



meridian

Quarterly operating result announcement Meridian Energy Limited

Reporting Period

Three month period ending 31 December 2011

OPERATING STATISTICS	3 months to 31 Dec 2011 current quarter	3 months to 30 Sep 2011 previous quarter	3 months to 31 Dec 2010 prior quarter comparative	12 months to 30 Jun 2011 prior year comparative
Generation (GWh)				
- Hydro generation	2,719	2,848	3,173	12,629
- Wind generation	293	331	245	1,023
Total NZ generation	3,012	3,179	3,418	13,652
Avg Price per MWh Generated	\$69.03/MWh	\$83.04/MWh	\$54.54/MWh	\$41.57/MWh
Retail				
- Meridian Retail ICPs	241,158	241,728	238,899	239,216
- Powershop ICPs	41,999	38,270	24,024	33,560
Total Retail ICPs¹	283,157	279,998	262,923	272,776
Powershop Contract Sales (GWh)	101	120	59	267
Meridian Contract Electricity Sales ² (GWh)	1,434	1,490	1,482	5,807
Meridian Spot Electricity Sales (GWh)	434	428	468	1,796
Avg Electricity Purchase Price	\$74.72/MWh	\$86.98/MWh	\$61.18/MWh	\$51.65/MWh

Financial Results

Meridian's financial results for the six months ending 31 December 2011 will be announced in the week commencing 13 February 2012 and our interim report will be publicly available following tabling in Parliament in early March 2012.

Operating Commentary

Following a sustained period of below average inflows into the Waitaki catchment during the first quarter, significant inflows through to early November returned storage to mean levels by the end of November. This was followed by an extremely dry December in the lower South Island with record low inflows recorded into Lake Manapouri and Lake Te Anau. More prudent management of the Waiau catchment storage has seen reduced Manapouri generation, with Meridian drawing more production from the Waitaki hydro system.

Waitaki catchments inflows (including Lake Tekapo) were 86% of mean during the quarter compared with 112% in the same quarter last year. Waitaki storage rose 803GWh over the quarter to 1,680GWh

¹ Excluding vacant ICPs.

² Retail sales exclude volumes sold to RTA Power (NZ) Ltd.

which is 90% of the historic mean and 1,019GWh lower than the same quarter last year. Waiau catchment inflows for December 2011 were 36% of historical average. Wholesale conditions were also influenced by a number of transmission outages supporting Transpower's HVDC upgrade. Further outages are planned in 2012.

Meridian's generation volumes decreased from the previous quarter, reflecting more prudent management of storage and the 1 June 2011 sale of the Tekapo power stations to Genesis Energy. Although average wholesale prices for Meridian's generation fell relative to the September quarter, they remain buoyed by conservative water management as a result of an extremely dry December in the lower South Island. Meridian's net contract position has remained at 88% at the end of the quarter, largely reflecting the prevailing dry conditions.

Retail competition remains intense, with market ICP churn in excess of 30,000 ICP's each month during the quarter. Meridian's total ICP numbers increased by 3,159 during the quarter, with continued growth in Powershop and Meridian Retail North Island connections and further declines in South Island ICPs.

Further evidence of Meridian's strong customer focus was reflected in Powershop and Meridian Retail filling the top two positions in Fair Go's Energy Company customer satisfaction survey. Powershop also took the number one ranking in the 2011 Deloitte Fast 50 index, with the highest growth rate ever recorded in the Fast 50's 11-year history.

During the quarter the first turbines were erected on Meridian's joint venture Macarthur wind farm in Victoria, Australia, and construction commenced on the Popua Solar Farm in Tonga. Consents were also granted for the Mill Creek wind farm near Wellington, as well as water consents for the Hunter Downs Irrigation Scheme in South Canterbury. Meridian also applied for consents for the Amuri Hydro Project in North Canterbury. In January 2012, Meridian announced it is withdrawing its applications before the Environment Court for resource consents for Project Hayes, following a review of the project.

Outlook

We start the second half of the financial year with relatively dry conditions in our major storage catchments. The ongoing programme of HVDC outages will present challenging trading conditions. Outcomes from the appeal to the Electricity Authority's UTS decision, Genesis Energy's approach to the scope and timing of Tekapo canal repairs and possible transmission pricing decisions all provide uncertainty over the next year.

While we are tracking in line with our key Statement of Corporate Intent financial targets at the half year, assuming average hydrology from this point on, we see some risk to achieving our full year key Statement of Corporate Intent financial targets.

Despite this, Meridian is well positioned for future growth. Our medium term pipeline has options well placed in the generation merit order to meet future demand growth. Improvement in the performance of our retail business positions Meridian more competitively in the retail electricity market. Alleviation of transmission grid constraints through investment, such as the HVDC upgrade, will improve Meridian's portfolio flexibility and risk position.

The Interim Report will be available on Meridian's web site www.meridianenergy.co.nz immediately following the results being tabled in Parliament.