# 2013 Interim Result

## Six months to 31 December 2012

**PROVEN STRATEGY DELIVERS EXCELLENT RESULTS**

Albert Brantley
CHIEF EXECUTIVE

Andrew Donaldson
CHIEF FINANCIAL OFFICER

# DISCLAIMER

This presentation may contain projections or forward looking information ("Forward Looking Statements"). Such Forward Looking Statements are based on current expectations and involve risks, uncertainties and assumptions. Forward Looking Statements are not guarantees of future performance or results. Actual performance and results may differ materially from those stated in any Forward Looking Statements. This could arise for a number of reasons, including any of the assumptions underlying such Forward Looking Statements proving to be inaccurate or incorrect.

Genesis Power Limited trading as Genesis Energy and its directors cannot and do not give any assurance that the performance or results expressed or implied by any Forward Looking Statement will actually occur.

While reasonable care has been taken in compiling this presentation, Genesis Energy and its directors accept no liability for any errors or omissions. This presentation does not constitute financial advice.

## Introduction

# Sound strategy delivering results

Albert Brantley
Chief Executive

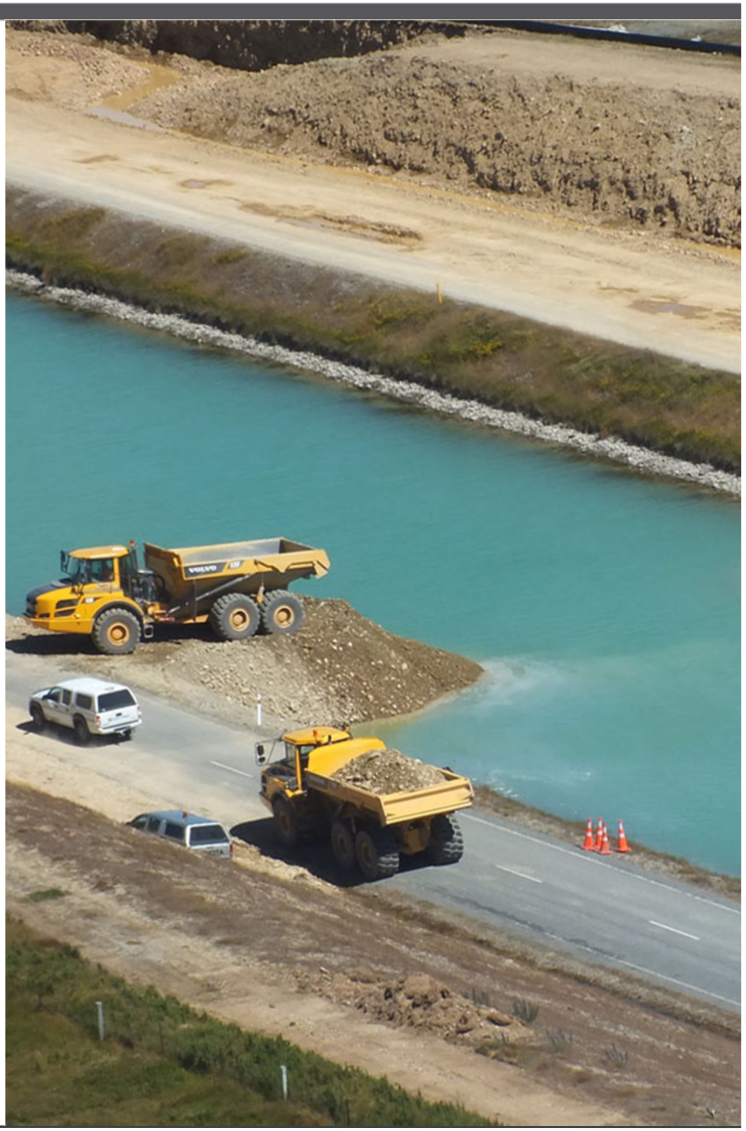
# Performance overview

- **Sound strategy, delivering results**
  - Diversity of assets driving consistent EBITDAF, higher net profit
  - NPAT up 85% to $71m from $38m in H1 2012
  - EBITDAF up 3% at $196m ($190m), despite revenues being down 7%
  - Return to dividends with interim dividend of $57m declared
- **Strategic focus on customer experience**
  - Delivering strong customer loyalty – 16% churn, three percentage points lower than industry
  - New Zealand's leading retailer with 27% electricity market share and 42% gas share

homeiQ: provides customers access to live consumption data

# Ensuring Reliability

- **Investing in our diverse, flexible and strategic assets**
  - Tekapo Canal Remediation Work
    - Projected cost of $145m to $155m over two 14 week outages in FY13 and FY14
    - Ensures long life of canal asset
  - Huntly Unit 5
    - 38 day outage after 50,000 operating hours
    - Plant in excellent condition
  - Kupe Oil and Gas Field
    - Forecast reserves extends life
- **Carried out planned withdrawal of Huntly Unit 3 from market**



Tekapo Canal Remediation: installing a coffer dam

## Customer Experience

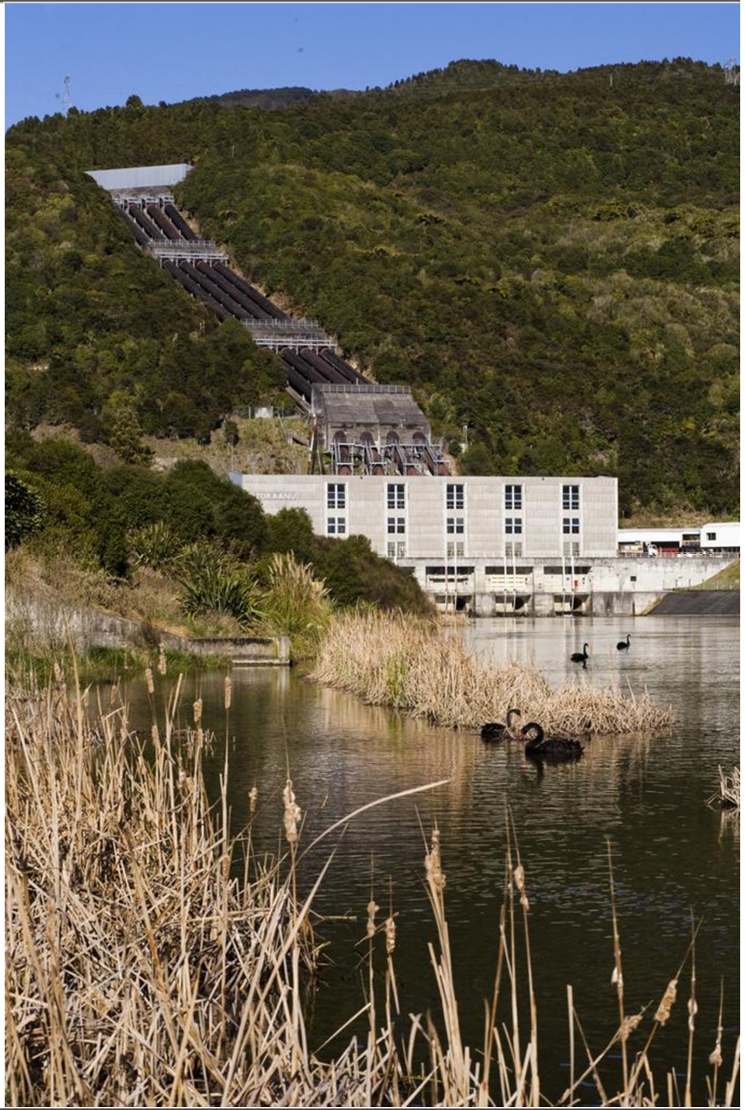
# Leading retailer

- 664,000 customers - stable in a competitive market
- Growing South Island customer base as proportion of total – up 25% to 75,762
- 300,000 Advanced Meters installed, 60% of customer base
- Continued multi-rate tariff trials and HomeiQ products
- Tomorrow Street initiative demonstrating technologies and tools for customer benefit

## Diverse portfolio

# Providing flexibility

- Total generation down 5% to 3,786GWh (3,983GWh in H1 2012)
- Thermal down 10% to 2,273GWh (2,524GWh)
- Renewable up 4% to 1,513GWh (1,460GWh)
- Huntly Power Station overall output lower due to Unit 5 planned outage and Unit 3 retirement
- Coal-fired generation up 4%
- Coal stockpile down 32% to 1.0 million tonnes
- Geographically diverse generation assets with both North and South Island hydro, plus North Island thermal



Tokaanu – North Island hydro

genesis ENERGY

# Huntly Power Stations

- Major lifecycle milestone for Unit 5 (400MW CCGT)
  - First (6 yearly) major outage at 50,000 operating hours for maintenance 15 October to 23 November 2012
  - Plant in excellent condition
- Coal/gas fuelled units commercial approach – only run if price covers cost
- Critical in underpinning market flexibility
- Signaled plans for coal/gas units:
  - Huntly Unit 3 (250 MW coal/gas fired) put in long term storage on 12 December 2012
  - Second unit forecast to be stored from December 2014, but optionality built into this schedule


Huntly Power Station – regular maintenance is required

## Creating Options

# Demand-side focus

- Generation market is currently fully developed
- Our generation projects give us future options
- Castle Hill Wind Farm and Rodney thermal site consented and are options for the future
- We will invest in new plant only if it's more economical than buying from the wholesale market
- Our focus is on business development and innovation as a whole
- Development of new products and concepts for our customers continues
- Partnering with global innovators

Castle Hill Wind Farm consented and provides option for future.

# Safety is a priority

- ZERO harm strategy delivering results
- Lost time injuries down, medically treated injuries down
- Committed to developing our people
- Low turnover rates in employees, well below industry norms in technical, operational and customer service areas
- Workplace among industry leaders in terms of health and safety and well being
- Completed organisational re-alignment

# Financial results

Strong result, return to dividends

Andrew Donaldson
CFO

# Strong result driven by business diversity

Genesis Energy's strategies of optimising its generation portfolio and focusing on its customer base are delivering stronger financial results.

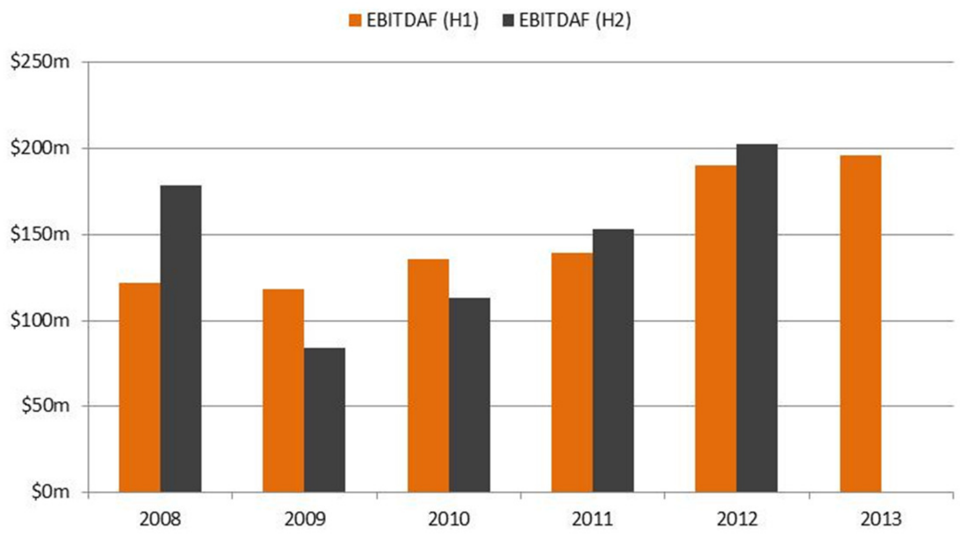
- Diverse generation portfolio delivering consistent results
- Increased hydro generation offset by lower thermal generation
- Depressed wholesale electricity prices reduced revenues
- Share of retail market holds firm, plus more than 75,000 South Island customers
- Kupe continues to make significant contribution
- Balance sheet in stronger position
- Return to dividend payments

# Profit and Loss Highlights

| YEAR | H1 2013 | H1 2012 | change | FY 2012 |
|---|---|---|---|---|
| | $m | $m | % | $m |
| OPERATING REVENUE | 1,031 | 1,112 | -7% | 2,270 |
| OPERATING EXPENSES | 835 | 921 | -9% | 1,878 |
| EBITDAF | 196 | 190 | 3% | 393 |
| NET PROFIT AFTER TAX | 71 | 38 | 85% | 90 |

- Revenues down 7% to $1,031m
- EBITDAF up 3% to $196m
- Net profit after tax up at $71m from $38m in H1 2012
- EBITDAF margin at 19.0%, up from 17.1% in previous comparable period
- Lower prices and sales volumes offset by lower purchase and operating costs

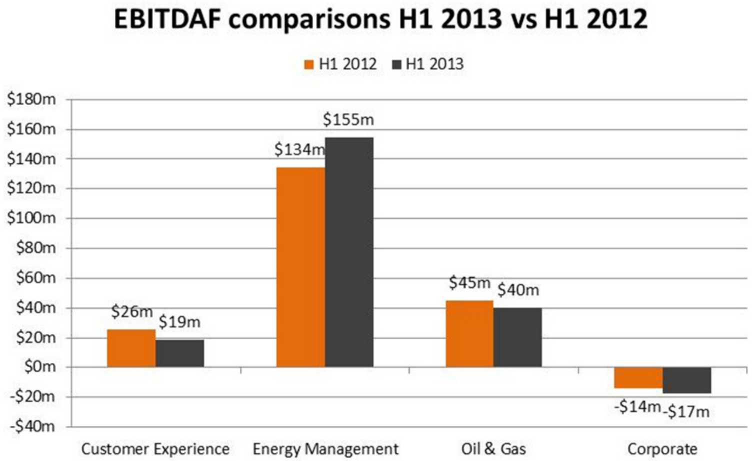
# Consistency in EBITDAF over last 2 years

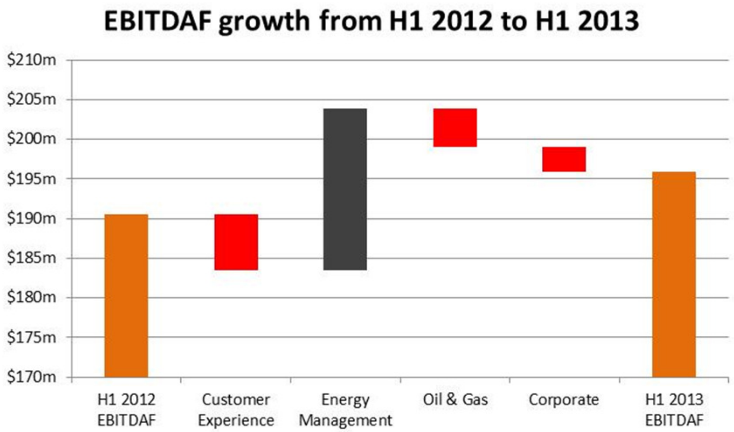



Hydrology and wholesale price is a less significant driver than in previous years

- Wholesale prices in H1 2013 close to 20% lower than H1 2012
- Consistency reflects return on Kupe and Tekapo contribution
- Diversity now also driving consistency across H1 and H2

# Segment analysis (EBITDAF)



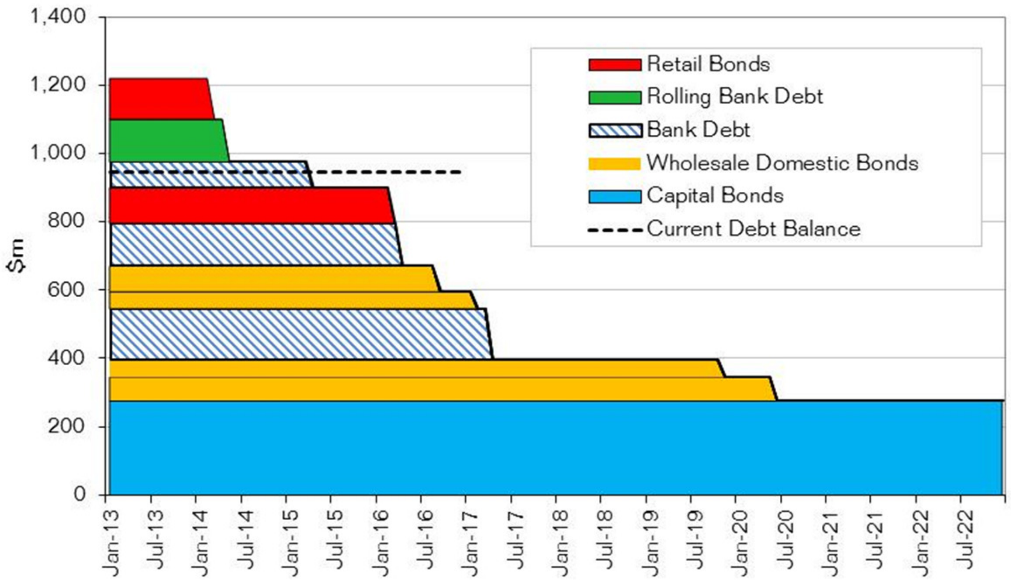

- Increase in EBITDAF in H1 2013 vs H1 2012 due to improved Energy Management result:
  - Proportionally lower operating costs
  - Lower cost of generation (ie fuels consumed)
- Kupe result lower due to planned outage
  - Lower oil and gas sales volumes in Q2

# Improved Balance Sheet and Cashflow

| YEAR | H1 2013 | H1 2012 | Change | FY 2012 |
|---|---|---|---|---|
| | $m | $m | % | $m |
| Total assets | 3,560 | 3,620 | -2% | 3,636 |
| Total liabilities | 1,683 | 1,877 | -10% | 1,835 |
| Total debt | 945 | 1,157 | -18% | 1,019 |
| Total equity | 1,877 | 1,743 | 8% | 1,800 |
| Inventories | 128 | 166 | -23% | 127 |
| Debt / (Debt + Equity) | 33.5% | 39.9% | -6.4% | 36.2% |
| Operating cash flow | 218 | 146 | 50% | 369 |
| Investing cash flow | -93 | -35 | 163% | -69 |

- Debt down 18% vs H1 2012 and by $74m since 30 June 2012
- Debt re-profiled with lower interest cost and longer maturity
- BBB+ rating maintained
- Gearing now at optimal levels
- Coal stockpile down 32% at 1,003kt
- Operating cash flow up by $72m (+50%)
- Disciplined capital expenditure planning and control

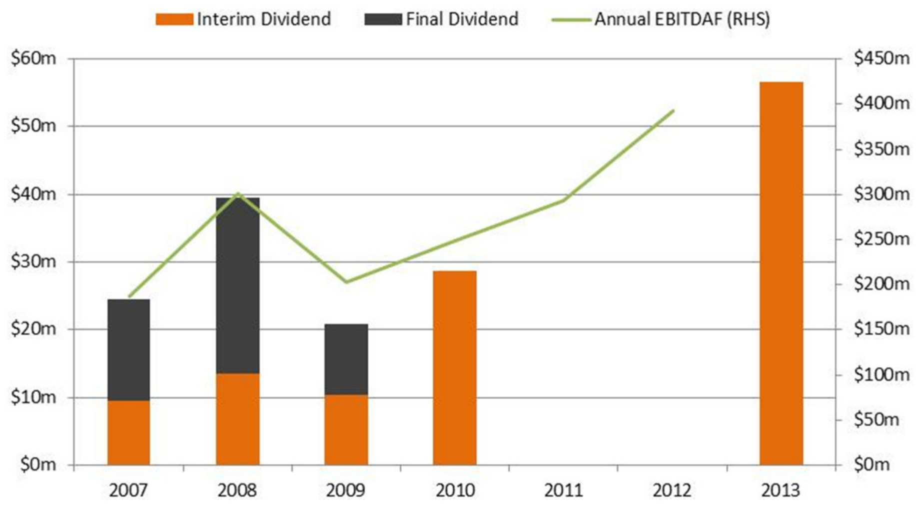
# Debt profile




- Debt amounts and maturity show flexibility in profile
- No significant maturities until 2016
- Significant headroom at current levels of debt
- Current markets providing opportunities to further optimise debt profile and interest costs

# Dividend payments return

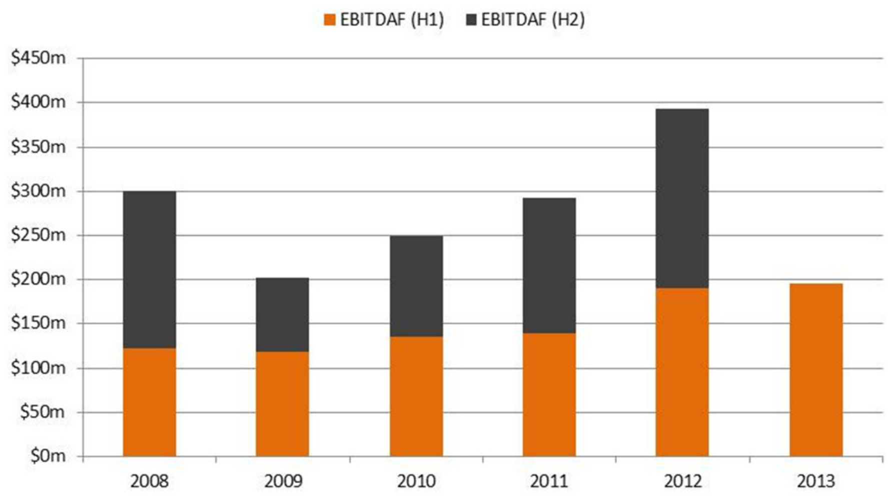
Genesis Energy will pay a dividend that provides shareholders with a consistent, reliable and attractive return, even in periods of business cycle downturn.




- Interim dividend of $57m declared
- First dividend to be paid since FY 2010
  - In line with plan to suspend payments while acquisition of Tekapo A and B absorbed
- Returning to interim and final dividend payments

## Financial results

# Consistency in earnings is key




- Some growth through better portfolio optimisation and growth in retail margins
- Costs under control
- Earnings consistency key for return to regular dividend payments
- Tekapo canal remediation is the major capex commitment over next few years
- EBITDAF in H2 2013 likely to be down slightly on H2 2012 due to Tekapo outage
- Full year 2013 NPAT expected to exceed prior year

# Conclusion

genesis ENERGY

## Delivering consistent results, supported by optimised operational performance and committed people.

Albert Brantley - Chief Executive