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## Annual Public Meeting

7 December 2011

# Today's Agenda

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- About Meridian – Chris Moller, Chair
- The year's highlights – Chris Moller, Chair
- Our progress against strategy – Tim Lusk, CEO
- People, community and environment – Tim Lusk, CEO
- Financial highlights – Paul Chambers, CFO
- Trading update, outlook and opportunities – Paul Chambers, CFO
- Questions & Answers



# About Meridian

*“We're committed to creating a better energy future”*

- Integrated renewable electricity generator and retailer
- New Zealand's largest generator
- Strong portfolio of future generation options in New Zealand and internationally



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*West Wind, Wellington  
62 turbines, 143MW wind farm*



*CalRENEW-1, California USA  
50,000 PV panel, 5MW solar facility*

# The 2010/11 Year in Numbers



## Financial & Investment

**\$659.9m EBITDAF\*** (3% increase)

**\$683.6m dividends paid**

**64MW Te Uku wind farm  
commissioned**

**420MW Macarthur wind farm  
construction commenced in  
partnership with AGL Energy**

## Operational

**272,776 customer connections**  
(7% increase)

- 35% increase in North Island
- 104% growth in Powershop

**28% Improvement in lost-time injury  
frequency rate**

**0.18% Hydro forced outage factor –  
best in 19 years**

\***EBITDAF** – Earnings before Interest, Taxation, Depreciation, Amortisation and Financial Instruments

# Major Events

- Canterbury Earthquakes
- Sale of Tekapo power stations
- Continued flat market demand
- Active retail market – high competition and churn
- High inflows across the country
- Mixed ownership



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*Christchurch home to 50% of our staff and 37% of Meridian's customer base*



*Meridian and Genesis staff at the handover of Tekapo A and B*

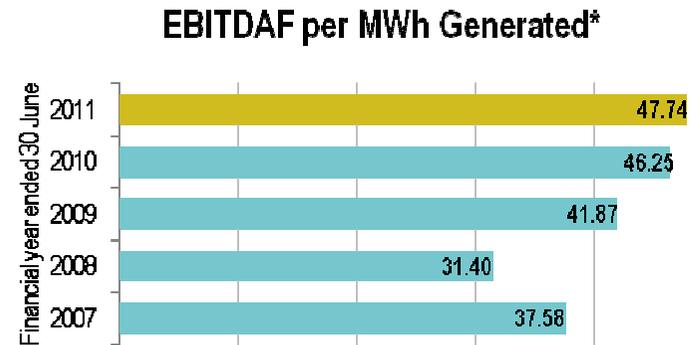
# Sustainably Improving Our Earnings



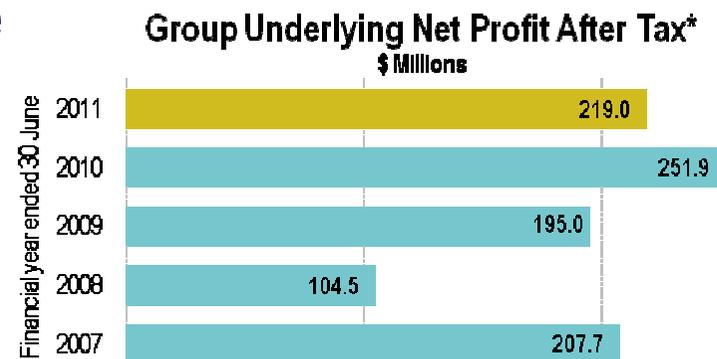
Ensuring Meridian is a high-performing investment that can fund its growth plans

- EBITDAF per MWh generated increased 27% since 2007
- 15.8% Average Annual Total Shareholder Return over the last 5 years
- Standard & Poor's BBB+, positive outlook, credit rating
- \$684m of dividends paid; final dividend of \$69.4m declared

\***EBITDAF** – Earnings before Interest, Taxation, Depreciation, Amortisation and Financial Instruments



\*EBITDAF per megawatt hour (MWh) generated by our generation assets (including international assets)



\* Group Underlying net profit/(loss) after tax excludes unrealised fair value movements and other one-off items

# Growing Value Through the Development of Renewables

## New Zealand projects at various stages

- Te Uku completed
- Central Wind investment ready
- Pukaki (Gate 18) hydro consent granted
- Mill Creek consent granted for 26 turbines

## Leveraging into offshore markets

- Construction commenced on 420MW Macarthur wind farm

## Diversification through new technologies

- 10 GWh output from CalRENEW-1



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First tower section at Macarthur wind farm



Te Uku wind farm, 28 turbine, 64MW

# Lifting Our Customer Game

## Improving the Retail segment's contribution

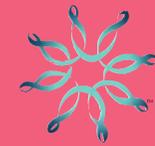
- 7% increase in customer connections
- Rebalancing of our customer portfolio from South Island to North Island
- Powershop retail brand growing fast

## Enhancing our customer service

- Powershop ranked top and Meridian Retail leading other major retailers in Consumer NZ survey

## Service and operational improvements

- New billing system and innovative products



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# People and Health and Safety

- Canterbury earthquakes – approx 50% of our team live in Christchurch
- 28% reduction in Lost-Time Injury Frequency Rate – well below industry average

Health & Safety Metrics	Annual Target	2011	2010	Industry Average
Number of Lost Time Injuries	nil	3	5	NA
Lost Time Injury Frequency Rate	nil	1.8	2.5	6.3



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Tim Lusk signs The Pledge committing to Christchurch



Meridian signed up to the Zero Harm Pledge

# Community

## Community Fund Programme

- Supporting projects with long-term benefits

## Community liaison

- To keep an open dialogue with asset communities

## Supporting local economies

- Sourcing materials and contractors close to assets

## National sponsorships

- Supporting the arts, sport and conservation



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*Volunteers tree-planting as part of Living Legends*



*Kurow Museum re-build supported by Waitaki Community Fund*

# Environment

## Active participant in Water Reform

- Land and Water Forum, Canterbury Water Management Strategy

## Managing our farmlands

- High standards in environmental management

## Award winning projects

- Deloitte Award for Te Uku
- DOC Green Ribbon Award for Project River Recovery

## Greenhouse Gas Emissions Management

- CEMARS certified



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*Meridian receiving Deloitte Award*



*DOC Project River Recovery worker in the Upper Waitaki Basin*

# Financial Highlights



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\$ millions	2011	2010	% Change
<b>EBITDAF*</b>	<b>659.9</b>	641.7	2.8%
<b>Group Net Profit After Tax</b>	<b>303.1</b>	184.0	64.7%
<b>Group Underlying Profit After Tax</b>	<b>219.0</b>	251.9	(13.1%)

Key Metrics	2011	2010	% Change
EBITDAF per MWh Generated	<b>47.74</b>	46.25	3.2%
Underlying Return on Average Equity (excl. Revaluations)	<b>18.5%</b>	19.8%	(6.6%)

\***EBITDAF** – Earnings before Interest, Taxation, Depreciation, Amortisation and Financial Instruments

\*\* **NPAT** – Net Profit After Tax

2.8% EBITDAF growth

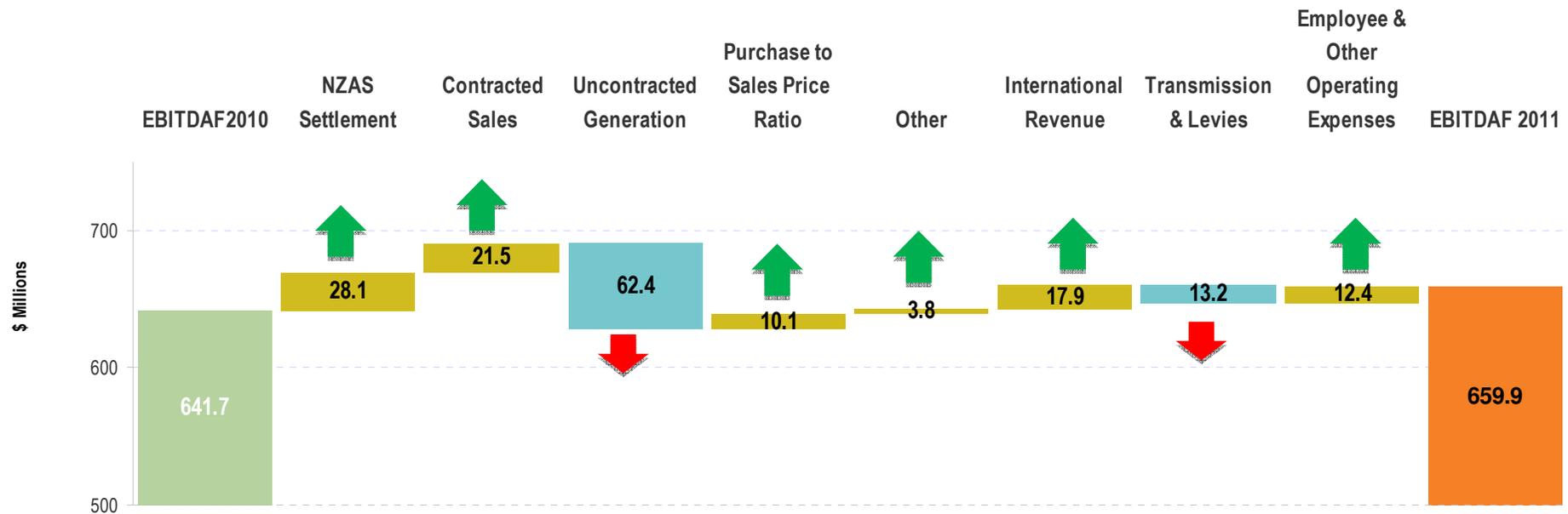
NPAT includes \$157.4m gain (net of tax) on sale of Tekapo power stations

Soft average wholesale prices a key influence on result

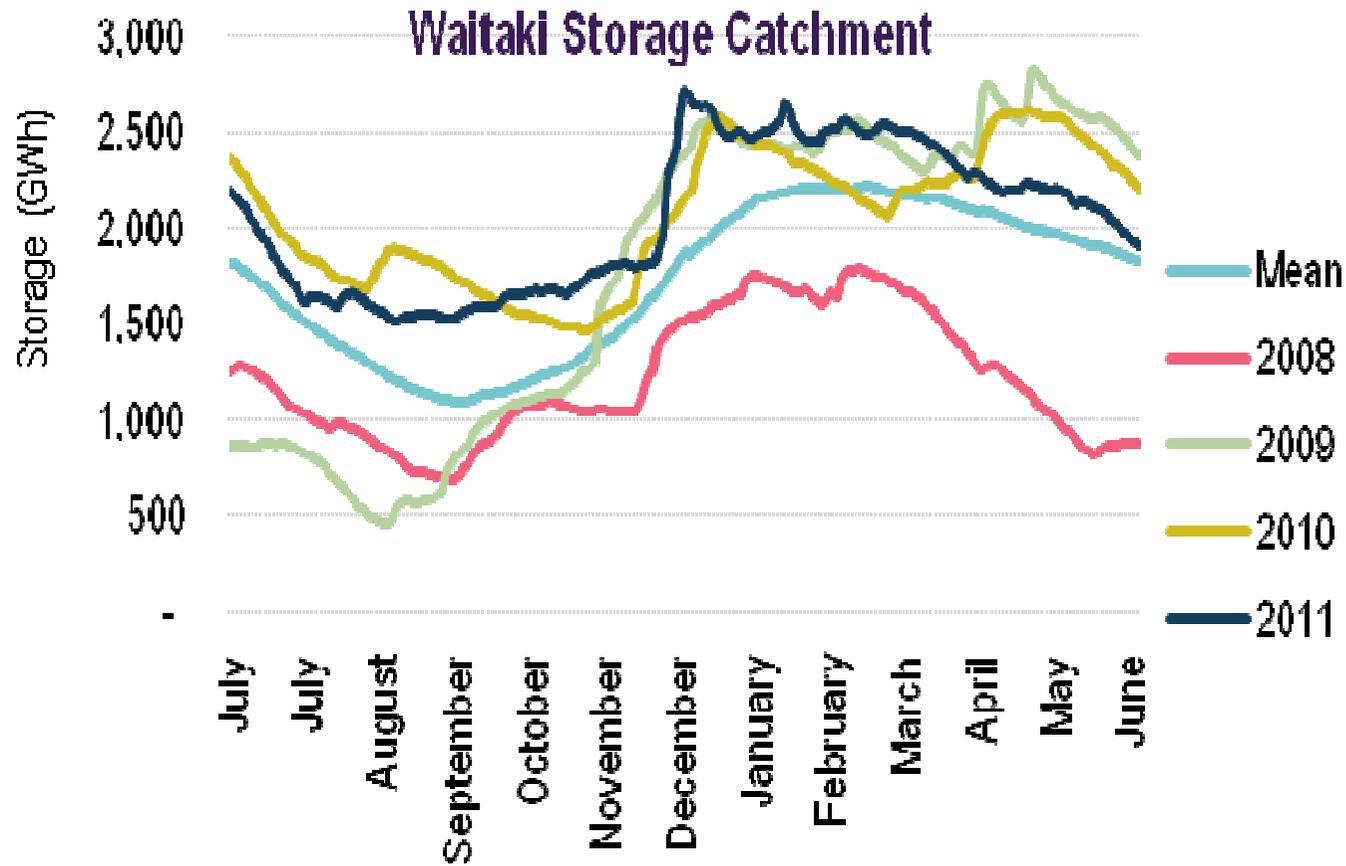
EBITDAF per MWh increased 3.2% in the year



# Key Influences on Earnings (EBITDAF)



# Storage

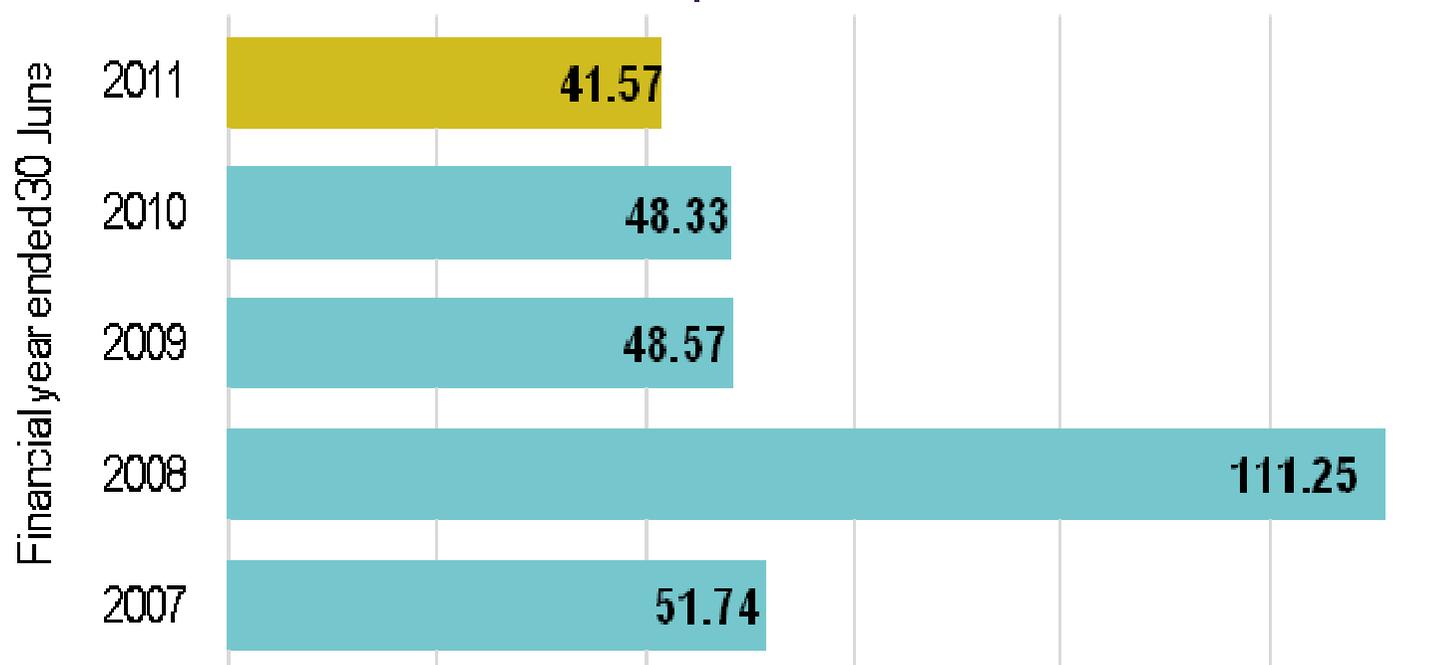


# Wholesale Prices

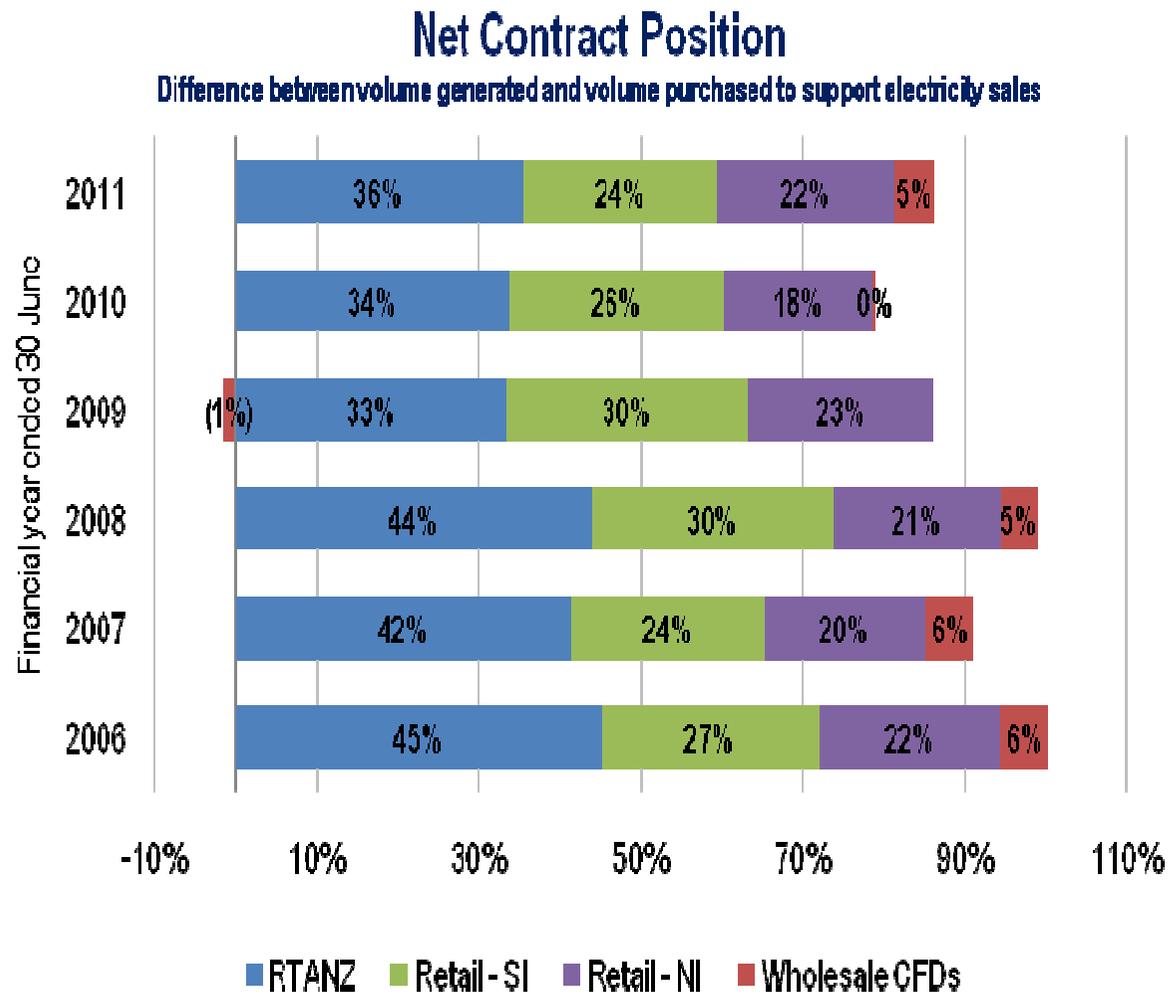


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## Average Wholesale Electricity Price \$ per MWh



# Leveraging the Flexibility of Our Portfolio



# Operating Expenditure



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## Employee and Other Operating Costs \$ Millions

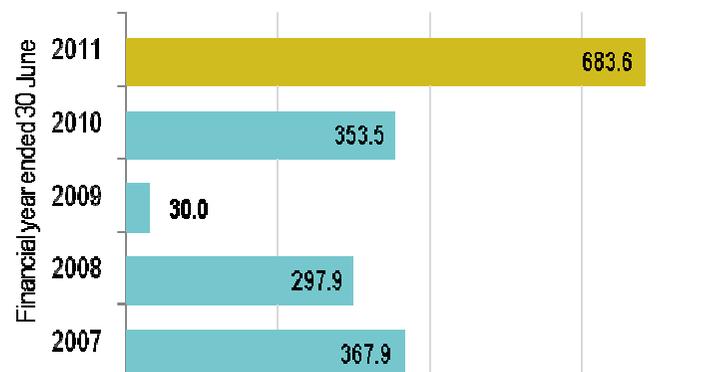


# Shareholder Returns

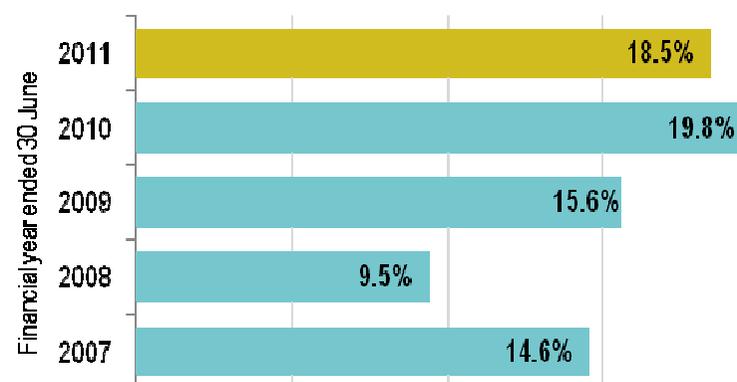


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### Meridian Group Cash Dividend Paid - \$ Millions



### Underlying Return on Equity



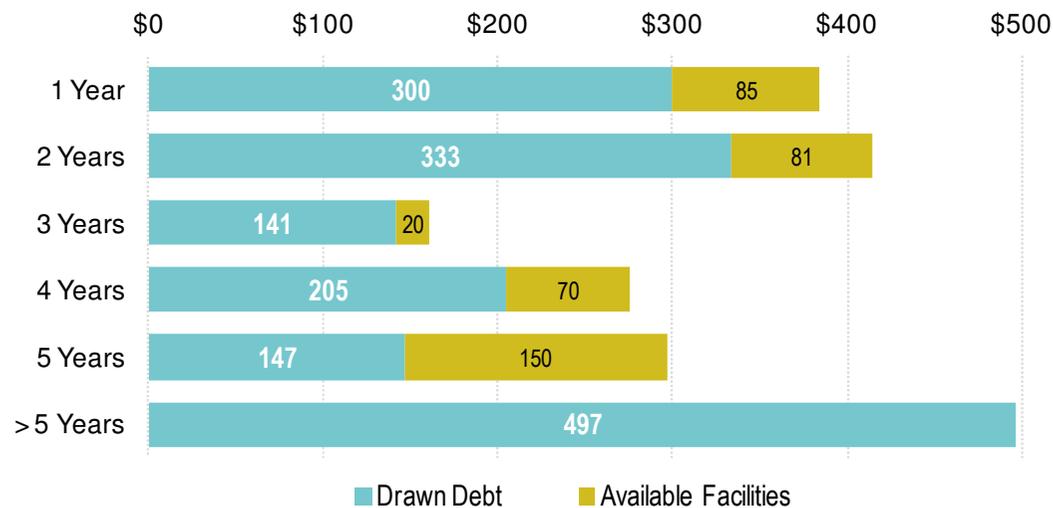
- \$683.6m dividends returned to the Shareholder during 2011 financial year
- \$69.4m final dividend declared for payment on 31 October 2011
- Underlying Return on Equity (excl. revaluations) remains strong at 18.5%

# Funding



- Maintain Standard & Poor’s A2, BBB+ (stable outlook) credit rating
- Cash and undrawn debt facilities of \$774m (cash \$368m) as at 30 June 2011
- Project finance confirmed for Macarthur wind farm development in Australia with ANZ Bank appointed lead arranger and underwriter

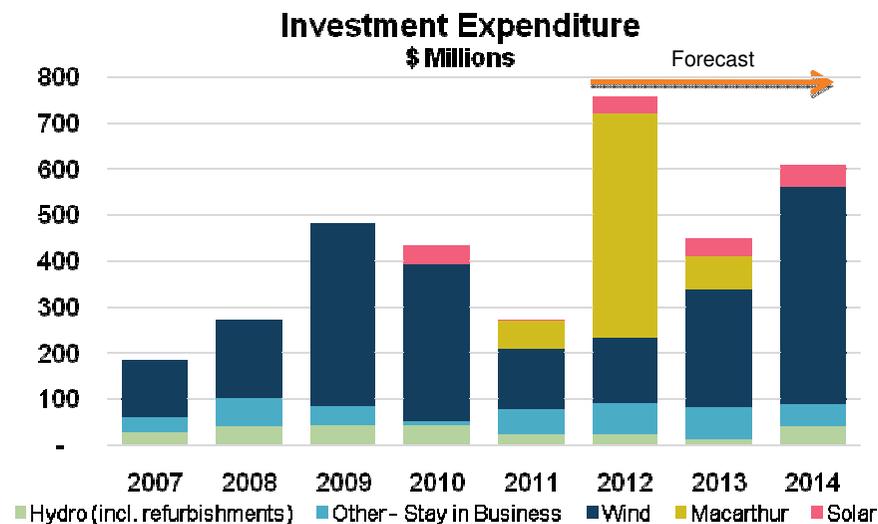
**Debt Maturity Profile (\$millions) as at 30 June 2011**



# Investments



- 2011 investment largely completing the construction and commissioning of the 64MW Te Uku wind farm and commencing construction of the 420MW Macarthur wind farm
- Forecast 2012 investment dominated by construction of the Macarthur wind farm, due for completion during 2013
  - Our investment in Macarthur is ~\$A500m (of which 70% is funded from project finance)



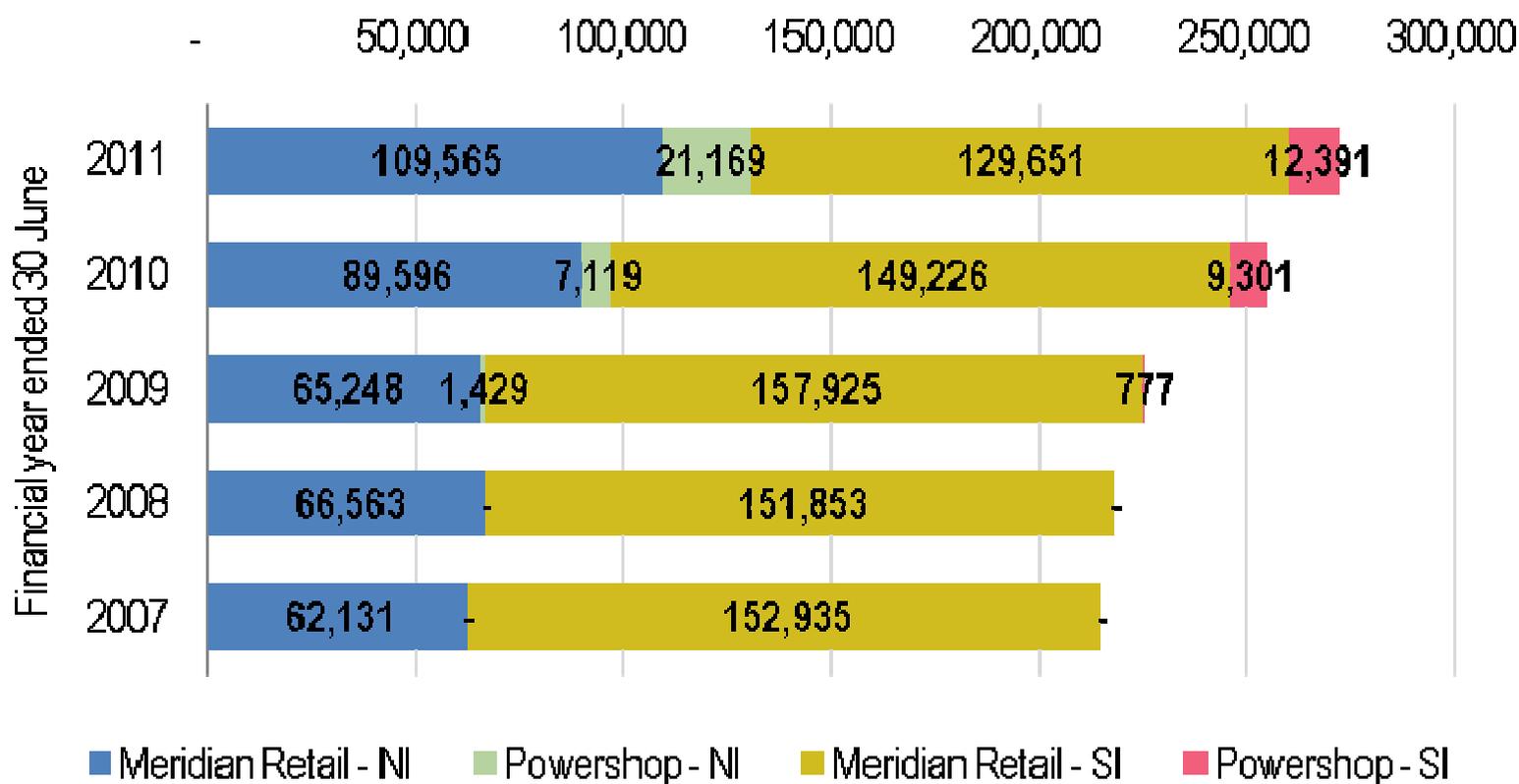
# Retail, Wholesale, Other & International



# Retail Customer Growth



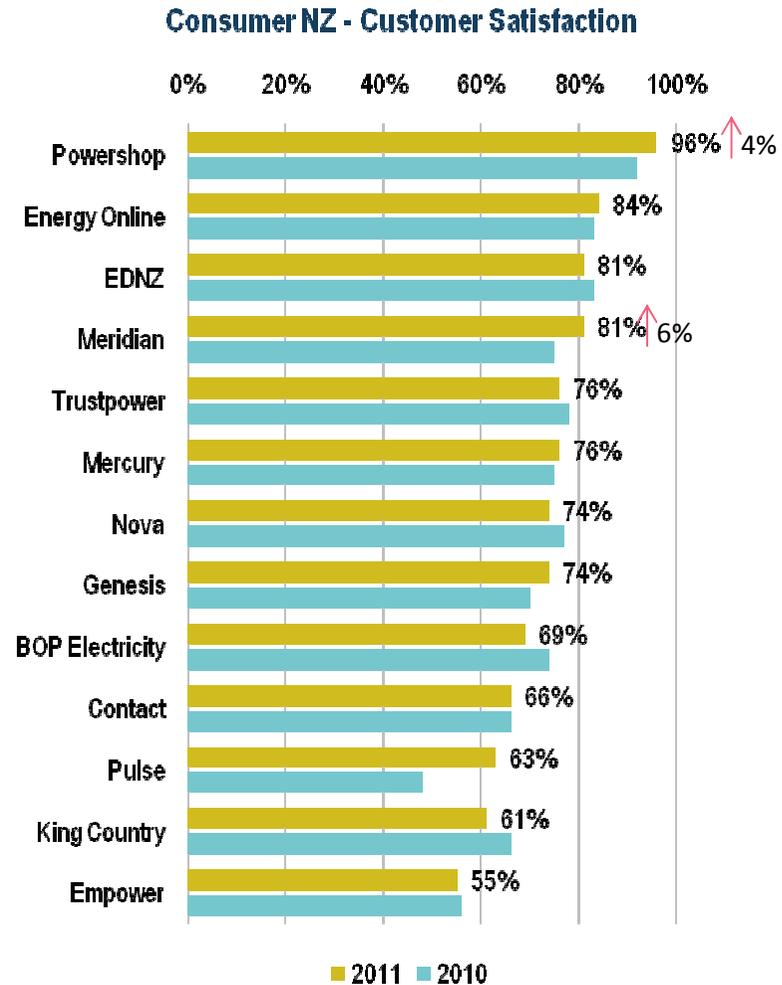
## Installation Control Points (ICPs)



# Improving Satisfaction Metrics



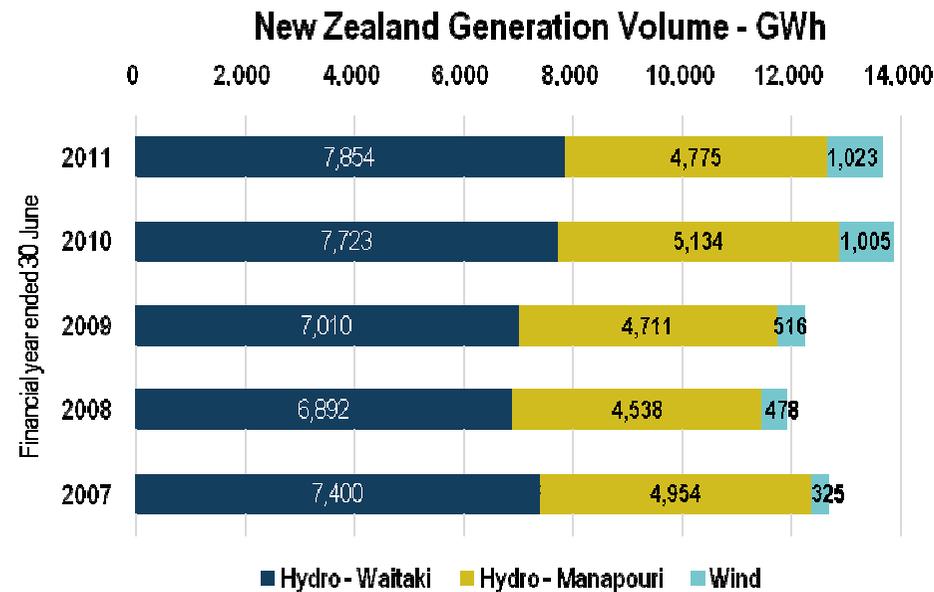
- Powershop leads the Consumer NZ customer satisfaction survey improving 4 points to 96%
- Meridian Retail moved from mid-pack to leading the major retailers on 81% – a 6% increase
- Internal satisfaction measures also up across all customer segments



# New Zealand Generation



- Flat demand growth combined with the sale of Tekapo power stations on 1 June 2011 (average annual generation 1,000GWh) resulted in production falling by 210GWh from last year
- Te Uku, a 28 turbine 64MW wind farm, was fully commissioned in April 2011 with first power in November 2010, 6 weeks ahead of programme



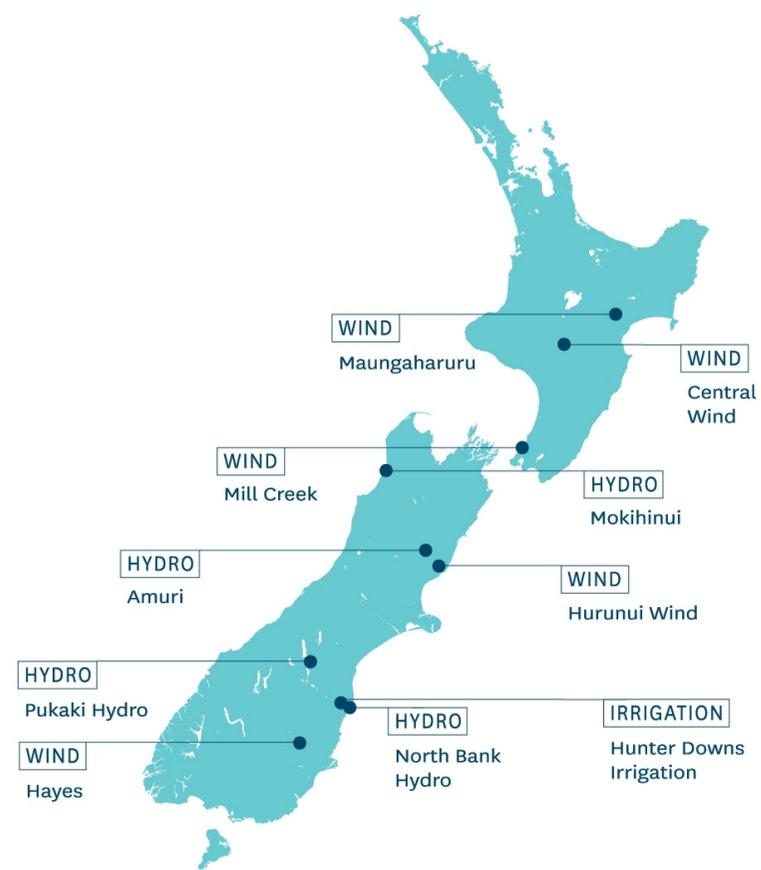
# New Zealand Generation Pipeline



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Development Option	Stage	Capacity
		
Central Wind	Investment ready	120MW
Maungaharuru	Consent held	94MW
Mill Creek	Consent held	60MW
Hayes	Environment Court	630MW
Hurunui	Consultation	76MW
		
Amuri Integrated Hydro Scheme	Water consents, concept design and planning stages	38MW
Pukaki (Gate 18) Hydro	Consents held	35MW
Mokihinui	Environment Court	100MW
North Bank Hydro	Water consent held	260MW
Hunter Downs Irrigation	Environment Court – water rights	NA

## New Zealand Development Pipeline



# International Generation Pipeline



Development Option	Stage	Capacity
		
Macarthur, Victoria, Australia	Construction (50-50 joint venture with AGL Energy)	420MW
Mt Mercer, Victoria, Australia	Preconstruction design	130MW
		
Jacobs Corner, California, USA	Feasibility	20-60MW
San Luis, Colorado, USA	Investigations	40-120MW
Popua, Tongatapu, Tonga	Construction	1MW

- Developing our solar expertise with the aim of bringing this back to this region
- Continuing to explore further growth options in Australia and USA where there is strong regulatory support for renewable energy projects

## Other Segment Performance



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Improved contribution from Energy for Industry (EFI) primary driver of EBITDAF growth

Economic conditions remain challenging for a number of our subsidiaries



# Trading Update, Outlook & Opportunities

*West Wind, Wellington  
62 turbines, 143MW wind farm*

# Quarterly Performance



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\$ millions	3 months to 30 Sep 2011	3 months to 30 Jun 2011	3 months to 30 Sep 2010
<b>Underlying Return on Equity<sup>1</sup></b>	<b>18.2%</b>	18.5%	21.9%
<b>EBITDAF per MWh<sup>2</sup></b>	<b>\$52.8/MWh</b>	\$55.4/MWh	\$54.5MWh

Key Metrics	3 months to 30 Sep 2011	3 months to 30 Jun 2011	3 months to 30 Sep 2010
Total NZ Generation	<b>3,179GWh</b>	3,414GWh	3,386GWh
Total Retail Customer Connections	<b>279,998</b>	272,776	257,879

1. Using Underlying Profit/(Loss) after Tax – calculated as profit after tax excluding earnings from unrealised fair value movements on financial instruments and other one-off items net of tax. This return is calculated on a rolling 12 month basis.

2. Earnings before interest, taxation, depreciation, amortisation and financial instruments divided by generation volumes.

Below average inflows into Waitaki catchment

Generation decreased due to prudent management and Tekapo sale

Increased average wholesale prices

Total retail customer connections increased by 7,222

New CEO announced

# Outlook



- Recent inflows return hydrology levels to about average
- Sale of Tekapo stations will reduce generation volumes by approximately 1,000GWh pa reducing generation revenues
- Demand still remains a challenge
- Several planned transmission outages and overlapping thermal outages
- Retail competition will remain intense

# Opportunities



- Meridian's medium-term development pipeline has options well-placed in the generation merit order
- Medium to long-term growth expected to return, lifting wholesale prices to the long-run marginal cost
- Pole 3 completion provides opportunity
- Retail brands are well positioned to continue customer growth

# Disclaimer



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Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks. Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

Furthermore, while all reasonable care has been taken in compiling this presentation, Meridian cannot guarantee it is free from errors.



# Thank You

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*Benmore Power Station  
6 Generators, 540MW*