Better energy future

MERIDIAN ENERGY LIMITED 2016 interim results roadshow presentation

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 2015 and is available at:

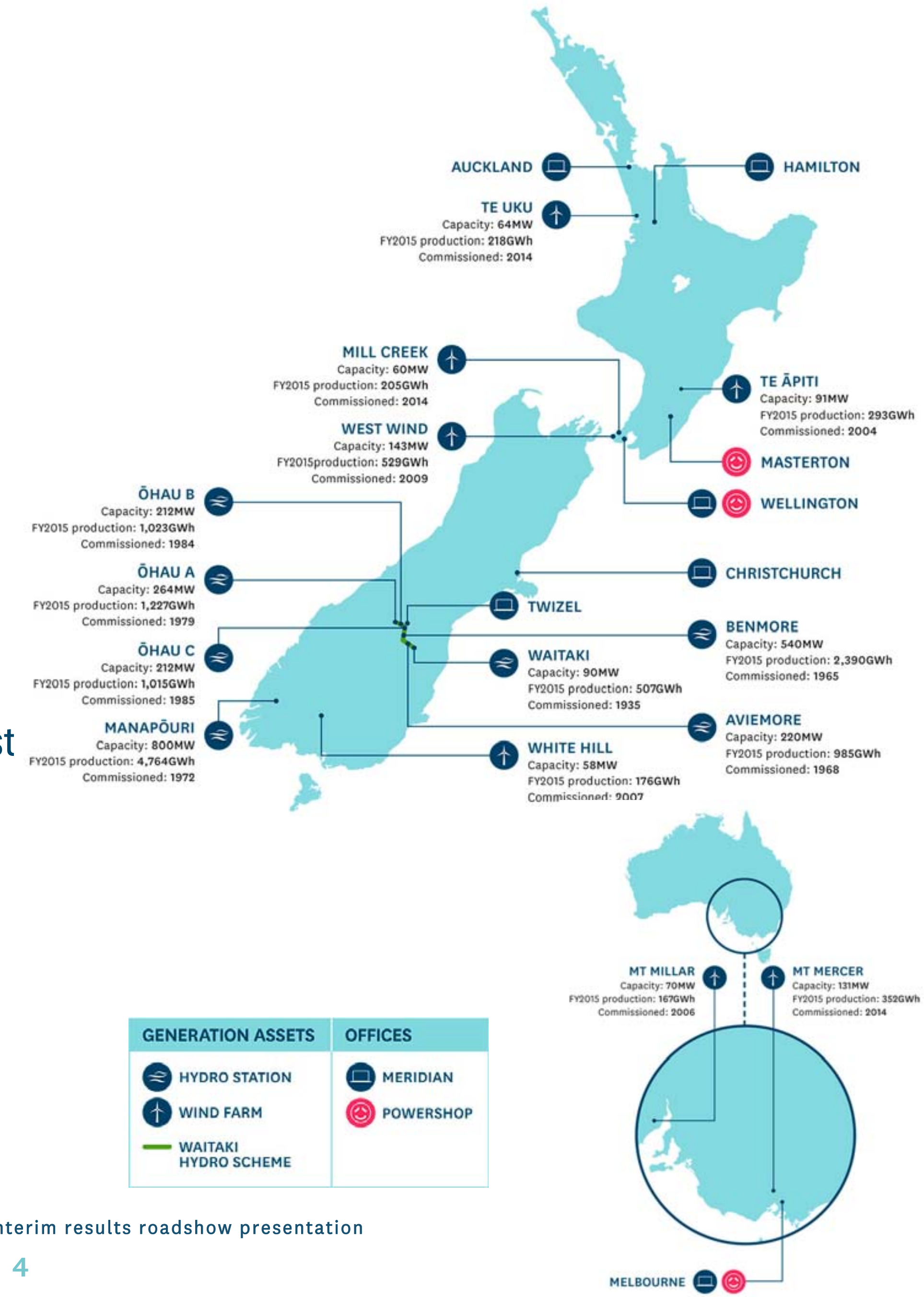
http://www.meridianenergy.co.nz/investors/

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

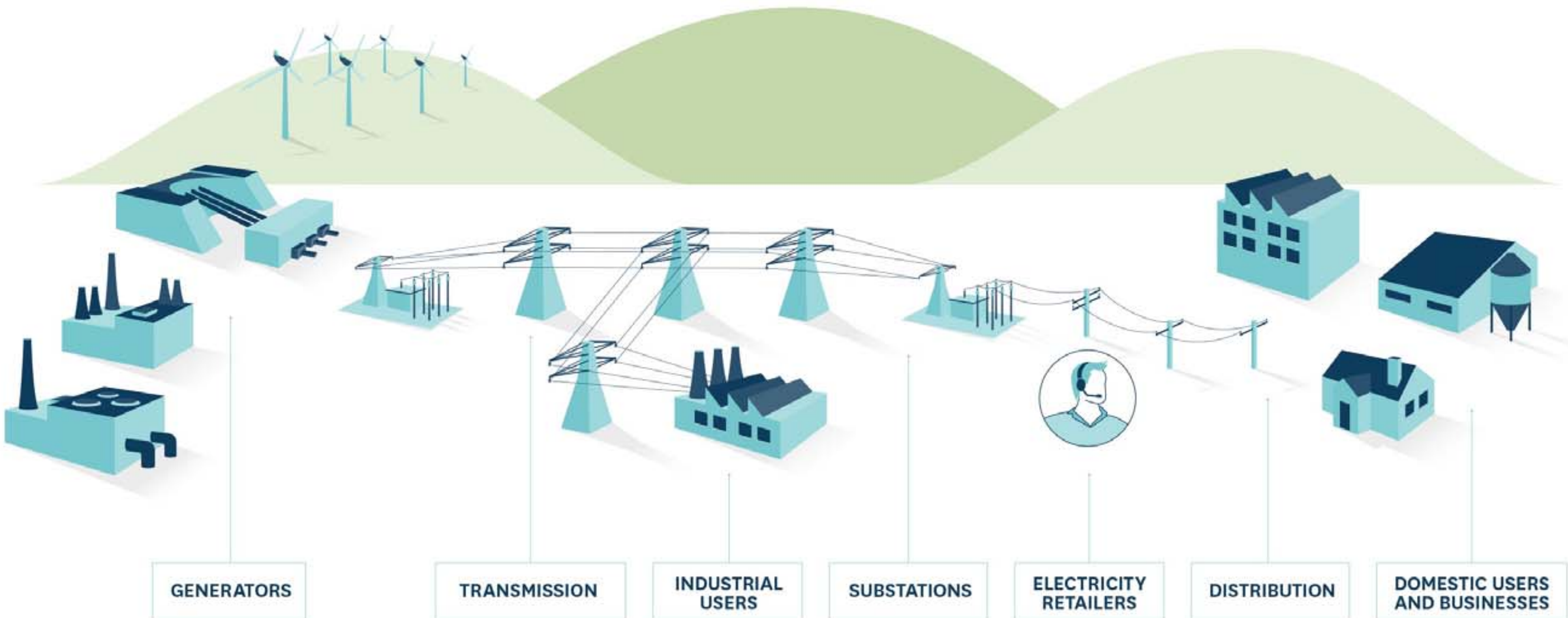
Meridian and the New Zealand market

About Meridian

- Vertically integrated renewable generator, retailing electricity to over 337,000 customers in New Zealand and Australia
- New Zealand's largest generator from purely renewable sources
- Seven hydro stations
  - Flexible plant with New Zealand's largest storage
  - Long life assets with low operating cost
  - Benchmark operational efficiency and low capital needs
- Seven wind farms
  - More than a decade of construction and operational experience
  - Unsubsidised in NZ with high capacity factors



The New Zealand electricity market



5 Major generators

1 Transmission grid operator

29 Distribution businesses

26 Electricity retail brands

2 Million consumers

2016 interim results

Highlights

EBITDAF

GROWTH

INTERIM
ORDINARY DIVIDEND

CENTS PER SHARE

SPECIAL DIVIDENDS

CENTS PER SHARE

NEW ZEALAND RETAIL
SALES VOLUMES

INCREASE

POWERSHOP AUSTRALIA
CUSTOMERS

GROWTH

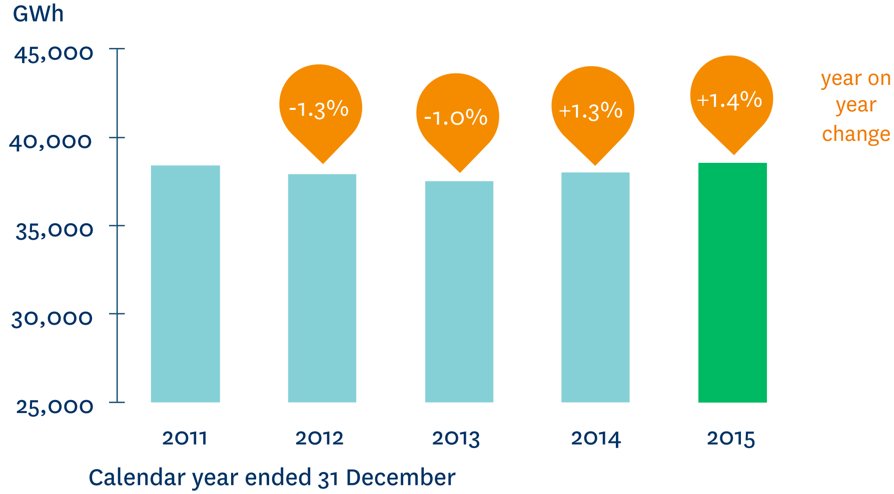
POWERSHOP AGREEMENT
WITH NPOWER

NOVEMBER

The New Zealand market

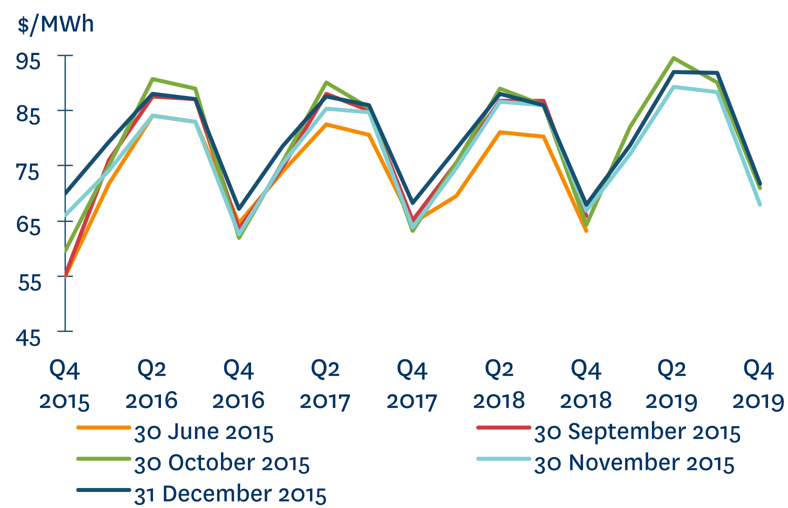
- Modest demand growth in last six months
- Growth in most regions and sectors (except industrial)
- 600MW of thermal plant closure has occurred in the last 6 months
- Market is working through implications of completed and planned thermal plant closure
- 2019 ASX prices are only trading around 4% above 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

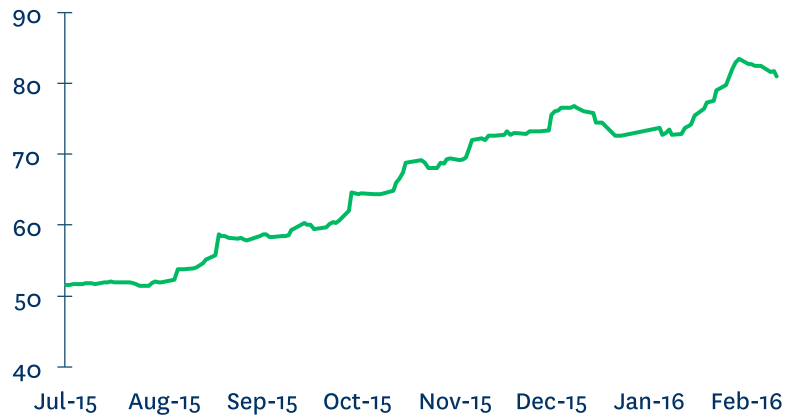
OTAHUHU ASX FUTURES SETTLEMENT PRICE



The Australian market

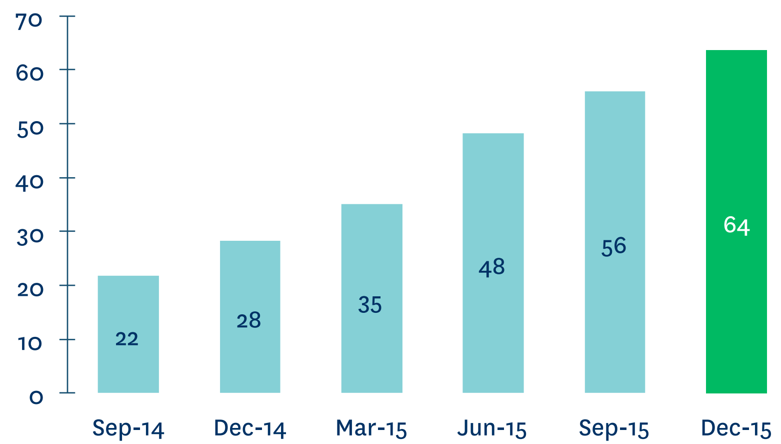
- LGC prices have responded to RET target decision in June 2015 and political changes in September 2015
- Has not yet translated into investment certainty, with little new investment announced
- Rising base wholesale prices with thermal retirement and new LNG gas consumption kicking in
- Powershop Australia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

LGC SPOT PRICE
AUD



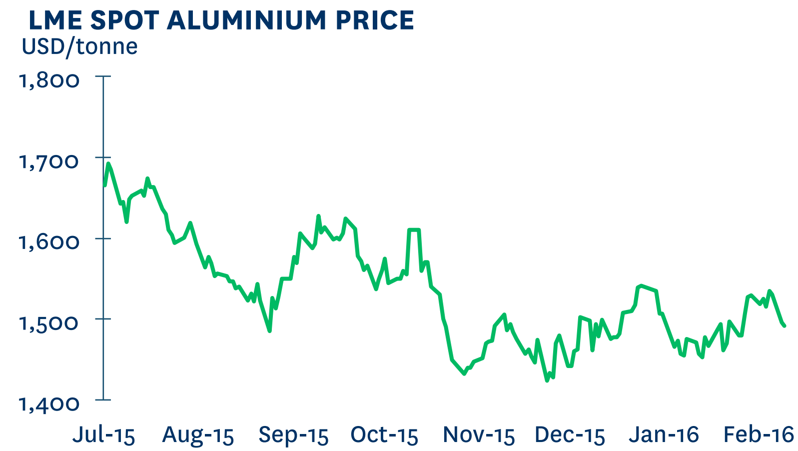
source: Bloomberg

POWERSHOP AUSTRALIA CUSTOMERS
FRMP (000)

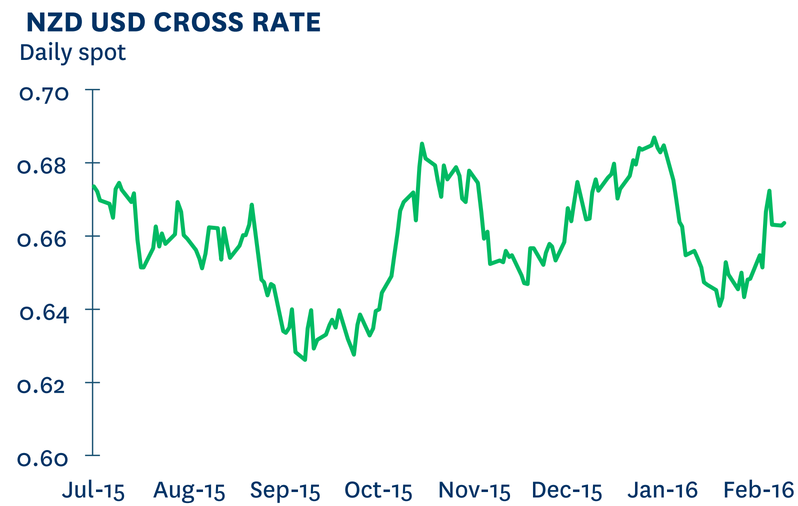


Tiwai Point smelter

- Current trading environment for the aluminium industry is difficult
- USD aluminium prices have fallen 10% since the middle of 2015
- Price premia have stabilised 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



source: London Metal Exchange



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

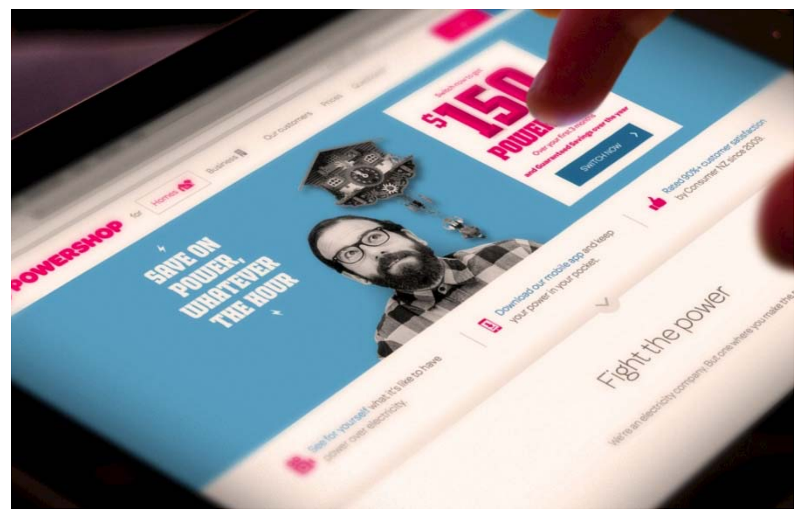
- Launch of Xero partnership
- Winner of CRM contact centre award (commercial and business services)
- Powershop net promoter score above 46 (energy sector average is -13)
- Good performance on retail metrics

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



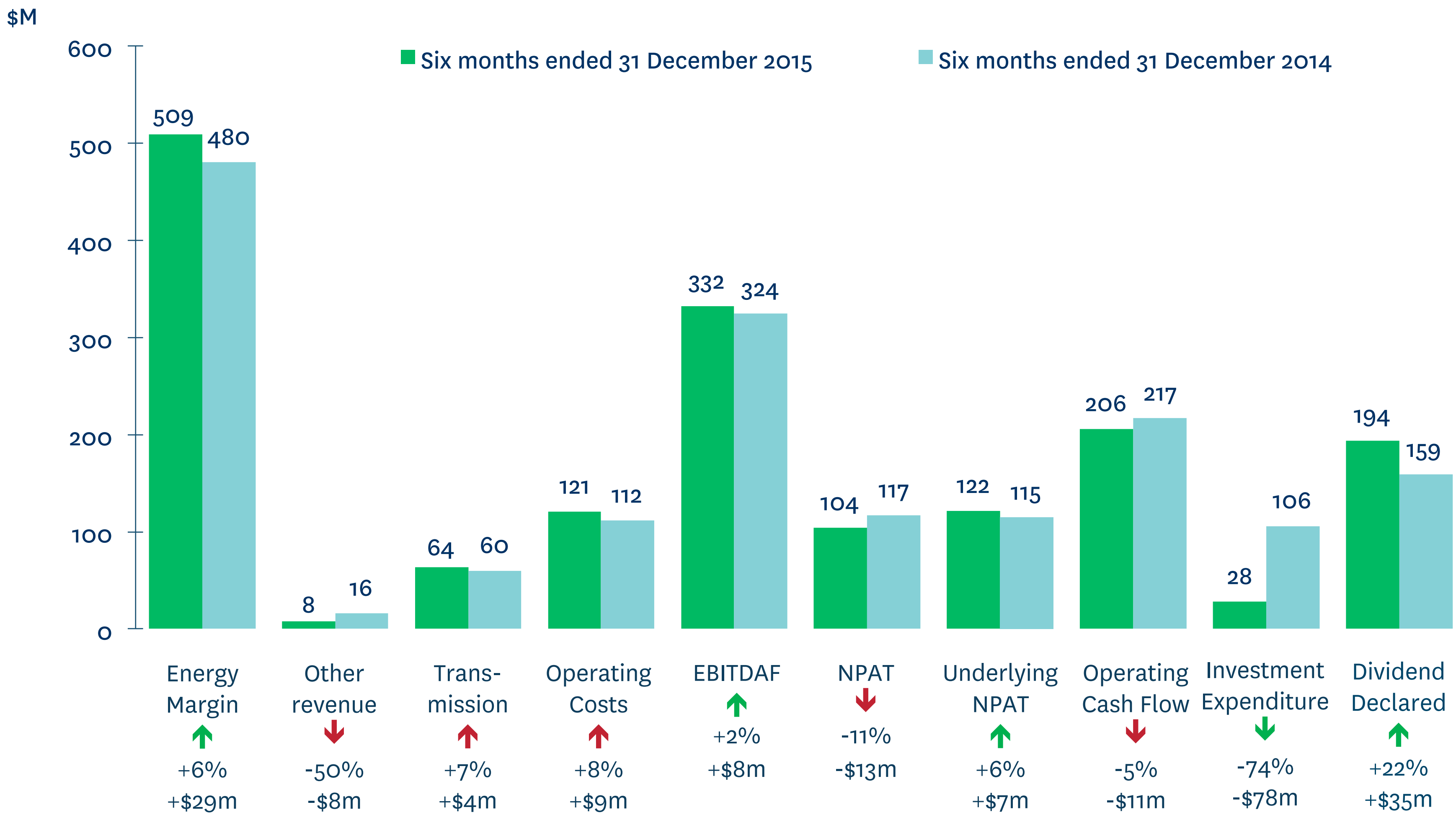
Concluding remarks

- 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

2016 interim financial performance

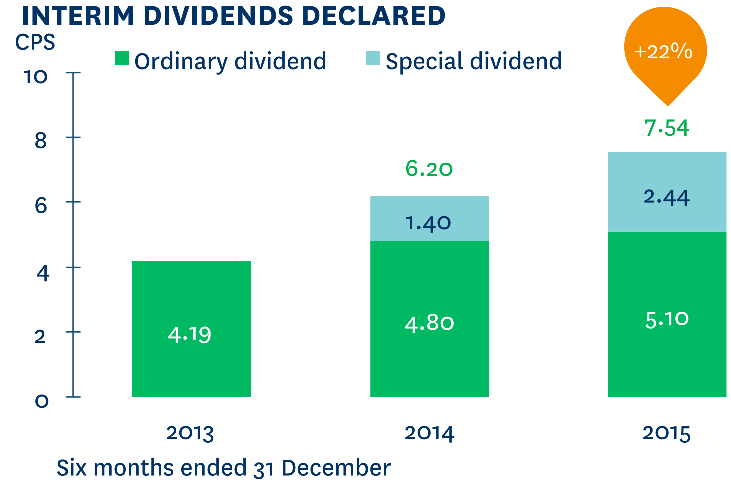
Financial performance

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR



Dividends

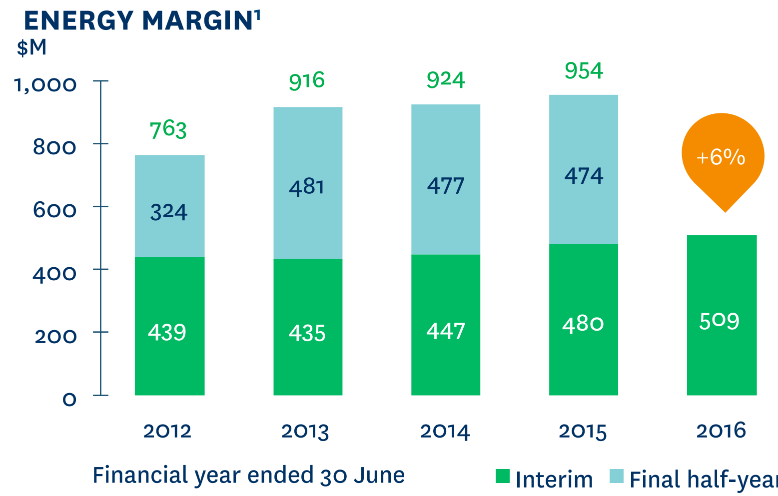
- Interim ordinary dividend of 5.10 cps, 85% imputed
- Is a 6% increase on the interim dividend from last year
- Capital management interim special dividend of 2.44 cps, unimputed
- Brings capital management distributions to $125m since the programme commenced in August 2015
- To date, this has been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



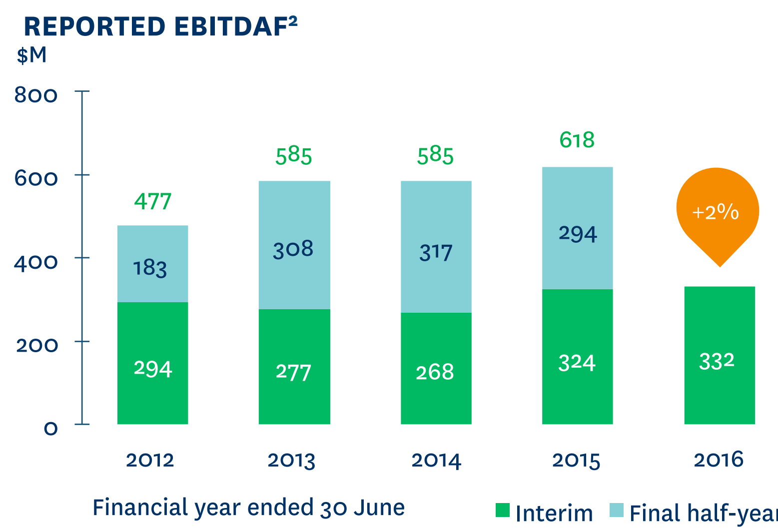
FY2016 DIVIDENDS DECLARED	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	5.10	85%
Interim Special Dividend	2.44	0%
Total Interim Dividend	7.54	

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



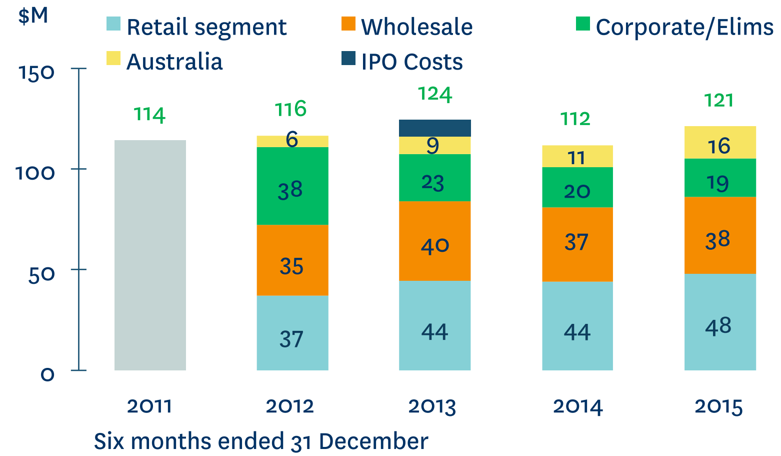
[1]See pg 25 for a definition of energy margin
[2]Earnings before interest, taxation, depreciation, amortisation, changes in fair value of hedges and other significant items



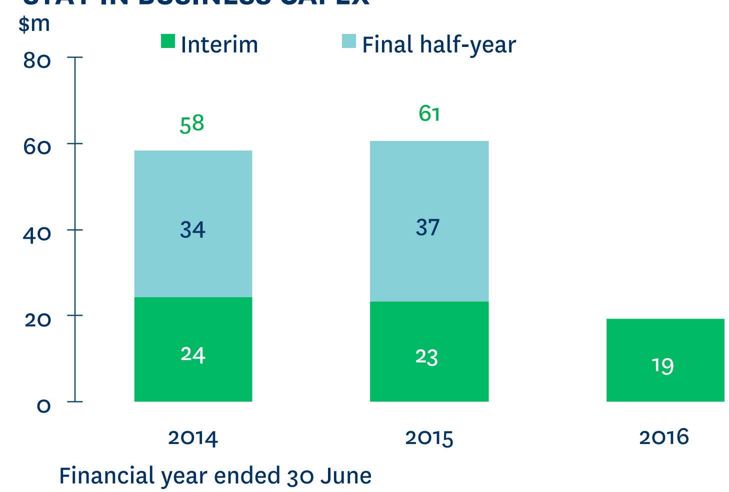
Costs

- 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

OPERATING COSTS

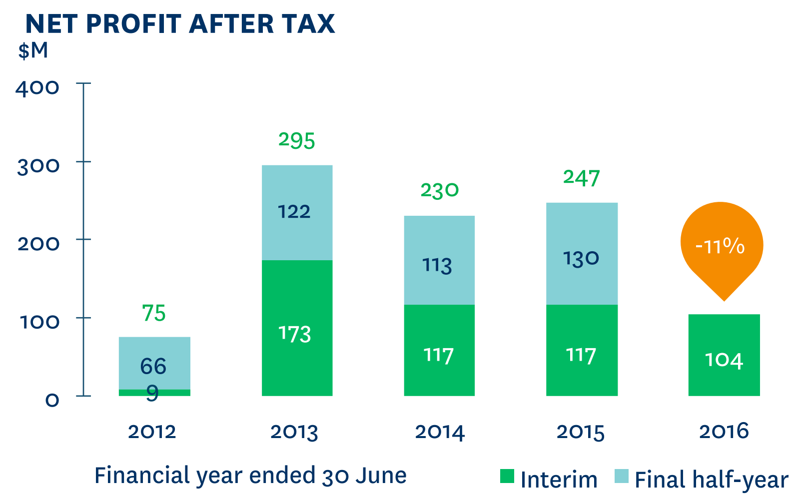


STAY IN BUSINESS CAPEX

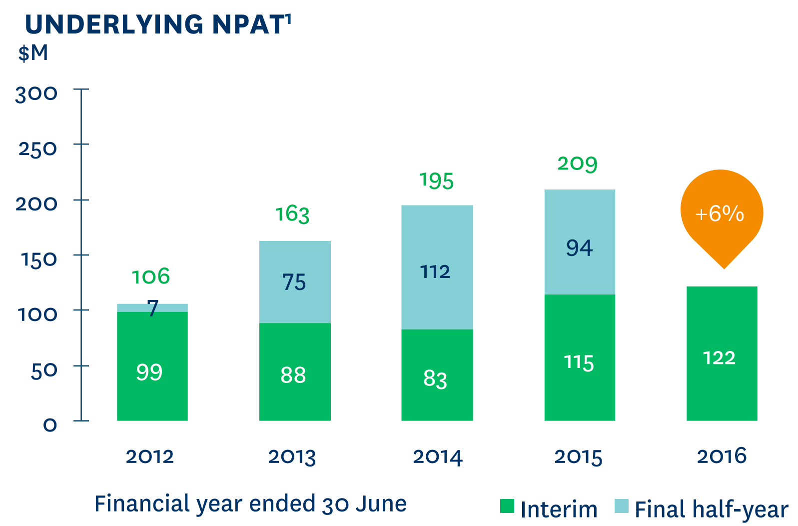


Below EBITDAF

- 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



[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

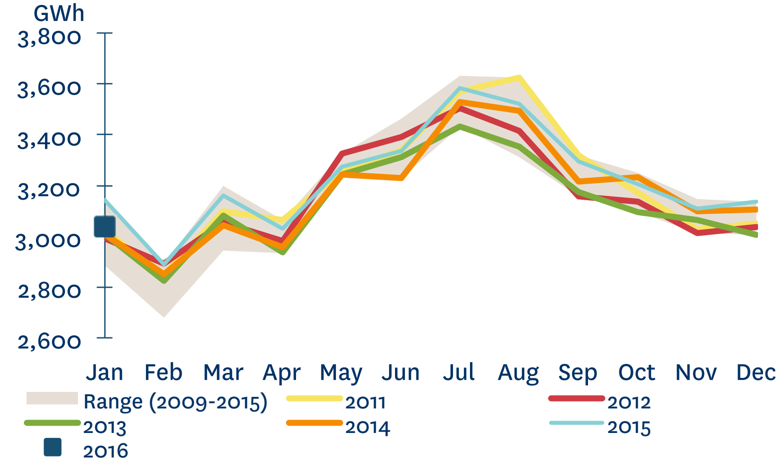


Latest operating information

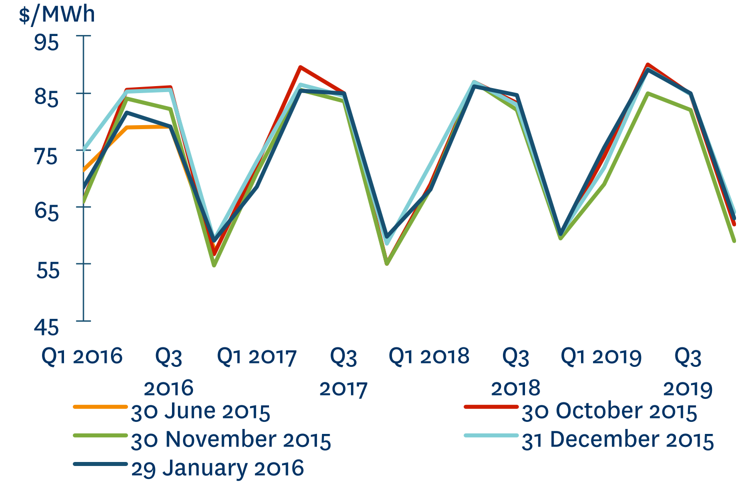
Market Data

- National electricity demand in January 2016 was 3.4% lower than the same month last year
- This was driven continued North Island demand growth and lower South Island irrigation with rainfall during January 2016
- Demand in the last 12 months was 1.1% higher than the preceding 12 months
- National storage increased from 86% of the 81 year average on 11 January 2016 to 90% of average on 11 February 2016
- January 2016 saw some upward movement in near-term ASX prices

NATIONAL DEMAND

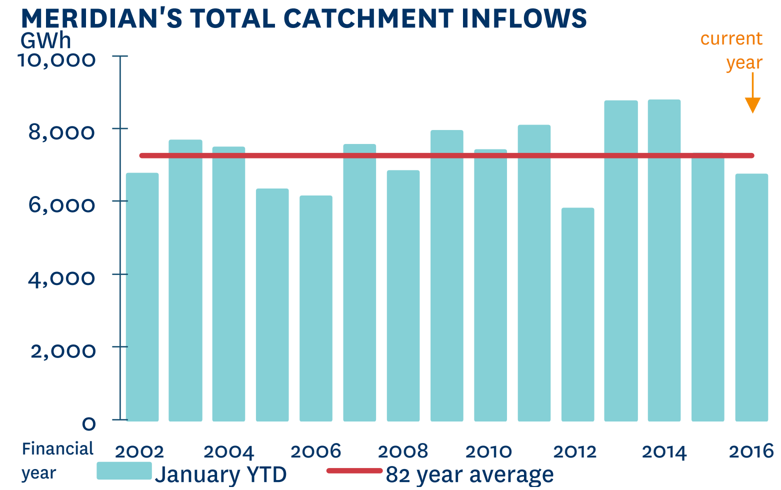


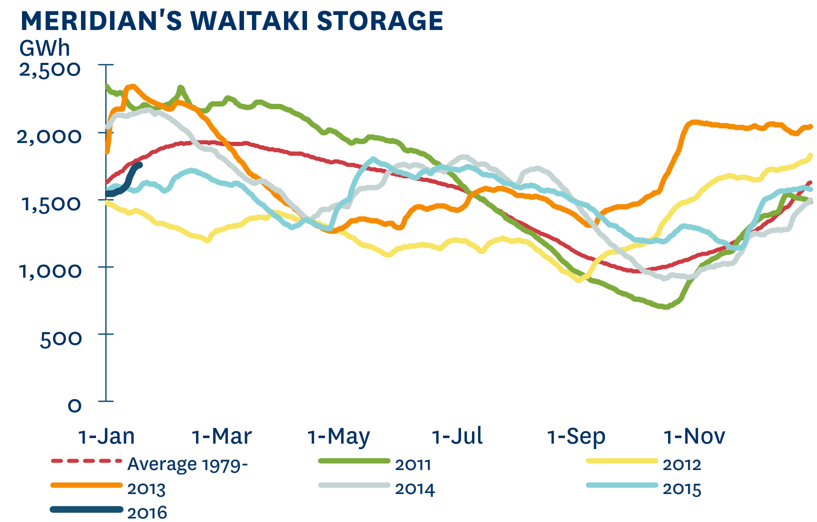
BENMORE ASX FUTURES SETTLEMENT PRICE



Meridian hydrology

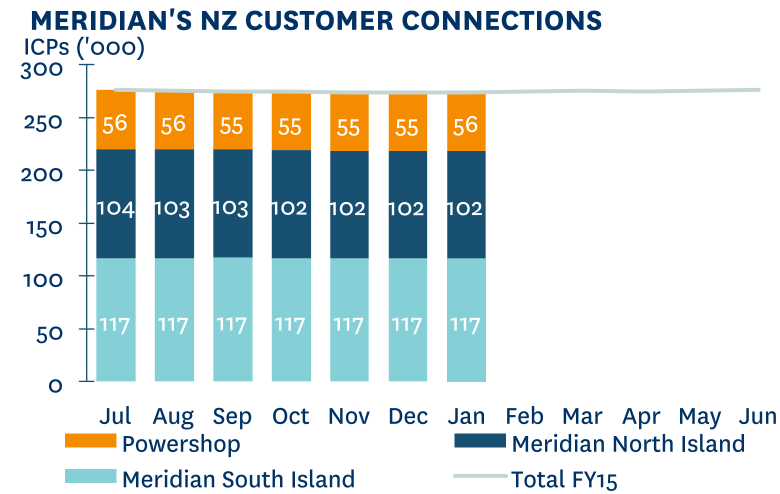
- January 2016 monthly inflows were 85% of historical average
- Meridian's Waitaki catchment storage moved from 1,579GWh to 1,758GWh during January 2016
- Waitaki storage at the end of January 2016 was 93% of historical average, compared with the position a month earlier, where storage was at 97% of historical average
- Waitaki storage at the end of January 2016 was 12% higher than the same time last year
- Storage in Meridian's Waiau catchment was largely unchanged at the end of January 2016





Meridian retail

- Meridian's New Zealand customer connection numbers rose slightly during January 2016
- Retail sales volumes in January 2016 decreased by 13.9% compared to January 2015
- Compared to January 2015, residential/ SMB sales volumes decreased by 14.7% (reflecting lower irrigation volumes) and corporate sales volumes decreased by 12.6% (churn in time of use customers)
- To date this financial year Meridian's retail sales volumes are 2.6% higher than the same period last year
- This reflects a 3.0% increase in residential/SMB sales volumes and a 1.8% increase in corporate sales volumes



*excludes volumes sold to New Zealand Aluminium Smelters Limited and CFDs