

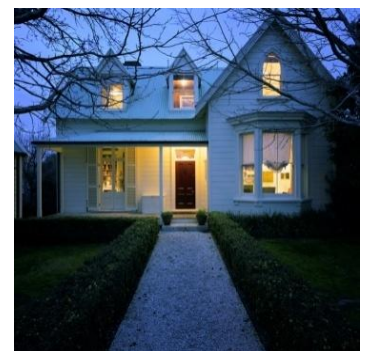
Mighty River Power

# Interim Results 2011 **Analyst Presentation**



# About Mighty River Power

- Flexible portfolio of electricity generation assets in New Zealand – hydro (1040MW), geothermal (387MW; 267MW equity interest), gas-fired co-generation (175MW).
- 90% renewable generation, with major geothermal share
- Generation assets located in the upper North Island, close to the major industry and residential load centres
- 402,000 retail customers with our brands, Mercury Energy, BOSCO Connect and Tiny Mighty Power.
- Top 10 global geothermal business – leveraging this expertise in US, Chile and Germany across 8 reservoirs
- Actively pursuing future growth opportunities in geothermal generation and wind farm developments.



# Highlights

- \$233.6m EBITDAF, a 22% increase on pcp
- NPAT up 15% to \$85.2m. Underlying earnings of \$88.7m, up 4%
- US\$200m (NZ\$260m) debt raised in USPP
- 3,504GWh total generation up 18%, with 69% increase in contribution from geothermal
- Geothermal 31% of generation, more than 400% up on 2007
- 15-year VAS, providing South Island energy hedge
- Retail expanded into new geographies; 49% growth in South Island sales
- International geothermal investment in 8 geothermal reservoirs across 3 countries
- \$64.7m interim dividend, a 15% increase on pcp.



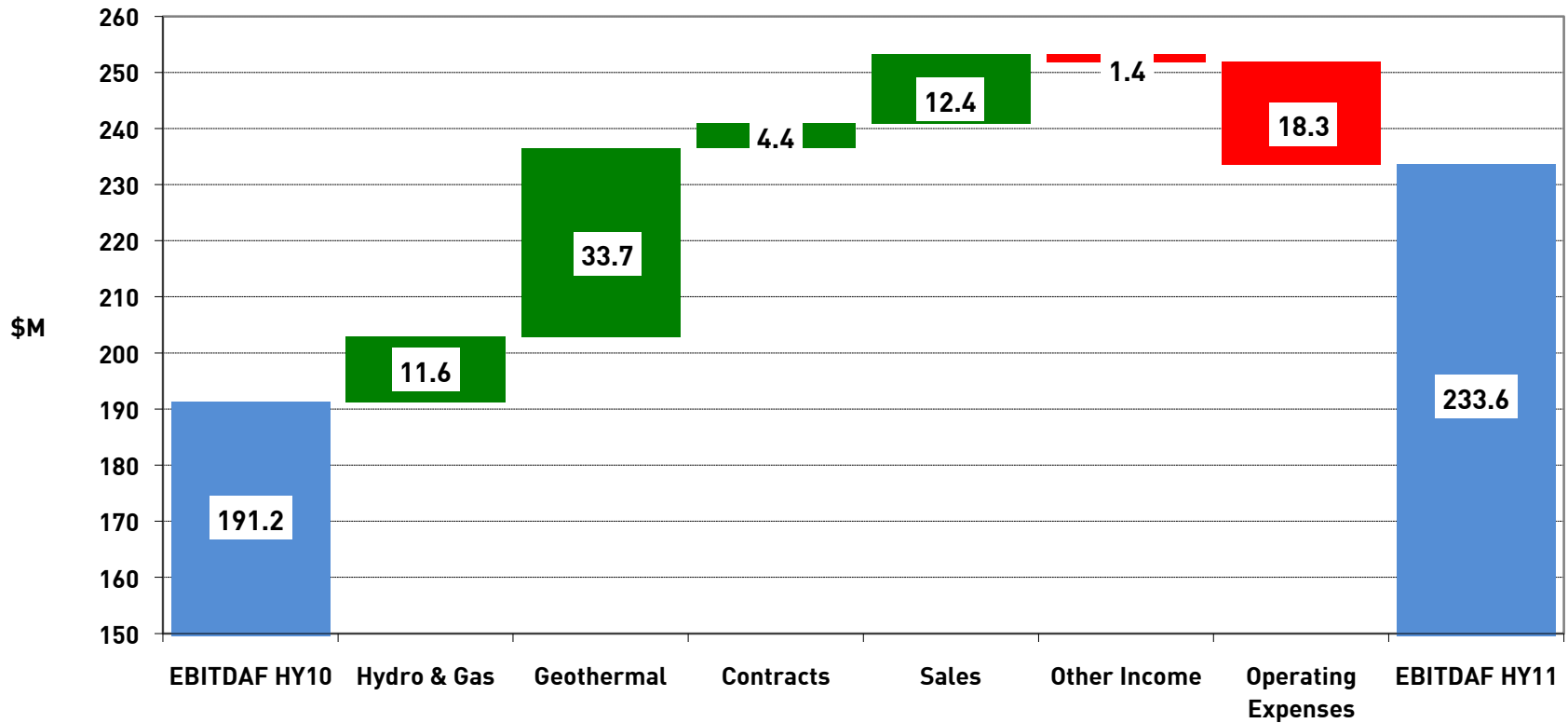
# Financial highlights

	<b>HY2011 (\$m)</b>	<b>HY2010 (\$m)</b>	<b>% Change</b>
<b>Energy Margin</b>	<b>340.8</b>	<b>278.7</b>	<b>+22</b>
<b>EBITDAF</b>	<b>233.6</b>	<b>191.2</b>	<b>+22</b>
<b>Underlying Earnings</b>	<b>88.7</b>	<b>85.5</b>	<b>+4</b>
<b>NPAT</b>	<b>85.2</b>	<b>73.9</b>	<b>+15</b>
<b>Dividend</b>	<b>64.7</b>	<b>56.2</b>	<b>+15</b>

- Energy Margin and EBITDAF up 22%, primarily due to Nga Awa Purua geothermal plant commissioned in April 2010
- Dividend up 15% on pcp (prior comparable period)

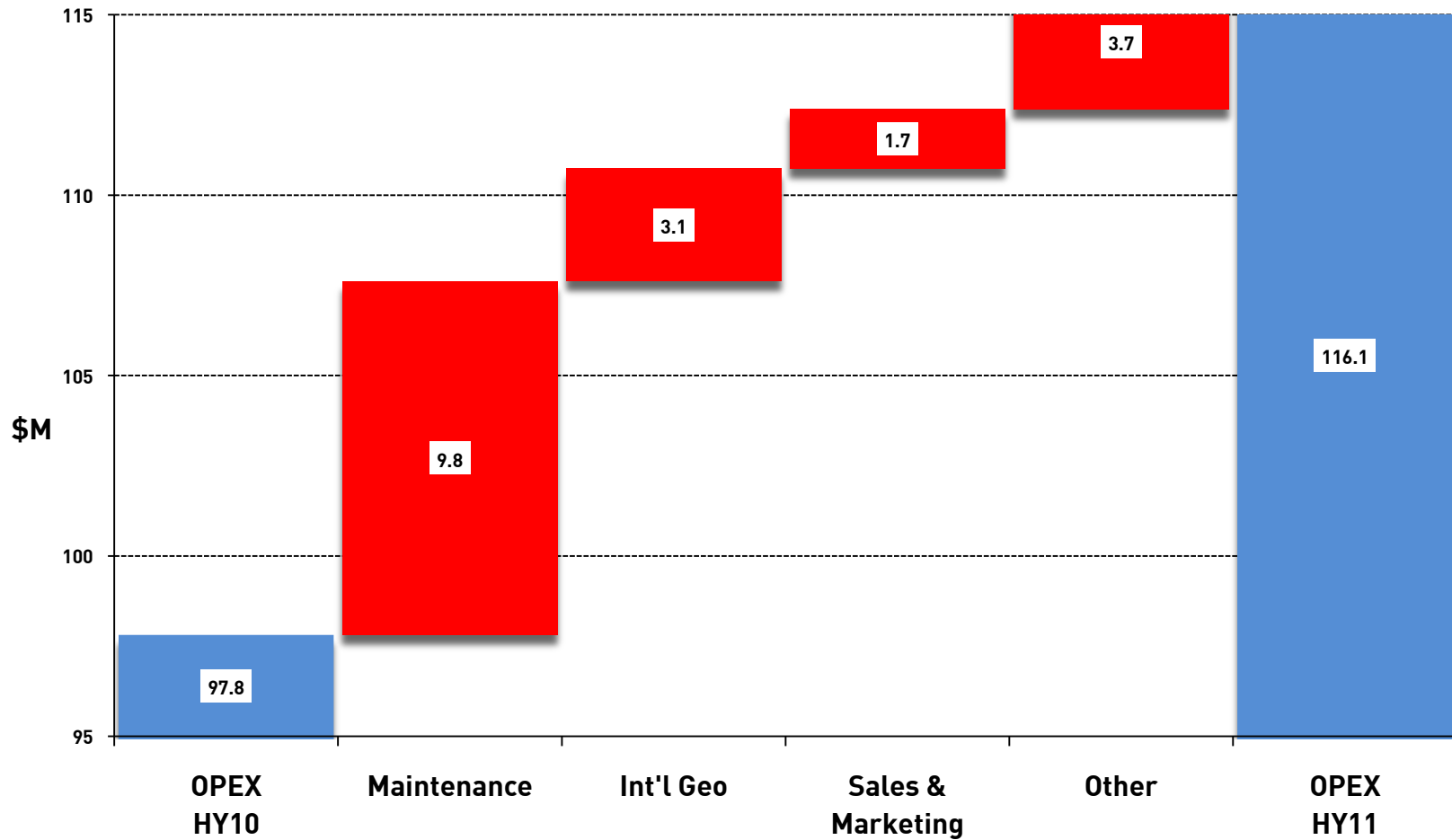


# EBITDAF



- 22% increase in EBITDAF on 1H2010
- Increase primarily driven by production new from Nga Awa Purua geothermal plant
- Increased customer sales offset by increases in operating expenses

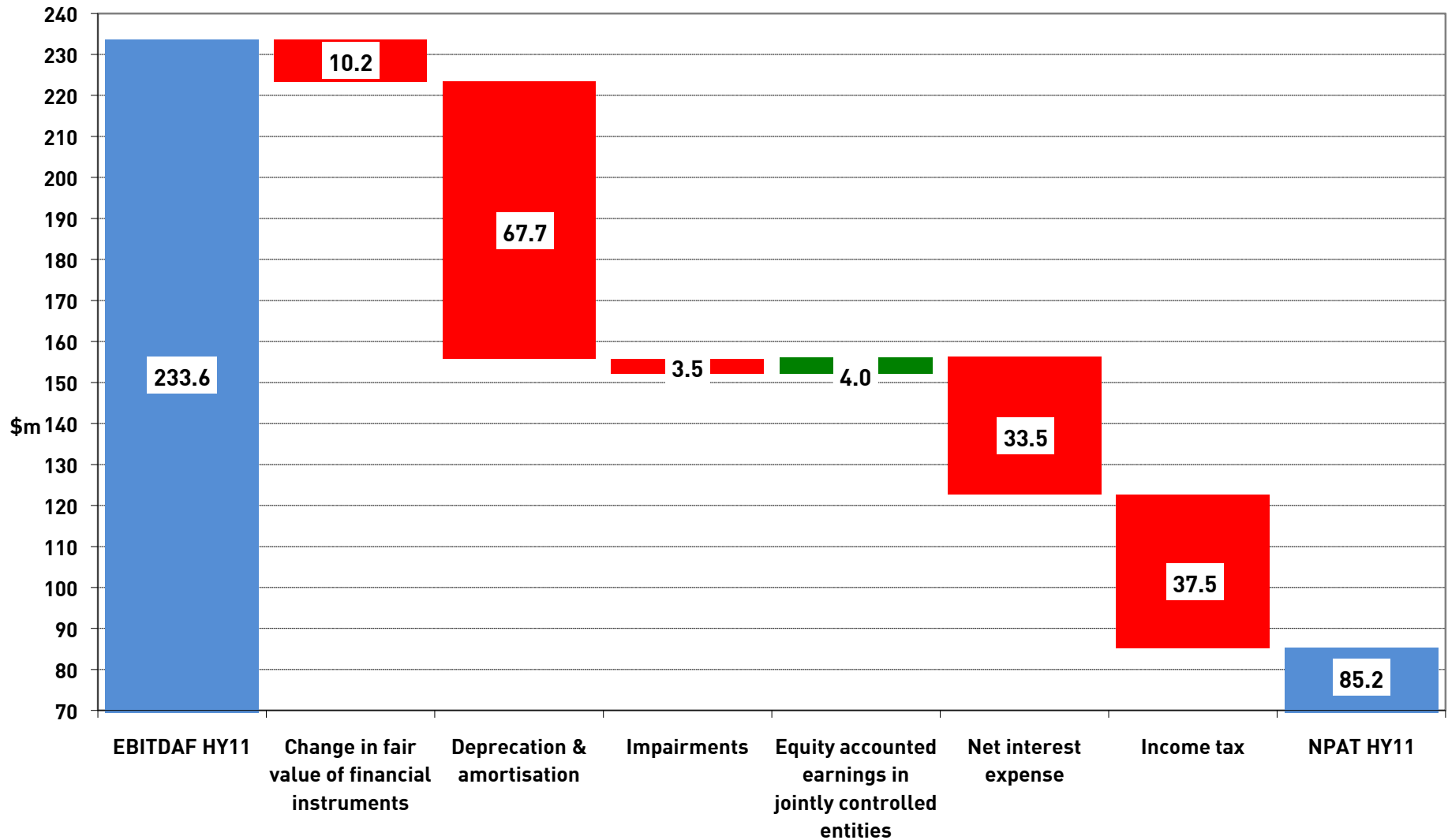
# Operating expenses



# Financial performance

	<b>HY2011 (\$m)</b>	<b>HY2010 (\$m)</b>	<b>\$m Change</b>	<b>% Change</b>	<b>FY2010 (\$m)</b>
<b>EBITDAF</b>	<b>233.6</b>	<b>191.2</b>	<b>+42.4</b>	<b>+22</b>	<b>327.8</b>
Depreciation and amortisation	-67.7	-57.7	-10.0		-98.7
Change in fair value of financial instruments	-10.2	-1.5	-8.7		8.0
Impairments	-3.5	-15.0	+11.5		-31.3
Equity accounted earnings of interest in jointly controlled entities	4.0	0.0	+4.0		-22.0
Equity accounted earnings of associate companies	-0.0	1.8	-1.8		-11.7
<b>EBIT</b>	<b>156.2</b>	<b>118.8</b>	<b>+37.4</b>	<b>+31</b>	<b>172.1</b>
Net interest expense	-33.5	-14.0	-19.5	+139	-30.7
<b>Profit before income tax</b>	<b>122.7</b>	<b>104.8</b>	<b>+17.9</b>	<b>+17</b>	<b>141.4</b>
Income tax expense	-37.5	-30.9	-6.6	+21	-56.8
<b>NPAT</b>	<b>85.2</b>	<b>73.9</b>	<b>+11.3</b>	<b>+15</b>	<b>84.6</b>

# EBITDAF to NPAT

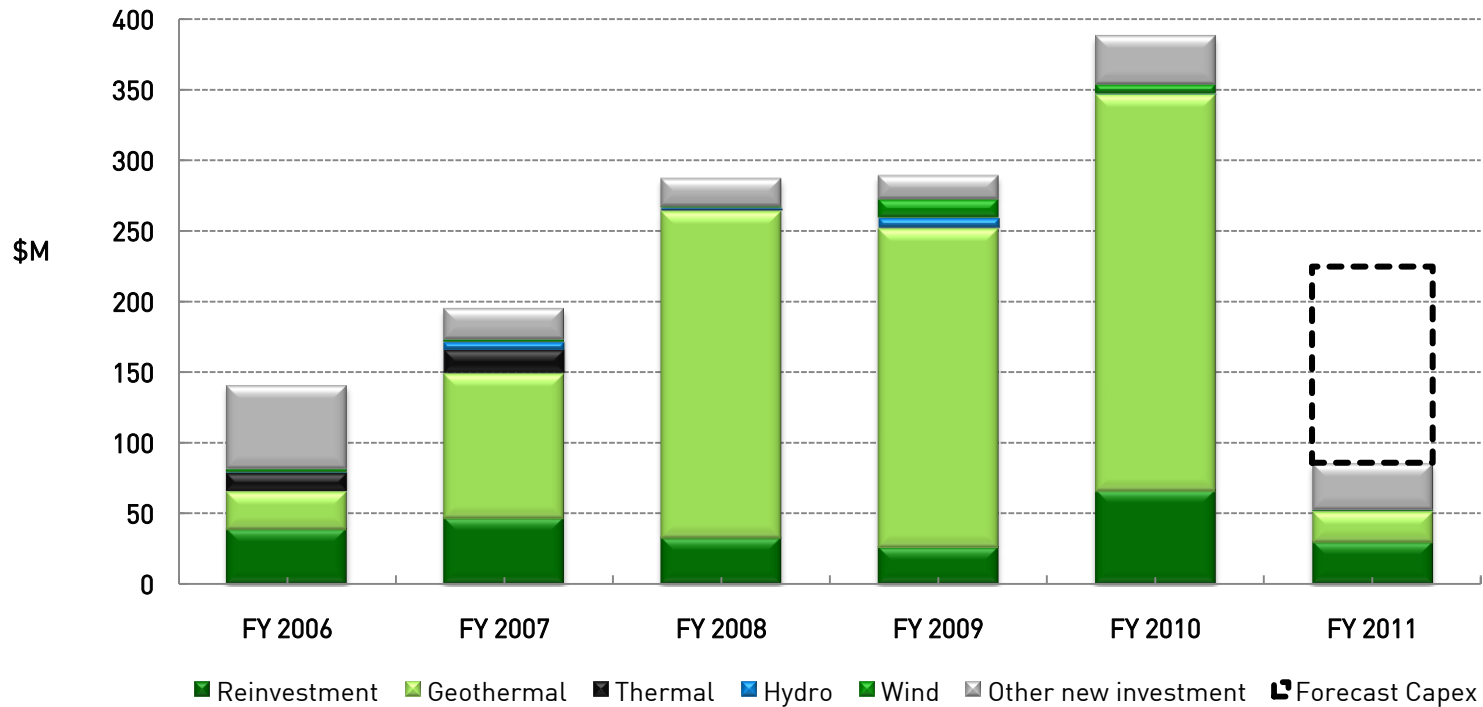


# NPAT to Underlying Earnings

	<b>HY2011 (\$m)</b>	<b>HY2010 (\$m)</b>	<b>% Change</b>	<b>FY2010 (\$m)</b>
NPAT	85.2	73.9	+15	84.6
Change in fair value of financial instruments	10.2	1.5		-8.0
Change in fair value of financial instruments of associate companies	-0.2	0.0		17.5
Change in fair value of financial instruments of interest jointly controlled entities	-5.9	0.0		21.3
Impairments	3.5	15.0		31.3
Income tax expense on adjustments	-4.1	-4.9		-10.0
Impact due to Legislative changes	0.0	0.0		2.9
<b>Underlying Earnings</b>	<b>88.7</b>	<b>85.5</b>	<b>+4</b>	<b>139.6</b>

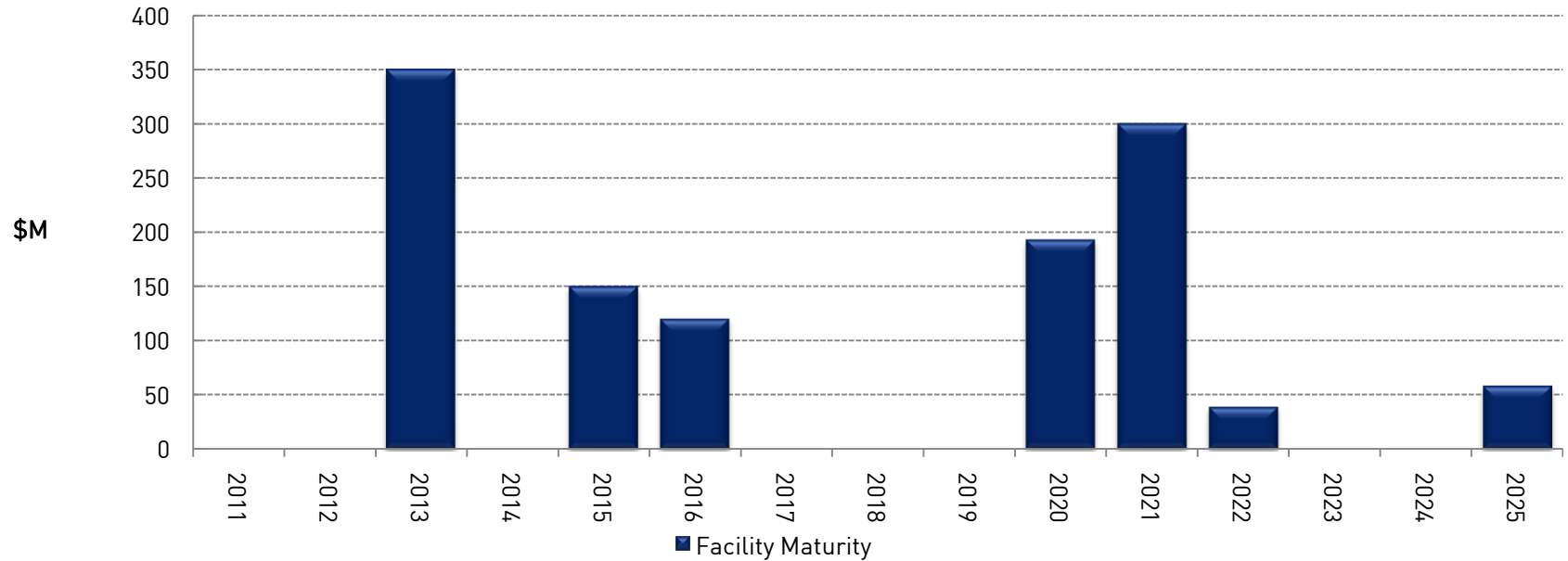


# Capital Expenditure



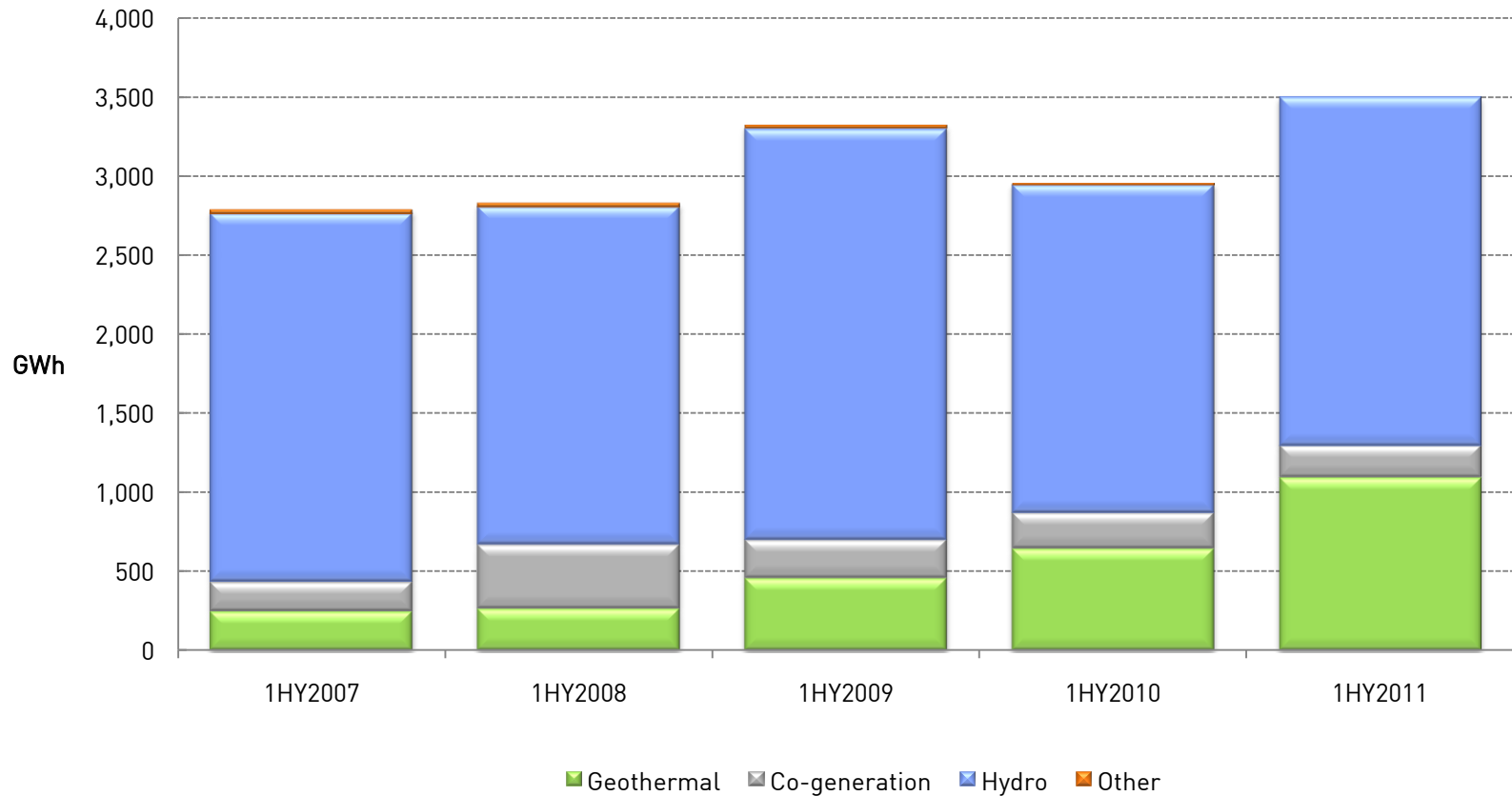
- Kawerau and Nga Awa Purua construction FY2007 – FY2010
- No major domestic projects under construction FY2011
- \$1 billion new geothermal investment FY2006 – FY2010

# Debt maturities (current)



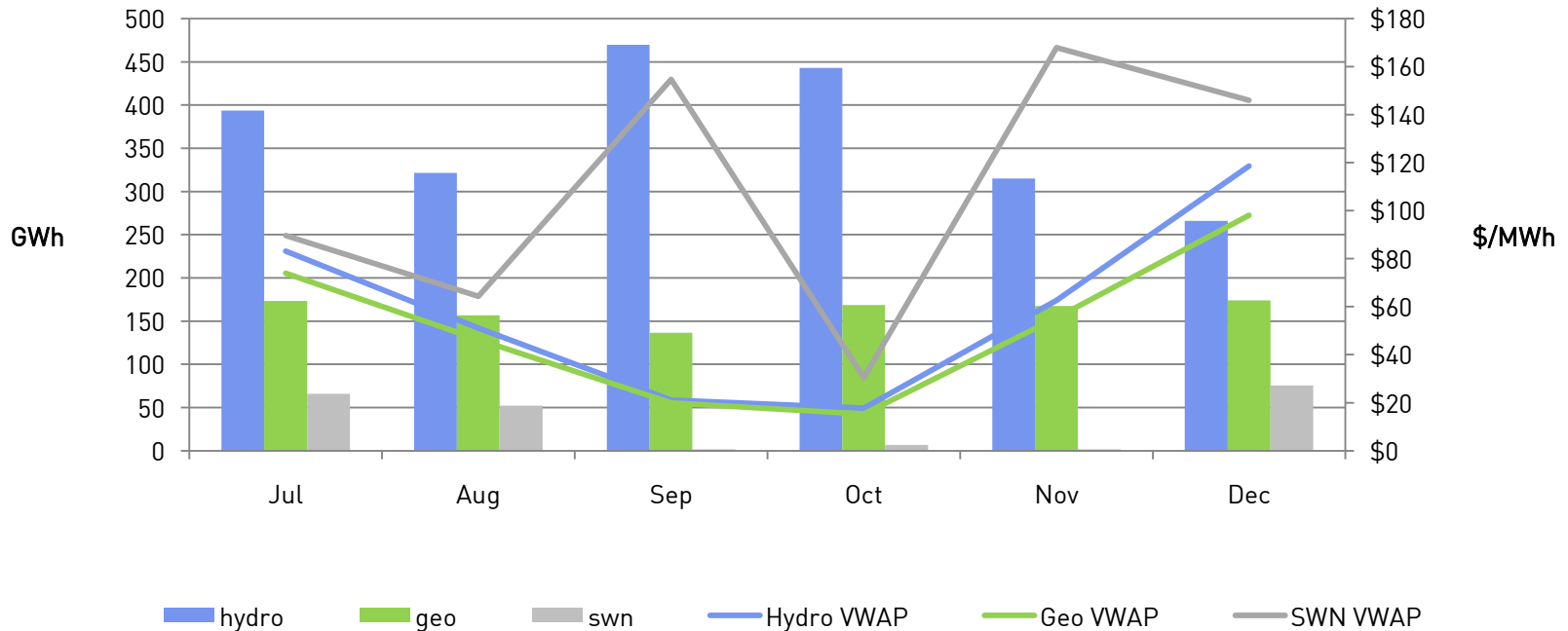
- Average debt maturity profile 7.3 years at 31 December 2010, up from 5.4 at 30 June
- Total debt facilities \$1,210m with \$985m drawn
- Next maturity is \$200m retail bond in May 2013 and \$150m bank facility in Dec 2013
- Credit rating BBB+

# Generation portfolio



- Geothermal 31% of generation, more than 400% up on same period in 2007
- Company record production for half year

# Generation flexibility



- Southdown (SWN) production for peak demand (Jul – Aug) and drought (Dec)
- High hydro (no SWN) during high inflows periods (Sep – Oct)
- High prices for Southdown in December drought
- Geothermal maintenance in September (high hydro offset)



# Generation volumes

Generation	HY2011	HY2010	%change	FY2010
Hydro (GWh)	2,209	2075	+6%	3,730
Geothermal (GWh)	1,092	646	+69%	1,562
Co-generation (GWh)	204	228	-10.5%	504
Biomass (GWh)	0	10	-	16
Total (GWh)	3,504	2,959	+18%	5,812

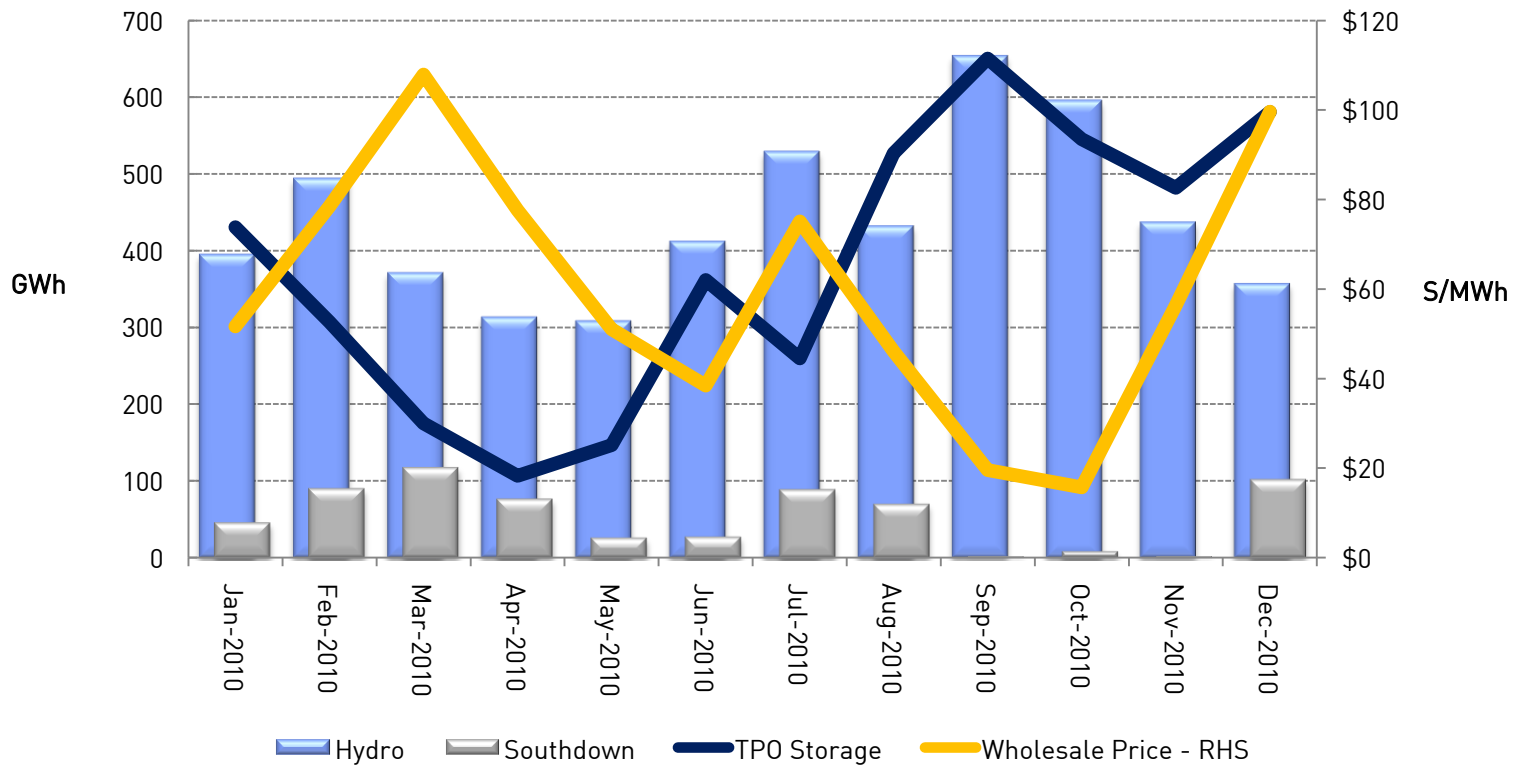
- Geothermal up 69% significant increase on HY2010
- Hydro up on pcp but now only 63% of total generation
- Geothermal 31% of total

# Carbon emissions

	<b>HY2011</b>	<b>HY2010</b>	<b>% change</b>	<b>FY2010</b>
Generation (kT)	<b>249.1</b>	192.9	+29%	418.8
Retail (kT)	<b>35.8</b>	36.0	-0.6%	60.5
Total (kT)	<b>284.9</b>	228.9	24.%	479.3
Generation carbon intensity (T/GWh)	<b>71.1</b>	65.1	+9%	72.1

- Costs of carbon emissions covered by Projects to Reduce Emissions (PREs)

# Portfolio dynamics



- Wholesale prices negatively correlated to storage (Taupo, SI correlated in 2010)
- Southdown production correlated to price (negatively correlated to storage)

# Pricing

	<b>HY2011 (\$/MWh)</b>	<b>HY2010 (\$/MWh)</b>	<b>\$/MWh change</b>	<b>% change</b>
<b>Weighted Average Wholesale Price of Generation (GWAP)</b>	<b>\$56.24</b>	<b>\$52.79</b>	<b>\$3.45</b>	<b>+6.5%</b>
<b>Weighted Average Purchase Cost (LWAP)</b>	<b>\$58.54</b>	<b>\$50.33</b>	<b>\$8.21</b>	<b>+16.3%</b>
<b>Weighted average sales price (FPVV)</b>	<b>\$108.63</b>	<b>\$100.54</b>	<b>\$8.09</b>	<b>+8.0%</b>
<b>LWAP/GWAP ratio</b>	<b>1.04</b>	<b>0.95</b>		

- Average sales price increase (\$8.09/MWh) similar to purchase cost LWAP (\$8.21)
- LWAP/GWAP ratio change reflects need to move high hydro inflows, and increased base-load geothermal generation from Nga Awa Purua. HY2010 was an outlier relative to long-term trend of 1.03

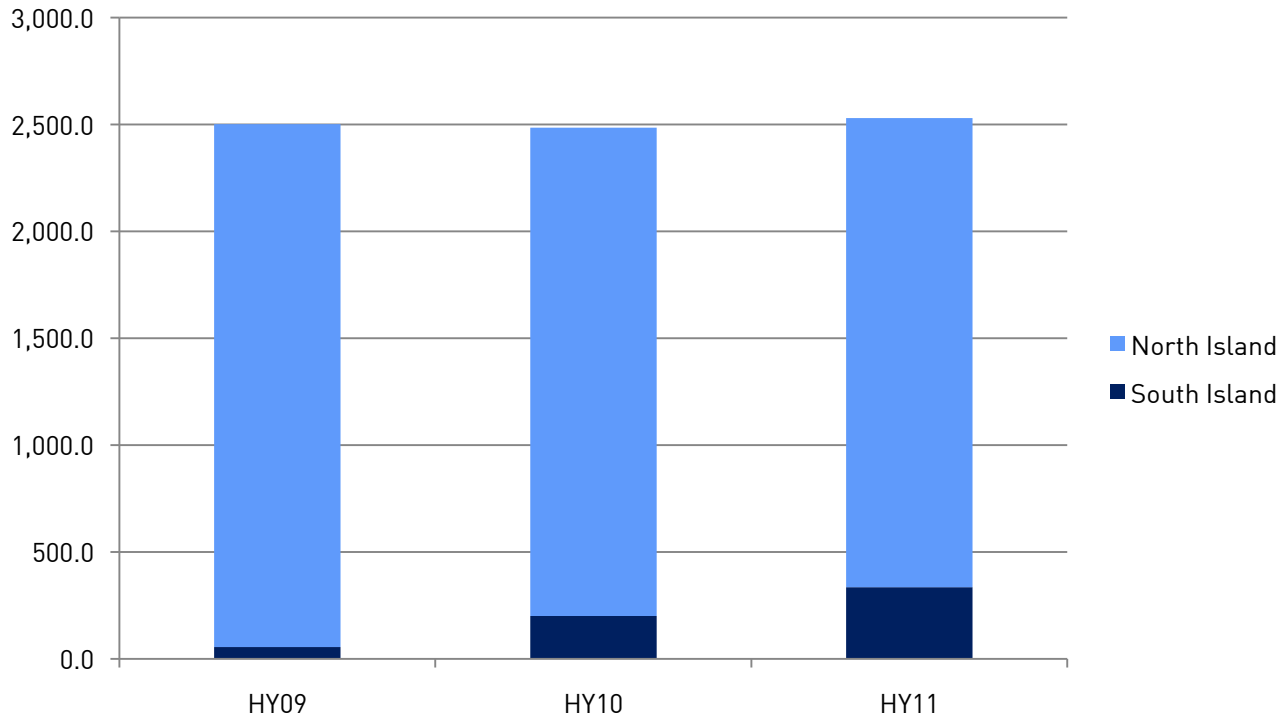
# Sales

	<b>HY2011</b>	<b>HY2010</b>	<b>Change (GWh)</b>	<b>Change (%)</b>
<b>Electricity Customers</b>	<b>402,000</b>	<b>400,000</b>		
<b>Electricity sales (GWh)</b>				
Residential FPVV	1,445	1,379	66	4.8
Commercial FPVV	1,085	1,106	-21	-1.9
Spot	1,098	1,035	63	6.0
Net CFD	512	556	-44	-7.9

- Held market share around 20% in highly competitive environment
- Expanded retail offer into new areas including Nelson, Invercargill, Wairarapa, Marlborough, North Canterbury



# South Island retail growth



- South Island Fixed Price sales grew to 336GWh, up 67% from HY10 and up 510% since HY09
- 39,000 South Island customers, 10% of total customers
- South Island Fixed Price sales volumes are 13% of total Fixed Price sales

# Purchases

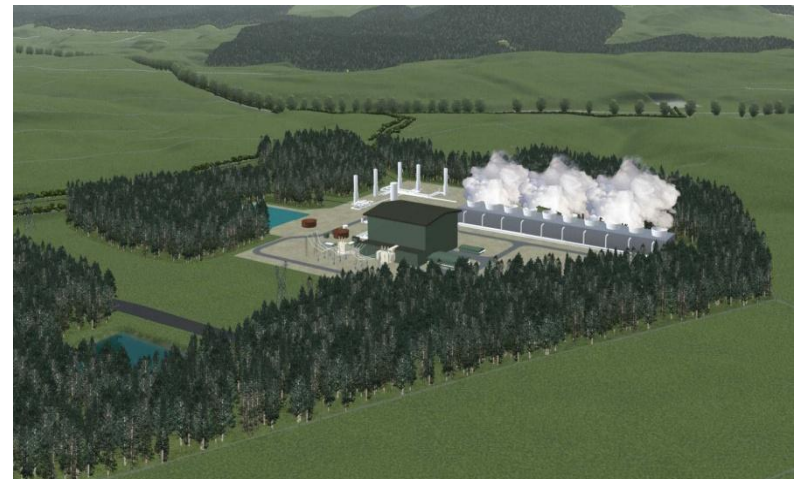
	<b>HY2011</b>	<b>HY2010</b>	<b>Change (GWh)</b>	<b>Change (%)</b>
<b>Purchases</b>				
<b>Electricity total NZEM (GWh)</b>	<b>3,797</b>	<b>3,697</b>	<b>100</b>	<b>2.7</b>
<b>Total generation production</b>	<b>3,504</b>	<b>2,959</b>	<b>545</b>	<b>18</b>
<b>Gas purchases</b>				
<b>Retail (PJ)</b>	<b>0.62</b>	<b>0.74</b>		<b>-16</b>
<b>Cogeneration (PJ)</b>	<b>2.05</b>	<b>2.30</b>		<b>-11</b>
<b>(\$/GJ)</b>	<b>\$7.7</b>	<b>\$6.8</b>		<b>13</b>

- Generation production grew faster than sales – reflecting sales drive in 2009/2010 ahead of Nga Awa Purua commissioning
- Gas volumes down due to lower Southdown use – gas costs up 13%

# Domestic growth opportunities

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- **Nga Awa Purua 140MW**
  - Commissioned April 2010
  - achieving world-leading 96% availability after start-up
  
- **Ngatamariki**
  - consented May 2010
  - focus on commercial considerations – including equipment procurement
  - Earliest commissioning late 2013



# International geothermal investments

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- Mighty River Power top 10 global geothermal operator
- US\$250 million committed capital to partner GeoGlobal Energy (GGE)
- Good international geothermal growth opportunities
- Leveraging existing rare competencies in geothermal
- GGE has significant development pipeline – 3 countries, 8 reservoirs
- US\$124 million deployed from US\$250 million commitment
- **Hudson Ranch I, California:**
  - Majority shareholding of US\$400m project
  - 49.9MW under construction
  - On track to commissioning early 2012
  - US\$92m of \$107m commitment deployed.



# International geothermal investments

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- Tolhuaca, Chile:
  - Slim-hole drilling confirmed high temperature resource
  - Preparation for production-scale drilling, due to start 2011
  - US\$17m of \$66m commitment deployed.



- Weilheim, Germany:
  - German Govt renewable energy policy
  - Targeting low temperature geothermal resources
  - Two concessions acquired in Bavaria
  - Geophysical surveys of Weilheim prospect
  - US\$11m deployed.

# Strategy and outlook

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- \$1 billion investment over 5 years contributing to strong EBITDAF result
- Benefit of full-year contribution from Nga Awa Purua; geothermal now over 30%
- Hydro only 63%; portfolio optimisation by Southdown
- Domestic development options:
  - Ngatamariki: commercial arrangements, procurement negotiations; earliest commissioning late 2013
  - Turitea: draft consent, 10-year lapse period; firm option to add wind
- International geothermal – active pipeline of projects through GGE, not limited by domestic demand
- Focus on water policy – investor certainty, strategic resource for NZ
- Improved outlook for FY2011, EBITDAF guidance lifted from \$391 million to \$420-435 million

# Questions?

