2010 Annual Financial Results

Briefing to Banks & Institutional Investors

31 August 2010

MIGHTY RIVER POWER

Agenda

- Highlights of the year
- Financial results
- Business performance
- Geothermal strategy
- Ministerial Review
- ETS
- Outlook & Summary

Highlights of the year

- Underlying earnings after tax of $139.6m, down 34% on the exceptional result achieved in 2009
- Combination of low wholesale prices and low inflows into the Waikato catchment during an extended period of drought
- Opened the 140MW Nga Awa Purua Geothermal Power Station together with our partners the Tauhara North No.2 Trust
- Geothermal generation now makes up 27% of electricity production
- Retail business growth by 30,000 customers to 412,000 and 21% market share
- Secured our first major international geothermal investment
- Final dividend of $30.3m following interim dividend of $56.2m

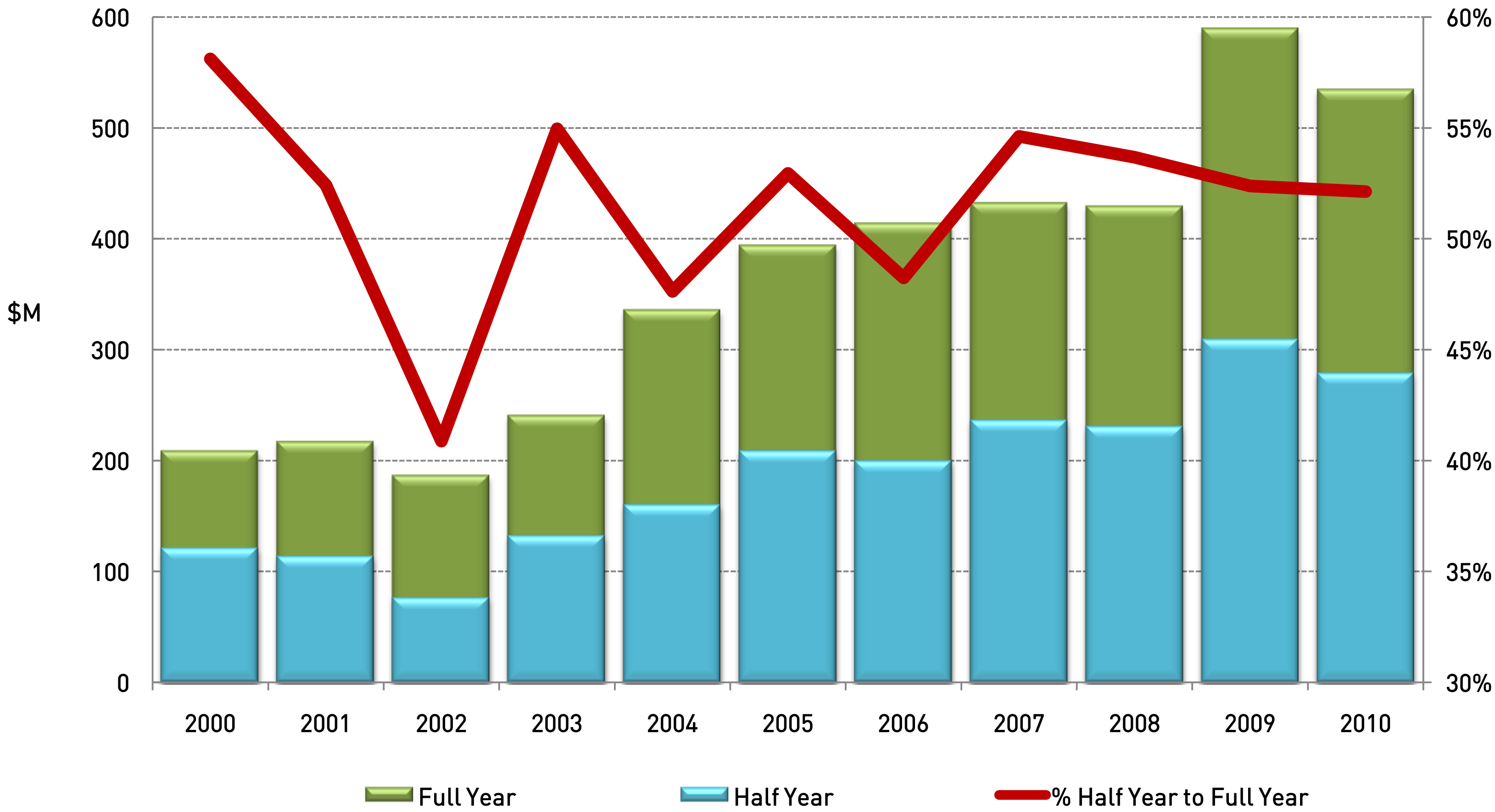
Profitability – Underlying Earnings

Underlying Earnings Bridge

- Adjustments to NPAT to remove one-off items and IFRS effects.

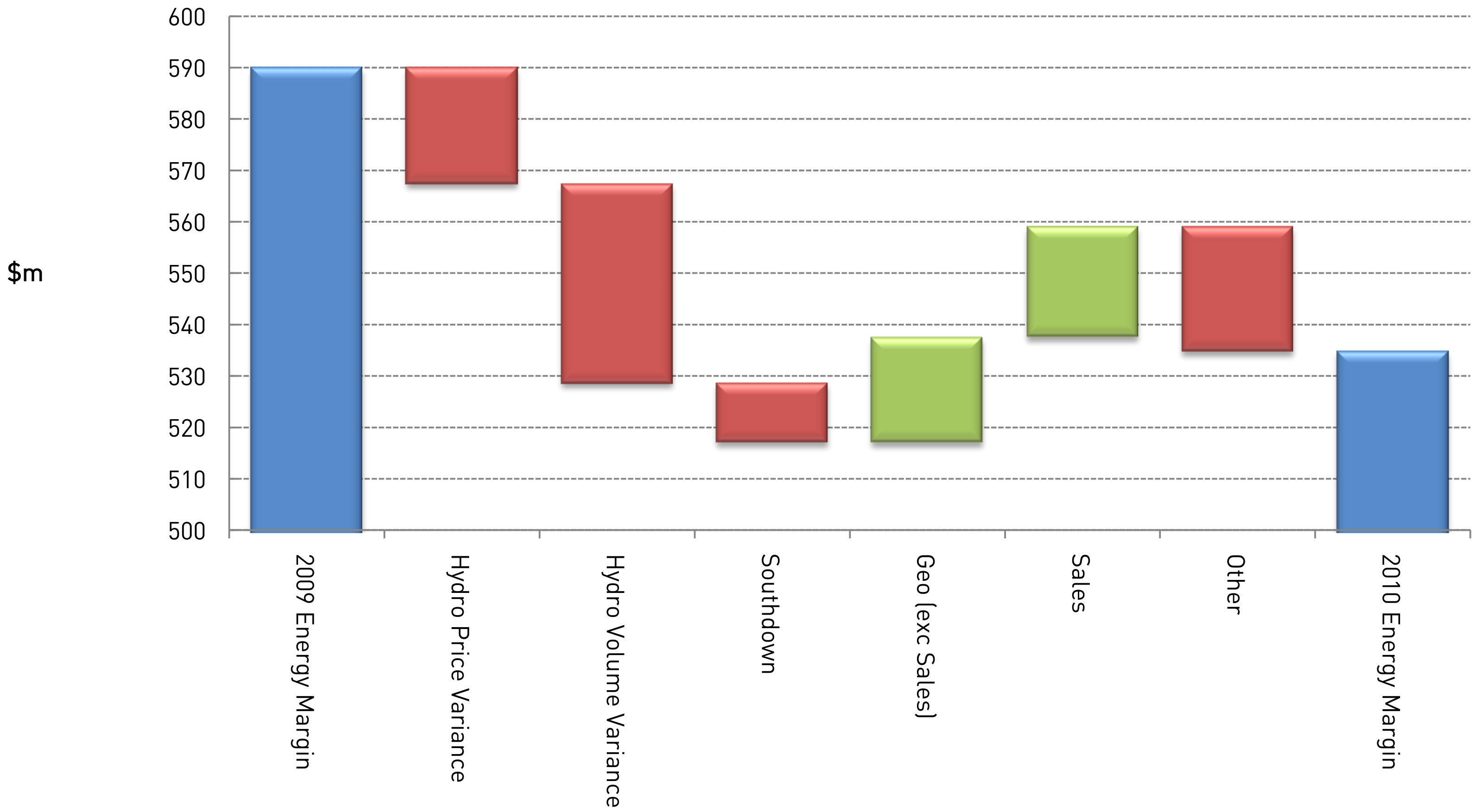
$000		2010
NPAT		**84,614**
CHANGE IN FAIR VALUE		
Electricity Derivatives		
TPC Foundation Contract	(70,027)	
Less Associate's 25% share	17,354	(52,673)
Interest Derivatives		
Domestic	61,597	
GeoGlobal Energy	21,337	(82,934)
Other Fair Value Movements		349
Impairments		**31,373**
Tax		
Expense on Adjustments		(10,002)
Changes due to Legislative Change		2,779
Underlying Earnings After Tax		**139,554**

Energy Margin



- Energy margin is sales less direct costs (now identifiable in financial statements)

Energy Margin



Energy Margin

- Significant drop in energy margin between FY2009 and FY2010
  - 2010: $535m; 2009: $590m

- Hydro negatively impacted by lower prices and lower volumes
  - 2010: $63/MWh; 2009: $68/MWh (VWAP)
  - 2010: 3,743GWh; 2009: 4,361GWh

- Southdown adverse price movement on higher generation production
  - 2010: $86/MWh; 2009:$100/MWh (VWAP)
  - 2010: $7.42/GJ; 2009: $6.26/GJ
  - 2010: 504GWh; 2009: 443GWh

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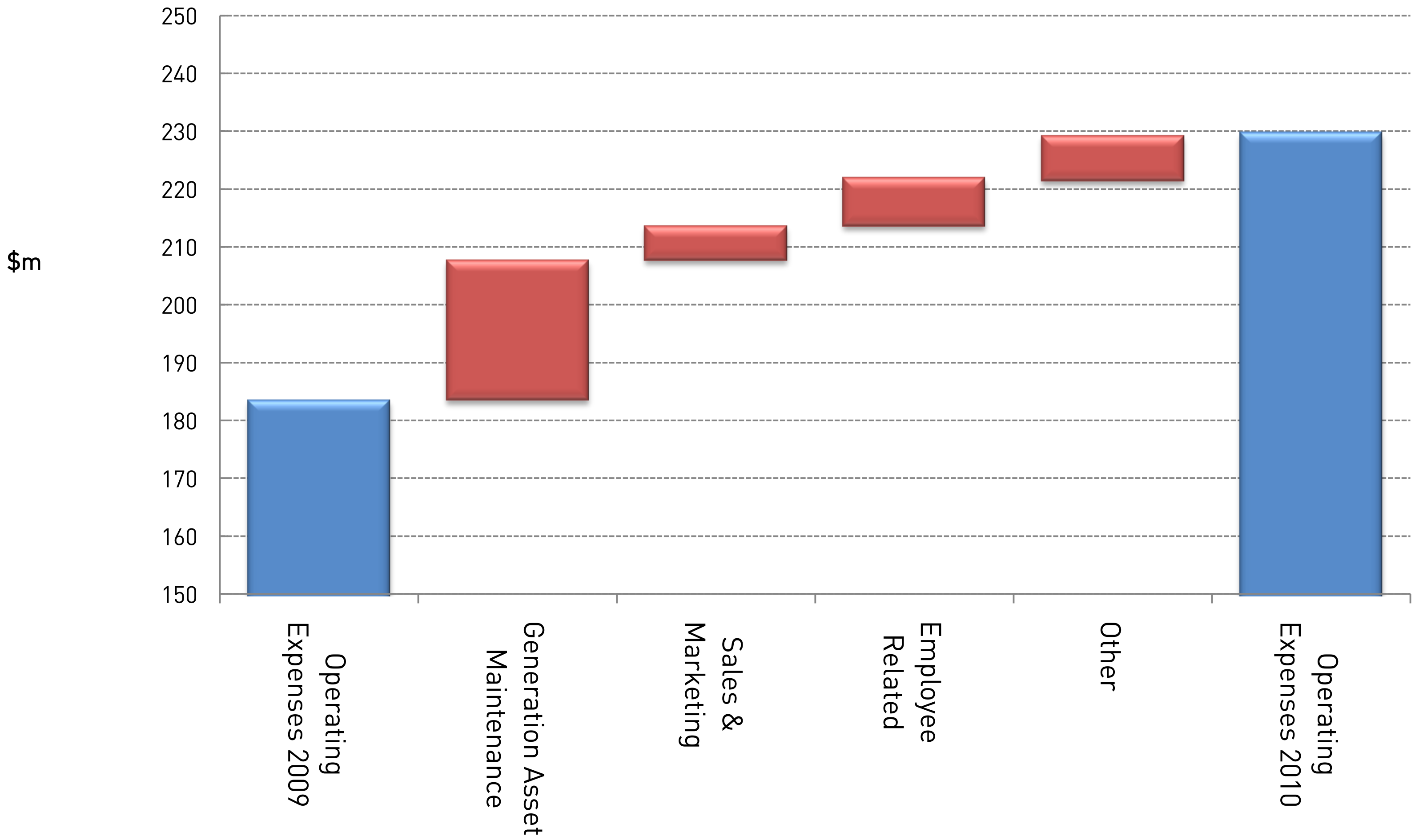
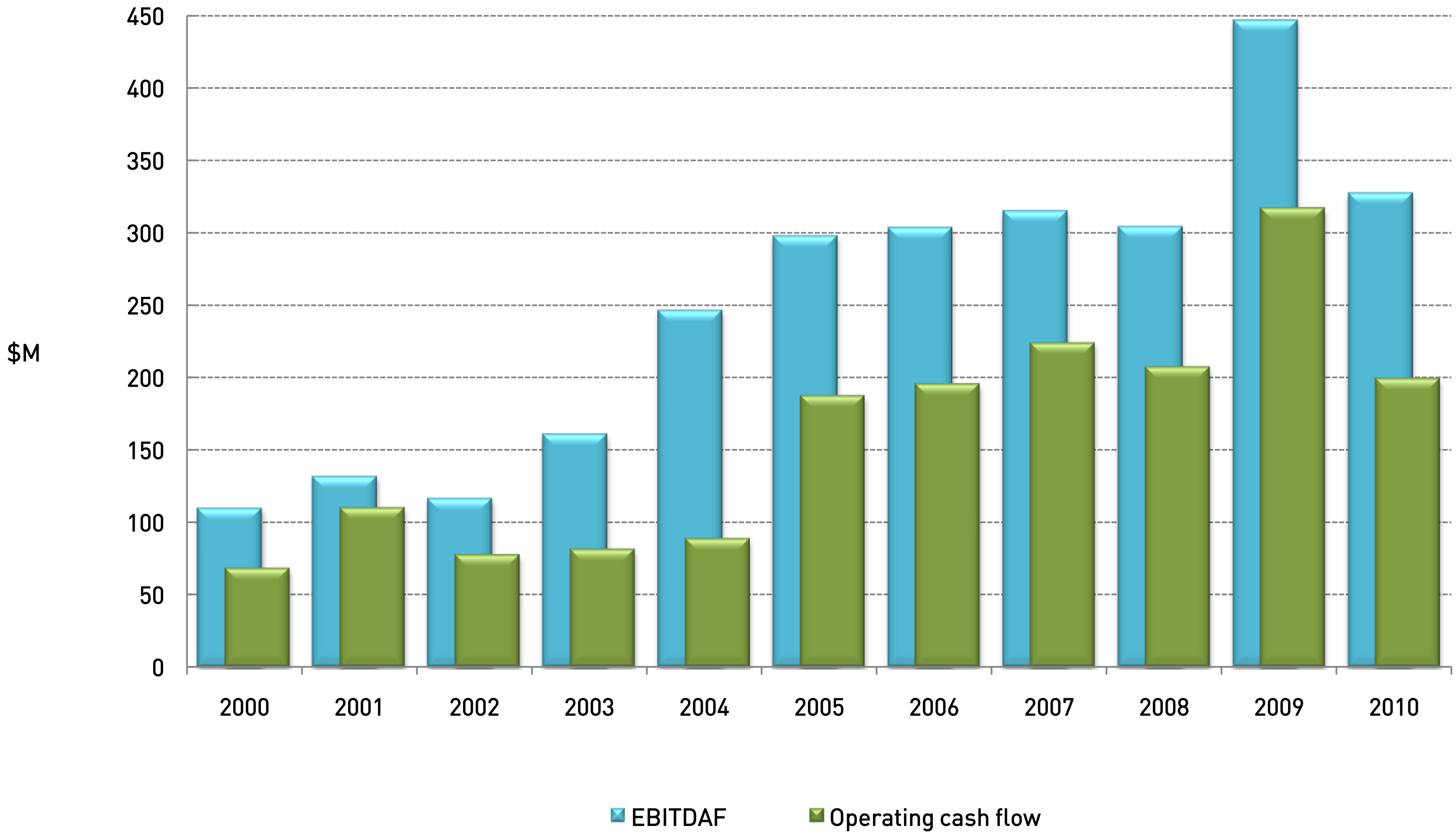
Energy Margin

- Geothermal up largely due to operation of Nga Awa Purua post April 2010
- End user sales up due to increased volumes, higher prices and lower purchase costs
- Other negatively impacted mostly due to adverse ancillary service revenues (frequency keeping, loss rental rebates) and higher ancillary costs (frequency, reserves)

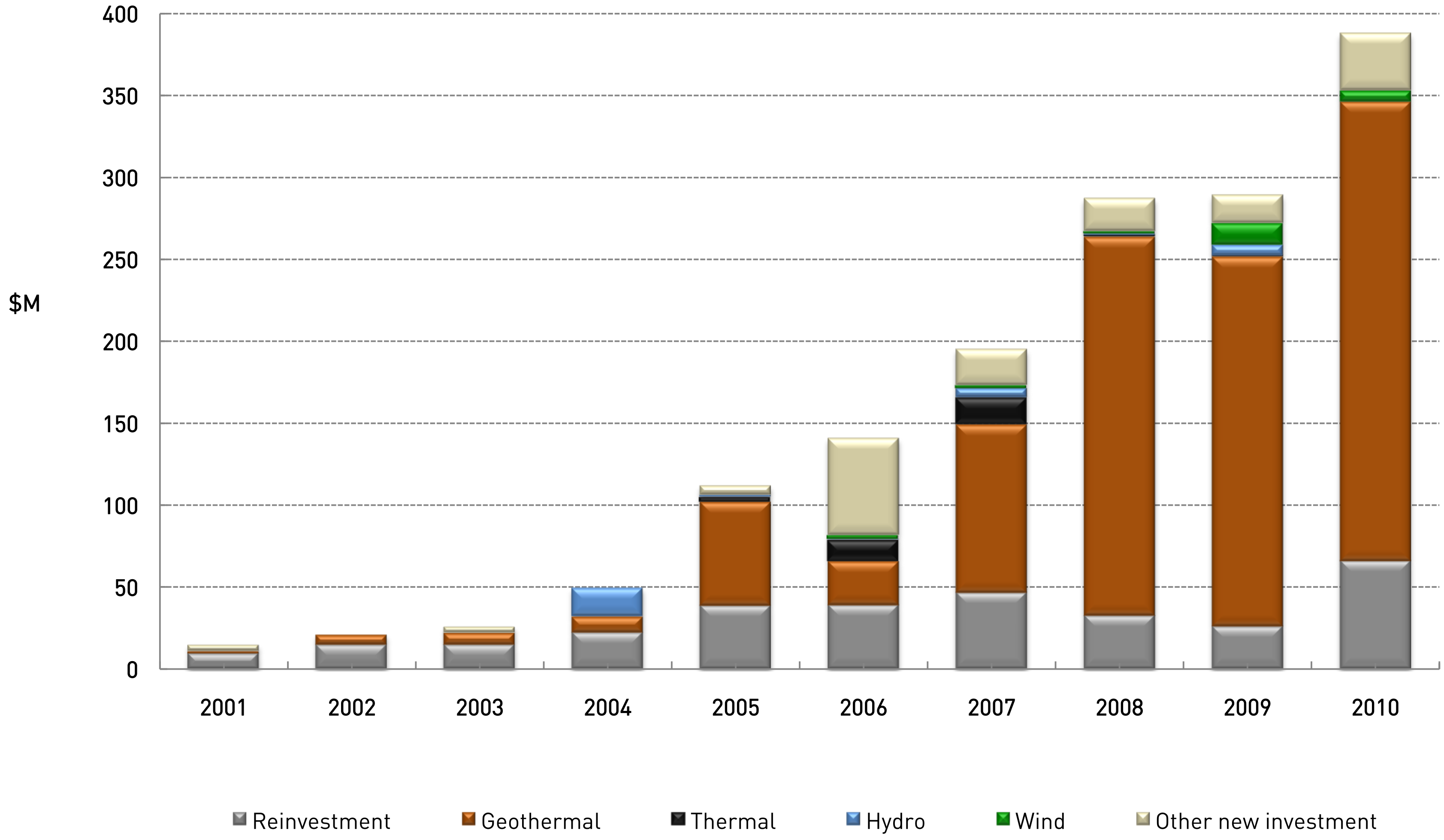
Operating Expense



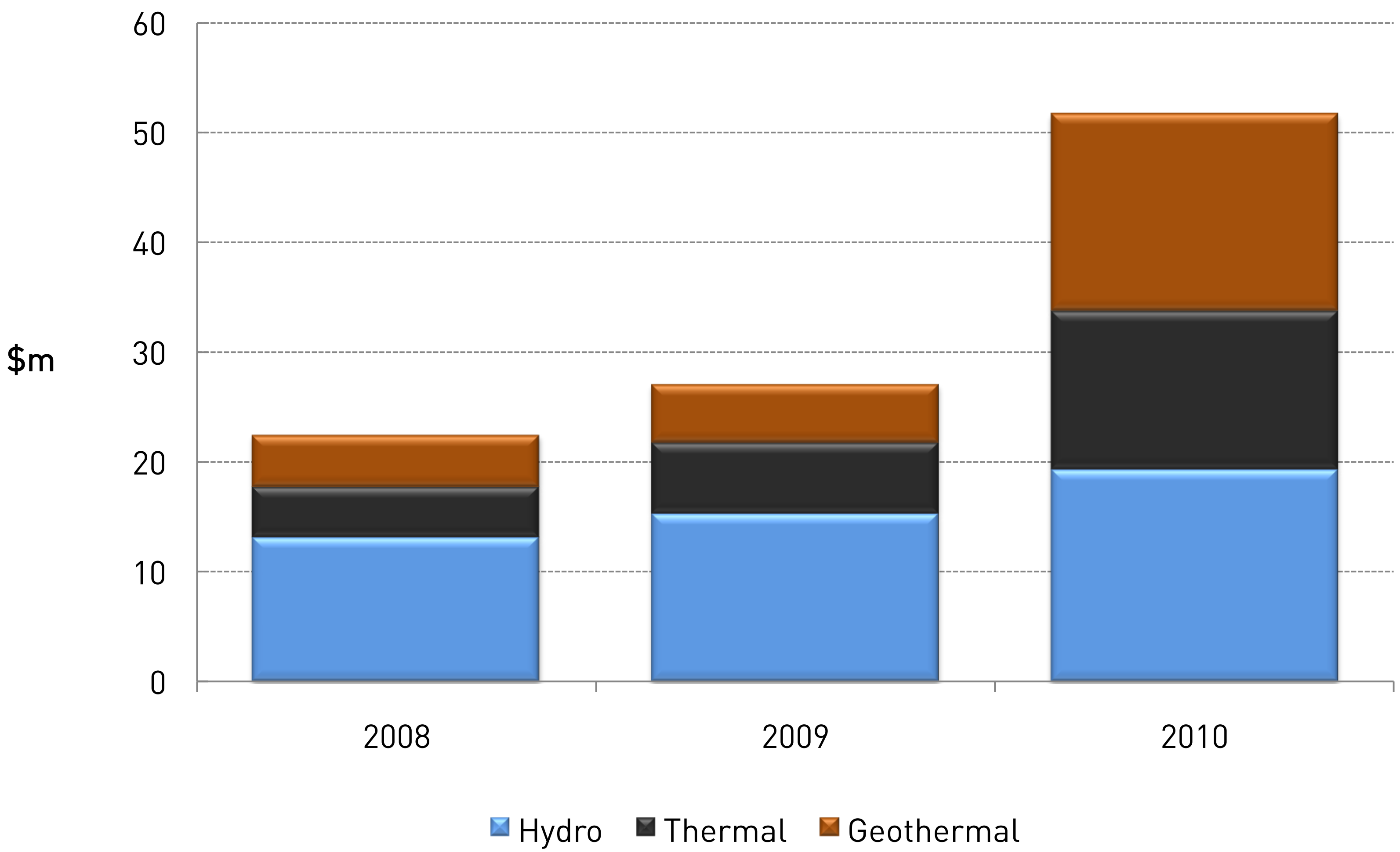
EBITDAF & Operating Cash Flow



Capital Expenditure



Maintenance



Operating Statistics

	2010	2009	change
Electricity Customers	**412,000**	**382,000**	**8%**
Sales (GWh)			
Residential FPVV	2612	2355	11%
Commercial FPVV	2245	1961	14%
Spot	2105	1919	10%
Net CFD	1247	1542	-19%
Weighted Average Price FPVV ($/MWh)	103	100	3%
Purchases			
Total NZEM (GWh)	7307	6609	11%
Weighted Average Cost ($/MWh)	61	64	-5%
Generation Production			
Hydro (GWh)	3730	4350	-14%
Geothermal (GWh)	1562	1303	20%
Co-generation (GWh)	504	444	14%
Biomass (GWh)	16	32	-50%
Total (GWh)	5812	6129	-5%
Weighted Average Price ($/MWh)	63	67	-6%

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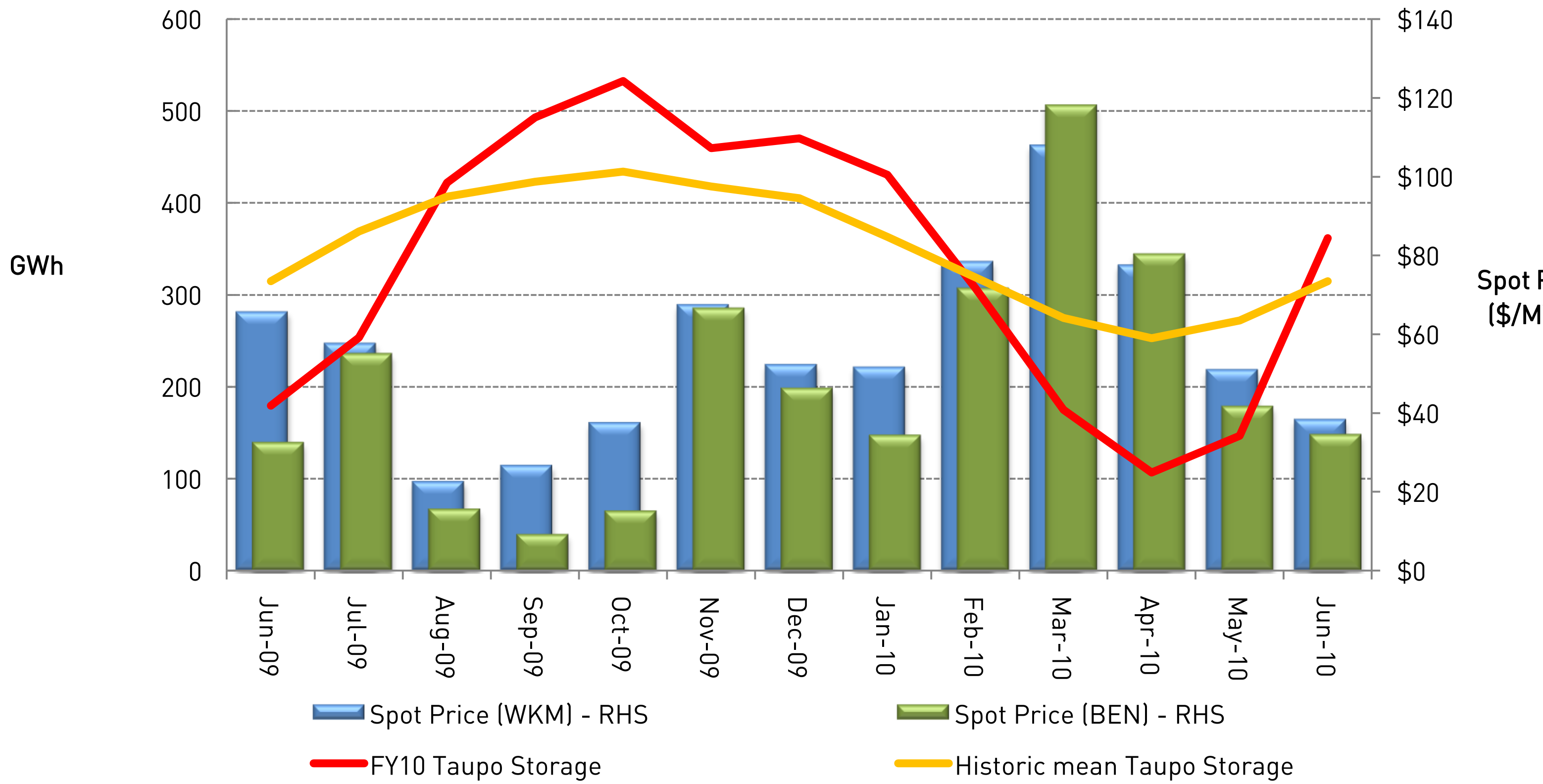
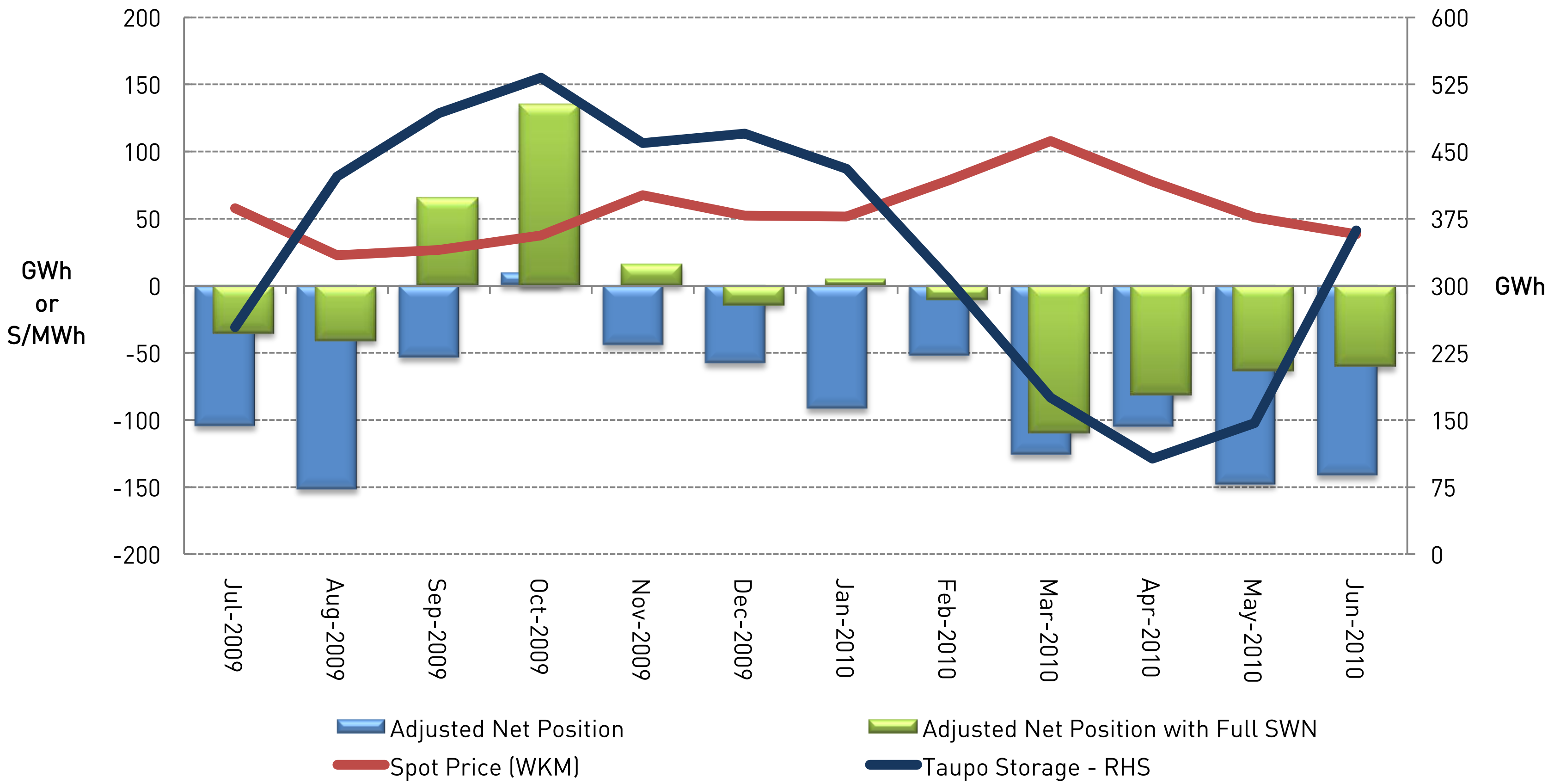
Taupo Hydro Storage and National Spot Prices

- Challenging Waikato drought partially mitigated by active position management
- March/April driest ever recorded
- 3rd percentile inflows November 2009 – April 2010

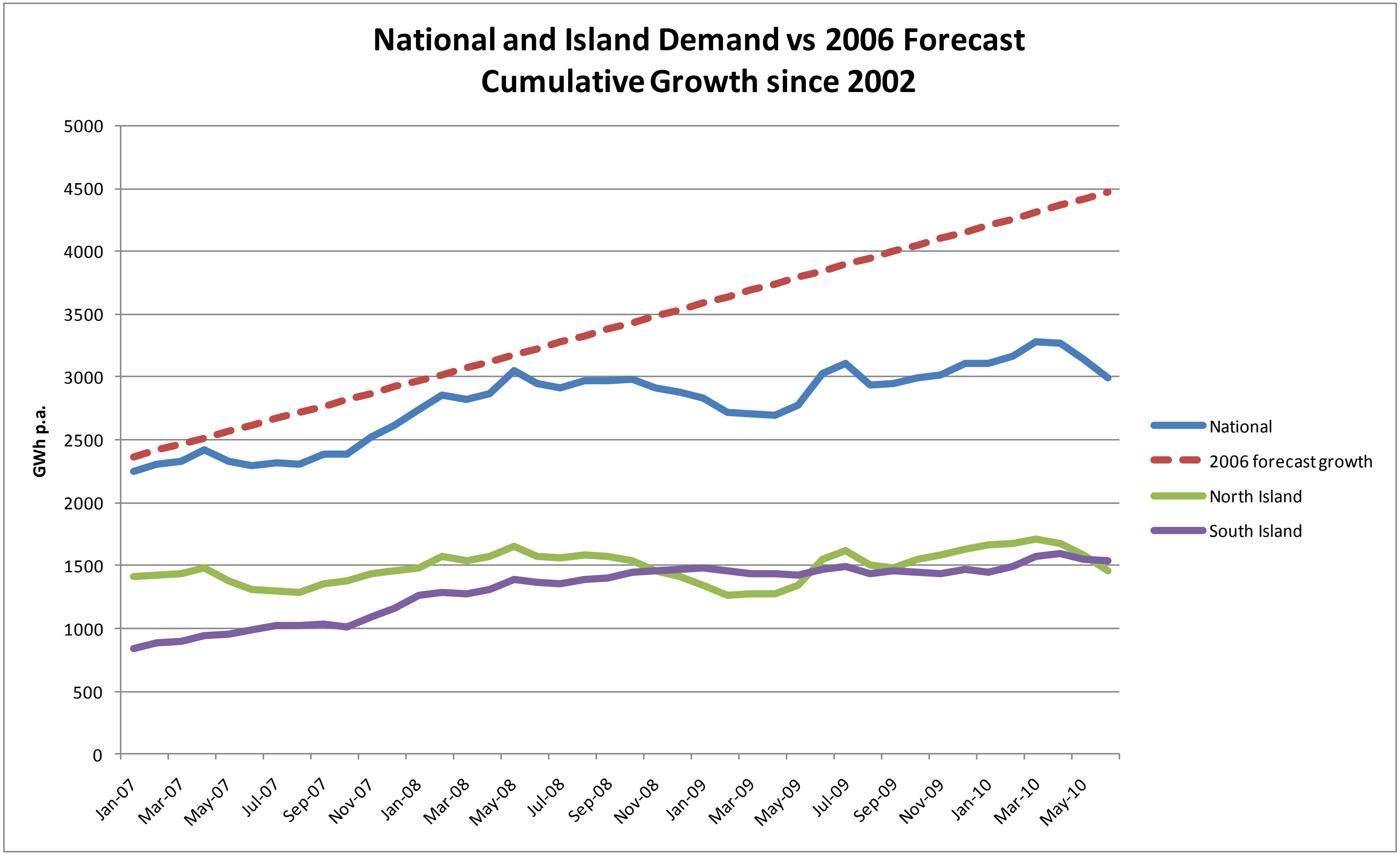


Portfolio Flexibility



- Southdown flexibility to ramp back during periods with low spot price

Electricity Demand



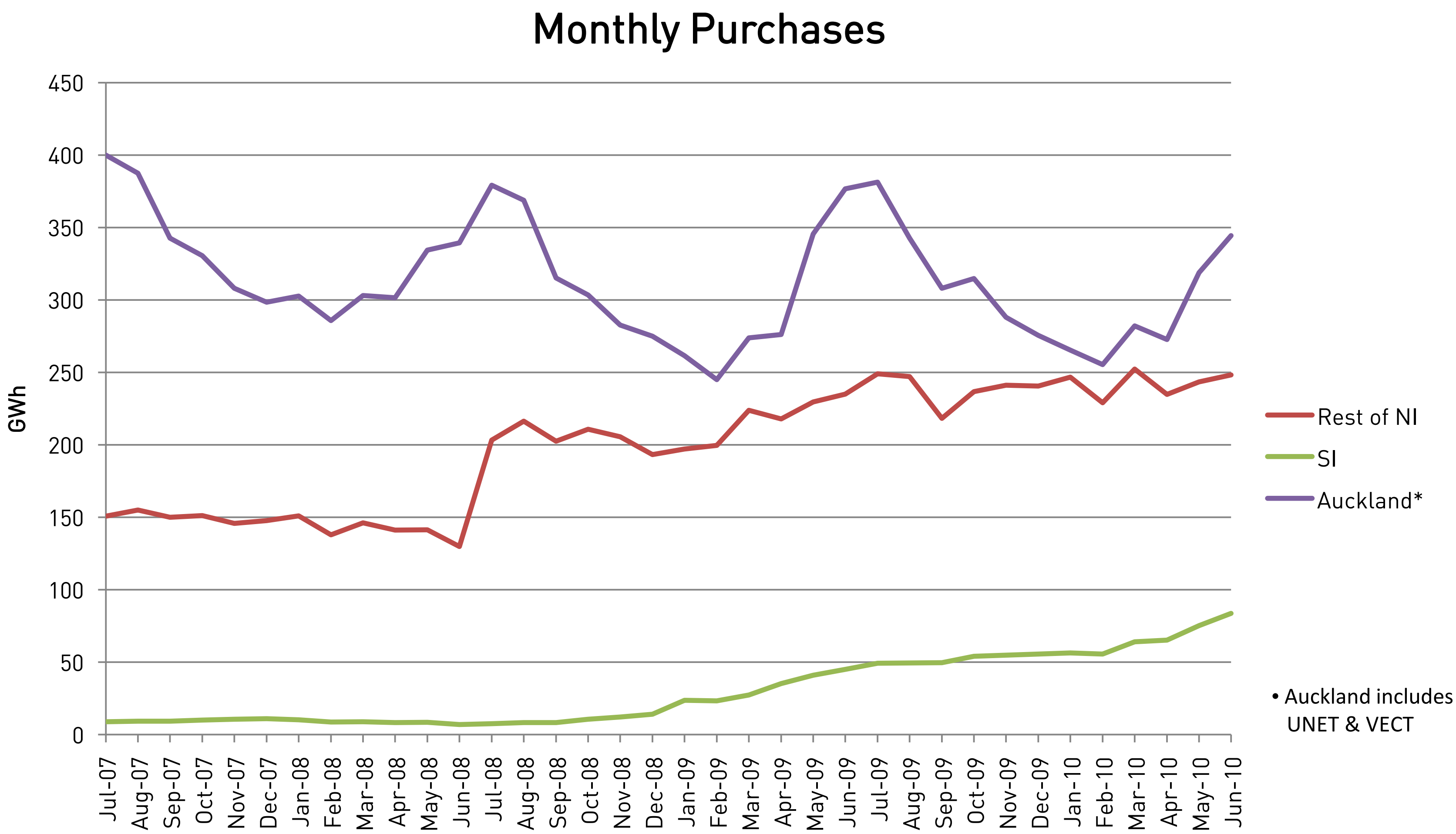
Electricity Demand (cont)

- Close to zero demand growth since early 2008
- 1,500GWh demand forecast four years ago has not eventuated
- Over last four years over 5,000GWh of generation has been commissioned, including
  - e3p (2007, 2,500GWh)
  - Kawerau geothermal (2008, 800GWh)
  - West Wind (2009/2010, 500GWh), and
  - Nga Awa Purua (2010, 1000GWh)

Electricity Demand (cont)

- Impact:
  - Softer wholesale prices
  - Increased security margins (demand/supply balance due to new plant)
  - Greater retail competition as generators seek to hedge
    - $20/MWh spread between average customer FPVV sales price and market prices last two years
    - current wholesale price significantly lower than LRMC new generation, but
    - retail price smaller gap to LRMC

Purchase Volumes by Region

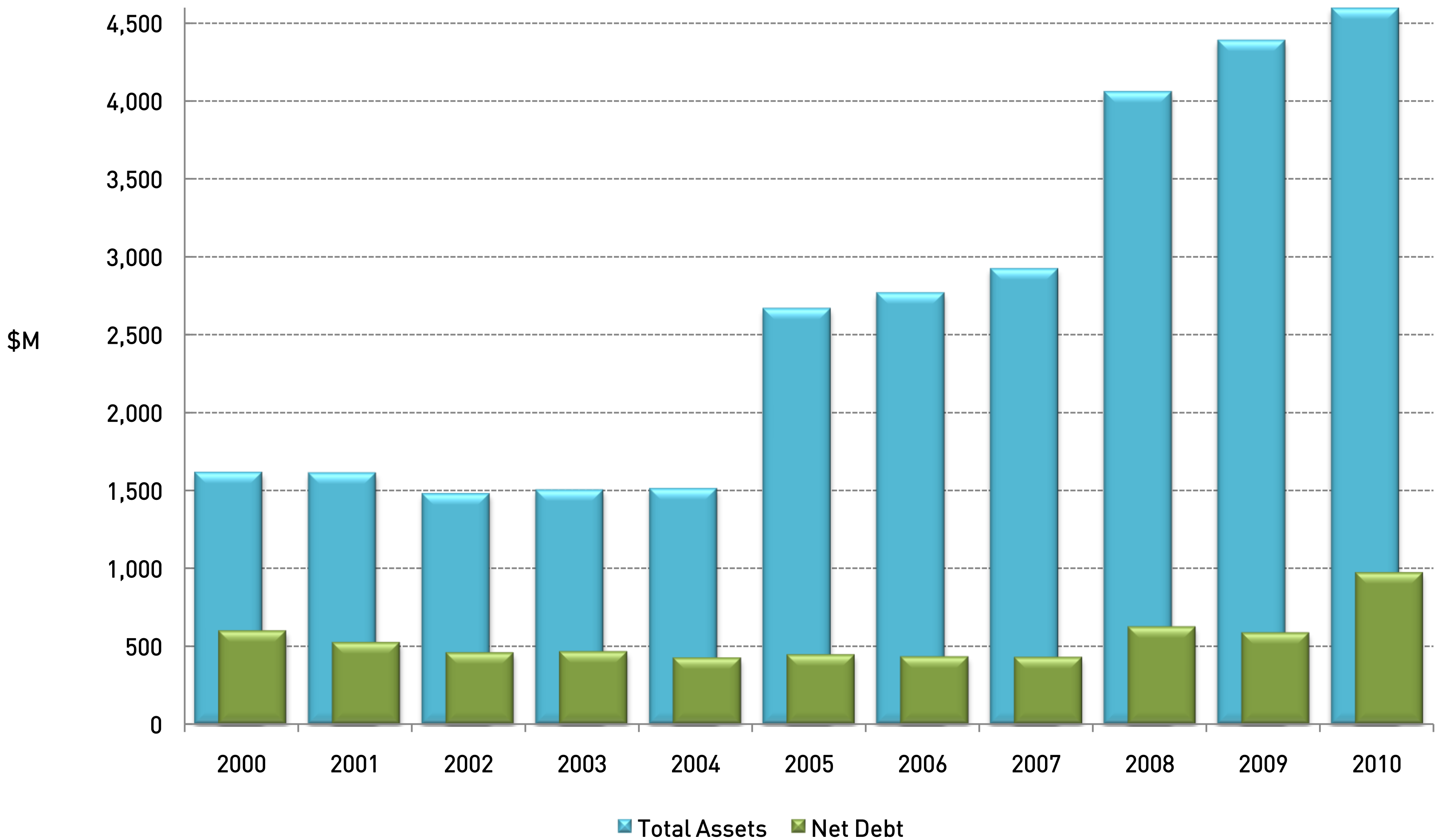


- The jump in NI purchases in July 2008 relates to the start of large spot contracts

Purchase Volumes (cont)

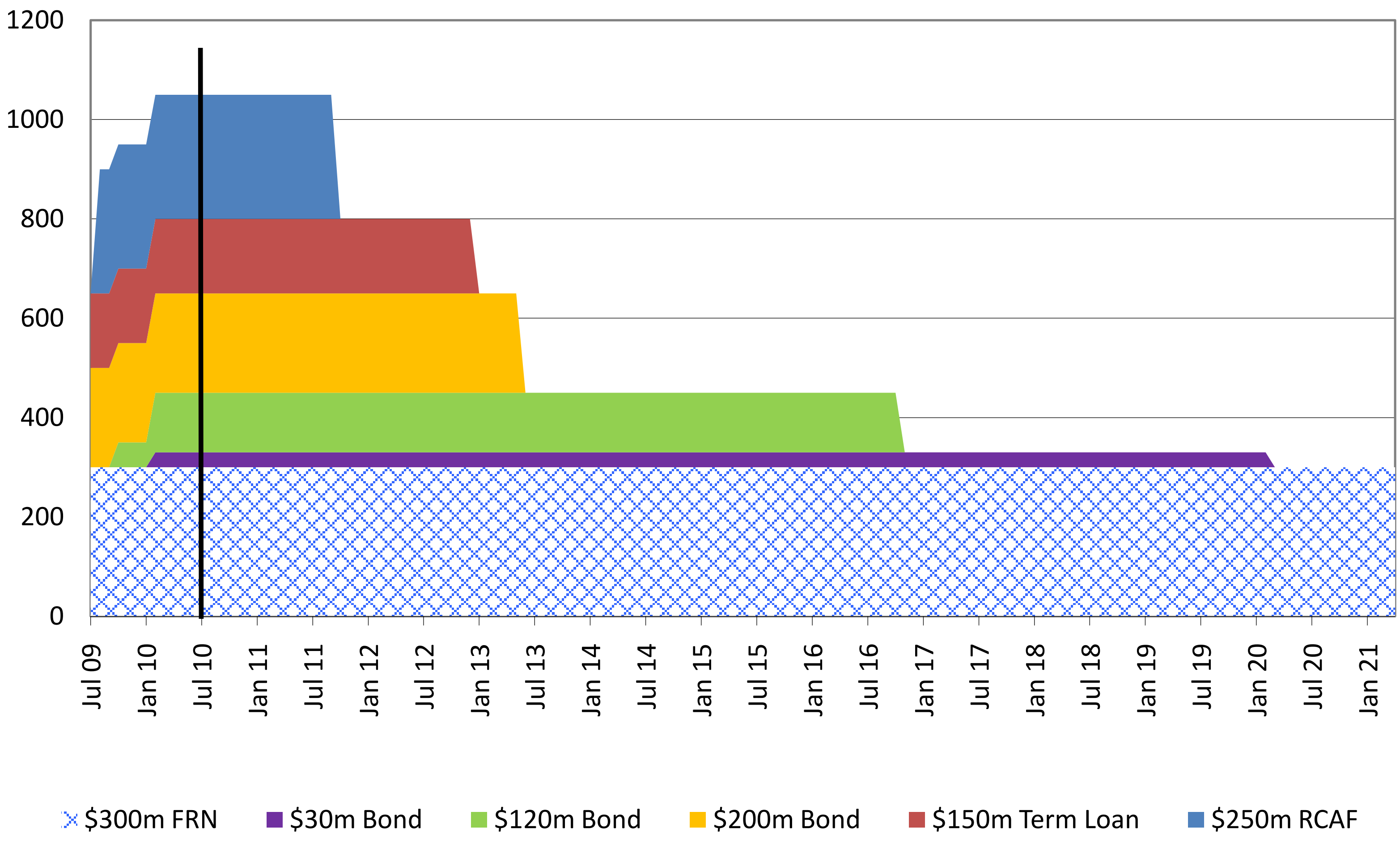
- 540 GWh increase in FY2010 in FPVV
- Decline in CFD sales (295GWh)
- Slowly declining volumes in regional Auckland; profile exhibits strong residential mix
- Growing volumes in rest of NI and SI; profile less residential influenced

Total Assets & Net Debt



- Asset revaluation in FY2010 on DCF basis of $371m

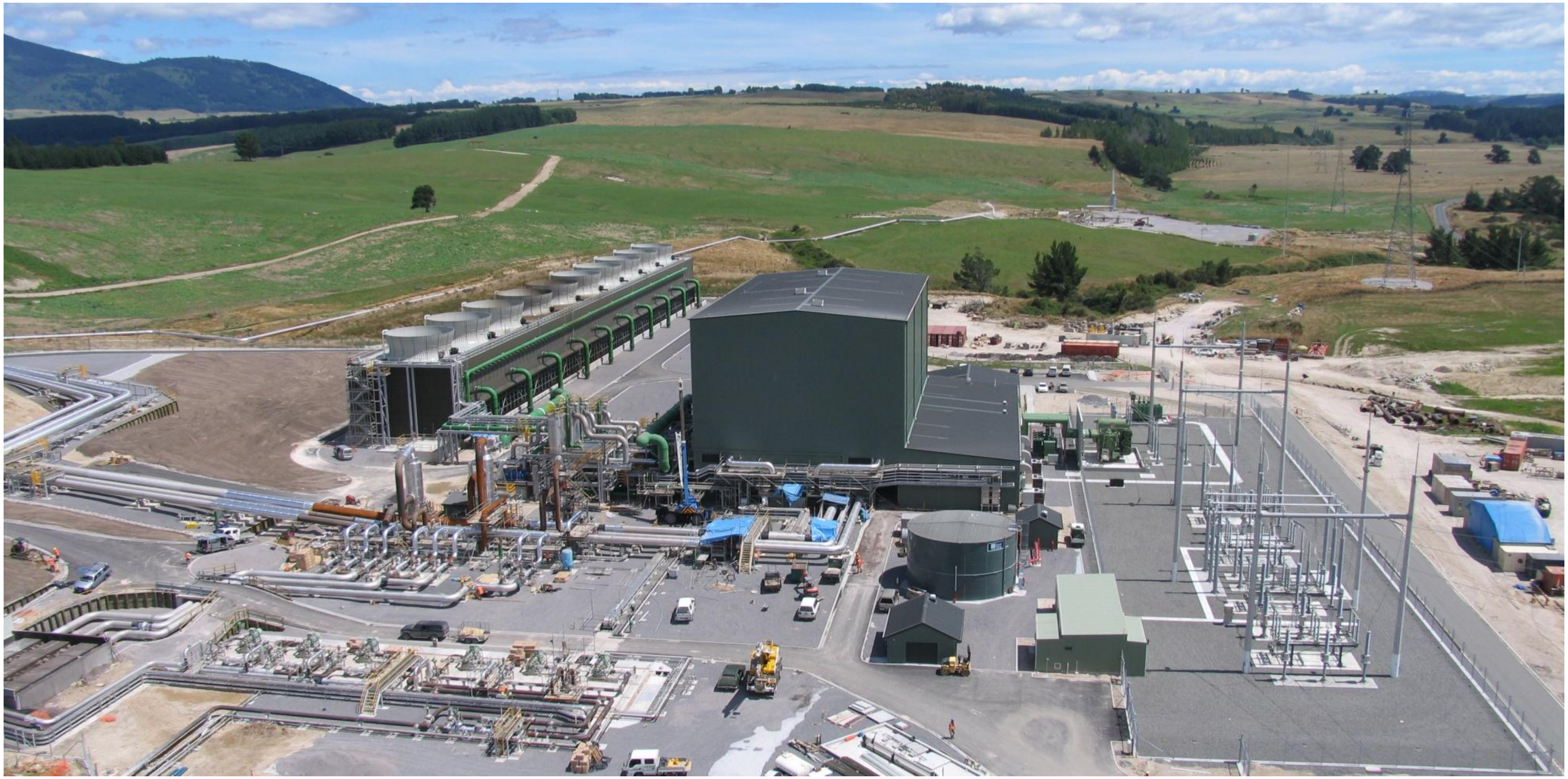
Debt Maturities



Standard & Poor's

- Long-term credit rating of BBB+ affirmed on 19 May 2010
- Outlook changed from stable to negative
  - reflects the pace of development of offshore investments
  - following investment announcement of up to US$107m in US geothermal 49.9 MW project (Hudson Ranch)
  - tightening of FFO/interest cover and FFO/total debt ratios in FY2012

Nga Awa Purua



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Nga Awa Purua

- 140MW power station: produces enough energy to power 140,000 homes, or all the homes in Taupo, Rotorua, Hamilton and Tauranga combined
- Joint venture with the Tauhara North No.2 Trust, a Maori land trust who own the land upon which the station sits
- Completed under budget, ahead of schedule and with greater capacity than originally planned
- $430 million project

International Geothermal

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International Geothermal - USA

- Made our first significant offshore investment, with our international partner GeoGlobal Energy (GGE) acquiring a 20 percent stake in US-based geothermal company EnergySource.
- GGE have invested US$92 million in EnergySource, which is building a 50MW geothermal power station, known as Hudson Ranch I, in the Salton Sea area of the Californian Imperial Valley - one of the largest and hottest geothermal resources in the United States

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International Geothermal - Chile

- In Chile, we were granted an extraction permit at Tolhuaca, in the south of the country. This follows a successful exploration programme in 2009, which identified Tolhuaca as a viable option for the development of a geothermal power station - the first commercial geothermal discovery in Chile in 40 years
- GGE has also secured exploration permits for Puchuldiza and Alitar in northern Chile and Colimapu and Ranqui in the southern part of the country. We expect drilling to begin on the Puchuldiza field in late 2011. The Alitar and Colimapu concessions are held in conjunction with Colbun, a major Chilean electricity generator

Ministerial Review

- Mighty River Power supports the objectives of the Electricity Industry Bill (EIB), which are :
  - to improve competition
  - ensure security of supply
  - reinforce effective, stream-lined governance
- EnergyHedge is developing a competitive and liquid hedge market through the ASX
- VAS terms agreed but subject to legislation
- No significant business impact

ETS

- Mercury announce ETS price rises effective 1 July 2010
  - 3.3% increase in prices, based on Government Emissions Trading Group estimate
  - Contact Energy made similar adjustment
  - Others may have priced into earlier general price reviews, or yet to do so
- Average carbon emissions across the company's assets is 500,000 tonnes pa
  - 250,000 tonnes after 50% ETS grandfathering pre-2013
- 1.8m unsold PREs awarded at Kawerau and Nga Awa Purua
  - No carbon liability until 2015
- Purchased credits from forestry owners in FY10
- Carbon credit purchase tender closed last week with offers being considered
- No traded carbon market in New Zealand yet

Outlook

- Continuous disclosure review
- Annual Report due end of September
- Annual Public Meeting in Karapiro - 6 October 2010

Summary

- Company has gone through a strong growth phase (geothermal development and retail growth)
  - Rate of growth slower in future
  - Focus on efficiencies
  - Built platform for growth
  - Deliver on growth story

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Questions?