



Quarterly operating result announcement Meridian Energy Limited

Reporting Period

Three month period ending 30 September 2012

FINANCIAL STATISTICS	3 months to 30 Sep 2012 current quarter	3 months to 30 Jun 2012 previous quarter	3 months to 30 Sep 2011 prior quarter comparative	12 months to 30 Jun 2012 prior year comparative
Equity to Total Assets	57.6%	55.5%	59.6%	55.5%
Gearing ¹	24.3%	25.0%	19.9%	25.0%
FFO Interest Cover (# of times) ²	3.9	4.3	5.3	4.3
OPERATING STATISTICS	3 months to 30 Sep 2012 current quarter	3 months to 30 Jun 2012 previous quarter	3 months to 31 Sep 2011 prior quarter comparative	12 months to 30 June 2012 prior year comparative
Generation (GWh)				
- Hydro generation	2,540	1,995	2,848	9,790
- Wind generation	275	298	331	1,206
Total NZ generation	2,815	2,293	3,179	10,996
Avg Price per MWh Generated	\$60.89/MWh	\$148.42/MWh	\$82.96/MWh	\$98.79/MWh
Retail				
- Meridian Retail ICPs	236,305	239,414	241,728	239,414
- Powershop ICPs	48,484	47,890	38,270	47,890
Total Retail ICPs³	284,789	287,304	279,998	287,304
Powershop Contract Sales (GWh)	147	127	120	444
Meridian Contract Electricity Sales ⁴ (GWh)	1,293	1,219	1,490	5,503
Meridian Spot Electricity Sales (GWh)	450	455	428	1,744
Avg Electricity Purchase Price	\$65.33/MWh	\$126.57/MWh	\$86.98/MWh	\$97.36/MWh

Operating Commentary

Following the record low annual inflows experienced during the 2012 financial year, inflows into Meridian's catchments returned to above average levels during the September quarter. Catchment inflows were 115% of mean during the quarter compared with 88% during the same quarter last year.

¹ Gearing calculated as Net Debt / (Net Debt+Total Equity).

² Calculated using Total FFO and Net Interest on a rolling 12 month basis.

³ Excluding vacant ICPs.

⁴ Retail sales exclude volumes sold to RTA Power (NZ) Ltd.

Typically storage falls during the September quarter, although this year there was little change in levels over the quarter, with storage at 1,154GWh, which is 123% of the historic mean and 385GWh higher than the same quarter last year.

Meridian's generation volumes increased from the previous quarter, in line with the improvement in inflows. However, generation was 11% lower than the same quarter last year, due to softening demand and higher acquired generation from hedge contracts taken as insurance against continued dry conditions experienced during the 2012 winter. The impacts of improved storage and lower demand reduced average wholesale prices from levels seen last quarter and in the previous year.

During the quarter, Meridian gained consents to raise the upper limit of Lake Pukaki to 532.5m throughout the year, removing a seasonal variation previously in place between September and April. Meridian has also gained access to emergency storage in the lower levels of Lake Pukaki and can now access an additional 550GWh of energy in times of official conservation campaigns. Both decisions provide Meridian with greater opportunities to mitigate extreme hydrology risk.

Retail competition remains intense, with annualised ICP churn around 20%. Meridian's total ICP numbers decreased by 2,515 during the quarter, with the residual effects of moderated acquisition activity undertaken by Meridian Retail and Powershop to help manage low 2012 inflows. During the quarter Meridian's Christchurch prepay customers began transferring to Mighty River Power's GLO-BUG pre-pay system.

Consumer Magazine released its annual survey results of customer satisfaction with electricity retailers in late August, with Powershop again recording the highest level of satisfaction in the industry and Meridian Retail rated first equal among the five major generator retailers.

The quarter also saw a number of milestones achieved for Meridian's development projects. In New Zealand, the Mill Creek wind farm, near Wellington, commenced construction. In Australia, first power was generated from Meridian's joint venture Macarthur wind farm in Victoria. Meridian also announced in September it will soon start construction of the Mt Mercer wind farm, also in Victoria. In July, Meridian completed construction of Tonga's first solar farm.

In August, Meridian announced it had been approached by Pacific Aluminium, the majority shareholder of New Zealand Aluminium Smelters Ltd and a business unit of Rio Tinto Ltd, to discuss potential changes to the electricity contract with the smelter. A new electricity supply agreement takes effect in January 2013 and discussions with Pacific Aluminium are ongoing.

Meridian has also recently indicated it is in talks with one or more parties over the potential sale of its Energy for Industry subsidiary.

In early October, the Electricity Authority (EA) issued a consultation paper on changes to its transmission pricing methodology, proposing a 'beneficiaries pay scheme'. The proposal is complex and will require detailed analysis, but it does recognise that multiple parties benefit from the HVDC link. The EA has requested submissions on the proposal by 30 November 2012 and has expressed its intention to have the amended transmission pricing methodology in place for the April 2015 pricing year.

Outlook

Despite improved inflows into its catchments, Meridian expects its earnings for the half year to December 2012 to be below the prior corresponding period. This expected outcome is driven by reduced demand and resulting lower generation, higher acquired generation from hedge contracts taken during the 2012 dry winter impacting this quarter and higher transmission costs.

Current storage levels are satisfactory and should inflows remain at more normal levels for the balance of this financial year, an improved annual result is in prospect.

However further delays to the commissioning of the HVDC's new Pole 3 link recently announced by Transpower, lower demand with consequent volume and price impacts and increased transmission costs are also likely to bear on this year's results.

We expect that trading and hydrology conditions will be clearer at the time of our reporting the first half results in February 2013.