

Albert Brantley

Slide 4 - Introduction

Good morning everybody welcome to the Genesis Power Limited public meeting. My name is Albert Brantley. I am Chief Executive of Genesis Energy and I thank all of you for joining us today discuss our financial performance this past year as well as our operational and strategic directions.

Over the last few years, the Board and Management have worked very hard to reposition Genesis Energy as a highly disciplined business, concentrating on our diversity in generation assets and earnings and the benefits of our substantial customer base. There has been a great deal of work involved and we are now starting to see the rewards.

Slide 5 – Overview of results

We believe our strategy is delivering great results, and as New Zealand's largest energy retailer, it would appear our customers agree. We serve nearly 670,000 customers throughout the country, and have leading positions in the retail electricity and gas market, and a growing share of the LPG market.

At Genesis Energy, we focus on our New Zealand assets and on delivering industry leading service to New Zealand homes and businesses.

Core to our strategy is that we seek to generate value for the Company by delivering value to our customers - it is a real win-win, both in our wholesale and retail market activities. We are always seeking better optimisation of our generation assets, reductions in back office costs,

reducing customer churn, and delivery of choice and control to our customers.

Total electricity customer numbers are holding firm thanks to our growth in the South Island, which was well supported by our acquisition of the Tekapo assets in 2011.

While we are slightly down on our gas customers for the past year, we have seen a significant 45% increase in our LPG customers over the past 12 months.

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As Dame Jenny has remarked earlier, we are pleased to report an increased NPAT of \$90 million – up from the loss of \$16.6 million last year.

EBITDAF is up \$100 million or 34% to \$393 million.

Our strong financial performance this year has been the result of increased thermal generation and the successful integration of the Tekapo A and B hydro assets into our assets, as well as continued excellent performance from the Kupe Oil and Gas Project.

We have continued our tight control on operating expenses and corporate overheads, and we increased efforts to improve our Balance sheet, paying down \$198 million in debt, increasing operating cashflows by \$123 million and maintaining our BBB+ credit rating with Standard and Pooors.

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This past year has seen intense competition for retail customers, but we have managed to hold our own.

Customer satisfaction levels are now at an all-time high. Customers who rated our total service as 'good', 'very good' or 'excellent' improved to 93% from 90% in June 2011.

The number of advanced meters installed now total close to 285,000, over 50% of our electricity customers, and we are making progress on efforts to take advantage of the data we can access for the benefit of the Company and our customers.

We expect our metrics of lowering churn and improving customer satisfaction to be enhanced as we make greater use of Advanced Metering Technology.

Customer loyalty is important to us, and we use "churn" rate, or the frequency of customer switching, to measure it. New Zealand has the second highest switching rates in the World, and we have concentrated on getting our churn rates down. We are pleased that we have managed to reduce churn rates by the end of September this year to an average of 14%, compared to an industry average of 22%.

We will continue to seek opportunities to be at the forefront in delivering product and service innovations that improve satisfaction and drive loyalty, such as our trial of our homeIQ management system and multi rate tariffs that allow our customers to be in control of their consumption and to lower their costs.

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All of our great customer service is underpinned by generation assets which contribute 18 to 20% of New Zealand's annual generation. Our

generation assets are diversified both by geography and by what fuel they use, whether that is wind, water, gas or coal.

This range of options ensures Genesis Energy is well protected against the well known variability of New Zealand's weather – rain or shine, we have options to deliver.

Total generation for the 12 months to 30 June 2012 was up 30 per cent at 8,467GWh compared to the same period of 2011.

Thermal generation was up 29% at 5,654GWh reflecting dry hydrological conditions in the later part of the financial year and the resulting more frequent dispatch from the coal-fired Huntly units.

The newly acquired Tekapo A and B units contributed 10% of total generation output, and helped to increase generation from renewable resources by 32% from the previous year.

As mentioned previously, coal fired generation was up 167% reflecting the increased demand for thermal plant in the later part of the year. Once again, the coal fired capacity at Huntly was called upon to support the electricity market.

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Huntly is a reliable and flexible asset that we believe still has a fundamental role to play in the National Electricity infrastructure.

Huntly is, in fact, six separate power stations that can be operated and despatched separately. It is in a strategic location, close to key supplies of coal and water, at the end of the Maui gas pipeline, near major load

demand in Auckland and Hamilton, and has limited transmission constraints to clear generation from the site.

This is why we believe Huntly offers significant scope for development, and why achievement of replacement operating consents for the current capacity at the Huntly site this past year was such a milestone. These new consents give us the flexibility of another 25 years of operations from Huntly.

However, the development of newer lower-cost plant and rising maintenance costs means the older dual fueled units at Huntly are being used less frequently. Taking a commercial approach to the operation of Huntly, we will only run the plant if the prices in the wholesale market cover costs.

As a result, we signalled that two of the older 250MW coal fired units are forecast to be placed into long term storage, the first in November 2012, shortly before its certification lapses, and another in December 2014.

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Meanwhile, the Tekapo hydro stations A and B are delivering to expectations and have successfully been integrated into our generation and trading activities.

The location of the Tekapo assets in the South Island gives a great balance to the North Island locations of the Tongariro and Waikaremoana Hydro Schemes.

Through prudent water management and the support from our North Island thermal capacity, we also achieved excellent optimisation of our South Island hydro reserves.

The Tekapo stations added 885GWh to generation volumes during the year, only marginally below the annual average output from Tekapo over the past 20 years, despite this past year having the lowest recorded inflows into the South Island hydro lakes in 79 years.

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Genesis Energy's generation portfolio is supported by our strategic 31% stake in the Kupe Oil and Gas project.

Genesis Energy's share of oil sales from Kupe was down 6% from the same period last year. At the same time, Kupe's gas volumes rose by 8,5%.

Most significantly, Kupe offers great earnings diversity for the Company, and our share of total sales was up 11% to \$134 million, from \$121 million last year.

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Like others in the industry we believe the generation market is currently saturated and we do not expect demand to increase materially in the short-to medium-term. Against this backdrop, It will be difficult to justify the addition of new generation capacity to the market for the immediate future.

Genesis Energy does not pursue new developments for development's sake, and we will only invest in new plant if the cost of the electricity it produces is cheaper than our ability to purchase from the wholesale

market. We have consistently said that the cheapest generation we get may be the generation we never build.

But if we look ahead to a more evenly balanced supply/demand situation, it is essential that we continue to pursue longer-term developments that give us options for the future.

Our focus in the near term is on developing the business through innovation with a specific emphasis on the demands of our customers.

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In conclusion, we believe that the soundness of our strategy is well demonstrated by the financial and operating results we have achieved this past year. Most importantly, we believe that our diversity in generation, earnings and our large number of customers are great strengths for the future.

We have paid a great deal of attention this past year to the structure of our business activities and to aligning the skills of our people with our strategy, and most importantly, making sure our safety and wellbeing practices are second to none.

Our efforts are being rewarded with improving staff productivity, increased engagement and lower than industry staff turnover rates, in all areas.

We are particularly pleased with the reduction in recordable injuries this past year, with a 76% decrease over the previous year. However, at Genesis Energy, we are pursuing a zero harm culture and we have some way to go to reach that.

As Dame Jenny remarked earlier. in the past year, we have made significant changes in our the Leadership Team and in other areas as well. Such a degree of change normally creates a degree of uncertainty, but this change has been accomplished with little or no impact on our business as usual activities, as can be seen from our strong performance. This is a great reflection on the level of commitment from all Genesis Energy employees, and I would like to add my thanks to those of Dame Jenny for all their support this past year.

I have enjoyed great support from the Board this past year, and I would like to thank the directors and particularly Dame Jenny for this.

I believe a lot of hard work has been done and we are well placed to meet the future