

## Media Statement

24 February 2010

### Strong first half financial result for Genesis Energy

A strong trading performance, including additional revenue from frequency keeping, plus attention to operating expenses, contributed to an unaudited Net Profit After Tax (NPAT) of \$64.6 million for Genesis Energy in the six months to 31 December 2009.

The result, which compared favourably to the 2008 Interim NPAT of \$48.9 million, was achieved against an electricity market back-drop of variable wholesale prices and high inflows of water into the country's hydro storage lakes.

Operating revenue for the six months to 31 December 2009 was down to \$961.4 million from \$1,042.1 million in the same period in 2008. Revenue from external wholesale electricity sales decreased to \$269 million (from \$354 million) due to lower generation volumes and lower wholesale prices. Revenue from retail electricity and gas sales remained static at \$682 million due to aggressive competitor activity in both markets.

Generation output in the six months to the end of December 2009 of 3,919GWh was 411GWh less than the comparable period with both renewable and thermal generation volumes down. The average price received for generation output in the six months to December 2009 was \$51/MWh compared with \$77/MWh for the same period in 2008.

Genesis Energy Chairman Rt Hon Dame Jenny Shipley, DNZM, said the first half result was pleasing and reflected the company's focus on driving greater commercial returns on its assets for its shareholder.

"More than ever, this company is focused on operating profitably and efficiently. We are re-shaping this business to improve shareholder value. This is being achieved by revising the asset management programme of our generation assets and ensuring our retail load profile is aligned with our generation and trading strategies," the Chief Executive, Albert Brantley, said.

During the six months the company made significant progress on a number of fronts. A major milestone was the commencement of commissioning the Kupe Oil and Gas Field. Two production wells were opened in December 2009 and the first sales gas and condensate were processed at the on-shore production station. All of Kupe's natural gas is contracted to Genesis Energy and the company will also benefit from its 31 per cent share of Kupe's other fuel products.

Genesis Energy has a target to consent and construct 300MW of renewable energy projects by 2015. Progress continued on this objective with accelerated work on a range of generation development projects. The most visible of these are two wind

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farm sites in the Wairarapa. Six 80-metre high wind monitoring masts have been installed in the northern site, east of Eketahuna, and two masts have been erected on the southern site, just west of the Genesis Energy-owned Hau Nui Wind Farm.

The roll out of Advanced Meters for electricity customers continued to grow in pace during the half year. Just over 30,000 Advanced Meters were installed by the end of December 2009. To test customer interest in new products based on Advanced Meters, a peak/off peak tariff was offered to customers with Advanced Meters in West Auckland. The take up of the offer continues to grow as customers realise the benefits of changing their electricity consumption behaviour.

The Chief Executive said the company is on track to exceed the financial performance targets in its Statement of Corporate Intent for the year ending 30 June 2010.

The company has declared a dividend of \$28.7 million for the first half of the financial year 2009/2010.

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**GENESIS POWER LIMITED**

Half year results for announcement to the market – 24 February 2010

<b>Reporting Period</b>	6 months to 31 December 2009
<b>Previous Comparable Reporting Period</b>	6 months to 31 December 2008

	Unaudited	Unaudited	
	31 December 2009 Amount (000s)	31 December 2008 Amount (000s)	Percentage change
<b>Revenue from ordinary activities</b>	\$NZ961,352	\$NZ1,042,099	7.7% decrease
<b>Profit (loss) from ordinary activities after tax</b>	\$NZ64,552	\$NZ48,934	31.9% increase
<b>Net profit (loss)</b>	\$NZ64,552	\$NZ48,934	31.9% increase

<b>2010 Interim Dividend</b>	\$28,700		
<b>Interim Dividend Payment Date</b>			24 February 2009

<p><b>Commentary:</b></p> <p><b>(i) Results</b></p>	<p>A strong trading performance, plus attention to operating expenses, contributed to an unaudited Net Profit After Tax (NPAT) of \$64.6 million for Genesis Energy in the six months to 31 December 2009.</p> <p>The result, which compared favourably to the 2008 Interim NPAT of \$48.9 million, was achieved against an electricity market back-drop of variable wholesale prices and high inflows of water into the country's hydro storage lakes.</p> <p>Operating revenue for the six months to 31 December 2009 was down to \$961.4 million from \$1,042.1 million in the same period in 2008. Revenue from external wholesale electricity sales decreased to \$269 million (from \$354 million) due to lower generation volumes and lower wholesale prices. Revenue from retail electricity and gas sales remained static at \$682 million due to aggressive competitor activity in both markets.</p> <p>Generation output in the six months to the end of December</p>
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	<p>2009 of 3,919GWh was 411GWh less than the comparable period with both renewable and thermal generation volumes down. The average price received for generation output in the six months to December 2009 was \$51/MWh compared with \$77/MWh for the same period in 2008.</p>
<p><b>(ii) Outlook</b></p>	<p>Genesis Energy expects to meet, and may exceed (subject to seasonal factors) the financial performance targets in its Statement of Corporate Intent for the year ending 30 June 2010.</p>

# Genesis Energy

## Interim Financial Results

Six month period ended 31 December 2009

24 February 2010

# Financial Highlights

- Net profit after tax - \$64.6 million
  - Up \$15.7 million on the \$48.9 million result achieved last year
- Strong wholesale trading performance including revenue from providing frequency keeping services
- Underlying earnings - \$70.0 million (up \$22.8 million on last year)
- Total borrowings - \$571.8 million (down \$26.2 million on last year)
- Shareholders' equity - \$1,449.5 million (up \$18.0 million on last year)
- An interim dividend of \$28.7 million

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# Financial Results Summary

Key Financial Information	Half Year Ending		Variance
	31-Dec-09	31-Dec-08	
	\$M	\$M	\$m
Revenue	961.4	1,042.1	(80.7)
Expenses	(826.0)	(923.6)	97.6
<b>EBITDAF<sup>1</sup></b>	135.4	118.5	16.9
Depreciation and Amortisation	(38.3)	(43.3)	5.0
Impairment and Other Items	(3.5)	1.8	(5.3)
<b>EBIT</b>	93.6	77.0	16.6
Net Interest Expense	(5.5)	(6.9)	1.4
Income Tax Expense	(23.6)	(21.2)	(2.4)
<b>NPAT</b>	64.6	48.9	15.7
<b>Underlying Earnings After Tax<sup>2</sup></b>	70.0	47.2	22.8

<sup>1</sup>Earnings before net interest, income tax, depreciation, amortisation, financial instruments, impairment and other gains and losses

<sup>2</sup>Underlying Earnings After Tax removes one-off items

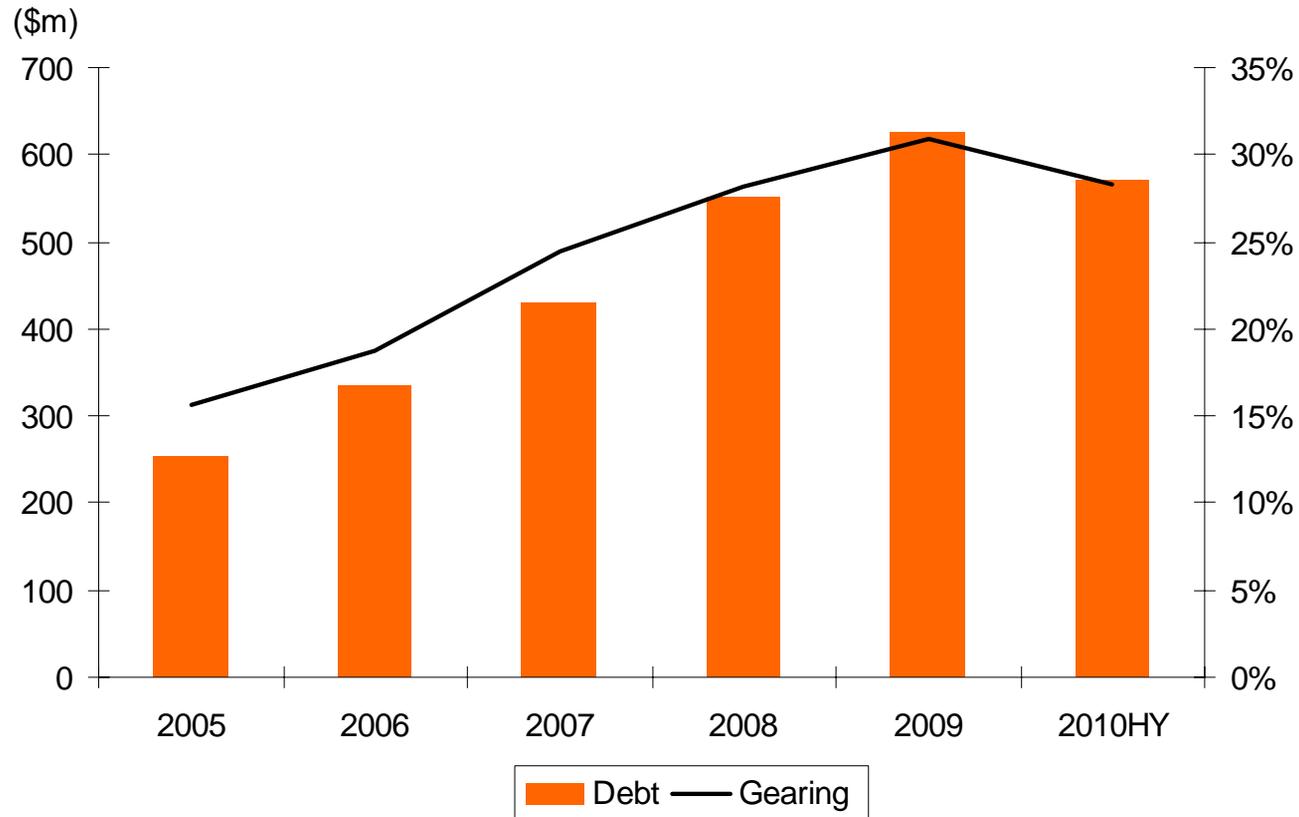
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# Operating Revenue and Expenditure

- Operating revenue decreased by \$80.7m (7.7%)
  - Electricity revenue decreased by \$69.1m (7.2%)
  - Gas revenue decreased by \$13.6m (18.1%)
- Operating expenditure decreased by \$97.6m (10.6%)
  - Electricity purchases, transmission and distribution costs were down by \$96.8m (18.5%)
  - Fuel consumed costs decreased by \$10.1m (5.7%)
  - Gas purchases and transmission decreased by \$6.2m (10.2%)
  - Employee costs were down by \$1.9m (6.1%) while other operating costs were up by \$17.3m (13.2%)

# Debt and Gearing (Debt/(Debt + Equity))



- Debt has grown during a period of significant investment activity

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# Operational Highlights

Half Year Ending 31 December:	2009	2008	Movement
Thermal generation (GWh)	2,809	3,194	(385)
Hydro and wind generation (GWh)	1,110	1,136	(26)
<b>Total generation (GWh)</b>	<b>3,919</b>	<b>4,330</b>	<b>(411)</b>
Average wholesale electricity price (\$/MWh)	51	77	(26)
Retail sales (GWh)	3,490	3,588	(98)
Gas used for generation (PJ)	13	13	0
Coal consumed (PJ)	13	17	(4)
Retail gas sales (PJ)	2.7	3.5	(0.8)

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# Segment Results

## Retail Segment

<i>Half Year Ending:</i>	31-Dec-09	31-Dec-08	Variance
	\$M	\$M	\$m
Revenue	682.1	681.5	0.5
Electricity purchase, transmission and distribution	(534.0)	(524.8)	(9.1)
Gas purchase and transmission	(54.6)	(60.8)	6.2
Other Operating Costs	(82.9)	(76.1)	(6.8)
Total Operating Expenses	(671.6)	(661.8)	(9.8)
<b>EBITDAF<sup>1</sup></b>	10.5	19.7	(9.2)
Depreciation and Amortisation	(3.5)	(4.0)	0.4
Other Items	0.2	(0.0)	0.2
<b>Profit before tax</b>	7.2	15.7	(8.5)

## Production Segment

<i>Half Year Ending:</i>	31-Dec-09	31-Dec-08	Variance
	\$M	\$M	\$m
Revenue	573.6	670.8	(97.2)
Electricity purchase, transmission and distribution	(191.3)	(313.1)	121.8
Fuel consumed	(166.6)	(176.7)	10.1
Other Operating Costs	(66.6)	(55.6)	(11.0)
Total Operating Expenses	(424.4)	(545.3)	120.9
<b>EBITDAF<sup>1</sup></b>	149.1	125.4	23.7
Depreciation and Amortisation	(29.6)	(34.5)	4.9
Other Items	(2.4)	1.6	(4.0)
<b>Profit before tax</b>	117.1	92.4	24.7

1. Earnings before net interest, income tax, depreciation, amortisation, financial instruments and other significant items

*Note: Production Segment Revenue includes external wholesale electricity revenue of \$269M for half year ending 31-Dec-09 and \$354M for half year ending 31-Dec-08*

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# Huntly Units 1 to 4



- Commercial hedging arrangements for Huntly Units 1 to 4 continue to be required
- Hedge agreement with Meridian Energy signed in 2009 has assisted position, but further commercial arrangements need to be pursued into future years
- Variety of asset management options are being investigated to secure maximum operational flexibility whilst maintaining an appropriate return to the shareholder

# Planning for future generation



- Pre-feasibility studies underway on a number of wind and hydro prospects
- Wind monitoring masts capturing data on two sites in the Wairarapa
- Rodney project gained resource consents and Plan Change
- Work is progressing on geothermal opportunities

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# Ministerial Review of Electricity Market Performance

- Pro-competitive reform decisions welcomed by Genesis Energy
- Commercial negotiations with Meridian Energy commenced on:
  - Tekapo A and B transfer
  - Virtual hedging arrangement (450GWh per annum)
- Anticipating asset acquisition, retail launch in South Island commenced 8 February 2010

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# Business Outlook

- Electricity market conditions are expected to remain highly competitive
- Continued expansion of retail offering in the South Island
- Continued focus on improving customer service
- Advanced metering rollout will continue – focus on offering innovative tariffs to improve customer choice
- Kupe revenues will increase cashflows
- Carbon pricing commences 1 July 2010
- Investment continues in developing economic generation options

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# Making a difference to New Zealand

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