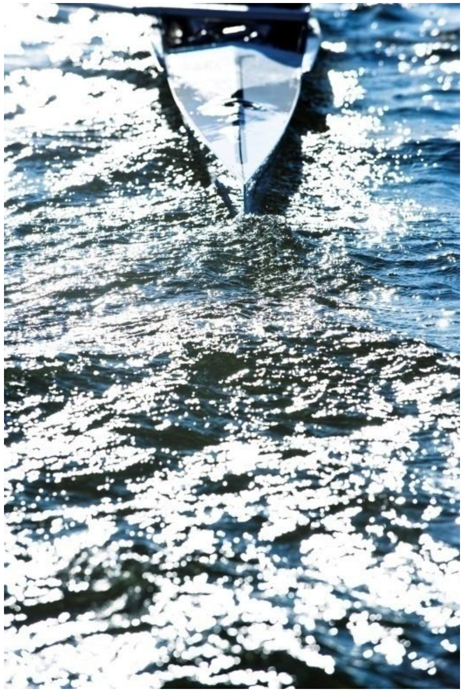
Annual Public Meeting

Mighty River Domain, Lake Karapiro



6 October 2010

FY2010: Key Achievements

- **Domestic geothermal development and operations**
  - Opening of 140MW Nga Awa Purua Geothermal Power Station
  - Geothermal made up 27% of production
- **Retail growth**
  - Customer numbers up 30,000 to total of 412,000 at 30 June 2010
  - Market share increased to 21%, faster and further than anticipated
- **International geothermal programme**
  - Commitment to the GGE Fund increased to US$250m during the year
  - GGE Fund invested an initial $US92m into EnergySource LLC, which is building 49.9MW geothermal power station in Californian Imperial Valley
- **Financial Performance**
  - Hydro volumes adversely affected by autumn drought

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Company Overview

- New Zealand's fourth largest electricity generator by capacity and third largest retailer by customer numbers
- Generation portfolio predominantly renewable: 1040MW Waikato Hydro System; 386MW geothermal plants in the central North Island; and 175MW gas-fired co-generation plant in south Auckland.
- Significant development pipeline with advanced geothermal and wind projects
- One of the top ten geothermal companies globally
- More than 400,000 retail customers throughout New Zealand
- Metering business, Metrix, provides services across Auckland and to other electricity retailers.

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FY2010 Financial Overview

$m	FY2010	FY2009	% Change
EBITDAF	327.8	447.1	(27)
Underlying Earnings	139.6	211.7	(34)
NPAT	84.6	159.6	(47)
Dividend			
- Final	30.3	79.8	
- Interim	56.2	-	
- Special	-	150.0	
Total	86.5	229.8	

- Low inflows (due to severe Waikato drought) combined with lower wholesale prices to impact EBITDAF
- Higher operating expenses due to maintenance work at Southdown and Kawerau Power Stations
- Don't hedge account for interest rate derivatives: fair value movements recognised at balance date
  - Electricity derivatives: Tuaropaki Power Company foundation hedge contract - $52.5m positive movement
  - Interest rate derivatives: both domestic and interest rate derivatives in place for Hudson Ranch I project - $82.9m negative movement
- $31.4m in impairments - due to write downs on upstream gas exploration and mechanical well failure at Kawerau

FY2010 SCI Financial Performance Targets

Financial Performance	Actual	Target
Return on total capital employed (%)	8.2	8.5
Return on equity employed (%)	9.7	9.6
Total equity/total assets (%)	54.9	54.3
Free funds from operations/interest expense (%)	5.1	4.1
EBITDAF/GWh ($)	59,826	58,700

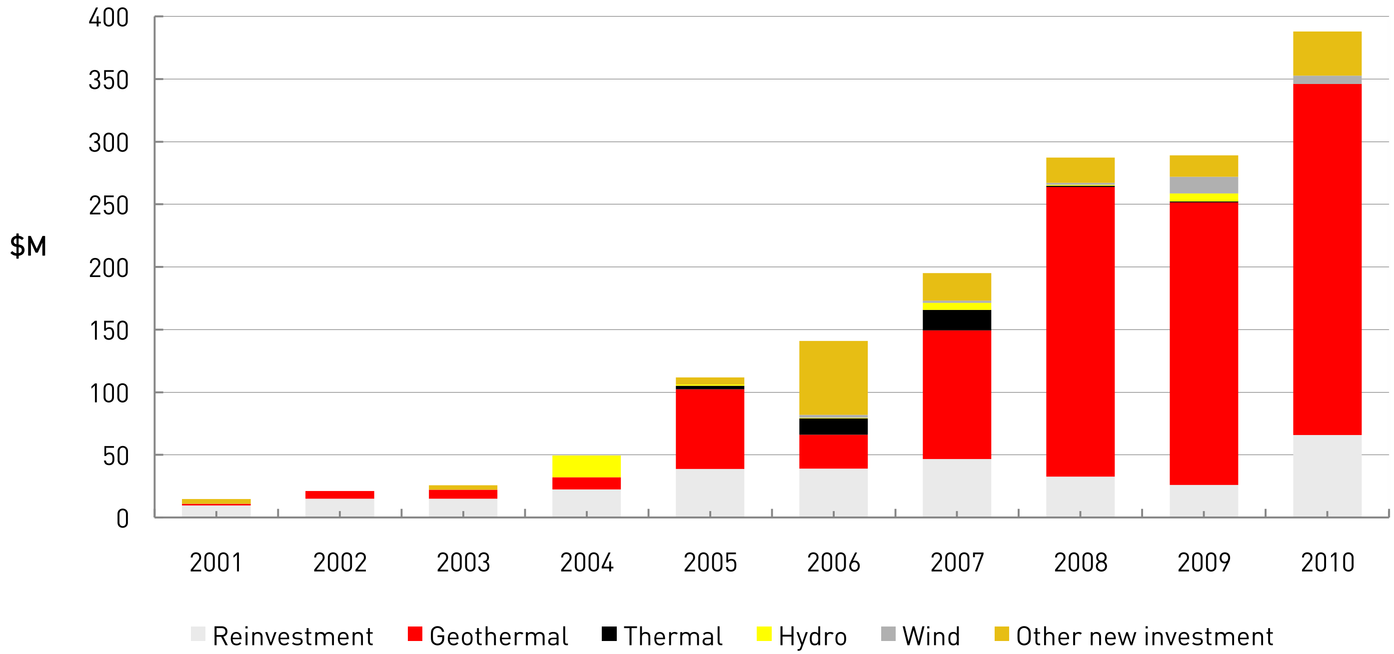
- Return on capital employed was below target reflecting lower than planned EBITDAF
- Return on average equity employed above target as lower interest costs offset impact of lower EBITDAF

FY2010 SCI Non-Financial Performance Targets

Non-financial Performance	Actual	Target
Retail market share (%)	21.0	19.5
Customer dissatisfaction lower than industry average	Yes	Yes
Retain ranking in Consumer NZ survey of electricity suppliers' performance	Yes	Yes
EC Guidelines for medically dependent/ vulnerable customers	Comply	Comply
Compliance orders by regulatory authorities	None	None
Optimisation of power plant reliability: - plant availability (%) - forced outage factor (%)	 87.5 2.2	 91.5 <1.5
Maintain Enviro-Mark diamond status	Yes	Yes
Lost time accidents – frequency rate per 100,000 hours worked	0.47	<0.4

- Plant reliability targets missed: failed well at Kawerau impacted performance. Capacity will be restored this month.
- Lost time injury frequency target was not achieved due to a number of minor incidents. We are focussed on improving performance in this area in FY2011.

Capital Expenditure



- More than $1 billion invested over past 5 years, primarily on new geothermal developments
- $200m stay-in-business capital over past 5 years
- Other new investment includes metering investments and gas exploration

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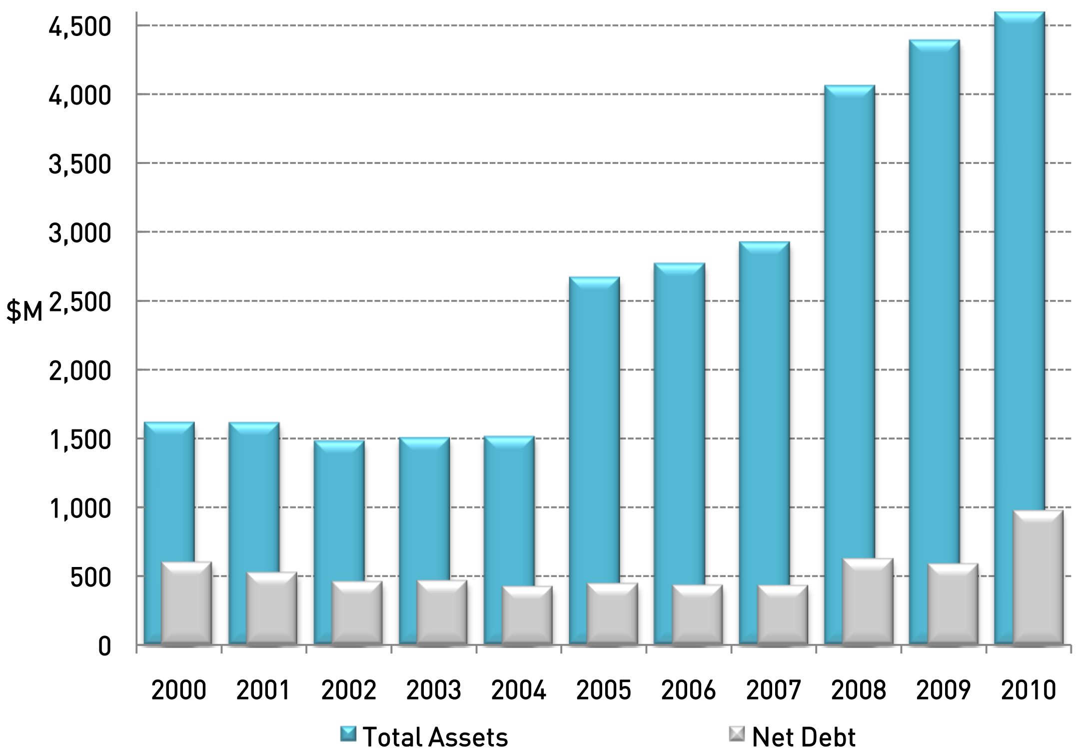
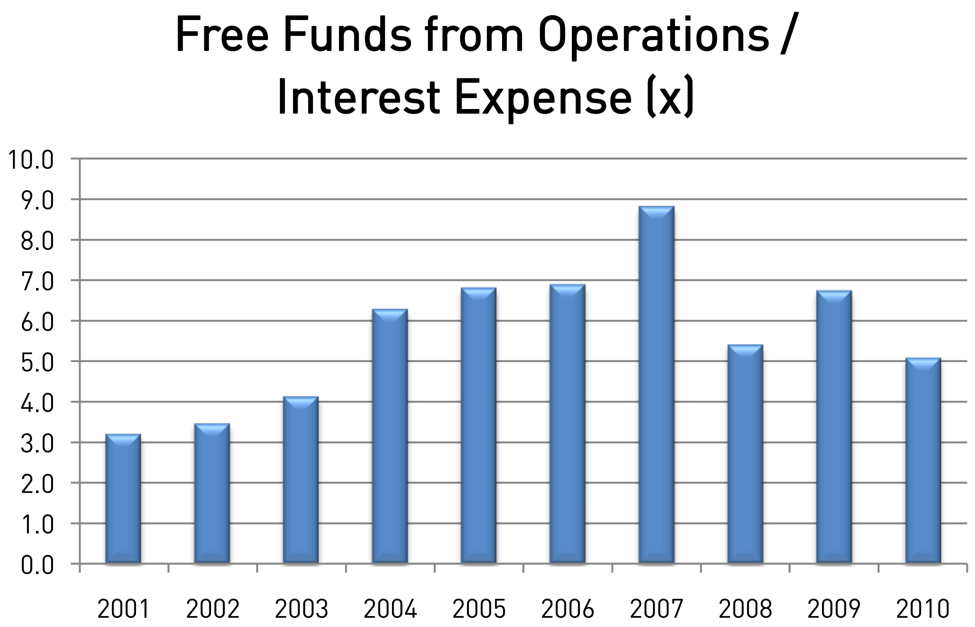
Total Assets and Net Debt



- At 30 June 2010 debt facilities total $1.05bn with $975m drawn
- Re-financing during the current year to increase tenure of debt – considering a number of options including USPP
- Debt low when compared with our assets but increased significantly in FY2010 due to $150m special dividend paid to shareholder
- Independent revaluation of generation assets resulted in positive revaluation of $371m to total of $4.307bn

Free funds from operations



- S&P confirmed BBB+ credit rating but revised outlook to negative
- Recognises forecast drop in interest cover ratios in FY11 and FY12 – due to substantial development pipeline - prior to earnings contribution from capital expenditure from FY13/14.

2010 Overall Energy Company of the Year

- Inaugural Deloitte Energy Excellence Awards
  - Nga Awa Purua named **Project of the Year**
  - Mercury Energy **finalist for Energy Retailer of the Year**
  - Mighty River Power named **Overall Energy Company of the Year**: recognition of strong financial performance and growth in retail and geothermal

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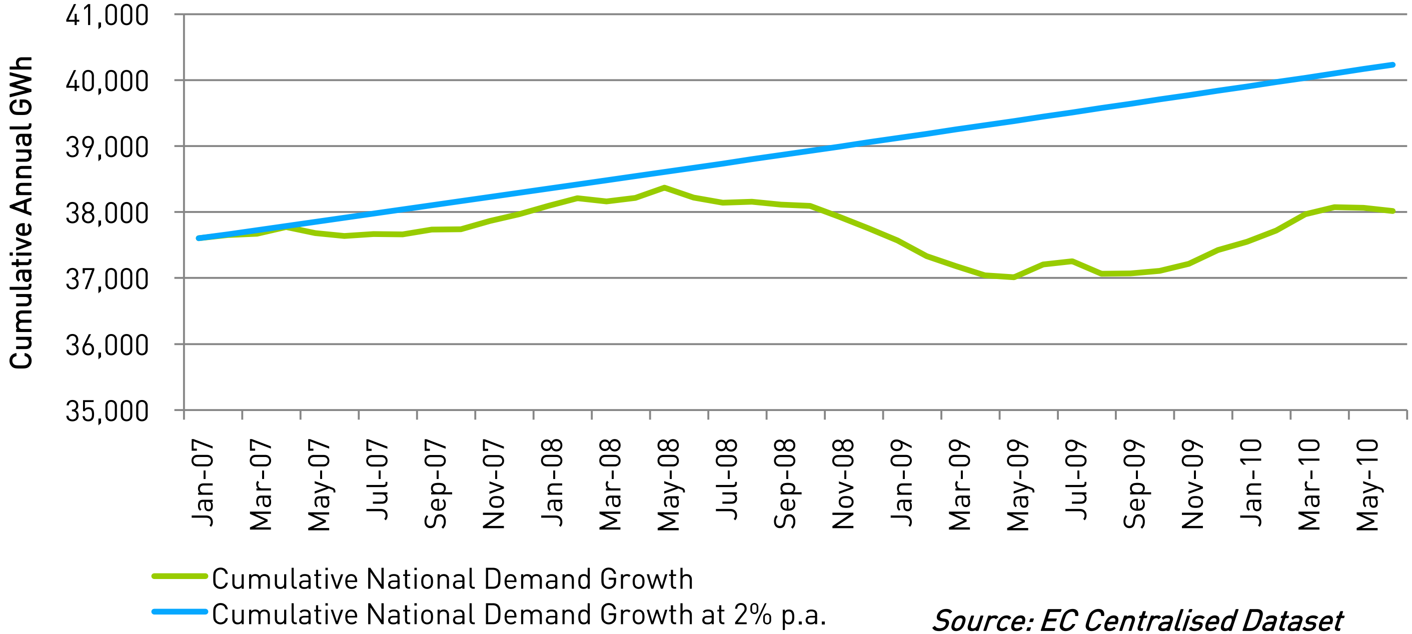
Electricity supply and demand



Source: EC Centralised Dataset

- In 2006 independent forecasts indicated a growth of 2% per annum
- Demand soft from late 2007– 2010 due to weak economic activity
- During this period, 5,850GWh per annum (974MW) added to supply side

- Wholesale prices low due to reduced demand and increased capacity
- Forecast is for demand to resume at 2% per annum -continued generation development important
- Most new capacity renewable and "must run", displacing coal and gas.

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No shortage of projects awaiting restoration of demand

Projects consented:

Generation type	Name/ Location	Owned by	Size (MW)
Diesel	Belfast, Canterbury	Orion	11.5
Diesel	Bromley, Canterbury	Orion	11.5
Gas	Otahuhu C, Auckland	Contact Energy	400
Geothermal	Ngatamariki, Waikato	Mighty River Power	110
Geothermal	Te Mihi, Waikato	Contact Energy	60
Hydro	Rakaia River, Canterbury	Ashburton Com. Water Trust	16
Hydro	Hawea Control Gate Retrofit, Otago	Contact Energy	17
Hydro	Amethyst, West Coast	Westpower/ Harihari Hydro Ltd	6
Marine	Cook Strait Marine Energy Pilot, Wellington	Neptune Power	1
Wind	Awhitu, Auckland	Genesis	18
Wind	Te Pohue Wind Farm, Hawkes Bay	Hawkes Bay Wind Farm Ltd	225
Wind	Tikiokura	Unison/ Roaring Forties	48
Wind	Central Wind (Moawhango), Manawatu	Meridian Energy	120-130
Wind	Te Rere Hau Extension, Manawatu	NZ Windfarms	12
Wind	Te Rere Hau Stage 4	NZ Windfarms	15
Wind	Mahinerangi, Otago	TrustPower	200
Wind	Kaiwera Downs, Southland	TrustPower	240
Wind	Taumatatorara	Ventus	44
		Total	**1565**

- 1565MW consented (as per table)
- 264MW under construction - Stratford gas-fired power station (200MW) and Te Uku Wind Farm (64MW)
- 2,211MW (approx) consented but under appeal
- 1,320MW applied for consent

Source: Electricity Commission Generation Update, July 2010

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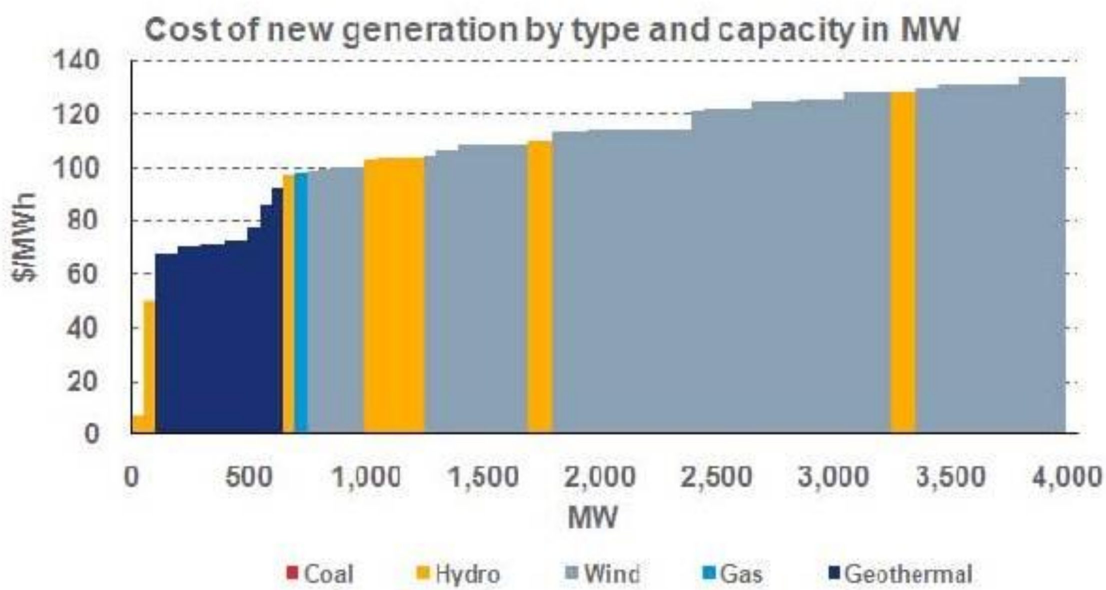
Cost of new generation increasing



Source: Contact Energy

- Higher cost of new generation capacity
- Recent developments (Kawarau and Nga Awa Purua) project costs less than $80/MWh
- Future investment will depend on price support of around $100/MWh
- **Consumer prices will need to rise to support more expensive developments**

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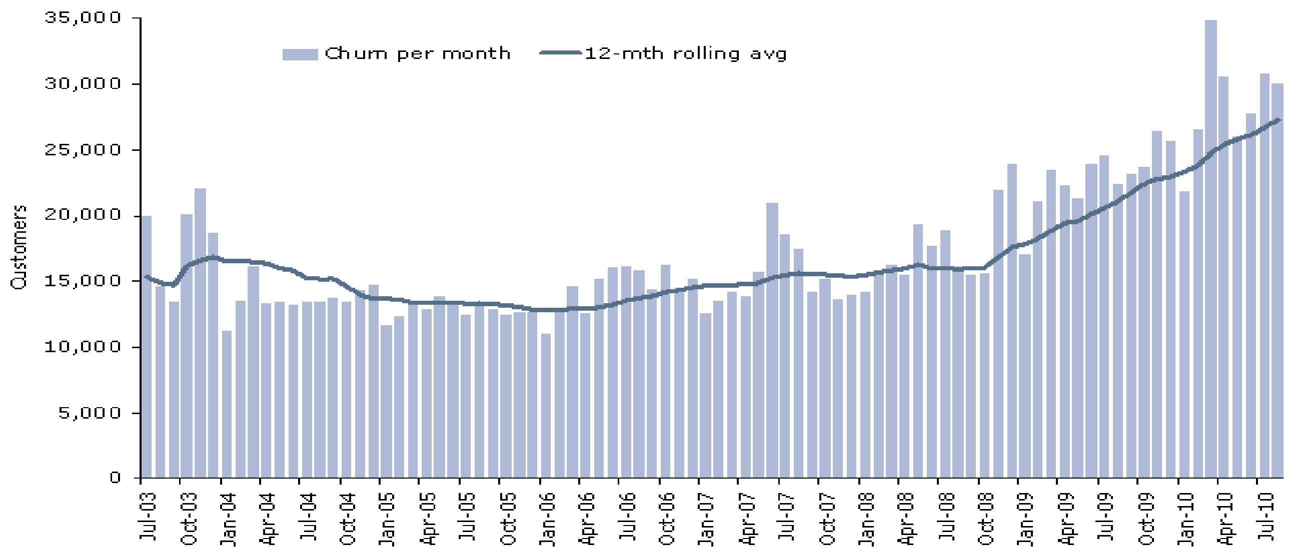
Retail churn now much higher

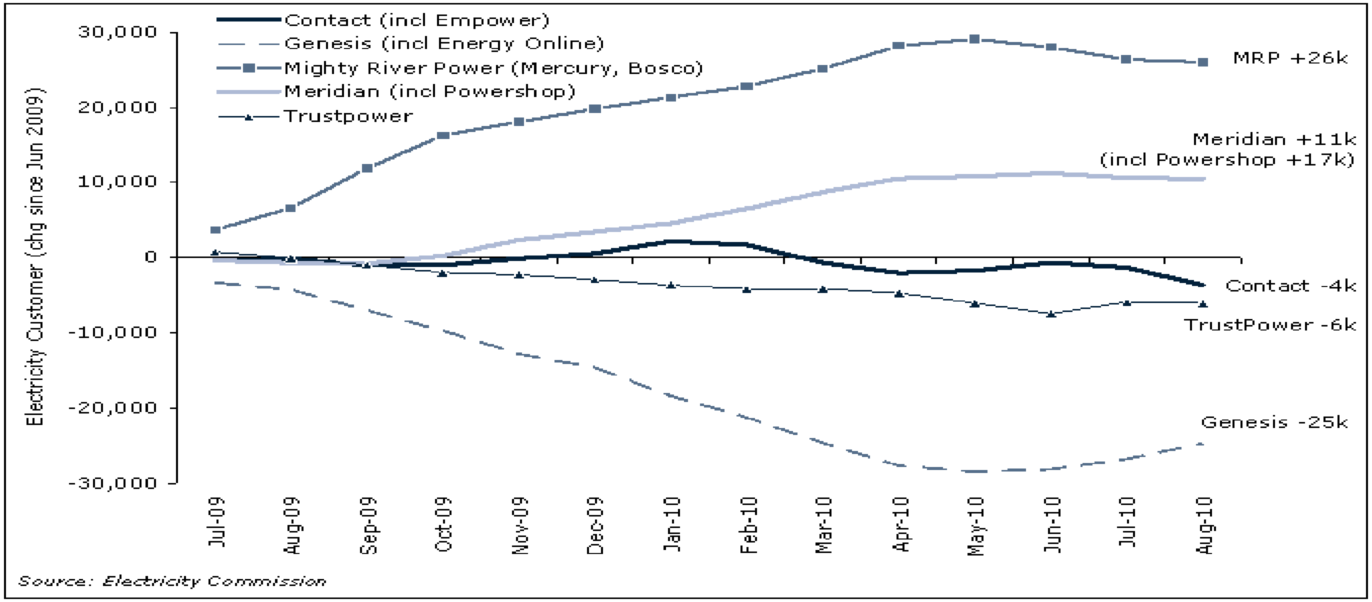


Source: Electricity Commission

- Retail market substantially more competitive in past year – up to 35,000 customers change provider each month

- We expect that high levels of retail competition will continue: challenge to industry is to reduce cost-to-serve to fully or partially avoid churn driving up costs and prices
- Sharp rise in customer churn also results in higher levels of bad debt: $4m write off for retail business in FY2010 (c.f. estimated $30m for industry as whole)
- Mercury Energy responding with enhanced debt management processes and increased use of pre-pay GLO-BUG product.

Rapid growth in retail market share



- Rapid growth in retail business over past two years to meet generation portfolio growth
- Looking to maintain market share close to current levels, focus on reducing operational expenditure and cost to serve
- 15-year virtual asset swap negotiated with Meridian will commence from 1 January 2011: makes little difference to our retail strategy.

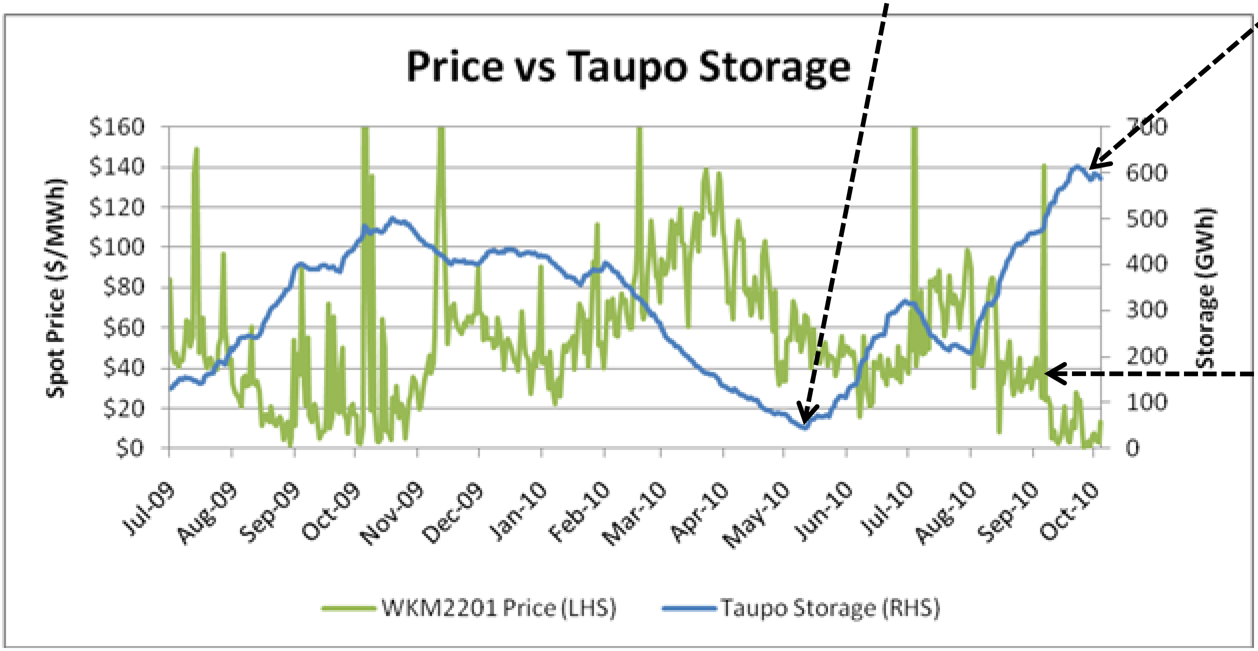
Hydrology

Price vs Taupo Storage

July 2009 – October 2010

The 2010 calendar year included second driest autumn in 80 years - lake level in May was within 7cm of operating range

By September this had changed to near flood conditions and lake levels rose to 357.25 metres above sea level, a 1 in 5 year event.



We worked closely with Environment Waikato during management of drought and flood conditions

Wholesale electricity prices remain low during periods of high inflows

FY2011: First quarter operating information

	Q1 FY2010	Q1 FY2011	% change
Customer numbers	393,000	408,000	+3.8%
Generation volumes (GWh) - Hydro - Geothermal - Co-generation	 938 341 84	 1185 526 120	 +26.3% +54.3% +42.9%
Wholesale Prices ($/MWh)	45	52	+15.5%

- Customer numbers slightly down on year-end position: growth over past 2 years faster than expected , now looking to maintain market share and balance portfolio against market conditions
- Geothermal volumes up due to contribution of Nga Awa Purua
- Hydro volumes up due to very high inflows, but wholesale prices low over period

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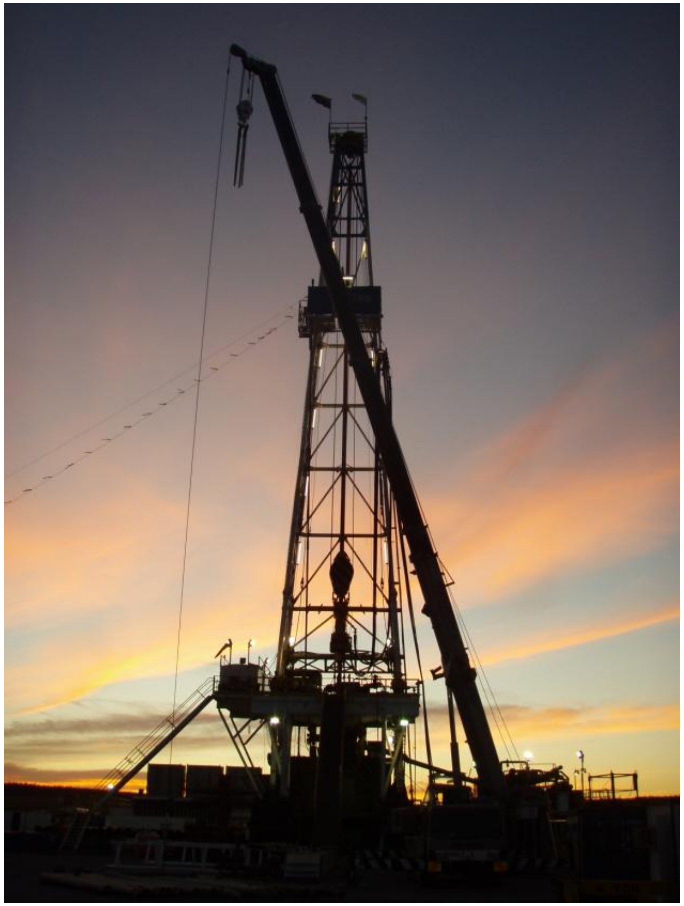
Strategic outlook

- Development: continued growth in new geothermal and new wind capacity
- International investments: potential for significant growth and return enhancement
- Operations: reinvestment to increase efficiency and lifespan of assets
- Retail: maintaining market share and reducing cost to serve
- Metering: business transformation and increased use of R&D through rollout of smart meters



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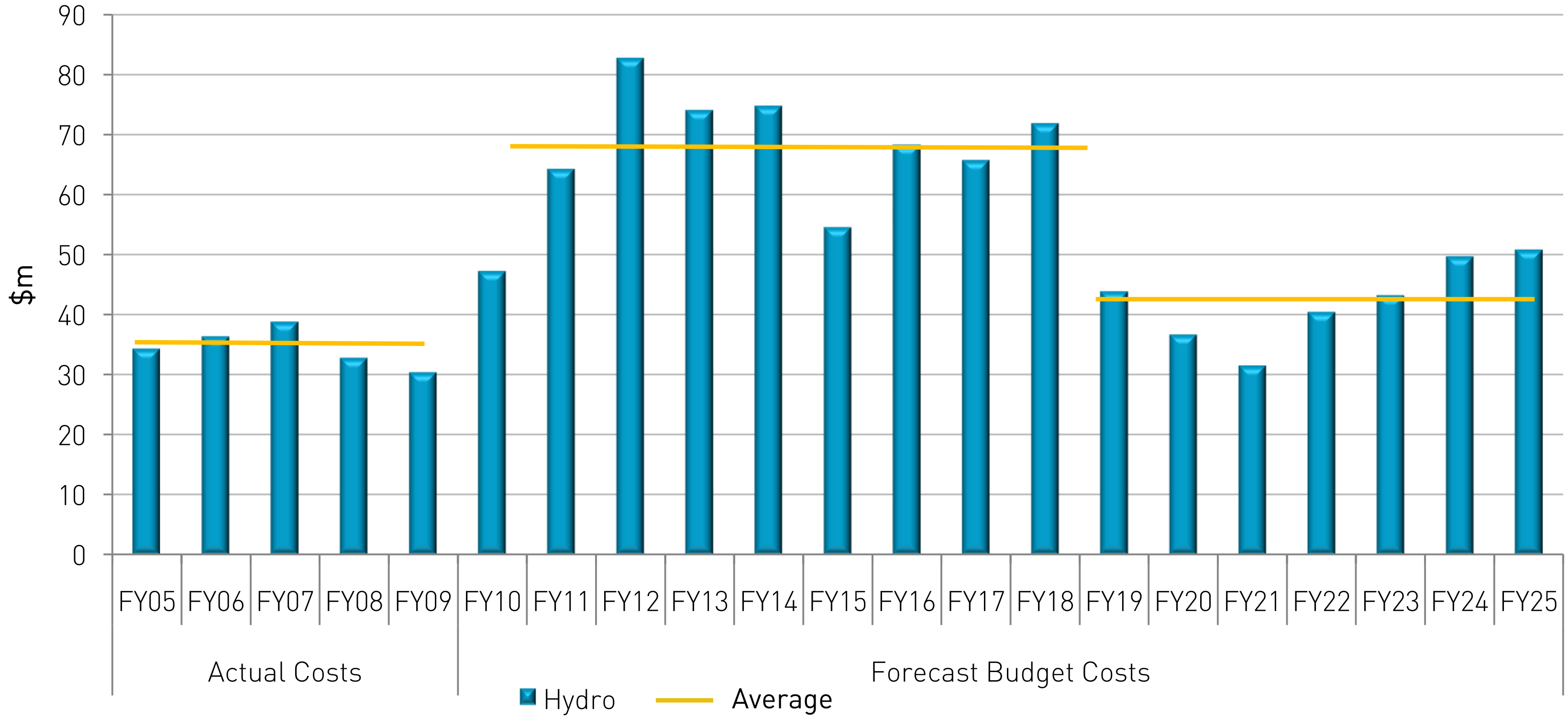
Generation asset maintenance programme



- International benchmarking exercise confirmed level of investment.
- Significant maintenance and enhancement programme to increase long-term efficiency of hydro assets: total investment over ten years approx $400m - $500m

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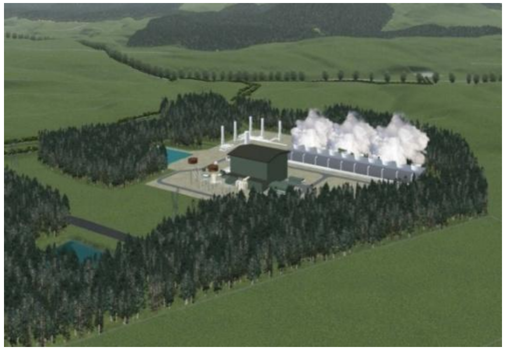
Water allocation

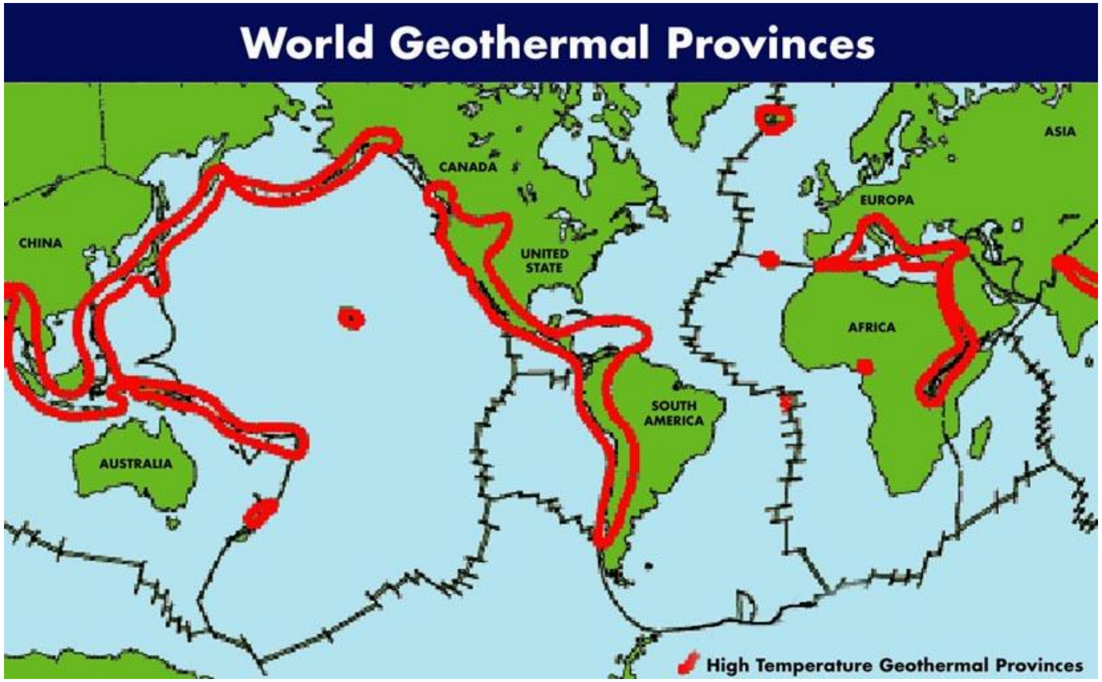
- Scale of investment in hydro asset maintenance and enhancement requires confidence in enduring water access and utilisation flexibility.
- Support for EW decision on Variation 6 (water allocation): retain status quo
- Proactively participated in Land and Water Forum
- To make further allocation from Waikato Hydro System would transfer value from people and businesses of NZ as a whole to small number of irrigators

Generation project update

- Ngatamariki:
  - consents awarded within 10 months; moving to commercial stage
  - excess capacity and market conditions mean likely revised target of 2014 for completion.
- Greenfield geothermal opportunities
  - Smaller in scale; higher development costs & risks, but;
  - expect prices over next 5 to 10 years will rise to provide adequate support ($100/MWh required)
- Turitea Wind Farm
  - awaiting Board of Inquiry resource consents decision
- Other small wind/hydro
  - investigating potential opportunities



International Geothermal Investment



- Minority shareholder in GGE management company
- Cornerstone and currently sole investor in GGE Fund, participation in GGE is as informed capital partner
- Increased commitment in GGE to US$250m during the year
- Initial focus in Chile , US and Germany but global opportunities

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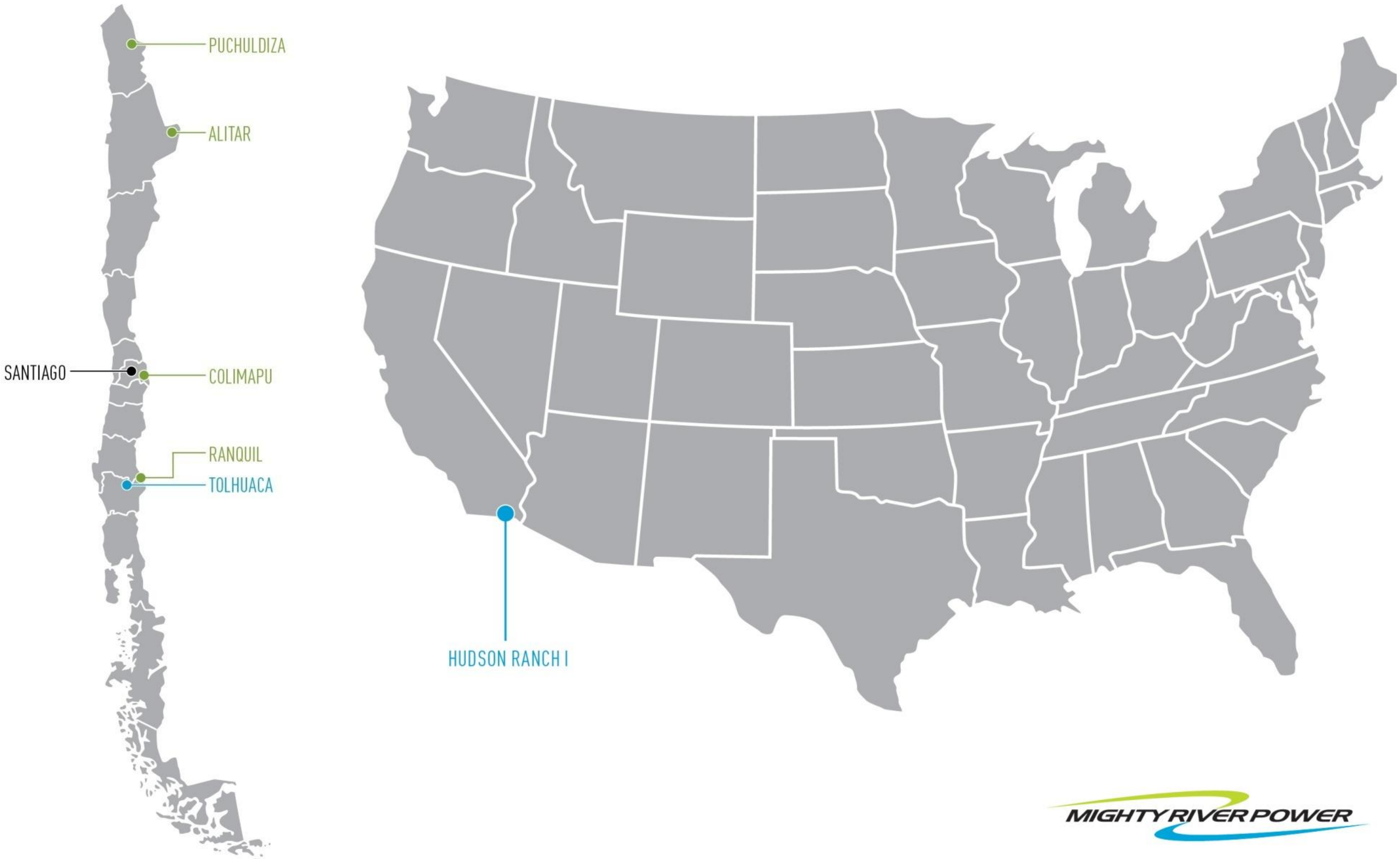
GGE Fund projects and prospects



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GGE Investments

Country	Location	Details
United States	Salton Sea (Southern California)	EnergySource LLC constructing 49.9MW Geothermal Power Station - Hudson Ranch I . Commissioning 2012.
	Gabbs Valley (Western Nevada)	Exploration permit for circa 20MW resource. Drilling anticipated 2012.
Chile	Tolhuaca	Extraction permit secured. Expect resource drilling– precursor to full development – to begin in summer.
	Puchuldiza	Exploration permit. Expect drilling to begin in late 2011
	Alitar	Exploration permit, held in conjunction with Colbun (large Chilean generator)
	Colimapu	Exploration permit, held in conjunction with Colbun
	Ranquil	Exploration permit
Germany	Weilheim (Bavaria)	Exploration permit. Survey work 2010 /11calendar year. Renewable incentives.

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FY2011 earnings outlook

- EBITDAF
  - Plan EBITDAF is $391m for full year ending 30 June 2011
  - End of year outcome very dependent on hydrological conditions
  - At this early stage of the year we have no reason to adjust expectations
- Half year results to be released in late February 2011

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