meridian

18 February 2015

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

Dear Sir/Madam

Meridian Energy Limited (MELCA) Interim Report (for the six months to 31 December 2014)

Please find attached the financial information required by Listing Rule 10.4 together with a copy of Meridian's half year results presentation and financial statements for the six months ended 31 December 2014.

Attached:

1. NZX Appendix 1
2. Interim Report for the six months ending 31 December 2014
3. NZX Appendix 7 detailing the ordinary dividend of 4.8 cents (NZD) per share to be paid on 15 April 2015 to those shareholders on the company's share register as at 31 March 2015
4. NZX Appendix 7 detailing the special dividend of 1.4 cents (NZD) per share to be paid on 15 April 2015 to those shareholders on the company's share register as at 31 March 2015
5. ASX Listing Rule 4.2A.2A Directors' declaration
6. Half year results presentation
7. Media Announcement
8. Investor Letter.

Yours sincerely

Jason Stein

Jason Stein
General Counsel and Company Secretary
Meridian Energy Limited

Appendix 1

Stock Exchange listings: NZX (MELCA) ASX (MEZCA)

1. Half year reporting periods

Reporting period: six months to 31 December 2014

Previous reporting period: six months to 31 December 2013

2. Results for announcement to the market

	Six months to 31 December 2014 (NZ$m)	Percentage change
Operational results		
Revenue from ordinary activities	1,333.5	+21.5%
Profit from ordinary activities after tax attributable to security holders	117.1	+0.2%
Net profit attributable to security holders	117.1	+0.2%
Energy Margin[1]	480.2	+7.5%
EBITDAF[2]	324.3	+20.9%
Underlying Net Profit after Tax[3]	114.8	+38.3%

[1] Energy Margin is a non-GAAP measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses.

[2] EBITDAF is a non-GAAP financial measure, defined as earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, gain/(loss) on sale of assets and joint venture equity accounting earnings

[3] Underlying Net Profit after Tax is a non-GAAP measure representing Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items.

	Six months to 31 December 2014 (NZ$m)	Six months to 31 December 2013 (NZ$m)
Underlying NPAT Reconciliation		
Net Profit after Tax	**117.1**	**116.9**
Net Change in Fair Value of Financial Instruments (Operating)	-0.3	-1.7
Net Change in Fair Value of Financial Instruments (Financing)	25.8	-39.5
Premiums Paid on Electricity Options (less interest)	-8.3	-8.3
Net (Gain)/Loss on Sale of Assets	-15.2	2.4
Impairment of Assets	0.5	-
Adjustments before Tax	**2.5**	**-47.1**
Net Income Tax on Adjustments	-4.8	13.2
Adjustments after Tax	**-2.3**	**-33.9**
Underlying Net Profit after Tax	**114.8**	**83.0**

	Amount per security (NZ cents)	Imputed amount per security (NZ cents)
Dividends		
Interim ordinary dividend	4.8000	1.8700
Record Date	31 March 2015	
Payment Date	15 April 2015	
Special dividend	1.4000	0.5400
Record Date	31 March 2015	
Payment Date	15 April 2015	

For commentary on the operational results please refer to the media announcement and interim results presentation. Appendix 1 should be read in conjunction with the attached Condensed Interim Financial Statements for the six months 31 December 2014.

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3. Net tangible assets per security

	31 December 2014 (NZ cents)	31 December 2013 (NZ cents)
Net tangible asset per security, after deferred tax	168	175

4. Control of entities gained or lost during the period

Name of Entity	Sold / dissolved	Principal Activity	Interest held by Group
Whisper Tech (UK) Limited	11/09/14	Non-trading	-
Meridian Energy USA Incorporated	08/10/14	Development	-
ARC Innovations Limited	01/12/14	Metering	-

5. Dividends

As per point 2 and NZX Appendix 7 attached

6. Dividend or distribution reinvestment plans

Nil

7. Associates and joint venture entities

Name of Entity	Country of Incorporation	Date	Principal Activity	Interest held by Group
EDDI Project JV	New Zealand	01/05/12	Dam Management Systems	50%
Hunter Downs Development Company	New Zealand	01/07/13	Irrigation Development	68%

8. Accounting standards

The group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: Interim Financial Reporting (NZ IAS 34) and include condensed notes to the group financial statements. The group financial statements also comply with International Accounting Standard IAS 34: Interim Financial Reporting (IAS 34).

9. Audit

This report is based on the unaudited interim group financial statements. Deloitte has provided a review report on the financial statements, which is attached.

Better energy

MERIDIAN ENERGY LIMITED
INTERIM REPORT

for the six months ended 31 December 2014

meridian

Company overview and highlights

4.8 CENTS PER SHARE
Interim ordinary dividend

1.4 CENTS PER SHARE
Additional special dividend

Meridian Energy is New Zealand's largest electricity generator and is committed to generating electricity from 100% renewable resources – wind and water.

Meridian generates approximately 30% of New Zealand's electricity from its integrated chain of dams and power stations on the Waitaki River and Manapōuri power station in Southland, the largest hydro power station in New Zealand, and from five wind farms around the country.

Through the Meridian and Powershop brands, Meridian retails electricity to more than 273,000 customer connections, including homes, farms and businesses throughout New Zealand. Powershop has 30,800 residential and commercial customer connections in Victoria, Australia. Our focus is on continuing to achieve high levels of service and delivering value to our customers.

Meridian owns and operates Mt Millar wind farm in South Australia and Mt Mercer wind farm in Victoria.

Meridian supports a number of environmental programmes, operates Community Funds associated with each of its assets and runs a national sponsorship programme that supports organisations that make a big difference to Kiwis, such as KidsCan, Living Legends and South Island Rowing.

The Meridian Group employs approximately 770 full-time-equivalent employees and has offices across New Zealand, including the company's head office in Wellington and an office in Melbourne.

Hydro

Total installed capacity

2,338 MW[1]

Wind

Total installed capacity

617 MW[1]

1 *Megawatts. One MW is enough to light 10,000 x 100-watt light bulbs.*

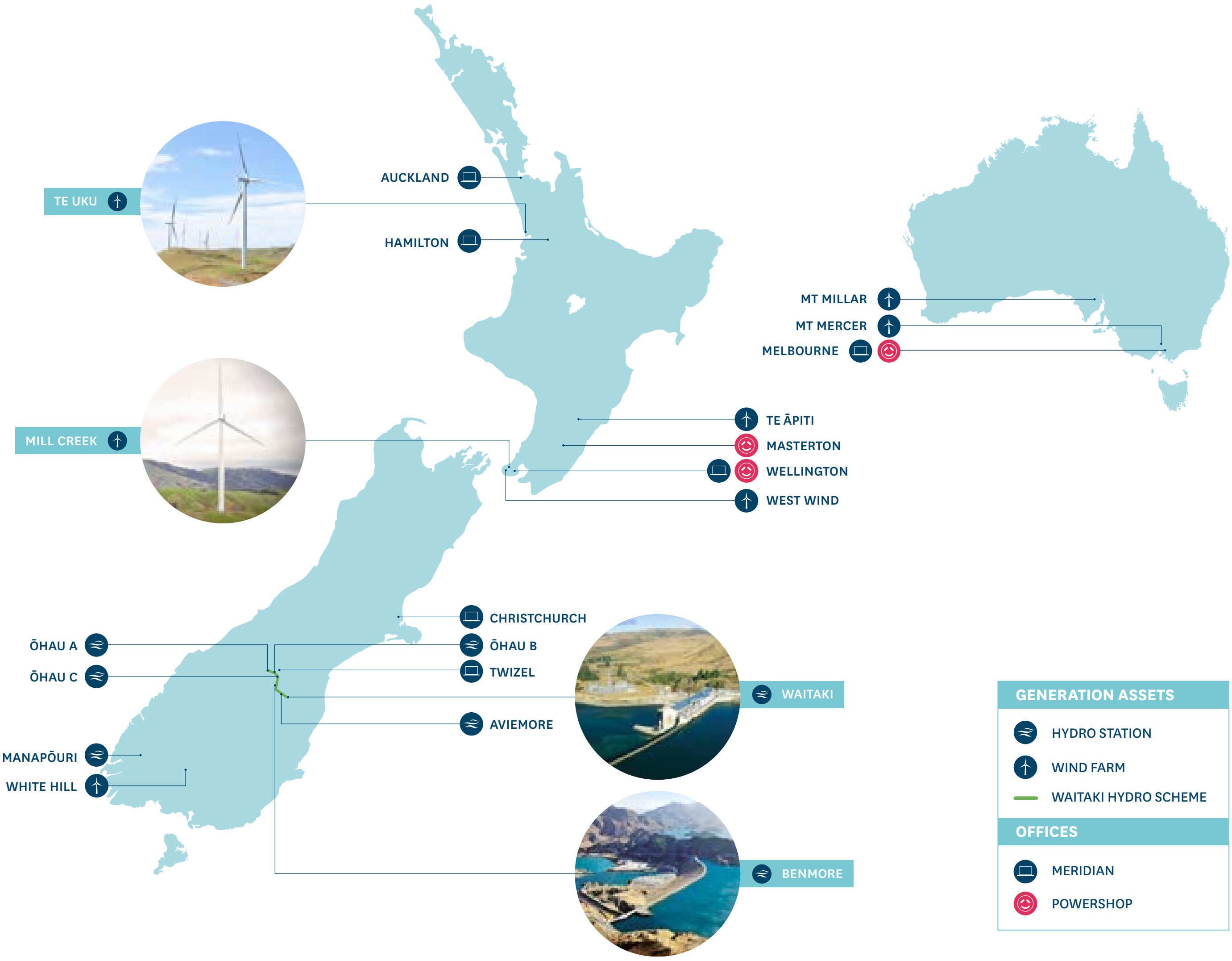
13.2%
Growth in operating cash flows

IN THIS REPORT

38.3%
Growth in underlying net profit after tax

3.7%
Higher retail sales volumes

3.8%
Higher NZ generation



GENERATION ASSETS

- HYDRO STATION
- WIND FARM
- WAITAKI HYDRO SCHEME

OFFICES

- MERIDIAN
- POWERSHOP

Report

From our Chair and Chief Executive

Meridian continued to perform well, with the New Zealand market showing some small signs of overall growth. All key measures of financial performance were ahead of the same period last year: EBITDAF was ahead by 20.9% and Underlying NPAT by 38.3%.

Total generation for the six months was up by over 6% on the previous corresponding period, reflecting strong first quarter hydro generation in New Zealand and the contribution made by the completed Mt Mercer (Victoria) and Mill Creek (Wellington) wind farms. This, together with strong irrigation demand and favourable business sales compared with last year, saw Meridian's total Energy Margin increase by 7.5%.

A tight rein was kept on operating costs and these were down 10.1% on the same period last year and with the backing out of listing costs from last year, this period's expenses were 3.7% lower.

This all flowed through to strong operating cash flows that were 13.2% ahead of last year.

Dividend

We are pleased to announce a dividend of 4.8 cents per share, which is imputed to 100%. This is in excess of the forecast provided in the prospectus.

In addition, the Board has taken the opportunity to declare a special dividend of 1.4 cents per share. The reason for this is that the remaining imputation credits held by the company would otherwise be lost in May this year, when the final payment under the instalment receipt structure is made and the Crown transfers the underlying shares to shareholders. This special dividend, which will also be 100% imputed, will ensure that all of the remaining imputation credits are used before the change in ownership triggers the loss of those credits.

As part of the Board's consideration of capital management, it has changed the company's dividend policy to a higher percentage of free cash flow, which is discussed in the following section relating to capital management.

Instalment receipts

We are pleased that the instalment receipts have continued to perform well, with an increase of 76% from listing through to 31 December 2014. In the 2014 calendar year the company was second on the NZX 50 in terms of share price appreciation but first on the basis of total shareholder return (which includes dividends). While the company's performance has played a part in this increase, there is no doubt that regulatory stability following the election and the continued low international interest rate environment and resultant pursuit of yield have been significant contributors.

Instalment receipt holders will be aware that the second instalment (50 cents) is due for payment on or before 15 May this year. This is a payment to the Crown, not Meridian. However, Meridian is working with the Crown to implement a seamless process to manage these changes. Holders should expect to receive initial communications in early April 2015.

Capital management

In August last year we announced that the Board would review the capital structure of the company, given its conservative gearing ratios. Over the period Meridian has continued to perform well financially, the risk of wholesale change to the electricity market structure in the immediate future has receded and there are limited attractive growth opportunities that would require significant capital in the foreseeable future. In these circumstances, the Board believes it is appropriate to signal an intention to return capital to shareholders, provided the Tiwai Point smelter owners do not terminate their electricity agreement. The first step the Board has taken is to amend the company's dividend policy by increasing the percentage of free cash flow paid out (as defined in the policy) on average from 70%-80% to 75%-90%. All other elements of the dividend policy remain unchanged. Furthermore, the Board intends to return an additional $625m to shareholders over the next five years.

The Board will remain flexible as to how capital is returned but at this point it is envisaged that this will be by either an annual on-market share buyback programme, special dividends, or a combination of both.

The Board intends to advise shareholders of the programme for the 2016 financial year at the full year results announcement in August. At that point the decision of New Zealand Aluminium Smelters (NZAS) regarding the Tiwai Point electricity agreement will be known, and clearly, if the decision is to terminate, or there has been a material adverse change to the company's financial position or any other relevant issue has arisen, the Board will revisit its decision to proceed with all or part of the planned capital distribution.

Delivering on our strategy

The Mill Creek and Mt Mercer wind farm projects were completed during the last six months. In aggregate they were delivered with exemplary health and safety performance and 4% under their original budgets.

In line with our stated aim of improving the core business, Meridian's metering business was sold in December 2014 to a subsidiary of Vector Limited and commitments were entered into to replace all our New Zealand customers' legacy meters. This programme involves the replacement of over 125,000 meters and is scheduled for completion in the first half of 2017. This will provide cost savings to Meridian as well as enable us to offer far more sophisticated pricing plans to our customers.

While Australia provides challenges in the generation space (see comments below) we continued the push into the Victorian retail market with the Powershop brand. Customer numbers are now over 30,000 and we will start operations in New South Wales in the first quarter of this calendar year.

Retail market remains highly competitive

While sales volumes were up, as previously noted, the number of customer connections reduced during the half year. Total installation control points (ICPs) were 273,572, down 3,136 on the beginning of the financial year. This movement was largely in the residential space where there has been a lot of aggressive sales activity. Meridian is already very well positioned price wise in most networks, with our prices being at, or close to, the bottom of the range.

The launch of our new website in December 2014 reflects our strategy to move customer engagement online to improve service, reduce overall cost and continue our position as a leader in sustainability.

In the interim report last year we noted that it was unlikely there would be any network-wide increases in the energy component of our New Zealand customers' bills before at least June this year. This will prove correct. We continue to review our pricing.

Operations

Hydro generation produced 89.3% of Meridian's New Zealand generation in the period, with the contribution from wind up 12% on the previous corresponding period. November was in fact a record month for wind generation – up more than 3% on the previous record, even after allowing for the new generation from Mill Creek.

In December we marked the 10th anniversary of the first wind farm we built – Te Āpiti wind farm in Manawatū. This highlighted the level of involvement that we have had and continue to have with communities living near our assets. In the nine years that the Te Āpiti community fund has been running, we have funded dozens of community projects and initiatives.

In Australia, generation volumes at 273GWh reflected the contribution of the Mt Mercer wind farm, which has had all turbines operational since June last year.

One issue that arose during the period was a problem with the coolers on some of the Manapōuri power station transformers, which led to the decision to replace two transformers and procure a third as a spare. The replacement programme is well under way. The first transformer, which was delivered immediately before Christmas, was made operational on 12 January. This was a major exercise involving complex engineering, design and project management with strict overriding requirements in terms of environmental protection and adherence to health and safety policies. It is a tribute to the people involved, including our suppliers and subcontractors, that the project was delivered seamlessly. The second transformer is expected to be installed in early March 2015, which will restore the station to full capacity.

Regulation

The Electricity Authority's (EA's) transmission pricing review is on track and we look forward to the publication of the EA's final issues paper on this topic in mid-2015.

The other regulatory issue we are closely monitoring is the Australian Government's review of the Renewable Energy Target (RET). The RET is mired in politics and the political parties involved have been unable to reach any compromise that might deliver some degree of certainty for participants in the Australian renewable energy industry. As has been previously noted, it is difficult to quantify what, if any, impact this review might have on the value of our Australian assets until there is some resolution of this matter.

Tiwai Point

As previously advised, the Tiwai Point smelter owners have the option to give Meridian notice of their intention to terminate the electricity agreement on 1 July this year, in which case the current supply arrangements would cease on 31 December 2016. At this point, we have no clarity on where NZAS stands on this decision. While it is pleasing to see the New Zealand dollar depreciate against the US dollar, which is positive for the smelter, international aluminium prices have been volatile. However, on our assessment, the plant is in a significantly better financial position than it was at the time the contract was renegotiated in August 2013. On balance, we remain hopeful that the smelter will continue in operation but the decision is not ours. The reality is that uncertainty around the future of the smelter is something the industry just has to live with as NZAS has ongoing termination rights under the contract.

Hydro conditions

As we write, the farming communities in both the North and South Islands are going through a difficult period as a result of drought conditions but our storage lakes are still getting reasonably regular inflows from small weather systems. So while we are always very watchful, at this point we do not see anything in our current hydro position that is of significant concern.

Community involvement

During the past six months we have shared some important milestones with KidsCan as its principal partner. In July for instance, we participated in an event that celebrated handing out the 100,000th raincoat to children in lower decile schools, which is part of the overall programme to meet the physical and nutritional needs of less fortunate Kiwi kids. More recently, the founder and chief executive of KidsCan, Julie Chapman, was named as a finalist for the New Zealander of the Year Award. This is fantastic recognition of all of the good work that Julie and her team have done over many years.

Summary of Group performance

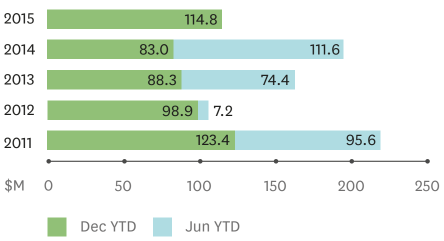
Higher energy margin and lower costs drove a lift in profits and operating cash flow to underpin enhanced dividends to investors.

Net Profit after Taxation (NPAT)

Meridian's NPAT for the six months to 31 December 2014 (HY2015) was $0.2m higher than the same period last year. This included negative fair value movements on financial instruments of $25.5m. If this non-cash accounting adjustment is excluded, along with one-off items such as the $8.1m gain on the sale of Arc Innovations, Underlying NPAT improved by $31.8m (38.3%) on the six months to 31 December 2013 (HY2014).

GROUP UNDERLYING NPAT*

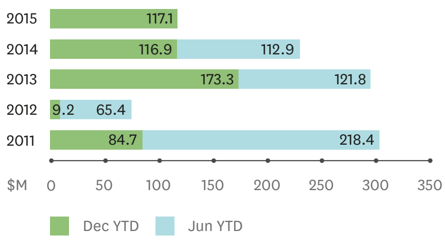
Financial Year Ended 30 June



* *NPAT minus the effects of one-off and/or infrequently occurring events, impairments and changes in fair value of financial instruments.*

GROUP NPAT**

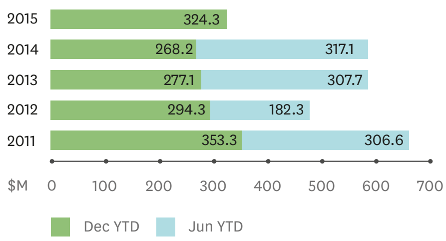
Financial Year Ended 30 June



** *NPAT includes unrealised gains/(losses) on financial instruments.*

GROUP EBITDAF***

Financial Year Ended 30 June

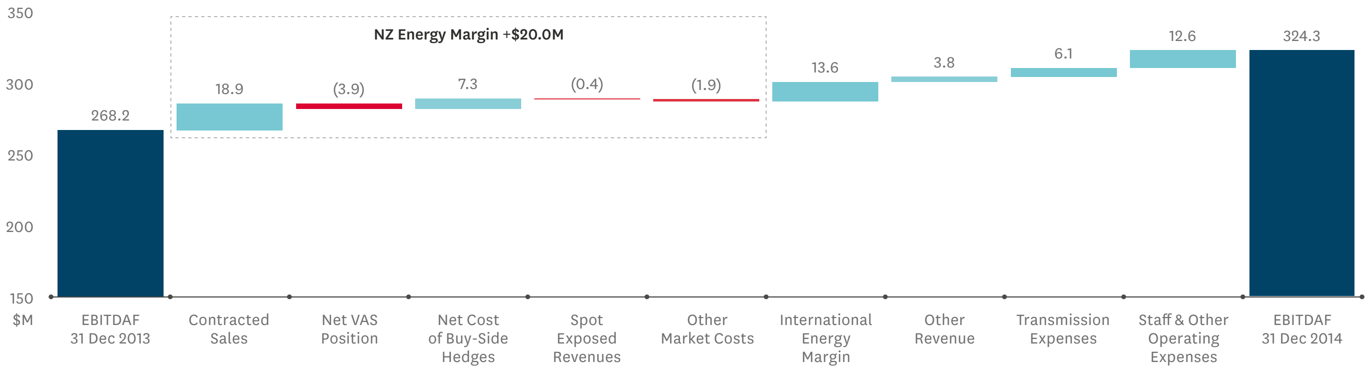


*** *Earnings before interest, tax, depreciation, amortisation, change in fair value of financial instruments, impairments, gain/(loss) on sale of assets and joint venture equity accounted earnings.*

MERIDIAN GROUP INCOME STATEMENT

($ MILLIONS)	6 MONTHS ENDED 31 DEC 2014	6 MONTHS ENDED 31 DEC 2013	12 MONTHS ENDED 30 JUN 2014
New Zealand Energy Margin	454.9	434.9	891.5
International Energy Margin	25.3	11.7	31.9
Total Energy Margin	**480.2**	**446.6**	**923.4**
Other Revenue	16.5	12.7	27.3
Energy Transmission Expense	(60.6)	(66.7)	(129.3)
Gross Margin	**436.1**	**392.6**	**821.4**
Employee and Other Operating Expenses	(111.8)	(124.4)	(236.1)
EBITDAF	**324.3**	**268.2**	**585.3**
Depreciation and Amortisation of Intangible Assets	(116.5)	(105.3)	(220.0)
Impairment of Assets	(0.5)	-	-
Net Gain/(Loss) on Sale of Assets	15.2	(2.4)	6.6
Net Change in Fair Value of Financial Instruments	0.3	1.7	(8.4)
Equity Accounted Joint Ventures	(0.6)	(0.2)	(0.4)
Operating Profit	**222.2**	**162.0**	**363.1**
Net Finance Costs	(40.8)	(37.5)	(73.7)
Net Change in Fair Value of Financing Instruments	(25.8)	39.5	27.0
Net Profit Before Tax	**155.6**	**164.0**	**316.4**
Tax	(38.5)	(47.1)	(86.6)
Net Profit After Tax (NPAT)	**117.1**	**116.9**	**229.8**
Net Changes in Fair Value of Hedging Instruments	25.5	(41.2)	(18.6)
Premiums Paid on Electricity Options (less Interest)	(8.3)	(8.3)	(20.1)
Impairment of Assets	0.5	-	-
Gain/(Loss) on Sale of Assets	(15.2)	2.4	(6.6)
Adjustments Before Taxation	2.5	(47.1)	(45.3)
Income Tax Adjustments	(4.8)	13.2	10.1
Underlying Net Profit After Tax	**114.8**	**83.0**	**194.6**

MOVEMENT IN EBITDAF



EBITDAF

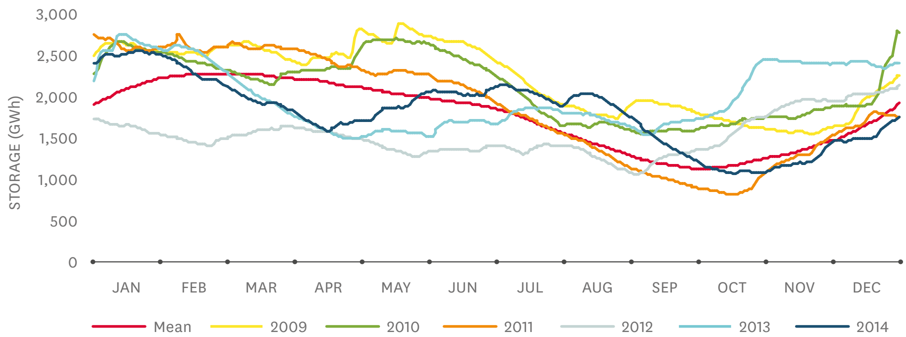
EBITDAF in HY2015 was $324.3m, $56.1m (20.9%) higher than in HY2014. The HY2015 result included $5.2m of insurance proceeds relating to the Christchurch earthquake of February 2011 and benefited from no repeat of $8.3m of IPO costs that were incurred in HY2014. On a like-for-like basis, removing these items, EBITDAF improved by 15.4% on HY2014. This improvement was driven by both an uplift in Meridian's energy margin and a reduction in operating costs.

Energy Margin

In New Zealand the completion of the Mill Creek wind farm increased wind generation by 92GWh. Hydro generation was also up slightly on strong first quarter inflows. Higher generation enabled Meridian to sell higher volumes of hedge contracts. In addition, the volume of acquired generation through buy-side hedges in HY2015 was down on HY2014, which had included hedge contracts entered into to cover risks associated with the large number of HVDC outages in that period.

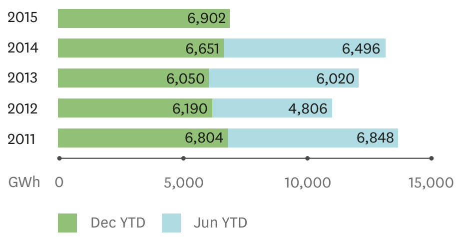
Meridian's New Zealand retail sales volumes were up 107.7GWh on HY2014, mainly reflecting growth in the SME and agribusiness customer base. Stiff competition meant that average price per MWh fell by 1%, with most of the fall relating to commercial and industrial customers rolling off fixed-term contracts. Meridian's residential customers saw no network-wide energy price increases in the period.

MERIDIAN'S WAITAKI STORAGE



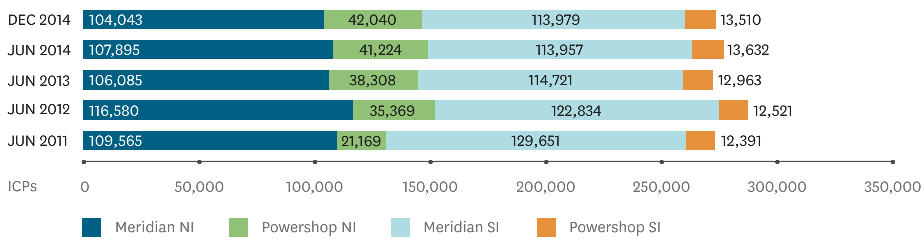
NEW ZEALAND GENERATION VOLUMES (GWh)

Financial Year Ended 30 June



NEW ZEALAND RETAIL ELECTRICITY SALES VOLUMES (GWh)	6 MONTHS ENDED 31 DEC 2014	6 MONTHS ENDED 31 DEC 2013	YEAR ENDED 30 JUN 2014
Powershop	310	286	546
Meridian Residential, SME, Agri	1,570	1,484	2,864
Meridian Corporate	1,113	1,116	2,344
Total Contracted Sales Volumes	2,993	2,886	5,754

MERIDIAN AND POWERSHOP NEW ZEALAND CUSTOMER CONNECTIONS



Increased demand in New Zealand along with full HVDC availability and reduced output from thermal generators meant that Meridian's average wholesale price in HY2015 was $64.2MWh compared with $39.7MWh in HY2014. This increased both Meridian's generation revenue and the cost of supplying its retail customers.

The net effect of higher retail, sell-side hedge and generation volumes along with lower acquired generation and higher wholesale prices was an increase of $20.0m (4.6%) in New Zealand energy margin.

International energy margin increased by $13.6m, more than doubling on the prior comparative period. This included 179GWh of increased generation on the completion of the Mt Mercer wind farm. The gain on generation volumes was partially offset by weaker wholesale prices net of hedges, reflecting continuing uncertainty in the Australian regulatory environment. The full launch of Powershop in Victoria also contributed to overall International energy margin with over 30,000 customers signed up by 31 December 2014.

Costs

Energy transmission expenses fell by $6.1m in HY2015 compared with HY2014. This reflected lower than anticipated final costs on the HVDC upgrade. Next year's Transpower charges are anticipated to rise.

Employee and other operating costs reduced by $12.6m compared with the same period last year. Adjusting for last year's IPO expenses still saw a reduction of $4.3m (3.7%) in costs. This was achieved despite additional maintenance costs in respect of the two new wind farms and operational costs associated with Powershop Australia.

Below EBITDAF, net finance costs increased by $3.3m (8.8%), reflecting finance lease interest on transmission connection assets and the end of capitalisation of interest on build projects. The completed wind farms along with the new generation control system also added $11.2m (10.6%) to depreciation and amortisation charges.

Non-cash fair value movements on derivatives were largely driven by changes in the value of interest rate hedges. The drop in the forward interest rate curve since June 2014 caused a $25.5m fall in the market value of these hedges. This has no cash impact on Meridian.

AVERAGE NEW ZEALAND WHOLESALE PRICE RECEIVED FOR GENERATION ($/MWh)	FINANCIAL YEAR				
	2015	2014	2013	2012	2011
Q1	$58.3	$48.6	$62.4	$83.6	$47.5
Q2	$70.6	$31.5	$34.8	$71.2	$54.8
Half Year	**$64.2**	**$39.7**	**$47.7**	**$77.6**	**$51.2**
Q3		$94.7	$83.4	$109.9	$35.4
Q4		$65.6	$80.8	$153.3	$35.6
Full Year		**$60.1**	**$64.9**	**$100.7**	**$43.3**

MERIDIAN GENERATION

HYDRO

NEW ZEALAND[3]	PLANT CAPACITY MW	6 MONTHS ENDED 31 DEC 2014 GWh[2]	6 MONTHS ENDED 31 DEC 2013 GWh	YEAR ENDED 30 JUN 2014 GWh
Ōhau A	264	630	520	1,168
Ōhau B	212	522	439	981
Ōhau C	212	519	434	973
Benmore	540	1,260	1,014	2,314
Aviemore	220	521	431	960
Waitaki	90	267	243	526
Manapōuri	800	2,444	2,910	4,981
Total Hydro Generation	**2,338**	**6,163**	**5,991**	**11,903**

WIND

NEW ZEALAND	PLANT CAPACITY MW	6 MONTHS ENDED 31 DEC 2014 GWh	6 MONTHS ENDED 31 DEC 2013 GWh	YEAR ENDED 30 JUN 2014 GWh
Te Uku	64	121	116	211
Te Āpiti	91	163	174	325
Mill Creek	60	92	-	1
West Wind	143	272	273	534
White Hill	58	91	97	173
Total New Zealand Wind	**416**	**739**	**660**	**1,244**
AUSTRALIA[4]				
Mt Millar	70	89	101	185
Mt Mercer	131	184	5	100
Total Australia Wind	**201**	**273**	**106**	**285**
Total Wind Generation	**617**	**1,012**	**766**	**1,529**

2 Gigawatt hours. One GWh is equivalent to enough electricity for 125 average New Zealand homes for one year.

3 Includes Meridian's own use generation volumes.

4 After the application of the marginal loss factor prescribed by the Australian Energy Market Operator.

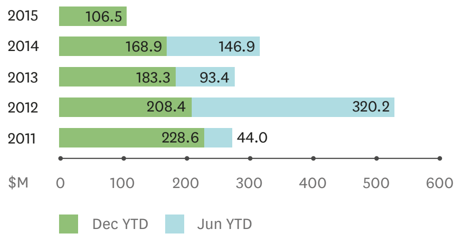
Operating cash flow and investment expenditure

Net cash flow from operating activities was $25.3m (13.2%) higher than in HY2014. This reflects the improvement in EBITDAF, partially offset by higher income tax payments.

With the completion of Mill Creek and Mt Mercer early in the half year, investment expenditure at $106.5m was $62.4m lower than in HY2014. Both projects were completed under budget. Excluding the costs of these projects, Meridian's remaining capital expenditure was $23.9m in the half year.

GROUP INVESTMENT EXPENDITURE

Financial Year Ended 30 June



MERIDIAN GROUP SUMMARY CASH FLOW ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2014	6 MONTHS ENDED 31 DEC 2013	YEAR ENDED 30 JUN 2014
Net Cash Flow from Operating Activities	216.8	191.5	432.8
Net Cash Flow from Investing Activities	(67.1)	(161.9)	(253.4)
Net Cash Flow from Financing Activities	(194.8)	(158.5)	(282.2)
Net Decrease in Cash and Cash Equivalents	**(45.1)**	**(128.9)**	**(102.8)**

Dividends

An ordinary interim dividend of 4.8 cents per share and a special dividend of 1.4 cents per share has been declared for the six months ending 31 December 2014. Both dividends are to be fully imputed.

NET TANGIBLE ASSETS PER SECURITY	31 DEC 2014 (NZ CENTS)	31 DEC 2013 (NZ CENTS)
Net Tangible Assets per Security	168	175

CONTROL OF ENTITIES GAINED OR LOST DURING THE PERIOD

NAME OF ENTITY	SOLD/DISSOLVED	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP
Whisper Tech (UK) Limited	11/09/14	Non-trading	-
Meridian Energy USA Incorporated	8/10/14	Development	-
ARC Innovations Limited	1/12/14	Metering	-

ASSOCIATES AND JOINT VENTURE ENTITIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	DATE	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP
EDDI Project JV	New Zealand	01/05/12	Dam Management Systems	50%
Hunter Downs Development Company	New Zealand	01/07/13	Irrigation Development	68%

The numbers

Condensed Interim Financial Statements

Income Statement

		GROUP		
	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Operating Revenue				
Energy Sales Revenue		**1,317.0**	1,085.2	2,481.5
Energy Related Services Revenue		**7.9**	6.8	15.8
Other Revenue		**8.6**	5.9	11.5
Total Operating Revenue		**1,333.5**	1,097.9	2,508.8
Operating Expenses				
Energy Related Expenses		**(595.9)**	(426.2)	(1,130.5)
Energy Distribution Expenses		**(240.9)**	(212.4)	(427.6)
Energy Transmission Expenses		**(60.6)**	(66.7)	(129.3)
Employee Expenses		**(43.8)**	(47.3)	(90.5)
Other Operating Expenses		**(68.0)**	(77.1)	(145.6)
		(1,009.2)	(829.7)	(1,923.5)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		**324.3**	268.2	585.3
Gain/(Loss) on Sale of Assets	3	**15.2**	(2.4)	6.6
Equity Accounted Earnings of Joint Ventures		**(0.6)**	(0.2)	(0.4)
Amortisation of Intangible Assets		**(11.8)**	(11.1)	(21.4)
Depreciation		**(104.7)**	(94.2)	(198.6)
Impairment of Assets		**(0.5)**	-	-
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Operational)	13	**0.3**	1.7	(8.4)
Operating Profit		**222.2**	162.0	363.1
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	4	**(45.4)**	(41.7)	(82.2)
Interest Income		**4.6**	4.2	8.5
Net Change in Fair Value of Financial Instruments (Loss)/Gain (Financing)	13	**(25.8)**	39.5	27.0
Profit Before Tax		**155.6**	164.0	316.4
Income Tax Expense	5	**(38.5)**	(47.1)	(86.6)
Profit After Tax		**117.1**	116.9	229.8
Profit After Tax Attributable to:				
Shareholders of the Parent Company		**117.1**	116.9	229.8
Earnings per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		**0.05**	0.05	0.09
Diluted Earnings per Share ($)		**0.05**	0.05	0.09

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Statement of Comprehensive Income

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Profit After Tax for the Period		**117.1**	116.9	229.8
Other Comprehensive Income				
Items that may be reclassified subsequently to Profit or Loss:				
Net Loss on Available for Sale Investments		**(0.8)**	(1.2)	(1.4)
Net Loss on Cash Flow Hedges		**(0.2)**	(2.8)	(14.6)
Reclassify Foreign Currency Translation Reserve to Profit or Loss		**(1.5)**	-	4.9
Exchange Differences Arising from Translation of Foreign Operations		**(1.3)**	(12.9)	(15.1)
Income Tax relating to items that may be reclassified	10	**0.3**	1.1	4.7
Other Comprehensive Income for the Period Net of Tax		**(3.5)**	(15.8)	(21.5)
Total Comprehensive Income for the Period Net of Tax		**113.6**	101.1	208.3
Total Comprehensive Income for the Period Attributable to:				
Shareholders of the Parent Company		**113.6**	101.1	208.3

Statement of Financial Position

	NOTE	GROUP UNAUDITED 31 DEC 2014 $M	GROUP UNAUDITED 31 DEC 2013 $M	GROUP AUDITED 30 JUN 2014 $M
Shareholders' Equity				
Share Capital	6	**1,597.2**	1,598.6	1,598.6
Reserves		**2,920.3**	3,036.5	3,035.1
Total Equity		**4,517.5**	4,635.1	4,633.7
Represented by:				
Current Assets				
Cash and Cash Equivalents		**231.0**	252.4	276.4
Accounts Receivable		**217.1**	180.7	182.7
Assets Classified as Held for Sale	8	**7.0**	47.2	26.5
Other Assets		**25.1**	14.4	17.5
Derivative Financial Instruments	13	**26.6**	33.6	19.5
Total Current Assets		**506.8**	528.3	522.6
Non-Current Assets				
Other Assets		**0.4**	0.5	0.4
Equity Accounted Joint Ventures		**0.1**	-	0.2
Intangible Assets		**45.7**	55.5	54.0
Property, Plant and Equipment	9	**6,852.9**	6,809.3	6,929.0
Deferred Tax Asset	10	**19.9**	11.6	20.4
Derivative Financial Instruments	13	**123.2**	68.0	63.2
Total Non-Current Assets		**7,042.2**	6,944.9	7,067.2
Total Assets		**7,549.0**	7,473.2	7,589.8
Current Liabilities				
Liabilities Classified as Held for Sale	8	**0.1**	1.0	1.3
Payables and Accruals		**232.7**	176.8	235.6
Current Tax Payable		**41.6**	47.5	57.1
Current Portion of Term Borrowings	11	**133.7**	62.2	133.4
Finance Lease Payable		**0.6**	-	0.6
Derivative Financial Instruments	13	**24.7**	43.9	37.9
Total Current Liabilities		**433.4**	331.4	465.9
Non-Current Liabilities				
Deferred Tax Liability	10	**1,343.3**	1,354.6	1,349.7
Term Borrowings	11	**1,053.2**	1,063.9	959.1
Term Payables		**14.1**	-	0.6
Provisions		**7.2**	-	7.0
Finance Lease Payable		**47.2**	-	48.6
Derivative Financial Instruments	13	**133.1**	88.2	125.2
Total Non-Current Liabilities		**2,598.1**	2,506.7	2,490.2
Total Liabilities		**3,031.5**	2,838.1	2,956.1
Net Assets		**4,517.5**	4,635.1	4,633.7

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 17 February 2015.

Chris Moller
Chairman, 17 February 2015

Jan Dawson
Chair of Audit and Risk Committee, 17 February 2015

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Statement of Changes in Equity

	NOTE	SHARE CAPITAL	SHARE OPTION RESERVE	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	AVAILABLE FOR SALE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		GROUP UNAUDITED $M							
Balance at 1 July 2014		**1,598.6**	**0.2**	**3,073.8**	**(23.4)**	**(1.4)**	**0.6**	**(14.7)**	**4,633.7**
Profit for the Period		-	-	-	-	-	-	117.1	117.1
Cash Flow Hedges:									
Net Loss Taken to Equity		-	-	-	-	(0.2)	-	-	(0.2)
Available for Sale Reserve:									
Net Loss Taken to Equity		-	-	-	-	-	(0.8)	-	(0.8)
Reclassify Foreign Currency Translation Reserve to Profit or Loss		-	-	-	(1.5)	-	-	-	(1.5)
Exchange Differences Arising from Translation of Foreign Operations		-	-	-	(1.3)	-	-	-	(1.3)
Income Tax Relating to Other Comprehensive Income		-	-	-	-	0.1	0.2	-	0.3
Total Comprehensive Income for the Period		**-**	**-**	**-**	**(2.8)**	**(0.1)**	**(0.6)**	**117.1**	**113.6**
Movement in Share Options		-	0.2	-	-	-	-	-	0.2
Acquisition of Treasury Shares	6	(1.4)	-	-	-	-	-	-	(1.4)
Dividends Paid	7	-	-	-	-	-	-	(228.6)	(228.6)
Balance at 31 December 2014		**1,597.2**	**0.4**	**3,073.8**	**(26.2)**	**(1.5)**	**-**	**(126.2)**	**4,517.5**

	NOTE	SHARE CAPITAL	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	AVAILABLE FOR SALE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		GROUP UNAUDITED $M						
Balance at 1 July 2013		**1,600.0**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**
Profit for the Period		-	-	-	-	-	116.9	116.9
Cash Flow Hedges:								
Net Loss Taken to Equity		-	-	-	(2.8)	-	-	(2.8)
Available for Sale Reserve:								
Net Loss Taken to Equity		-	-	-	-	(1.2)	-	(1.2)
Exchange Differences Arising from Translation of Foreign Operations		-	-	(12.9)	-	-	-	(12.9)
Asset Revaluation Reserve Transferred to Retained Earnings		-	(0.1)	-	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income		-	-	-	0.8	0.3	-	1.1
Total Comprehensive Income for the Period		**-**	**(0.1)**	**(12.9)**	**(2.0)**	**(0.9)**	**117.0**	**101.1**
Acquisition of Treasury Shares	6	(1.4)	-	-	-	-	-	(1.4)
Dividends Paid	7	-	-	-	-	-	(152.6)	(152.6)
Balance at 31 December 2013		**1,598.6**	**3,073.8**	**(26.1)**	**6.9**	**0.7**	**(18.8)**	**4,635.1**

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Statement of Changes in Equity *(continued)*

	NOTE	GROUP AUDITED $M							
		SHARE CAPITAL	SHARE OPTION RESERVE	REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	AVAILABLE FOR SALE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 July 2013		**1,600.0**	**-**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**
Profit for the Period		-	-	-	-	-	-	229.8	229.8
Cash Flow Hedges:									
Net Loss Taken to Equity		-	-	-	-	(14.6)	-	-	(14.6)
Available for Sale Reserve:									
Net Loss Taken to Equity		-	-	-	-	-	(1.4)	-	(1.4)
Reclassify Foreign Currency Translation Reserve to Profit or Loss		-	-	-	4.9	-	-	-	4.9
Exchange Differences Arising from Translation of Foreign Operations		-	-	-	(15.1)	-	-	-	(15.1)
Asset Revaluation Reserve Transferred to Retained Earnings		-	-	(0.1)	-	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income		-	-	-	-	4.3	0.4	-	4.7
Total Comprehensive Income for the Period		**-**	**-**	**(0.1)**	**(10.2)**	**(10.3)**	**(1.0)**	**229.9**	**208.3**
Movement in Share Options		-	0.2	-	-	-	-	-	0.2
Acquisition of Treasury Shares	6	(1.4)	-	-	-	-	-	-	(1.4)
Dividends Paid	7	-	-	-	-	-	-	(261.4)	(261.4)
Balance at 30 June 2014		**1,598.6**	**0.2**	**3,073.8**	**(23.4)**	**(1.4)**	**0.6**	**(14.7)**	**4,633.7**

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Statement of Cash Flows

		GROUP		
	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**1,002.4**	963.5	2,083.4
Interest Received		**4.6**	4.2	8.5
		1,007.0	967.7	2,091.9
Cash was Applied to:				
Payments to Suppliers and Employees		**(685.9)**	(677.9)	(1,480.5)
Interest Paid		**(40.7)**	(39.9)	(80.0)
Income Tax Paid		**(63.6)**	(58.4)	(98.6)
		(790.2)	(776.2)	(1,659.1)
Net Cash Inflows from Operating Activities		**216.8**	191.5	432.8
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment	9	**15.4**	4.7	41.1
Finance Lease Receivable		**-**	0.2	0.2
Sale of Subsidiaries		**20.1**	2.1	20.1
Sale of Investments		**3.9**	-	1.0
		39.4	7.0	62.4
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(101.2)**	(151.7)	(283.7)
Capitalised Interest		**(0.4)**	(3.6)	(9.3)
Purchase of Intangible Assets		**(4.0)**	(13.4)	(21.7)
Purchase of Investments		**(0.5)**	(0.2)	(0.6)
Finance Lease Payable		**(0.4)**	-	(0.5)
		(106.5)	(168.9)	(315.8)
Net Cash Outflows from Investing Activities		**(67.1)**	(161.9)	(253.4)
Financing Activities				
Cash was Provided from:				
Proceeds from Borrowings		**203.7**	80.4	133.7
		203.7	80.4	133.7
Cash was Applied to:				
Shares Purchased for Long Term Incentive		**(1.0)**	(1.0)	(1.0)
Dividends Paid	7	**(228.6)**	(152.6)	(261.4)
Term Borrowings Paid		**(168.9)**	(85.3)	(153.5)
		(398.5)	(238.9)	(415.9)
Net Cash Outflows from Financing Activities		**(194.8)**	(158.5)	(282.2)
Net Decrease in Cash and Cash Equivalents		**(45.1)**	(128.9)	(102.8)
Cash and Cash Equivalents at Beginning of Period		**276.4**	382.8	382.8
Cash Removed on Sale of Subsidiaries		**-**	-	(1.8)
Effect of Exchange Rate Changes on Net Cash		**(0.3)**	(1.5)	(1.8)
Cash and Cash Equivalents at End of Period		**231.0**	252.4	276.4

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Statement of Cash Flows *(continued)*

RECONCILIATION OF PROFIT AFTER TAX FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Profit after Tax for the Period		**117.1**	116.9	229.8
Adjustments for Operating Activities Non-Cash Items:				
Amortisation of Intangible Assets		**11.8**	11.1	21.4
Depreciation		**104.7**	94.2	198.6
Movement in Deferred Tax		**(9.6)**	(7.6)	(17.8)
Total Net Change in Fair Value of Financial Instruments Loss/(Gain)	13	**25.5**	(41.2)	(18.6)
Cash Receipt on Closeout of Aluminium Commodity Swap		**-**	54.6	54.6
Cash Payments of Option Premiums		**(8.6)**	(8.9)	(21.2)
Share Based Payments		**0.2**	-	0.2
Equity Accounted Earnings of Joint Ventures		**0.6**	0.2	0.4
		124.6	102.4	217.6
Items Classified as Investing Activities:				
(Gain)/Loss on Sale of Assets	3	**(15.2)**	2.4	(6.6)
Finance Lease Interest		**-**	0.1	-
Impairment of Assets		**0.5**	-	-
		(14.7)	2.5	(6.6)
Items Classified as Financing Activities:				
Amortisation of Prepaid Debt Facility Fees		**0.4**	1.6	1.9
		0.4	1.6	1.9
Changes in Working Capital Items				
(Increase)/Decrease in Accounts Receivable		**(34.4)**	74.9	71.8
(Increase) in Other Assets		**(7.6)**	(3.1)	(5.0)
(Decrease) in Payables and Accruals		**(2.9)**	(99.9)	(39.2)
(Decrease)/Increase in Current Tax Payable		**(15.5)**	(3.8)	5.8
Working Capital Items included in Investing Activities		**55.3**	-	(53.2)
Working Capital Items included in Financing Activities and Other Non-cash items		**(5.5)**	-	9.9
		(10.6)	(31.9)	(9.9)
Net Cash Flow from Operating Activities		**216.8**	191.5	432.8

The Summary of Accounting Policies and Notes to the Condensed Interim Financial Statements form an integral part of these Condensed Interim Financial Statements.

Contents

1. Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Limited is a profit-oriented entity domiciled in New Zealand, registered under the Companies Act 1993 and is a Financial Markets Conduct reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. Meridian Energy Limited is majority owned by Her Majesty the Queen in Right of New Zealand (the "Crown") and is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The Company is bound by the requirements of the Public Finance Act 1989.

Meridian Energy Limited's core business is the generation, trading and retailing of electricity and wider complementary products and services.

The condensed interim financial statements (the Group financial statements) are presented for Meridian Energy Limited and its subsidiaries (together referred to as "Meridian" or the "Group") at, and for the six months ended 31 December 2014.

The financial statements were authorised for issue by the Directors on 17 February 2015.

Basis of Preparation

These unaudited condensed interim financial statements have been prepared using New Zealand Generally Accepted Accounting Practice (NZ GAAP), accounting policies consistent with International Financial Reporting Standards (IFRS) and New Zealand equivalents to IFRS (NZ IFRS) and in accordance with IAS 34: *Interim Financial Reporting* and NZ IAS 34: *Interim Financial Reporting* as appropriate for a profit-oriented entity.

The financial statements have been prepared on the basis of historical cost modified by the revaluation of certain assets and liabilities. The accrual basis of accounting has been used unless otherwise stated.

These financial statements are presented in New Zealand dollars rounded to the nearest million ($m).

The accounting policies and methods of computation set out in the Group financial statements for the year ended 30 June 2014 have been applied consistently to all periods presented in the financial statements. The application of new or amended standards has had no material impact on the amounts recognised in the financial statements.

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The application of these is consistent with that used in the preparation of the Group's financial statements for the year ended 30 June 2014. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in relation to the valuation of generation structures, plant assets and derivatives. In addition, accounting judgements are made in respect of the hedge designation and valuation of certain financial instruments, assessments of hedge effectiveness and the determination of useful lives of property, plant and equipment.

2. Segment Reporting

Meridian has determined the operating segments based on the reports reviewed by the Chief Executive to assess performance, allocate resources and make strategic decisions. He considers the business from the perspective of three reportable segments, being Wholesale, Retail and International.

Performance of the operating segments is measured on an EBITDAF basis.

The following balance sheet items are not allocated to operating segments as they are not reported to the Chief Executive at a segmental level:

- Assets
- Liabilities

The revenue from external parties is measured in a manner consistent with that in the Income Statement. Meridian transacted the equivalent of approximately 37% (December 2013: 40%, June 2014: 38%) of its generation output to a single counterparty through a Contract for Difference (CfD). The revenues received from this customer are attributable to the Wholesale segment.

The accounting policies of the reportable segments are the same as those applied in the preparation of the Group financial statements for the year ended 30 June 2014.

Wholesale Segment

The Wholesale segment encompasses activity associated with Meridian's generation of electricity and the sale into the wholesale electricity market, the purchase of electricity from the wholesale electricity market to sell to large industrial customers and the Retail segment, the development of New Zealand renewable energy generation opportunities and activities such as risk management and dam consultancy services.

Retail Segment

The Retail segment encompasses activity associated with the purchase of electricity from the Wholesale segment, the retail sale of electricity to retail customers and the provision of metering services.

The Retail segment purchases electricity from the Wholesale segment at an average annual fixed price of $80-$85 per MWh for electricity, which is sold to customers on fixed price, variable volume agreements and electricity purchased for customers on spot agreements at the prevailing wholesale spot market rates.

On 1 December 2014, Arc Innovations Limited, a wholly owned subsidiary of the Parent, was sold as a going concern.

International Segment

The International segment comprises Meridian's Australian operations, which generate, sell and retail electricity into the relevant markets.

On 15 May 2014, CalRENEW-1 LLC, a controlled entity involved in the solar generation of electricity, was sold as a going concern.

Unallocated

Unallocated encompasses the activities and centrally based costs that support the Wholesale, Retail and International segments, and includes non-operating subsidiaries.

The segment information provided to the Chief Executive for the reportable segments for the six months ended 31 December 2014 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	UNALLOCATED $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue						
Energy Sales Revenue	948.6	567.2	36.6	-	(235.4)	1,317.0
Energy Related Expenses	(554.3)	(271.8)	(5.2)	-	235.4	(595.9)
Energy Distribution Expense	-	(234.8)	(6.1)	-	-	(240.9)
Energy Margin	**394.3**	**60.6**	**25.3**	**-**	**-**	**480.2**
Other Revenue	3.4	8.8	-	26.6	(22.3)	16.5
Energy Transmission Expense	(58.9)	-	(1.7)	-	-	(60.6)
Gross Margin	**338.8**	**69.4**	**23.6**	**26.6**	**(22.3)**	**436.1**
Employee Expenses	(13.3)	(15.8)	(3.4)	(11.6)	0.3	(43.8)
Other Operating Expenses	(23.7)	(27.6)	(8.3)	(9.6)	1.2	(68.0)
EBITDAF	**301.8**	**26.0**	**11.9**	**5.4**	**(20.8)**	**324.3**
Reconciliation of Operating Revenue						
Energy Sales Revenue	948.6	567.2	36.6	-	(235.4)	1,317.0
Other Revenue	3.4	8.8	-	26.6	(22.3)	16.5
Inter-Segment Revenue	(235.4)	-	-	(22.3)	257.7	-
Revenue from External Customers	**716.6**	**576.0**	**36.6**	**4.3**	**-**	**1,333.5**

2. Segment Reporting *(continued)*

The segment information provided to the Chief Executive for the reportable segments for the six months ended 31 December 2013 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	UNALLOCATED $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue						
Energy Sales Revenue	768.4	568.0	12.5	-	(263.7)	1,085.2
Energy Related Expenses	(396.4)	(292.9)	(0.6)	-	263.7	(426.2)
Energy Distribution Expense	-	(212.2)	(0.2)	-	-	(212.4)
Energy Margin	**372.0**	**62.9**	**11.7**	**-**	**-**	**446.6**
Other Revenue	4.3	9.1	-	5.3	(6.0)	12.7
Energy Transmission Expense	(64.8)	-	(1.9)	-	-	(66.7)
Gross Margin	**311.5**	**72.0**	**9.8**	**5.3**	**(6.0)**	**392.6**
Employee Expenses	(14.8)	(16.3)	(4.6)	(12.1)	0.5	(47.3)
Other Operating Expenses	(25.0)	(28.0)	(4.1)	(20.5)	0.5	(77.1)
EBITDAF	**271.7**	**27.7**	**1.1**	**(27.3)**	**(5.0)**	**268.2**
Reconciliation of Operating Revenue						
Energy Sales Revenue	768.4	568.0	12.5	-	(263.7)	1,085.2
Other Revenue	4.3	9.1	-	5.3	(6.0)	12.7
Inter-Segment Revenue	(263.7)	(1.0)	-	(5.0)	269.7	-
Revenue from External Customers	**509.0**	**576.1**	**12.5**	**0.3**	**-**	**1,097.9**

The segment information provided to the Chief Executive for the reportable segments for the year ended 30 June 2014 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	UNALLOCATED $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Operating Revenue						
Energy Sales Revenue	1,862.9	1,120.6	37.4	-	(539.4)	2,481.5
Energy Related Expenses	(1,063.7)	(603.0)	(3.2)	-	539.4	(1,130.5)
Energy Distribution Expense	-	(425.3)	(2.3)	-	-	(427.6)
Energy Margin	**799.2**	**92.3**	**31.9**	**-**	**-**	**923.4**
Dividend and Other Revenue	9.8	19.7	-	12.2	(14.4)	27.3
Energy Transmission Expense	(126.6)	-	(2.7)	-	-	(129.3)
Gross Margin	**682.4**	**112.0**	**29.2**	**12.2**	**(14.4)**	**821.4**
Employee Expenses	(28.3)	(32.1)	(8.0)	(23.0)	0.9	(90.5)
Other Operating Expenses	(51.0)	(55.5)	(10.2)	(30.8)	1.9	(145.6)
EBITDAF	**603.1**	**24.4**	**11.0**	**(41.6)**	**(11.6)**	**585.3**
Reconciliation of Operating Revenue						
Energy Sales Revenue	1,862.9	1,120.6	37.4	-	(539.4)	2,481.5
Dividend and Other Revenue	9.8	19.7	-	12.2	(14.4)	27.3
Inter-Segment Revenue	(539.4)	-	-	(14.4)	553.8	-
Revenue from External Customers	**1,333.3**	**1,140.3**	**37.4**	**(2.2)**	**-**	**2,508.8**

2. Segment Reporting *(continued)*

Information Relating to Geographical Area Operations

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Total Revenue in:			
New Zealand	**1,296.9**	1,085.4	2,471.4
Australia	**36.6**	10.8	34.8
United States of America	**-**	1.7	2.6
	1,333.5	1,097.9	2,508.8

Reconciliation of EBITDAF to Profit before Tax provided as follows:

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
EBITDAF for Reportable Segments	**339.7**	300.5	638.5
Unallocated and Inter Segment EBITDAF	**(15.4)**	(32.3)	(53.2)
Total Group EBITDAF	**324.3**	268.2	585.3
Impairment of Assets	**(0.5)**	-	-
Gain/(Loss) on Sale of Assets	**15.2**	(2.4)	6.6
Equity Accounted Earnings of Joint Ventures	**(0.6)**	(0.2)	(0.4)
Amortisation of Intangible Assets	**(11.8)**	(11.1)	(21.4)
Depreciation	**(104.7)**	(94.2)	(198.6)
Net Change in Fair Value of Financial Instruments (Loss)/Gain	**(25.5)**	41.2	18.6
Finance Costs and Other Finance Related Expenses	**(40.8)**	(37.5)	(73.7)
Group Profit before Tax	**155.6**	164.0	316.4

3. Gain/(Loss) on Sale of Assets

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Gain/(Loss) on Sale of Property, Plant and Equipment	**4.6**	(2.4)	11.3
Gain on Sale of Investments Available for Sale	**1.0**	-	0.2
Gain/(Loss) on Sale of Subsidiaries	**9.6**	-	(4.9)
Total Gain/(Loss) on Sale of Assets	**15.2**	(2.4)	6.6

Gain/(Loss) on Sale of Subsidiaries

On 1 December 2014 the Group disposed of its entire interest in Arc Innovations Limited, a wholly owned subsidiary of the Parent, based on final completion financial statements. This resulted in a gain of $8.1m to the Group.

On 8 October 2014 the Group dissolved Meridian Energy USA, Inc., a controlled entity of the Parent, resulting in a gain of $1.5m to the Group.

During the year ending 30 June 2014, the Group disposed of its entire interest in CalRENEW-1 LLC, a controlled entity of the Parent, resulting in a loss of $4.9m to the Group.

4. Finance Costs

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Interest on Borrowings	**42.6**	45.4	87.9
Interest on Finance Lease Payable	**3.2**	-	3.7
Less Capitalised Interest	**(0.4)**	(3.7)	(9.4)
	45.4	41.7	82.2

Interest is capitalised during construction of assets that take a substantial period of time and where borrowing costs are directly attributable to the construction of those assets.

Total interest expense for financial liabilities at amortised cost is $17.0m (31 December 2013: $16.7m, 30 June 2014: $33.4m).

5. Income Tax Expense

	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Income Tax Expense				
Current Tax Expense				
Current Income Tax Charge		**48.1**	57.1	110.6
Adjustments Regarding Current Income Tax of Prior Years		**-**	(2.4)	(6.2)
Total Current Tax Expense		**48.1**	54.7	104.4
Deferred Tax Expense				
Relating to Origination and Reversal of Temporary Differences		**(9.6)**	(7.6)	(17.8)
Total Deferred Tax Expense	10	**(9.6)**	(7.6)	(17.8)
Total Income Tax Expense		**38.5**	47.1	86.6
Income Tax Expense can be reconciled to accounting profit as follows:				
Profit Before Tax		**155.6**	164.0	316.4
Income Tax at Applicable Tax Rates		**43.2**	45.8	88.0
Tax Effect of Expenditure Not Deductible for Tax		**0.2**	3.7	5.5
Tax Effect of Income Not Subject to Tax		**(4.3)**	-	(4.3)
Income Tax (Over)/Under Provided in Prior Year		**(0.6)**	(2.4)	(2.6)
Income Tax Expense		**38.5**	47.1	86.6

Applicable Group tax rates for the current and prior financial years are 28% for New Zealand and 30% for Australia.

6. Equity

Share Capital

	UNAUDITED 31 DEC 2014 SHARES	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 SHARES	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 SHARES	AUDITED 30 JUN 2014 $M
Opening Balance of Ordinary Shares issued	**2,562,034,984**	**1,598.6**	1,600,000,002	1,600.0	1,600,000,002	1,600.0
Bonus Shares Issued	**-**	**-**	962,999,998	-	962,999,998	-
Treasury Shares Acquired[1]	**(743,254)**	**(1.4)**	(965,016)	(1.4)	(965,016)	(1.4)
Closing Balance of Ordinary Shares issued	**2,561,291,730**	**1,597.2**	**2,562,034,984**	**1,598.6**	**2,562,034,984**	**1,598.6**

1 Related to shares held on trust for participants in the Executive Long Term Incentive plan. It includes provision for payment of the final instalment of $0.50 per share.

On 19 September 2013 Meridian issued 962,999,998 bonus shares for total consideration of $1.

7. Dividends

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
2014 Final Dividend Paid	**228.6**	-	-
2014 Interim Dividend Paid	**-**	-	108.8
2013 Final Dividend Paid	**-**	152.6	152.6
	228.6	152.6	261.4

On 17 February 2015 the Board declared a fully imputed interim dividend of $123.0m (4.8 cents per share) and a fully imputed special dividend of $35.9m (1.4 cents per share) payable on 15 April 2015.

8. Assets and Liabilities Classified as Held for Sale

	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
Arc Innovations Limited	**-**	-	12.8
Meridian Energy USA Incorporated	**-**	17.3	-
Farm Related Assets	**7.0**	29.9	13.7
Total Assets Held for Sale	**7.0**	47.2	26.5
Arc Innovations Limited	**-**	-	1.1
Meridian Energy USA Incorporated	**-**	0.8	-
Farm Related Liabilities	**0.1**	0.2	0.2
Total Liabilities Held for Sale	**0.1**	1.0	1.3
Net Assets Classified as Held for Sale	**6.9**	46.2	25.2

9. Property, Plant and Equipment

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Additions at Cost	**44.5**	146.0	346.3
Carrying Value of Disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**10.8**	7.1	29.8
Proceeds of Disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**15.4**	4.7	41.1

10. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Balance at Beginning of Period		**1,329.3**	1,351.5	1,351.5
Recognised in the Income Statement:				
Movement in Temporary Differences	5	**(9.6)**	(7.6)	(17.8)
		(9.6)	(7.6)	(17.8)
Recognised in Other Comprehensive Income:				
Movement in Temporary Differences (Equity)		**(0.3)**	(1.1)	(4.7)
		(0.3)	(1.1)	(4.7)
Effect of Retranslating Foreign Currency Opening Balances		**0.2**	0.2	0.3
Effect of Sale of Subsidiaries		**3.8**	-	-
Balance at End of Period		**1,323.4**	1,343.0	1,329.3
The movement in temporary differences recognised in the income statement consists of the following:				
Property, Plant and Equipment		**(6.9)**	(3.7)	(4.8)
Term and Finance Lease Payables		**2.5**	2.9	5.7
Financial Instruments		**(7.2)**	(3.7)	(10.0)
Carried Forward Losses to be Utilised against Future Taxable Income		**-**	-	(8.9)
Other		**2.0**	(3.1)	0.2
		(9.6)	(7.6)	(17.8)

10. Deferred Tax *(continued)*

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for Statement of Financial Position purposes:

	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
Property, Plant and Equipment – Revaluation	**941.9**	941.9	941.9
Property, Plant and Equipment – Accelerated Depreciation	**430.1**	422.8	434.1
Term Payables	**(1.8)**	2.2	(0.4)
Financial Instruments	**(20.2)**	(8.4)	(19.6)
Other	**(6.7)**	(3.9)	(6.3)
Deferred Tax Liability	**1,343.3**	1,354.6	1,349.7
Carried Forward Losses to be Utilised Against Future Taxable Income	**(19.8)**	(11.5)	(20.3)
Other	**(0.1)**	(0.1)	(0.1)
Deferred Tax Asset	**(19.9)**	(11.6)	(20.4)
	1,323.4	1,343.0	1,329.3

Carried forward losses relate to Australian operations and will be utilised against future taxable income from retail and generation activities.

11. Borrowings

	ORIGINAL CURRENCY	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
Borrowings – Current				
Unsecured Borrowings	NZD	**133.7**	11.3	133.4
Unsecured Borrowings	USD	**-**	50.9	-
Total Current Borrowings		**133.7**	62.2	133.4
Borrowings – Non Current				
Unsecured Borrowings	NZD	**278.6**	412.8	283.2
Unsecured Borrowings	AUD	**178.3**	254.3	306.1
Unsecured Borrowings	USD	**596.3**	396.8	369.8
Total Non Current Borrowings		**1,053.2**	1,063.9	959.1
Total Borrowings		**1,186.9**	1,126.1	1,092.5

Meridian has committed bank facilities of $650.7m of which $357.1m were undrawn at 31 December 2014. The expiry of these facilities range from January 2017 to April 2026.

Borrowings are carried at amortised cost with the exception of USD borrowings, which are in a designated hedge relationship (and are classified as Level 2 in the Fair Value Hierarchy). The total carrying value of all borrowings is considered to approximate fair value.

12. Financial Risk Management

Meridian's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, cash flow risk, interest rate risk, electricity and other price risk) and credit risk. Meridian's overall risk management programme focuses on the unpredictability of financial markets and the wholesale electricity market and seeks to minimise potential adverse effects on the financial performance and economic value of the Group. In order to hedge certain risk exposures, Meridian uses derivative financial instruments such as: foreign exchange contracts (FECs) and options; cross currency interest rate swaps (CCIRSs); interest rate swaps (IRSs) including forward rate agreements and interest rate options; electricity contracts for differences (CfDs) and options; and financial transmission rights (FTRs) and options.

Meridian uses sensitivity analysis to measure the amount of risk it is exposed to for: foreign exchange risk; interest rate risk; price risk; and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board.

Liquidity Risk

Meridian maintains sufficient funding through adequate committed funding facilities and the ability to close out market positions as part of its management of liquidity risk. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed surplus credit lines available of at least $200m to ensure it has sufficient headroom under normal and abnormal conditions.

Market Risk

Foreign Exchange Risk

Meridian borrows in foreign currencies and is exposed to foreign exchange risks, primarily in respect of the US and Australian dollars. In addition, the Group incurs capital and operating expenditure denominated in foreign currencies, which exposes the Group to foreign exchange risk primarily in respect of US dollars, Australian dollars and the Euro. Meridian does not enter into FECs for speculative purposes.

In respect of overseas borrowings, the Group's policy is to hedge the foreign currency exposure of both interest and principal repayments through CCIRSs which swap all foreign currency denominated interest and principal repayments to payments in the base currency of the borrowing entity. The combination of the foreign denominated debt and the CCIRSs results in a Group exposure to base currency floating interest rates and principal repayments. The floating interest rate risk is managed as part of the interest rate risk as described in the following section.

Meridian's CCIRSs and foreign denominated borrowings are in a combination of a fair value hedge and cash flow hedge relationships. Foreign exchange movements on the borrowings and CCIRSs offset each other, therefore there is no income statement or equity impact.

In respect of foreign exchange exposures on capital and operating expenditures denominated in foreign currencies, Meridian hedges the foreign exchange risk through a combination of FECs and options. Capital projects which are approved by the Board are hedged. All committed foreign currency exposures of greater than $0.1m NZD equivalent are hedged.

The values of foreign currency derivatives are sensitive to changes in the forward prices for currencies. A 20% increase/decrease in the Australian dollar against the forward price of the Euro on the Group's profit and equity on the assumption that all other variables are held constant, does not impact NPAT or Equity by more than $1.0m.A 20% increase / decrease in the New Zealand dollar against the forward price of the Australian dollar and the Euro on the Group's profit and equity on the assumption that all other variables are held constant, does not impact NPAT or Equity by more than $0.5m.

Cash Flow and Interest Rate Risk

Meridian's primary interest rate risk arises from long term borrowings which are sourced at both fixed interest rates and floating interest rates. In addition, as described in the section above, the combination of foreign denominated borrowings and the CCIRSs result in an exposure to floating interest rates in the currency of the funding's ultimate destination. Borrowings in floating New Zealand or Australian interest rates expose Meridian to risk of changes in cash flow and the fair value of the debt issued. Meridian does not enter into interest rate swaps for speculative purposes.

Interest rate risk is managed on a dynamic basis and various scenarios are simulated taking consideration of existing and forecast debt requirements, existing hedge positions, forecast interest rates and in accordance with the Board approved policies.

In accordance with the Board policy, Meridian manages its exposure to interest rate risk by identifying a core level of debt and using IRSs that apply minimum and maximum bands of interest rate (hedge) cover to fix interest rates.

The majority of Meridian IRSs are not designated as hedges for accounting purposes and are therefore classified as held for trading.

The table below summarises the impact of increases/decreases in the forward price of interest, using the benchmark bank bill rate (BKBM), as at 31 December, on Meridian's profit and equity on the assumption that all other variables are held constant.

Sensitivity Analysis – Interest rates

		IMPACT ON AFTER TAX PROFIT			IMPACT ON EQUITY		
		UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
New Zealand BKBM	-100 bps	**(26.6)**	(25.1)	(24.0)	**(26.6)**	(25.1)	(24.0)
	+100 bps	**24.6**	23.4	22.4	**24.6**	23.4	22.4
Australian BBSY	-100 bps	**(8.1)**	(8.9)	(9.0)	**(8.1)**	(8.9)	(9.0)
	+100 bps	**7.7**	8.4	8.5	**7.7**	8.4	8.5

12. Financial Risk Management *(continued)*

Price Risk

Meridian is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. Meridian manages the net exposure to this risk by estimating both expected generation and electricity purchases required to support sales. Based on this net position, Meridian enters into derivative contracts to protect against price volatility within trading parameters set and monitored by the Board. The derivative contracts include forward electricity CfDs traded on the ASX (Australian Securities Exchange), FTRs under the NZX auction process and bi-lateral derivative contracts (including options) with other electricity generators and major customers. Meridian does not enter into derivative contracts for speculative purposes.

In addition, as Meridian's Australian wind farms earn Renewable Energy Certificates (RECs) – in the form of Large-Scale Generation Certificates (LGCs), LGC options are used to hedge this associated price risk.

The table below summarises the impact of increases/(decreases) in changes to certain assumptions on Meridian's profit and equity, on the assumption that all other variables are held constant and Meridian's current accounting policies are followed as stated. Post tax profit and equity would increase/(decrease) as shown in the table below due to unrealised gains/losses on CfDs.

Sensitivity Analysis – Electricity Price Risk

		IMPACT ON AFTER TAX PROFIT			IMPACT ON EQUITY		
		UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
CfDs held for trading							
Electricity Prices	-10%	**134.0**	129.9	138.2	**134.0**	129.9	138.2
	10%	**(129.1)**	(129.7)	(133.9)	**(129.1)**	(129.7)	(133.9)
Interest Rates	-100 bps	**1.0**	(0.7)	0.7	**1.0**	(0.7)	0.7
(discount rate)	+100 bps	**(1.0)**	(1.9)	(0.7)	**(1.0)**	(1.9)	(0.7)

Level 3 CfDs represent all material movements.

Credit Risk

Credit risk is managed on net exposures at Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including derivatives which have a positive value, outstanding receivables and guarantees. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted and where wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Credit Management Unit assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits and provision of prudential security by wholesale customers is regularly monitored by line management. Credit risk surrounding the sales to retail customers is predominantly mitigated by the accounts being settled on a monthly basis. Retail credit management continually monitors the size and nature of the exposure and acts to mitigate the risk deemed to be over acceptable levels.

The carrying amounts of financial assets recognised in the Statement of Financial Position best represents Meridian's maximum likely exposure to credit risk at the date of this report. Meridian does not have any significant concentrations of credit risk with any one financial institution.

13. Financial Instruments

Fair Value of Financial Instruments

NZ IFRS 13 provides for a three-level fair value hierarchy that requires inputs to valuation techniques used to measure fair value to be categorised as follows:

- Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Australian Securities Exchange (ASX) level 1 inputs are utilised to measure Electricity related CfD's
- Level 2 Inputs - Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1. Interest Rate Swaps, Cross Currency Interest Rate Swaps and Foreign Exchange Contracts have level 2 inputs and are measured using discounted cash flow valuation technique
- Level 3 Inputs - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). See table below for further details

Where the fair value of a financial instrument is calculated as the present value of the estimated future cash flows of the instrument (discounted cash flows), three key types of inputs are used by the valuation technique. These are:

- forward price curves referenced to the ASX for electricity, published market interest rates and published forward foreign exchange rates; and
- discount rates based on forward interest swap curve adjusted for counterparty risk
- all contracts are assumed to run for the full duration of the contract and for the term stated

The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used).

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Electricity related CfDs	Level 3	Valuation technique: Discounted cash flows. Future cash flows have been calculated with reference to:		
		Price Where quoted prices are not available or not relevant (i.e. for long dated and large volume contracts such as the NZAS CfD), Meridian's best estimate of long-term forward wholesale electricity price is used. Meridian's best estimate is based on a fundamental analysis of expected demand and the cost of new supply	Estimate of forward wholesale electricity price ranging from $55 per MWh to $98 per MWh (in real terms) – excludes observable ASX pricing	For a buy contract, the higher the forward wholesale electricity price, the lower the fair value loss or the higher the gain, and for a sell contract, the higher the fair value loss or lower the fair value gain
		Forecast CPI An internal forecast of expected inflation rates	2.25%	The higher the forecast rate, the lower the gain/ loss on a contract
		Other factors London Metal Exchange (LME) quoted prices of primary aluminium		
		Calibration factor Factor applied to forward price curve as a consequence of initial recognition differences		

In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where observable inputs are not available, the Group engages third party experts to support the establishment of appropriate valuation techniques and inputs to valuation models.

There have been no transfers between levels in respect of these assets and liabilities.

The Audit and Risk Committee of the Company determines the overall appropriateness of key valuation techniques and inputs for fair value measurement.

The Chief Financial Officer, in his report to the Board, includes explanation of fair value movements.

13. Financial Instruments *(continued)*

The table below shows the fair value hierarchy of the financial assets and financial liabilities measured at fair value by the Group:

	UNAUDITED 31 DEC 2014 $M				UNAUDITED 31 DEC 2013 $M				AUDITED 30 JUN 2014 $M			
DERIVATIVE FINANCIAL INSTRUMENTS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets:												
Held for Trading												
Electricity Related CfDs	4.4	(0.2)	110.1	**114.3**	5.0	(0.1)	72.9	**77.8**	6.5	(0.1)	66.7	**73.1**
Interest Rate Swaps	-	6.3	-	**6.3**	-	10.0	-	**10.0**	-	5.3	-	**5.3**
Cash Flow Hedges												
Foreign Exchange Contracts	-	0.6	-	**0.6**	-	12.0	-	**12.0**	-	2.9	-	**2.9**
Cross Currency Interest Rate Swaps	-	2.6	-	**2.6**	-	-	-	**-**	-	1.4	-	**1.4**
Fair Value Hedges												
Cross Currency Interest Rate Swaps	-	26.0	-	**26.0**	-	1.8	-	**1.8**	-	-	-	**-**
Total	4.4	35.3	110.1	**149.8**	5.0	23.7	72.9	**101.6**	6.5	9.5	66.7	**82.7**
Current				**26.6**				**33.6**				**19.5**
Non Current				**123.2**				**68.0**				**63.2**
Liabilities:												
Held for Trading												
Electricity Related CfDs	7.4	-	53.5	**60.9**	8.6	0.1	38.4	**47.1**	10.2	0.1	39.9	**50.2**
Interest Rate Swaps	-	83.8	-	**83.8**	-	49.5	-	**49.5**	-	57.4	-	**57.4**
Foreign Exchange Contracts	-	0.3	-	**0.3**	-	-	-	**-**	-	-	-	**-**
Cash Flow Hedges												
Foreign Exchange Contracts	-	0.1	-	**0.1**	-	2.9	-	**2.9**	-	3.2	-	**3.2**
Cross Currency Interest Rate Swaps	-	0.2	-	**0.2**	-	0.9	-	**0.9**	-	3.0	-	**3.0**
Fair Value Hedges												
Cross Currency Interest Rate Swaps	-	12.5	-	**12.5**	-	31.7	-	**31.7**	-	49.3	-	**49.3**
Total	7.4	96.9	53.5	**157.8**	8.6	85.1	38.4	**132.1**	10.2	113.0	39.9	**163.1**
Current				**24.7**				**43.9**				**37.9**
Non Current				**133.1**				**88.2**				**125.2**
Held for Sale Financial Assets:												
Listed Securities	-	-	-	**-**	5.9	-	-	**5.9**	3.7	-	-	**3.7**
Total	-	-	-	**-**	5.9	-	-	**5.9**	3.7	-	-	**3.7**

The fair value element of borrowings which are subject to fair value hedge accounting are a level 2 valuation.

13. Financial Instruments *(continued)*

The table below shows the changes in the fair value of the financial instruments recognised in the Income Statement.

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Fair Value Hedge			
Cross Currency Interest Rate Swaps	**(68.8)**	(26.3)	(8.5)
Borrowings – Fair Value of Hedged Risk	**68.8**	25.7	8.0
	-	(0.6)	(0.5)
Held for Trading			
Interest Rate Swaps	**(25.8)**	40.1	27.5
Net Change in Fair Value of Financial Instruments Gain/(Loss) – Financing	**(25.8)**	39.5	27.0
Held for Trading			
Foreign Exchange Contracts	**(0.2)**	(0.2)	(0.1)
CfDs	**0.6**	1.8	(8.2)
Other	**(0.1)**	0.1	(0.1)
Net Change in Fair Value of Financial Instruments Gain/(Loss) - Operational	**0.3**	1.7	(8.4)
Total Net Change in Fair Value Gain/(Loss) on Financial Instruments	**(25.5)**	41.2	18.6

Included in the above is $(4.3)m (31 December 2013: $10.6m, 30 June 2014: $5.8m) related to Level 3 financial instruments held at the end of the reporting period.

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Energy Derivatives (CfDs)			
Opening Balance	**26.8**	20.1	20.1
Total gains/(losses) recognised in the Income Statement			
Included in Energy Sales Revenue	**(44.4)**	33.3	(44.3)
Net Change in Fair Value of CfDs	**0.5**	10.5	2.8
Total gains/(losses) recognised in the FX Translation Reserve	**-**	(0.1)	(0.2)
CfDs settled during the year	**44.4**	(33.3)	44.3
CfDs entered into during the year	**29.3**	4.0	4.1
Closing Balance	**56.6**	34.5	26.8

Refer to previous Electricity price risk sensitivity analysis (in Note 12 - Financial Risk Management) for sensitivity to changes in valuation assumptions of Level 3 financial instruments (CfDs).

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of treasury derivatives (FECs, IRSs and CCIRSs) that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve net of tax for the six months ended 31 December 2014 is ($0.1m), (31 December 2013: ($2.0m), 30 June 2014: ($10.3m)).

New Zealand Aluminium Smelters CfD Agreement

On 7 August 2013, Meridian and New Zealand Aluminium Smelters (NZAS) entered into an electricity price agreement.

This agreement is for a period of up to 18 years and is based on 400 to 572MW of continuous consumption at the Tiwai smelter, thereby providing NZAS price certainty for this consumption volume which NZAS purchases from the New Zealand wholesale market. The agreed energy price is subject to escalation with reference to the Consumers Price Index (All Groups) and world aluminium prices.

Meridian considers that the agreement will best ensure that the electricity price NZAS pays will remain competitive for the scale of electricity consumption at the Tiwai smelter, while recognising both the commodity-price driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

The agreement has been accounted for at fair value as required by NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Fair value changes subsequent to initial recognition are recognised in the Income Statement and have been measured using the fair value guidelines under NZ IFRS 13 *Fair Value Measurement*.

13. Financial Instruments *(continued)*

Initial Recognition Difference

An initial recognition difference arises when the modelled value of an electricity derivative differs from the transaction price (which is the best evidence of fair value). This difference can be accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price. This recalibration adjustment is then applied to future valuations over the life of the contract. Alternatively, as was done previously with the difference on the 2007 NZAS contract, it can be amortised over the life of the contract.

The table below shows the aggregate initial recognition difference yet to be recognised in the Income Statement over the term of the contract:

	UNAUDITED 6 MONTHS ENDED 31 DEC 2014 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	AUDITED 12 MONTHS ENDED 30 JUN 2014 $M
Opening Difference	**911.5**	186.0	186.0
Initial Difference on New Hedges			
NZAS Agreement	**-**	853.2	853.2
Electricity Related CfDs	**14.5**	3.0	(0.2)
Volumes Expired and differences amortised during the Period			
NZAS Agreement	**(28.2)**	(134.1)	(151.8)
Electricity Related CfDs	**(1.9)**	(2.0)	(6.8)
Recalibration of Model for Future Price Estimates and Time			
NZAS Agreement	**77.9**	(28.7)	31.3
Electricity Related CfDs	**(2.3)**	(3.1)	(0.2)
Closing Difference	**971.5**	874.3	911.5

14. Commitments

	UNAUDITED 31 DEC 2014 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUN 2014 $M
Capital Expenditure Commitments			
Property, Plant and Equipment	**14.6**	201.0	29.9
Software	**0.8**	1.5	3.6
	15.4	202.5	33.5

Guarantees

Meridian Energy Limited has provided a bank guarantee (A$37.9m) to the financiers of the Macarthur wind farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed (with that guarantee expected to be released within the 2015 financial year).

Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Wind Farm Pty Limited. The maximum liability under these guarantees is $186.9m (31 December 2013: $211.6m, 30 June 2014: $192.6m).

Meridian Energy Limited signed a Parent Company Guarantee (PCG) on 30 April 2014 for the benefit of CalRENEW-1 Holdings LLC (holding company of SunEdison Inc). The PCG related to Meridian Energy USA Inc's (MEUSA) sale of CalRENEW-1 LLC pursuant to a Unit Purchase Agreement (UPA). Under the PCG, the Parent guarantees MEUSA's obligations in the UPA, which include historic payment obligations and some representations and warranties. The PCG stands for three years.

15. Subsequent Events

Dividends

Other than the dividend declared on 17 February 2015 (refer to Note 7), there have been no other material events subsequent to 31 December 2014.

16. Contingent Assets and Liabilities

Contingent Assets

Meridian has been disputing the Inland Revenue Department's (IRD) tax treatment relating to the depreciation of powerhouse structures. The IRD has issued a draft provisional determination for hydro electric powerhouses allowing depreciation deductions. Should this draft be finalised in its current state, it will reverse a deferred tax liability and will result in an income statement change of $34.4m. There were no other contingent assets at 31 December 2014 (31 December 2013: nil, 30 June 2014: nil).

Contingent Liabilities

There were no contingent liabilities at 31 December 2014 (31 December 2013: nil, 30 June 2014: nil).

Review Report

To the Shareholders of Meridian Energy Limited

Deloitte.

We have reviewed the condensed consolidated interim financial statements of Meridian Energy Limited and its subsidiaries ("the Group") which comprise the statement of financial position as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 10 to 31.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for the publication of the condensed consolidated interim financial statements, whether in printed or electronic form.

Independent Reviewer's Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Michael Wilkes of Deloitte to carry out the annual audit of the Group.

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Meridian Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on the condensed consolidated interim financial statements.

We did not evaluate the security and controls over the electronic publication of the condensed consolidated interim financial statements.

In addition to this review and the audit of the Group annual financial statements, we have carried out other engagements consisting of a carbon emissions audit, audit of the securities registers and reporting in our capacity as auditors to the supervisor for the debt securities which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. These services have not impaired our independence as auditor of the Company or Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with, or interests in, the Company or Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

Michael Wilkes
Deloitte
On behalf of the Auditor-General
Christchurch, New Zealand

17 February 2015

Directory

Registered office

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Wellington 6011
New Zealand

Offices

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Melbourne VIC 3000

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F: +61 3 9620 5235

Share Registrar – New Zealand

Computershare Investor Services Ltd
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
Private Bag 92119
Auckland 1142

T: +64 9 488 8777
F: +64 9 488 8787

enquiry@computershare.co.nz

www.investorcentre.com/nz

Share Registrar – Australia

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3037
GPO Box 3329
Melbourne, VIC 3001

T: 1800 501 366 (within Australia)
T: +61 3 9415 4083 (outside Australia)
F: +61 3 9473 2500

enquiry@computershare.co.nz

Auditor

Michael Wilkes
On behalf of the Office
of the Auditor-General
Deloitte
PO Box 248
Christchurch 8140
New Zealand

Banker

Westpac
Wellington
New Zealand

Directors

Chris Moller, Chair
Peter Wilson, Deputy Chair
John Bongard
Mark Cairns
Jan Dawson
Mary Devine
Sally Farrier
Anake Goodall
Stephen Reindler

Management team

Mark Binns, Chief Executive
Neal Barclay
Ben Burge
Paul Chambers
Jacqui Cleland
Alan McCauley
Glen McLatchie
Jason Stein
Guy Waipara

If you would like to comment on Meridian's Interim Report, or if you have questions you would like answered, please email investors@meridianenergy.co.nz.

meridian

meridian.co.nz

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Full name of Issuer	Meridian Energy Limited
Name of officer authorised to make this notice	Jason Stein
Authority for event, e.g. Directors' resolution	Directors' resolution
Contact phone number	+64 4 381 1200
Contact fax number	
Date	17 / 2 / 2015

Nature of event
Tick as appropriate

Bonus Issue	☐
If ticked, state whether: Taxable	☐
/ Non Taxable	☐
Conversion	☐
Interest	☐
Rights Issue Renouncable	☐
Rights Issue non-renouncable	☐
Capital change	☐
Call	☐
Dividend	☑
If ticked, state whether: Interim	☐
Full Year	☐
Special	☑
DRP Applies	☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities	Instalment Receipts
ISIN (If unknown, contact NZX)	NZMELE0001S9

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities	
ISIN (If unknown, contact NZX)	
Number of Securities to be issued following event	
Minimum Entitlement	
Ratio, e.g 1 for 2	for
Conversion, Maturity, Call Payable or Exercise Date (Enter N/A if not applicable)	
Treatment of Fractions	
Tick if pari passu	☐
OR provide an explanation of the ranking	
Strike price per security for any issue in lieu or date Strike Price available.	

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income)	$0.0140
Source of Payment	Retained Earnings
Excluded income per security (only applicable to listed PIEs)	
Currency	NZ Dollars
Total monies	$35,882,000

Supplementary dividend details - NZSX Listing Rule 7.12.7

Amount per security in dollars and cents	$0.0025
Date Payable	15 April, 2015

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price	$
Resident Withholding Tax	$0.0010
Imputation Credits (Give details)	$0.0054
Foreign Withholding Tax	
FDP Credits (Give details)	

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm *For calculation of entitlements -*	31 March, 2015
Application Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*	15 April, 2015
Notice Date *Entitlement letters, call notices, conversion notices mailed*	
Allotment Date *For the issue of new securities. Must be within 5 business days of application closing date.*	

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX

APPENDIX 7 – NZSX Listing Rules

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages): 1

Full name of Issuer: Meridian Energy Limited

Name of officer authorised to make this notice: Jason Stein

Authority for event, e.g. Directors' resolution: Directors' resolution

Contact phone number: +64 4 381 1200

Contact fax number:

Date: 17 / 2 / 2015

Nature of event
Tick as appropriate

Bonus Issue ☐ *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐ *Conversion* ☐ *Interest* ☐ *Rights Issue Renouncable* ☐

Rights Issue non-renouncable ☐ Capital change ☐ Call ☐ Dividend ☑ If ticked, state whether: Interim ☑ Full Year ☐ Special ☐ DRP Applies ☐

EXISTING securities affected by this

If more than one security is affected by the event, use a separate form.

Description of the class of securities: Instalment Receipts

ISIN: NZMELE0001S9
If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the class of securities:

ISIN:
If unknown, contact NZX

Number of Securities to be issued following event:

Minimum Entitlement:

Ratio, e.g 1 for 2: for

Conversion, Maturity, Call Payable or Exercise Date:
Enter N/A if not applicable

Treatment of Fractions:

Tick if pari passu ☐ *OR* *provide an explanation of the ranking*:

Strike price per security for any issue in lieu or date Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security (does not include any excluded income): $0.0480

Source of Payment: Retained Earnings

Excluded income per security (only applicable to listed PIEs):

Currency: NZ Dollars

Supplementary dividend details - NZSX Listing Rule 7.12.7
Amount per security in dollars and cents: $0.0085
Date Payable: 15 April, 2015

Total monies: $123,024,000

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus issue state strike price: $

Resident Withholding Tax: $0.0033

Imputation Credits (Give details): $0.0187

Foreign Withholding Tax:

FDP Credits (Give details):

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm
For calculation of entitlements -: 31 March, 2015

Application Date
Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.: 15 April, 2015

Notice Date
Entitlement letters, call notices, conversion notices mailed:

Allotment Date
For the issue of new securities. Must be within 5 business days of application closing date.:

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX

meridian

Meridian Energy Limited

("Company")

Directors' declaration in respect of the Group Financial Statements for six months ended 31 December 2014

Introduction

It is a requirement of the Australian Securities Exchange Listing Rule 4.2A.2A that a declaration be given by the directors for the Company in respect of the financial statements for the Company and its subsidiaries (Meridian Group) for the six months ended 31 December 2014. This declaration must be filed with the Australian Securities Exchange..

Declaration

The directors of the Company hereby declare that in their opinion:

1. the Meridian Group financial statements for the six months ended 31 December 2014 and the notes to those financial statements comply with generally accepted accounting practice in New Zealand as it relates to the half year financial statements;

2. the Meridian Group financial statements for the six months ended 31 December 2014 and the notes to those financial statements give a true and fair view of the financial position and performance of the Meridian Group; and

3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed

Chris Moller
Chairman

Better energy

meridian

MERIDIAN ENERGY LIMITED

2015 INTERIM RESULTS PRESENTATION

for the six months ended 31 December 2014

Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain forward-looking statements and projections. These reflect Meridian's current expectations, based on what it thinks are reasonable assumptions. Meridian gives no warranty or representation as to its future financial performance or any future matter. Except as required by law or NZX or ASX listing rules, Meridian is not obliged to update this presentation after its release, even if things change materially.

This presentation does not constitute financial advice. Further, this presentation is not and should not be construed as an offer to sell or a solicitation of an offer to buy Meridian Energy securities and may not be relied upon in connection with any purchase of Meridian Energy securities.

This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the condensed interim financial statements, which are included in Meridian's interim report for the six months ended 31 December 2014 and is available at:

http://www.meridianenergy.co.nz/investors/reports-and-presentations/interim-results-and-reports/

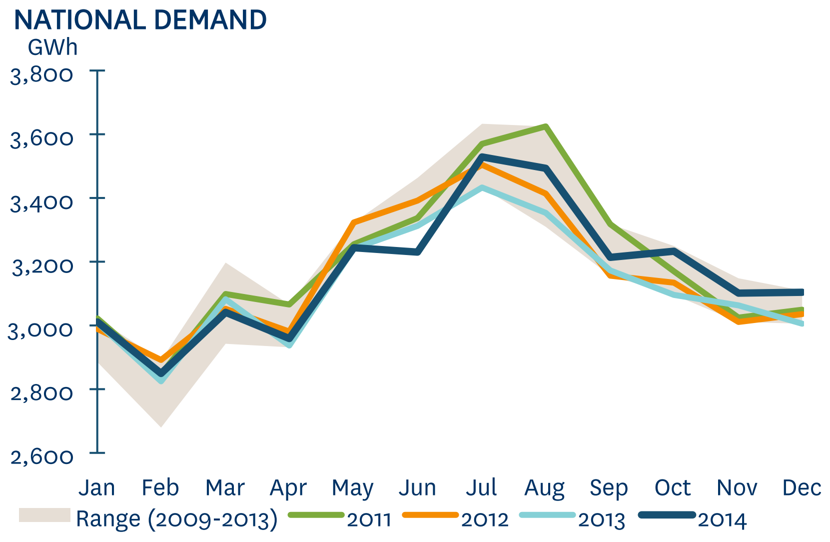
All currency amounts are in New Zealand dollars unless stated otherwise.

Key financial points

- Interim financials well ahead of last year
  - Operating cash flow +13.2%
  - EBITDAF +20.9%
  - Underlying NPAT +38.3%
- Capital projects completed
  - Mt Mercer and Mill Creek wind farms
  - Generation control system
- Total generation volumes +6.1%
  - 271GWh of new wind production
  - Higher winter inflows this year
  - HVDC constraints last year

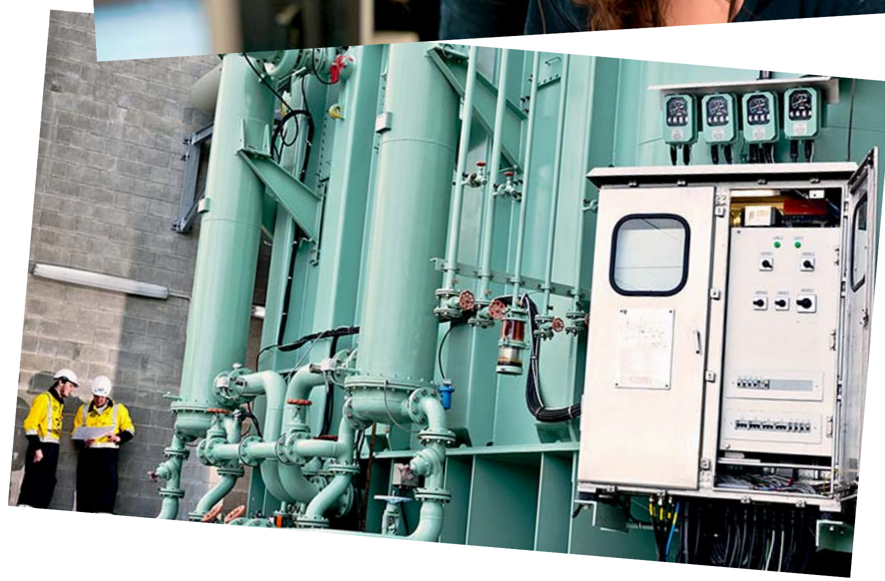
Key market points

- Modest demand growth in 2014, up 1.3%
- Retail competition remains fierce
- Aluminium prices and currency rates are assessed as having a positive impact on the Tiwai Point smelter
- Slow progress on major regulatory decisions



Capital management

- Lift in dividend policy to 75%-90% of free cash flow (from 70%-80%)
- In addition, targeting a progressive return of a further $625m over next 5 years, starting in August 2015
- Mechanism for this additional return will be considered on an ongoing basis
- Ordinary interim dividend of 4.8 cps, fully imputed
- Special interim dividend of 1.4 cps, fully imputed



Regulatory issues

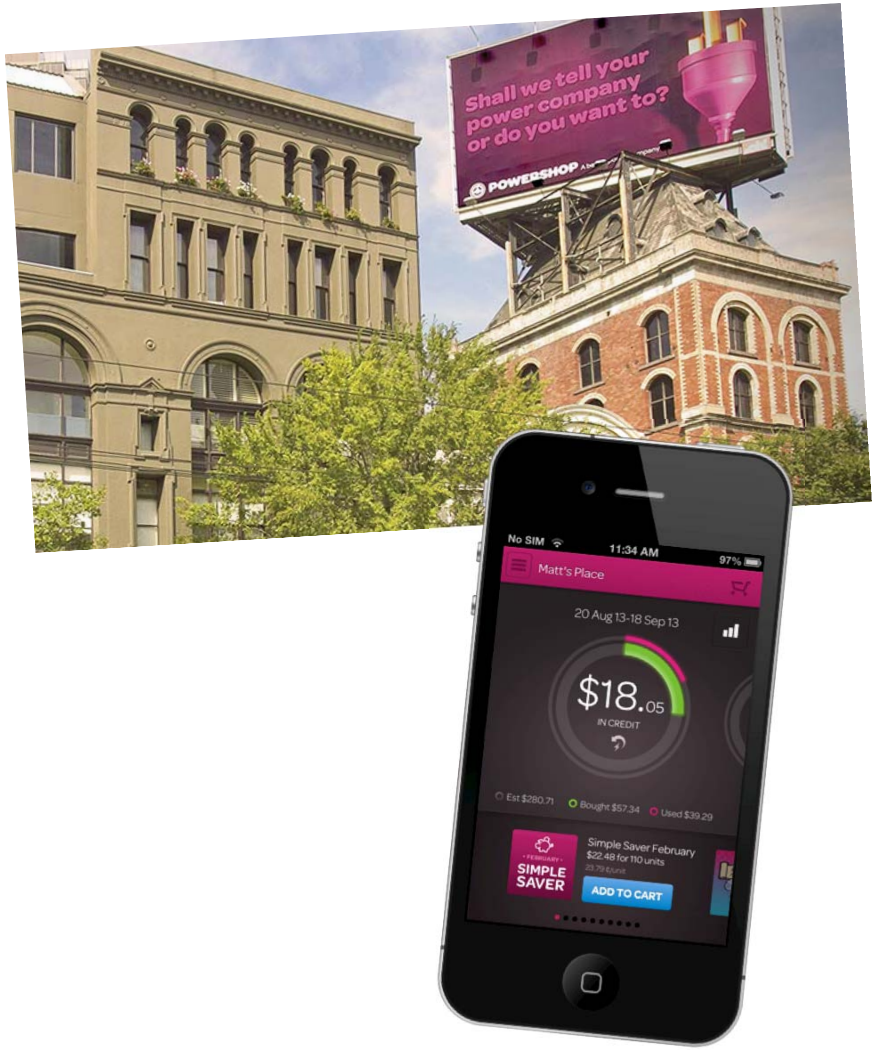
- The Electricity Authority is expected to publish a transmission pricing options paper in the next few weeks
- A second issues paper is due in June 2015
- Currently the proposed changes will mean lower transmission charges to consumers and downward pressure on retail prices
- Uncertainty about the Renewable Energy Target (RET) in Australia has paralysed investment in renewable generation
- Unclear when a stable, bipartisan energy policy that supports renewables may return
- Meridian's focus in Australia is on successfully rolling out a new retail experience

Projects

- Major projects completed on time and under budget
  - Mt Mercer will eliminate half a million tonnes of carbon emissions annually
  - Mill Creek completion means that Wellington wind can now power 100,000 homes
  - New generation control system monitors 50,000 data points around our assets
- Other projects progressing inside the stay in business capital envelope
  - Waitaki refurbishment
  - Manapouri transformer replacement

Powershop Australia

- Over 30,000 customers in Victoria at the end of January 2015
- Leverages existing NZ technology and call centre investment
- Business run out of Melbourne and Wellington
- Customers serviced out of Masterton
- Anticipating NSW launch this quarter



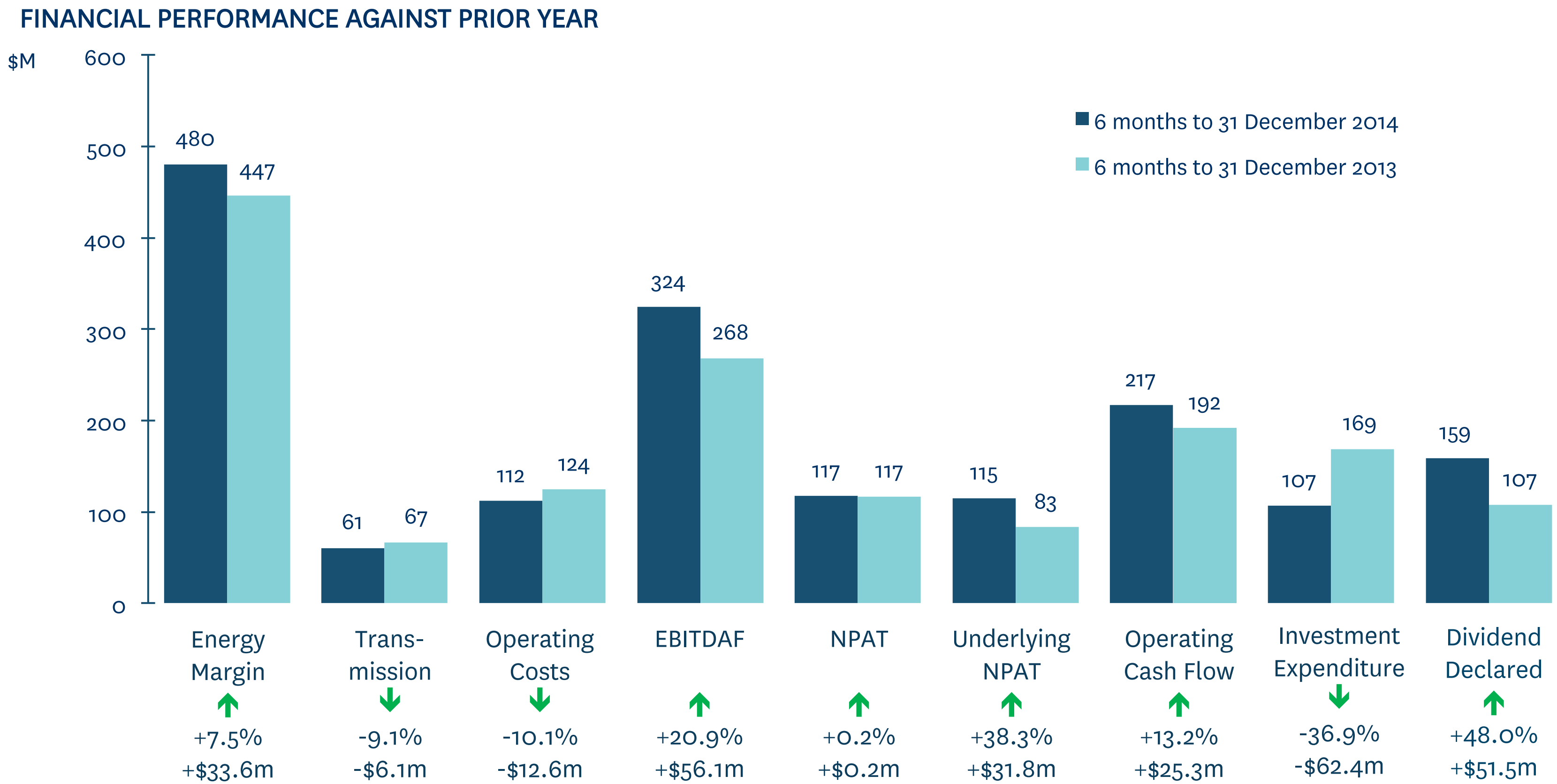
New Zealand retail

- Arc metering business sold and programme commenced to replace remaining 125,000 legacy meters
- New Meridian website launched, improved customer join, move and bill estimate functionality
- Aggressive residential competition has seen a small decline in customer connections
- More successful targeted retention activity: 2.4% improvement in Meridian's rolling retention rate since June 2014

New Zealand retail

- Annual demand up 1.3%, last 6 months up 2.9% on prior period
- Reduced fuel purchase obligations mean that thermal generators are able to reduce output
- The forward market has risen across all quarters, which may benefit commercial and industrial pricing
- No network-wide energy price increases in April this year
- Meridian's residential pricing is close to the lowest in most major networks

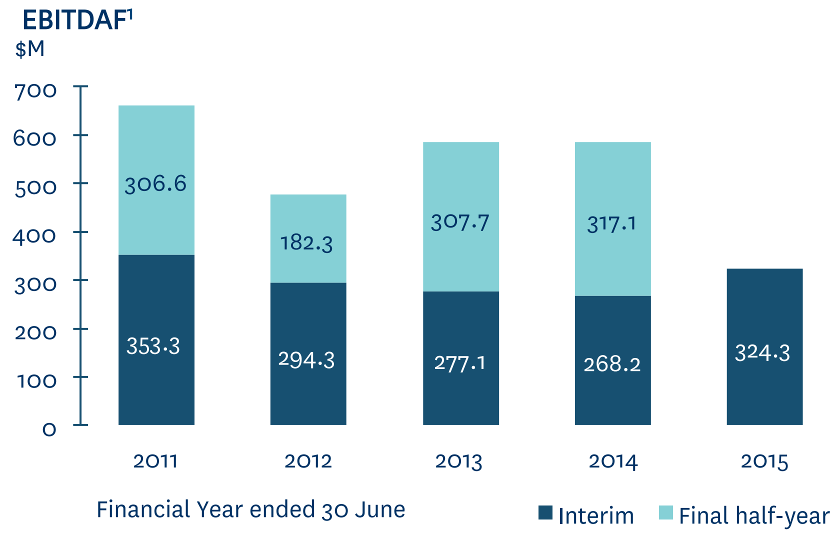
Financial performance

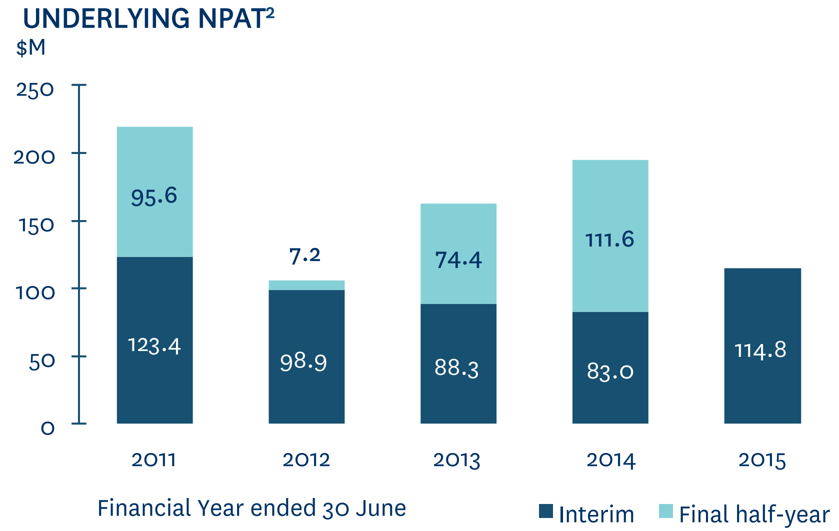


- Better than prior year performance on all major financial measures
- 1H FY14 included $8.3m of IPO costs, not repeated in 1H 14
- 1H FY15 EBITDAF includes $5.2m of insurance proceeds
- 1H FY15 NPAT includes $15.2m of gains on asset sales – metering business and farms

Earnings

- 'Like for like' EBITDAF (excluding insurance proceeds and IPO costs) increase of 15.4% in 1H FY14 from:
  - Additional generation from Mill Creek in NZ and Mt Mercer in Australia
  - Higher residential/SME sales volumes
  - Higher sell-side CFD volumes and lower acquired generation, off the back of higher NZ generation
  - Continued cost savings and lower HVDC charges
- Higher interest costs on connection asset finance leases and end of project interest capitalisation

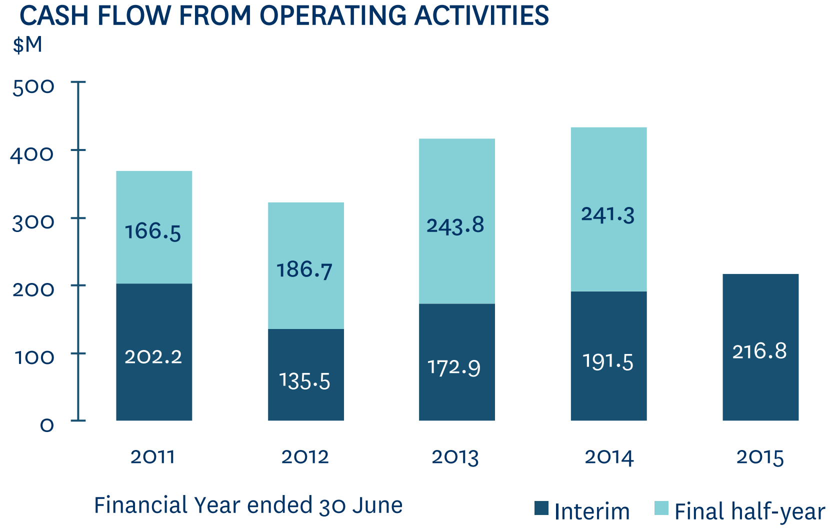




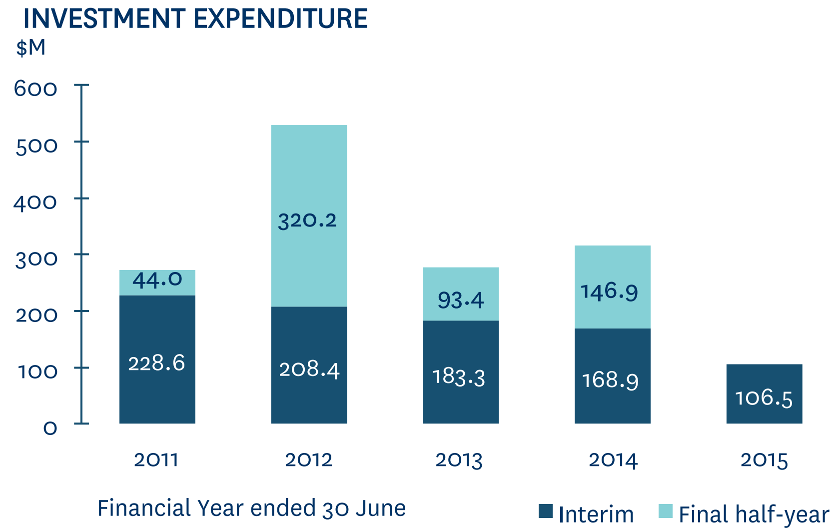
[1]Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets
[2]Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items
A reconciliation between Net Profit after Tax and Underlying Net Profit after Tax is on p31

Operating cash flow and investment expenditure

- Net cash flow from operating activities was $25.3m (13.2%) higher than 1H FY14
- Reflects the higher energy margin and lower operating costs in 1H FY15
- Includes higher income tax payments on improved EBITDAF

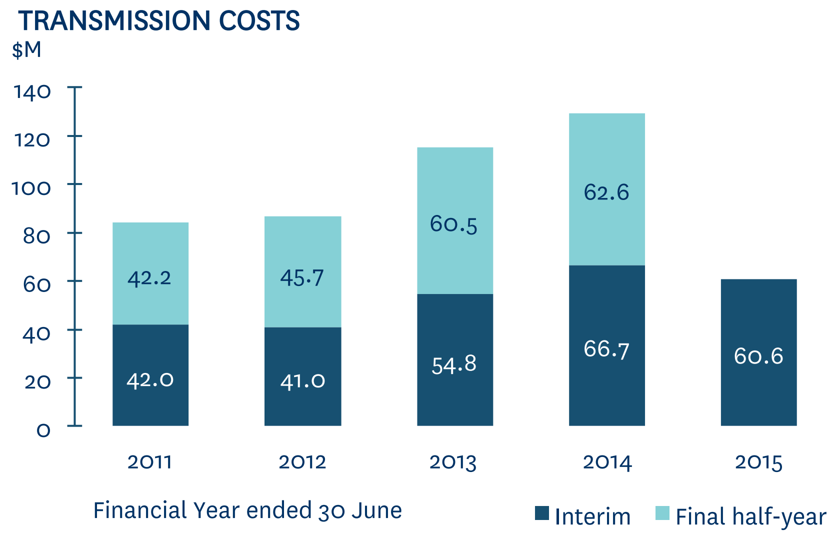


- Investment expenditure was $62.4m (36.9%) lower than 1H FY14
- Reflects completion of Mill Creek and Mt Mercer wind projects
- Both projects were completed under budget
- Stay in business capital expenditure of $23.9m in 1H FY15

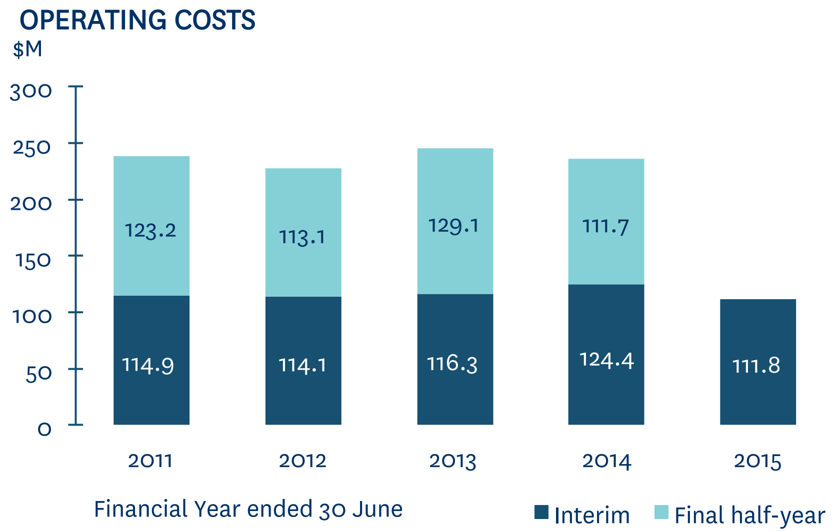


Costs

- $6.1m (9.1%) decrease in Transmission costs in 1H FY15
- Benefiting from lower final costs on HVDC Pole 3 project
- 5% increase in 2015/16 transmission costs coming



- $12.6m (10.1%) decrease in reported Operating costs in 1H FY15
- Adjusting for IPO costs, Operating costs have decreased $4.3m (3.7%) in 1H FY15
- Absorbing costs from growth projects – new wind farms and Powershop Australia



Concluding remarks

- Higher energy margin and lower costs has driven a lift in profits and operating cash flow
- Inflows into catchments have been consistent, with Lake Pukaki storage (as at 17 Feb) 93% of average. Position is not adversely affecting generation outlook
- Tiwai Point decision
- Amended dividend policy the first step in a capital management programme, with further update in August 2015
- Final instalment receipt payment of $NZ0.50 per share due in May 2015, more details at:

  www.treasury.govt.nz/statesector/soes/meridianenergyinstalmentreceipts

Additional information

New Zealand retail

Customer connections

- Small decline in ICP numbers since June 2014, reflecting aggressive residential sales activity

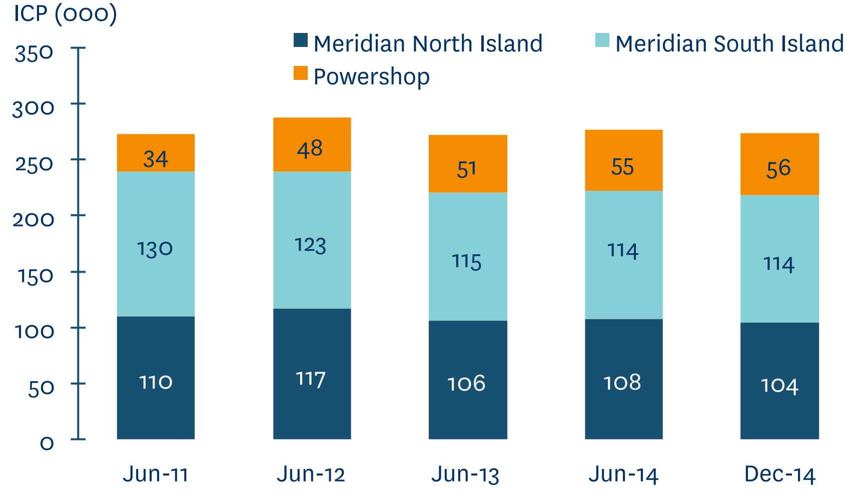
Residential, SME, Agri segment

- 6.2% increase in volumes largely from growth in SME and agribusiness customer base
- Average price is stable

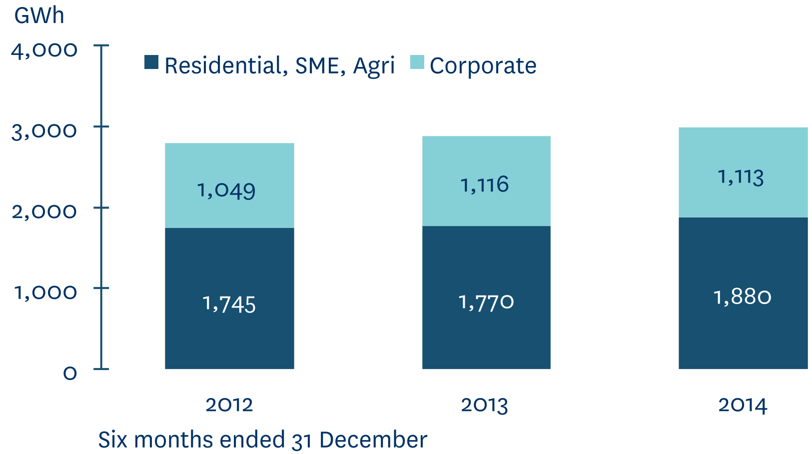
Corporate segment

- 4.2% decrease in average price, reflecting corporate and industrial customers rolling off fixed term contracts
- Increasing ASX prices may feed through into C&I pricing

NEW ZEALAND CUSTOMER NUMBERS



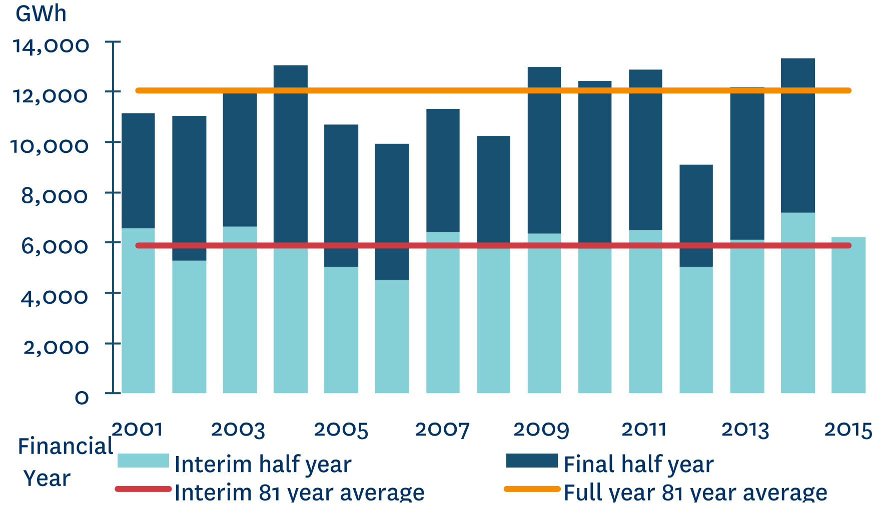
RETAIL SALES VOLUMES



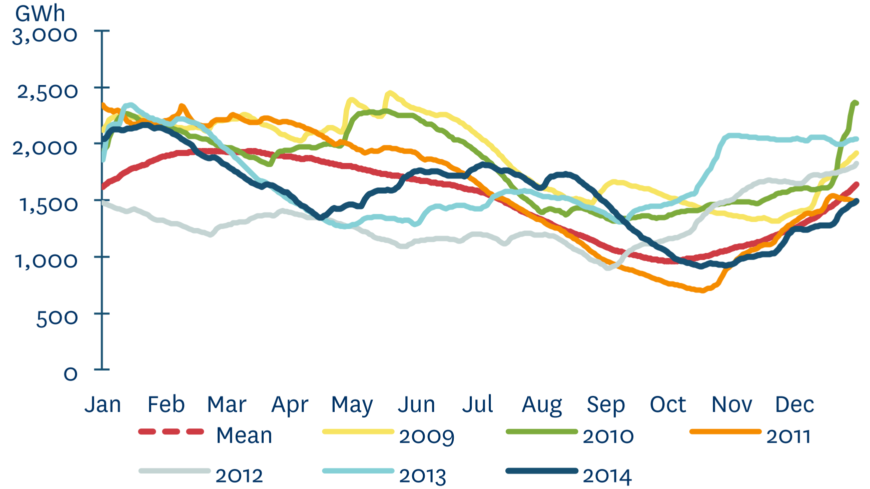
Hydrology

- Inflows for the 6 months to December 2014 were 106% of historical average
- This reflects comparatively high inflows in July and August 2014
- January 2015 inflows were 77% of historical average
- Meridian's Waitaki catchment storage at 31 December 2014 was 91% of historical average
- By 31 January 2015, this storage position was 83% of historical average

MERIDIAN'S COMBINED CATCHMENT INFLOWS

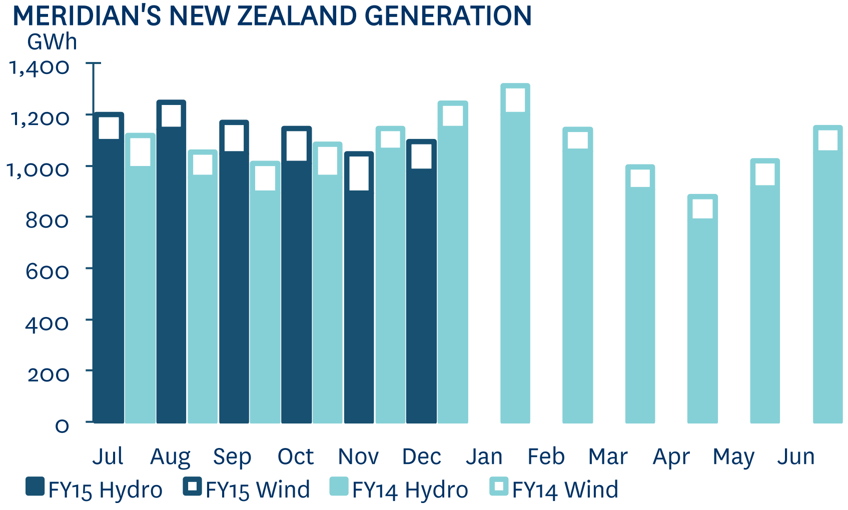


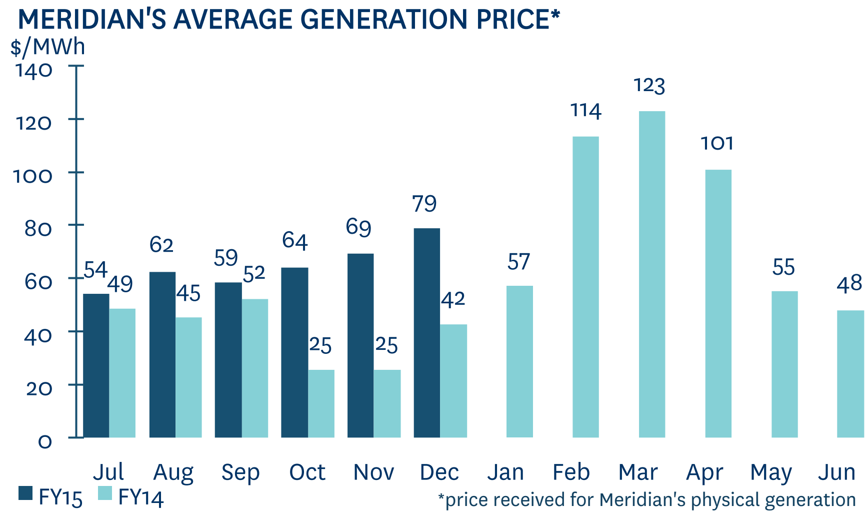
MERIDIAN'S WAITAKI STORAGE



New Zealand generation

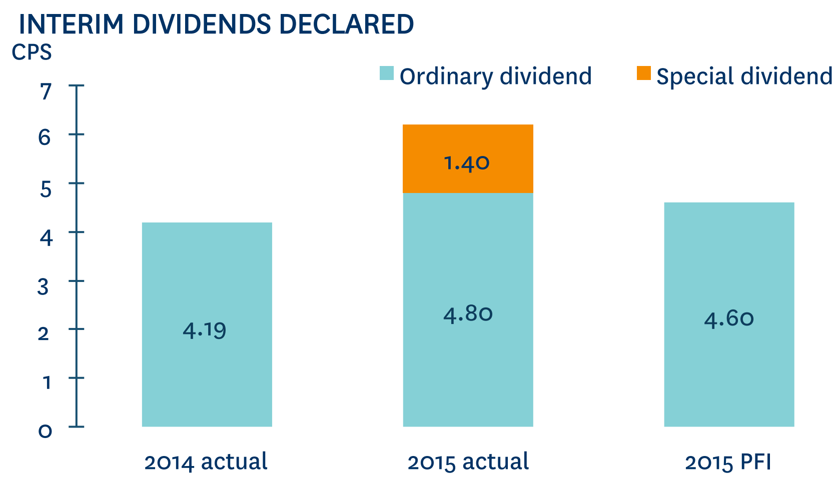
- For the 6 months to December 2014, Meridian's New Zealand generation was 3.8% higher than the same period last year
- For the 6 months to December 2014, the average price Meredian received for its generation was 61.7% higher than the same period last year
- Similarly, the price Meridian paid to supply contracted sales in the 6 months to December 2014 was 60.4% higher than last year



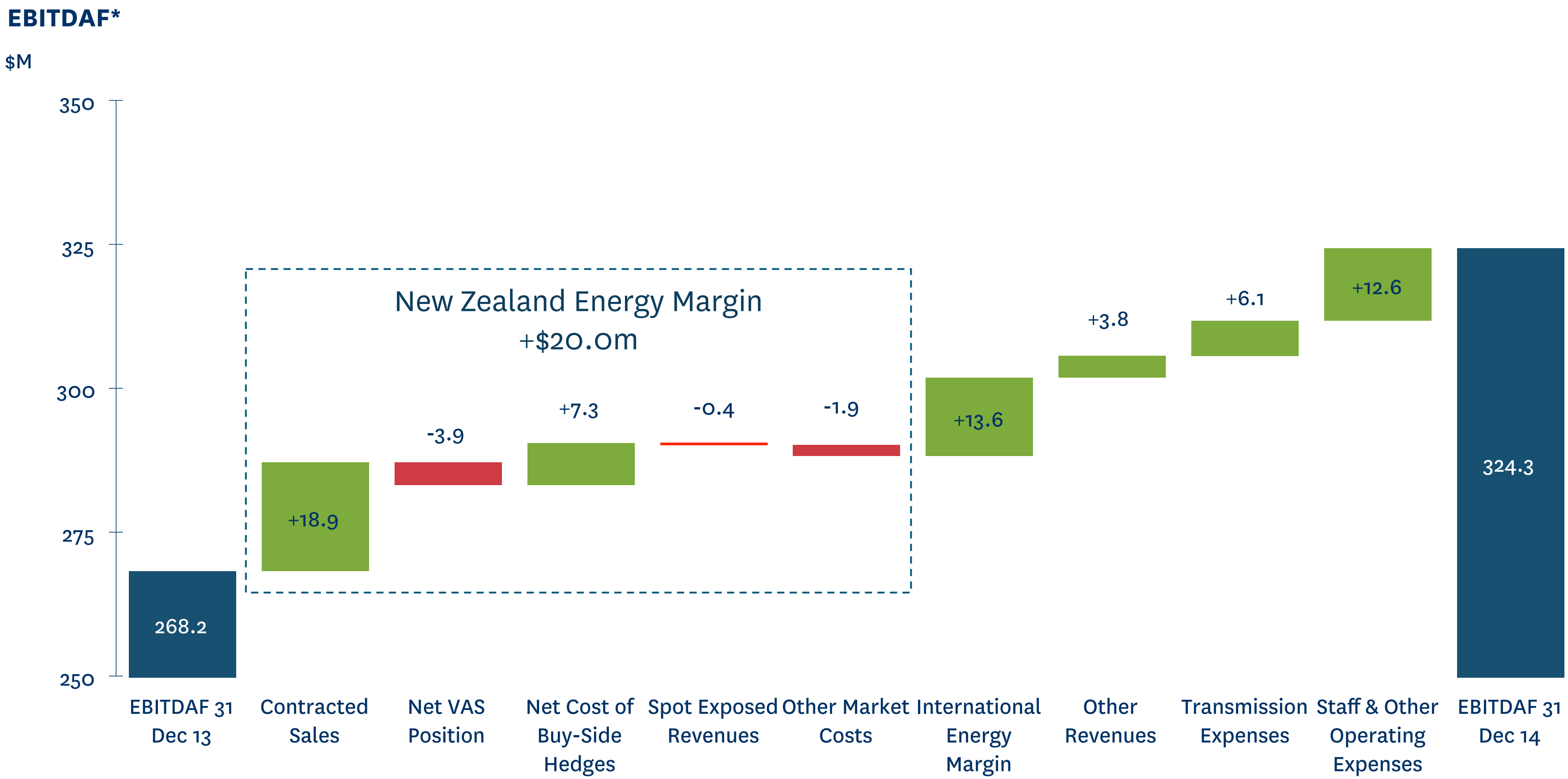


Dividends

2015 DIVIDENDS	DATE ANNOUNCED	DATE PAID	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	18 February 2015	15 April 2015	4.80	100%
Interim Special Dividend	18 February 2015	15 April 2015	1.40	100%
Total Interim Dividend			6.20	100%



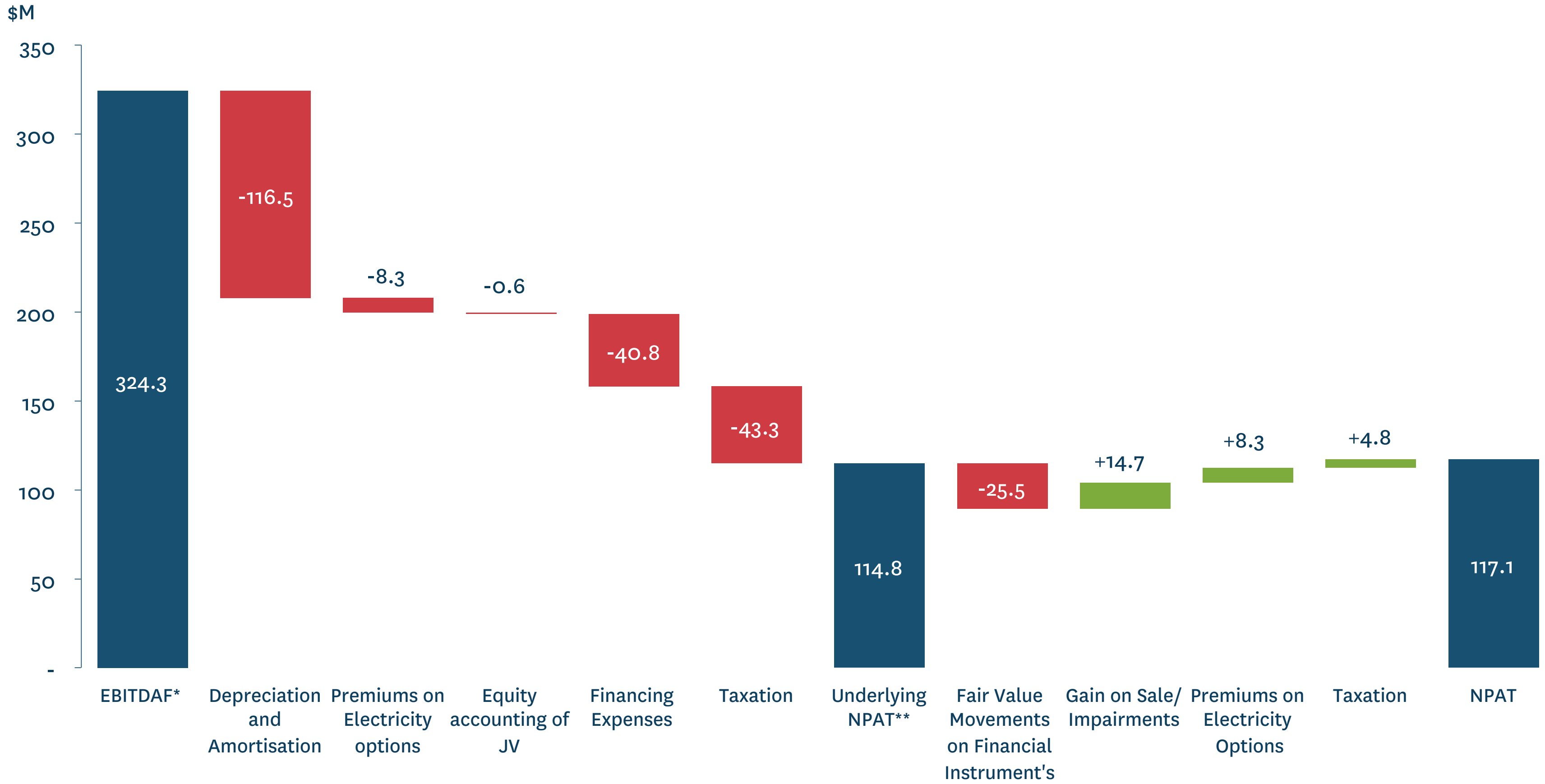
Movement in EBITDAF HY14 to HY15



*Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets

EBITDAF and Net Profit After Tax

HY2015 EBITDAF TO NPAT RECONCILIATION



*Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets
**Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items
A reconciliation between Net Profit after Tax and Underlying Net Profit after Tax is on p30

New Zealand energy margin

- Energy margin is a non-GAAP financial measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses
- Energy margin is used to measure the vertically integrated performance of the retail and wholesale businesses. This measure is used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

- Energy margin is defined as:
  - \+ revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from derivatives sold (Contract sales revenue)
  - ± the net position of virtual assets swaps with Genesis Energy and Mighty River Power
  - − the cost of fixed cost of derivatives acquired to supplement generation and spot price risks, net of spot revenue received for generation acquired from those derivatives (Net cost of acquired generation)
  - ± revenue from the volume of electricity that Meridian generates that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)
  - ± other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

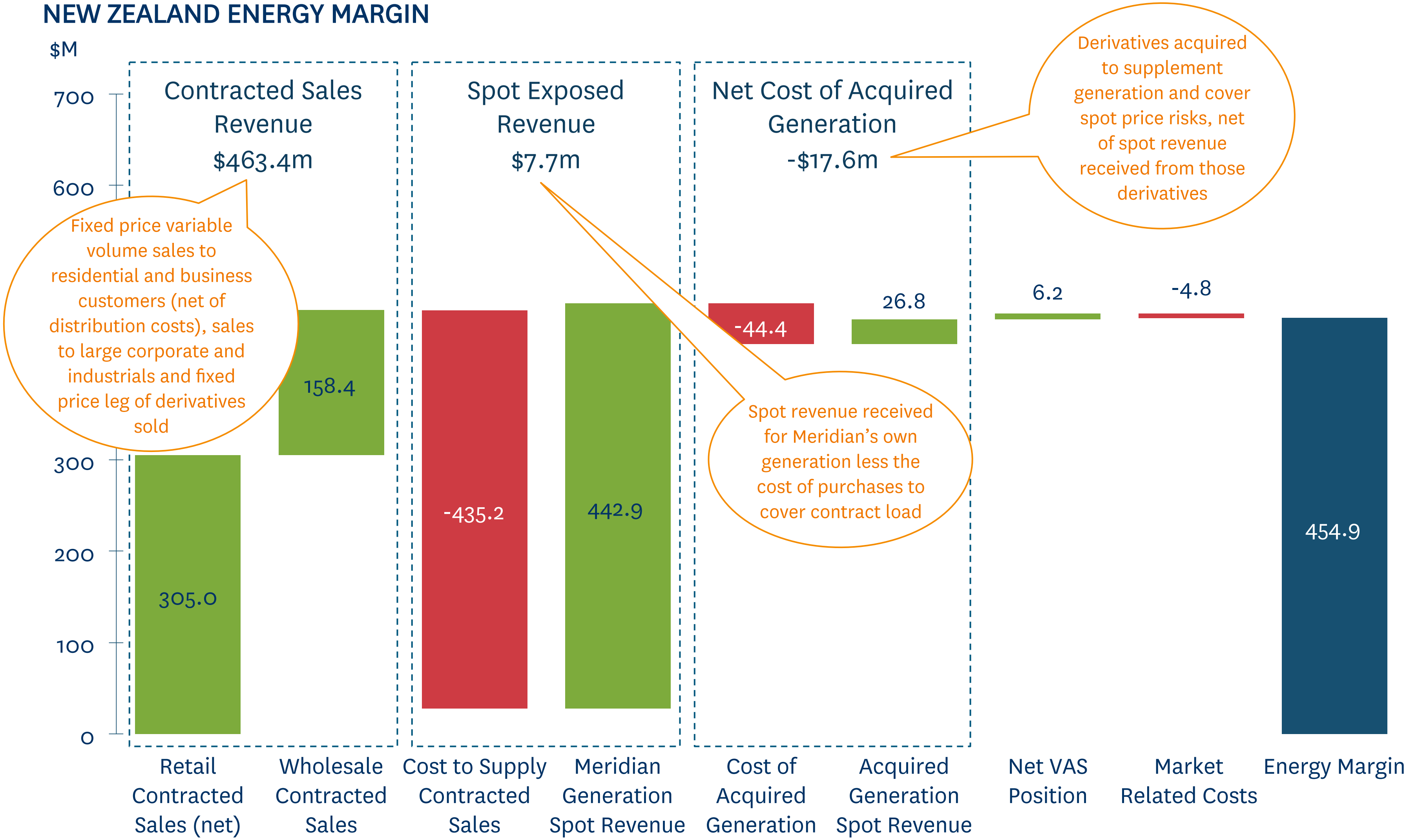
New Zealand energy margin

NEW ZEALAND ENERGY MARGIN	HY2014 VOLUME GWh	HY2014 VWAP $/MWh	HY2014 $M	HY2013 VOLUME GWh	HY2013 VWAP $/MWh	HY2013 $M
Retail Contracted Sales	2,993.4	$101.9	$305.0	2,885.7	$102.9	$296.9
NZAS Aluminium Sales	2,525.4			2,525.4		
Sell Side CFDs	606.1			434.4		
Wholesale Contracted Sales	3,131.5	$50.6	$158.4	2,959.8	$49.9	$147.6
Net VAS Position	578.8[1]		$6.2	553.6[1]		$10.2
Acquired Generation Revenue	530.3	$50.5	$26.8	665.0	$45.3	$30.1
Cost of Acquired Generation	530.3	-$83.7	-$44.4	665.0	-$82.7	-$55.0
Net Cost of Acquired Generation			-$17.6			-$24.9
Generation Revenue	6,897.6	$64.2	$442.9	6,644.5	$39.7	$263.8
Cost to Supply Contracted Sales	6,302.3	-$69.1	-$435.2	5,940.4	-$43.1	-$255.7
Net Spot Exposed Revenue			$7.7			$8.1
Other Market Revenue/(Costs)			-$4.8			-$3.0
Energy Margin			**$454.9**			**$434.9**
LWAP:GWAP[2]			1.11			1.10

[1]Notional VAS volumes
[2]Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of line losses

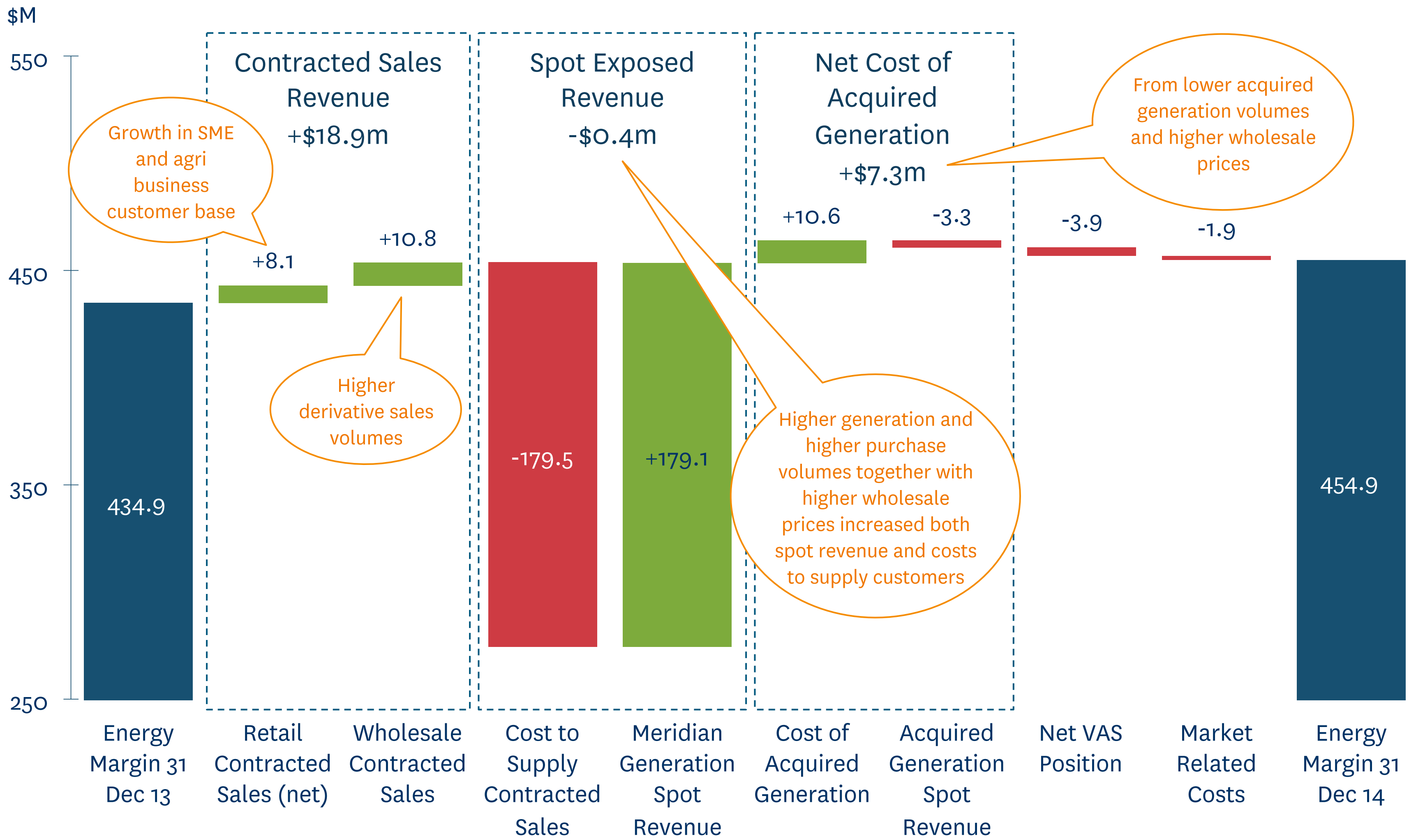
HY15 energy margin

NEW ZEALAND ENERGY MARGIN



Movement in energy margin HY14 to HY15

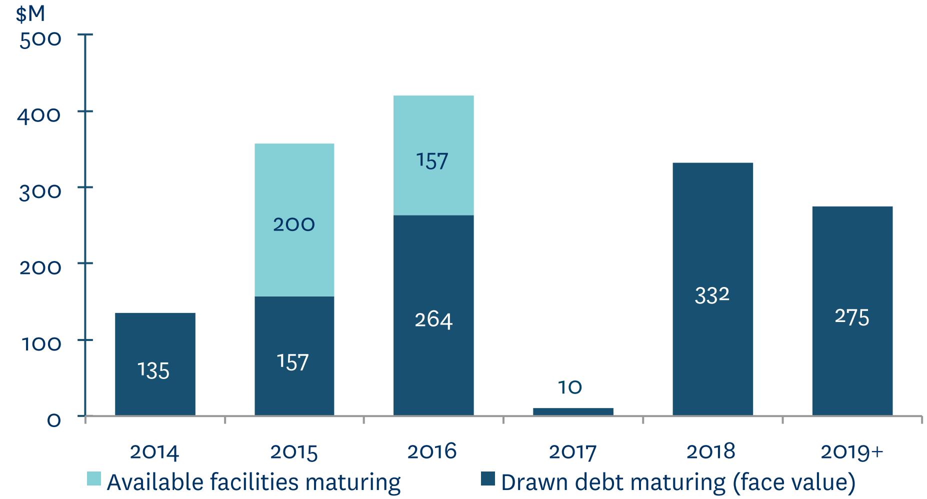
NEW ZEALAND ENERGY MARGIN



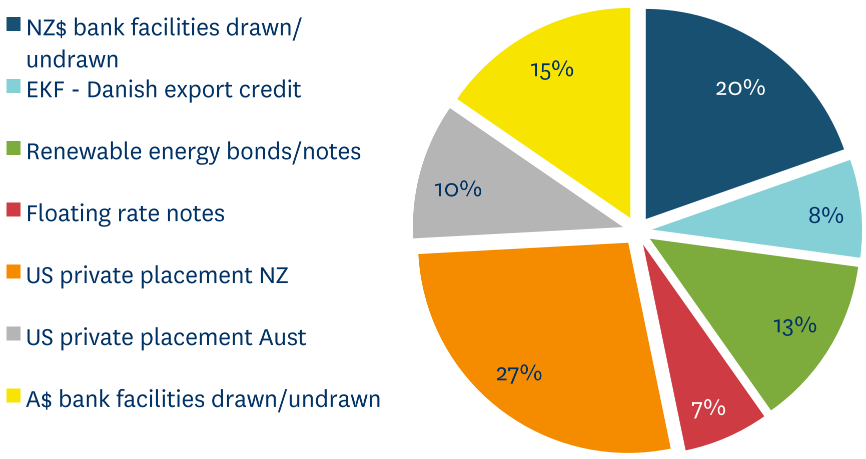
Funding

- Total borrowings as at 31 December 2014 of $1,186.9m, up $60.8m from 31 December 2013 and up $94.4m from 30 June 2014
- Net borrowings (net of cash) as at 31 December 2014 of $955.9m, up $82.2m from 31 December 2013
- Committed bank facilities of $650.7m as at 31 December 2014, of which $357.1m were undrawn
- Net finance costs increased by $3.3m (8.8%) in HY15, reflecting finance lease interest on transmission costs assets and the end of capitalisation of interest on build projects

DEBT MATURITY PROFILE AS AT 31 DECEMBER 2014



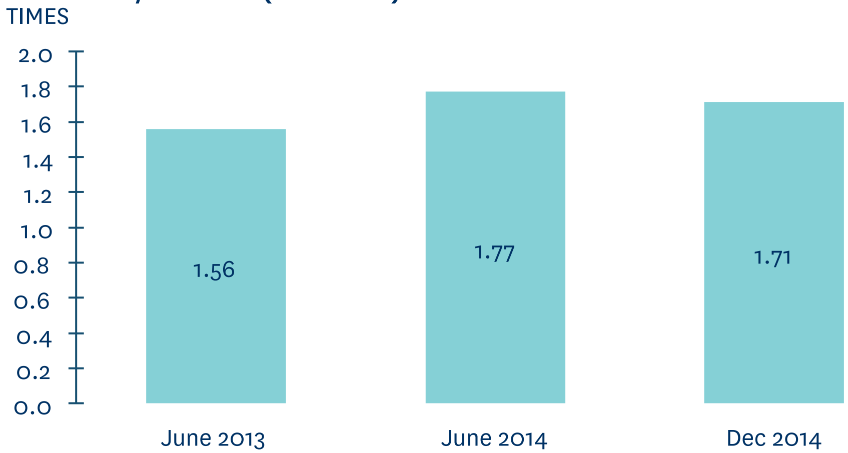
SOURCES OF FUNDING AS AT 31 DECEMBER 2014



Funding metrics

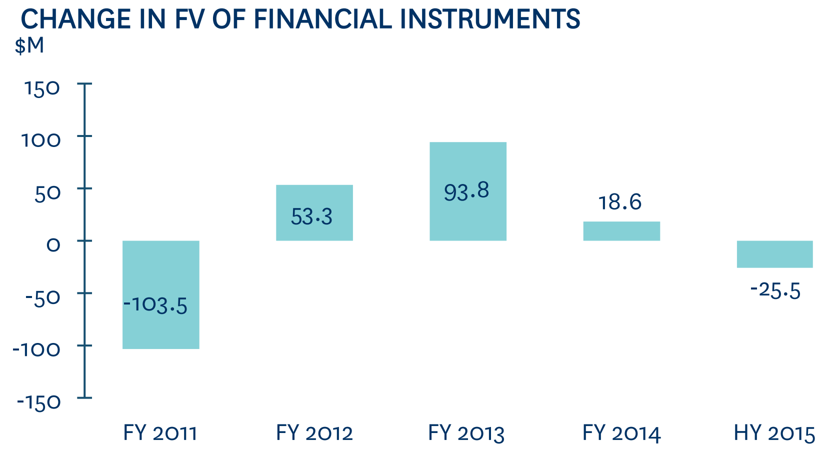
- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of Net debt/EBITDAF includes numerous adjustments to reported numbers
  - Borrowings are adjusted for the impact of finance and operating leases
  - Cash balances are adjusted for restricted cash
  - EBITDAF is adjusted for operating leases and non core revenue

NET DEBT/EBITDAF (S&P VIEW)



Fair Value movements

- Meridian uses derivative instruments to manage commodity price, interest rate and foreign exchange risk
- As forward prices and rates on these instruments move, non cash changes to their carrying values are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- Net changes in the fair value of derivatives was an unrealised loss of $25.5m in HY15
- This is driven by changes in the value of interest rate hedges from a drop in the forward interest rate curve
- This compares to an unrealised gain of $41.2m in HY14 and $18.6m in FY14



Group income statement

SUMMARY GROUP INCOME STATEMENT	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
New Zealand Energy Margin	454.9	434.9	891.5	865.1
International Energy Margin	25.3	11.7	31.9	50.7
Other Revenue	16.5	12.7	27.3	29.7
Energy Transmission Costs	(60.6)	(66.7)	(129.3)	(115.3)
Employee and Other Operating Costs	(111.8)	(124.4)	(236.1)	(245.4)
EBITDAF	**324.3**	**268.2**	**585.3**	**584.8**
Impairment of Assets	(0.5)	-	-	(24.8)
Gain/(Loss) on Sale of Assets	15.2	(2.4)	6.6	106.6
Equity Accounted Earnings of Joint Ventures	(0.6)	(0.2)	(0.4)	0.1
Depreciation and Amortisation of Intangible Assets	(116.5)	(105.3)	(220.0)	(219.7)
Net Change in Fair Value of Financial Instruments (Operational)	0.3	1.7	(8.4)	51.1
Net Finance Costs	(40.8)	(37.5)	(73.7)	(113.5)
Net Change in Fair Value of Financial Instruments (Financing)	(25.8)	39.5	27.0	42.7
Net Profit before Tax	**155.6**	**164.0**	**316.4**	**427.3**
Income Tax Expense	(38.5)	(47.1)	(86.6)	(132.2)
Net Profit after Tax	**117.1**	**116.9**	**229.8**	**295.1**

Group underlying NPAT

UNDERLYING NPAT RECONCILIATION	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
Net Profit after Tax	**117.1**	**116.9**	**229.8**	**295.1**
Net Change in Fair Value of Financial Instruments (Operational)	(0.3)	(1.7)	8.4	(51.1)
Net Change in Fair Value of Financial Instruments (Financing)	25.8	(39.5)	(27.0)	(42.7)
Premiums paid on Electricity Options (less Interest)	(8.3)	(8.3)	(20.1)	(18.5)
Impairment of Assets	0.5	-	-	24.8
Gain on Sale of Assets	(15.2)	2.4	(6.6)	(106.6)
Adjustments before Tax	**2.5**	**(47.1)**	**(45.3)**	**(194.1)**
Income Tax Expense	(4.8)	13.2	10.1	61.7
Underlying Net Profit after Tax	**114.8**	**83.0**	**194.6**	**162.7**

Group cash flow statement

SUMMARY GROUP CASH FLOW STATEMENT	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
Receipts from Customers	1.002.4	963.5	2,083.4	2,390.0
Interest and Dividends Received	4.6	4.2	8.5	2.1
Payments to Suppliers and Employees	(685.9)	(677.9)	(1,480.5)	(1,811.8)
Interest and Income Tax Paid	(104.3)	(98.3)	(178.6)	(163.6)
Net Cash Inflows from Operating Activities	**216.8**	**191.5**	**432.8**	**416.7**
Sale of Property, Plant and Equipment	15.4	4.7	41.1	0.6
Finance Lease Receiveable/Payable	(0.4)	0.2	(0.3)	-
Sale of Subsidiaries and Investments	24.0	2.1	21.1	152.0
Purchase of Property, Plant and Equipment	(101.2)	(151.7)	(283.7)	(244.8)
Capitalised Interest	(0.4)	(3.6)	(9.3)	(5.7)
Purchase of Intangible Assets and Investments	(4.5)	(13.6)	(22.3)	(26.2)
Net Cash Outflows from Investing Activities	**(67.1)**	**(161.9)**	**(253.4)**	**(124.1)**
Proceeds from Borrowings	203.7	80.4	133.7	1,115.9
Dividends Paid	(228.6)	(152.6)	(261.4)	(99.8)
Shares Purchased for Long Term Incentive	(1.0)	(1.0)	(1.0)	-
Term Borrowings Paid	(168.9)	(85.3)	(153.5)	(1,117.4)
Net Cash Outflows from Financing Activities	**(194.8)**	**(158.5)**	**(282.2)**	**(101.3)**

Group balance sheet

SUMMARY GROUP BALANCE SHEET	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
Cash and Cash Equivalents	231.0	252.4	276.4	382.8
Accounts Receiveable	217.1	180.7	182.7	254.5
Other Current Assets	58.7	95.2	63.5	128.8
Current Assets	**506.8**	**528.3**	**522.6**	**766.1**
Intangible Assets	45.7	55.5	54.0	54.8
Property, Plant and Equipment	6,852.9	6,809.3	6,929.0	6,769.0
Other Non-Current Assets	143.6	80.1	84.2	147.5
Non-Current Assets	**7,042.2**	**6,944.9**	**7,067.2**	**6,971.3**
Payables and Accruals	232.7	176.8	235.6	274.8
Current Portion of Term Borrowings	133.7	62.2	133.4	146.7
Other	67.0	92.4	96.9	99.0
Current Liabilities	**433.4**	**331.4**	**465.9**	**520.5**
Deferred Tax Liability	1,343.3	1,354.6	1,349.7	1,364.2
Term Borrowings	1,053.2	1,063.9	959.1	1,033.5
Other	201.6	88.2	181.4	131.2
Total Non-Current Liabilities	**2,598.1**	**2,506.7**	**2,490.2**	**2,528.9**
Net Assets	**4,517.5**	**4,635.1**	**4,633.7**	**4,688.0**

Glossary

Acquired generation volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers, including NZAS
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes
Cost of acquired generation	volume weighted average price Meridian pays for derivatives acquired to supplement generation
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections	installation control points, excluding vacants
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes over the last 81 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
NZAS	New Zealand Aluminium Smelters Limited
National demand	Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku, White Hill and Mill Creek wind farms
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Sell side derivatives	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mightly River Power. They do not result in the physical supply of electricity

Meridian delivers higher earnings

18 February, 2015

Meridian Energy delivered a solid interim result for the six months to 31 December 2014, with higher earnings compared to the same period last year.

Meridian was ahead of the same period last year on all financial measures with Net Profit After Tax (NPAT) of $117.1m, while Underlying NPAT (which excludes the effects of non-cash fair value movements, gains on sale of assets, impairments and other one off items) was $114.8m.

Performance against last year

Meridian Chief Executive Mark Binns said that it was gratifying that earnings were up against the previous period on all measures.

Compared with the same period last year, earnings before interest and taxation, depreciation and amortisation and fair value adjustments (EBITDAF) was up 20.9% and underlying NPAT was up 38.3%. The result was due to an increase in generation volumes and wholesale prices, improved retail sales volume in irrigation and business sales and a decrease in operating costs.

“It was especially pleasing to note that total electricity demand in the period had shown a 1.3% lift on the previous corresponding period following a period of flat or declining demand,” said Mr Binns.

Dividends and Capital Management

Meridian will pay an interim dividend of 4.8 cents per share which is 4% higher than the dividend forecast in the Prospectus.

In addition, Meridian will pay a special dividend of 1.4 cents per share. This will utilise imputation credits that would otherwise be lost upon the final payment on the instalment receipts and the subsequent transfer of shares from the Crown to shareholders, in May this year.

Both dividends will be imputed to 100% and paid on 15 April 2015.

As indicated in August last year, the Board has reviewed the company’s capital structure given its conservative gearing ratios and the limited likely requirement for capital to fund substantial growth in the foreseeable future.

The initial step is an immediate amendment to the dividend policy to increase the percentage of free cash flow paid out on average from 70%-80% to 75%-90%. All other elements of the dividend policy remain unchanged.

In addition, Meridian intends to return $625m to shareholders over the next five years. The Board will remain flexible as to how this is achieved but the anticipated form of return will be either an annual on-market share buyback programme, special dividends, or a combination of both.

The capital return will follow the final instalment receipt process and will be subject to the owners of the Tiwai Point smelter not terminating the electricity agreement, or there not being any adverse event in the interim.

Details of the initial capital return programme for FY16 will be announced in August at the FY15 results announcement.

Outlook

While significant parts of the country are experiencing drought conditions, the southern lakes which feed Meridian's power stations are receiving regular inflows from small weather systems. As at yesterday, storage in Lake Pukaki, the principle storage lake for Meridian, is 93% of average. It is not anticipated that continuing dry conditions will affect the year end result. However, the outlook could change depending on how long the current situation continues.

In Australia, Meridian's Powershop retail brand, which now has over 30,000 customers in Victoria, will enter the NSW market in the first quarter this year.

For media queries, please contact:
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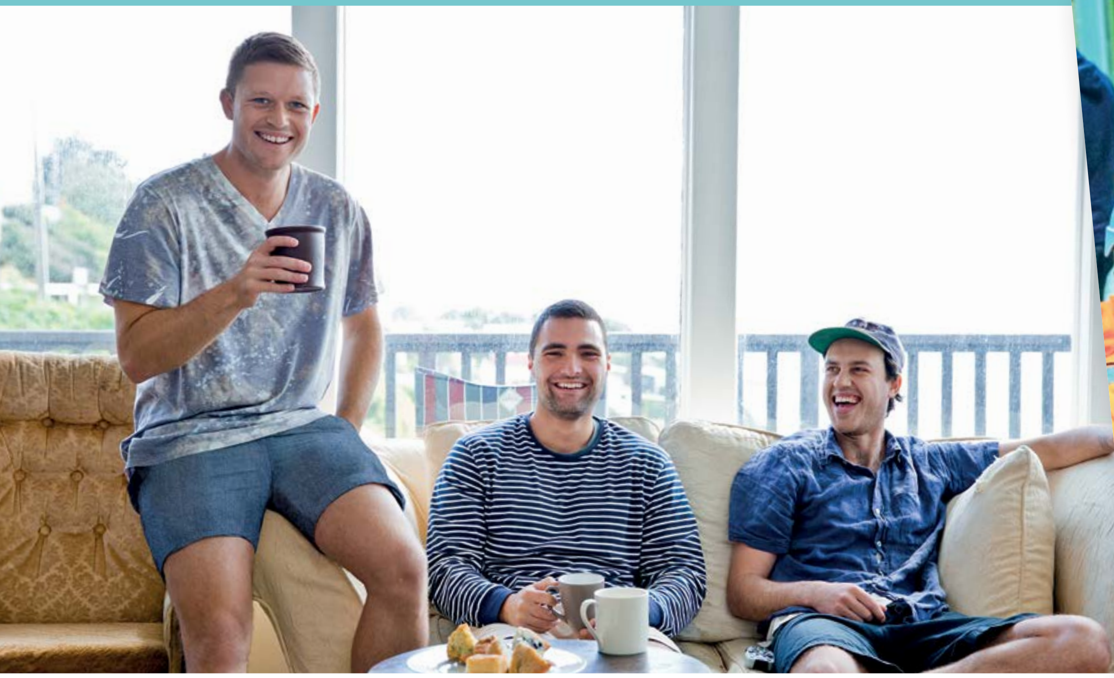
Better energy

meridian



Dear Investor

Our interim results for the six months ended 31 December 2014 are now available and show a lift in profits and operating cash flow, which supports an enhanced dividend.

4.8 CPS
Interim ordinary dividend

1.4 CPS
Additional special dividend

13.2%
Growth in operating cash flow

38.3%
Growth in underlying net profit after tax

3.7%
Higher retail sales volumes

3.8%
Higher NZ generation

Payment of the final instalment receipt

If you hold Meridian instalment receipts on 4 May 2015, you will be liable to pay the final instalment receipt of NZ$0.50 per share

Payment must be made between 6-15 May 2015

More information can be **downloaded here**

From our Chair and Chief Executive

Meridian continued to perform well, with the New Zealand market showing some small signs of overall growth. All key measures of financial performance were ahead of the same period last year.

CHRIS MOLLER, CHAIR
MARK BINNS, CHIEF EXECUTIVE

Total generation for the six months was up by over 6% on the previous corresponding period, reflecting strong first quarter hydro generation in New Zealand and the contribution made by the completed Mt Mercer (Victoria) and Mill Creek (Wellington) wind farms. This, together with strong irrigation demand and favourable business sales compared with last year, saw Meridian's total Energy Margin increase by 7.5%.

A tight rein was kept on operating costs and these were down 10.1% on the same period last year.

This all flowed through to strong operating cash flows that were 13.2% ahead of last year and EBITDAF that was 20.9% ahead.

We are pleased to announce a dividend of 4.8 cents per share, which is in excess of the forecast provided in the prospectus. In addition, the Board has taken the opportunity to declare a special dividend of 1.4 cents per share. Both these dividends will be imputed to 100%.

We are pleased that the instalment receipts have continued to perform well, with an increase of 76% from listing through to 31 December 2014. In the 2014 calendar year the company was first on the NZX 50 in terms of total shareholder return (which includes dividends).

Instalment receipt holders will be aware of the second instalment (50 cents) being due for payment on or before 15 May this year. This is a payment to the Crown. However Meridian is working with the Crown to implement a seamless process to manage these changes. Holders should expect to receive initial communications in early April 2015.

In August last year we announced that the Board would review the capital structure of the company, given its conservative gearing ratios. Over the period Meridian has continued to perform well financially, the risk of wholesale change to the electricity market structure has receded and there are limited attractive growth opportunities that would require significant capital in the foreseeable future. In these circumstances, the Board believes it is appropriate to signal an intention to return capital to shareholders, provided the Tiwai Point smelter owners do not terminate their electricity agreement. The first step the Board has taken is to amend the company's dividend policy by increasing the percentage of free cash flow paid out (as defined in the policy) on average from 70%-80% to 75%-90%. All other elements of the dividend policy remain unchanged. Furthermore, the Board intends to return an additional $625m to shareholders over the next five years.

The Board will remain flexible as to how capital is returned but at this point it is envisaged that this will be by either an annual on-market share buyback programme, special dividends, or a combination of both.

The Board intends to advise shareholders of the programme for the 2016 financial year at the full year results announcement in August. At that point the decision of New Zealand Aluminium Smelters (NZAS) regarding the Tiwai Point electricity agreement will be known, and clearly, if the decision is to terminate, or there has been a material adverse change to the company's financial position, the Board will revisit its decision to proceed with all or part of the planned capital distribution.

The Mill Creek and Mt Mercer wind farm projects were closed out during the last six months. In aggregate they were delivered with exemplary health and safety performance and 4% under their original budgets.

In line with our stated aim of improving the core business, Meridian's metering business was sold in December 2014 to a subsidiary of Vector Limited and commitments were entered into to replace all our New Zealand customers' legacy meters.

While Australia provides challenges in the generation space, we continued the push into the Victorian retail market with the Powershop brand. Customer numbers are now over 30,000 and we will start operations in New South Wales commencing in the first quarter of this year.

The launch of our new website in December 2014 reflects our strategy to move customer engagement online to improve service, reduce overall cost and to continue our position as a leader in sustainability.

In the interim report last year we noted that it was unlikely there would be any network-wide increases in the energy component of our New Zealand customers' bills before at least June this year. This will prove correct. We continue to review our pricing.

One issue that arose during the period was a problem with the coolers on some of the Manapōuri power station transformers, which led to the decision to replace two transformers and procure a third as a spare. The replacement programme is well underway. The first transformer, which was delivered immediately before Christmas, was made operational on 12 January. The second transformer is expected to be installed in early March 2015, which will restore the station to full capacity.

The Electricity Authority's (EA's) transmission pricing review is on track and we look forward to the publication of the EA's final issues paper on this topic mid-2015.

The other regulatory issue we are closely monitoring is the Australian Government's review of the Renewable Energy Target (RET). The RET is mired in politics and the political parties involved have been unable to reach any compromise that might deliver some degree of certainty for participants in the Australian renewable energy industry.

As previously advised, the Tiwai Point smelter owners have the option to give Meridian notice of their intention to terminate the electricity agreement on 1 July this year, in which case the current supply agreements would cease on 31 December 2016. On balance, we remain hopeful that the smelter will continue in operation but the decision is not ours. The reality is that uncertainty around the future of the smelter is something the industry just has to live with as NZAS has ongoing termination rights under the contract.

As we write, the farming communities in both the North and South Islands are going through a difficult period as a result of drought conditions but our storage lakes are still getting reasonably regular inflows from small weather systems. So while always watchful, at this point we do not see anything in our current hydro position that is of concern.

More information on the company's latest financial performance can be downloaded here.

We thank you for your continued support as an investor in Meridian Energy.

Waitaki – powering on

The Waitaki hydro power station is still going strong 80 years after it first started producing electricity – and thanks to a $40 million refurbishment programme, it will continue to power New Zealand for generations to come.

Set on the border of Canterbury and Otago, the Waitaki dam has stood the test of time, which is a tribute to those who designed and built the power station with pick, shovel and wheelbarrow back in the 1930s.

Now about halfway through the four-year programme, the refurbishment project has three major goals: to refurbish plant and infrastructure in order to reduce maintenance costs and improve performance, to upgrade critical safety systems to modern standards and lastly to implement improvements that will limit the interruption to Meridian and our customers in case of a major earthquake.

The equipment has remained steadfast over 80 years of use, with the two original 15MW generators, which were enough to meet almost half of the South Island's electricity demand back in the 1930s, still operating at the original output. These two generators, G1 and G2, were cleaned, tightened and rebalanced, and are now operating more smoothly than ever.

'Generator 3', or G3, which was one of the five additional generators installed between 1940 and 1954, is undergoing a major refit and repair after seizing up in 1998. This is not an easy task considering its rotor weighs nearly 120 tonnes and the turbine weighs in at around 38 tonnes. Once recommissioned, G3 will bring the total station capacity back up to its rated 105MW or enough electricity for about 60,000 average homes.

Other important works have included making sure that the powerhouse, where all generators are located, is stable enough to withstand a major earthquake. Using 3-D modelling, we were able to see how the powerhouse's walls and roof would perform under the massive stress of an earthquake. Rather than just strengthening the powerhouse's walls, we took a more innovative approach. The outer wall will have the ability to flex independently of the roof, avoiding the possibility of the roof collapsing.

After 80 years of wear and tear from the constant flow of water, erosion work is also being carried out, both downstream of the power station below the switchyard and on the jetty that protrudes out of the powerhouse.

Another important piece of work has involved replacing the old carbon dioxide fire system with a new, safer system. The new fire system is a major improvement for health and safety as it is designed to suppress a fire while also providing breathable oxygen.

An important design feature of the dam is the function of its under-dam drainage systems. A multimillion dollar upgrade is underway to enhance the extent of this drainage and ensure that the pumping systems and dam galleries remain serviceable and accessible following a large seismic event. This work will ensure that the time taken to reinstate electricity production from Waitaki dam following a significant earthquake will be as short as possible.

The Waitaki power station is a tribute to the skills and energy of our forbears and with the efforts of our current team, the station will continue to power on for many years to come.

Keeping the lights on

Ensuring that we provide electricity from our hydro dams and wind farms reliably and safely is one of our main priorities. We recently completed an upgrade of the system that controls all of our generation assets around the country to make sure that we continue to do so.

The Generation Control System (GCS) is a critical piece of information technology infrastructure as it monitors and controls all of our hydro and wind generation assets (except Te Āpiti wind farm) and lake and canal control gates from a central hub. The system works around the clock to make sure we reach our commitments and responsibilities as the largest generator of electricity in the country.

Long gone are the days when we had staff on the ground monitoring and operating our hydro dams around the clock – these days, it is all done centrally by one generation controller. The current system that the controller operates now monitors some 50,000 data points around our assets such as water flow, water levels and vibration in machines. The controller also works closely with our energy traders who offer generation capacity to the market and the system operator at Transpower, so that Meridian can dispatch energy into the national grid for supply into people's homes, farms and businesses.

Completed in July of this year, the $19 million GCS upgrade gives Meridian a greater level of safety and reliability when controlling our assets.

The three-year project was delivered on time and on budget while meeting all of its performance and testing objectives. Meridian was only the third company in the world at the time to get this system upgrade.

"It's a testament to the hard work, dedication and exceptional team work by people at Meridian and our vendor partners that we delivered such a high quality result. It was also impressive that we achieved such a complicated project on time, on cost and on scope with zero impact to our generation and customers." says Meridian General Manager of Markets and Production, Neal Barclay.

The project team consisted of Siemens, which supplied the software, PSC, our New Zealand-based GCS integrator, Fujitsu, our ICT supplier, and a number of other contractors and consultants.

A powerful partnership

When it comes to customers like meat processing company Wilson Hellaby Ltd (WHL), they are discovering that Meridian has a lot more advice and expertise to offer their business than just supplying power.

Bruce Fyfe, WHL Group General Manager Commercial, says that he was originally of the belief that electricity was "the ultimate in commodities", meaning that the price of power was the sole determinant behind choosing an electricity supplier. Since becoming a Meridian customer two years ago, he has since changed this view.

WHL uses the same amount of electricity as around 2,300 typical New Zealand homes per year. It uses much of its electricity on cooling chillers and freezers, mostly during the day. The company's total utility bill is second only to its labour costs, which means that any advice or tools that can help it become more energy efficient the better.

One of the key factors that has changed Bruce's mind is the value that Meridian has added through its approach to account management. "Our account manager has been proactive in working with us to address opportunities to improve our performance. His electrical engineering background is very useful and we value the input.

"As a customer we do not need an account manager that wants to take us out for lunch, what we need is an expert that will help us save money and operate more effectively – in Meridian we have found that," says Bruce.

This approach has changed Bruce's perception of purchasing power. "I now value the account management role and the 'value' our electricity supplier can add to our business through their knowledge and expertise in the market and industry. This is a significant change for me and the experience with Meridian was not matched by our previous suppliers," he says.

Together with Meridian, WHL has been able to address energy efficiency issues and is now working on a full site energy audit with a list of recommended options to improve. The company is also looking to redevelop its site and will be working closely with Meridian when it comes to designing a new factory to optimise electricity efficiency and heat recovery.

__Click here__ to download the full Meridian Interim Report for the six months ended 31 December 2014