

An aerial photograph of a hydroelectric dam and power plant. The dam is a concrete structure with several spillways, situated on a river. The water is a vibrant blue. The surrounding landscape is arid and hilly, with brownish-yellow soil and sparse vegetation. In the background, there are large, rugged mountains under a clear blue sky. The overall scene is a mix of natural beauty and industrial infrastructure.

Meridian Energy

MONTHLY OPERATING REPORT *March 2014*

March Highlights

National hydro storage has fallen from 83% to 71% of historical average

North Island storage is at 52% of average, South Island storage at 73% of average

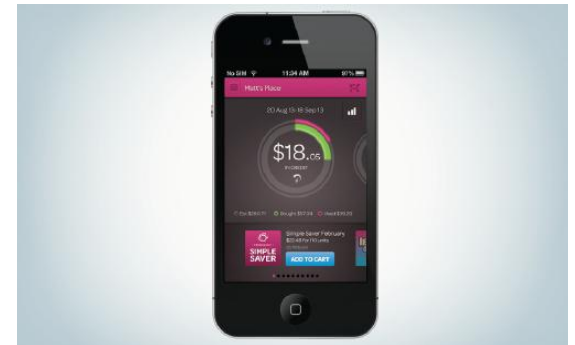
Further increases in 2014 ASX forward prices

Meridian saw the 2nd lowest March inflows on record this month

Meridian Waitaki catchment storage sat at 83% of average at the end of March

Meridian's hydro generation in March was 14% lower than last month

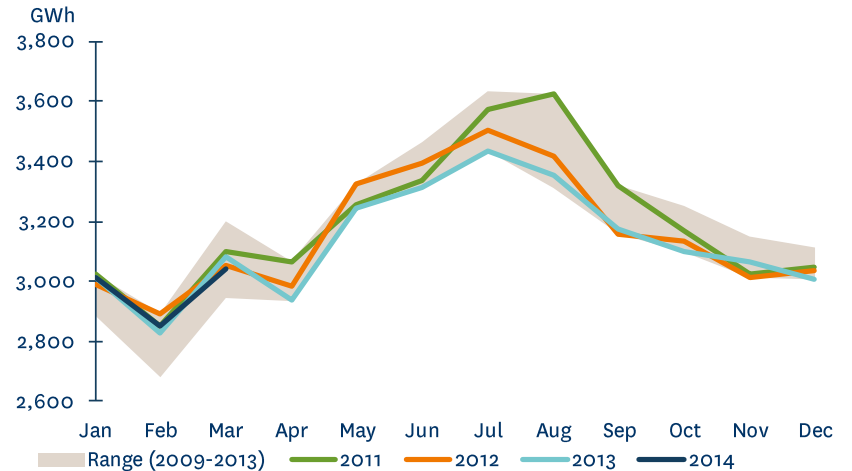
Meridian continues to experience higher retail contracted sales volumes and customer connections in the current financial year



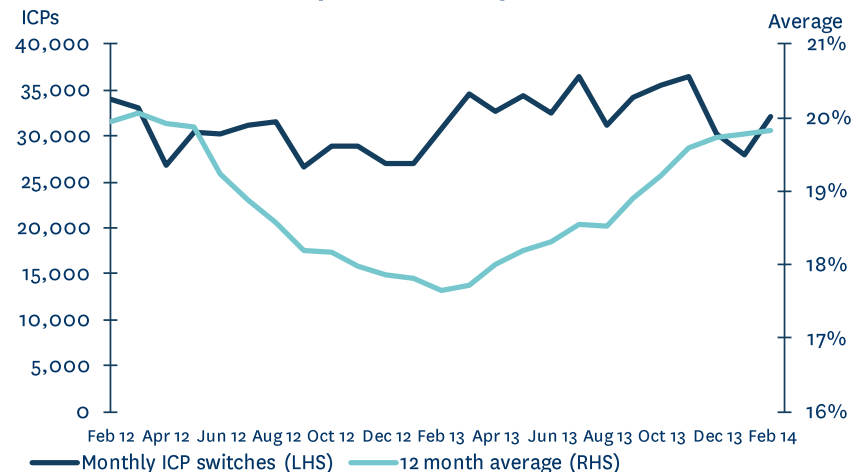
Market Data

- Demand in 2014 remains flat compared to the same period last year
- New Zealand Aluminium Smelters' average load during March 2014 was slightly below the 572MW base quantity of the NZAS Agreement
- The number of switches in February 2014 was 4.4% higher than February 2013
- The 12 month average switching rate was 19.8% at the end of February 2014

NATIONAL DEMAND

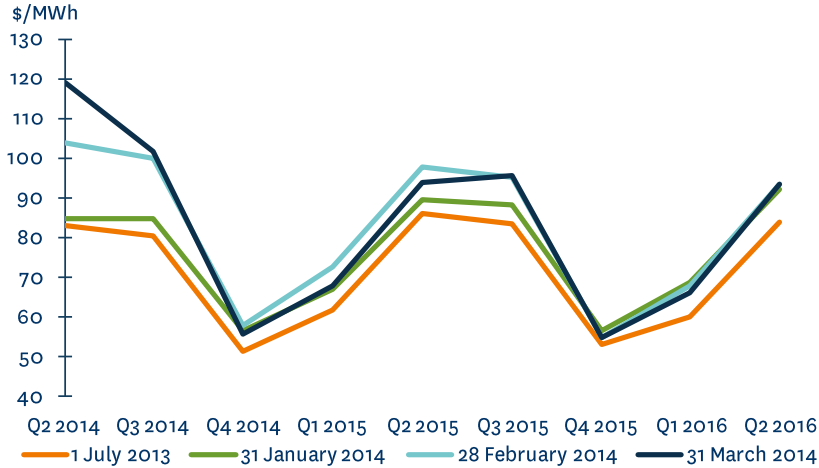


MARKET ICP SWITCHING (ALL RETAILERS)

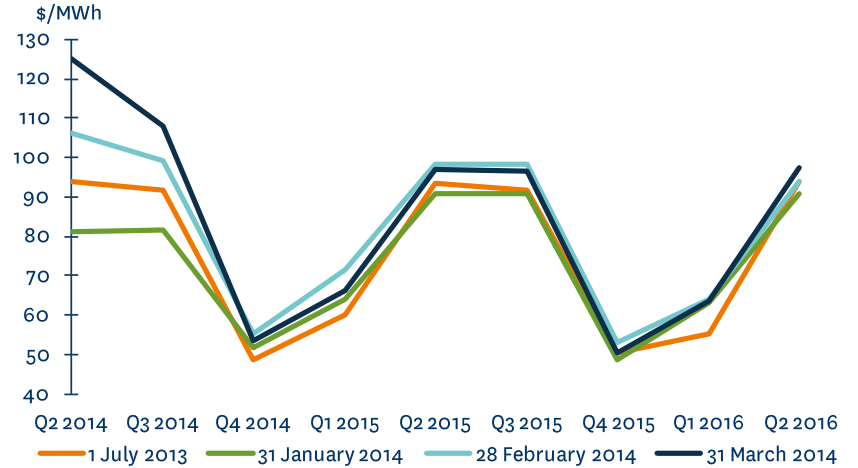


Market Data

OTAHUHU ASX FUTURES SETTLEMENT PRICE

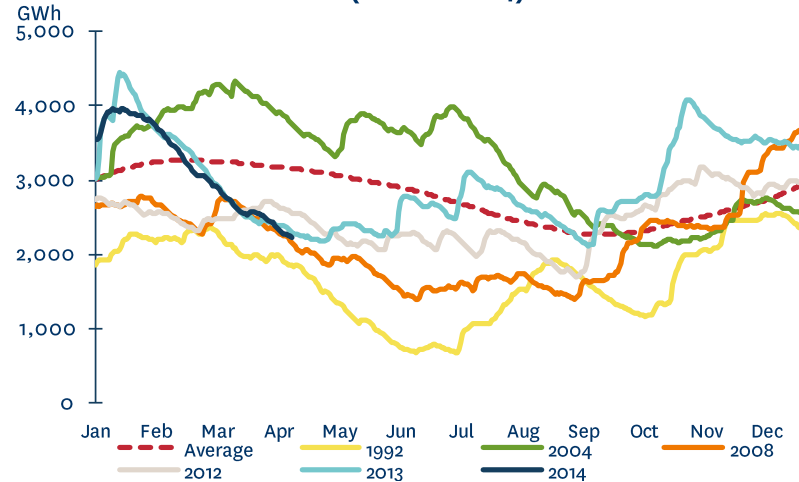


BENMORE ASX FUTURES SETTLEMENT PRICE



- 2014 ASX futures prices continue to increase as hydro storage falls
- National storage has fallen from 83% of average on 12 February 2014 to 71% of average by 11 March 2014
- Since late January 2014, storage has followed a very similar trend to the same period in 2013

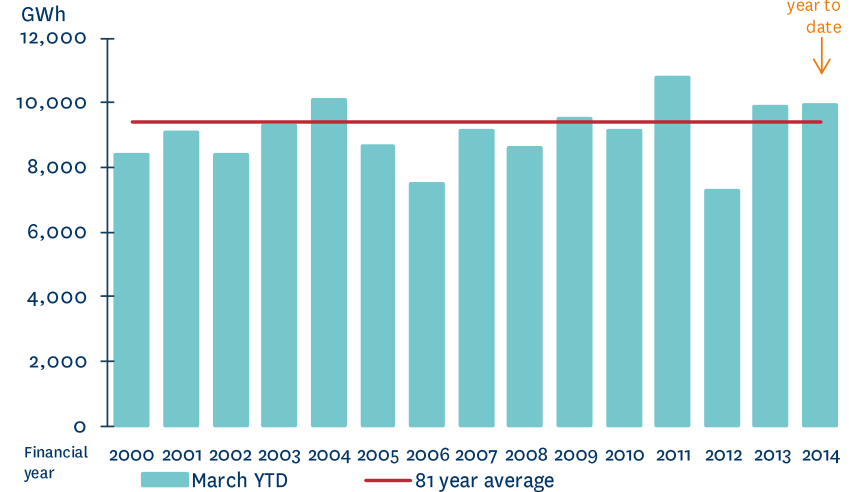
NATIONAL HYDRO STORAGE (11 APRIL 2014)



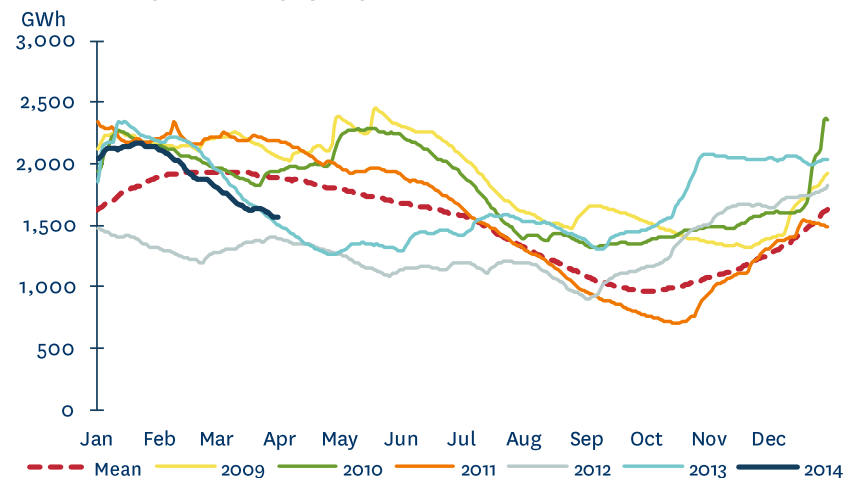
Meridian's Operating Information

- March monthly inflows were at 52% of historical average, representing the 2nd lowest March inflows on record
- March 2013 represented the lowest March inflows on record
- To date this financial year inflows are 106% of historical average, largely due to high Spring 2013 inflows
- Meridian's Waitaki catchment storage at the end of March was 1,559GWh, which was 83% of historical average
- At the end of March, storage was 4% higher than the same time last year

MERIDIAN'S COMBINED CATCHMENT INFLOWS



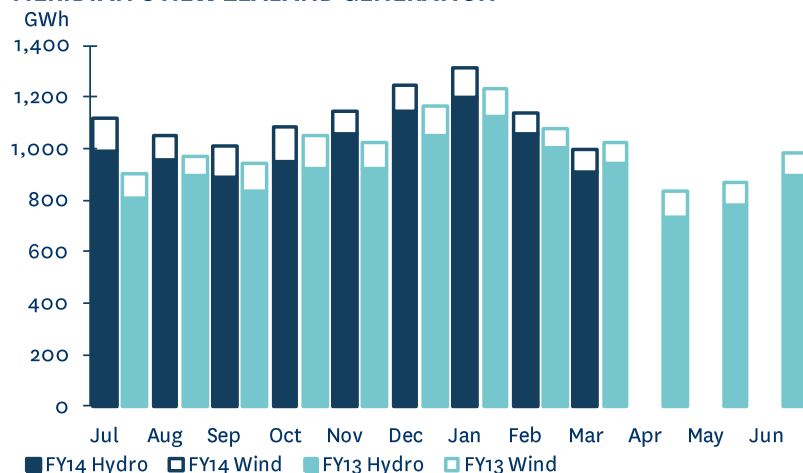
MERIDIAN'S WAITAKI STORAGE



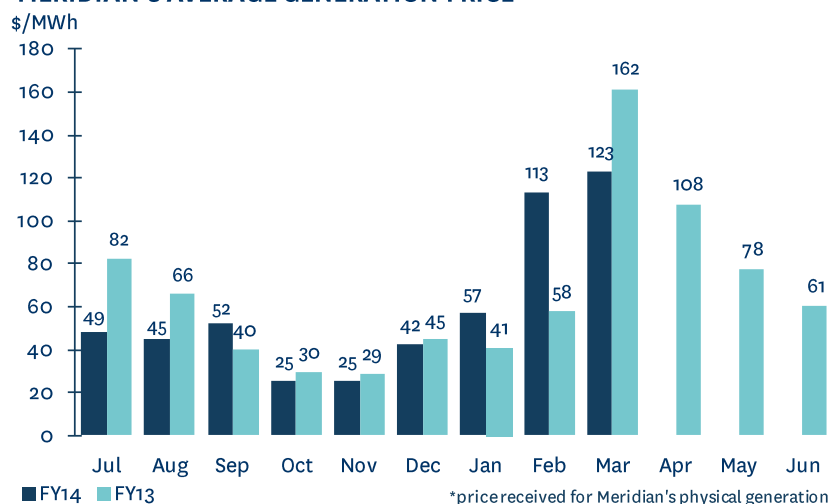
Meridian's Operating Information

- The lower levels of inflows in March resulted in more conservative generation, with hydro generation 14.1% lower than February 2014
- To date this financial year Meridian's total New Zealand generation is 7.7% higher than the same period last year
- This includes higher wind generation, at 7.9% more than the same period last year
- Continuing dry national conditions saw the average price Meridian received for its generation in March lift from last month
- Dry conditions in 2013 mean this average price is 24% lower than March 2013
- The average price Meridian paid to supply contracted sales in March also lifted significantly

MERIDIAN'S NEW ZEALAND GENERATION



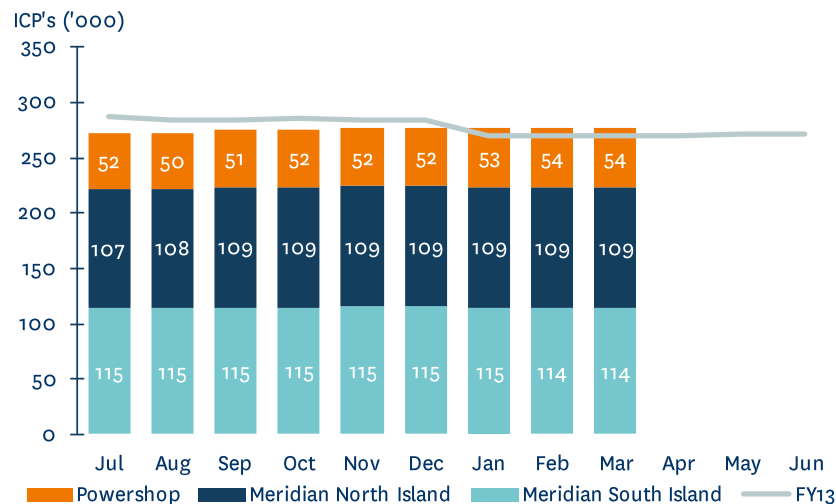
MERIDIAN'S AVERAGE GENERATION PRICE*



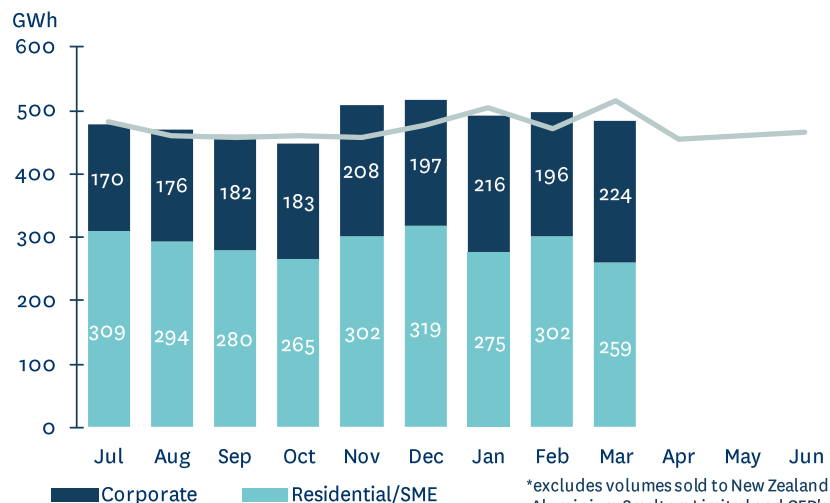
Meridian's Operating Information

- Meridian's customer connection numbers have increased by 2.0% since June 2013, reflecting growth in Meridian North Island (+2.3%) and Powershop (+6.2%) customer connection numbers
- In January 2013, Meridian's customer connection numbers dropped by around 14,000, reflecting Energy Direct NZ's decision to operate as an independent retailer at that time
- To date this financial year Meridian's retail sales volumes are 1.8% higher than the same period last year
- Extremely high rainfall on the east coast of the South Island in early March saw lower irrigation load this month
- This resulted in retail sales volumes decreasing by 6.2% compared to March 2013

MERIDIAN'S CUSTOMER CONNECTIONS



MERIDIAN'S RETAIL SALES VOLUMES*



Meridian's Operating Information

| | March 2014 month | March 2013 month | February 2014 month | January 2014 month | 9 months to March 2014 | 9 months to March 2013 |
|---|------------------------|------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| New Zealand Contracted Sales¹ | | | | | | |
| Retail contracted sales volume (GWh) | 482 | 514 | 498 | 492 | 4,358 | 4,282 |
| Retail contracted sales average price (\$/MWh) | \$91.9 | \$99.1 | \$92.2 | \$98.4 | \$100.0 | \$104.5 |
| NZAS sales volume (GWh) | 426 | 426 | 384 | 426 | 3,761 | 3,636 |
| Sell side derivatives volumes ² (GWh) | 80 | 140 | 88 | 97 | 700 | 867 |
| Wholesale contracted sales average price (\$/MWh) | \$51.1 | \$61.9 | \$52.1 | \$51.4 | \$50.4 | \$57.5 |
| | | | | | | |
| New Zealand customer connections ³ | 277,404 | 270,634 | 277,226 | 277,059 | | |
| New Zealand Generation | | | | | | |
| Hydro generation volume (GWh) | 907 | 940 | 1,056 | 1,200 | 9,155 | 8,505 |
| Wind generation volume (GWh) | 90 | 81 | 86 | 113 | 948 | 879 |
| Total generation volume (GWh) | 997 | 1,021 | 1,142 | 1,313 | 10,103 | 9,384 |
| Average generation price ⁴ (\$/MWh) | \$122.9 | \$161.5 | \$113.4 | \$57.1 | \$58.5 | \$60.3 |
| Acquired generation volume ⁵ (GWh) | 123 | 177 | 21 | 28 | 838 | 1,346 |
| | | | | | | |
| Cost to supply contracted sales (\$/MWh) | \$125.1 | \$167.9 | \$122.0 | \$59.1 | \$63.0 | \$66.3 |

1. Contracted sales volumes and volume weighted average price received from contracted customers less distribution costs

2. Excludes the sell-side of virtual asset swaps

3. Meridian Retail and Powershop New Zealand installation control points (ICPs), excluding vacants

4. Volume weighted average price received for Meridian's physical generation

5. Excludes the-buy side of virtual asset swaps



Meridian's New Zealand Energy Margin

Meridian has made small changes to how New Zealand Energy Margin is set out, compared to the financial information disclosed in the company's Offer Document. The sell-side and buy-side impacts of virtual asset swaps (VAS) have been removed from wholesale contracted sales and net cost of acquired generation respectively. These are now shown in a net VAS position, as a separate component of Energy Margin, and as presented in the company's 2014 interim results.

Energy Margin numbers from the Offer Document with this VAS reclassification are shown below. Total Energy Margin has not changed.

| Meridian Energy Limited | Interim Results Presentation | | | | | | Offer Document (VAS reclassified) | | | | | | | | | |
|---|------------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|---------------------------|-----------------|-----------------|---------------------------|-----------------|-----------------|--|
| | FY13 Half Year Actual | | | FY14 Half Year Actual | | | FY13 Full Year Actual | | | FY14 Full Year PFI | | | FY15 Full Year PFI | | | |
| | volume | price | \$ | volume | price | \$ | volume | price | \$ | volume | price | \$ | volume | price | \$ | |
| | GWh | \$/MWh | | GWh | \$/MWh | | GWh | \$/MWh | | GWh | \$/MWh | | GWh | \$/MWh | | |
| <u>New Zealand Energy Margin</u> | | | | | | | | | | | | | | | | |
| <u>Contracted Revenue</u> | | | | | | | | | | | | | | | | |
| Retail Contracted Sales | 2,794 | \$109.0 | \$304.5m | 2,886 | \$102.9 | \$296.9m | 5,661 | \$105.6 | \$597.7m | 5,563 | \$103.5 | \$575.7m | 5,629 | \$102.9 | \$579.2m | |
| NZAS Aluminium Sales | 2,401 | | | 2,524 | | | 4,886 | | | 5,011 | | | 5,011 | | | |
| Sell side CFDs | 488 | | | 435 | | | 1,129 | | | 496 | | | 240 | | | |
| Wholesale Contracted Sales | 2,889 | \$55.3 | \$159.8m | 2,959 | \$49.9 | \$147.6m | 6,015 | \$61.9 | \$372.0m | 5,507 | \$50.9 | \$280.5m | 5,251 | \$49.7 | \$261.0m | |
| Total Contracted Sales | 5,683 | \$464.3m | | 5,845 | \$444.5m | | 11,676 | \$969.8m | | 11,070 | \$856.2m | | 10,880 | \$840.3m | | |
| Net VAS Position | 453 ¹ | \$8.1m | | 554 ¹ | \$10.2m | | 998 ¹ | \$10.0m | | 1,123 ¹ | \$7.8m | | 1,148 ¹ | \$3.8m | | |
| Net Cost of Acquired Generation | 1,030 ² | -\$40.5m | | 665 ² | -\$24.9m | | 1,965 ² | -\$48.3m | | 1,152 ² | -\$22.1m | | 848 ² | -\$22.2m | | |
| <u>Net Spot Exposure</u> | | | | | | | | | | | | | | | | |
| Meridian Generation Spot Revenue | 6,050 | \$47.7 | \$288.3m | 6,651 | \$39.7 | \$263.8m | 12,071 | \$64.9 | \$783.4m | 13,136 | \$56.0 | \$735.0m | 13,148 | \$60.0 | \$789.4m | |
| Costs to Supply Contracted Sales | 5,793 | -\$51.5 | -\$298.5m | 5,965 | -\$42.9 | -\$255.7m | 11,987 | -\$71.1 | -\$852.0m | 11,377 | -\$60.5 | -\$688.3m | 11,193 | -\$63.1 | -\$706.6m | |
| Net Spot Exposed Revenue | | | -\$10.2m | | | \$8.1m | | | -\$68.6m | | | \$46.7m | | | \$82.8m | |
| Other Market Revenue/(Costs) | | | \$2.0m | | | -\$3.0m | | | \$2.2m | | | -\$7.9m | | | -\$8.3m | |
| NZ ENERGY MARGIN | | | \$423.7m | | | \$434.9m | | | \$865.1m | | | \$880.6m | | | \$896.3m | |
| LWAP:GWAP ³ | 1.10 | | | 1.10 | | | 1.12 | | | 1.11 | | | 1.08 | | | |

¹ Notional VAS volumes

² Acquired generation volumes

³ Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of the impact of line losses

More information on Energy Margin is available on pgs 30-31 of Meridian's FY14 Interim Results Presentation:

<http://www.meridianenergy.co.nz/assets/Uploads/half-yearly-results-presentation-2013.pdf>



Glossary

| | |
|---|---|
| Acquired generation volumes | buy-side electricity derivatives excluding the buy-side of virtual asset swaps |
| Average generation price | the volume weighted average price received for Meridian's physical generation |
| Combined catchment inflows | combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes |
| Cost to supply contracted sales | volume weighted average price Meridian pays to supply contracted customer sales |
| Customer connections | installation control points, excluding vacants |
| GWh | gigawatt hour. Enough electricity for 125 average New Zealand households for one year |
| Historic average inflows | the historic average combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes over the last 81 years |
| Historic average storage | the historic average level of storage in Meridian's Waitaki catchment since 1979 |
| HVDC | high voltage direct current link between the North and South Islands of New Zealand |
| ICP | New Zealand installation control points, excluding vacants |
| ICP switching | the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated |
| MWh | megawatt hour. Enough electricity for one average New Zealand household for 46 days |
| National demand | Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku and White Hill wind farms |
| NZAS | New Zealand Aluminium Smelters Limited |
| Retail contracted sales average price | volume weighted average electricity price received from retail customers, less distribution costs |
| Retail sales volumes | contract sales volumes to retail customers, including both non half hourly and half hourly metered customers |
| Sell side derivatives | sell-side electricity derivatives excluding the sell-side of virtual asset swaps |
| Wholesale contracted sales average price | volume weighted average electricity price received from wholesale customers, including NZAS |