



Interim result announcement
Meridian Energy Limited

Reporting Period

Six month period ending 31 December 2010

Previous reporting period

Six month period ending 31 December 2009

	UNAUDITED 6 MONTHS TO 31 Dec 2010	UNAUDITED 6 MONTHS TO 31 Dec 2009	PERCENTAGE CHANGE (%)
Total Operating Revenue	\$1,094.5m	\$925.5m	18% increase
EBITDAF ¹	\$353.3m	\$297.4m	19% increase
Underlying Profit/(Loss) after Tax ²	\$123.4m	\$118.7m	4% increase
Net Profit/(Loss) after Tax ³	\$84.7m	\$142.5m	41% decrease
Underlying Return on Equity excl Reval (%) ⁴	21.5%	18.1%	19% increase
EBITDAF per MWh ⁵	\$51.92 per MWh	\$43.40 per MWh	20% increase
Gearing (%) ⁶	22.9%	23.8%	4% decrease
EBITDAF Interest Cover (times) ⁷	6.2	6.9	10% decrease
OPERATING STATISTICS	ACTUAL	ACTUAL	PERCENTAGE
	6 MONTHS TO	6 MONTHS TO	CHANGE (%)
	31 Dec 2010	30 Dec 2009	
Generation (GWh)			
- Hydro generation	6,331	6,338	
- Wind generation	558	516	8% increase
- Solar generation	5	0	
Total generation	6,894	6,854	1% increase
Average price per MWh Generated	\$50.28 per MWh	\$34.04 per MWh	48% increase
Retail			
- Meridian Retail	238,899	222,624	7% increase
- Powershop	24,024	7,102	238% increase
Total Retail ICP Numbers as at 31 Dec	262,923	229,726	14% increase
Fixed Price Retail Electricity Sales (GWh) ⁸	3,112	2,981	4% increase
Spot Retail Electricity Sales (GWh)	934	910	3% increase
Average Electricity Purchase Price	\$55.48 per MWh	\$43.20 per MWh	28% increase

1 EBITDAF – earnings before interest, taxation, depreciation, amortisation and financial instruments.

- 2 Underlying Profit/(Loss) after Tax – represents profit after tax and excludes earnings from unrealised fair value movements on financial instruments and other one-off items net of tax.
- 3 Net Profit/ (Loss) after Tax – includes unrealised gains/(losses) on financial instruments.
- 4 Calculated on a rolling 12 month basis as Underlying Profit divided by Average Equity excluding Revaluations.
- 5 Group EBITDAF divided by NZ generation volumes.
- 6 Gearing calculated as Net Debt / (Net Debt+Equity).
- 7 Calculated on a rolling 12 month basis.
- 8 Retail sales include Powershop volumes and exclude volumes sold to Wholesale customers.

Dividends

The Board of Meridian has declared an interim dividend of \$94.154 million to be paid in April 2011. Combined with the 2010 final dividend paid in October 2010, this will take total dividends paid this financial year to \$162.649 million.

Commentary

Underlying profit after tax excluding earnings from fair value movements and other one-off items was \$123.4 million, an increase of 4% compared with last year. Net profit after tax of \$84.7 million for the six months ended 31 December is a reduction of \$57.8 million from the same period last year as a result of increased depreciation following the revaluation of our generation assets at 30 June 2010 and non-cash accounting adjustments for fair value movements on financial instruments.

Meridian's EBITDAF result was \$353.3 million, an increase of \$55.9 million when compared with the same period last year. This result included \$28.1 million (net of legal expenses) received following the settlement reached between Meridian and RTA Power concerning liability for electricity during the 2008 pot line outage at the Tiwai smelter.

The EBITDAF improvement was driven by the RTA Power settlement, increased wholesale electricity spot prices benefiting un-contracted generation, contracted electricity sales volume growth, along with earnings from our international operations. Meridian's hydro storage lakes remained above average throughout the six month period and this, combined with soft demand, meant average wholesale electricity spot prices remained relatively low, albeit higher than for the same period last year.

Despite strong retail competition, contracted electricity sales volumes within our retail segment increased from last year reflecting the increased contribution from the Powershop brand and changes in customer mix. However, profitability of this segment was negatively impacted by higher average electricity purchase prices during the six month period.

In November 2010 the Te Uku wind farm near Raglan started to generate power and the final turbine was constructed in February 2011. This further diversifies Meridian's generation portfolio and provides additional opportunities for retail growth in the North Island.

Meridian has maintained a strong financial position with total assets of \$8.8 billion and a gearing ratio of 22.9%, which is well within target.

Outlook

The second half started with Waitaki catchment storage at 144% of average with high inflows in January and February resulting in instances of spill from our storage lakes. While electricity prices have remained low since the start of the year, as a result of hydrology conditions, wholesale prices also reflect thermal maintenance outages that have occurred during the early part of 2011.

We are still assessing the impact of the Christchurch earthquake of 22nd February, preliminary investigations indicate no damage to Meridian's generating assets.

Assuming mean inflows from this point on and subject to the impact on our retail customers of the recent earthquake, we expect to achieve our key Statement of Corporate Intent financial performance measures (adjusted for the impact of the Tekapo A and B power station asset sale).

The Interim Report will be available on Meridian's web site www.meridianenergy.co.nz immediately following the results being tabled in Parliament – which is anticipated to occur in early March 2011.