



meridian

Release

Stock exchange listings: NZX (MEL) ASX (MEZ)

Annual results roadshow presentation

18 September 2015

Meridian Energy will be giving a presentation from today at a series of investor meetings during September 2015.

ENDS

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Better energy future



MERIDIAN ENERGY LIMITED 2015 Annual results roadshow presentation

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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 condensed interim financial statements, which are included in Meridian's annual report for the year ended 30 June 2015 and is available at:

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

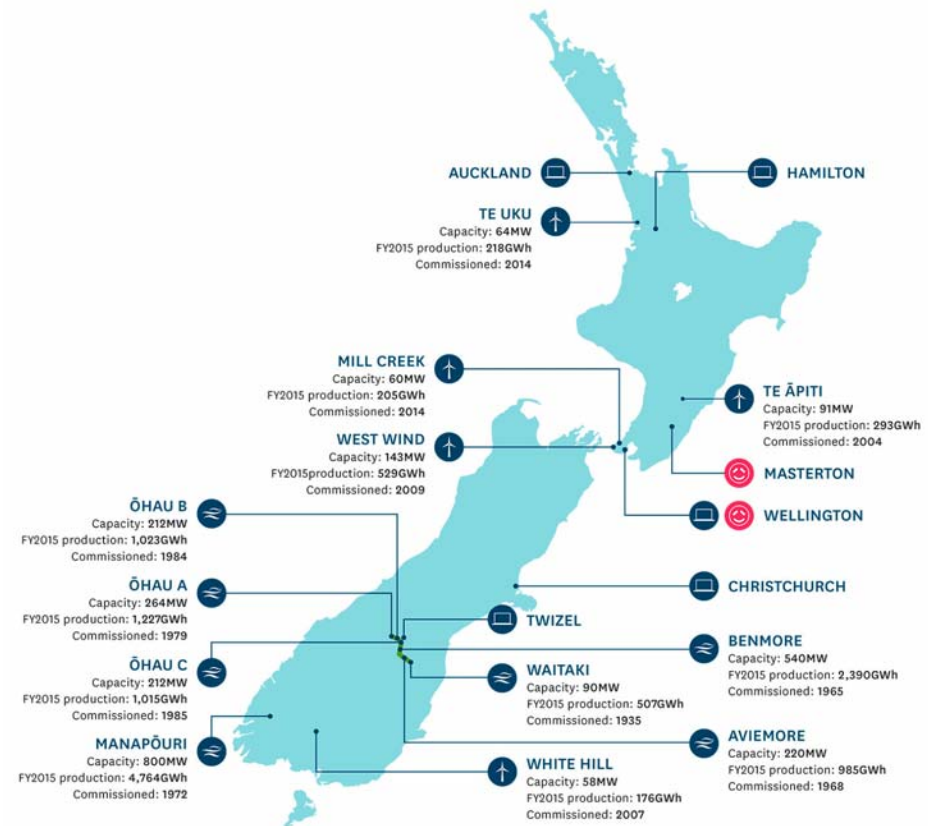
All currency amounts are in New Zealand dollars unless stated otherwise.

Meridian and the New Zealand market

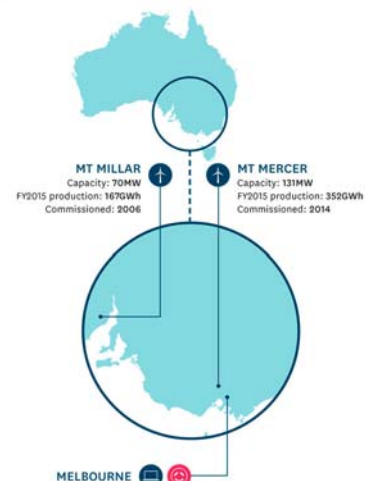


About Meridian

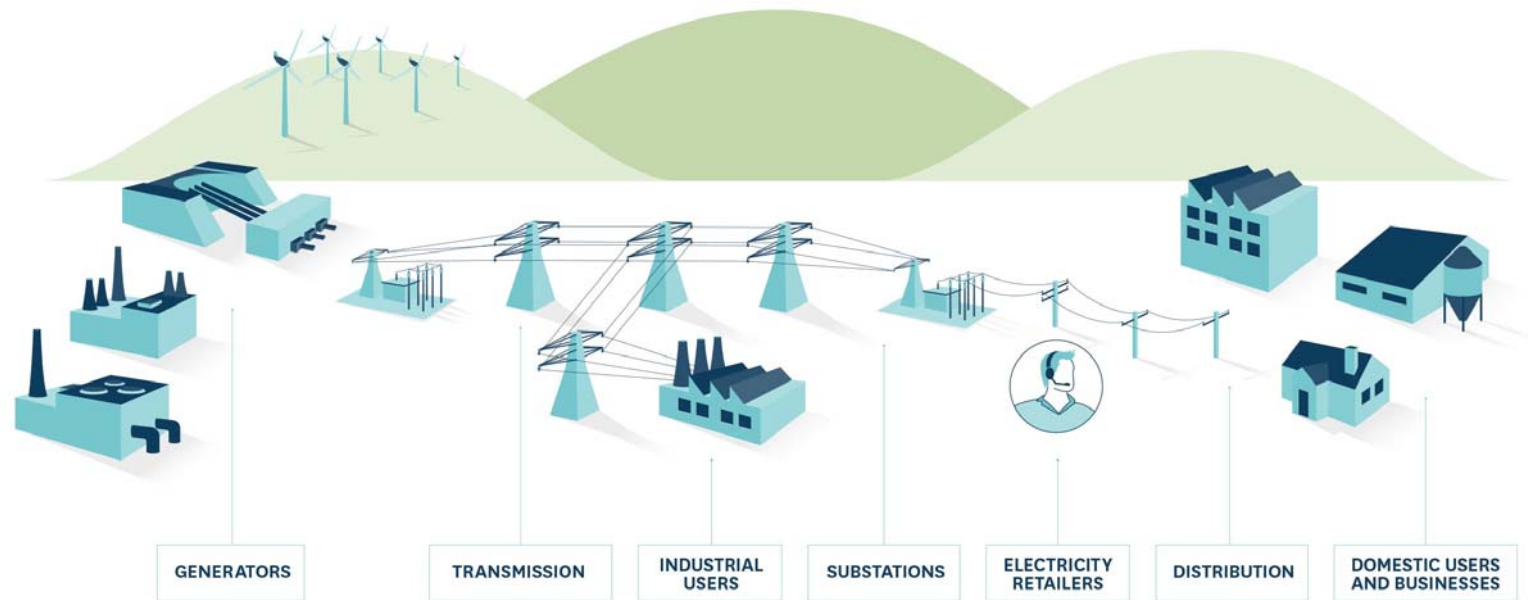
- Vertically integrated renewable generator, retailing electricity to over 330,000 customers in New Zealand and Australia
- New Zealand's largest generator from purely renewable sources
- Seven hydro stations
 - Flexible plant with New Zealand's largest storage
 - Long life assets with low operating 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



GENERATION ASSETS	OFFICES
HYDRO STATION	MERIDIAN
WIND FARM	POWERSHOP
WAITAKI HYDRO SCHEME	



The New Zealand electricity market



5 Major generators

1 Transmission grid operator

29 Distribution businesses

26 Electricity retail brands

2 Million consumers

2015 highlights



Profitability and yield

Great financial result

Free cash
flow¹
\$398m

+6% on FY2014,
+8% on PFI²

EBITDAF
\$618m

+6% on FY2014,
+5% on PFI

Underlying
NPAT
\$209m

+7% on FY2014,
+17% on PFI

NPAT
\$247m

+7% on FY2014,
+17% on PFI

And delivering to investors

Ordinary
dividend
12.88cps

+17% on FY2014,
+12% on PFI

Special
dividend
2.91cps

From asset sales
and one-offs

Capital
manage-
ment

2.44cps special
dividend (\$62.5m)

TSR
+36%

and +71% since
listing

¹See pg 32 for a definition and breakdown of free cash flow

²Prospective financial information contained in Meridian's prospectus

The last year

- More rational political views on the sector
- Transmission pricing progressed
- NZAS immediate future is clearer
- NZ demand has grown
- Announcement of thermal plant retirement
- Review to the Renewable Energy Target completed
- Powershop Australia gaining momentum



Operational highlights

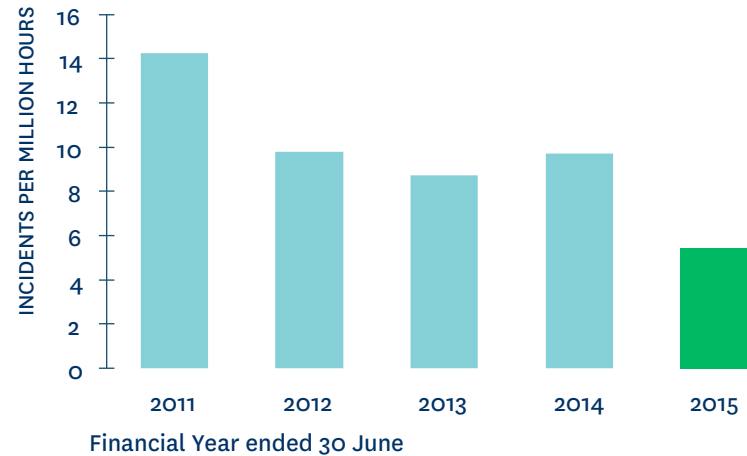
- A year of average inflows
- The now familiar late summer dry spell was well managed
- Rapid resolution of Manapōuri transformer issues
- Wind investment has driven record level of NZ generation (Tekapo adjusted)
- Retail sales volume growth with a strong irrigation season
- Resilient retail prices despite intense competition and summer irrigation pricing
- Lid on operating costs, some growth supporting Powershop and new wind
- Ranked as the most reputable electricity company in NZ



Health and safety

- Preparing for changes to health and safety legislation later this year
- That work has re-evaluated high areas of risk and the processes to manage those risks
- Particular emphasis on management of fatal risks
- Cultural focus has been on moving to accountability and fairness in safety reporting
- LTI frequency rate of 2.27, below industry average of 4.85

EMPLOYEE TRIFR¹

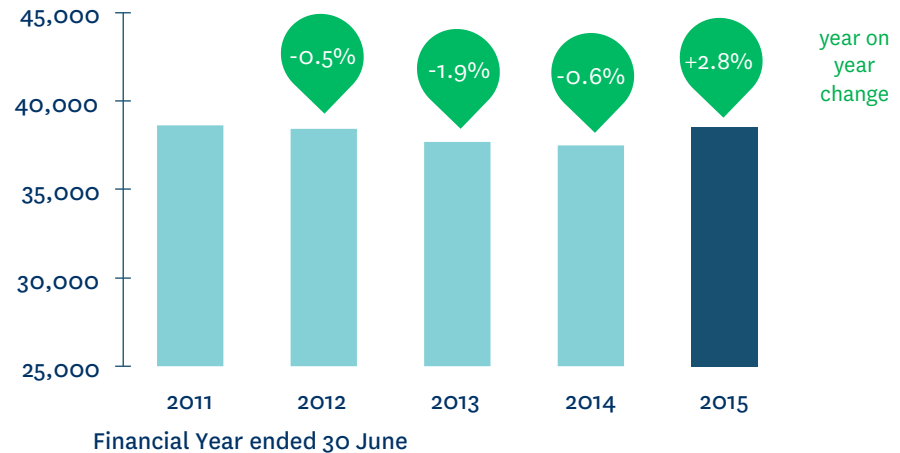


¹Total recordable injury frequency rate – the number of incidents per million hours worked by permanent employees

The New Zealand market

- Positive demand growth returned in the last year, but caution needed
- Provincial led, with some weather driven growth but genuine underlying increase
- Significant thermal plant closure is occurring and requires strategic thought by all market participants
- New investment signals may be moving closer
- High retail competition
- Offers focused on sign-on pricing and use of prompt payment discounts
- Emerging differentiation and growing number of smaller retailers
- Multiple regulatory reforms underway focused on competition and reliability

NATIONAL DEMAND
GWh



source: Transpower, Meridian



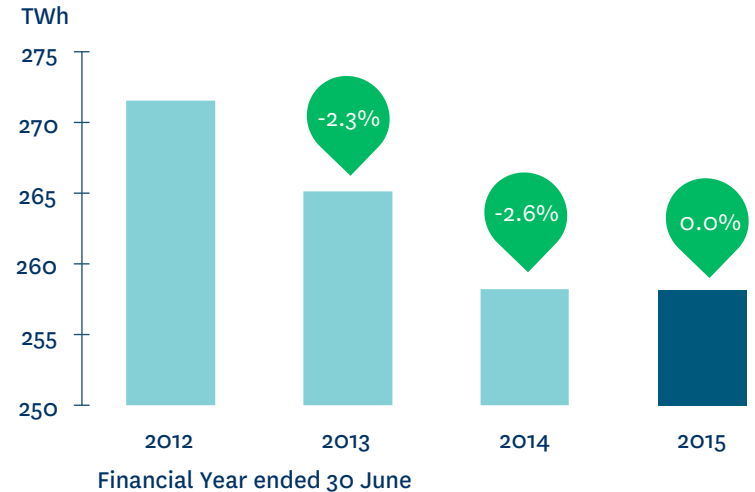
The Australian market

- Declining demand at the market level
- RET¹ agreed but mixed political sentiment on renewables
- A lot of permitted wind options, but nearly all are short dated
- Appetite for conventional PPAs² is low
- Grid scale solar continues to get cheaper
- Increased penetration of rooftop solar, even without subsidy
- Consolidation among smaller retailers is a continuing pattern

¹Renewable energy target

²Power purchasing agreements – contracts for the sale and purchase of electricity between parties

NEM ELECTRICITY CONSUMPTION



source: Bloomberg



Tiwai Point smelter contract

- Contract terms (other than price) similar to those previously agreed
- Price on 400MW unchanged from 2013 variation, higher price on 172MW from 1 January 2017
- Window to give 12 months notice to reduce to 400MW extended to 1 April 2016, then any time after 30 April 2017
- Other generators provided back to back cover of varying quantity and tenure

3 Aug 2015

30 Apr 2016

1 Jan 2017

30 Apr 2017

31 Dec 2030

Termination right
(12 months notice)



Price (+CPI):
2013 price on 400MW
2013 price on 172MW
2015 price on 172MW



Reduction to 400MW
(12 months notice)



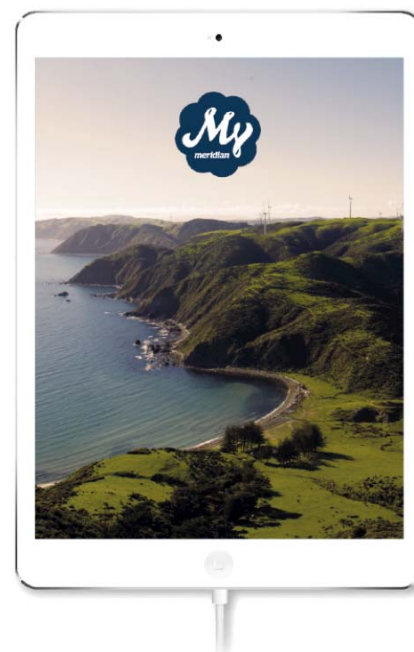
Transmission pricing

- June 2015 TPM options paper is a considerable evolution from 2012
- Beneficiaries pay approach is retained, with residual costs allocated to load
- Goes a long way to solving the inequities of HVDC cost allocation and SI consumers paying for NI investment
- Must apply to all assets to solve these problems
- Provided this is the case, all proposed options are beneficial to Meridian
- Meridian supports the simplest beneficiaries pay option
- Issues paper with preferred option in early 2016



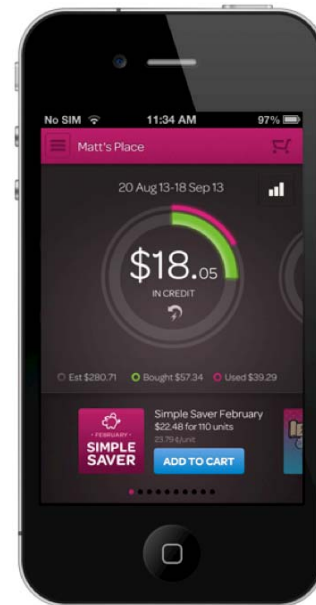
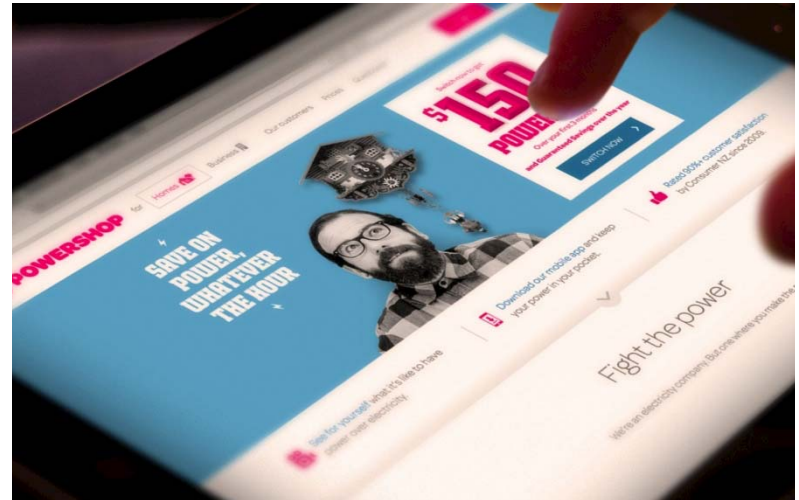
Meridian Retail

- Segment EBITDAF up +\$3m (+17%) adjusted for the sale of Arc Innovations
- A year of operational improvement:
 - Lift in customer retention rate
 - \$3m less bad debts written off with 44% less disconnections
 - 70% reduction in vacant site consumption
 - 20% decrease in call centre volumes
- And pricing improvements:
 - Historical anomalies resolved
 - Solar export rates reset
 - Inflation based price changes for some networks from July 2015



Powershop New Zealand

- Customer satisfaction above 90% for 7 years in a row
- Industrialisation of processes for ease of use at scale
- Which supports growth in Australia and potential new market opportunities
- Maintaining market share on low marketing spend
- Lifting load through a much improved business customer experience

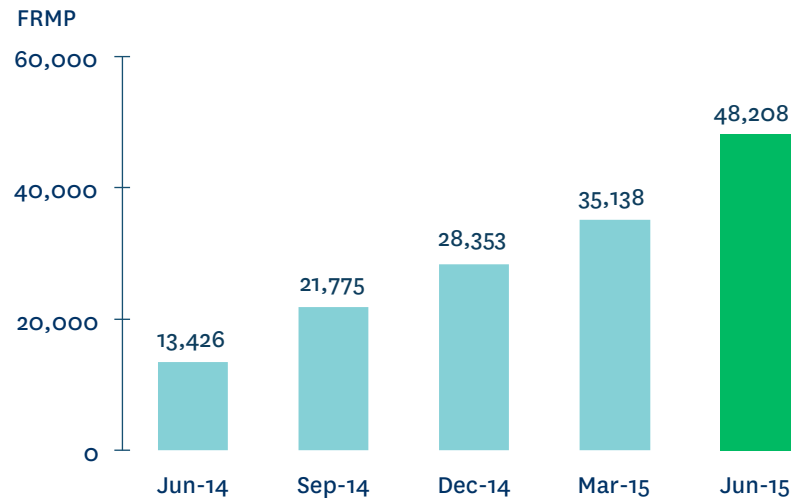


Powershop Australia

- Viable business with strong sources of competitive advantage:
 - Customer control
 - Renewable profile
 - Fair pricing
 - Differentiated service
- Promotional spend needed to support customer acquisition
- Brand position has allowed us to establish unique channels to market that support sustainable growth
- Competitors are improving their service offers and we need to remain agile



POWERSHOP AUSTRALIA CUSTOMERS

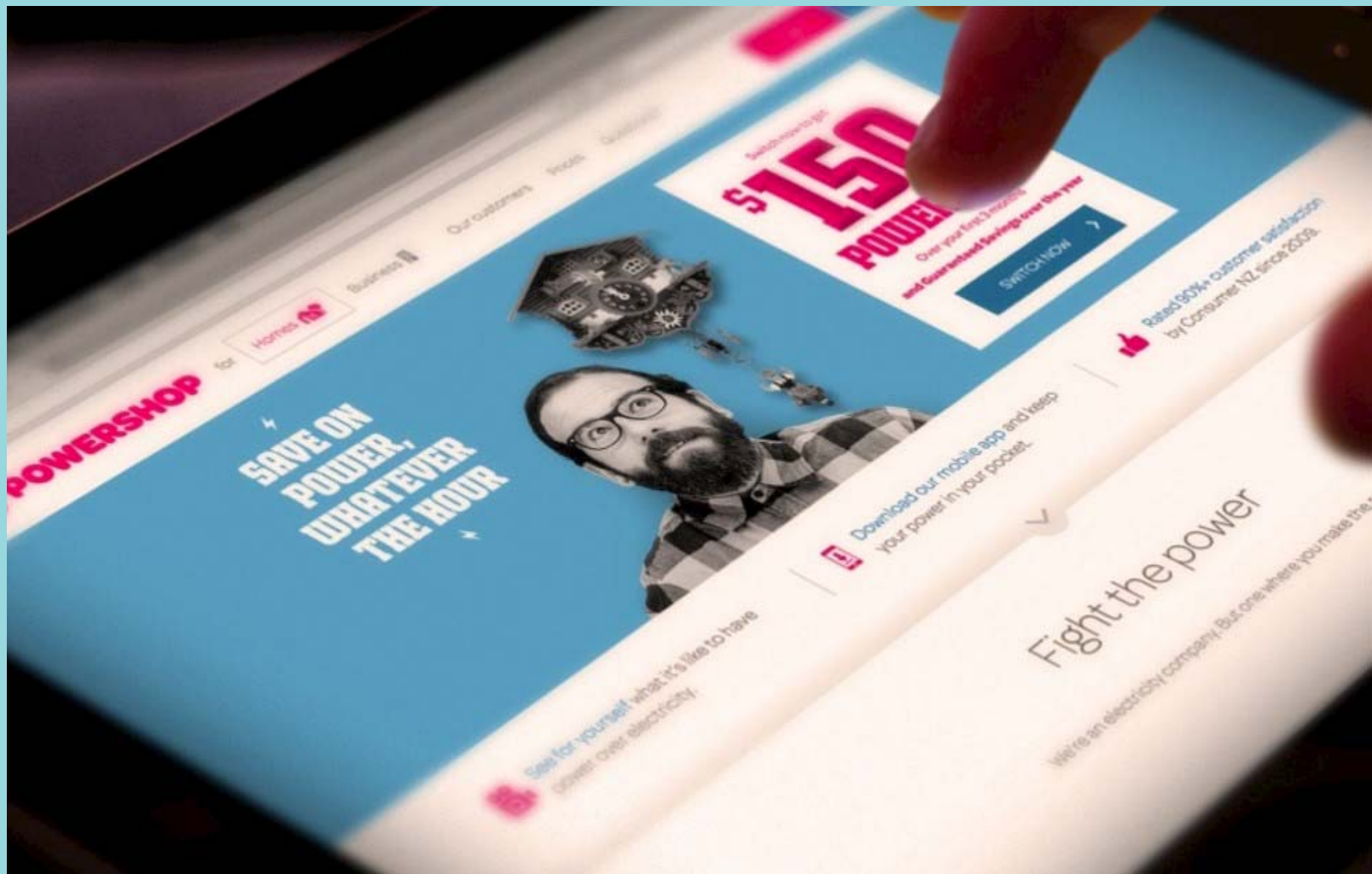


Concluding remarks

- Over the next year, NZ focus will be on:
 - Positioning for upcoming thermal contraction
 - Lifting retail profitability
 - Improving quality and cost effectiveness of customer experience
 - Achieving more from existing assets
 - Operating and capital cost management
 - Support for transmission pricing change
- Growth in Australia through Powershop
- Decision on the viability of offshore Powershop opportunities
- Not providing forecasts, enhancing monthly operating disclosure



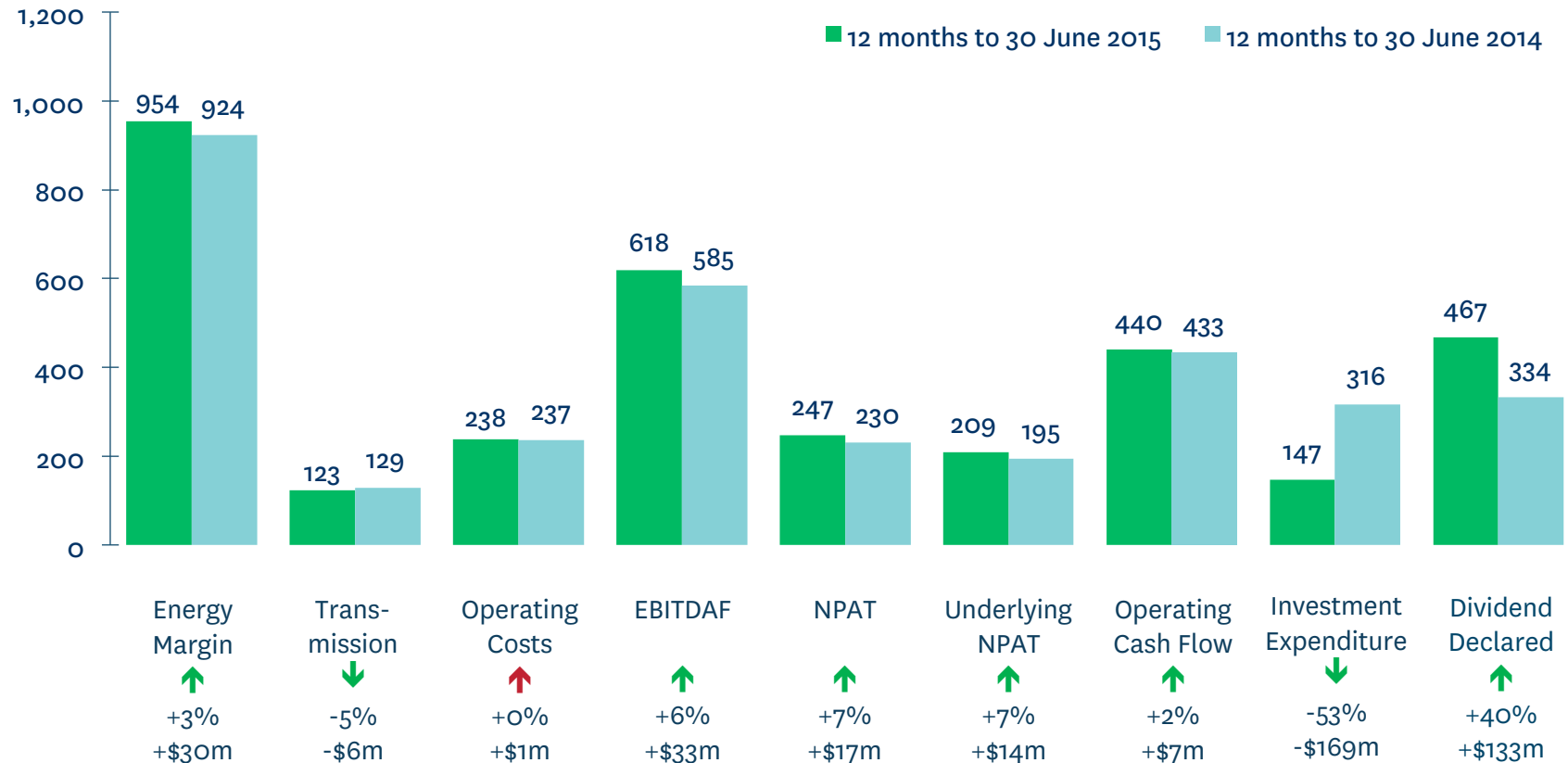
2015 financial performance



Financial performance

FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

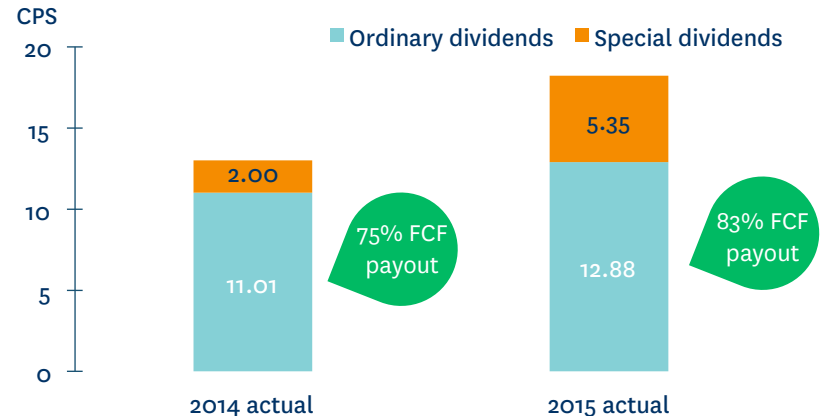
\$M



Dividends

- Ordinary final dividend of 8.08 cps, 55% imputed
- Brings full year FY2015 ordinary dividend to 12.88 cps, representing 83% of free cash flow, 72% imputed
- Special final dividend of 3.95 cps, unimputed
- Special final dividend comprises:
 - 2.44 cps capital management
 - 1.51 cps from gains on sale and a tax liability release
- Brings full year FY2015 special dividend to 5.35 cps, 26% imputed

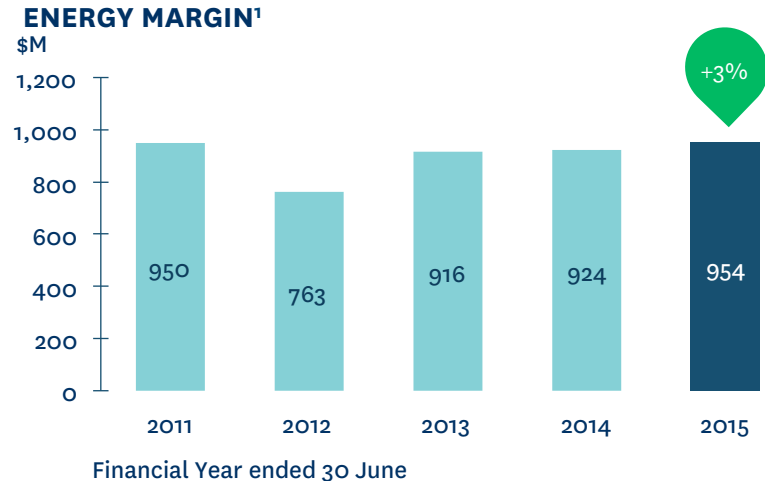
DIVIDENDS DECLARED



FY 2015 DIVIDENDS DECLARED	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	4.80	100%
Interim Special Dividend	1.40	100%
Final Ordinary Dividend	8.08	55%
Final Special Dividend	3.95	0%
Total Dividend	18.23	

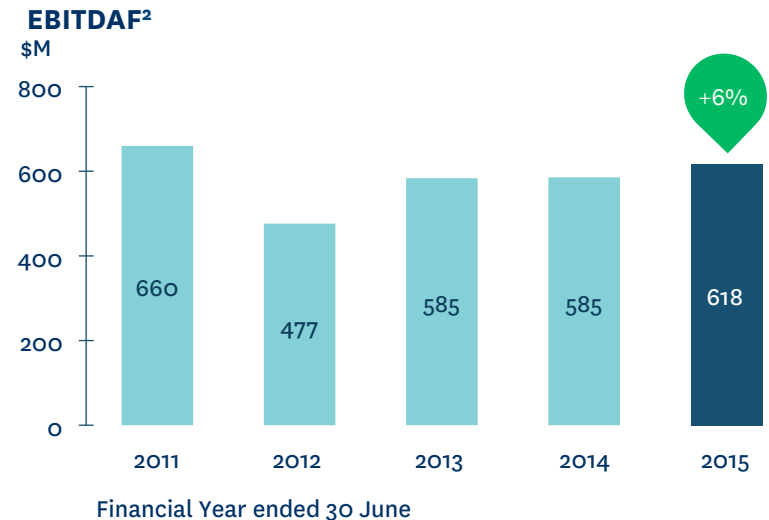
Earnings

- 'Like for like' EBITDAF (excluding insurance proceeds and IPO costs) increase of \$20m (3%) in FY2015 from:
 - + Additional generation from Mill Creek in NZ and Mt Mercer in Australia
 - + Higher residential/SME sales volumes in both countries
 - Higher market purchase and customer costs to support this volume
 - + Higher sell-side CFD volumes and lower acquired generation, off the back of higher NZ generation
 - + Lower HVDC charges in the calendar year to March 2015
 - Lower other revenue following sale of Arc and surplus farm land



¹See pg 27 for a definition of energy margin

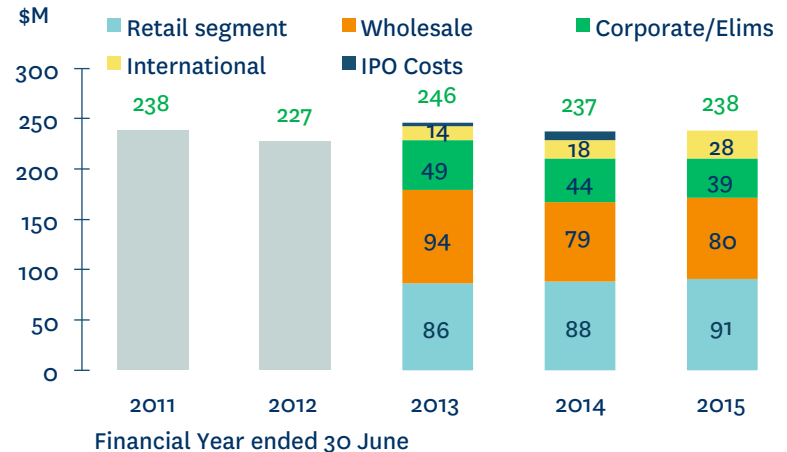
²Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets



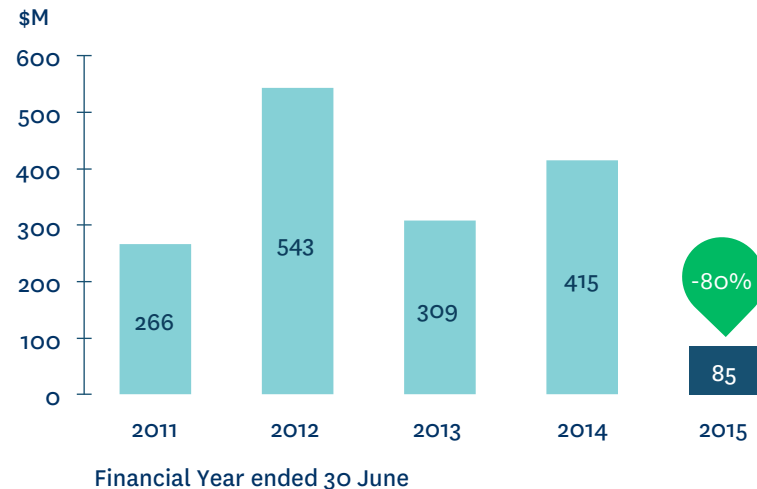
Costs

- Adjusting for IPO costs, Operating costs have increased +\$9m (+4%) in FY2015
- Mt Mercer and Powershop customer service costs have lifted international costs \$10m
- Mill Creek costs are largely being absorbed
- Further improvement from continued focus on corporate costs
- Some metering cost growth from Arc sale, expected to reduce
- Some development resource growth in Powershop NZ
- Stay in business capital expenditure was \$61m in FY2015
- Recent phase of growth capital expenditure now completed

OPERATING COSTS



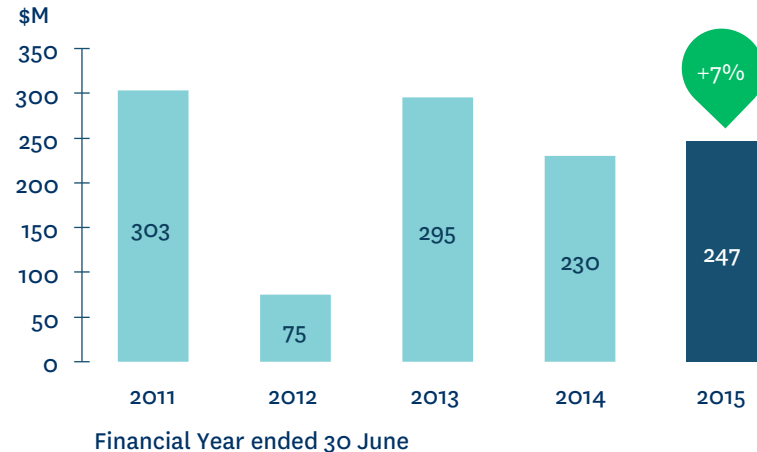
CAPITAL ASSET ADDITIONS



Below EBITDAF

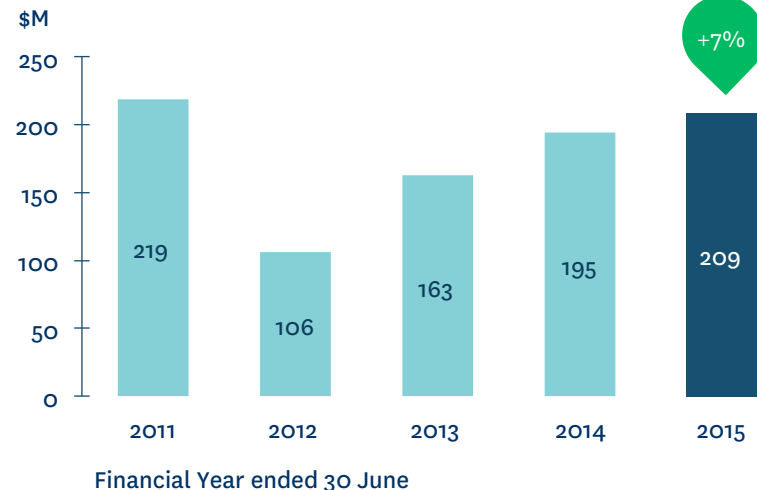
- Additional depreciation +\$19m (+9%) from the Mill Creek and Mt Mercer
- Net finance costs +\$5m (+7%) from FY2014 project interest capitalisation (FY2015 interest paid is lower)
- Negative change in fair value of treasury instruments from forward rate changes
- One-off items in the numbers:
 - \$19m of gains on the sale from Arc and surplus farm land
 - \$38m of Australian impairments
 - \$28m release of capital gains tax liability not eventuating
 - \$34m reduction in accounting tax from successful resolution on powerhouse deductibility
- Underlying NPAT +\$14m (+7%) from FY2015

NET PROFIT AFTER TAX



¹Net 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 p31

UNDERLYING NPAT¹



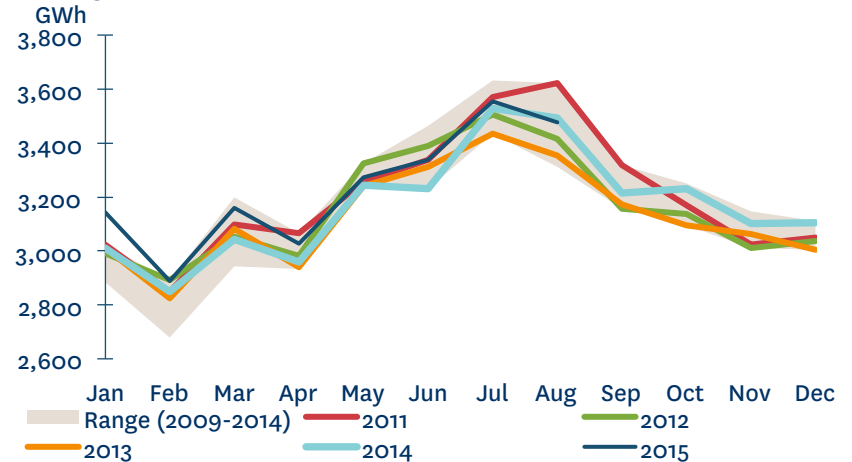
Latest operating information



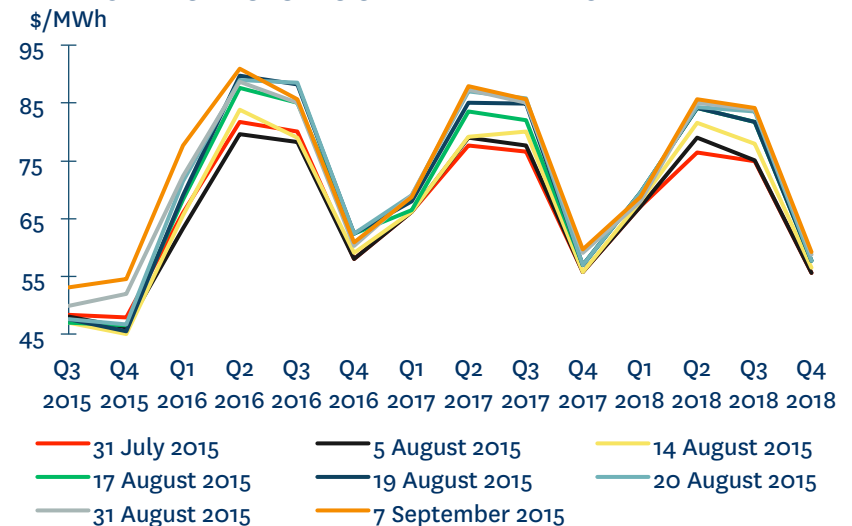
Market data

- Demand in the 2015 calendar year has slowed to be 2.0% higher than the same eight month period last year
- Switching remains high with the 12 month average switching rate for all retailers at 19.4% at the end of July 2015
- August 2015 and early September 2015 has seen significant upward movement in ASX prices, on average up +8% across 2016 to 2018
- This follows thermal plant retirement announcements by Genesis Energy (two Huntly Rankine units, 500MW) and Contact Energy (Otahuhu B, 400MW)

NATIONAL DEMAND

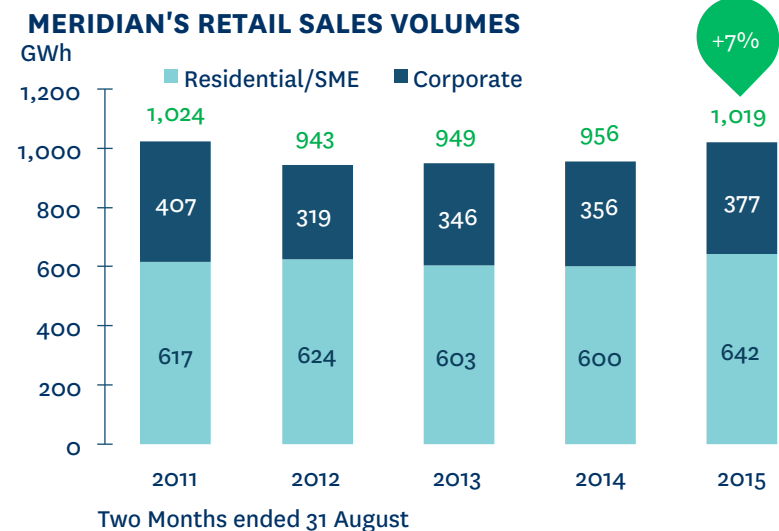
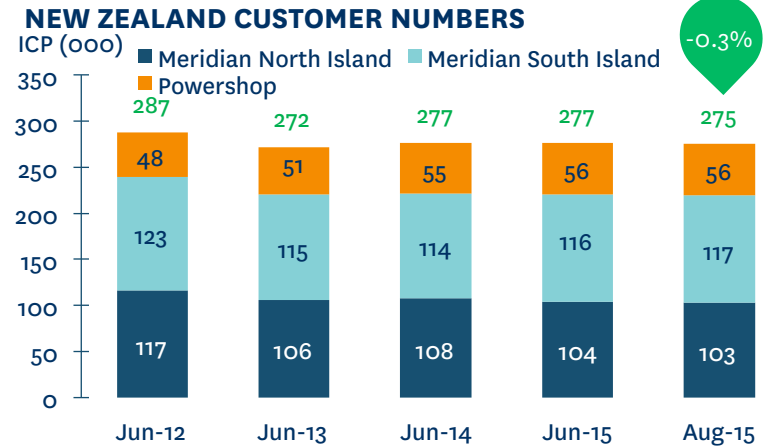


BENMORE ASX FUTURES SETTLEMENT PRICE



New Zealand retail

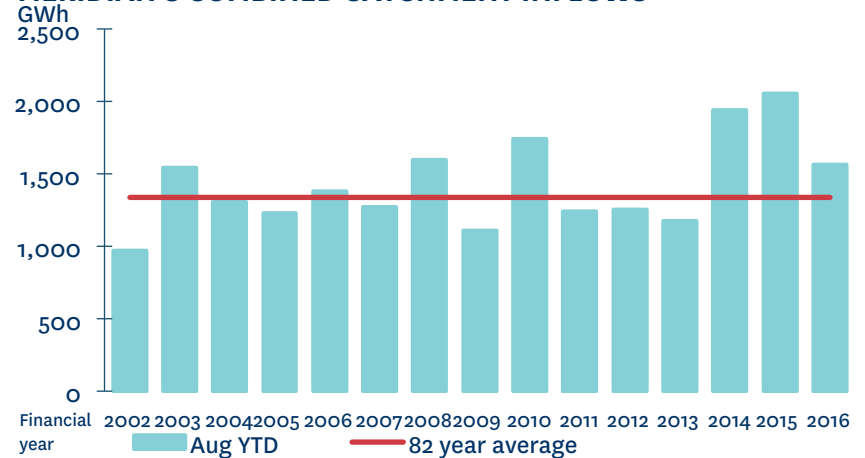
- Small decline in ICP numbers since June 2015, reflecting aggressive residential sales activity
- To date this financial year residential/ SME sales volumes are 7% higher than the same period last year
- Corporate sales volumes are 6% higher than the same period last year
- To date this financial year the average retail sales price is 4% higher than the same period last year



Hydrology

- July and August 2015 monthly inflows together were 117% of average
- Storage at the end of August 2015 was 134% of historical average
- To date this financial year Meridian's New Zealand generation is 5% lower than the same period last year
- To date this financial year the average price Meridian has received for its New Zealand generation is 13% lower than the same period last year
- Similarly the average price Meridian paid to supply contracted sales is 16% lower than the same period last year

MERIDIAN'S COMBINED CATCHMENT INFLOWS



MERIDIAN'S WAITAKI STORAGE

