



# ***Meridian Energy***

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SHARE OFFER PRESENTATION *September 2013*

## Disclaimer and Important Information

Your attendance at this presentation constitutes your agreement to be bound by the following terms and conditions.

Meridian Energy Limited (the Company) and Her Majesty the Queen in Right of New Zealand (the Crown) have registered a combined Investment Statement and Prospectus dated 20 September 2013, as amended on 27 September 2013 (Offer Document) in relation to an initial public offering of ordinary shares in the Company, a copy of which can be obtained from within New Zealand at [www.meridianshares.govt.nz](http://www.meridianshares.govt.nz). You should consider the Offer Document in deciding whether to participate in the offer.

Terms used in this presentation and not otherwise defined have the meanings given to them in the Offer Document.

The level of dividends is not guaranteed. Like ordinary Shares, if you sell your Instalment Receipt, the return on your Meridian investment will also reflect changes in Meridian's share price.

Applications for shares can only be made using the application form included in or accompanying the Offer Document. All applicants will need to complete the application form in or accompanying the Offer Document. Please note that the Offer Document will not include or be accompanied by an application form during the Financial Markets Authority consideration period. Applications will not be accepted until the offer opens, which is expected to be on 30 September 2013.

Application has been made to NZX Limited (NZX) for permission to list the Company and to quote initially

instalment receipts and then later the Company's shares on the NZX Main Board and all the requirements of NZX relating thereto that can be complied with on or before the date of this presentation have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX has authorised NZX Firms to act on the Offer. The NZX Main Board is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act 1988.

This presentation includes certain prospective financial information, which is also contained in the Offer Document. The principal assumptions and method of calculation of the prospective financial information included in this presentation are set out in the Offer Document. The Offer Document sets out a full statement of any tax advantages of holding instalment receipts and shares in the Company.

This presentation may not be distributed to, or relied upon by, persons in the United States or in any other jurisdiction in which it would be unlawful to do so. In particular, the securities of the Company have not been, and will not be, registered under the United States Securities Act of 1933 (the US Securities Act) or the securities laws of any state of the United States and may not be offered or sold in the United States unless such securities are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available. Securities of the Company may not be offered or sold in any jurisdiction where it is unlawful to do so.

Neither the Crown nor any other person guarantees the shares, instalment receipts, the Company or any

obligations of the Company.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice. The information in this presentation does not take into account the particular investment objectives, financial situation, taxation position or needs of any person. You should make your own assessment of an investment in the Company based on the Offer Document and should not rely on this presentation.

In all cases, you should conduct your own research on the Company and analysis of any offer, the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of the Company and its business, and the contents of this presentation.

You may not make or distribute a copy of the information in this presentation anywhere in the world.

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- **The offer**

- Offer terms
  - Instalment receipts
  - Indicative key offer dates

- **Investment highlights and key risks**

- **About Meridian**

- The business
  - Strategy, governance and structure
  - Generation assets
  - Retail
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- **Additional information**

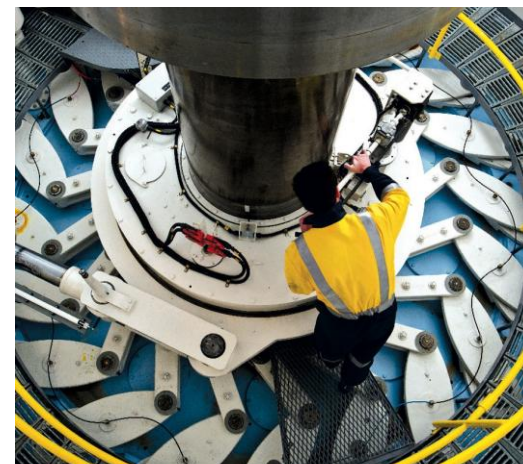
- Financial performance
  - Operating information
  - Five year financial information
  - Meridian's board
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# *The Offer*



<b>Indicative price range<sup>1</sup></b>	\$1.50 to \$1.80 per Share, paid in two instalments Final price payable by New Zealand applicants in the Retail Offer is capped at \$1.60 per Share, if they hold their instalment receipts in the same registered name until 4 May 2015
<b>First instalment</b>	\$1.00 per Share, payable on application
<b>Indicative final instalment<sup>2</sup></b>	\$0.50 to \$0.80 per Share, payable by 15 May 2015 Final instalment capped at \$0.60 per share for New Zealand retail applicants, if they hold their instalment receipts in the same registered name until 4 May 2015
<b>Guaranteed allocation</b>	For New Zealand applicants in the General Offer, applications of 1,000 shares will not be scaled
<b>Ownership restrictions</b>	Crown must continue to hold >51% No other holder to have a relevant interest of >10%
<b>Selling fees:<sup>3</sup></b>	
<b>Broker Firm fees</b>	1.25% on proceeds of Shares sold under the Broker Firm Offer
<b>General Offer fees</b>	1.00% on proceeds of Shares sold under the General Offer

1. The Final Price payable under the Institutional Offer may be within, above or below the Indicative Price Range. The Retail Price Cap does not apply to Instalment Receipts purchased on the secondary market.
2. The Final Instalment payable under the Institutional Offer may be within, above or below the range of \$0.50 to \$0.80 per Share. The Retail Price Cap does not apply to Instalment Receipts purchased on the secondary market.
3. To reflect the nature of the instalment receipts structure, selling fees will be calculated as at the allotment date based on the aggregate of the first instalment and the net present value of the portion of the proceeds deferred (final instalment), using a discount rate of 10%.





## Instalment Receipts

*The offer*

Instalment receipt holders receive any dividends paid between instalment payments in full

Provides an enhanced yield in the 18 months prior to payment of the final instalment. After the end of this period, dividends return to underlying levels for Shares

Dividend policy is to pay out at an average of 70% to 80% of Free Cash Flow<sup>4</sup>

Imputation credits are expected to be attached to dividends to the extent they are available (40%-75% of the corporate tax rate)

Yield Metrics	Based on Indicative Price Range		At Retail Price Cap	
Dividend yields on Shares	FY2014F	FY2015F	FY2014F	FY2015F
Implied cash dividend yield <sup>5</sup>	5.8%-7.0%	6.4%-7.7%	6.5%	7.2%
Implied gross dividend yield <sup>6</sup>	7.4%-8.9%	8.2%-9.8%	8.4%	9.2%
Dividend yields on Instalment Receipts	First 12 months <sup>7</sup>			
Implied cash instalment yield <sup>8</sup>	10.5%			
Implied gross instalment yield <sup>9</sup>	13.4%			

4. Free Cash Flow is NPAT adjusted for the post tax impact of fair value movements of derivatives and impairments plus depreciation and amortisation less the average level of Stay in Business Capital Expenditure.

5. Calculated as forecast dividends per Share declared with respect to earnings in the respective financial year divided by the high and low points of the Indicative Price Range and by the Retail Price Cap.

6. Calculated as forecast dividends per Share declared with respect to earnings in the respective financial year, grossed up for imputation credits forecast to be attached to the dividend (forecast to be 72% of the corporate tax rate in FY2014 and 73% of the corporate tax rate in FY2015), divided by the high and low points of the Indicative Price Range and by the Retail Price Cap.

7. The first 12 months refers to the 12 months from 1 November 2013 to 31 October 2014.

8. Calculated as forecast dividends per Share paid in the first 12 months, divided by the First Instalment.

9. Calculated as forecast dividends per Share paid in the first 12 months, grossed up for imputation credits forecast to be attached to these dividends (forecast at 72% of the corporate tax rate), divided by the First Instalment.

Forecast returns are calculated on Instalment Receipts being held continuously from listing.



## Indicative Key Offer Dates

*The offer*

<b>Broker firm bids due</b>	12pm Friday 27 September 2013
<b>Retail offer opens</b>	Monday 30 September 2013
<b>Retail offer closes (5.00pm)</b>	Friday 18 October 2013
<b>Institutional offer and bookbuild</b>	21 - 23 October 2013
<b>Pricing announced</b>	Wednesday 23 October 2013
<b>Allocations expected to be available</b>	Friday 25 October 2013
<b>Expected trading of instalment receipts on NZX Main Board and ASX<sup>10</sup></b>	Tuesday 29 October 2013
<b>Allotment date</b>	Wednesday 30 October 2013
<b>Expected date of first dividend</b>	April 2014
<b>Record date for determining instalment receipt holders liable to pay final instalment</b>	4 May 2015
<b>Final date for payment of final instalment</b>	15 May 2015



10. Initial quotation and trading on the NZX Main Board is on a conditional settlement basis and on the ASX on a conditional and deferred settlement basis. You can find further information regarding conditional and deferred settlement trading under the heading “Listing and Quotation of Instalment Receipts and Shares” in Section 7.1 of the Offer Document.

*Investment*

# ***Highlights and Key Risks***





# Investment Highlights



## ■ New Zealand's largest generator

New Zealand's largest hydro generator and largest wind farm operator<sup>11</sup>

Producing approximately 30% of the country's electricity<sup>12</sup>

Over 270,000 customer connections through Meridian and Powershop brands<sup>13</sup>

Electricity – an essential service underpinning the New Zealand economy

11. Based on the five year averages (from FY2009 to FY2013) of each of Meridian's hydro generation and wind generation (GWh) as a proportion of New Zealand's total hydro generation and wind generation, respectively. Generation data sourced from the Electricity Authority.
12. Calculated as the five year average (from FY2009 to FY2013) of Meridian's total generation (GWh) as a proportion of New Zealand's total generation. The Tekapo A and B stations, which were sold to Genesis Energy in June 2011, are excluded from Meridian's stated generation volumes. Generation data sourced from the Electricity Authority.
13. Based on installation control points (ICPs) per retailer as at 30 June 2013. Data sourced from the Electricity Authority.



## ■ 100% renewable generation

Only from renewable resources – wind and water

Highly efficient operator of hydro assets<sup>14</sup>

Operates a wind farm portfolio that is significantly more productive than international averages<sup>15</sup>

Successful construction of renewable projects offshore

## ■ Attractive instalment receipts structure

14. Based on long run averages calculated by Meridian using data sourced from the GKS (Generation Knowledge Services) Benchmarking Survey, February 2013: a study of 419 stations (representing over 100,000 MW in total) primarily from North America but also with global representation.
15. Based on capacity factor: the ratio of the actual energy produced in a given period, to the hypothetical maximum possible. Each of Meridian's New Zealand wind farm capacity factors is compared against average capacity factors by country for 2012. Navigant Research, World Market Update 2012.

## ■ Strong and stable operating cash flows

High quality assets with low operating costs  
Major asset refurbishments recently completed  
Forecast stay in business capital expenditure of \$65m per annum, depreciation of \$233m in FY2015

## ■ Proven results

Complementary generation and retail operations to better manage variability of earnings  
Track record of significant investment in Australia

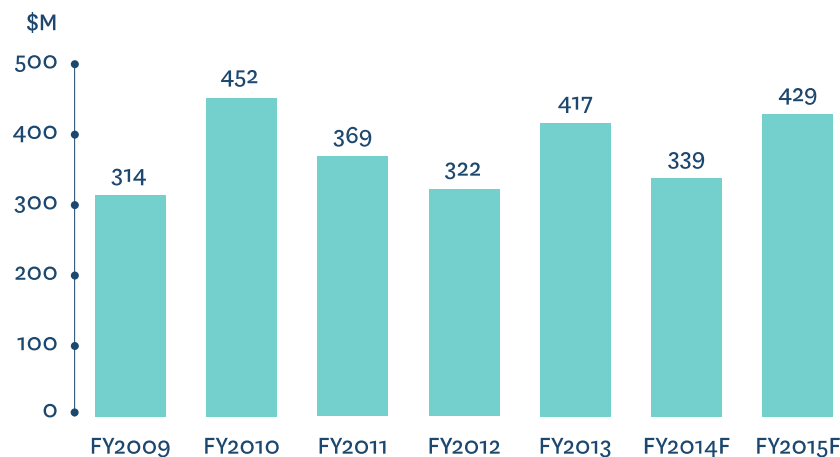
## ■ Future growth

Two wind farms under construction<sup>16</sup>  
Proven capabilities in renewable developments to facilitate future growth, when market conditions are supportive

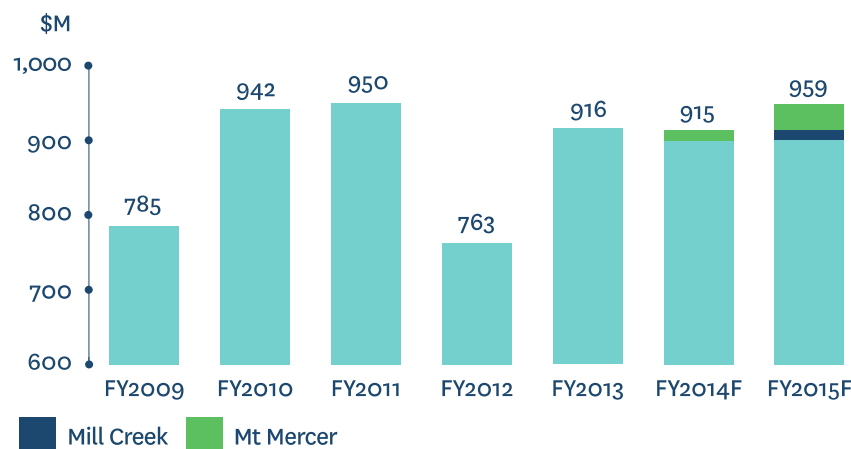
16. Mill Creek with first generation expected in May 2014 and full production occurring in early FY2015. Mt Mercer with first generation expected in November 2013 and full production occurring in late FY2014.

17. Energy Margin is a non-GAAP financial measure. You can find an explanation of this term and why Meridian uses it as a measure of financial performance in Section 6.2 of the Offer Document.

OPERATING CASH FLOW

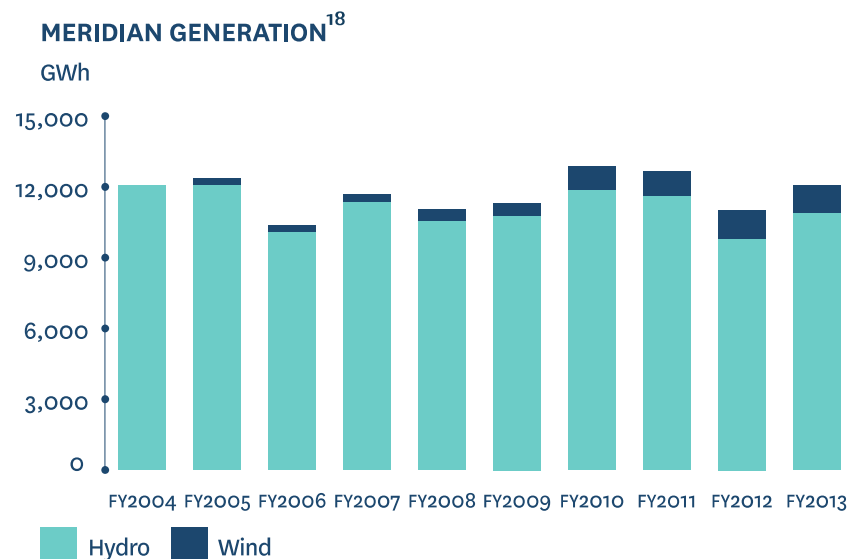


ENERGY MARGIN<sup>17</sup>





- **Tiwai Point aluminium smelter consumption**
- **Labour-Green proposed market reform**
- **Availability of water**  
Drives short-term wholesale price volatility  
Adverse hydrological conditions can impact earnings
- **Power station availability**
- **Other fuel security and supply**  
Resource consents/other environmental approvals  
Government regulation of resource use and access
- **Longer-term demand and supply changes**
- **Instalment receipt specific risks**  
Market price may be less than final price  
Trading price of instalment receipts  
Consequences of failing to pay the final instalment



<sup>18</sup>. The Tekapo A and B stations, which were sold to Genesis Energy in June 2011, are excluded from Meridian's stated generation volumes.

*About*  
***Meridian***





A vertically integrated renewable energy generator and retailer

New Zealand's largest generator producing approximately 30% of the country's electricity<sup>19</sup>

Will be among the country's largest companies (by market capitalisation traded on the NZX Main Board)

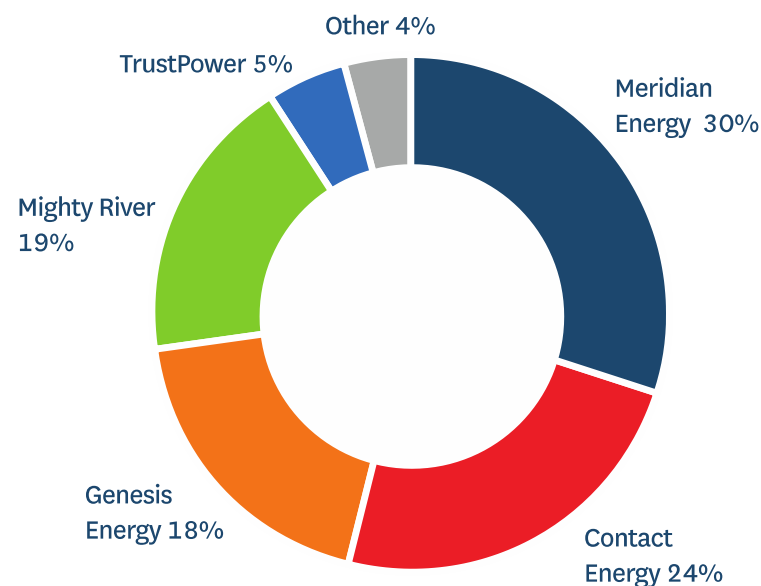
Generation from 100% renewable resources – hydro and wind

Meridian and Powershop brands retail electricity to approximately 270,000 customer connections – homes, farms and businesses throughout New Zealand<sup>20</sup>

Developer, owner and operator of wind farms in Australia and establishing a Powershop presence

Future development potential in New Zealand and Australia

ELECTRICITY GENERATION BY COMPANY IN FY2013



19. Based on the five year averages (from FY2009 to FY2013) of each of Meridian's hydro generation and wind generation (GWh) as a proportion of New Zealand's total hydro generation and wind generation, respectively. Share is calculated as the five year average, from FY2009 to FY2013, of Meridian's total generation (GWh) as a proportion of New Zealand's total generation. Generation data sourced from the Electricity Authority.

20. Based on installation control points (ICPs) per retailer as at 30 June 2013. Data sourced from the Electricity Authority.

### ■ Strategy

An efficient, vertically integrated electricity generation and retail company

A developer of renewable generation in Australia, when market conditions are supportive

### ■ Governance

Board consisting of nine non-executive directors with extensive industry and listed company experience

Chaired by Chris Moller, current Chair of SKYCITY Entertainment Group

### ■ Main areas of operation

Retail – marketing and sale of electricity, provides meters and metering data services

Markets & Production – operating and maintaining generation assets, managing wholesale market risks, managing procurement and construction of renewable projects

Australia – operating and maintaining wind generation assets, managing Meridian's exposure to wholesale market risks in Australia



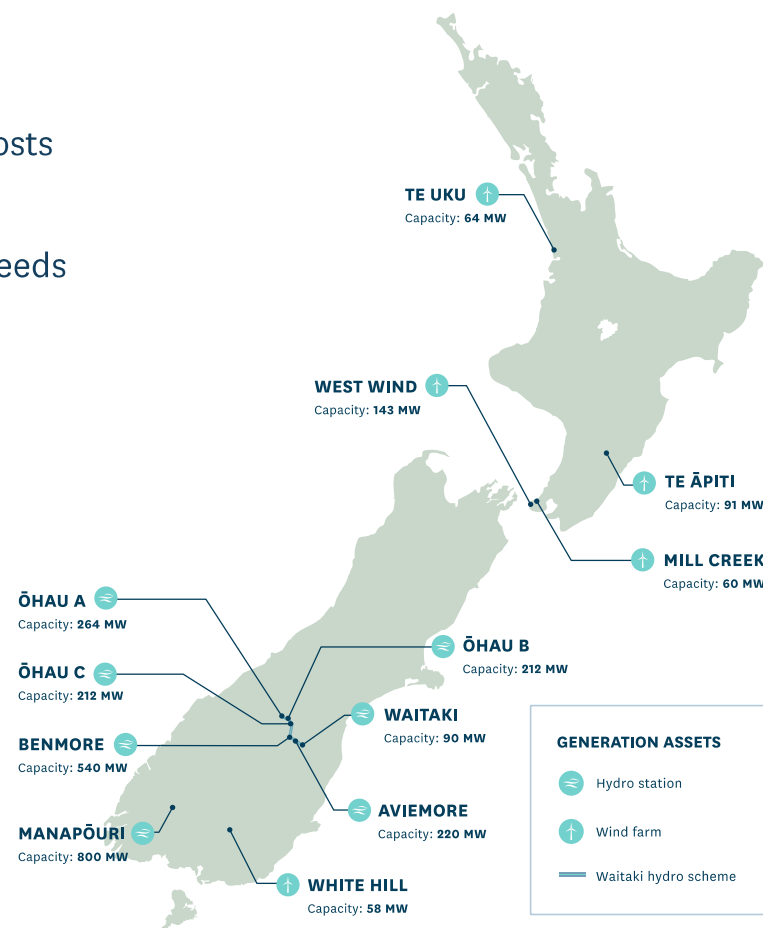


## ■ Hydro

Seven hydro stations – long life assets with low operating costs  
Highly flexible plant with New Zealand's largest storage  
Benchmark operational efficiency<sup>21</sup> and low future capital needs

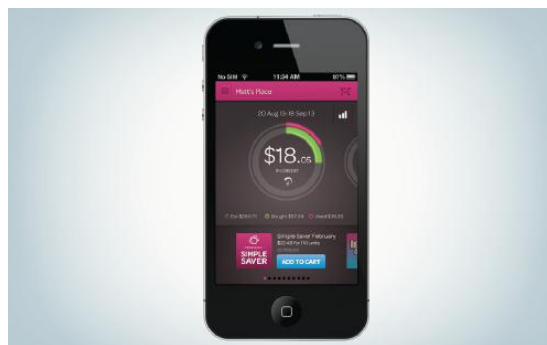
## ■ Wind

Five wind farms in operation and 2 under construction  
Unsubsidised in New Zealand with high capacity factors<sup>22</sup>



21. Based on long run averages calculated by Meridian using data sourced from the GKS (Generation Knowledge Services) Benchmarking Survey, February 2013: a study of 419 stations (representing over 100,000 MW in total) primarily from North America but also with global representation.

22. Based on capacity factor: the ratio of the actual energy produced in a given period, to the hypothetical maximum possible. Each of Meridian's New Zealand wind farm capacity factors is compared against average capacity factors by country for 2012. Navigant Research, World Market Update 2012.



## ■ 220,000 customers<sup>23</sup>

Strong presence in the South Island agricultural sector

Recent investments improving billing systems and customer analytics and support systems

## ■ 50,000 customers<sup>23</sup>

Wholly owned subsidiary offering unique, innovative, online retail experience

2011 leader in New Zealand Deloitte Fast 50 index (fastest revenue growth)

## ■ 120,000 customers

Provide metering equipment and related data services

Wholly owned subsidiary in operation since 2003

Supply smart meters for Meridian and other retailers

23. Customer connection numbers based on installation control points (ICP) data sourced from the Electricity Authority.

## ■ FY2011

Included margin contribution from Tekapo power stations sold to Genesis in June 2011

Included gain on sale resulting from that sale and a special dividend

## ■ FY2012

Impacted by 82 year record low hydro inflows

## ■ FY2013

Improved hydro inflows compared to FY2012

Five months of revenues from Macarthur wind farm

Six months uplift of the Tiwai Point Aluminium smelters price (before the agreement was renegotiated)

## ■ FY2014 and FY2015

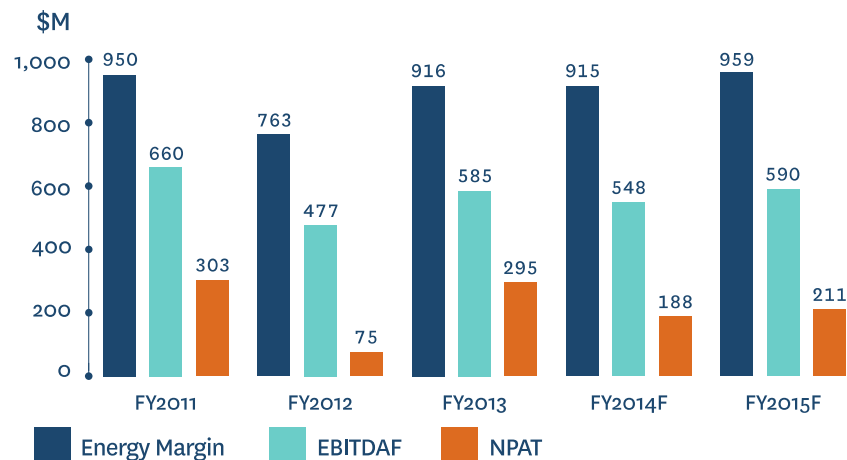
Reflect Macarthur wind farm sale in June 2013

Include changes from the commencement of an amended agreement with NZAS from 1 July 2013

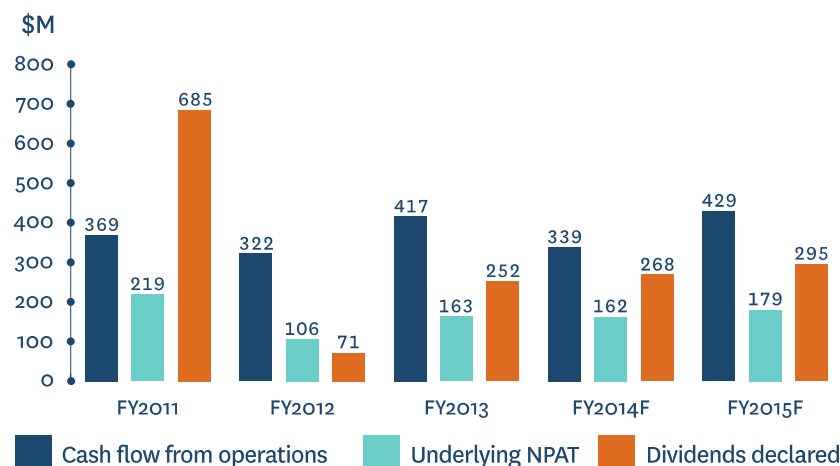
Assume the average of profits that would result from each of the last 82 years of inflows

24. Energy Margin, EBITDAF and Underlying NPAT are non-GAAP financial measures. You can find an explanation of these terms and why Meridian uses them as measures of financial performance in Section 6.2 of the Investment Statement and Prospectus.

ENERGY MARGIN, EBITDAF, NET PROFIT AFTER TAX



OPERATING CASH FLOW, UNDERLYING NPAT, DIVIDENDS DECLARED





## Forecast Performance

## About Meridian

	FY2014F	FY2015F
<b>EBITDAF<sup>25</sup></b>	\$548.4m	\$590.1m
<b>Underlying NPAT<sup>25</sup></b>	\$161.5m	\$179.4m
<b>Free Cash Flow<sup>25, 26</sup></b>	\$335.5m	\$368.7m
<b>EV/EBITDAF multiple<sup>27</sup></b>	9.1X – 10.5X	8.4X – 9.7X
<b>Price/earnings ratio<sup>28</sup></b>	20.5X – 24.6X	18.2X – 21.9X
<b>Indicative market capitalisation<sup>29</sup></b>	\$3,844.5m to \$4,613.4m	

Yield Metrics	Based on Indicative Price Range		At Retail Price Cap	
Dividend yields on Shares	FY2014F	FY2015F	FY2014F	FY2015F
Implied cash dividend yield <sup>30</sup>	5.8%-7.0%	6.4%-7.7%	6.5%	7.2%
Implied gross dividend yield <sup>30</sup>	7.4%-8.9%	8.2%-9.8%	8.4%	9.2%
Dividend yields on Instalment Receipts	First 12 months <sup>31</sup>			
Implied cash instalment yield <sup>30</sup>	10.5%			
Implied gross instalment yield <sup>30</sup>	13.4%			

25. EBITDAF, Underlying NPAT and Free Cash Flow are non-GAAP financial measures. You can find an explanation of these terms and why Meridian uses them as measures of financial performance as well as a reconciliation of EBITDAF and Underlying NPAT in Section 6.2 of the Offer Document.

26. NPAT adjusted for the post tax impact of fair value movements of derivatives and impairments, plus depreciation and amortisation, less the average level capital cost of maintaining Meridian's asset base and systems (Stay in Business Capital Expenditure).

27. Calculated as Indicative Enterprise Value (EV) divided by EBITDAF for the respective forecast financial year based on the high and low points of the Indicative Price Range.

28. Calculated as indicative market capitalisation divided by NPAT for the respective forecast financial year.

29. Calculated as the number of Shares on issue following the Offer multiplied by the high and low points of the Indicative Price Range.

30. Refer to calculation bases included on pg 6.

31. The first 12 months refers to the 12 months from 1 November 2013 to 31 October 2014.



Forecast returns are calculated on Instalment Receipts being held continuously from listing.

# ***Additional Information***



## Financial Performance

## Additional information

### ■ New investment expenditure

FY2014 and FY2015 forecasts reflect the construction of the Mill Creek and Mt Mercer wind farms

### ■ Stay in business expenditure

Ongoing generation asset management, IT systems maintenance and maintaining future generation development options

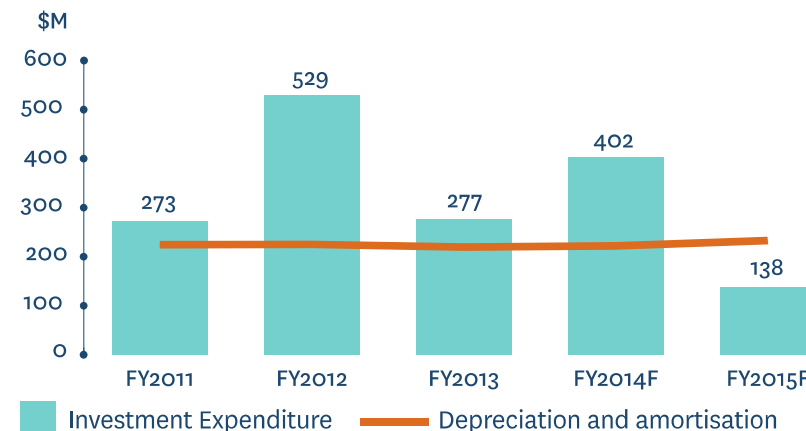
### ■ Total Borrowings

Reflect the June 2013 sale of the Macarthur wind farm

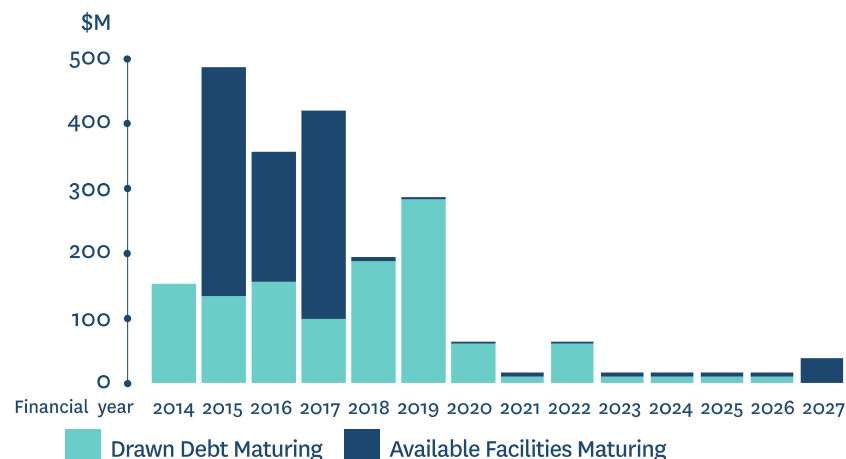
Net Debt <sup>32</sup> (\$M)	FY2011	FY2012	FY2013	FY2014F	FY2015F
Total Borrowings (net of foreign exchange hedges)	\$1,614.0	\$1,822.1	\$1,177.5	\$1,194.0	\$1,181.9
Less cash	\$368.2	\$214.4	\$382.8	\$73.3	\$73.3
<b>Net Debt</b>	<b>\$1,245.8</b>	<b>\$1,607.7</b>	<b>\$794.7</b>	<b>\$1,120.7</b>	<b>\$1,108.6</b>

32. Net Debt are non-GAAP financial measures. You can find an explanation of these terms and why Meridian uses them as measures of financial performance in Section 6.2 of the Investment Statement and Prospectus.

### INVESTMENT EXPENDITURE AND DEPRECIATION



### DEBT MATURITY PROFILE AS AT 30 JUNE 2013





### Generation

FY2014 and FY2015 forecasts based on the average of the last 82 years of inflows combined with other supply and demand assumptions

### Retail

Stable contract volumes and customer numbers

Contracted energy sales prices are not forecast to increase

### Wholesale

Forecast contract volume decreases largely reflect the expiry of existing derivative contracts

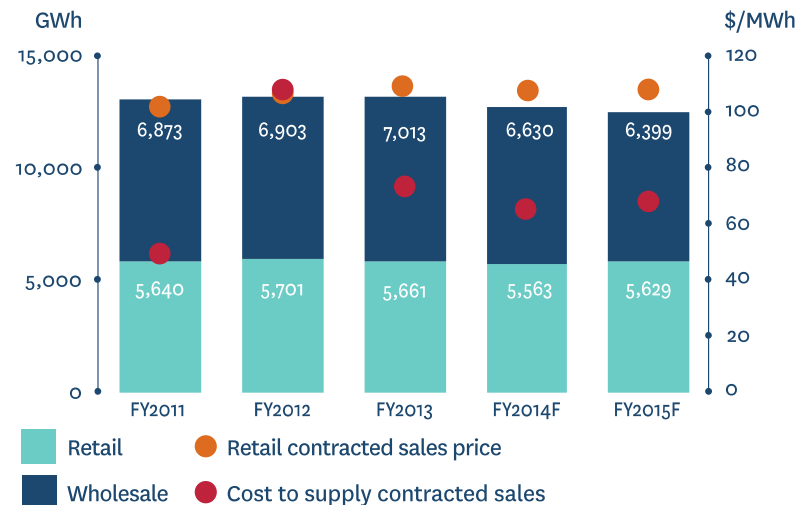
Forecasts include NZAS CFD volumes of 572MWh per hour

Customers <sup>34</sup>	FY2011	FY2012	FY2013	FY2014F	FY2015F
Meridian Retail	239,216	239,414	220,806	219,600	219,242
Powershop	33,560	47,890	51,271	54,063	56,649
<b>Total</b>	<b>272,776</b>	<b>287,304</b>	<b>272,077</b>	<b>273,663</b>	<b>275,891</b>

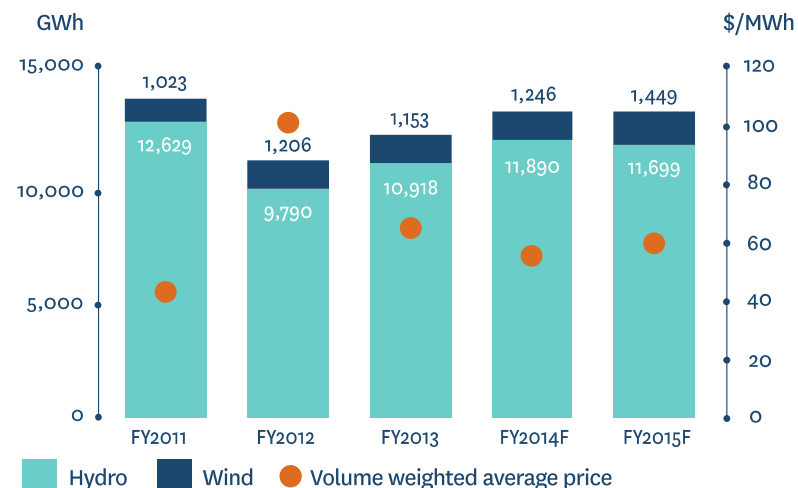
33. FY2011 total New Zealand generation includes 1,015 GWh of generation production from Tekapo A and B hydro power stations which were sold to Genesis Energy on 1 June 2011.

34. ICP data sourced from Meridian.

### CONTRACTED SALES



### NEW ZEALAND ELECTRICITY GENERATION<sup>33</sup>



## 5-Year Financial Information<sup>35</sup>

## Additional information

\$M (unless stated)	FY2011	FY2012	FY2013	FY2014F	FY2015F
Energy Margin	950.3	763.2	915.8	915.1	958.6
Transmission expenses	(84.2)	(86.7)	(115.3)	(135.6)	(134.2)
Employee & other operating expenses	(238.1)	(227.2)	(245.4)	(254.1)	(257.3)
EBITDAF	659.9	476.6	584.8	548.4	590.1
Depreciation, amortisation & impairments	(235.2)	(285.2)	(244.5)	(222.0)	(232.8)
Gain / (loss) on sale	174.1	(1.5)	106.6	(0.3)	(0.3)
Net interest expense	(107.6)	(82.5)	(113.5)	(78.1)	(77.7)
Net profit after tax (NPAT)	303.1	74.6	295.1	187.9	211.0
Underlying NPAT	219.0	106.1	162.7	161.5	179.4
Net operating cash inflows	368.7	322.2	416.7	338.5	428.9
Net Debt	1,245.8	1,607.7	794.7	1,120.7	1,108.6
New Zealand retail contracted sales to customers (GWh)	5,640	5,701	5,661	5,563	5,629
Average price (\$/MWh)	98	102	105	104	103
New Zealand wholesale contracted sales (GWh)	6,873	6,903	7,013	6,630	6,399
Average price (\$/MWh)	63	57	65	57	56
New Zealand electricity generation (GWh)	13,652	10,996	12,071	13,136	13,148
Average price for generation received(\$/MWh)	43	101	65	56	60

35. Energy Margin, EBITDAF, Underlying NPAT and Net Debt are non-GAAP financial measures. You can find an explanation of these terms and why Meridian uses them as measures of financial performance in Section 6.2 of the Investment Statement and Prospectus.

Nine non-executive directors with diverse experience in the sector and large NZX listed companies



**Chris Moller**

Meridian Chair, director since May 2009

Also Chair of SKYCITY  
Previously Deputy Chief Executive of Fonterra



**Peter Wilson**

Meridian Deputy Chair, director since May 2011

Also Chair of Westpac New Zealand Limited



**John Bongard**

Director since May 2011  
Previously Chief Executive and Managing Director of Fisher & Paykel Appliances Holding Ltd



**Mark Cairns**

Director since July 2012  
Current Chief Executive of Port of Tauranga Limited



**Jan Dawson**

Chair of Audit and Risk Committee  
Director since November 2012  
Previously Chair and Chief Executive for KPMG NZ Ltd



**Mary Devine**

Chair of the Remuneration and Human Resources Committee

Director since May 2010

Currently Managing Director of J. Ballantyne & Co



**Sally Farrier**

Director since July 2012  
Professional non-executive director and corporate advisor



**Anake Goodall**

Director since May 2011  
Previously Chief Executive Officer of Te Rūnanga o Ngāi Tahu



**Stephen Reindler**

Chair of the Safety and Sustainability Committee  
Director since September 2008

Currently a director of Port of Napier Limited



### ■ New Zealand

Five large, vertically integrated generator/retailers  
74% of generation from unsubsidised renewables<sup>36</sup>  
Regulated transmission and distribution networks  
Two million consumers

### ■ Australia

National Electricity Market<sup>37</sup> (NEM) is the major wholesale market, almost five times as much installed generation capacity as New Zealand  
Wind generation expanding under the Mandatory Renewable Energy Target (MRET) Scheme  
Approximately 308 generators, 21 active retailers, 9.7 million customers in the NEM



36. Calculated as a percentage of total generation in New Zealand in the period from January 2010 to December 2012.

37. The NEM excludes the Northern Territory and Western Australia due to significant distance between the load centres in those states and the NEM.

**New Zealand Electricity Industry**

