back of new offtake agreements
- Dual fuel offering will support further uptake in Victoria
- Unlikely to build new generation in the current environment



UK and Europe

- Powershop now in-market in the UK through a franchise with nPower
- Dual fuel functionality by January 2018 could offer meaningful growth
- Exploring mainland Europe opportunities with nPower's parent company, Innogy

The political scene.

New Zealand

- Conversion of the Govt car fleet to electric by 2025/26 is positive
- Meridian is supportive of an independent Climate Change Commission
- Case for fairer transmission charging remains compelling
- Greater focus on water quality
- Resource rentals for water is a complex issue, we are supportive of a holistic, equitable approach
- Retail pricing could benefit from addressing inefficient network company structure and misdirected low user charges
- Positive on the new Government's proposals, plenty of detail to engage on

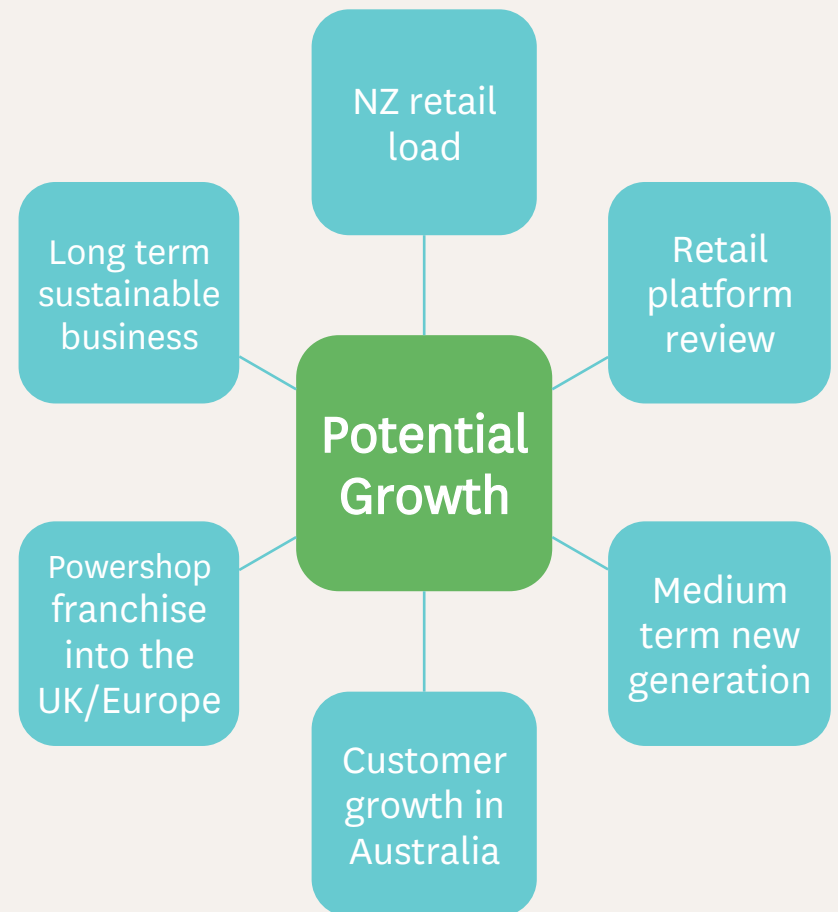
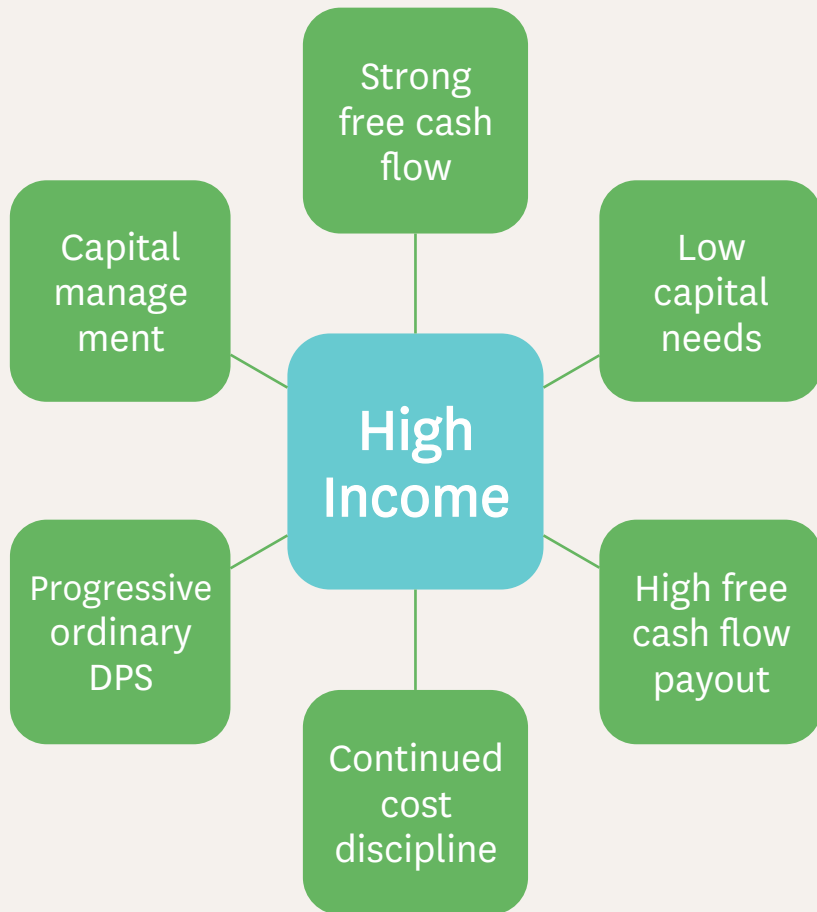


The political scene.

Australia

- Market is slow to commit to new renewables due to the lack of coherent energy policy
- Proposed National Energy Guarantee may provide a better solution
- Market has experienced several widespread outages and unplanned industrial load shedding
- Exacerbated by subsidies for continued smelter operations
- Thermal plant retirement and domestic gas shortage has led to a sharp increase in wholesale and retail prices
- Complicated by differing state and federal responses

Shareholder value.



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www.meridianenergy.co.nz/investors/

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

Thank you.



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