



## MEDIA RELEASE

27 March 2012

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

#### Mighty River Power makes gains in flat market

##### Overview

- 9% lift in operating earnings (EBITDAF)
- Underlying earnings up 14% to \$101.7 million
- Market share and pricing gains in generation and customer sales
- Key milestones in domestic and international geothermal projects
- Full-year EBITDAF outlook guidance increased to \$460 million-\$475 million

Mighty River Power today reported operating earnings (EBITDAF) of \$254.5 million for the six months ended 31 December 2011, up 9% on the first half of the 2011 financial year.

Underlying earnings for the period increased 14% from \$89.4 million to \$101.7 million. For comparative purposes, this removes significant one-off items and the change in the fair value of financial instruments.

Chair, Joan Withers, said the financial results for the first half of FY2012 were built on the Company's diverse and complementary portfolio – with "pricing and market-share gains in generation and customer sales in a no-growth market".

| Financial highlights (\$m)    | HY2012  | HY2011 | Change | %    |
|-------------------------------|---------|--------|--------|------|
| Operating earnings (EBITDAF)  | 254.5   | 233.6  | 20.9   | + 9  |
| Underlying earnings after tax | 101.7   | 89.4   | 12.3   | + 14 |
| Net profit after tax (NPAT)   | 17.6    | 92.8   | (75.2) | - 81 |
| Capital expenditure           | 163.7   | 82.2   | 81.5   | + 99 |
| Total debt                    | 1,057.6 | 988.6  | 69.0   | + 7  |
| Interim dividend              | 74.8    | 64.7   | 10.1   | + 16 |

Mrs Withers said the Company's net profit after tax of \$17.6 million was significantly lower than the prior comparable period (pcp) of \$92.8 million, as a result of non-cash fair value movements recognised under NZ IFRS (International Financial Reporting Standards) during the half-year, largely due to the global fall in long-term wholesale interest rates.

In line with the Company's current dividend policy (of 75% of net profit after tax after adjusting for the impact of fair value movements net of tax), the Mighty River Power Board has approved an interim dividend of \$74.8 million, to be paid on 30 March, up \$10.1 million (or 16%) on pcp.

Along with sales volume gains in the competitive retail electricity market in New Zealand, and metering innovation including pre-pay, Mrs Withers said it was also pleasing to have the external recognition in the half-year of the Company's flagship retail brand, Mercury Energy – named 2011 Energy Retailer of the Year at

the Deloitte Energy Excellence Awards – following Mighty River Power's success as Overall Energy Company of the Year in 2010.

### **Earnings guidance**

Mrs Withers said the current outlook, based on the Company's interim results and a strong start to the second half of FY2012, was for full-year earnings (EBITDAF) in the range of \$460 million to \$475 million (up from the initial FY2012 guidance of \$430 million-\$450 million).

"This reflects the benefit of our geothermal base-load capacity, complemented by relatively favourable hydrology in the Waikato River catchment in contrast to poor South Island hydrology. These factors have enabled us to increase production and increase sales into new channels in response to elevated prices in the wholesale market," Mrs Withers said.

### **Operational performance**

Chief Executive, Doug Heffernan, said Mighty River Power's interim financial results reflected continued operational gains across the Company's vertically-integrated generation and retail businesses.

"The quality of this result should be measured against the backdrop of a domestic electricity market with higher than historical churn and nil growth in demand during the period. We've been able to increase total production by 4% (from 3,520GWh to 3,664GWh) – on what was a strong first half in FY2011 – and flex our generation production in response to wholesale market opportunities and support continued volume growth in our sales portfolio whilst limiting downside earnings risk."

The Company's generation yields were up more than \$20/MWh to an average \$80.16/MWh, reflecting the significantly stronger prices in the wholesale market during the period, as poor national hydrology more than offset weak national demand.

He said the Company's overall increase in generation in the half was largely driven by increased use of gas-fired production in response to higher wholesale prices. Geothermal generation was just above the prior period's record level.

"On the sales side we have also been able to achieve further gains (up 1%) in fixed price sales volumes, despite a 5% drop in customer numbers reflecting an improvement in the sales mix with particular success in the commercial customer segment. We have also been an active participant in the high-growth ASX market for 0-3 year contracts to optimise our integrated generation and sales portfolio."

### **Domestic and international growth**

Dr Heffernan said the ground-breaking for the new \$466 million 82MW Ngatamariki geothermal plant near Taupo during the half-year was another highlight, marking the next phase in the Company's growth.

"The Ngatamariki construction project is well underway and the project is on track for full commissioning in mid-2013. This will take our contribution from geothermal to more than 40% of our generation production, and further broaden the Company's earnings base and enhance financial consistency."

In the United States the EnergySource-owned Hudson Ranch Power I project in which Mighty River Power has a US\$92 million investment stake through the GeoGlobal Partners I Fund (GGE Fund) produced its first full power to grid in early March 2012 – twenty-one months after start of construction, and is the first of Mighty River Power's international geothermal development interests to move into commercial operation.

### **Financial results**

Chief Financial Officer, William Meek, said the continued strong underlying performance in the half-year highlighted the Company's platform for driving earnings in a competitive operating environment. The Company also continued to take a prudent approach to managing the balance sheet, ensuring adequate headroom and no further debt refinancing required until late in calendar year 2013.

EBITDAF (earnings before interest, taxation, depreciation, amortisation and financial instruments) increased 9% from \$233.6 million to \$254.5 million. This was driven primarily by a 4.5% increase in the weighted average price (Fixed Price Variable Volume) received from residential and commercial customers during the period,

and a \$7 million gain from the sale of PRE (Projects to Reduce Emissions) credits from the Nga Awa Purua joint venture.

NPAT (net profit after tax) reported under NZ IFRS was \$17.6 million (pcp \$92.8 million) with the Company recognising non-cash fair value movements on derivatives of \$106.0 million, both domestically and through its international interests in jointly-controlled entities. Of this, \$103.7 million related to interest rate derivatives, impacted by a fall in wholesale interest rates to record lows in the six months to 31 December 2011 compared with those used to measure fair value at 30 June 2011.

Mighty River Power's underlying earnings after tax (that adjusts NPAT for non-cash fair value movements of derivatives, impairments and other significant items) for the period increased by \$12.3 million (or 14%) from \$89.4 million to \$101.7 million.

Mr Meek said the Company's debt portfolio was well-diversified with a mix of bank debt, wholesale and retail bonds, and a US private placement. Mighty River Power's Standard & Poor's credit rating is BBB+/stable. The Company increased an existing bank facility with Bank of Tokyo-Mitsubishi by \$50 million to \$200 million to create additional liquidity headroom. Total debt rose to \$1,057.6 million, up 7% on the pcp reflecting the commitment of additional growth capital. Total facilities at 31 December 2011 stood at \$1,360 million with an average duration of 5.9 years.

## **ENDS**

### **Notes to Editors**

A full market disclosure including Financial Commentary, Audited Financial Statements and Interim Results Presentation can be found at <https://www.nzx.com/companies/MRP/announcements>

### **About Mighty River Power**

Mighty River Power is a New Zealand electricity company, with a flexible portfolio of electricity generation assets, a strong national retail presence and a focus on domestic generation and international geothermal development opportunities, with geothermal interests in more than 10 reservoirs across the US, Chile and Germany.

More than 90% of our generation is from renewable sources. We supply both electricity and thermal energy to major commercial users and have about 20% of New Zealand's retail market with our brands, Mercury Energy, Bosco Connect and Tiny Mighty Power.

Mighty River Power won the 2010 Deloitte Energy Excellence Awards for Overall Energy Company and Project of the Year (Nga Awa Purua). It was also a finalist for Overall Energy Company at the 2011 Awards. Retail brand, Mercury Energy, currently holds the 2011 Deloitte Energy Excellence Award for Retailer of the Year.

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