



meridian

## Quarterly operating result announcement Meridian Energy Limited

### Reporting Period

Three month period ending 31 March 2011

<b>FINANCIAL STATISTICS</b>	3 months to 31 Mar 2011	3 months to 31 Dec 2010	3 months to 31 Mar 2010	12 months to 30 June 2010
<b>NZ \$m</b>	current quarter	previous quarter	prior quarter comparative	prior year comparative
Underlying Return on Equity <sup>1</sup>	19.1%	21.8%	19.6%	19.8%
EBITDAF per MWh <sup>2</sup>	\$33.62/MWh	\$50.31/MWh	\$48.76/MWh	\$46.29/MWh
Gearing <sup>3</sup>	22.9	22.9	23.2	22.4
EBITDAF Interest Cover <sup>4</sup>	5.7	6.2	7.2	6.7
<b>OPERATING STATISTICS</b>	3 months to 31 Mar 2011	3 months to 30 Dec 2010	3 months to 31 Mar 2009	12 months to 30 June 2010
	current quarter	previous quarter	prior quarter comparative	prior year comparative
<b>Generation (GWh)</b>				
- Hydro generation	3,180	3,173	3,216	12,857
- Wind generation	256	245	246	1,005
<b>Total generation</b>	<b>3,436</b>	<b>3,418</b>	<b>3,462</b>	<b>13,862</b>
Avg Price per MWh Generated	\$27.21/MWh	\$54.54/MWh	\$74.70/MWh	\$48.33/MWh
<b>Retail</b>				
- Meridian Retail ICP's	238,671	238,899	223,572	238,822
- Powershop ICP's	28,414	24,024	12,369	16,440
<b>Total Retail ICP's</b>	<b>267,085</b>	<b>262,923</b>	<b>235,941</b>	<b>255,262</b>
Powershop Contract Sales (GWh)	56	59	19	83
Meridian Contract Electricity Sales <sup>5</sup> (GWh)	1,491	1,482	1,471	5,823
Meridian Spot Electricity Sales (GWh)	411	468	428	1,835
Avg Electricity Purchase Price	\$53.70/MWh	\$61.18/MWh	\$86.28/MWh	\$58.05/MWh

<sup>1</sup> 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.

<sup>2</sup> EBITDAF (earnings before interest, taxation, depreciation, amortisation and financial instruments) divided by NZ generation volumes.

<sup>3</sup> Gearing calculated as Net Debt / (Net Debt+Equity).

<sup>4</sup> Calculated on a rolling 12 month basis.

<sup>5</sup> Retail sales excludes volume sold to RTA Power (NZ) Ltd.

## Operating Commentary

There were two extreme external events that impacted this quarter's financial performance – the 22<sup>nd</sup> February earthquake in Christchurch and the abnormally high wholesale prices on the 26<sup>th</sup> March. The March quarter financials have been prepared under a worse case scenario assuming the 26 March interim prices become final following the investigation by the Electricity Authority.

Average daily wholesale prices fluctuated significantly during the quarter, reaching nearly \$20,000/MWh on 26 March. Meridian, along with a number of other market participants, has filed an Undesirable Trading Situation (UTS) with the Electricity Authority relating to events on this day. The abnormal wholesale prices on 26 March had a net negative impact of \$17.5million on Meridian's Group EBITDAF.

The Christchurch earthquake has impacted Meridian's major customer base as well as our operations as nearly 400 of our staff are based in Christchurch.

Meridian's storage position at the close of the quarter, at 2,488GWh, was 115% of historical average. Inflows experienced in the quarter were consistently above average, at 120% of historical average compared with inflows of 95% of average in the same period last year. Meridian's generation volumes increased slightly from the previous quarter.

Meridian's net contract position has increased to 91.1% by the end of the quarter and the increased contracted volumes were sold at prices higher than available on the wholesale spot market. Reduced demand following the Christchurch earthquake, above average storage, HVDC constraints and outages have led to low average generation prices for our electricity sold on the spot market, which averaged \$27/MWh during the quarter.

Retail competition remains intense, with monthly market ICP churn continuing at similar levels to the September and December quarters. Meridian's total ICP numbers increased by 4,162 during the quarter, with growth in Powershop connections while Meridian Retail growth in North Island ICP's was offset by a decline in South Island ICP's.

Construction of the Te Uku 64MW wind farm near Raglan was completed on 10 March 2011.

## Outlook

National storage continues to track above average levels and this will continue to result in challenging trading conditions with wholesale spot prices expected to remain low in the short term.

Additional uncertainty now exists as Transpower moves into a 15 month period of outages on the HVDC link and the timing of these outages may potentially change.

Assuming mean inflows from this point on and no material impacts from transmission constraints, we expect to achieve our key Statement of Corporate Intent financial performance measures (adjusted for the impact of Tekapo asset sale).