



NEWS RELEASE

11 June 2014

NZX: MRP

ASX: MYT

Mighty River Power Capital Bond Roadshow Presentation

Attached is a presentation that Mighty River Power will be presenting over 11 – 12 June 2014 relating to the Capital Bond Offer announced 6 June 2014.

ENDS

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11 – 12 June 2014

Mighty River Power

Capital Bond Roadshow Presentation



Presented by:

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Disclaimer and Important Information

Your attendance at this presentation constitutes your agreement to be bound by the following terms and conditions. Mighty River Power Limited (the Company) has registered a Simplified Disclosure Prospectus dated 6 June 2014 (Offer Document) in relation to an offer (the Offer) of interest bearing capital bonds (the Capital Bonds), a copy of which can be obtained free of charge at www.mrpcapitalbonds.co.nz.

Applications for Capital Bonds can only be made using the application form included in or accompanying the Offer Document. All applicants will need to complete the application form in or accompanying the Offer Document. Please note that the application form included in the Offer Document during the Financial Markets Authority consideration period is an example only. Applications will not be accepted until the offer opens, which is expected to be on 18 June 2014.

Application has been made to NZX Limited (NZX) for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this presentation have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. The NZX Debt Market is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act 1988.

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► CAPITAL BOND ROADSHOW PRESENTATION

Offer highlights

Ranking and security	The Capital Bonds are unsecured and subordinated to all other indebtedness, other than indebtedness ranking equally with, or subordinate to, the Capital Bonds
Offer amount	Up to \$250m, with the ability to accept up to \$50m of oversubscriptions
Credit rating	The Capital Bonds have been assigned a BB+ rating by Standard & Poor's. Mighty River Power's long-term issuer credit rating is BBB+ (stable outlook)
Interest Rate	Minimum Interest Rate and Initial Margin set following Bookbuild - announced on or before Opening Date (18 June 2014). Interest Rate for first five years set on 9 July 2014 as higher of Minimum Interest Rate and sum of Swap Rate plus the Initial Margin Interest payments scheduled to be made quarterly in arrear
Indicative rate range	6.80 -7.00% pa (first five years)
Maturity	11 July 2044
First Reset Date	11 July 2019
Equity content	The Capital Bonds have been assigned an intermediate equity content (50%) classification for quantitative purposes by S&P. Expected to reduce to minimal (0%) at the date falling 20 years before Maturity Date (11 July 2024)
Optional early redemption	Each Reset Date, any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken, a Tax event, a Rating Agency Event or if the outstanding amount is less than \$100m
Deferral of interest	An interest payment can be deferred at any time for up to five years at the sole discretion of Mighty River Power Distribution Stopper in place while any Deferred Interest payment remains outstanding

► BUSINESS OVERVIEW

One of New Zealand's largest electricity companies – with its core business based on low-cost electricity generation complemented by sales to homes and businesses

Market capitalisation of \$3.0bn¹ and enterprise value of \$4.0bn¹

With more than 380,000 customers, we supply nearly

1-in-5²

homes and businesses.

More than

90³**%**

of our annual electricity production is from renewable sources – hydro and geothermal.

EXPERIENCED

and skilled board, with quality governance.

Management team with

DEPTH

of experience in the electricity sector as well as other industries.

The Crown has a minimum

51**%**

shareholding of Mighty River Power.

Issue credit rating.

BB+

Mighty River Power's Standard & Poor's long-term credit rating. **BBB+**

We generate

15-17⁴**%**

of New Zealand's electricity.

1. Based on Mighty River Power's share price as at 31 December 2013

2. Based on aggregated residential and business installation control points as at 31 December 2013

3. The proportion of total equity weighted New Zealand generation that is generated annually from a renewable resource, based on Mighty River Power's percentage ownership of each power station

4. Based on equity weighted generation volumes and taking into account hydrological volatility

➤ BUSINESS OVERVIEW

 **HYDRO**
9 stations on the Waikato River

1,052 

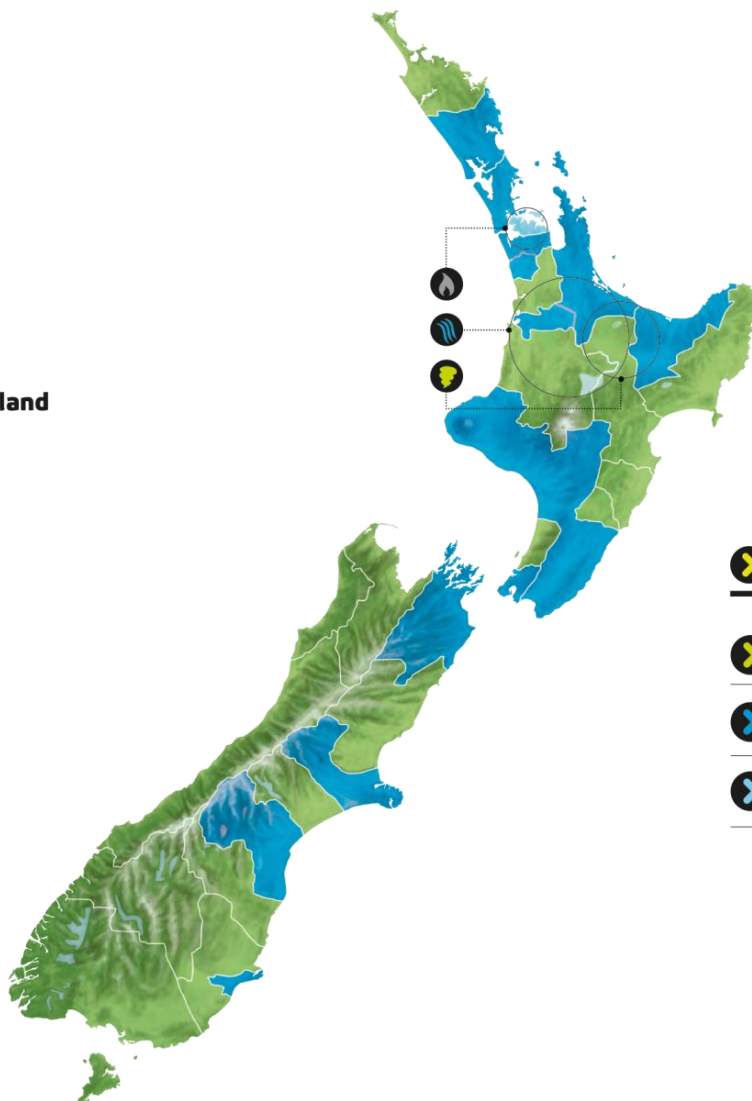
 **GEO THERMAL**
5 stations through the central North Island

334¹ 

 **GAS-FIRED**
1 station, 4 units, Southdown

175 

¹ Equity weighted based on Mighty River Power's percentage ownership of each power station.



 **RETAIL MARKET SHARE (%)**

 0-9

 10-29

 30-49

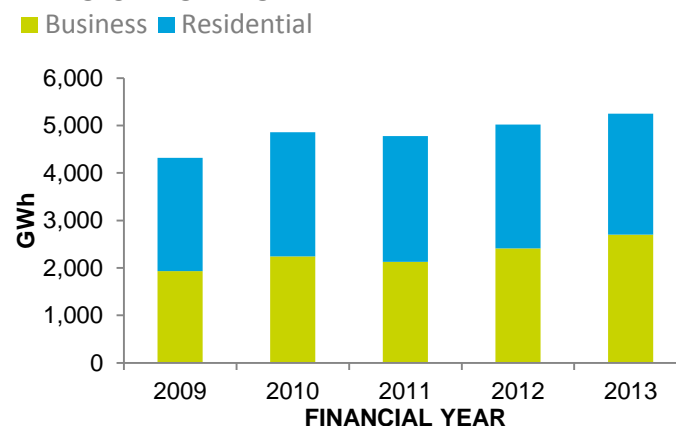
► BUSINESS OVERVIEW

Electricity sales

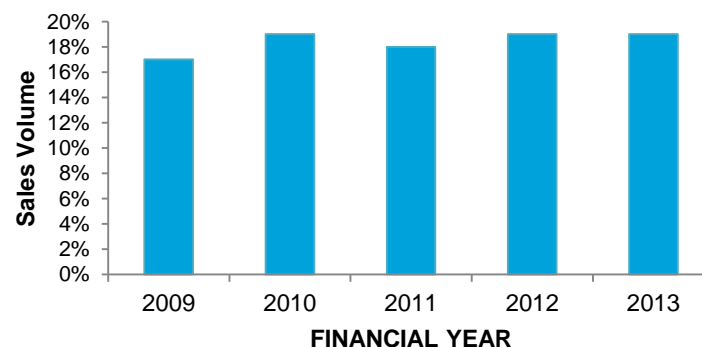
- > Sells electricity to approximately 1-in-5 homes and businesses through multiple brands
- > Selling to over 380,000 customers
- > Mercury Energy is among the country's longest-established major retail electricity brands
- > Niche market brands – GLO-BUG, Bosco Connect and Tiny Mighty Power



PHYSICAL SALES¹



RETAIL MARKET SHARE²



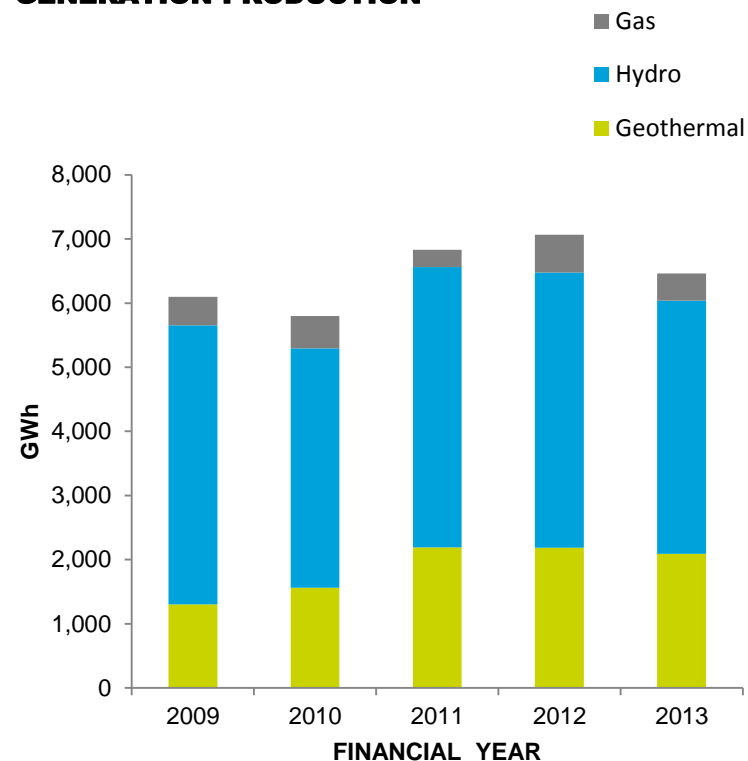
1. Based on fixed price variable volume sales. MRP also uses derivatives such as Contracts for Difference as sales or for risk management purposes
2. Source: Mighty River Power purchases and Transpower SCADA

➤ BUSINESS OVERVIEW

Electricity generation

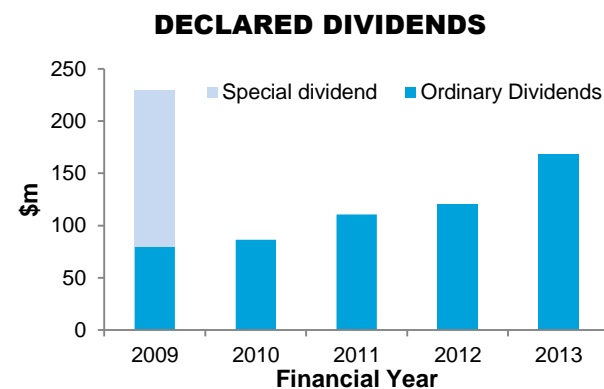
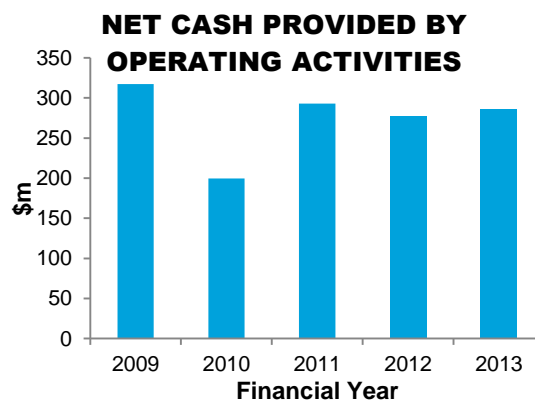
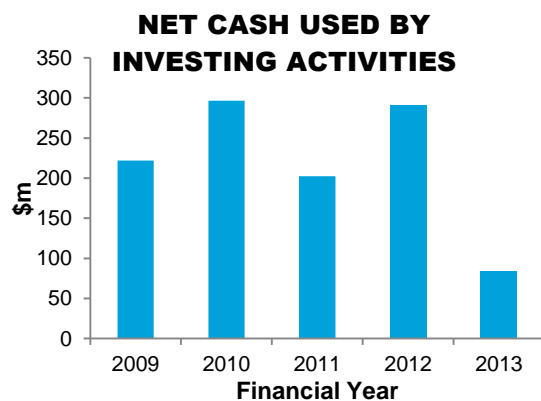
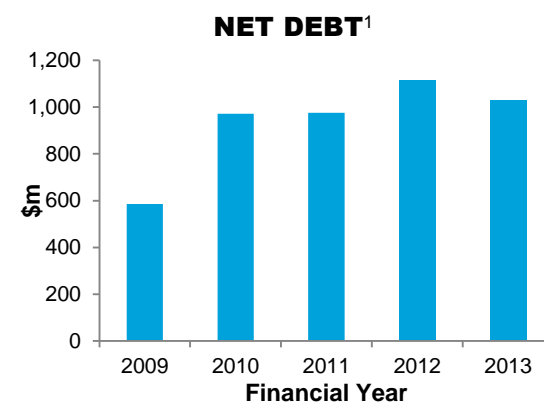
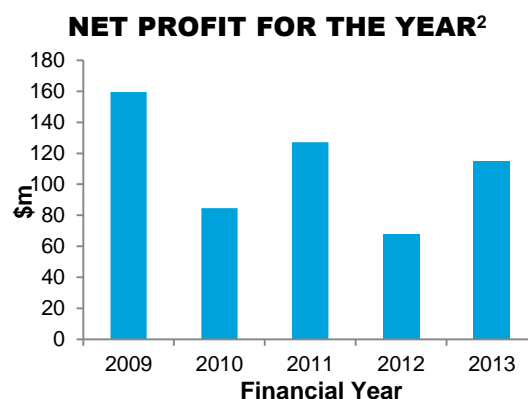
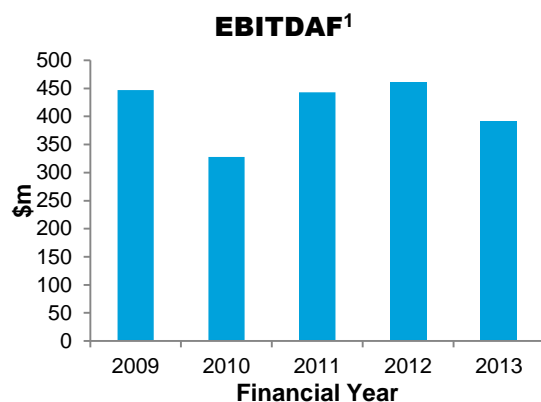
- > Generates 15-17% of New Zealand's annual electricity requirements
- > More than 90% renewable - hydro and geothermal
- > One of the world's largest geothermal power station owners
 - > successful track record in geothermal development and operation
 - > Geothermal now makes up 40% of total annual generation
- > Considering options with Southdown
 - > market interest and/or re-configurations

GENERATION PRODUCTION



► BUSINESS OVERVIEW

Five-year financial summary



1. In reporting Mighty River Power's financial performance, there are a number of measures and terms that we consistently use and that we believe are useful measures for investors, but are not part of NZ GAAP standards we follow in preparing our financial statements. Further information can be found in the appendix of this presentation
2. Impacted by fair value accounting of our interest rate swaps

► BUSINESS OVERVIEW

Dividend policy

- > Mighty River Power's dividend policy determines payout by reference to:
 - > working capital requirements and medium-term asset investment programme
 - > sustainable financial structure recognising targeted long-term credit rating of BBB+
 - > having regard to risks from predicted short and medium-term economic, market and hydrological conditions, and estimated financial performance
- > Target dividend policy pay-out of 90 -110% of adjusted net profit after tax
- > Distribution Stopper (including dividends to shareholders) in place for Capital Bonds while any Deferred Interest payment remains outstanding

► BUSINESS OVERVIEW

HY2014 highlights

Operating performance

- > Significant and ongoing effort into Health and Safety culture
- > Over 97% of production from renewables – geothermal reached 40% for the first time
- > Portfolio decisions delivering value
 - > reduced commercial volumes to 2012 levels in lower price market
 - > reduced high cost thermal generation
 - > concentrated hydro generation when most valued by the market

Financial performance

- > EBITDAF up 4% to \$270m despite record low hydro inflows (quarter less hydro generation than HY2013)
- > Operating costs down \$34m to \$108m¹
- > Capital expenditure down \$95m to \$51m
- > Interim dividend up 8% to 5.2 cents per share in line with PFI

Post interim results

- > Fraser Whineray, GM of Operations, appointed Chief Executive effective 1 September 2014
- > Metrix confirmed as preferred partner for Trustpower for smart meter roll out

1. Total expenses less energy costs, lines charges and other direct costs of sales, including third party metering

► BUSINESS OVERVIEW

Debt profile history

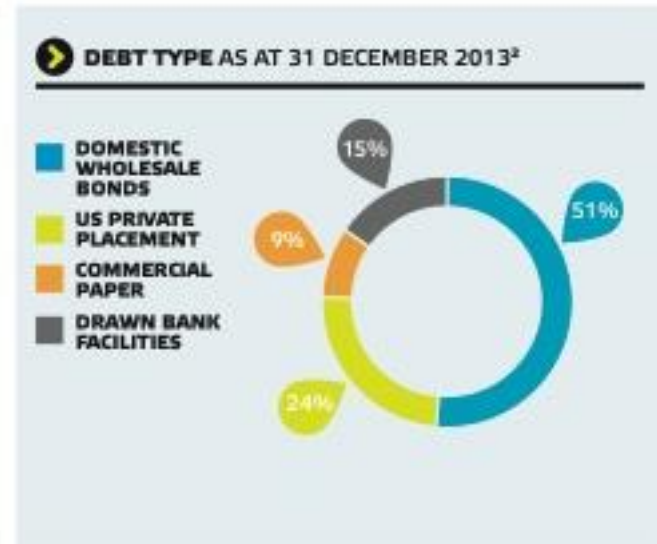
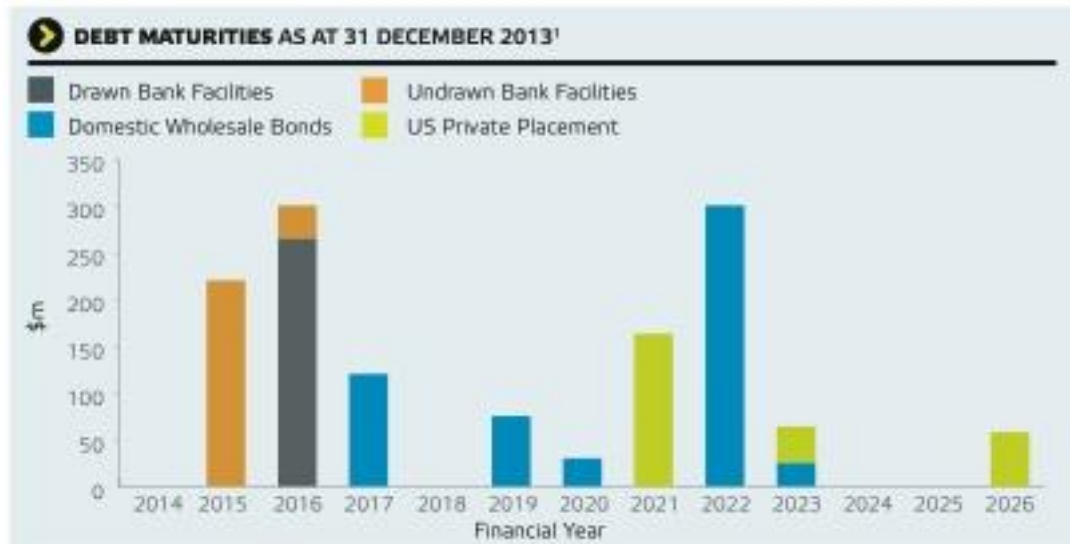
- > Drawn debt of \$1,075m and \$255m of undrawn and uncommitted facilities as at 31 December 2013¹
- > Average duration to maturity was 4.9 years at 31 December 2013

	As at 31 December 2013 (interim results)	As at 30 June 2013	As at 30 June 2012	As at 30 June 2011	As at 30 June 2010	As at 30 June 2009
Net debt (\$m) ²	1,043.9	1,027.8	1,115.6	975.9	970.9	585.7
Gearing ratio (%) ²	24.7	24.4	27.0	25.1	26.5	18.3
Net debt/EBITDAF (x) ²	N/A	2.6	2.4	2.2	3.0	1.3
S&P long-term issuer credit rating	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/stable	BBB+/negative	BBB+/stable

1. Excluding facilities covering the re-issue of short term paper issued under Mighty River Power's commercial paper programme
2. In reporting Mighty River Power's financial performance, there are a number of measures and terms that we consistently use and that we believe are useful measures for investors, but are not part of NZ GAAP standards we follow in preparing our financial statements. Further information can be found in the appendix of this presentation

► BUSINESS OVERVIEW

Funding profile



- > Proceeds of the Capital Bonds will be used for general corporate purposes, including repayment of bank debt and extending the average term of Mighty River Power's funding profile

1. Excludes commercial paper maturities. Facilities covering the re-issue of outstanding commercial paper are illustrated as drawn
2. US private placement are bonds issued to investors in the United States. Commercial paper or short term paper are short term (usually for less than 270 days) notes issued to wholesale investors as part of the programme

Illustration of ranking of Capital Bonds

Ranking		Illustrative examples	As at 31 December 2013 ¹
<div>Higher</div> <div>↑</div> <div>↓</div> <div>Lower</div>	Creditors preferred by law and secured debt	Liabilities preferred by law (including some employee entitlements) and secured creditors	\$2,492.8 million ²
	Unsubordinated and unsecured debt	Senior bonds, drawn bank facilities, trade and general creditors	
	Subordinated and unsecured debt	The Capital Bonds and other subordinated unsecured debt obligations	Nil ³
	Ordinary shares	Shares	\$3,185.0 million ⁴

1. This diagram is set out solely for the purpose of illustrating the ranking of creditors upon liquidation of Mighty River Power. This data will change over time
2. This represents the total liabilities of the Mighty River Power consolidated group at 31 December 2013 inclusive of deferred tax, not all of which would be crystallised on liquidation. Liabilities on liquidation may be materially different.
3. This does not include the Principal Amounts of any of the Capital Bonds issued under this Prospectus .
4. Shareholders' equity. The NZX Main Board market value of the Shares in Mighty River Power at 31 December 2013 was \$2,954.7 million, based on a market price of \$2.13 per Share and 1,387.2 million Shares (excluding those Shares held by Mighty River Power as treasury stock).

The Capital Bonds

► THE CAPITAL BONDS

Interest payments

Interest Rate

- > Until First Reset Date, Interest Rate will be higher of:
 - > Minimum Interest Rate; and
 - > Swap Rate (as at the Rate Set Date) plus Initial Margin
- > Minimum Interest Rate and Initial Margin set following Bookbuild and announced on or before Opening Date
- > Before each Reset Date, Mighty River Power may propose that new terms and conditions (including new Interest Rate and Margin) apply to the Capital Bonds from the Reset Date through an Election Process
- > If no Successful Election Process occurs, Interest Rate for next five year period reset to sum of the Swap Rate on that Reset Date and Margin (including Step-up Percentage, currently 0.25%, if not already added to Margin)

Deferral of interest

- > Mighty River Power may at its sole discretion defer payment of interest at any time for up to five years
- > Distribution Stopper while any Deferred Interest is outstanding
- > Deferred Interest will itself accrue interest at prevailing Interest Rate

► THE CAPITAL BONDS

Key events

Year 5 (2019) – Reset Date

- > Potential Election Process
- > Step-up in Margin (0.25%) if no Successful Election Process

Year 10 (2024) – Reset Date

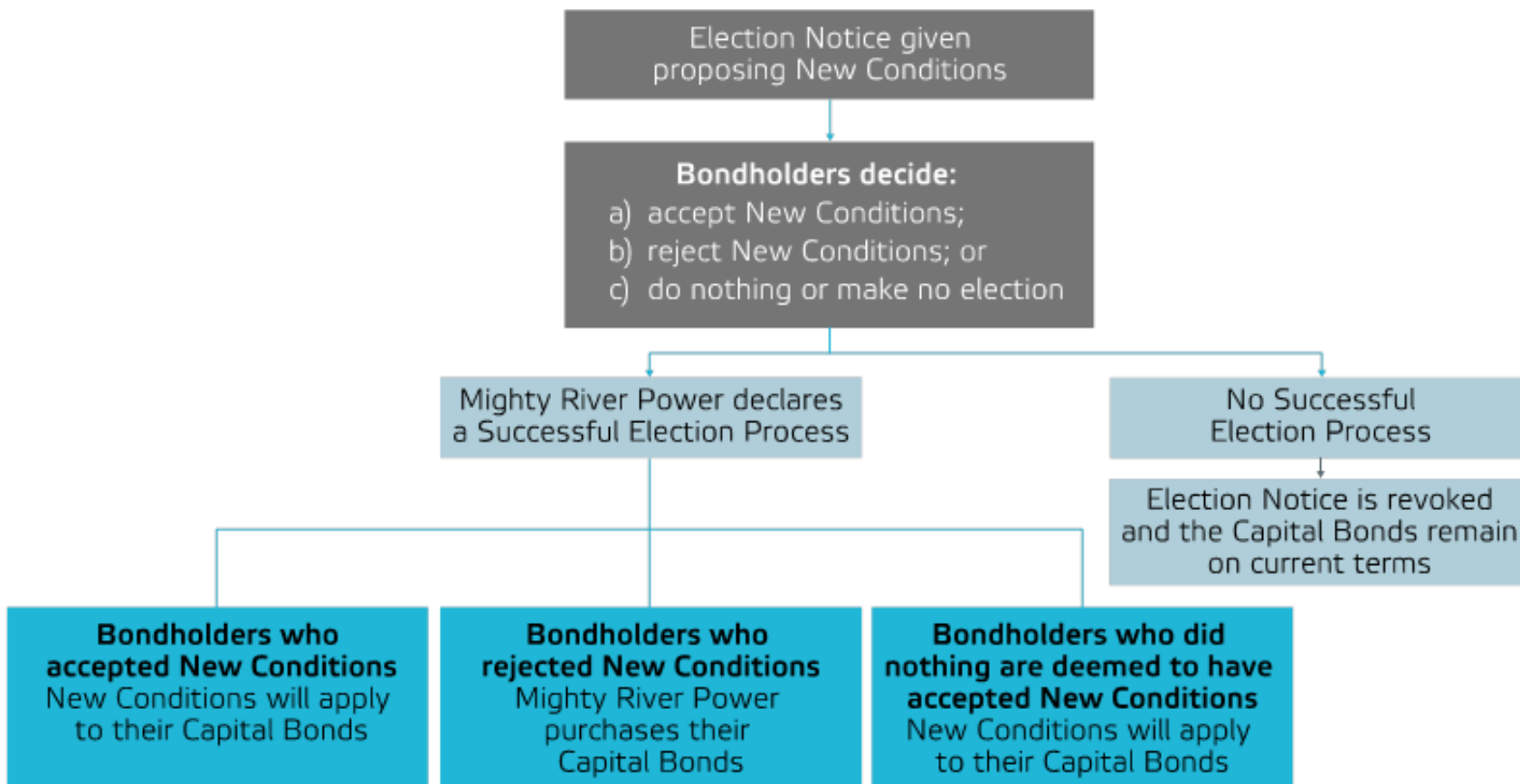
- > Potential Election Process
- > Standard & Poor's equity content expected to reduce to minimal (0%)

Early redemption:

- > Redeemable at par plus accrued interest at each Reset Date, a Tax Event or if the outstanding amount is less than \$100m
- > Redeemable at the higher of par plus accrued interest and market value at any Interest Payment Date (other than a Reset Date) after a Reset Date if a Successful Election Process has not been undertaken or a Rating Agency Event
- > Mighty River Power believes that hybrid securities that are ascribed equity content such as the Capital Bonds are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward

► THE CAPITAL BONDS

Election process



► THE CAPITAL BONDS

Comparison of instruments

	Mighty River Power Capital Bonds	Genesis Capital Bonds	New Zealand Post Notes	Vector Capital Bonds
Form	Subordinated	Subordinated	Subordinated	Subordinated
Interest payments	Discretionary	Discretionary	Discretionary	Discretionary
Cumulative	Yes	Yes	Yes	No
Distribution Stopper	Yes	Yes	Yes	Yes
Tenor	30 years	28 years ¹	30 years	Perpetual
Reset period	5 years	5 years	5 years	5 years
Step-up	0.25%	0.25%	1.00%	1.00%
Reset margin	Election process	Election process	Remarketing	Election process
Equity content	To year 10	To year 8 ¹	To year 10	Perpetual

1. From modification process

The Offer Process

► THE OFFER PROCESS

Offer process

Bookbuild process

- > NZX Firms, institutional investors and other approved parties invited to participate in Bookbuild

Firm offer and public pool

- > Allocations to firm offer and public pool will be determined after the Bookbuild process
- > Scaling preference (if applicable) in public pool given to current Mighty River Power shareholders

Minimum applications/holdings and transfers

- > \$5,000 and in multiples of \$1,000 thereafter

Fees

- > Firm fees of 0.50% to those participating in Bookbuild
- > Brokerage of 0.75%

► THE OFFER PROCESS

Offer key dates

Prospectus registered	Friday 6 June 2014
Roadshow	Wednesday 11 – Thursday 12 June 2014
Bookbuild and Minimum Rate Set Date	Tuesday 17 June 2014
Firm allocations notified	Wednesday 18 June 2014
Opening Date	Wednesday 18 June 2014
Closing Date	Tuesday 8 July 2014 (5.00pm)
Rate Set Date	Wednesday 9 July 2014
Issue Date	Friday 11 July 2014
Expected date of quotation on NZX Debt Market	Friday 11 July 2014

Appendix

➤ APPENDIX

Non-NZ GAAP financial information – EBITDAF

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
EBITDAF					
Total revenue	1,382.4	1,520.6	1,163.9	1,104.6	1,119.9
Energy costs	(636.4)	(761.2)	(446.0)	(500.7)	(460.7)
Other direct cost of sales, including metering	(36.8)	(33.5)	(42.0)	(46.4)	(28.6)
Employee, maintenance & other expenses *	(318.8)	(264.4)	(232.8)	(229.7)	(183.5)
EBITDAF	390.5	461.5	443.1	327.8	447.1

* Includes employee compensation and benefits, maintenance expenses, sales and marketing costs, contractor's fees, professional services costs and other expenses

Non-NZ GAAP financial information – NPAT to Underlying Earnings

	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
NPAT to Underlying Earnings					
Net profit for the year	114.8	67.7	127.1	84.6	159.6
Change in the fair value of financial instruments	(25.6)	92.8	25.6	(8.1)	47.2
Equity accounted share of the change in the fair value of financial instruments of associate entities	(2.4)	1.5	1.4	17.5	–
Equity accounted share of the change in the fair value of financial instruments of joint ventures	(37.6)	24.2	1.9	21.3	–
Equity accounted share of the income statement impact of the capital return from joint ventures excluding fair value movements	0.4	–	–	–	–
Restructure cost of international geothermal interests	37.2	–	–	–	–
Impaired assets	85.1	4.0	19.8	31.4	46.9
Gain on sale of Marsden generations assets	–	–	–	–	(20.4)
Adjustments before income tax expense	57.1	122.5	48.8	62.2	73.7
Income tax expense on taxable adjustments	7.7	(27.5)	(12.9)	(10.0)	(21.6)
Impact of deferred tax rate change through the income statement	–	–	(0.8)	(7.1)	–
Deferred tax impact of removal of building depreciation	–	–	–	9.8	–
Adjustments after income tax expense	64.7	95.0	35.1	54.9	52.0
Underlying earnings after tax	179.5	162.7	162.2	139.6	211.7
Tax rate applied on all taxable adjustments	28%	28%	30%	30%	30%

Non-NZ GAAP financial information – Net Debt and Gearing Ratio

	Six months ended 31 Dec 2013 (Interim results)	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
Net Debt/Gearing ratio (\$m)						
Loans at carrying value	1,077.2	1,057.8	1,181.4	985.5	978.8	642.5
Fair value adjustments US Private Placement	2.1	(18.8)	(27.5)	19.1	–	–
Less cash and cash equivalents	(35.4)	(11.2)	(38.3)	(28.7)	(7.9)	(56.8)
Net debt	1,043.9	1,027.8	1,115.6	975.9	970.9	585.7
Total equity	3,185.0	3,181.7	3,014.2	2,906.5	2,689.0	2,621.6
Total capital	4,228.9	4,209.5	4,129.8	3,882.4	3,659.9	3,207.3
Gearing Ratio (net debt/total capital)	24.7%	24.4%	27.0%	25.1%	26.5%	18.3%