kce

King Country Energy

The power behind our community

FY 11 Results Market Presentation

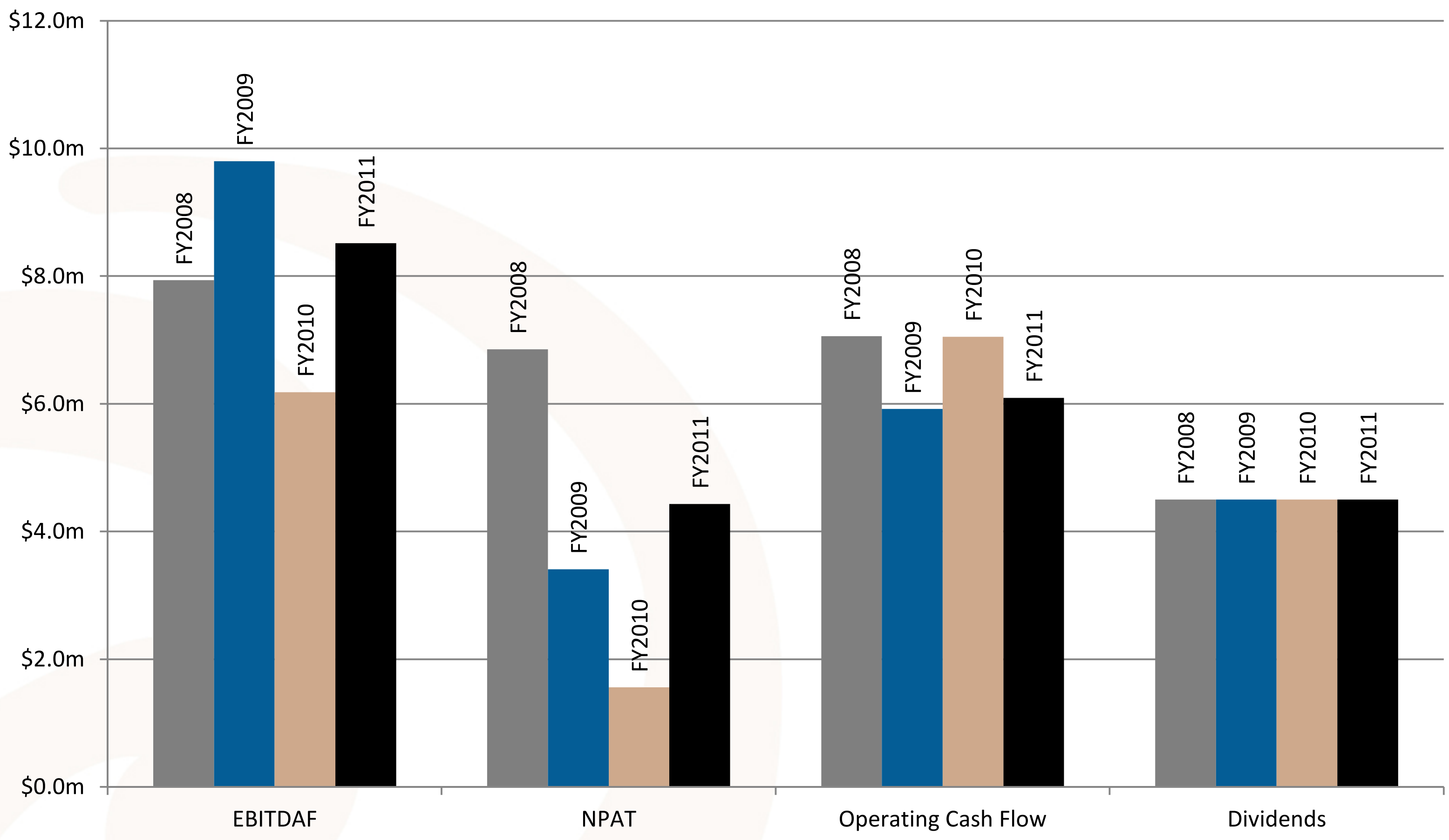
The Numbers

	2011	2010	% Movement
EBITDAF	$8.5m	$6.2m	37%
NPAT	$4.4m	$1.6m	175%
Operating Cashflow	$6.1m	$7.1m	(14%)
Retail Sales Volume	229 GWh	239 GWh	(4%)
Generation Volume	117 GWh	120 GWh	(2%)
Final dividend per share	12 cents	12 cents	-

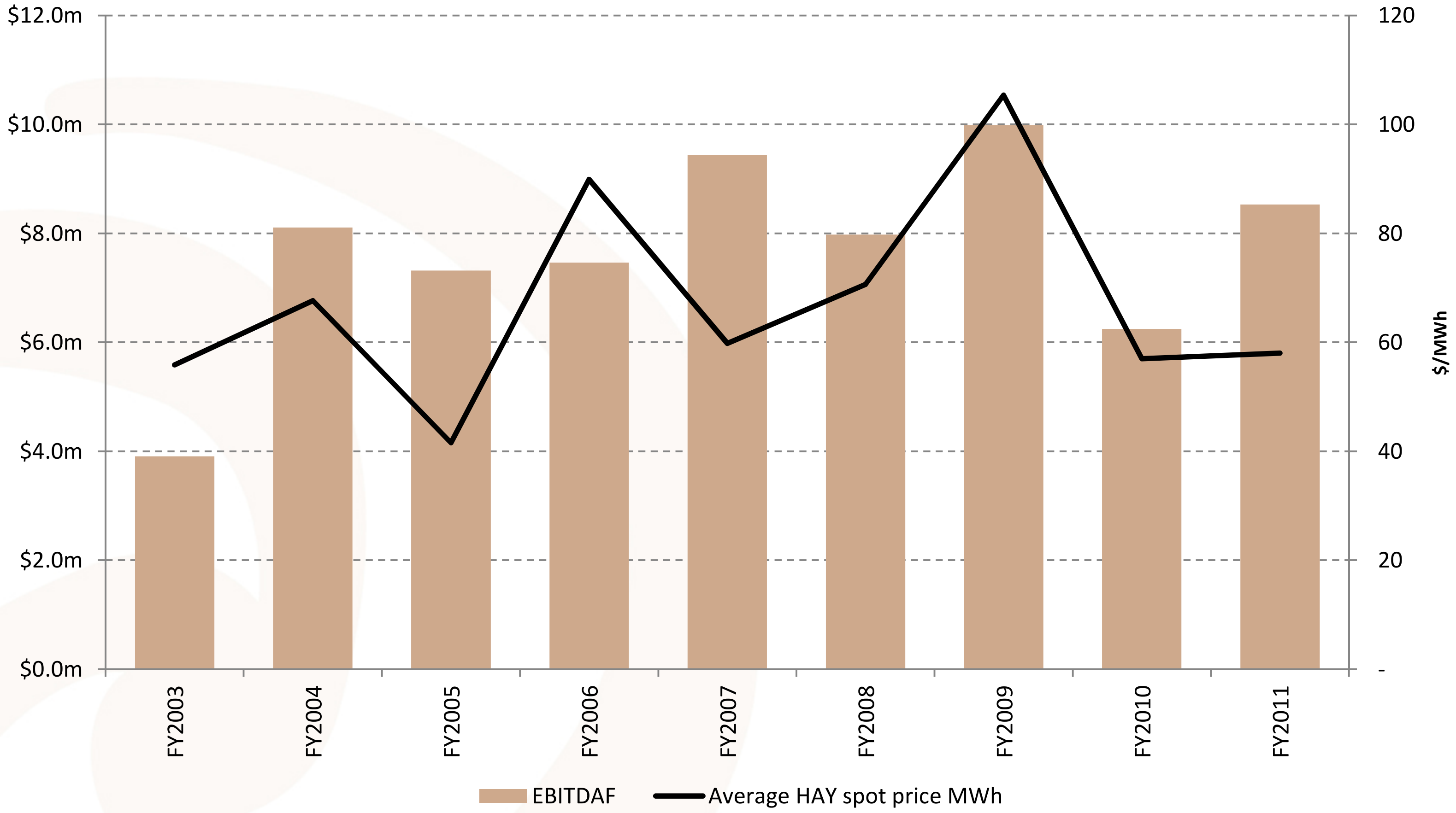
Major Movements

- Sales volume – 4% decrease
- Margin focus on contract customers
- Customers remain steady
- Wholesale electricity pricing impact
- $0.5m impairment from revaluation in PY
- Cashflow impact – prepayment of tax for ICA

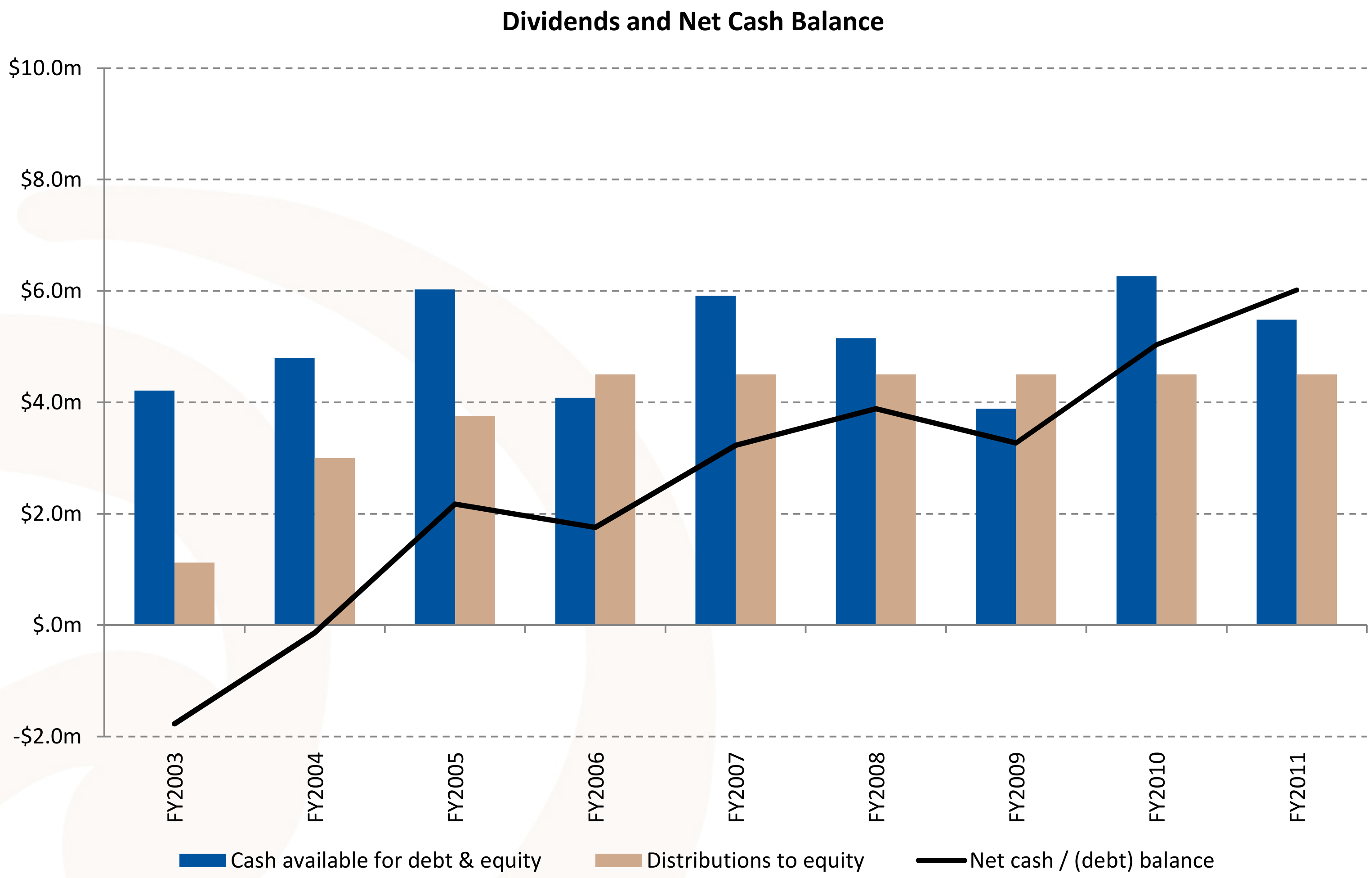
Key Financial Measures



Normalised EBITDAF/Average Spot Price

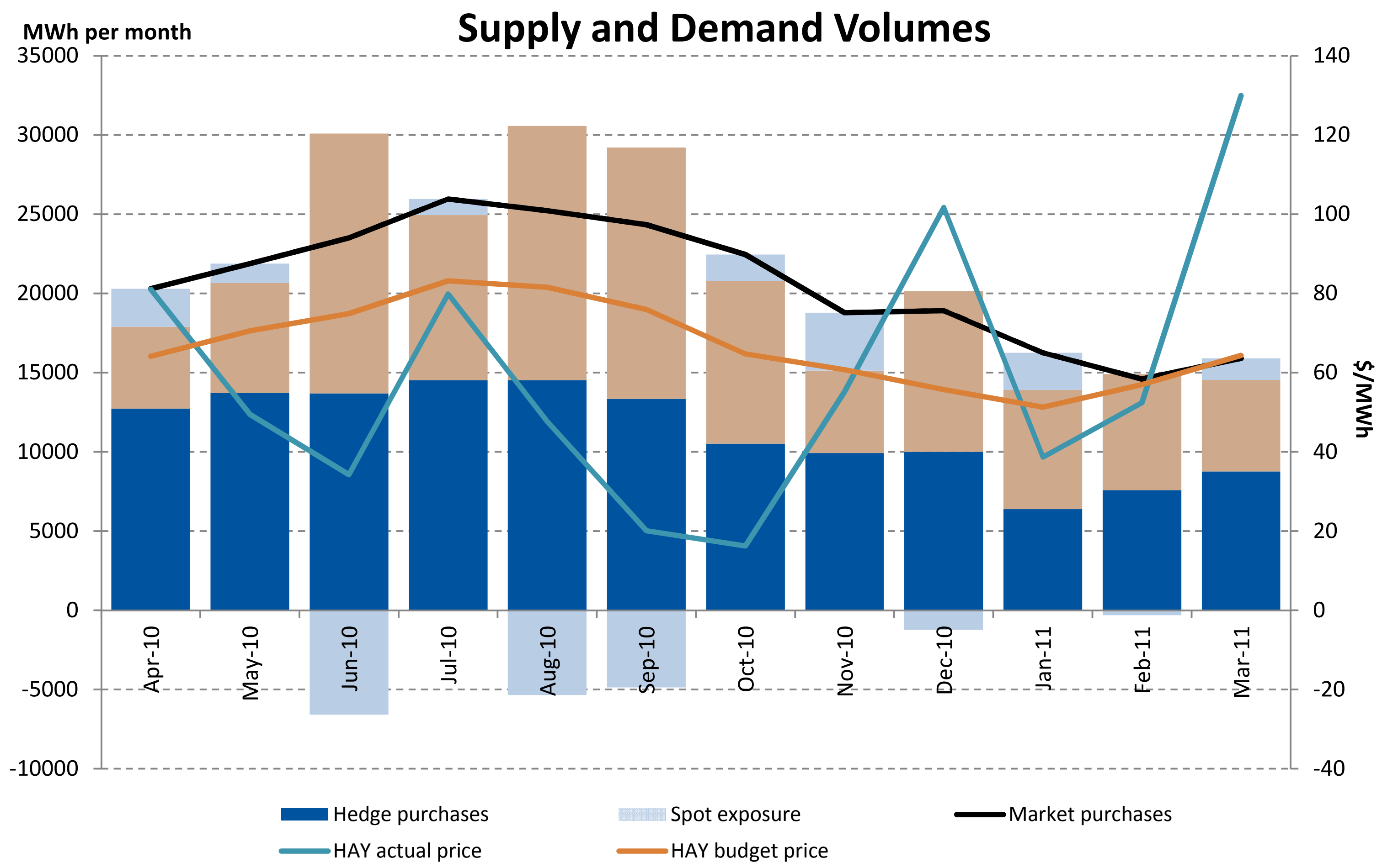


Cash and Distribution



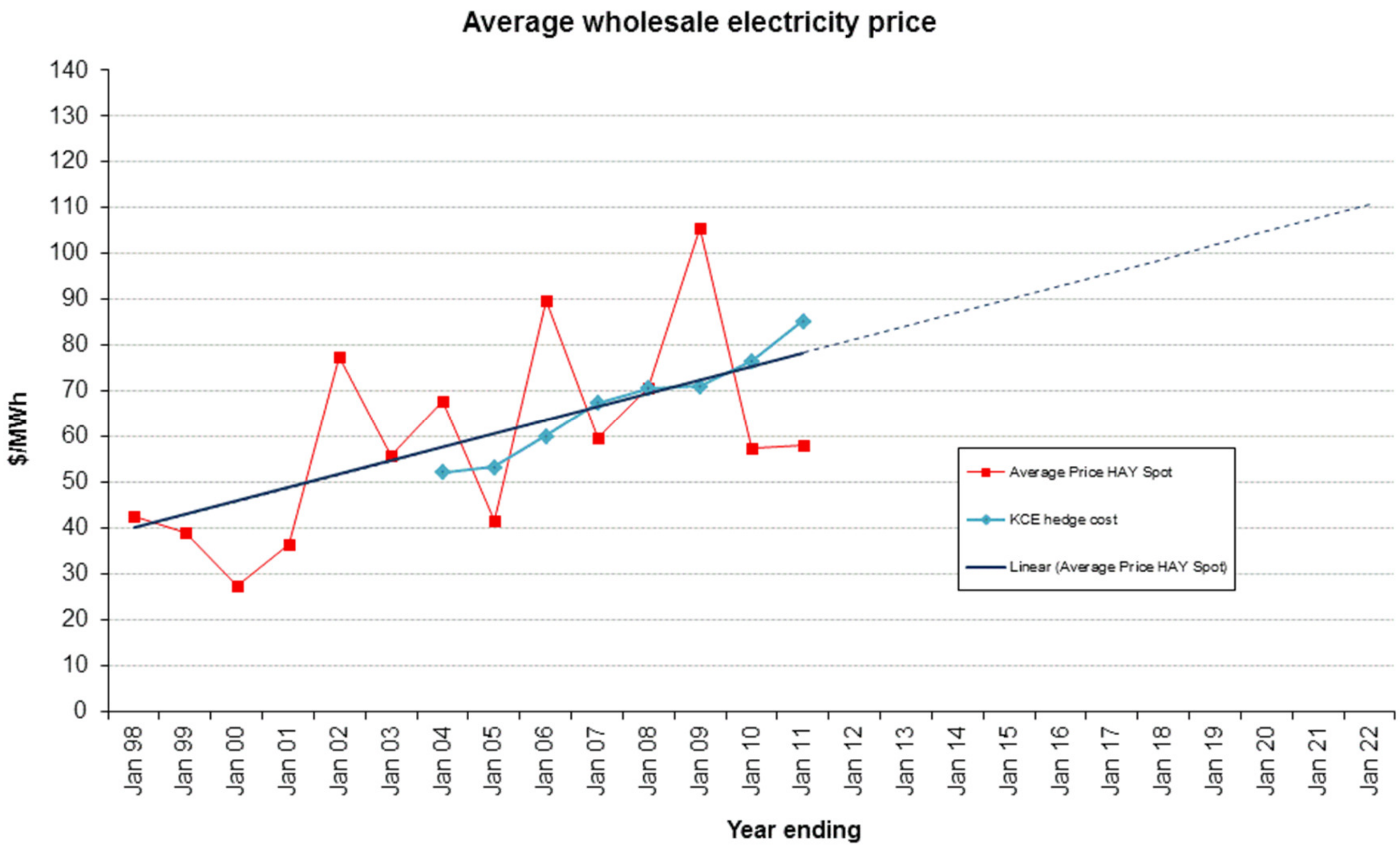
Expected Hedge Profile

- Generation volumes cover approximately half of KCE's retail load. The balance is covered by hedge arrangements.
- Current hedging policy is to hedge for dry year risk.



Historical Hedging Trend

- Historically hedge prices have followed the trend in spot prices



ICA Changes – Shareholder Impact

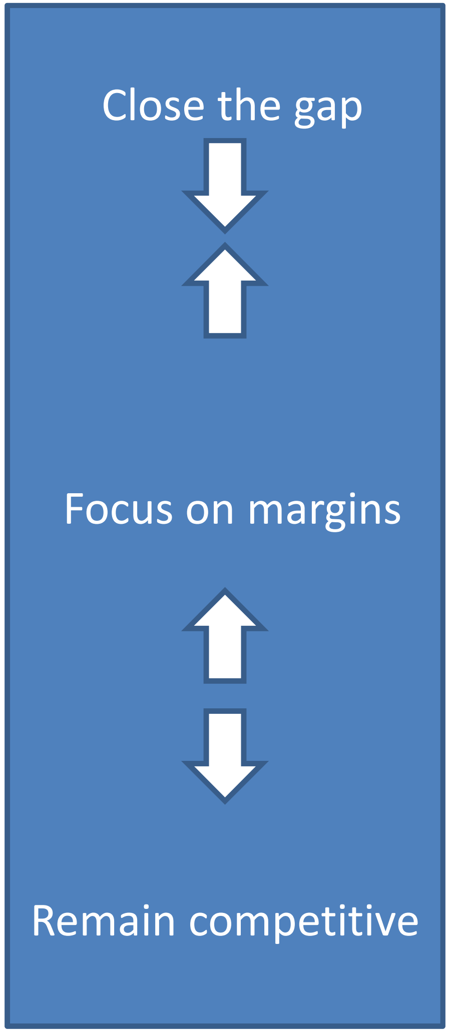
	Shareholder Tax Rates							
	10.50%		17.50%		30.00%		33.00%	
	Full IC's	No IC's	Full IC's	No IC's	Full IC's	No IC's	Full IC's	No IC's
Dividend - cents per share	24	24	24	24	24	24	24	24
Imputation Credits (Company tax rate 30%)	10	-	10	-	10	-	10	-
Gross Taxable Dividend	**34**	**24**	**34**	**24**	**34**	**24**	**34**	**24**
Shareholder tax on dividend	4	3	6	4	10	7	11	8
Imputation Credit Offset	10	-	10	-	10	-	10	-
Tax Receivable/(Payable)	7	(3)	4	(4)	-	(7)	(1)	(8)
After Tax Dividend - Net position for Shareholder	**31**	**21**	**28**	**20**	**24**	**17**	**23**	**16**
Grossed Up to Pre-Tax Dividend	**34**	**21**	**34**	**20**	**34**	**17**	**34**	**16**

Strategic Challenges

- Security of supply to match retail volumes:
  - Actively pursue development and acquisition opportunities
  - Develop long term hedge opportunities
  - Reduce peak exposure/outperform the hedge market

- Appropriate customer pricing:
  - Historically KCE has lagged the market in implementing price rises
  - Leverage off low cost to serve base, stable work force, strong regional community presence

- Competitive focus in a changing market



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Business Information Appendix

Business Description

- KCE is an integrated electricity generator and retailer in the King Country region
  - Approx 19,000 ICPs, spread across residential, farming, commercial, and industrial. Total retail electricity sales of approx 229 GWh pa
  - 5 hydro stations, total generation of approx 124 GWh pa
  - Balance of electricity requirements covered by hedge agreements
- Head office located in Taumarunui
  - 34 full time employees
  - All core business functions are completed in-house (meter reading, billing, customer service, asset management, etc)
  - Strong regional focus by the company and corresponding support from its customers, many of whom are shareholders
- Shares traded on the Unlisted market
  - $60m market capitalisation, major shareholders Todd (35.4%), King Country Electric Power Trust (20.0%)

Generation Assets

- KCE owns or has an interest in 5 hydro stations
  - Low operating costs, long term investments
  - Most are 'run of river', limiting storage and peaking ability, Mangahao and Kuratau have a small amount of storage

- Length of ownership means that asset life cycle and capital expenditure requirements are well understood

Station	Ownership %	Capacity MW	Average Output GWh pa	GxP
Kuratau	100%	6.0	29.0	ONG
Wairere	100%	4.6	18.0	HTI
Piriaka	100%	1.8	7.0	ONG
Mokauiti	100%	1.9	7.0	HTI
Mangahao[1]	50%	20.5	63.0	MHO
Total		34.8	124.0	

1. Capacity and average output represent KCE's 50% interest in Mangahao