



meridian

News Release

Stock exchange listings: NZX (MELCA) ASX (MEZCA)

Meridian Energy presentation

1 September, 2014

Attached is a presentation Meridian Energy will be giving from today at a series of investor meetings during September 2014.

Annual Meeting

Meridian Energy Limited intends to hold its Annual Meeting of shareholders in Wellington on Wednesday, 29 October 2014 at 2.00pm. Further details, including venue, will be advised in the Notice of Meeting.

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Important Notice for Investors: The securities of Meridian Energy Limited are represented by Instalment Receipts. Each Instalment Receipt carries a liability to pay a further instalment of NZ\$0.50 on 15 May 2015. When investors acquire the Instalment Receipts they assume the liability to pay the Final Instalment. It is the investor's responsibility to ensure that if they are on the register when the liability for the instalment arises, they can afford to pay the instalment. If an investor has a liability and does not pay the instalment, the Trustee can take action to recover the amount owing including costs and expenses.

Meridian Energy Limited (ARBN 151 800 396) A company incorporated in New Zealand 33 Customhouse Quay, PO Box 10840, Wellington 6143

www.meridian.co.nz

Better energy

MERIDIAN ENERGY LIMITED 2014 ANNUAL RESULTS ROADSHOW PRESENTATION



Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

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This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the audited consolidated financial statements for the year ended 30 June 2014, which are available at:

<http://www.meridianenergy.co.nz/investors/reports-and-presentations/annual-reports/>

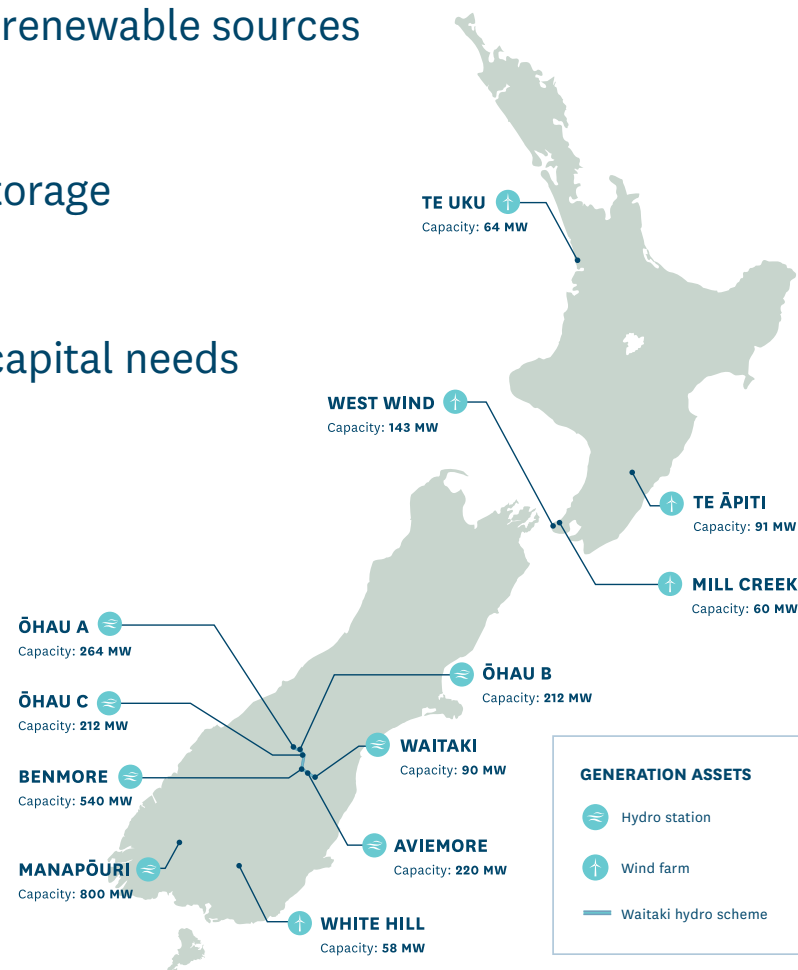
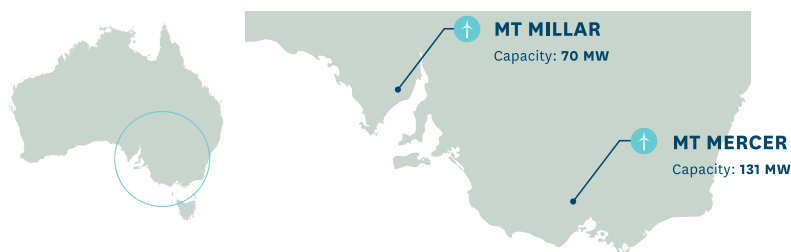
All currency amounts are in New Zealand dollars unless stated otherwise.

About Meridian



About Meridian

- Vertically integrated renewable generator, retailing electricity to over 290,000 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 costs
 - 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



2014 Highlights



2014 highlights - summary

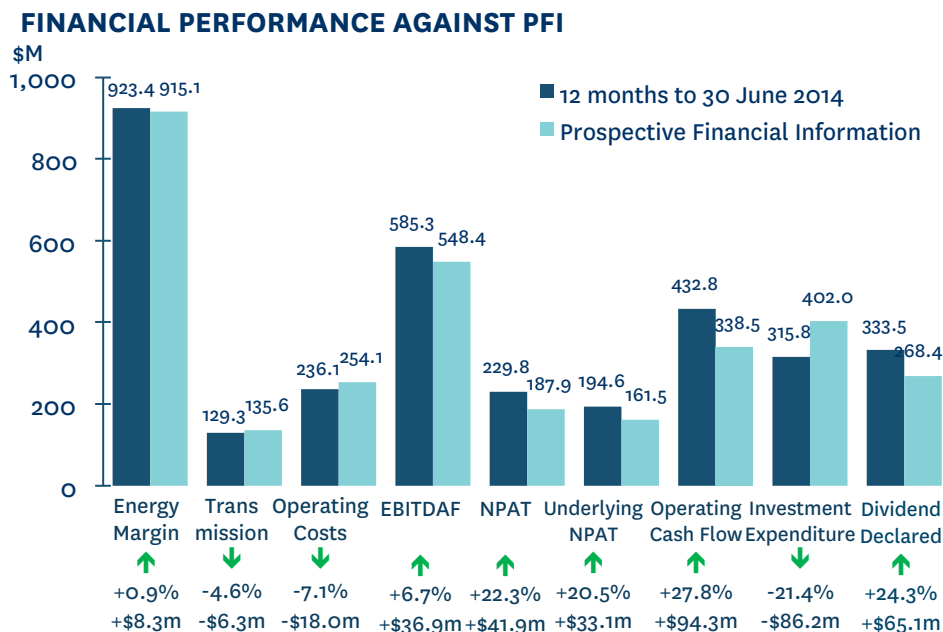
- Biggest IPO in the country's history, with the largest New Zealand retail investment in an IPO
- Financial performance ahead of Prospective Financial Information (PFI) on all key financial measures
- Solid cash flow has delivered higher than PFI forecast dividend for FY14¹
- Health and safety – continued process improvement
- \$3.5m invested into communities, sponsorships and environmental projects

¹FY14 refers to the 12 months ended 30 June 2014



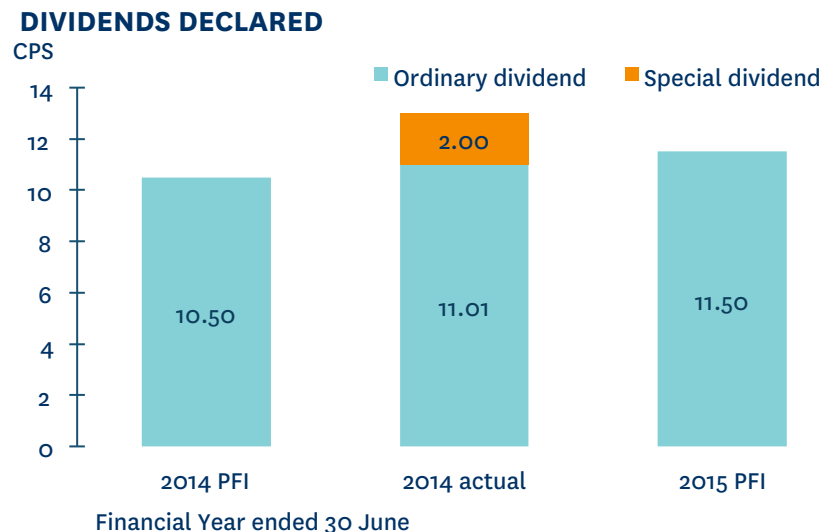
2014 highlights - better performance than PFI

- Strong second half performance maintained first half momentum compared to PFI
- Outperformed all key PFI financial metrics;
 - Operating cash flow +27.8%
 - NPAT +22.3%, including higher non-cash fair value gains than assumed in PFI
 - EBITDAF +6.7%, in line with guidance provided in February 2014
 - Underlying NPAT +20.5%, including higher EBITDAF and lower Financing costs



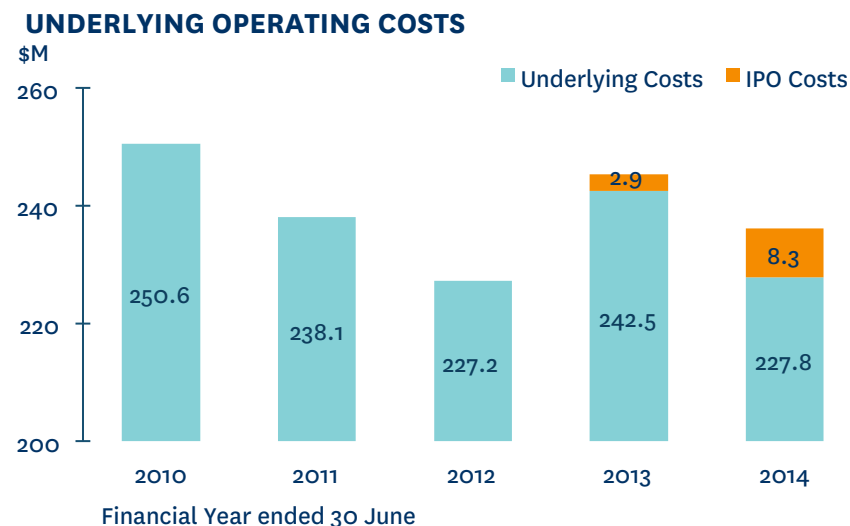
2014 highlights - higher dividends than PFI

- Final ordinary dividend for FY14 of 6.82cps
- Brings the full year ordinary dividend to 11.01cps, based on 75% of free cash flow
- Additional special dividend of 2.00cps funded from asset sales and aluminium hedge proceeds
- Both imputed to 90% of the corporate tax rate, compared to 72% in PFI
- Full year dividend (including special) of 13.01cps, compared to 10.50cps in PFI
- Represents a gross instalment yield (on \$1.00 per share) of 17.6%, compared to 13.4% in PFI
- Equivalent to an 11.7% gross yield on final IPO share price (\$1.50), compared to 8.9% in PFI
- Considering further mechanisms to ensure optimal capital structure; update will be provided in February 2015



2014 highlights - focus on core business is delivering

- Normalised operating cost reduction of 6.1%
- Sale of surplus land and US assets realised \$62.2m
- Improved risk profile;
 - Genesis hedge replacement
 - HVDC complete
 - Generation control system replaced
- Delivery of targeted growth initiatives;
 - Mt Mercer (Victoria) and Mill Creek (Wellington) wind farms nearing completion with solid safety performance
 - Powershop Australia customer numbers ahead of PFI
 - Extending the life of future development opportunities
 - Announced the conditional sale of Arc metering business



Looking Forward



Looking forward

- Very focused on delivering FY15 PFI earnings and cash flow
- Completion of Arc metering business sale and Meridian smart meter deployment
- Further update on capital management at the 2015 interim results in February 2015
- Nearing completion on two new wind farms
- Key decision point for NZAS at the end of FY15
- Expect more clarity on key regulatory decisions;
 - New Zealand Transmission Pricing Methodology
 - Warburton report on Australian Renewable Energy Target Scheme issued with two options recommended to Government for consideration
- Working with the next NZ government to further improve competition and transparency



2014 Operating Performance



Highlights

- Meridian's residential customers have seen the benefit of reduced energy charges
- New Zealand's first electricity purchasing and energy management app
- Delivering two new wind farms in different countries concurrently, safely and on budget
- Highest total inflows since 1998
- Powershop Australia customer numbers ahead of PFI

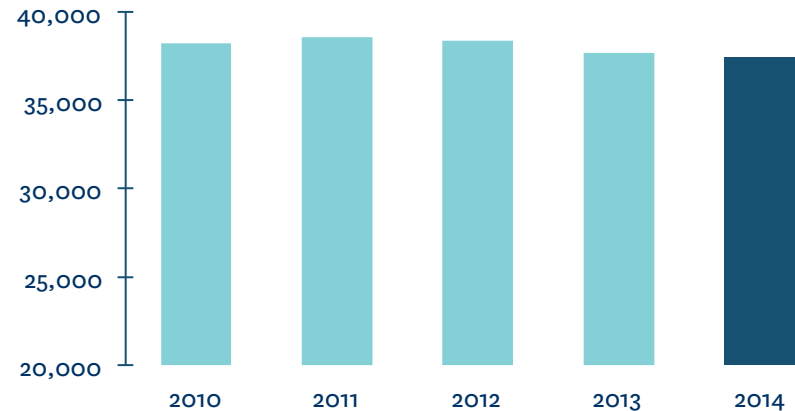


Retail

- Aggregate electricity demand remains relatively flat
- Manufacturing demand remains subdued, positive net migration and GDP outlook
- Market switching rates remain above 20%¹
- Meridian's New Zealand customer numbers increased by 1.7% and total retail sales volumes by 1.6% in FY14
- Focus on enhancing Meridian's relatively high level of customer satisfaction
- Sale of the Arc metering business announced

NATIONAL DEMAND

GWh



Financial Year ended 30 June



¹monthly average switching rate for the 12 months ended 30 June 2014 across all retailers (source: Electricity Authority)

Retail

Residential, SME, Agri segment

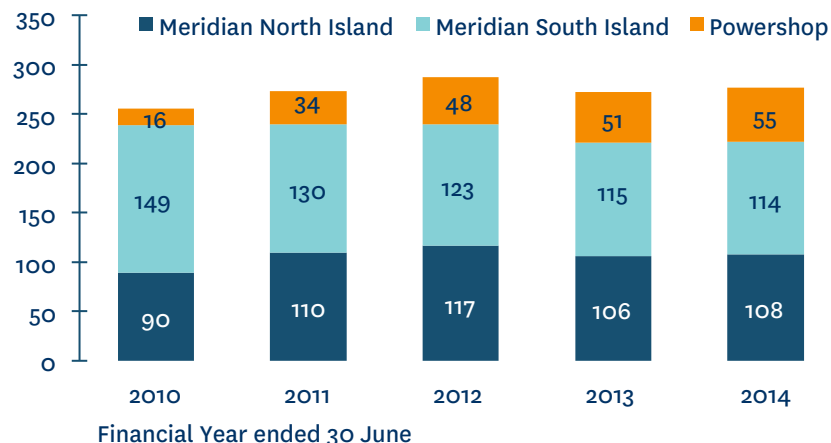
- Meridian's most recent MBIE survey data showed a 0.3% annual decrease in residential customers' sales-based electricity charges
- However, segment revenue increased by 1.7% in FY14 as a result of;
 - Better targeting of SME and agribusiness customers improving our portfolio mix
 - Reduced proportion of lower priced irrigation load

Corporate segment

- ASX pricing fell two years ago and as contracts have renewed, they have reflected this lower pricing
- Segment revenue decreased by 3.6% in FY14

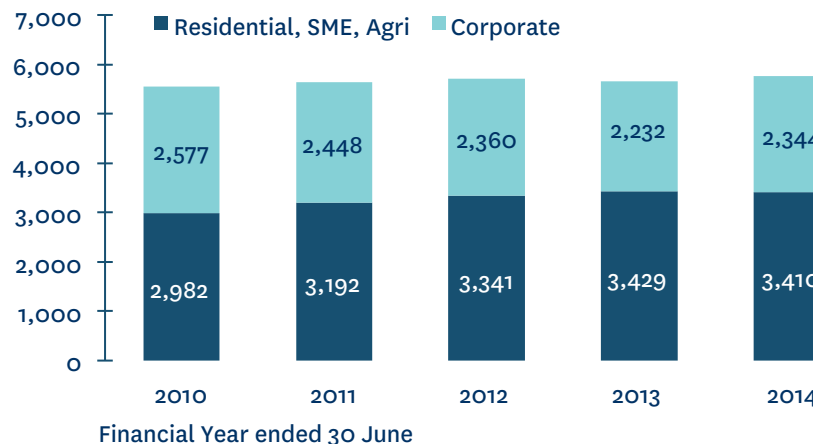
NEW ZEALAND CUSTOMERS

ICPs (000)



RETAIL SALES VOLUMES

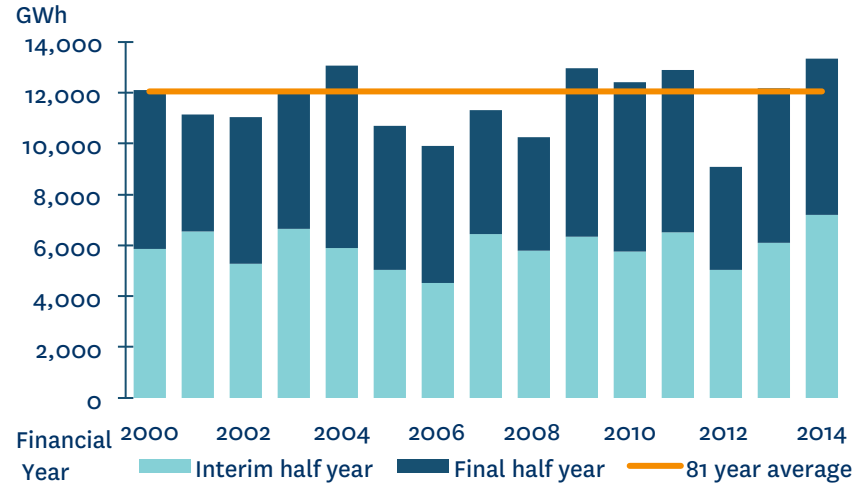
GWh



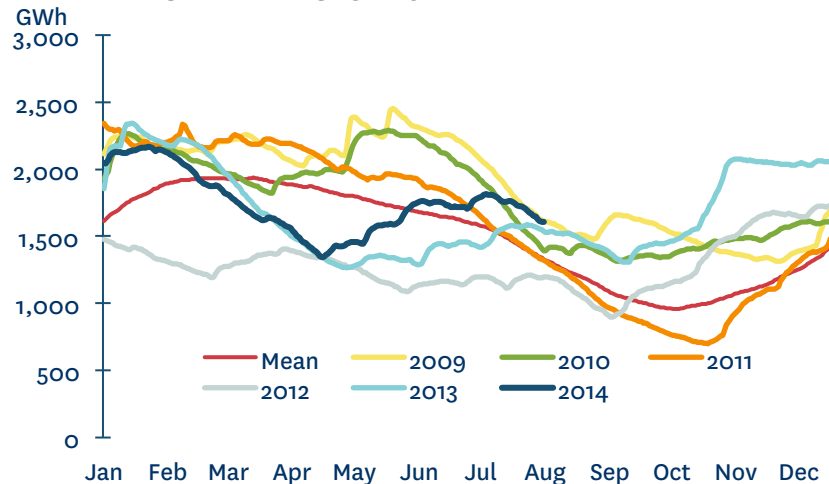
Hydrology

- FY14 inflows were 111% of historic average
- Included the 4th driest February to April period on record
- This period coincided with the Tekapo canal outage, lower South Island transmission work and periods of HVDC outages
- Meridian's Waitaki catchment storage at 30 June 2014 was 113.2% of historic average
- This 30 June 2014 storage was 26.1% higher than at the same time last year
- July 2014 inflows were 140.0% of historical average

MERIDIAN'S COMBINED CATCHMENT INFLOWS



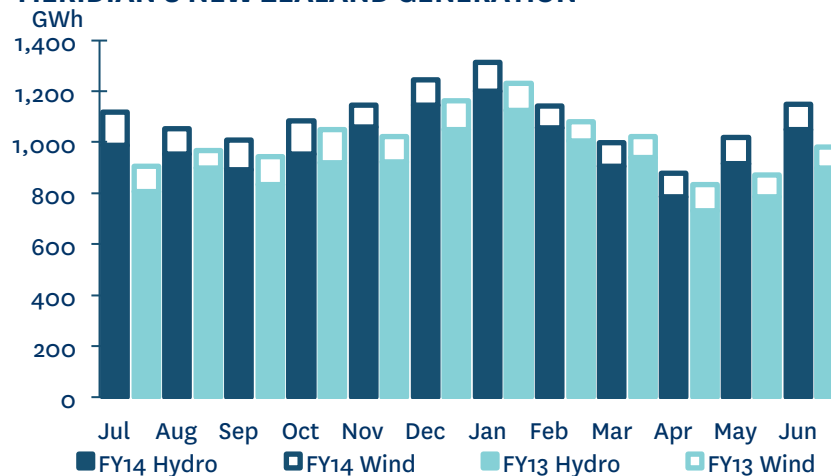
MERIDIAN'S WAITAKI STORAGE



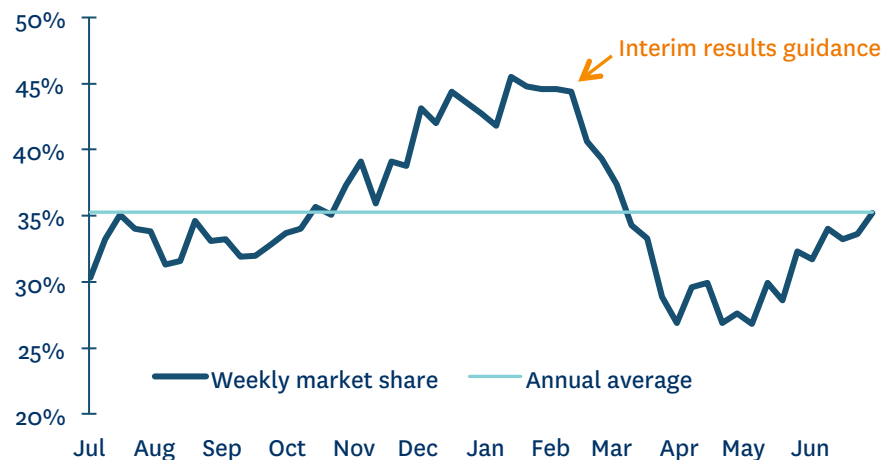
Generation

- Meridian's New Zealand generation in FY14 was 8.9% higher than last year, but with large fluctuations in weekly market share
- New Zealand wind generation in FY14 was 8.0% higher than last year
- Meridian's overall average generation market share was 35.3% in FY14
- Lower wholesale market prices than last year accompanied periods of high hydro generation in FY14
- The average price Meridian received for its generation in FY14 was \$4.81/MWh (7.4%) lower than last year
- Similarly, the price Meridian paid to supply contracted sales in FY14 was \$6.10/MWh (8.6%) lower than last year

MERIDIAN'S NEW ZEALAND GENERATION



WEEKLY GENERATION MARKET SHARE (NZ)



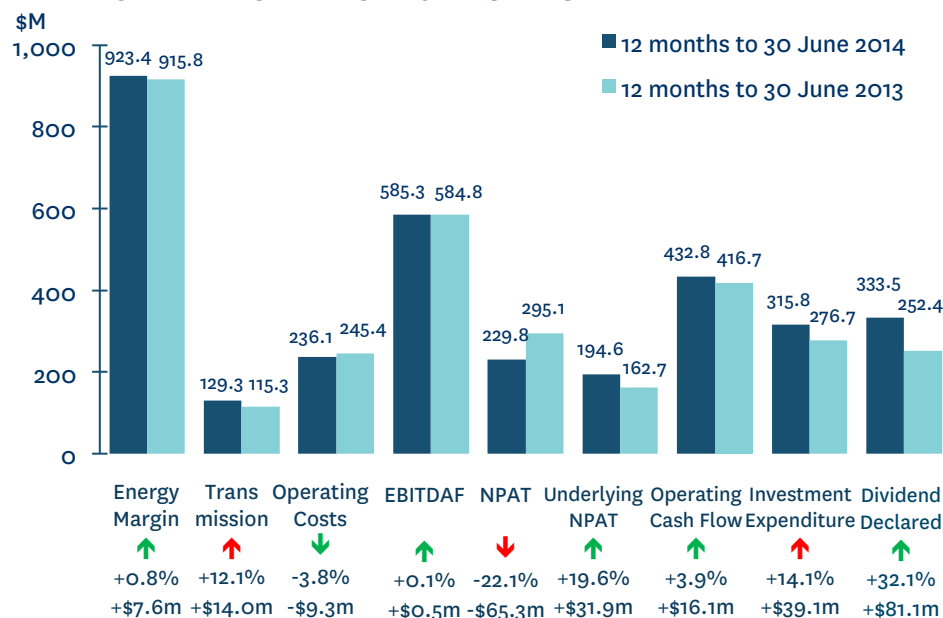
2014 Financial Performance



Summary of performance against last year

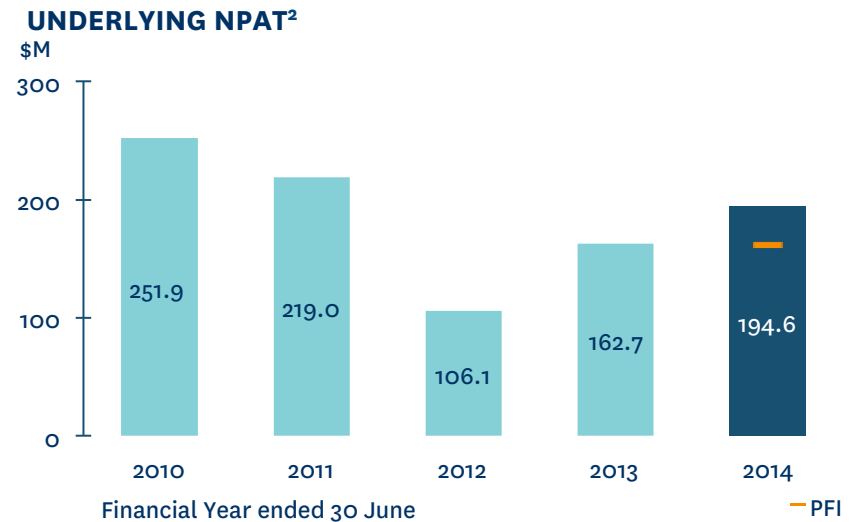
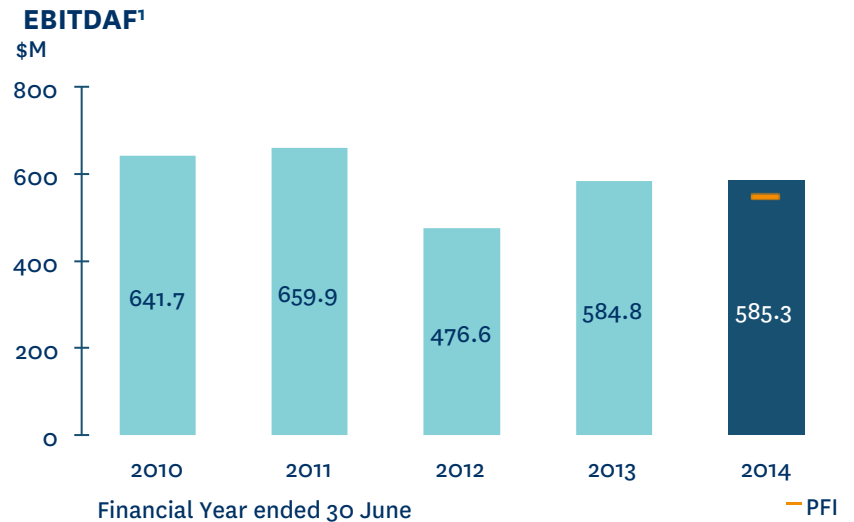
- Reported financial performance for FY14;
 - Operating cash flow +3.9%
 - NPAT -22.1%, from higher non cash fair value gains and gain on Macarthur sale last year
 - Underlying NPAT +19.6%, primarily from lower Financing costs
 - Flat EBITDAF
- FY13 EBITDAF included higher, non repeating earnings from;
 - New NZAS agreement commencing 1 January 2013, subsequently amended on 1 July 2013
 - Earnings in 2H FY13 from the Macarthur wind farm, subsequently sold on 28 June 2013
- Adjusting for these and IPO costs shows a 'like for like' EBITDAF increase of 14.4% in FY14
- This is despite Transmission costs increasing by \$14.0m (12.1%) in FY14

FINANCIAL PERFORMANCE AGAINST LAST YEAR



Earnings

- 'Like for like' EBITDAF increase of 14.4% in FY14 from;
- Cost savings
- Higher New Zealand generation volumes
- Less acquired generation volumes
- Mt Mercer generation



¹Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets

²Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items

Operating cash flow and investment expenditure

- Net cash flow from operating activities was \$16.1m (3.9%) higher than FY13
- Includes the close out of aluminium hedges following removal of aluminium indexation from the NZAS contract offset by higher cash tax payments
- Represents a \$94.3m (27.8%) increase compared to FY14 PFI
- Investment expenditure was \$39.1m (14.1%) higher than FY13
- Reflects FY14 investment in Mill Creek and Mt Mercer wind projects
- Cash inflows of \$62.2m from the sale of surplus land and US assets

CASH FLOW FROM OPERATING ACTIVITIES

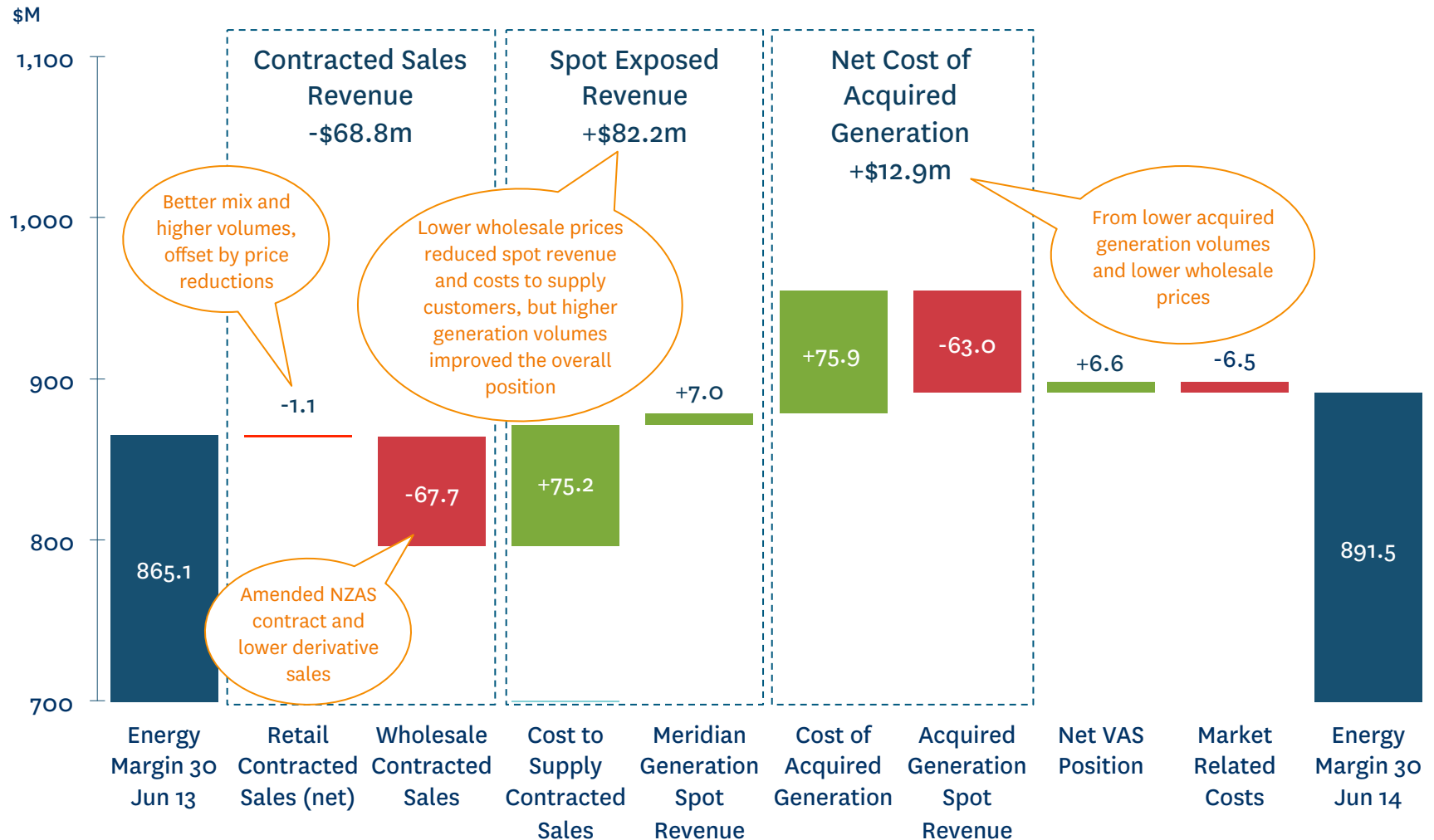


INVESTMENT EXPENDITURE



Energy margin change from last year

NEW ZEALAND ENERGY MARGIN



Costs

- 12.1% increase in Transmission costs in FY14
- Increase reflects Meridian's majority share of higher HVDC costs
- Increases were included in PFI
- Accounting treatment of Australian connection assets meant total costs were 4.6% lower than PFI

TRANSMISSION COSTS



- 3.8% decrease in reported Operating costs in FY14
- Adjusting for IPO costs, Operating costs have reduced 6.1% in FY14
- Some upward pressure on costs is expected from growth projects – new wind farms and Powershop Australia

EMPLOYEE AND OTHER OPERATING COSTS

