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Annual Financial Results

12-Month Period to 30 June 2009





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Tim Lusk
Chief Executive

Neal Barclay
Chief Financial Officer

- **Constrained HVDC (Pole 1 out) and North Island transmission constraints**
- **180 MW demand reduction at Tiwai Point from transformer failure from November**
- **Softening demand due to the economic slowdown**
- **Recovering from Winter 2008 then “The Deluge”**
- **Price separation between the North and South Islands**
- **Aggressive Retail competition particularly in Christchurch**

We Have a Sound Strategy in Place



- **Sustainably improve our earnings / optimise our portfolio**
- **Lift the financial, service performance and product offerings of our Retail business**
- **Quality development options to deliver *more* renewable generation growth**
- **Invest in new disruptive technologies related to our core business to create value**

2008/09 – Key Achievements



- **Pleasing financial result for the year –** bounced back from Winter 2008
- **Declared \$143.9m normal dividend** (75% of underlying profit) **and \$150M special dividend**
- **Strong competition in Retail –** we have grown customer numbers by 2.5% year-on-year
- **Completed the rollout of 112,000 smart meters**
- **State-of-the-art, in-house Customer Contact Centre established in Christchurch**
- **Launched Powershop to offer customers on-line choice and control of electricity use**
- **Started trading electricity futures on the ASX**
- **West Wind now nearing completion –** the “world’s best wind farm” will provide power for about 70,000 homes annually



West Wind Facts

● Land area	53 sq km
● Towers	67m high, 124 tonnes each
● Nacelle	87 tonnes each
● Blades	Fibreglass, 40m long
● Foundations	370 m ³ concrete, 48 tonnes of steel each
● Cabling	45km underground

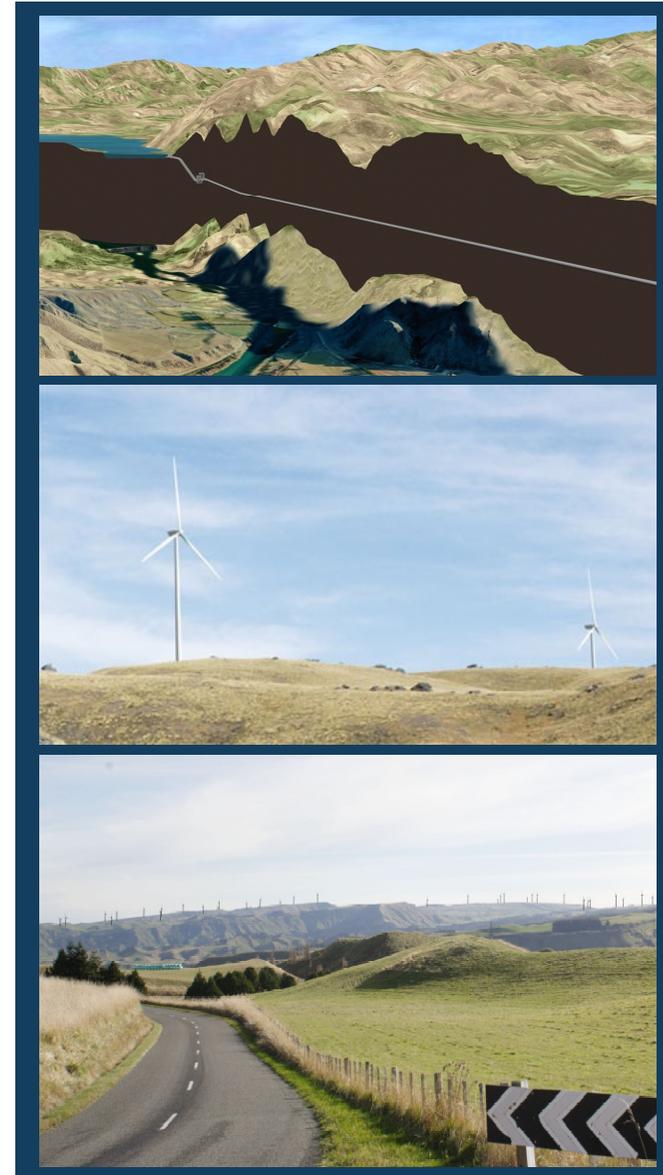
Construction & Other Facts

● Wharf	Temporary, 128 meters long
● Barge Trips	293 trips, 500 components
● Earth Works	2 million cubic meters moved
● Roads	42km of roads
● Community Fund	\$200,000 over first 3 years

Quality Development Options



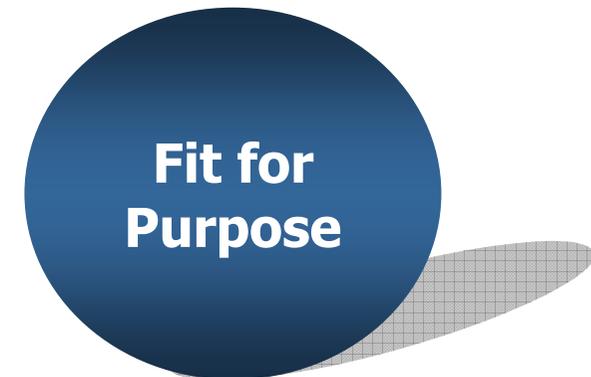
- **Consent applications before the Environment Court:**
 - The 220-280 MW North Bank Tunnel hydro concept (water-use consent)
 - The up to 630 MW Project Hayes wind farm in Central Otago
 - The 120 MW Central Wind wind farm project in the central North Island
 - The 67 MW Mill Creek wind farm near Wellington
- **We are pursuing the 64 MW Te Uku wind farm near Raglan**
- **Awaiting resource consent decision on 85 MW Mokihinui hydro station on west coast**
- **\$67m Benmore Refurbishment underway**
 - Will improve asset life by 40 years
 - Deliver 3% water efficiency improvement



Lifting Our Performance



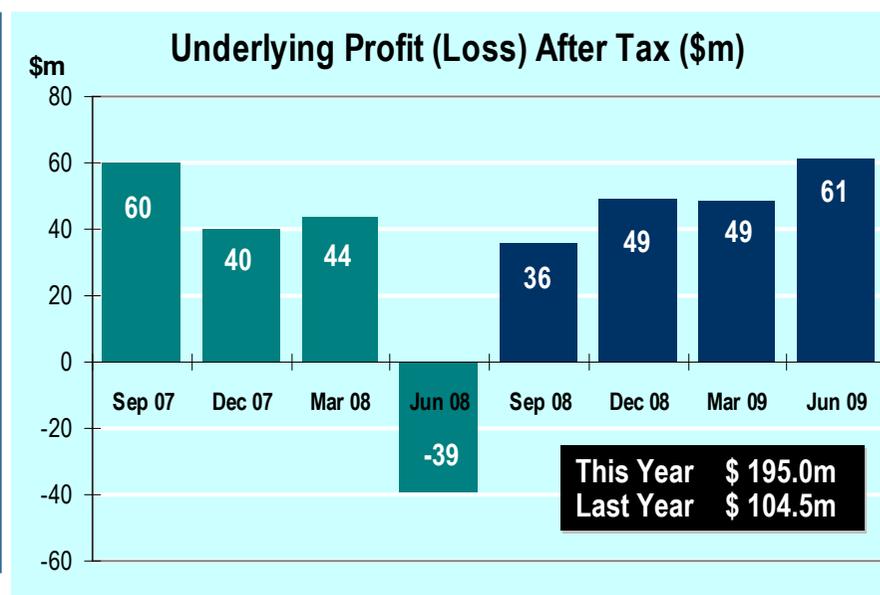
- **We acknowledged the need to lift our financial performance**
- **Late in 2008, we embarked on our “Fit for Purpose” programme to implement changes**
- **Key initiatives:**
 - Smaller, more effective corporate capability
 - Significant reductions in our retail cost-to-serve
 - Customer service improvements
 - Information technology and procurement performance improvements
 - Highly disciplined capital allocation processes
- **Implementation**
 - Began in May 2009 with restructuring of the Executive Team
 - Will be substantially complete by the end of 2009



Earnings Summary

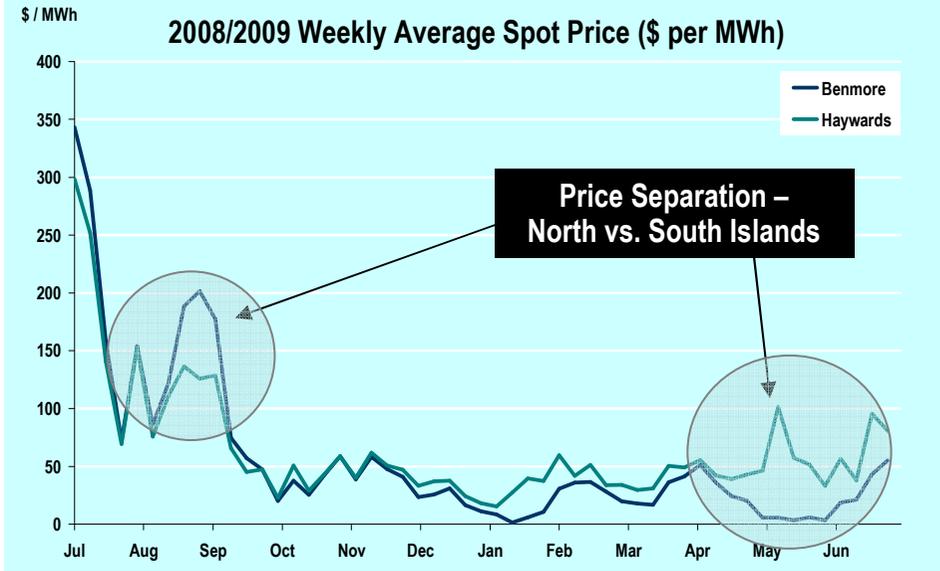
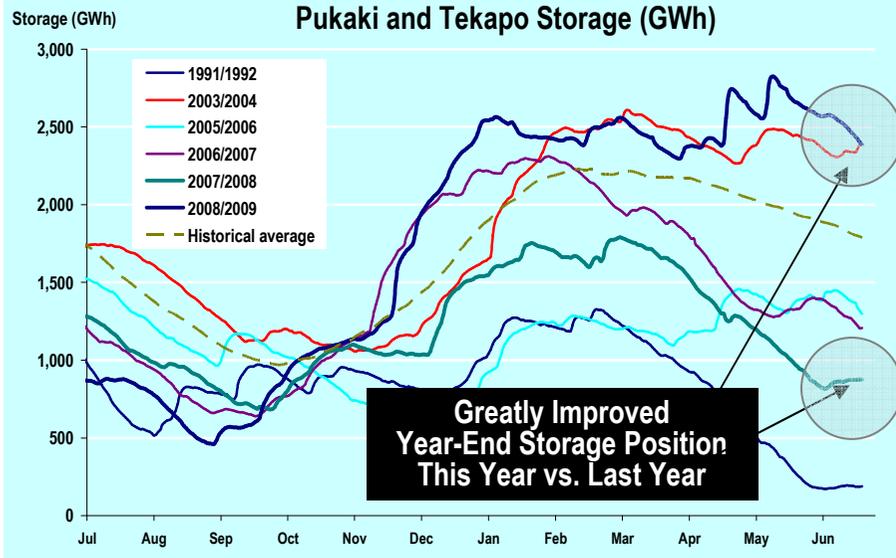


\$M	FY 2009	FY 2008	Better / (Worse) Year-on-Year	
			\$M	%
Energy Operating Margin	741.4	646.0	95.4	15%
Other Operating Costs	(10.5)	(50.7)	40.2	79%
Employee & Other Expenses	(218.5)	(221.4)	2.9	1.3%
EBITDAF	512.4	373.9	138.5	37%
Reported Profit After Tax	89.3	128.6	(39.3)	(30%)
Underlying Profit After Tax	195.0	104.5	90.5	87%

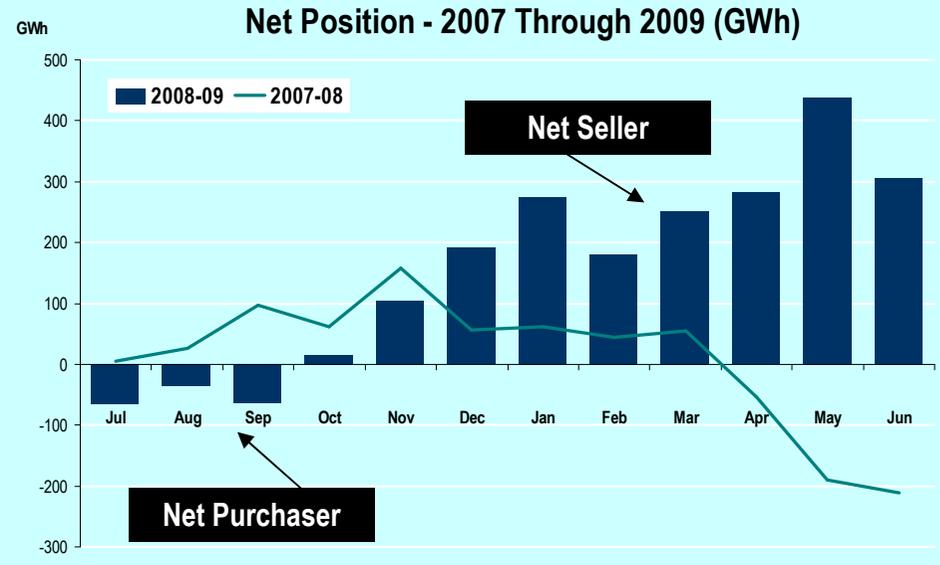


- **EBITDAF up 37% year-on-year – result of improved operating conditions**
- **Underlying Profit (after tax) up 87% from last year – last 3 quarters up on previous year quarterly results**
- **Reported profit down 30% from last year - impacted by unrealised losses on financial instruments**

Operating Conditions



- Unavailability of Pole 1 of the HVDC constrained North-South flow
- Tiwai Point demand down 180MW since November
- Net purchaser of energy from the market to meet customer commitments during first part of the year
- Greatly improved end-of-year storage position in 2009 compared to last year



Statement of Corporate Intent Performance



Measure	Units	Target	This Year		Last Year	
			2009 Result	Compared to Target	2008	Year-on-Year Change
Equity to Total Assets	%	59.9	59.7	●	58.4	+ 1.3
Return on Average Equity	%	3.3	2.1	●	3.0	- 0.9
Underlying Return on Average Equity	%	4.0	4.6	●	2.4	+ 2.2
Net Debt / (Debt + Equity)	%	20.3	20.9	●	18.3	+ 2.6
EBITDAF Interest Cover	Times	5.1	5.9	●	6.0	- 0.1
EBITDAF per MWh	\$ / MWh	\$ 38.74	\$ 41.87	●	\$ 31.40	+ 10.47
Hydro Plant Availability	%	91.5	92.6	●	94.4	- 1.8
Hydro Forced Outage Factor	%	0.35	0.43	●	0.38	+ 0.05
Residential Customer Satisfaction	%	52	54	●	NA	-
Lost-Time Injuries	#	0	11	●	5	+ 6

- Strong underlying return on average equity
- Earnings yield (EBITDAF per MWh) up 33% from last year
- Balance Sheet in strong position
- Residential customer satisfaction ahead of target
- Health and Safety performance not good enough

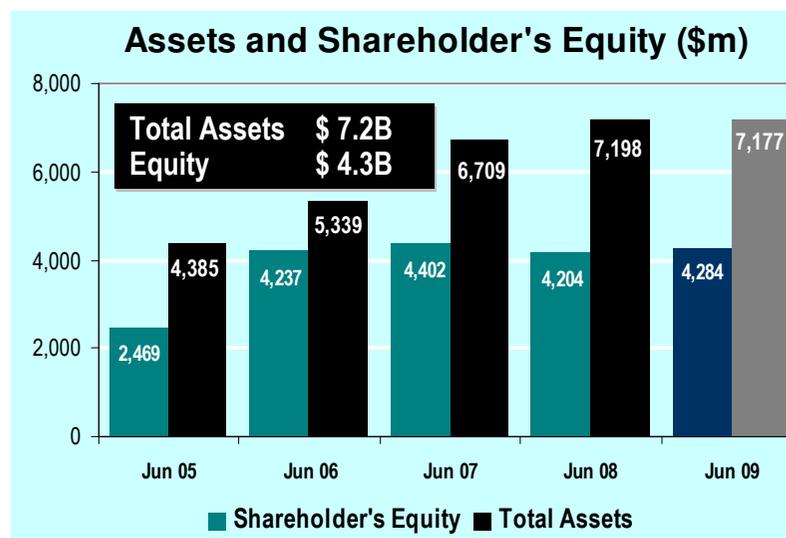
Financial Position



\$M	30 June 2009	30 June 2008
Current Assets	267	605
Non-Current Assets	6,910	6,593
Total Assets	7,177	7,198
Current Liabilities *	234	596
Term Borrowings	1,252	943
Derivative Financial Instruments	106	125
Deferred Tax Liability	1,301	1,329
Non-Current Liabilities	2,536	2,247
Total Liabilities	2,893	2,993
Equity	4,284	4,204
Total Facilities Available	755	700
Financial Headroom	410	450

* Current portion of term borrowings, \$123.2m (2009), \$149.8m (2008) shown under "Term Borrowings"

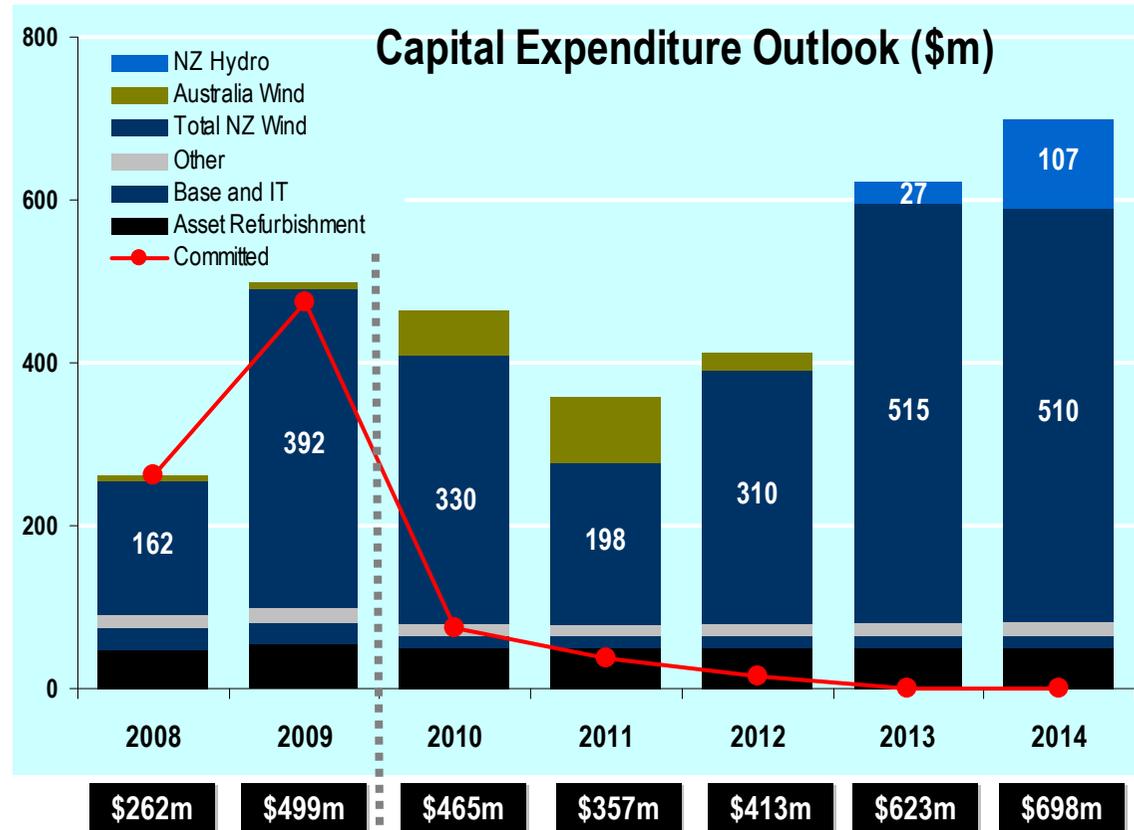
\$M	2010	2011	2012	2013	2014 to 2019
Debt Maturity	469	Nil	225	Nil	480



Capital Expenditure Profile



- **\$2.6 billion investment over next five years**
- **5-year investment profile comprised of:**
 - Asset refurbishment \$250m (10%)
 - NZ Wind projects \$1,863m (73%)
 - NZ Hydro projects \$134m (5%)
 - Australia Wind projects \$160m (6%)
 - Base, IT, subsidiaries and other \$149m (6%)



- **Significant investment profile – particularly in 2013 and 2014**
- **Capital committed only over next 12-18 months**

Regulatory Issues and Outlook for 2010



Regulatory

- **Ministerial Review**

- Committed to engaging in the issues identified in the Ministerial Review
- Support for recommended changes to industry governance, security of supply and retail competition
- Suggested a proposal for a liquid wholesale hedge market to improve retail competition
 - will cost less, is better and faster than an asset swap

- **HVDC and Transmission**

- NZ needs a durable transmission pricing methodology for the medium to long term
- We welcome and support commitment to investment in transmission

- **Water Reform** – Meridian is the largest user of fresh water in NZ – we are participating in the Minister's land and water reform process

Outlook for 2010

- **Starting storage position this year is significantly better than last year (~2400GWh vs. 800 GWh)**
- **Significant challenge to implement Fit for Purpose initiatives**
- **Cautiously optimistic of a good result for 2010 – but it's still early!**



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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 Energy accepts no responsibility for any errors or omissions.



Supplementary Information



Income Statement Summary



\$M	FY 2009	FY 2008	Year-on-Year Change	
			\$M Better / (Worse)	% Better / (Worse)
Energy Sales and Related Services Revenue	1,892.4	2,600.1	(707.7)	(27%)
Other Revenue	20.5	19.8	0.7	3.5%
Total Operating Revenue	1,892.4	2,600.0	(707.6)	(27%)
Energy-Related Costs	(788.5)	(1591.0)	802.5	50.4%
Energy Transmission and Distribution Costs	(373.0)	(413.7)	40.7	9.8%
Total Energy-Related, Transmission and Distribution Costs	(1,161.5)	(2,004.7)	843.2	42.1%
Employee Costs	(76.0)	(69.1)	(6.9)	(10.0%)
Other Operating Costs	(142.5)	(152.3)	9.8	6.4%
Total Employee and Other Costs	(218.5)	(221.4)	2.9	1.3%
Total Operating Expenses	(1,380.1)	(2,226.1)	(846.0)	(38.0%)
EBITDAF	512.4	373.9	138.5	37.0%
Unrealised Gains (Losses) on Electricity Derivatives	(114.1)	45.5	(159.6)	(350.8%)
Depreciation, Amortisation and Other	(169.4)	(152.2)	(17.2)	(11.3%)
Net Finance Costs	(68.4)	(55.2)	(13.2)	(23.9%)
Unrealised Gain (Losses) on Treasury Derivatives	(32.5)	(14.3)	(18.2)	(127.3%)
Income Tax Expense	(38.7)	(69.1)	30.4	44.0%
Group Reported Profit After Tax	89.3	128.6	(39.3)	(30.6%)
Group Underlying Profit After Tax	195.0	104.5	90.5	86.6%

Generation Trends

