



meridian

Powering today, protecting tomorrow



Manapōuri power station, Fiordland National Park

MERIDIAN ENERGY LIMITED retail roadshow presentation

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM

About Meridian

- New Zealand's largest generator
- Using purely renewable sources
- Seven hydro stations (86% of Meridian's total production in the 2016 financial year)
 - Flexible plant
 - New Zealand's largest storage
 - Long life assets
 - Low operating cost
 - Benchmark operational efficiency
 - Low capital needs



Benmore power station, Waitaki Valley

About Meridian

- Seven wind farms in Australasia (14% of Meridian's total production in the 2016 financial year)
- New Zealand's biggest wind farm developer and operator (60% of installed capacity)
- More than a decade of construction and operational experience
- Successfully developed without subsidies
- High capacity factors



West Wind farm, Makara, Wellington

About Meridian

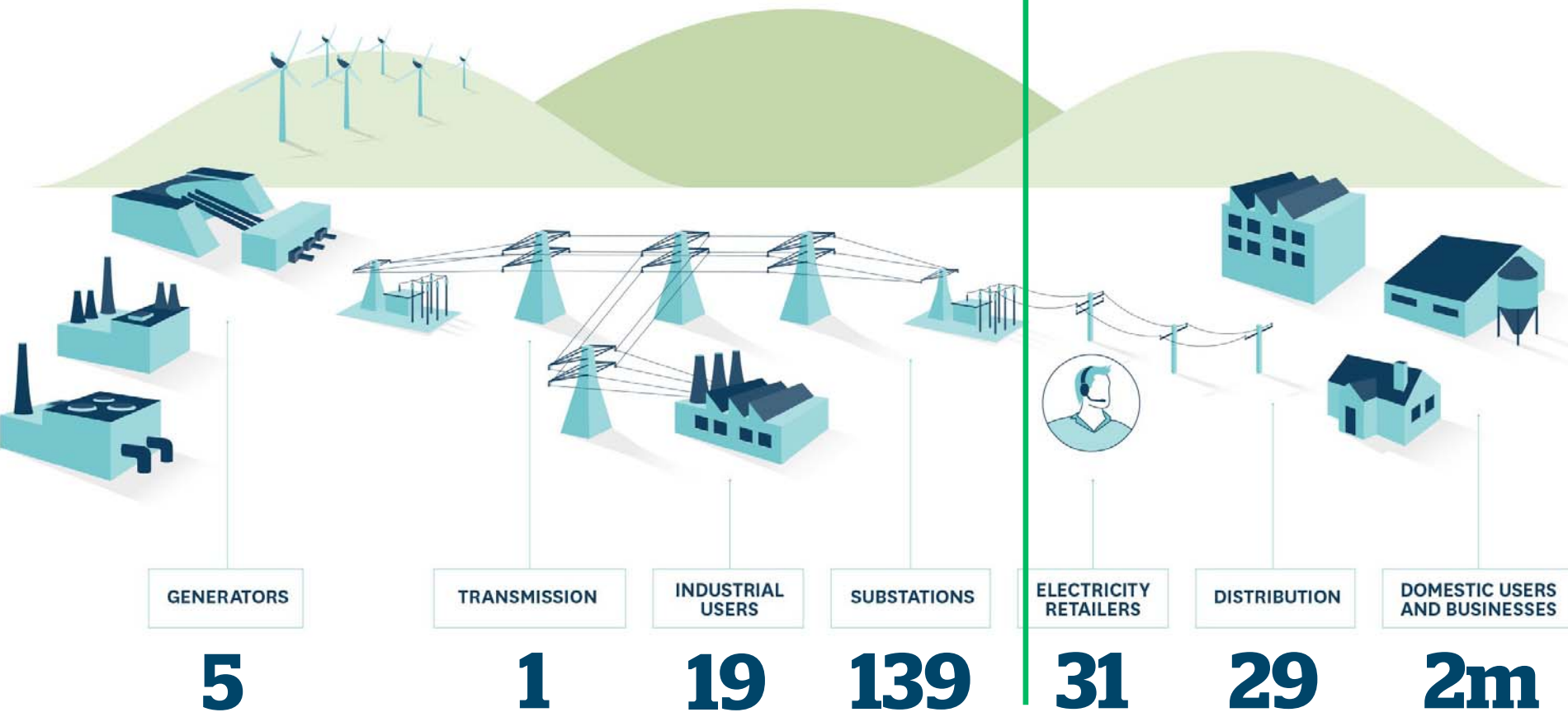
- A retailer to around 275,000 homes, farms and businesses throughout New Zealand
- Offering choice through two different brands
- Converted 87,000 Australians to great kiwi customer service so far
- About to franchise Powershop in the UK to npower (one of the big six retailers in that market)



New Zealand market

wholesale

retail

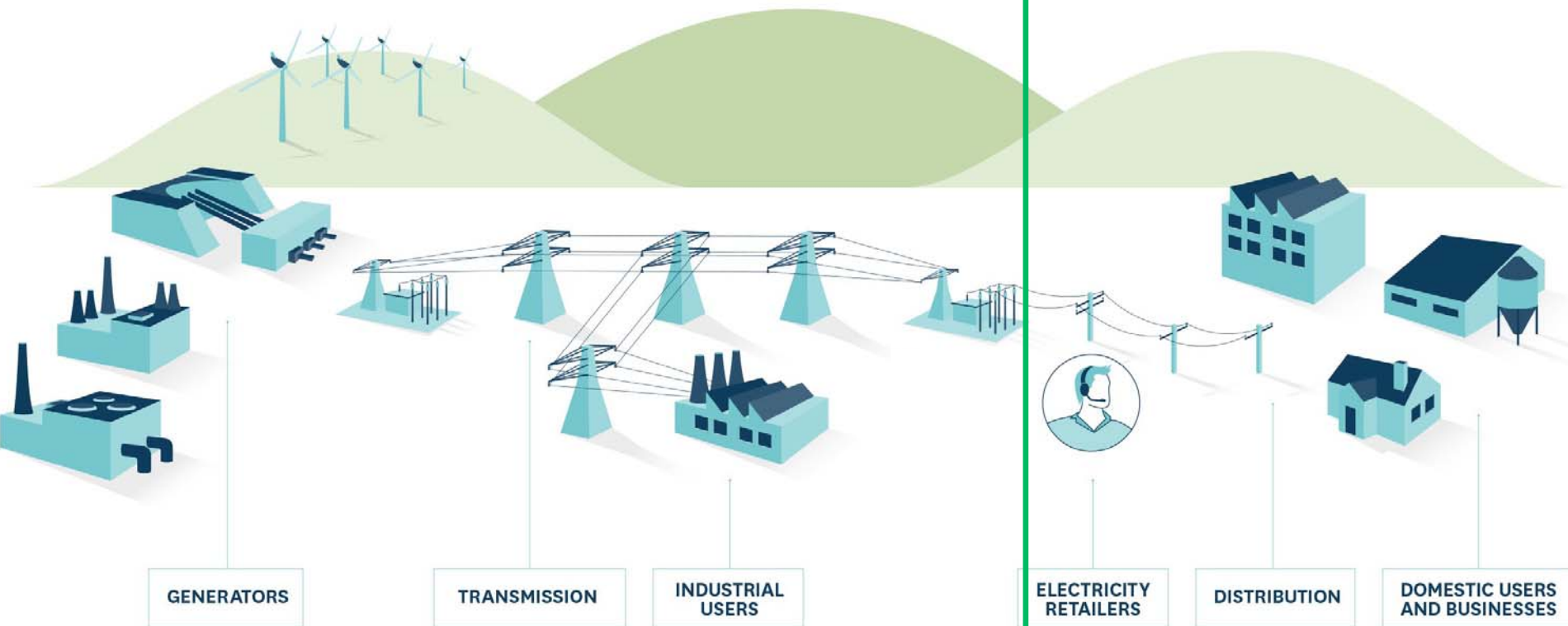


Source: Meridian segment disclosures

How we make money

wholesale

retail



GENERATORS

TRANSMISSION

INDUSTRIAL
USERS

ELECTRICITY
RETAILERS

DISTRIBUTION

DOMESTIC USERS
AND BUSINESSES

+\$779m

-\$124m

+\$327m

-\$312m

-\$479m

+\$630m

including cover contracts

INTERNATIONAL **+\$34m**

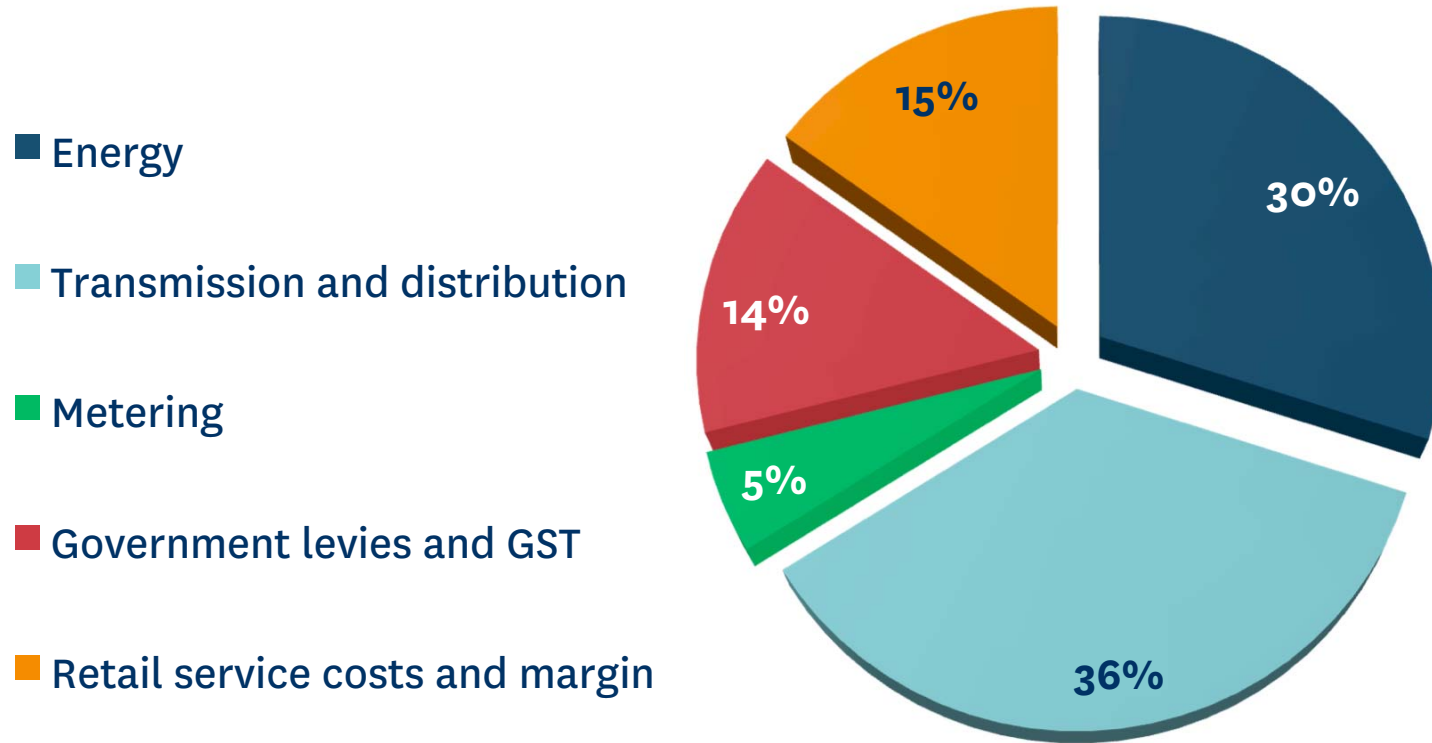
OPERATING COSTS **-\$205m**

= FY16 EBITDAF \$650m

Source: Meridian segment disclosures

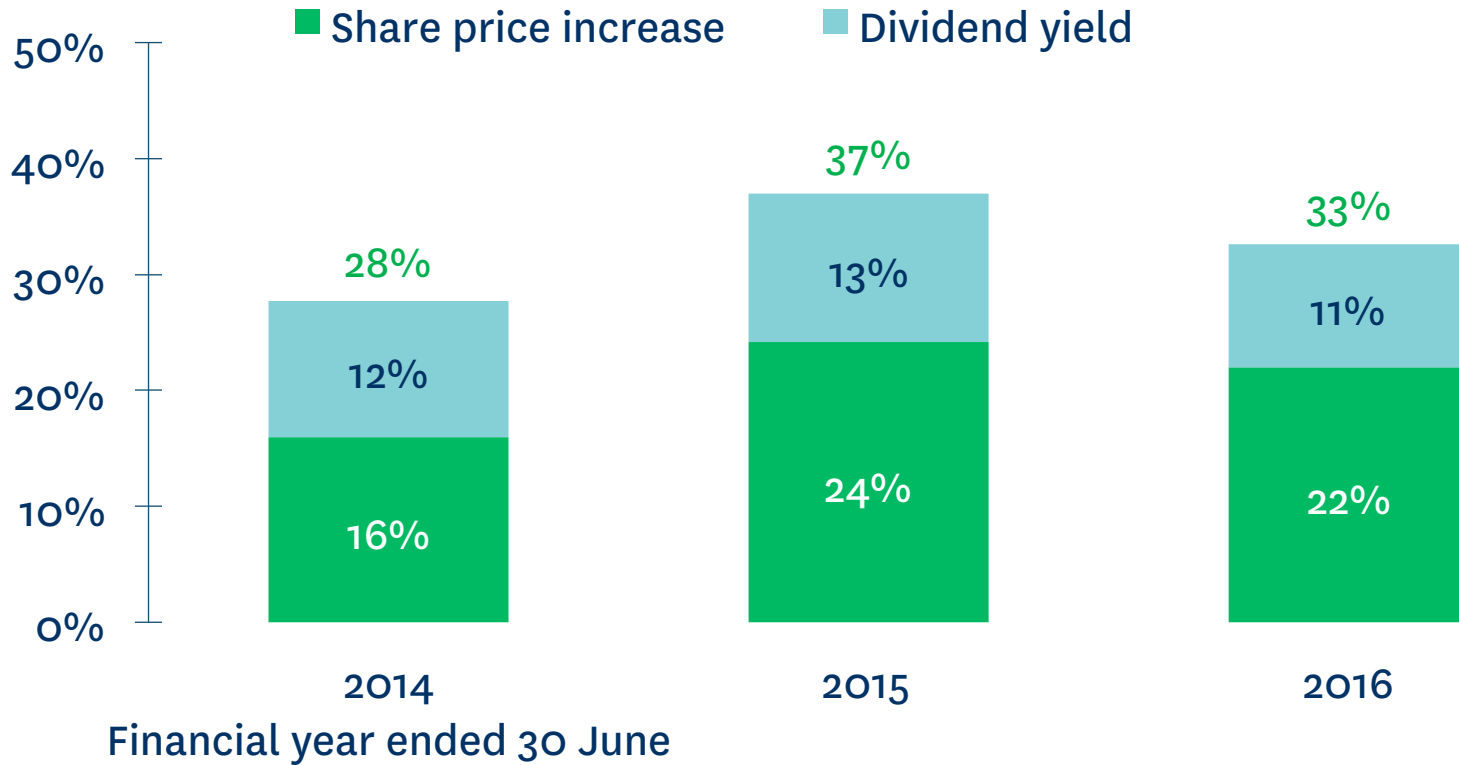
Your power price

TYPICAL MERIDIAN RESIDENTIAL BILL



Your returns so far

TOTAL SHAREHOLDER RETURN



Our share price

PERFORMANCE SINCE LISTING

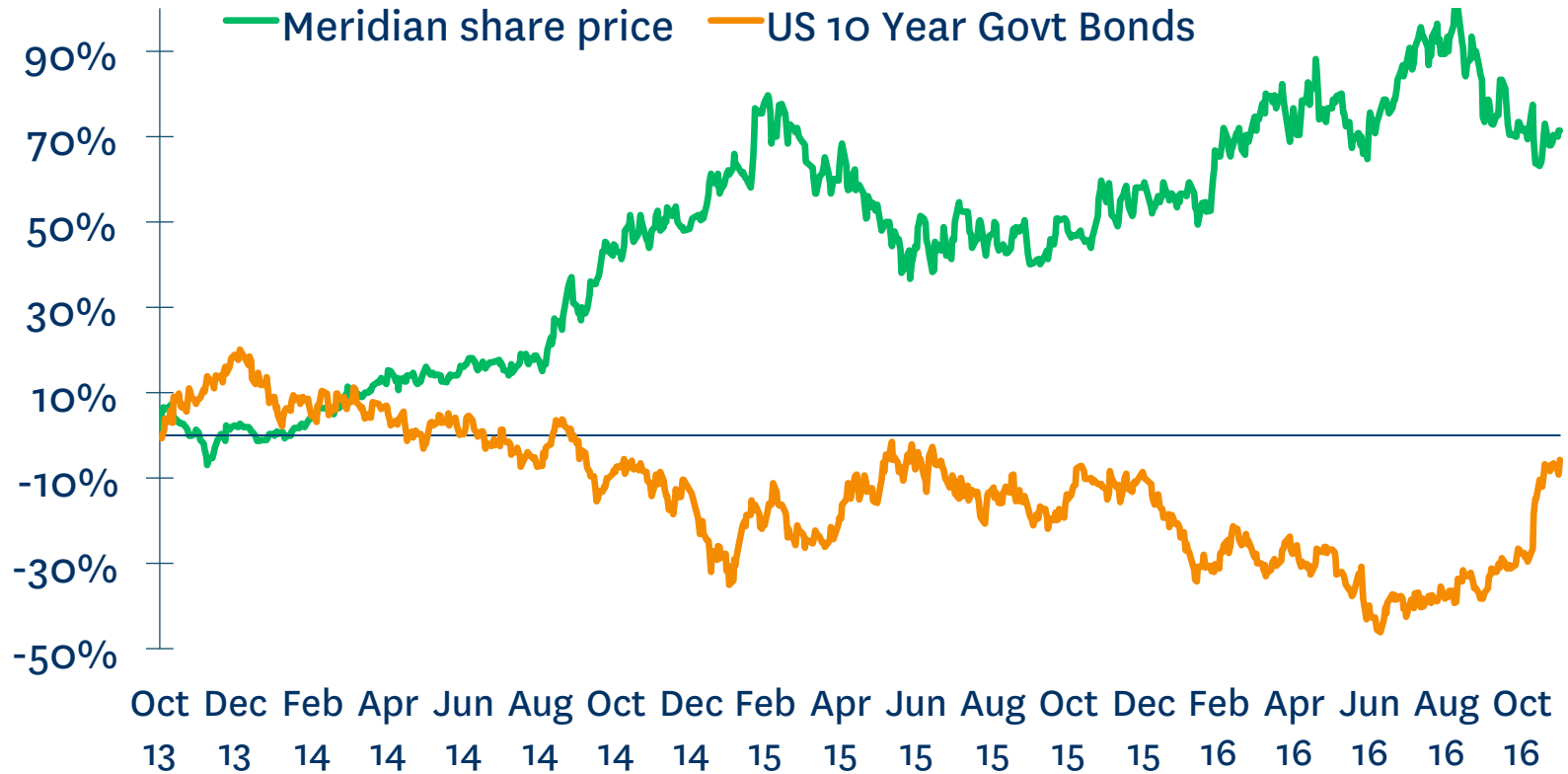


As at Thursday 1 December 2016

Source: Bloomberg

Our share price and the relevance of bond rates

PERFORMANCE SINCE LISTING

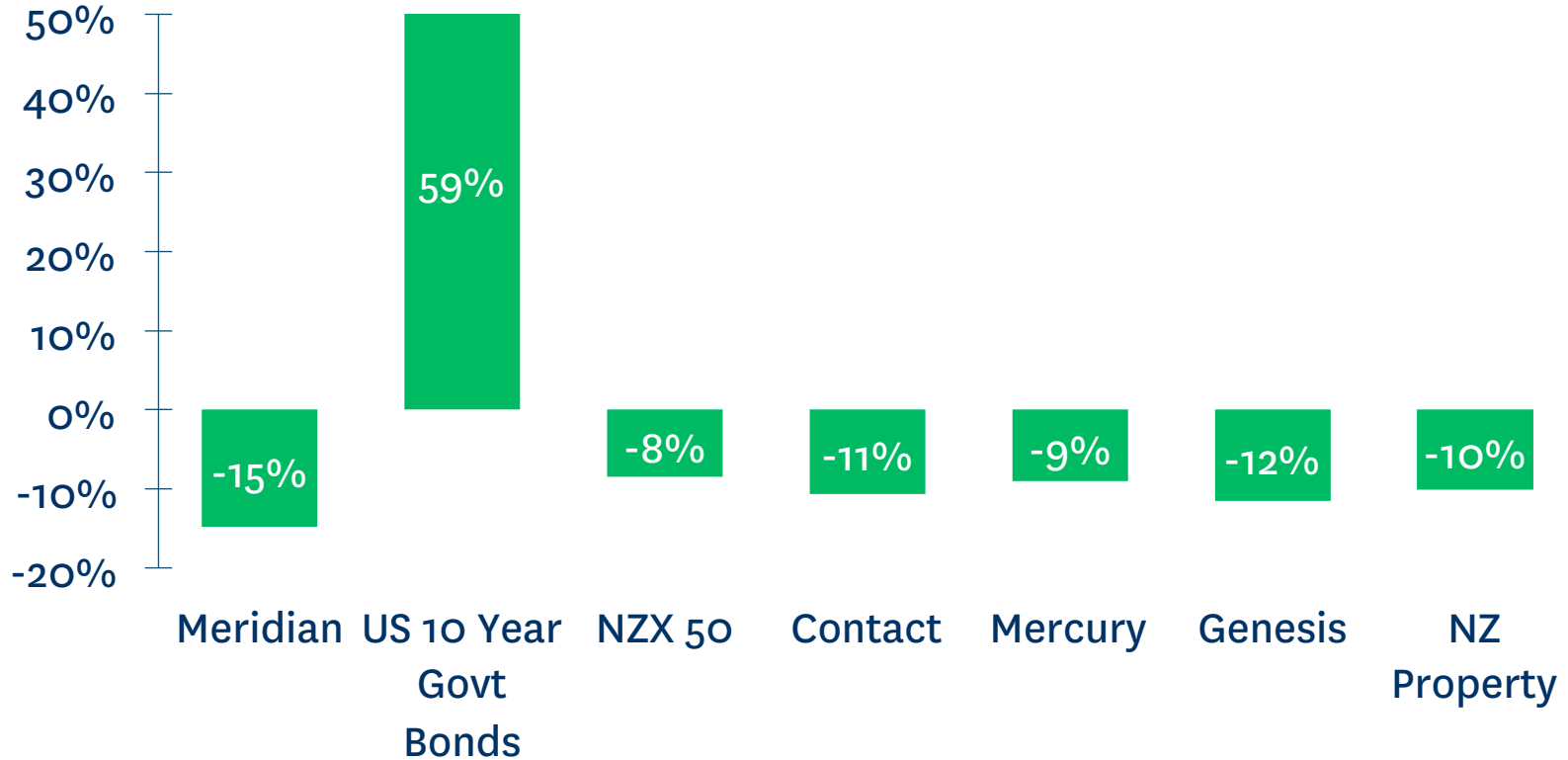


As at Thursday 1 December 2016

Source: Bloomberg

Recent share price decline

PERFORMANCE SINCE 7 SEPTEMBER 2016



As at Thursday 1 December 2016

Source: Bloomberg

Where does that leave us

Share price	\$2.60 at 1 December 2016, down 1% since 1 July 2016
FY17 gross dividend yield ¹	8.9% ordinary and special dividends
FY17 total shareholder return ¹	7.4% assuming share price does not change
FY17 Enterprise value to EBITDAF ²	12.0x valuation multiple

Source: Bloomberg



¹Assuming dividends at the same level as FY16

²Assuming Net Debt and EBITDAF at the same level as FY16

Lake Pūkaki, Mackenzie District

What will happen...who really knows?

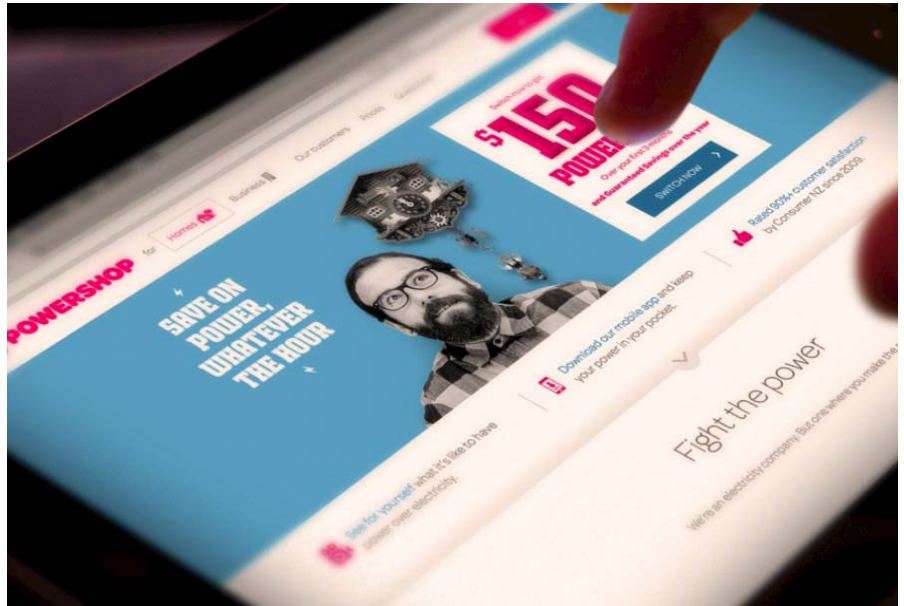
- Direction and pace of US interest rates impacts all sharemarkets
- Markets have been erratic and unpredictable
- Markets have reacted to political events such as Brexit and Trump – and not necessarily in the manner anticipated!
- Will the perception of “Trumpflation” in the US prove to be correct?



Control gates, Ōhau C power station, Mackenzie District

New Zealand is attractive

- Strong democracy with low levels of corruption
- Ranked the easiest country in the world to do business in by the World Bank
- Government has shown sound economic management
- Relatively high economic growth and low national debt levels
- New Zealand market is one of the highest yielding markets in the world, although it is expensive



Powershop App

New Zealand electricity market is attractive

- The first fully market-driven structure in the world
- 12 terawatt hours of new renewable generation delivered since the market was formed
- Proven the market can solve problems:
 - Avoiding supply disruptions in dry years
 - Maintaining adequate security margins (such as the deal supporting the Rankine units at Huntly)



Te Āpiti wind farm, Manawatu

The Meridian story has not changed

- New Zealand remains an attractive investment destination
- Electricity market structure is stable
- Meridian is the largest generator with the best assets
- The retail market is very competitive
- Low growth outlook in New Zealand in the short-term
- Meridian has a low level of maintenance capital expenditure
- Low New Zealand growth and low maintenance capital expenditure support returning cash to shareholders
- Australian market is volatile, however this provides potential opportunities

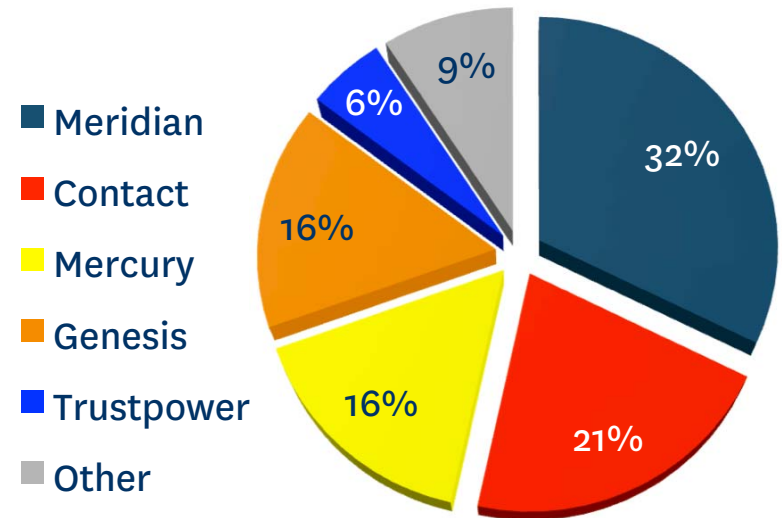


West Wind farm, Makara, Wellington

Meridian - the largest generator

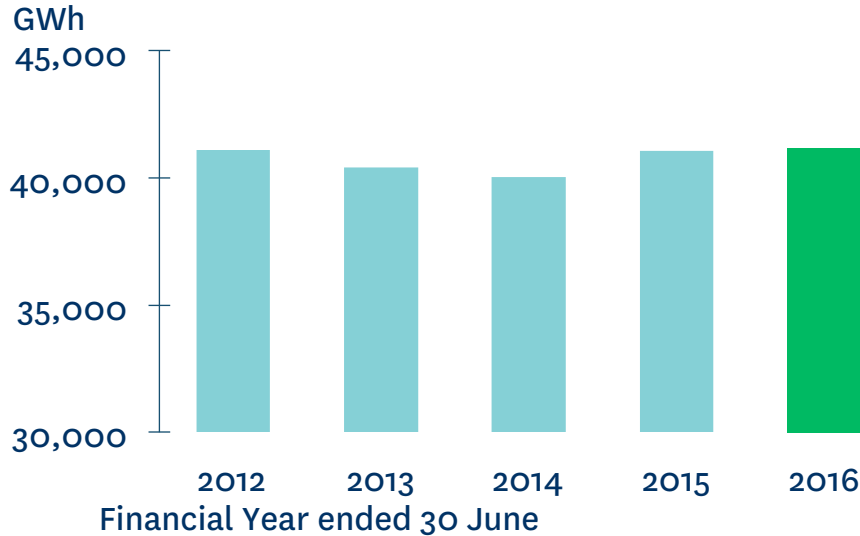
- 32% of national generation in the 2016 financial year
- 100% renewable generation predominately from South Island hydro, with some wind (mainly North Island)
- Very long life and highly efficient hydro assets (93% availability in the 2016 financial year)
- Wind portfolio provides flexibility in the use of hydro storage
- South Island position supported by upgrade to the inter-island HVDC link

FY16 NEW ZEALAND GENERATION

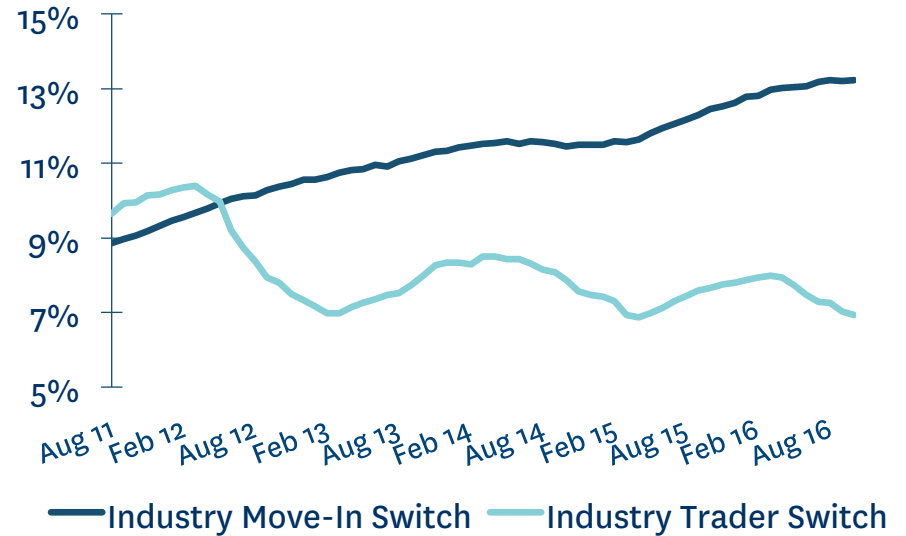


The retail market is very competitive

NATIONAL DEMAND



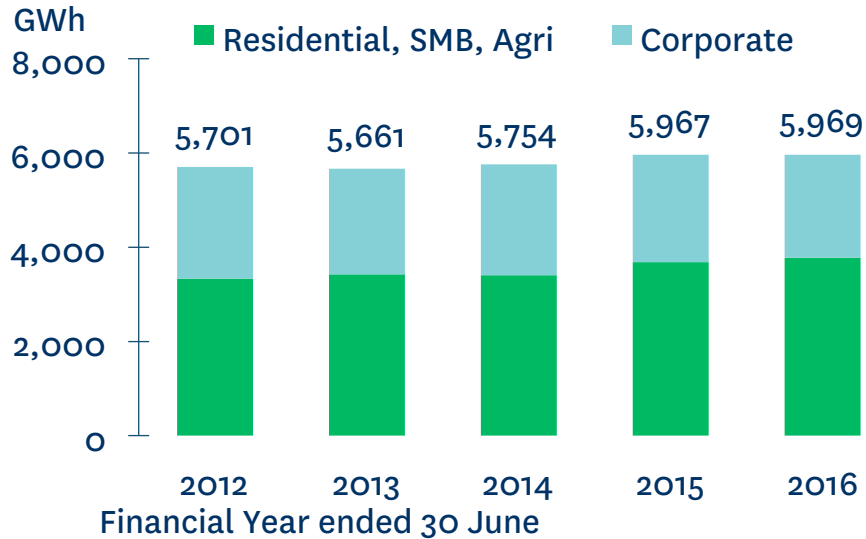
MARKET ICP SWITCHING (ALL RETAILERS)



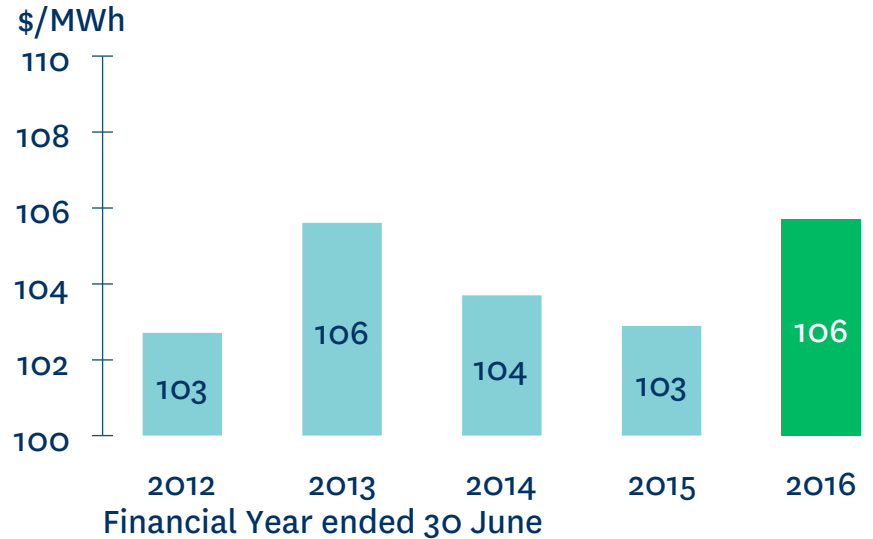
- 31 retail brands in the market, plenty of discounting and incentives being offered
- Modest demand growth, currently constrained by warm temperatures and high soil moisture levels
- Counting household moves, 1 in 5 connections churn each year

Meridian is competing hard

RETAIL SALES VOLUMES



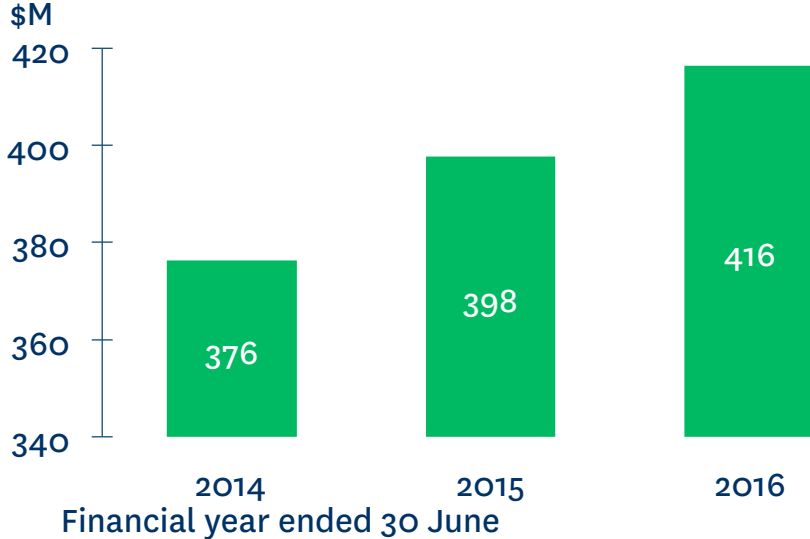
AVERAGE RETAIL SALES PRICE



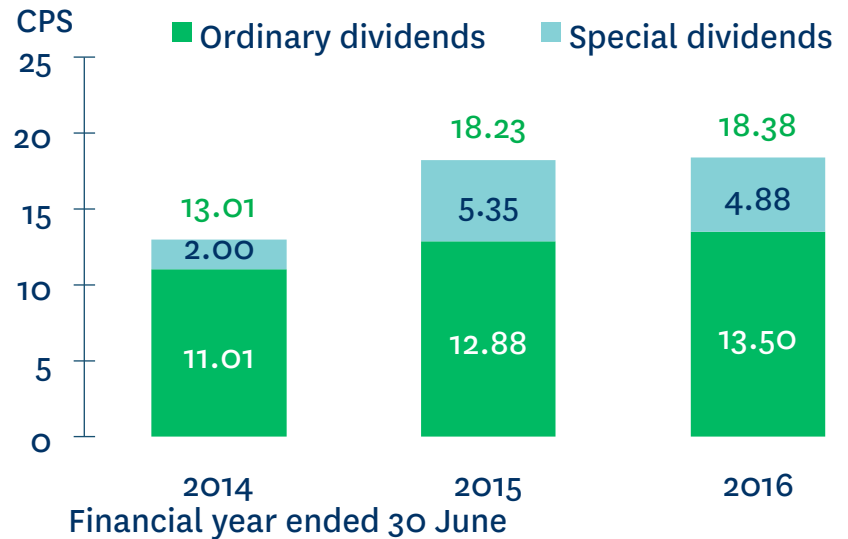
- Retail volumes have grown in the residential, small business and agricultural segments
- Modest increase in average sales price in the last year

Meridian generates strong cash flows

FREE CASH FLOW



DIVIDENDS DECLARED



- Limited growth and low level of maintenance capital means high free cash flow¹
- Dividend policy is based on free cash flow
- Meridian’s dividend policy is to pay between 75-90% of free cash flow as ordinary dividends
- Payout in the 2016 financial year was 83%

¹Net Profit after Tax adjusted for the post tax impacts of fair value movements of derivatives and impairments, plus depreciation and amortisation, less the average level of capital cost of maintaining Meridian’s asset base and systems (Stay in Business Capital Expenditure).

Australia



Hazelwood power station, Victoria, Australia

- Has been a successful, if opportunistic market for Meridian
- Decarbonisation means a more volatile market and greater opportunities
- Timing remains uncertain and discipline is required, however Australia provides option value for Meridian

What about the Tiwai Point smelter?



Tiwai Point aluminium smelter, Southland

Tiwai is the elephant in the room (for some)

- An exit will affect the whole sector... some more than others
- The smelter faces an electricity price increase in effect from 1 January 2017
- The smelter's owners have a perpetual contract termination right also from 1 January 2017 with 12 months notice
- Current aluminium smelter economics have improved over the last year based on Meridian's modelling, but conditions remain tough
- Meridian's view is a near term exit by the smelter is unlikely



Tiwai Point aluminium smelter, Southland

Tiwai is the elephant in the room (for some)

- Meridian maintains a strong balance sheet to absorb any short term reduction in profitability
- Long term, Meridian is in a strong position
- In the case of closure, supply side adjustment seems likely – on Meridian’s modelling, some thermal plants appear marginalised
- Exact nature of adjustments will depend on market dynamics at the time
- Transpower (the National Grid owner) is supportive of releasing remaining transmission constraints



Tiwai Point aluminium smelter, Southland

What about new technology?

- The cost of grid scale solar in Australia is not yet at parity with wind
- Grid scale solar in New Zealand is not a near-term prospect
- High domestic solar takeup in Australia has been driven by subsidies
- Economics of domestic solar in New Zealand are poor, however people love it
- Commercial solar is an opportunity for some businesses in some parts of New Zealand
- Caution required until contribution to lines costs is resolved



What about new technology?

- Battery only paybacks are shortening with cheaper and larger batteries, but remain more than 15 years
- Demand side flexibility (smart grid) remains a better choice for long run cost savings
- Merits of going off-grid entirely through solar and batteries are still unattractive; Wellington \$145,000
Christchurch \$176,000
- Solar and battery technologies do little for further decarbonisation of the power system
- Electric vehicles are a more compelling decarbonisation story for New Zealand



Final thoughts

- Uncertainties for investors have not eased
- International events, including interest rate movements, inevitably affect the small New Zealand market
- Listed New Zealand electricity stocks seem set to offer yields in excess of bank deposits for the medium term
- Investors views on the direction and speed of interest rate changes will be an important factor in the movement of “bond proxy” share prices
- Meridian’s value proposition and management story have not changed since listing and will remain focused on capital discipline



Gate 18, Lake Pūkaki, Mackenzie District

Questions



Mill Creek wind farm, Ohariu Valley, Wellington

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The information contained in this presentation should be considered in conjunction with the company's financial statements, which are included in Meridian's annual report for the year ended 30 June 2016 and is available at:

www.meridianenergy.co.nz/investors/

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