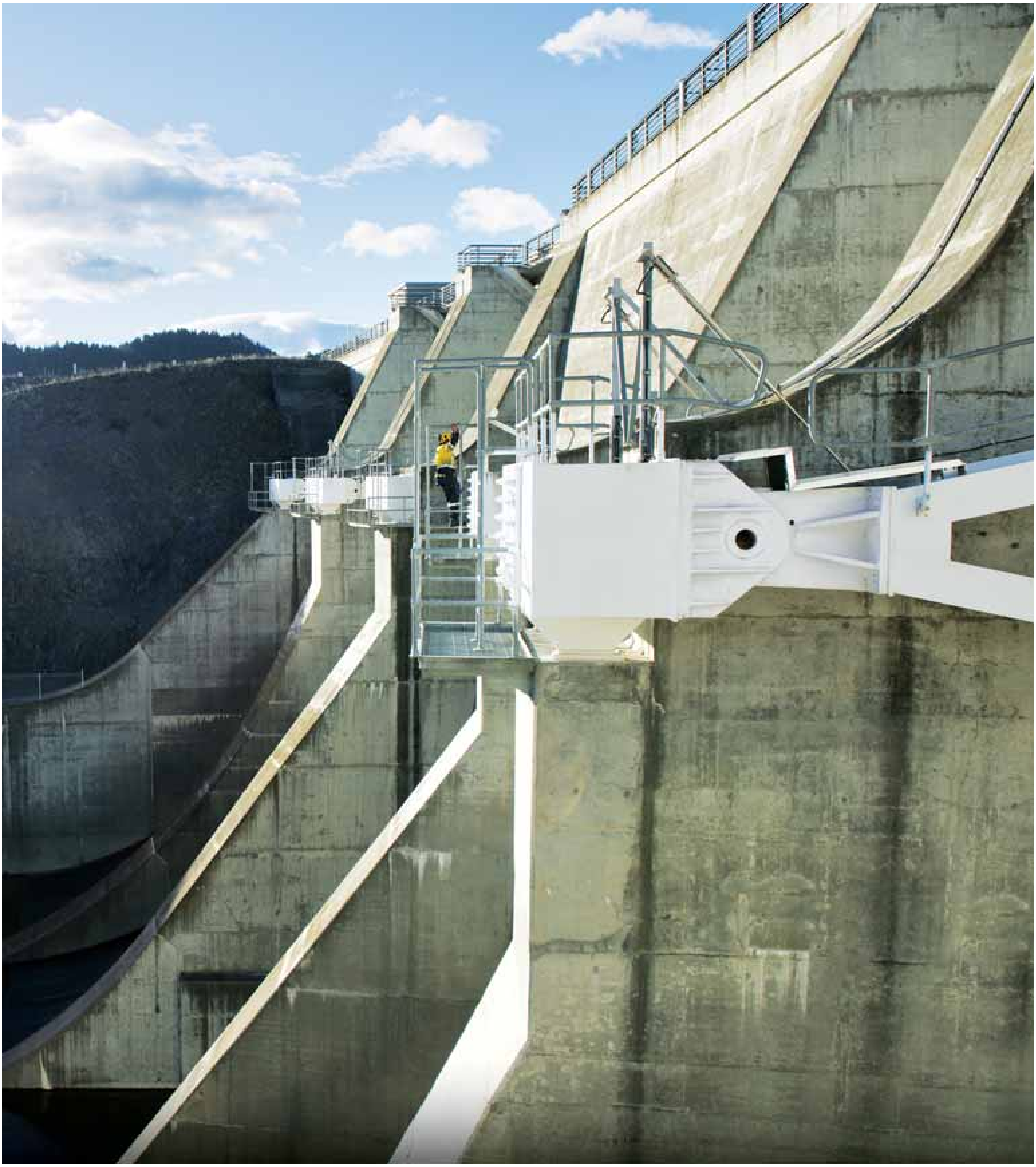
MERIDIAN ENERGY LIMITED
INTERIM REPORT



FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

PERFORMANCE IN BRIEF

FINANCIAL

$164.1M
Increase in net profit after tax (NPAT)
FROM THE SAME PERIOD LAST YEAR, DRIVEN PRIMARILY BY NON-CASH FAIR VALUE MOVEMENTS

$10.6M
Reduction in underlying NPAT
FROM THE SAME PERIOD LAST YEAR

28%
Improvement in net cash flow from operating activities
FROM THE SAME PERIOD LAST YEAR

6%
Reduction in EBITDAF
FROM THE SAME PERIOD LAST YEAR, REFLECTING INCREASED TRANSMISSION COSTS AND THE COST OF DERIVATIVE CONTRACTS TO MANAGE DRY WINTER RISKS

HEALTH AND SAFETY

0
Lost-time injuries
15 MONTHS SINCE A LOST-TIME INJURY

CUSTOMERS

$11
Improvement in the retail segment EBITDAF – per contracted MWh*
AGAINST THE SAME PERIOD LAST YEAR

284.7K
Customer installation control points (ICPs)
A REDUCTION OF 2,631 SINCE JUNE 2012

PLANT

0.06%
Hydro forced outage factor**
LOWEST IN 21 YEARS OF RECORDS

DEVELOPMENT

420MW***
Macarthur wind farm in Australia
GENERATED FIRST POWER IN OCTOBER 2012

60MW
Mill Creek wind farm near Wellington
BEGAN CONSTRUCTION IN JULY 2012

131MW
Mt Mercer wind farm in Australia
BEGAN CONSTRUCTION IN DECEMBER 2012

* Megawatt hour.

** Percentage of time that hydro assets are unavailable in a period owing to forced, unplanned outages.

*** Megawatt.

$173.3M

NET PROFIT AFTER TAX (NPAT)

$88.3M

UNDERLYING NPAT – REMOVING THE EFFECTS OF NON-CASH FAIR VALUE MOVEMENTS, IMPAIRMENTS AND OTHER ONE-OFF ITEMS

$172.9M

NET CASH FLOW FROM OPERATING ACTIVITIES

$277.1M

EBITDAF (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)

$45.13

EBITDAF PER MWh GENERATED

Front cover: Benmore hydro dam spillway gates.

ABOUT MERIDIAN

The Meridian Energy Group employs approximately 780 employees and has main offices in Wellington, Christchurch and Twizel, and, internationally, in Melbourne, Australia, and San Francisco, California.

Meridian, including its online subsidiary Powershop, retails electricity to 284,673 customer connections – homes, farms and businesses throughout New Zealand.

Meridian Energy is an integrated renewable energy company; the largest generator in New Zealand, with a strong pipeline of development options in Australasia; and an electricity retailer throughout New Zealand.

THE MERIDIAN GROUP COMPANY STRUCTURE

RETAIL SEGMENT	WHOLESALE SEGMENT	INTERNATIONAL SEGMENT	OTHER SUBSIDIARIES SEGMENT*	CORPORATE SERVICES
Meridian Retail	Markets & Production	Australia	Whisper Tech Group	External Relations
Powershop	Renewable Development	USA	Captive Insurance Company	Information & Communications Technology
Arc Innovations	Damwatch			Strategy, Finance & Legal
				Human Resources
				Insurance & Property

** This segment included Energy for Industry (EFI), which was sold in December 2012.*

*** As per Electricity Authority data.*

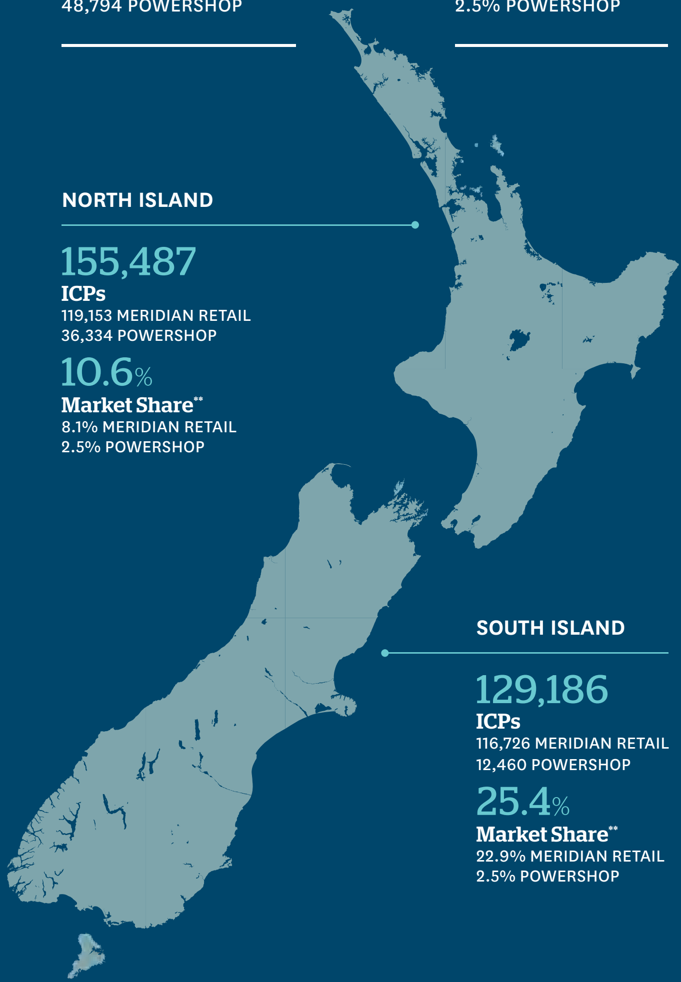
**** Customer installation control points.*

RETAIL

TOTAL NEW ZEALAND ICPs***

284,673
ICPs
235,879 MERIDIAN RETAIL
48,794 POWERSHOP

14.5%
Market Share**
12.0% MERIDIAN RETAIL
2.5% POWERSHOP



NORTH ISLAND

155,487
ICPs
119,153 MERIDIAN RETAIL
36,334 POWERSHOP

10.6%
Market Share**
8.1% MERIDIAN RETAIL
2.5% POWERSHOP

SOUTH ISLAND

129,186
ICPs
116,726 MERIDIAN RETAIL
12,460 POWERSHOP

25.4%
Market Share**
22.9% MERIDIAN RETAIL
2.5% POWERSHOP

Meridian generates electricity from renewable sources – wind and water in New Zealand; wind in Australia; and solar in the United States. The company supplies approximately 30% of New Zealand's total electricity needs, owning and operating seven hydro stations (six within the Waitaki Hydro Scheme and the Manapouri hydro power station) and four wind farms throughout New Zealand, with a fifth currently under construction near Wellington.

In Australia, Meridian owns and operates Mt Millar wind farm in South Australia and is partnering with AGL Energy to build the Macarthur wind farm in Victoria, which at 420MW will be the largest wind farm in the Southern Hemisphere. Construction started on Mt Mercer wind farm, also in Victoria, in December 2012, strengthening Meridian's future generation asset base in Australia.

Meridian also built CalRENEW-1, the first grid-connected solar farm in California, and further developed its solar expertise by building the first solar farm in Tonga.

Meridian's commitment to renewable energy, environmental stewardship and support for local communities underpins the company's sustainable business model. Meridian continually looks for ways to provide positive energy solutions to customers to help them manage their energy use.

GENERATION

NEW ZEALAND

HYDRO

	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Aviemore	220	439	452	827
Benmore	540	1,021	1,061	1,954
Manapouri	800	2,554	2,449	3,962
Ohau A	264	443	511	979
Ohau B	212	372	429	820
Ohau C	212	370	428	817
Waitaki	90	233	237	431
Total Hydro Generation	2,338	5,432	5,567	9,790

WIND

	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Te Āpiti	90	161	148	295
Te Uku	64	111	120	226
West Wind	143	247	250	496
White Hill	58	99	105	189
Total Wind Generation	355	618	623	1,206

UNDER CONSTRUCTION

WIND

	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Mill Creek	60	–	–	–
Total Under Construction	60	–	–	–

* *Gigawatt hours.*

** *50/50 unincorporated joint venture with AGL Energy.*

*** *Meridian receives first revenue from generation output as of February 2013.*

INTERNATIONAL

SOLAR

UNITED STATES	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
CalRENEW-1	5	5	5	11
Total Solar Generation	5	5	5	11

WIND

AUSTRALIA	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Mt Millar	70	85	89	177
Total Wind Generation	70	85	89	177

UNDER CONSTRUCTION

WIND

AUSTRALIA	PLANT CAPACITY MW	TOTAL GWh* PRODUCED 6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Macarthur**	420	–***	–	–
Mt Mercer	131	–	–	–
Total Under Construction	551	–	–	–

TOTAL CAPACITY AND GENERATION PRODUCTION

2,338MW
Total Capacity

425MW
Total Capacity

5MW
Total Capacity

5,432GWh
Total Generation

703GWh
Total Generation

5GWh
Total Generation

CHAIRMAN'S REPORT

STRATEGY DELIVERY ON TRACK

We continue to make solid progress delivering on our strategy, evidenced by the growing financial contribution from our retail business, investment in Australia, improved hydro risk management, reshaping of the development pipeline and greater focus on Meridian's core business. Our strategy remains sound in the face of a number of external factors that are having a significant bearing on the industry.

STRATEGIC CHALLENGES

Demand for electricity in New Zealand continues to be flat, reflecting the tough economic climate and slow recovery. Meridian has responded by reshaping its future generation pipeline and making changes to its development team to reflect the likelihood that little new generation will be needed in the medium term.

Tough global conditions for many New Zealand industrial producers drive much of the current flat demand for electricity. Lower international commodity prices and the high New Zealand dollar are forcing some large organisations in New Zealand to review their current operations. This includes New Zealand Aluminium Smelters (NZAS, owned by Rio Tinto and Sumitomo), Meridian's largest customer, which has requested that we consider changes to the agreed electricity price contract for the aluminium smelter near Bluff. The confidential negotiations continue while the new contract, which was signed in 2007, came into effect on 1 January 2013.

Transmission pricing has long been an issue for Meridian as we continue to bear a disproportionate and inefficient proportion of the High Voltage Direct Current (HVDC) link costs between the North and South Island. The Electricity Authority (EA) is proposing changes to its transmission pricing methodology and consultation on its proposal continues until 28 March 2013. In principle, Meridian supports the changes proposed, believing they will remove distortions from the market and provide a more efficient allocation of transmission costs. While Meridian's submission on this topic will be supportive, we will be recommending a number of simplifications to the EA's proposal to reduce the cost and complexity of how it is implemented by Transpower. The changes, if implemented, are likely to be financially beneficial to Meridian over time.

Another key strategic issue for Meridian, and one of national importance to the economy and the environment, is water rights. In November 2012, the Land and Water Forum (LAWF) presented its final report to Government, including a framework that we believe will improve decision making around water rights. We agree that the ability to transfer and renew water consents provides the best mechanism to ensure water is used to create the highest value for New Zealand. It will now be important to see how the recommendations in the LAWF report are picked up and implemented by Government.

IPO PROSPECT

During the period, Meridian continued to prepare for a potential initial public offer (IPO) under the Government's share offer programme. Meridian is very much ready to list and will offer a unique opportunity to invest in a large, totally renewable energy company, should the Government elect to include Meridian in the programme.

RECENT AWARDS

Operating a sustainable business is paramount to Meridian's long-term success. Our community fund programme and initiatives, working with organisations to protect and enhance the environment, continue to be recognised externally. We are delighted that, in November 2012, Meridian's approach to environmental management was acknowledged with the Sustainable 60 Award for the Environment.

Meridian's West Wind won the Energy and Resources category at the 2012 New Zealand Engineering Excellence Awards. The wind farm offered a host of unique engineering challenges, and these together with the extensive public consultation and light environmental impact were all noted by the judges.

Our online retailer, Powershop, was also named Energy Retailer of the Year in the 2012 Deloitte Energy Excellence Awards.

CHANGES TO THE BOARD

In the past six months we have welcomed three new directors to the Board: Mark Cairns and Sally Farrier were appointed in July 2012, and Jan Dawson was appointed in November 2012. These appointments bring the Board up to its full complement of nine and broaden its collective expertise and public company experience in preparation for a potential IPO.

DIVIDEND

The Board has approved an interim dividend of $99.8 million to be paid by 30 April 2013.

Chris Moller

Chris Moller, Chairman

CHIEF EXECUTIVE'S REPORT

FINANCIAL PERFORMANCE

The financial result for the six months ended 31 December 2012 is much improved on the second half of the last financial year, when we experienced unprecedented low inflows to our South Island catchments. Lake inflows have returned to above average during this half year; however, we have also had to bear the costs of financial cover to protect us from the dry period that extended into the first quarter, together with a 33% increase in transmission costs.

These higher costs were almost fully absorbed during the half year, which reflects ongoing improvement in the underlying business. A further lift in the profitability of our retail segment and the ongoing focus on better efficiency across the Group drive this improvement.

Despite the modest 6% EBITDAF decline against the same period last year, the half year is a solid recovery from the very difficult operating conditions experienced in the first half of the 2012 calendar year. This is reflected in our operating cash flow being up 28% from last year.

HEALTH AND SAFETY

The Pike River tragedy and the subsequent report highlight the need to ensure that health and safety are embraced as a core part of our operations. I am pleased to report that at Meridian it has been 15 months since a lost-time injury was recorded and our injury frequency rates continue to be better than industry benchmarks. Meridian continues work to ensure that its culture reflects the high importance of staff health and safety.

DELIVERING IMPROVEMENTS

Over the past year we have lifted our focus on our core New Zealand capabilities as an integrated renewable developer, generator and retailer, and on our growth opportunities in Australia.

Given the current competition in the retail market, it is particularly pleasing to see us delivering increases in the profitability of our retail business. Our retail segment's financial performance improved by $11 per contracted MWh using a long-term annual energy cost of $85 per MWh. We have invested to improve the quality of our customer analytics and our customer support systems and are now seeing improvements in the quality of our customer base. Powershop continues to offer a differentiated customer experience and we expect our retail business to deliver further performance improvements in the future.

Customer experience continues to be a key metric that we aim to improve. Powershop, for the fourth year running, led the Consumer NZ customer satisfaction rankings, and Meridian was ranked joint first out of the five major national retailers.

Smart energy initiatives continue to be a focus. Arc Innovations' roll-out of smart meters, and the establishment of interconnection arrangements with other major smart metering providers, are giving more Meridian customers the ability to receive smart energy reports online.

We continue to optimise the efficiency of our existing generation assets and improve our ability to manage the variability that our commitment to renewable generation can present. We gained two new consents to access more water in Lake Pukaki. A seasonal variation in the upper lake level has been removed in summer to help in times of high inflows, but it is Meridian's ability to access significantly more energy in times of official conservation campaigns that provides us the ability to mitigate extreme hydrology risk.

Our New Zealand development pipeline has now been fully reshaped in response to the current market oversupply to focus on smaller, more flexible and easily deployable projects. While this includes the commencement of construction on the Mill Creek wind farm near Wellington, other projects are being delayed with the aim of further reducing the cost of our options. If demand continues to be flat, it is likely that no other new development projects will be required in the short to medium term.

In addition to reshaping our development pipeline – a change of pace being adopted by all developers – we had to re-adjust the structure of our Renewable Development Team and other supporting areas. However, key development skills have been retained to ensure that we have the best renewable development capabilities in New Zealand. This gives us a short-term position to protect and maximise our development options for when growth returns – which it will.

During the period we commenced construction of the Mt Mercer wind farm in Victoria, in Australia. Our joint venture project, Macarthur wind farm started generating in October 2012, and will be the largest wind farm in the Southern Hemisphere when it is fully commissioned in March 2013. Both projects allow us to leverage our wind development expertise in Australia, which provides growth opportunities for Meridian outside the New Zealand market.

DIVESTING IN NON-CORE BUSINESS

We continued to advance our plans to divest non-core businesses, announcing the sale of Meridian's Energy for Industry (EFI) in December 2012. EFI has a market-leading position in the process heat and biofuel markets. Meridian recognised a $5.9 million gain on its sale (net of sale costs).

Our US-based solar business, Meridian Energy USA, remains in a sale process, with a number of options available to us. As a result of this rationalisation of our subsidiary businesses, our dedicated Business Development Team was disestablished in July 2012.

CHANGES TO THE EXECUTIVE TEAM

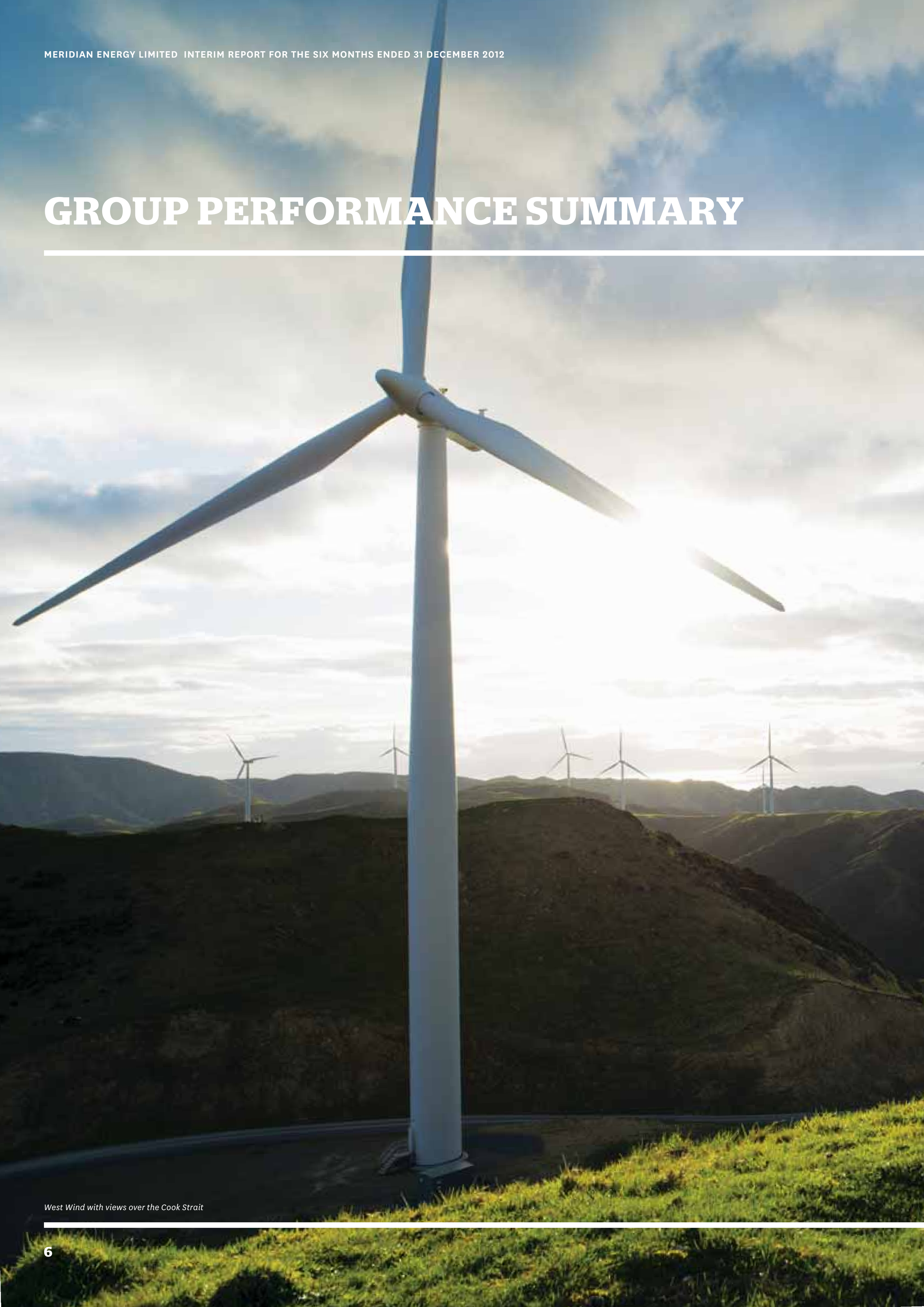
There were limited changes to the Executive Team in the six-month period, with the role of General Manager Business Development being disestablished and the General Manager Human Resources resigning as a result of family relocation. Jacqui Cleland has taken up the General Manager Human Resources position and Ben Burge, the Chief Executive of Meridian Australia, has joined the Executive Team reflecting the growing importance of Australia.

OUTLOOK

We started the second half of the financial year with very high storage levels in our South Island catchments. Should inflows remain at normal levels for the balance of the year, an improved full-year result is in prospect, despite the significantly increased transmission costs we are facing. However, the timing of the commissioning of the HVDC's new Pole 3 link, the degree of market disruption from outages that precede it, and the challenges of a low demand growth environment, are likely to influence this year's results.

Mark Binns, Chief Executive

GROUP PERFORMANCE SUMMARY



West Wind with views over the Cook Strait

GROUP FINANCIAL SUMMARY

This period we have seen improved profitability owing to: increased inflows following the record dry 2012 year and improved efficiencies in our core business, particularly in retail; higher operating cash flow; stable operating expenses, and lower capital expenditure. This result has been achieved despite increased transmission costs, dry year hedges hanging over from last year and multiple HVDC outages.

MERIDIAN GROUP SUMMARY INCOME STATEMENT ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Energy Margin (New Zealand)	423.6	428.9	740.4
Energy Margin (International)	11.3	11.6	22.8
Total Energy Margin (Group)	434.9	440.5	763.2
Dividend and Other Revenue	13.2	8.9	27.3
Energy Transmission Expenses	(54.7)	(41.0)	(86.7)
Gross Margin	393.4	408.4	703.8
Employee and Other Operating Expenses	(116.3)	(114.1)	(227.2)
EBITDAF	277.1	294.3	476.6
Gain/(Loss) Net Change in Fair Value of Electricity, Aluminium and Foreign Exchange Derivatives	102.6	(29.9)	121.3
Depreciation, Amortisation and Impairments	(108.2)	(120.7)	(285.2)
Gain/(Loss) on Sale of Property, Plant and Equipment, Subsidiary and Investments	5.9	0.5	(1.5)
Equity Accounting Earnings of Joint Ventures	0.1	(0.5)	(2.7)
Group Operating Profit	277.5	143.7	308.5
Net Finance Expenses	(43.8)	(46.8)	(82.5)
Net Change in Fair Value of Financial Instruments	(0.5)	(89.4)	(68.0)
Group Profit Before Tax	233.2	7.5	158.0
Income Tax	(59.9)	1.7	(83.4)
Group Net Profit After Tax (NPAT)	173.3	9.2	74.6

MERIDIAN GROUP UNDERLYING PROFIT AFTER TAX ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Group Net Profit After Tax	173.3	9.2	74.6
Net Change in Fair Value of Financial Instruments	0.5	89.4	68.0
Net Change in Fair Value of Electricity, Aluminium and Foreign Exchange Derivatives	(102.6)	29.9	(121.3)
Premiums Paid on Electricity Options (Less Interest)	(7.8)	(5.8)	(15.2)
Impairment of Property, Plant and Equipment, Investments and Intangibles	-	8.3	60.1
Net Gain on Sale of Property, Plant and Equipment, Subsidiary and Investments	(5.9)	(0.4)	1.1
Adjustments Before Tax	(115.8)	121.4	(7.3)
Income Tax on Adjustments	30.8	(31.7)	14.6
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	-	-	0.6
Effect of Change in Building Tax Depreciation on Deferred Tax	-	-	23.6
Adjustments After Tax	(85.0)	89.7	31.5
Group Underlying Profit After Tax	88.3	98.9	106.1

MERIDIAN GROUP KEY FINANCIAL MEASURES	6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Equity to Total Assets	58.2%	58.0%	55.5%
Return on Average Equity	4.8%	4.6%	1.5%
Underlying Return on Average Equity (excl. Revaluation Reserves)	6.2%	13.4%	7.2%
EBITDAF per MWh Generated ($ per MWh)	45.13	46.83	42.62
Net Debt/(Net Debt plus Equity) Gearing	23.7%	22.4%	25.0%
Funds from Operations Interest Cover (# of Times)	5.3	5.2	5.4
EBITDAF Interest Cover (# of Times)	5.8	6.1	4.6

PERFORMANCE SUMMARY

Meridian's Group net profit after tax (NPAT) for the six months ended 31 December 2012 was $173.3 million, an increase of $164.1 million from the same period last year. This increase was largely a result of non-cash fair value movements on operational and financing derivative instruments. Meridian uses these instruments to mitigate risks associated with movements in commodity prices, interest rates and foreign exchange rates, providing both price and rate certainty over the long term. As forward prices and rates on such instruments move, the non-cash changes in their carrying value are reflected in Meridian's NPAT.

The net change in the fair value of financial instruments resulted in an unrealised gain of $102.1 million during the six-month period, primarily driven by both a softening in the forward electricity price curve and a strengthening of forward aluminium prices. This is in contrast to the fair value loss of $119.3 million recorded in the corresponding period last year, with the main contributor being downward movements in interest rate swap curves.

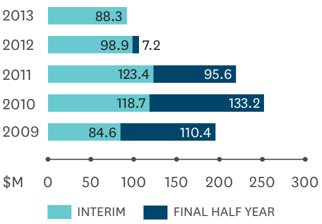
In December 2012, Meridian sold its subsidiary business Energy for Industry (EFI) to Pioneer Generation, which resulted in a gain from sale before tax (net of sale costs) of $5.9 million. The South Island-based company is the right owner to invest in and grow this innovative energy management business. The sale was part of Meridian's divestment of non-core subsidiaries and leaves Meridian with a 100% renewable generation portfolio.

Adjusting for the effects of non-cash fair value movements and other one-off items, underlying NPAT was $88.3 million (a reconciliation to NPAT is on page 9) – a reduction of $10.6 million on the same period last year.

For the six months ended 31 December 2012, 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 (EBITDAF) was $277.1 million, a $17.2 million reduction (6% decrease) from the same period last year. This reduction was largely a consequence of increased transmission costs (an uplift of 33%) and the net cost of derivative contracts acquired to manage the risks associated with the low inflows received in the second half of the 2012 financial year, which settled in the first quarter of the 2013 financial year. These impacts were largely offset by continuing growth in the profitability of the retail segment and efficiency improvements in Meridian's core New Zealand business.

GROUP UNDERLYING NPAT*

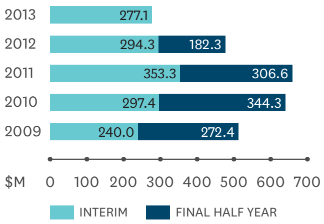
Financial Year Ended 30 June



* *Underlying net profit/(loss) after tax removes the effects of non-cash fair value movements, impairments and other one-off items.*

GROUP EBITDAF**

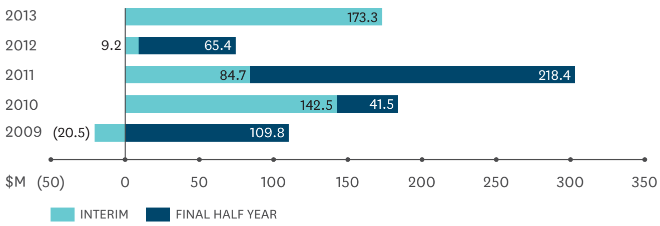
Financial Year Ended 30 June



** *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.*

GROUP NPAT***

Financial Year Ended 30 June



*** *Net profit/(loss) after tax includes unrealised gains (losses) on financial instruments.*

New Zealand Energy Margin

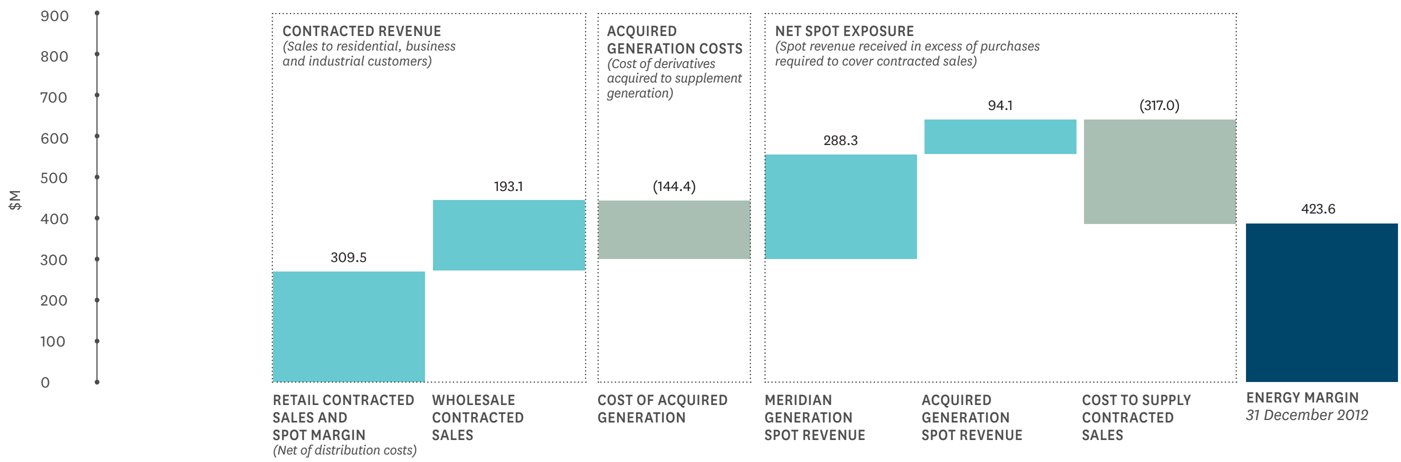
New Zealand Energy Margin consists of:

- revenue from fixed price variable volume sales to retail customers (residential and business) net of lines company distribution costs, sales to large industrial customers, and fixed price revenue from derivatives sold (called contracted revenue)
- less fixed cost of derivatives acquired to manage both generation volume gaps and wholesale spot price (called acquired generation costs)
- plus revenue from the volume of electricity Meridian generates and generation acquired through derivative instruments that is in excess of electricity required to cover contracted customer sales (called net spot exposure).

The New Zealand Energy Margin for the period ended 31 December 2012 was $423.6 million, a reduction of $5.3 million (a 1% decrease) against the same period last year. This result includes a substantial increase in the cost of risk management derivatives that were largely acquired in the latter half of the 2012 financial year to manage low inflows; this cost was largely absorbed by improvements to the integrated wholesale and retail businesses.

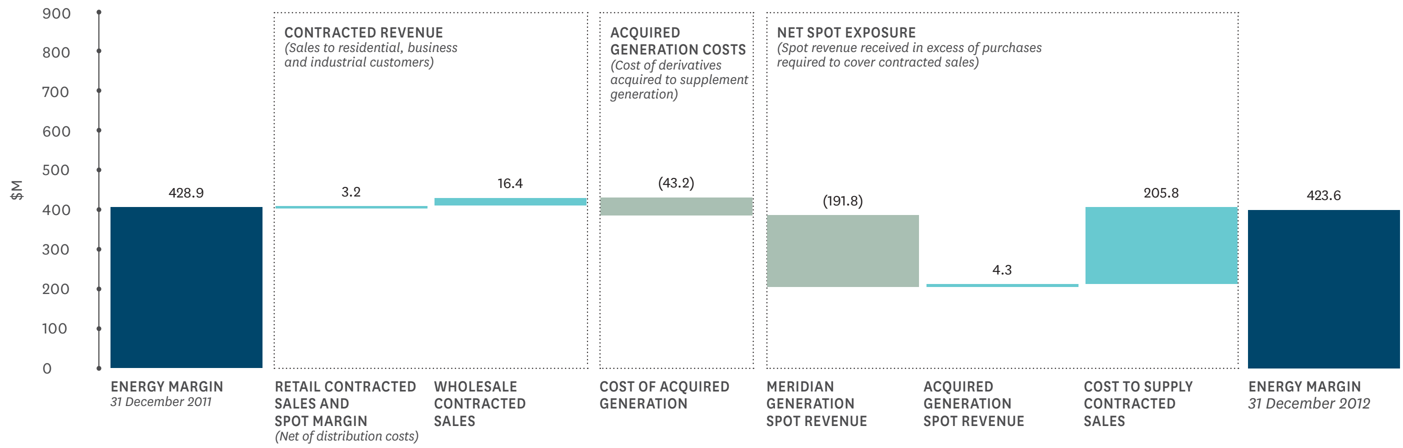
The waterfall graph below outlines the breakdown of the New Zealand Energy Margin components.

NEW ZEALAND ENERGY MARGIN *6 Months Ended 31 December 2012*



The waterfall graph below highlights the movements in the New Zealand Energy Margin between the six-month periods ended 31 December 2011 and 31 December 2012.

MOVEMENT IN NEW ZEALAND ENERGY MARGIN FROM LAST YEAR



Retail Performance

Retail contracted revenue increased by $3.2 million compared with the first six months of last financial year. This was despite a 9% reduction in contracted sales volumes, a consequence of subdued demand and declining acquisition rates. The retail segment's profitability continues to grow owing to improved customer analytics, enabling the execution of more targeted acquisition strategies, and an increase in Powershop customer ICPs.

When removing the purchase price variability of the spot market by substituting it with a fixed annual input price averaging $85 per MWh, the retail segment EBITDAF per contracted MWh (excluding spot sales) improved by $11 per MWh compared with the same period last year.

Total customer ICPs for both the Meridian and Powershop brands as at 31 December 2012 was 284,673 (Meridian 235,879; Powershop 48,794), an increase of 1,516 since 31 December 2011. However, during the six months ended 31 December 2012, ICP numbers decreased by 2,631, the combined result of conservative acquisition strategies during the period of low 2012 inflows and the largely complete transfer of 6,800 of Meridian's Christchurch prepay customers to Mighty River Power's GLO-BUG pre-pay system.

The Meridian retail brand has further rebalanced its customer portfolio with targeted acquisition strategies driving growth in North Island ICPs. The acquisition of North Island customers ensures a better fit with Meridian's generation portfolio, which has strengthened in the North Island in recent years.

The positive experiences that customers receive when interacting with Meridian and Powershop are of utmost importance and both brands continue to strive to further enhance these experiences. These efforts are reflected in customer satisfaction ratings received by Powershop and Meridian in a Consumer NZ survey carried out in August 2012. Powershop topped the rankings for the fourth year running with a rating of 95% and Meridian was joint first out of the five major national retailers.

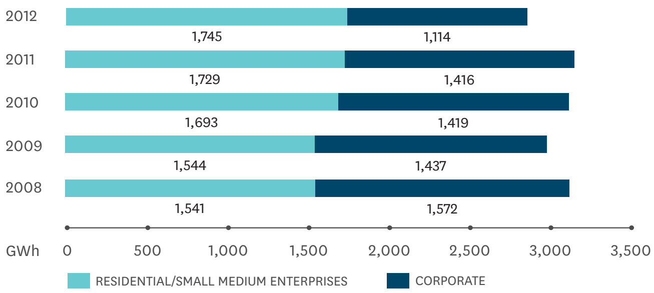
Meridian is continuing to invest in improving customer experience with the development and deployment of products that give customers greater control over their energy use, leveraging smart metering technologies and increasing the degree to which customers can manage their accounts online.

The average retail contracted price was 10.7% higher than last year. This uplift is due to a changing mix in Meridian's customer portfolio (in terms of both location and segment) and tariff increases during the past 12 months, primarily driven by increased distribution costs from lines companies.

RETAIL STATISTICS	6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Total Retail Contracted Electricity Sales (GWh)	2,859	3,145	5,947
Meridian Retail Spot Electricity Sales (GWh)	955	947	1,898
Total Retail Sales (GWh)	3,814	4,092	7,845
Average Contracted Sales Price ($ per MWh)	180.7	163.2	167.8

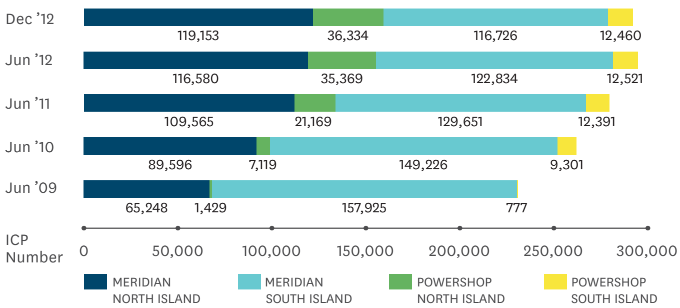
MERIDIAN AND POWERSHOP CONTRACTED VOLUMES

6 Months Ended 31 December



MERIDIAN AND POWERSHOP CUSTOMER CONNECTIONS

Period Ended



Wholesale Industrial Customers

Contracted wholesale revenue, which includes sales to NZAS and electricity derivatives sold to industrial customers and other generator-retailers, increased by $16.4 million compared with the same period last year. The majority of this increase arose from electricity derivatives sold. With improved hydrology conditions, buy positions previously acquired for continued dry weather insurance were reversed out through derivative sales. There was also a modest increase in revenue received from NZAS.

Wholesale Trading Performance

INFLOWS, STORAGE AND RISK MANAGEMENT

As a generator from only renewable resources Meridian faces risks associated with inflows into our hydro generation catchments. This was highlighted in the previous financial year, which saw record low annual inflows (76% of mean). The recent improvements in derivative market liquidity and the sophistication of traded instruments have helped Meridian to successfully manage this risk, along with other risks including transmission outages.

The cost of acquiring derivative products to supplement generation was $144.4 million in the six months to 31 December 2012, $43.2 million higher than in the same period last year. The primary driver of this increase was derivative instruments acquired during the second half of the 2012 financial year. The net cost after adjusting for contracts brought back and increased spot sales totalled approximately $13 million, as insurance against low inflows.

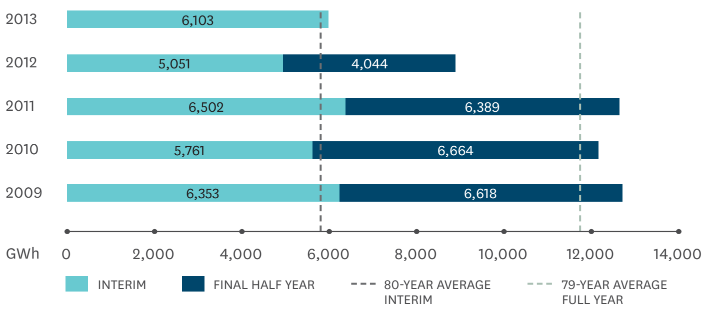
During this half year there were 27 days of HVDC outages (20 days more than in the same period last year), of which Transpower had planned only seven days. These outages, together with other transmission outages and competitor plant outages in the North Island, contributed to the overall increase in the cost of acquired derivative instruments.

Meridian gained consents to raise the upper limit of Lake Pukaki to 532.5 metres throughout the year, removing a seasonal variation previously in place between September and April. Meridian also gained access to emergency storage in the lower levels of Lake Pukaki and can now access an additional 550GWh of electricity in times of official electricity conservation campaigns. Both decisions provide Meridian with greater opportunities to mitigate extreme hydrology risk.

Storage in Meridian's hydro catchments returned to an above-mean position by 31 December 2012 (113% of mean), after starting the year at 75% of mean. Inflows during the first six months of this financial year were 104% of mean.

COMBINED INFLOWS INTO MERIDIAN'S CATCHMENTS

Financial Year ended 30 June



Inflows

104%

of mean

DURING THE 6 MONTHS ENDED 31 DECEMBER 2012

Storage

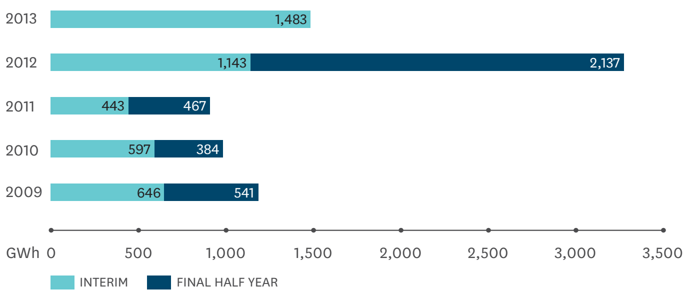
113%

of mean

AS AT 31 DECEMBER 2012, UP FROM 75% AT 30 JUNE 2012

ACQUIRED GENERATION VOLUMES*

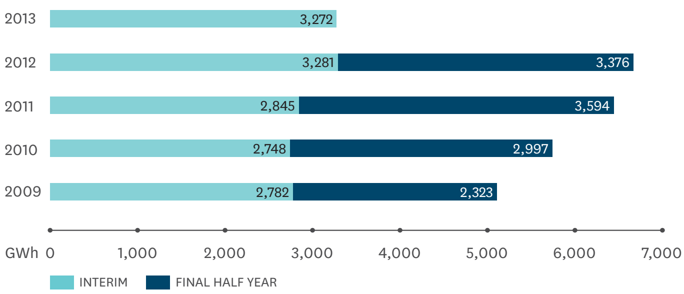
Financial Year Ended 30 June



* *Derivatives acquired to supplement generation.*

WHOLESALE CONTRACTED SALES

Financial Year Ended 30 June



NET SPOT EXPOSED REVENUE

Net spot exposed revenue is a derived result of the volume of electricity that Meridian generates and generation acquired through derivative instruments that is in excess of the electricity required to cover contracted customer sales.

In the six months to 31 December 2012 the average wholesale price declined by 41% (when compared with the previous half year) to $45 per MWh, while volumes exposed to the spot market increased. These, combined with a closer alignment of the average price received for generation with the net cost of electricity purchased to support contracted customer sales, resulted in net spot exposed revenue increasing by $18.3 million when compared with the corresponding period last year.

Total volumes from New Zealand generation production declined by 140GWh (a 2% reduction) in the six months to 31 December 2012 when compared with the corresponding period last year. The reduction in generation production reflected residual impacts during the first quarter from last year's challenging hydrology conditions, and to a lesser extent impacts from significant periods of HVDC outages. The reduced generation production was supplemented by acquiring generation through the derivative markets.

Wind generation was largely consistent with last year. Work continues on the development of the 60MW Mill Creek wind farm, which, once completed in 2014, will further diversify Meridian's generation.

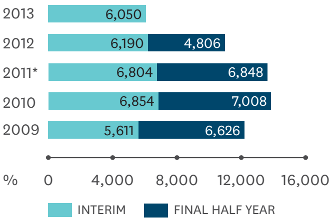
Plant performance continues to be world-class, reflecting a rigorous maintenance programme and effective operations management. The hydro forced outage factor continues to improve, down to 0.06% this period compared with 0.14% at the end of June 2012. This forced outage factor was a record low result for Meridian.

Reduced hydro availability was caused by scheduled outages at the Benmore hydro station, where work is nearing completion on the commissioning of new transformers. This work is part of Meridian's multi-year investment in the transmission reconfiguration of the station to ensure that the site continues to operate reliably and more efficiently in future years.

	FINANCIAL YEAR ENDED 30 JUNE				
AVERAGE WHOLESALE ELECTRICITY PRICE RECEIVED FROM GENERATION PRODUCTION	**2013 $/MWh**	**2012 $/MWh**	**2011 $/MWh**	**2010 $/MWh**	**2009 $/MWh**
Quarter 1 – Sept	60.9	83.0	46.2	26.8	132.0
Quarter 2 – Dec	31.2	69.0	54.5	41.7	34.0
Half Year	45.0	76.2	50.3	34.0	79.0
Quarter 3 – Mar		109.1	26.2	74.5	22.4
Quarter 4 – June		148.4	39.7	50.3	23.0
Full Year		98.8	41.6	48.3	48.5

NEW ZEALAND GENERATION PRODUCTION

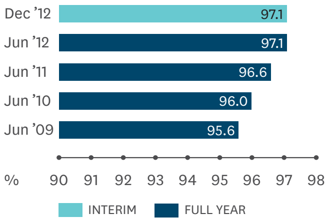
Financial Year Ended 30 June



* *Tekapo hydro stations were sold to Genesis Energy on 1 June 2011.*

PLANT AVAILABILITY – WIND**

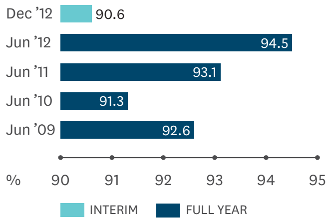
Period Ended



***100% less planned outage duration and unplanned outage duration.*

PLANT AVAILABILITY* – HYDRO**

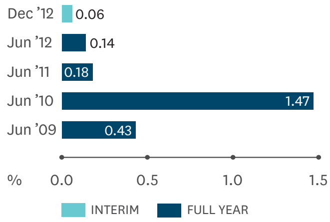
Period Ended



**** 100% less planned outage duration and unplanned outage duration.*

HYDRO FORCED OUTAGE FACTOR****

Period Ended



***** Percentage of time that hydro assets are unavailable in a period owing to forced, unplanned outages.*

International Energy Margin

The Energy Margin received from our international segment was in line with expectations. This includes the contribution from the Mt Millar wind farm in Australia and the CalRENEW-1 solar farm in the US.

This segment's financial contribution will be boosted when the Macarthur wind farm, in Victoria, Australia, starts delivering revenue in February 2013. This joint venture wind farm with AGL Energy, which last year received international awards for its project financing arrangements, started generating in October 2012 and is on track to be fully commissioned in March 2013.

The construction of Meridian's third wind farm in Australia, Mt Mercer 131MW wind farm, 30km south of Ballarat, continues to progress well. Mt Mercer is expected to start generating in approximately two years, and will add to Meridian's growing Australian wind generation asset base.

A trial of Powershop continues to progress in Australia, testing the viability of a full product roll-out.

Meridian's US-based solar business, Meridian Energy USA, remains in a sale process. The company has developed intellectual property in the construction and operation of the CalRENEW-1 solar farm that can be applied if future opportunities arise in Australia.

Transmission

An effective and efficient transmission network is core to Meridian's business. The cost of transmission continues to be a material component of our cost base, having increased by $13.7 million (an uplift of 33%) from the same period last year. This is largely driven by Transpower's work upgrading the national grid, including the commissioning of the HVDC Pole 3.

While Transpower's construction of Pole 3 of the HVDC link between the North and South Island has experienced delays, this work remains critical in addressing existing transmission constraints and increasing capacity. Once completed, Pole 3 will provide Meridian with further portfolio flexibility. It is now expected to be fully commissioned in late April 2013, and further increases in transmission charges are likely during the second half of the financial year.

The EA is proposing to change the current transmission pricing model, under which South Island generators share the cost of the HVDC link. Consultation on the EA's proposal ends 28 March 2013. In principle, Meridian supports the changes proposed by the EA, as they will remove distortions from the market and provide a more efficient allocation of transmission costs. Meridian is particularly pleased that the EA's analysis supports a change to pricing for the HVDC link. Through the consultation process, Meridian will be offering suggestions on how the EA's proposal can be simplified.

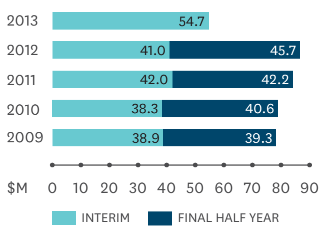
$11.3M

International Energy Margin for the interim period

A REDUCTION OF $0.3 MILLION COMPARED WITH THE SAME PERIOD LAST YEAR

TRANSMISSION COSTS

Financial Year Ended 30 June



Employee and Other Operating Expenses

Total employee and other operating costs increased by $2.2 million (an uplift of 2%) compared with last year. This is a relatively small increase considering increased retail and insurance costs (market pressures), reflecting the ongoing focus on cost management across the Group.

Cash Flows and Funding

In the six months to 31 December 2012 Meridian generated $172.9 million from operating activities, $37.4 million (a 28% increase) more than during the same period last year. This was largely the result of lower levels of tax paid (the impact of profitability in the 2012 financial year) and lower cash interest paid. Improved operating cash flows combined with proceeds from the sale of EFI and the reduced capital programme enabled debt to be repaid.

The company spent $183.3 million on capital investment during the six-month period. The majority of this spend relates to the large-scale Macarthur (420MW) wind farm development in Australia. In the short term, capital expenditure will be comparatively lower and predominantly focused on the smaller 60MW Mill Creek (Wellington, New Zealand) and 131MW Mt Mercer wind farm developments (Victoria, Australia).

Total borrowings at 31 December 2012 of $1,626 million are $200 million lower than the position at 30 June 2012. The level of borrowings was, however, $40.5 million higher than at 31 December 2011, reflecting funds borrowed to construct the Macarthur wind farm. Consequently total finance costs incurred have increased from the same period last year; however, interest costs relating to the construction phase of the Macarthur wind farm have been capitalised as required by accounting standards.

Meridian has total committed bank facilities of $1,077 million (excluding project financing), of which $831 million was undrawn at 31 December 2012.

Meridian continues to maintain a strong balance sheet with net assets of $4,988 million and a gearing ratio of 23.7%, an improvement of 1.3% from 30 June 2012. Meridian has also maintained its BBB+ credit rating from Standard & Poor's (outlook stable).

Dividend

An interim dividend of $99.8 million has been declared for distribution with respect to the six months ending 31 December 2012. This represents 100% of NPAT after adjusting for non-cash fair value movements.

Health and Safety

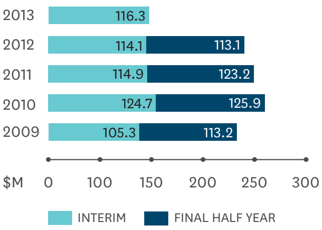
The high priority Meridian continues to place on health and safety has resulted in zero lost-time injuries this period, compared with two in the same period last year. This result reduces the company's lost-time injury frequency rate from 1.8 in the previous corresponding six months to zero, and compares favourably with the current industry average of 6.1.

Both management and the Board have responsibility for ensuring health and safety standards across all sites of the business. Management regularly carries out site audits as part of the company's Zero Incident Programme and ensures the implementation of a drug and alcohol policy. In July 2012 the Board established a new sub-committee to oversee the company's compliance with the Health and Safety in Employment Act 1992.

MERIDIAN GROUP SUMMARY CASH FLOW ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2012	6 MONTHS ENDED 31 DEC 2011	YEAR ENDED 30 JUNE 2012
Net Cash Flow from Operating Activities	172.9	135.5	322.2
Net Cash Flow from Investing Activities	(125.2)	(205.5)	(524.7)
Net Cash Flow from Financing Activities	(182.7)	(126.6)	50.2
Net (Decrease)/Increase in Cash and Cash Equivalents	(135.0)	(196.6)	(152.3)

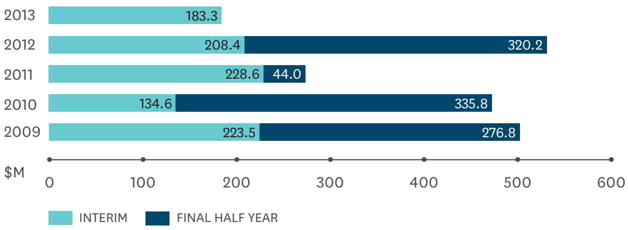
EMPLOYEE AND OTHER OPERATING EXPENSES

Financial Year Ended 30 June



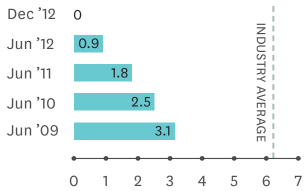
MERIDIAN GROUP INVESTMENT EXPENDITURE

Financial Year Ended 30 June



LOST-TIME INJURY FREQUENCY RATE*

Period Ended



* *Meridian employee (Parent only) incidents per million hours worked – the industry average is 6.1.*

CONDENSED INTERIM FINANCIAL STATEMENTS

Income Statement

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Operating Revenue				
Energy Sales		1,179,968	1,214,240	2,542,972
Energy Related Services Revenue		7,058	5,224	11,133
Dividends Received		-	124	174
Other Revenue		6,123	3,607	15,966
Total Operating Revenue		1,193,149	1,223,195	2,570,245
Operating Expenses				
Energy Related Expenses		(534,249)	(559,436)	(1,375,545)
Energy Distribution Expenses		(210,794)	(214,272)	(404,198)
Energy Transmission Expenses		(54,726)	(41,017)	(86,677)
Employee Expenses		(46,516)	(43,159)	(79,589)
Other Operating Expenses		(69,796)	(70,976)	(147,627)
		(916,081)	(928,860)	(2,093,636)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		277,068	294,335	476,609
Impairment of Assets	3	-	(8,257)	(60,078)
Equity Accounted Earnings of Joint Ventures		80	(456)	(2,724)
Amortisation of Intangible Assets		(7,369)	(11,324)	(22,180)
Depreciation		(100,871)	(101,149)	(202,903)
Gain/(Loss) on Sale of Property, Plant and Equipment		18	455	(1,144)
Gain on Sale of Subsidiary	8	5,945	-	-
Loss on Sale of Investments		(20)	-	(396)
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Operational)	13	102,636	(29,890)	121,322
Operating Profit		277,487	143,714	308,506
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	4	(45,484)	(51,288)	(90,229)
Interest Income		1,712	4,437	7,698
Net Change in Fair Value of Financial Instruments Loss (Financing)	13	(480)	(89,362)	(67,951)
Profit Before Tax		233,235	7,501	158,024
Income Tax (Expense)/Credit	5	(59,885)	1,730	(83,384)
Profit After Tax		173,350	9,231	74,640
Profit After Tax Attributable to:				
Shareholders of the Parent Company		173,350	9,563	74,913
Non Controlling Interest		-	(332)	(273)
		173,350	9,231	74,640
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		0.11	0.01	0.05
Diluted Earnings per Share ($)		0.11	0.01	0.05

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

		GROUP		
	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Profit After Tax for the Period		173,350	9,231	74,640
Other Comprehensive Income:				
Items that will not be Reclassified to Profit or Loss:				
Buy out of Whisper Tech Limited Minority Shareholders		-	(1,016)	(1,016)
Tax Relating to Items that will not be Reclassified:				
Deferred Tax on Revaluation Reserve	10	-	-	4,338
		-	(1,016)	3,322
Items that may be Reclassified Subsequently to Profit or Loss:				
Net Gain/(Loss) on Available for Sale Investments		2,051	159	(289)
Net (Loss)/Gain on Cash Flow Hedges		(7,332)	7,215	(59,520)
Exchange Differences Arising from Translation of Foreign Operations		(6,825)	9,850	(1,062)
Income Tax Relating to Items that may be Reclassified	10	1,534	(2,066)	18,013
		(10,572)	15,158	(42,858)
Other Comprehensive Income for the Year, Net of Tax		(10,572)	14,142	(39,536)
Total Comprehensive Income for the Period, Net of Tax		162,778	23,373	35,104
Total Comprehensive Income for the Period, Net of Tax, Attributable to:				
Shareholders of the Parent Company		162,778	24,300	35,377
Non Controlling Interest		-	(927)	(273)
		162,778	23,373	35,104

Statement of Financial Position

		GROUP		
	NOTE	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Shareholders' Equity				
Share Capital		1,600,000	1,600,000	1,600,000
Reserves		3,388,458	3,285,298	3,225,680
Equity Attributable to Shareholders of the Parent		4,988,458	4,885,298	4,825,680
Non Controlling Interest		-	(29)	-
Total Equity		4,988,458	4,885,269	4,825,680
Represented by:				
Current Assets				
Cash and Cash Equivalents		72,625	173,048	214,420
Accounts Receivable and Prepayments		211,303	267,481	298,076
Inventories		3,843	4,111	4,649
Finance Lease Receivable		5,059	365	632
Assets Classified as Held for Sale	7	27,792	-	29,449
Derivative Financial Instruments	13	31,269	21,067	23,597
Total Current Assets		351,891	466,072	570,823
Non-Current Assets				
Finance Lease Receivable		-	4,797	4,797
Equity Accounted Joint Ventures		-	7,589	3,772
Available for Sale Investments		5,721	5,637	3,554
Intangible Assets		50,093	49,501	26,772
Property, Plant and Equipment	9	7,970,312	7,816,832	7,963,652
Deferred Tax Asset	10	8,306	8,031	8,437
Derivative Financial Instruments	13	184,831	68,479	110,968
Total Non-Current Assets		8,219,263	7,960,866	8,121,952
Total Assets		8,571,154	8,426,938	8,692,775
Current Liabilities				
Liabilities Classified as Held for Sale		732	-	752
Payables and Accruals		179,582	201,885	286,096
Provisions		52	52	15
Current Tax Payable		4,948	2,977	6,000
Current Portion of Term Borrowings	11	113,684	366,287	247,919
Derivative Financial Instruments	13	52,054	15,163	52,571
Total Current Liabilities		351,052	586,364	593,353
Non-Current Liabilities				
Deferred Tax Liability	10	1,468,889	1,382,003	1,444,221
Term Borrowings	11	1,511,980	1,218,837	1,577,742
Term Payables		15,313	29,744	22,755
Derivative Financial Instruments	13	235,462	324,721	229,024
Total Non-Current Liabilities		3,231,644	2,955,305	3,273,742
Total Liabilities		3,582,696	3,541,669	3,867,095
Net Assets		4,988,458	4,885,269	4,825,680

The Directors of Meridian Energy Limited authorised these condensed interim financial statements for issue on behalf of the Board.

Chris Moller
Chairman, 24 February 2013

Jan Dawson
Chair of Audit and Risk Committee, 24 February 2013

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

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2012	1,600,000	3,418,035	(1,717)	(41,806)	(45)	(148,787)	4,825,680
Profit for the Period	-	-	-	-	-	173,350	173,350
Cash Flow Hedges:							
Net Loss Taken to Equity	-	-	-	(7,332)	-	-	(7,332)
Available for Sale Reserve:							
Net Gain Taken to Equity	-	-	-	-	2,051	-	2,051
Exchange Differences Arising from Translation of Foreign Operations	-	-	(6,825)	-	-	-	(6,825)
Income Tax Relating to Other Comprehensive Income	-	-	-	2,109	(575)	-	1,534
Total Comprehensive Income for the Period	-	-	(6,825)	(5,223)	1,476	173,350	162,778
Dividends Paid	-	-	-	-	-	-	-
Balance at 31 December 2012	1,600,000	3,418,035	(8,542)	(47,029)	1,431	24,563	4,988,458

	GROUP – UNAUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2011	1,600,000	3,392,516	(655)	(217)	162	(61,402)	4,930,404	997	(99)	4,931,302
Profit for the Period	-	-	-	-	-	9,563	9,563	-	(332)	9,231
Cash Flow Hedges:										
Net Gain Taken to Equity	-	-	-	7,215	-	-	7,215	-	-	7,215
Available for Sale Reserve:										
Net Gain Taken to Equity	-	-	-	-	159	-	159	-	-	159
Exchange Differences Arising from Translation of Foreign Operations	-	-	9,850	-	-	-	9,850	-	-	9,850
Buy Out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(421)	(421)	(997)	402	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	(113)	-	-	-	113	-	-	-	-
Deferred tax on asset Revaluation Reserve	-	32	-	-	-	(32)	-	-	-	-
Income Tax Relating to Other Comprehensive Income	-	-	-	(2,021)	(45)	-	(2,066)	-	-	(2,066)
Total Comprehensive Income for the Period	-	(81)	9,850	5,194	114	9,223	24,300	(997)	70	23,373
Dividends Paid	-	-	-	-	-	(69,406)	(69,406)	-	-	(69,406)
Balance at 31 December 2011	1,600,000	3,392,435	9,195	4,977	276	(121,585)	4,885,298	-	(29)	4,885,269

Statement of Changes in Equity

	GROUP – AUDITED									
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2011	1,600,000	3,392,516	(655)	(217)	162	(61,402)	4,930,404	997	(99)	4,931,302
Profit for the Period	-	-	-	-	-	74,913	74,913	-	(273)	74,640
Cash Flow Hedges:										
Net Loss Taken to Equity	-	-	-	(59,520)	-	-	(59,520)	-	-	(59,520)
Available for Sale Reserve:										
Net Loss Taken to Equity	-	-	-	-	(289)	-	(289)	-	-	(289)
Exchange Differences Arising from Translation of Foreign Operations	-	-	(1,062)	-	-	-	(1,062)	-	-	(1,062)
Buy Out of Whisper Tech Limited Minority Shareholders	-	-	-	-	-	(391)	(391)	(997)	372	(1,016)
Asset Revaluation Reserve Transferred to Retained Earnings	-	21,330	-	-	-	(21,330)	-	-	-	-
Deferred Tax on Asset Revaluation Reserve	-	4,338	-	-	-	-	4,338	-	-	4,338
Income Tax Relating to Other Comprehensive Income	-	(149)	-	17,931	82	149	18,013	-	-	18,013
Total Comprehensive Income for the Period	-	25,519	(1,062)	(41,589)	(207)	53,341	36,002	(997)	99	35,104
Dividends Paid	-	-	-	-	-	(140,726)	(140,726)	-	-	(140,726)
Balance at 30 June 2012	1,600,000	3,418,035	(1,717)	(41,806)	(45)	(148,787)	4,825,680	-	-	4,825,680

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 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers		1,277,886	1,213,804	2,514,780
Interest Received		1,449	4,437	7,698
Dividends Received		-	124	174
		1,279,335	1,218,365	2,522,652
Cash was Applied to:				
Payments to Suppliers and Employees		(1,029,359)	(968,319)	(2,048,933)
Interest Paid		(43,992)	(50,509)	(91,180)
Income Tax Paid		(33,054)	(64,070)	(60,337)
		(1,106,405)	(1,082,898)	(2,200,450)
Net Cash Inflows from Operating Activities		172,930	135,467	322,202
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment		376	2,552	3,231
Sale of Subsidiary	8	56,297	-	-
Sale of Investments		810	-	-
Finance Lease Receivable		632	365	632
		58,115	2,917	3,863
Cash was Applied to:				
Purchase of Property, Plant and Equipment		(166,592)	(203,258)	(510,367)
Capitalised Interest		(3,646)	-	(6,530)
Purchase of Minority Interest		-	(19)	-
Purchase of Intangible Assets		(13,057)	(1,486)	(8,346)
Purchase of Investments		-	(3,659)	(3,381)
		(183,295)	(208,422)	(528,624)
Net Cash Outflows from Investing Activities		(125,180)	(205,505)	(524,761)
Financing Activities				
Cash was Provided from:				
Proceeds From Borrowings		341,076	365,115	943,358
		341,076	365,115	943,358
Cash was Applied to:				
Term Borrowings Paid		(523,755)	(422,284)	(752,397)
Dividends Paid		-	(69,406)	(140,726)
		(523,755)	(491,690)	(893,123)
Net Cash (Outflows)/Inflows from Financing Activities		(182,679)	(126,575)	50,235
Net Decrease in Cash and Cash Equivalents		(134,929)	(196,613)	(152,324)
Cash and Cash Equivalents at Beginning of Period		214,420	368,191	368,191
Cash removed on Sale of Subsidiary		(4,851)	-	-
Effect of Exchange Rate changes on Net Cash		(2,015)	1,470	(1,447)
Cash and Cash Equivalents at End of Period		72,625	173,048	214,420

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

RECONCILIATION OF PROFIT AFTER TAX FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Profit after Tax for the Period		173,350	9,231	74,640
Adjustments for Non-Cash Items:				
Depreciation		100,871	101,149	202,903
Amortisation of Intangible Assets		7,369	11,324	22,180
Movement in Deferred Tax		27,808	(32,477)	53,652
Total Net Change in Fair Value of Financial Instruments (Gain)/Loss	13	(102,156)	119,252	(53,371)
Less: Cash Payments of Option Premiums		(8,838)	(7,157)	(17,974)
Net Non-Cash Movement in Fair Value of Financial Instruments		(110,994)	112,095	(71,345)
Share Based Payments		-	(997)	(997)
Equity Accounted Earnings of Joint Venture		(80)	456	2,724
Finance Costs		(991)	-	(3,723)
		23,983	191,550	205,394
Items Classified as Investing Activities:				
Impairment of Assets	3	-	8,257	60,078
Finance Lease Interest		(262)	-	(534)
(Gain)/Loss on Sale of Property, Plant and Equipment		(18)	(455)	1,144
Loss on Sale of Investments		20	-	396
Gain on Sale of Subsidiary	8	(5,945)	-	-
		(6,205)	7,802	61,084
Items Classified as Financing Activities:				
Amortisation of Prepaid Debt Facility Fees		726	1,714	1,836
		726	1,714	1,836
Changes in Working Capital Items				
Decrease/(Increase) in Accounts Receivable and Prepayments		86,773	(26,597)	(57,191)
Decrease/(Increase) in Inventory		806	(778)	(1,316)
(Decrease)/Increase in Payables and Accruals		(104,574)	(13,782)	68,215
Increase/(Decrease) in Provisions		37	(42)	(79)
Decrease in Current Tax Payable		(1,052)	(33,631)	(30,608)
Working Capital Items Transferred to Available for Sale		(184)	-	65
Working Capital Items on Sale of Subsidiary		(730)	-	-
Working Capital Items Transferred to Held for Sale		-	-	162
		(18,924)	(74,830)	(20,752)
Net Cash Flow from Operating Activities		172,930	135,467	322,202

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

Notes to the Condensed Interim Financial Statements

CONTENTS

1. Summary of Accounting Policies

REPORTING ENTITY AND STATEMENT OF COMPLIANCE

Meridian Energy Limited (the "Company") is a profit-oriented entity domiciled in New Zealand, registered under the Companies Act 1993 and an issuer for the purposes of the Financial Reporting Act 1993. The shares in Meridian Energy Limited are held in equal numbers by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of Her Majesty the Queen in Right of New Zealand ("the Crown") under the State-Owned Enterprises Act 1986. The liabilities of Meridian Energy Limited are not guaranteed in any way by the Crown.

Meridian Energy Limited's core business is the generation of electricity (including the management of related assets) and the trading and retailing of electricity and wider complementary products and solutions.

The condensed interim financial statements comprise those of Meridian Energy Limited (the "Parent") and its subsidiaries (together referred to as "Meridian" or "Group"). The reporting period for these financial statements is the six months ended 31 December 2012.

The financial statements were authorised for issue by the Directors on 24 February 2013.

BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and in accordance with IAS 34: Interim Financial Reporting and NZ IAS 34: Interim Financial Reporting. For the purposes of financial reporting, Meridian is 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 thousand.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2012.

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, and these are consistent with those applied in the preparation of the Group's financial statements for the year ended 30 June 2012. 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 forecast earnings and multiples used to value the generation structures and plant assets and price path estimates, including electricity, aluminium and estimates for inflation and discount rates, which have been used to fair value the energy derivatives. In addition, accounting judgements are made in respect of the hedge designation of certain financial instruments, assessment of hedge effectiveness and the determination of useful lives of Property, Plant and Equipment.

2. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the Chief Executive to assess performance, allocate resources and make strategic decisions.

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment without the allocation of central administration costs, directors fees, equity accounted earnings of joint ventures, change in fair value of financial instruments, finance costs, interest income, gain/loss on sale of property, plant and equipment, subsidiaries and investments, depreciation, amortisation, impairments and income tax expense.

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
- Capital Expenditure

The Chief Executive considers the business from the perspective of three reportable segments, being wholesale, retail and international.

Revenues are derived from external customers within New Zealand, Australia and the United States of America. Meridian sells 40% of its generation output to a single customer. The revenues received from this customer are attributable to the wholesale segment.

The revenue from external parties reported to the Chief Executive is measured in a manner consistent with that in the Income Statement.

The accounting policies of the reportable segments are the same as Meridian's accounting policies applied in the preparation of the Group financial statements for the year ended 30 June 2012.

Since the last reporting date, Meridian has implemented a transfer price between the wholesale and retail segments. Wholesale now purchases retail's electricity requirements from the wholesale electricity market at spot prices at the relevant grid exit point and on sells at agreed transfer prices to the retail segment. Prior periods have been restated to reflect this change, resulting in a shift in the previously reported Energy Margin between the wholesale and retail segments of $84 million for the year ended 30 June 2012 and $5 million for the six months ended 31 December 2011.

WHOLESALE SEGMENT

The wholesale segment encompasses activity associated with Meridian's generation and sale of electricity into the wholesale electricity market, the wholesale sale and purchase of electricity to large industrial customers and the retail segment, development of New Zealand renewable energy opportunities, activities such as energy risk management and dam consultancy services. Costs to develop New Zealand renewable generation opportunities and dam consultancy services offered by Damwatch Services Limited are reported as part of the wholesale operating segment as it is determined that they have similar long term economic characteristics. Damwatch Services Limited was previously included in other segments. Prior periods have been restated to reflect this change.

Wholesale revenues received from generation reflect the spot price received from the wholesale electricity market at the relevant grid injection point, revenue received from large industrial customers and revenue from transfers to the retail segment.

RETAIL SEGMENT

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

The retail segment purchased electricity from the wholesale segment at an average fixed price of $85 per MWh for electricity supporting sales made to fixed price variable volume customers and purchased electricity for customers on spot agreements at the prevailing wholesale market rates.

INTERNATIONAL SEGMENT

The international segment comprises Meridian's Australian and United States operations which generate electricity and sell into the relevant markets.

OTHER SEGMENTS

Other operations, which are not considered reportable segments, include Meridian's portfolio of subsidiaries that provide insurance services and energy solutions to industry. The results of these segments are included in 'other segments'.

On 20 December 2012 Energy for Industry Limited, a subsidiary that provided energy solutions to industry, was sold as a going concern.

UNALLOCATED

Unallocated Corporate encompasses Meridian's business functions and company-wide costs, such as insurance, that provide support to the wholesale, retail, international generation and other segments, and Meridian's non-operating subsidiaries.

INTER-SEGMENT ITEMS

Inter-segment revenue and expenses are sales and purchases between the wholesale and retail segments.

2. Segment Reporting (CONTINUED)

The Unaudited Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2012 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	858,085	580,367	11,634	9,701	-	(279,819)	1,179,968
Energy Related Expenses	(497,244)	(311,893)	(287)	(4,644)	-	279,819	(534,249)
Energy Distribution Expenses	(8,562)	(202,215)	(17)	-	-	-	(210,794)
Energy Margin	352,279	66,259	11,330	5,057	-	-	434,925
Dividend and Other Revenue	4,677	7,540	-	325	639	-	13,181
Energy Transmission Expenses	(53,730)	-	(996)	-	-	-	(54,726)
Gross Margin	303,226	73,799	10,334	5,382	639	-	393,380
Employee Expenses	(15,313)	(14,255)	(3,344)	(1,452)	(12,152)	-	(46,516)
Other Operating Expenses	(19,979)	(22,878)	(2,232)	(2,124)	(22,583)	-	(69,796)
EBITDAF	267,934	36,666	4,758	1,806	(34,096)	-	277,068
Reconciliation of Operating Revenue							
Energy Sales Revenue	858,085	580,367	11,634	9,701	-	(279,819)	1,179,968
Dividend and Other Revenue	4,677	7,540	-	325	639	-	13,181
Inter-Segment Revenue	(279,819)	-	-	-	-	279,819	-
Revenue from External Customers	582,943	587,907	11,634	10,026	639	-	1,193,149

The Unaudited Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2011 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	930,115	579,232	11,862	10,293	-	(317,262)	1,214,240
Energy Related Expenses	(530,469)	(340,802)	(286)	(5,141)	-	317,262	(559,436)
Energy Distribution Expenses	(15,300)	(199,006)	-	34	-	-	(214,272)
Energy Margin	384,346	39,424	11,576	5,186	-	-	440,532
Dividend and Other Revenue	3,782	4,493	7	702	1,771	(1,800)	8,955
Energy Transmission Expenses	(40,024)	-	(993)	-	-	-	(41,017)
Gross Margin	348,104	43,917	10,590	5,888	1,771	(1,800)	408,470
Employee Expenses	(13,142)	(13,404)	(2,631)	(3,018)	(10,964)	-	(43,159)
Other Operating Expenses	(20,582)	(24,742)	(2,550)	(1,630)	(21,472)	-	(70,976)
EBITDAF	314,380	5,771	5,409	1,240	(30,665)	(1,800)	294,335
Reconciliation of Operating Revenue							
Energy Sales Revenue	930,115	579,232	11,862	10,293	-	(317,262)	1,214,240
Dividend and Other Revenue	3,782	4,493	7	702	1,771	(1,800)	8,955
Inter-Segment Revenue	(317,262)	-	-	-	(1,800)	319,062	-
Revenue from External Customers	616,635	583,725	11,869	10,995	(29)	-	1,223,195

2. Segment Reporting (CONTINUED)

The Audited Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2012 is as follows:

	GROUP						
	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	INTER-SEGMENT ITEMS $'000	TOTAL $'000
Energy Sales Revenue	1,985,003	1,156,639	23,351	20,930	-	(642,951)	2,542,972
Energy Related Expenses	(1,306,562)	(701,417)	(520)	(9,997)	-	642,951	(1,375,545)
Energy Distribution Expenses	(23,455)	(380,742)	(1)	-	-	-	(404,198)
Energy Margin	654,986	74,480	22,830	10,933	-	-	763,229
Dividend and Other Revenue	9,831	11,625	2,554	1,561	3,642	(1,940)	27,273
Energy Transmission Expenses	(84,702)	-	(1,975)	-	-	-	(86,677)
Gross Margin	580,115	86,105	23,409	12,494	3,642	(1,940)	703,825
Employee Expenses	(23,484)	(25,566)	(6,164)	(4,745)	(19,630)	-	(79,589)
Other Operating Expenses	(43,420)	(49,593)	(4,943)	(4,511)	(45,160)	-	(147,627)
EBITDAF	513,211	10,946	12,302	3,238	(61,148)	(1,940)	476,609
Reconciliation of Operating Revenue							
Energy Sales Revenue	1,985,003	1,156,639	23,351	20,930	-	(642,951)	2,542,972
Dividend and Other Revenue	9,831	11,625	2,554	1,561	3,642	(1,940)	27,273
Inter-Segment Revenue	(642,951)	-	-	-	(1,940)	644,891	-
Revenue from External Customers	1,351,883	1,168,264	25,905	22,491	1,702	-	2,570,245

Information Relating to Geographical Area Operations

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Total Revenue in:			
New Zealand	1,181,515	1,211,325	2,544,340
Australia	10,017	10,193	22,739
United States of America	1,617	1,677	3,166
	1,193,149	1,223,195	2,570,245

Reconciliation of EBITDAF to Profit Before Tax provided as follows:

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
EBITDAF for Reportable Segments	309,358	325,560	536,459
Other Segments EBITDAF	1,806	1,240	3,238
Unallocated EBITDAF	(34,096)	(32,465)	(63,088)
Total Group EBITDAF	277,068	294,335	476,609
Unrealised Net Gain/(Loss) on Financial Instruments	102,156	(119,252)	53,371
Depreciation	(100,871)	(101,149)	(202,903)
Amortisation of Intangible Assets	(7,369)	(11,324)	(22,180)
Impairment of Assets	-	(8,257)	(60,078)
Gain/(Loss) on Sale of Property, Plant and Equipment	18	455	(1,144)
Loss on Sale of Investments	(20)	-	(396)
Gain on Sale of Subsidiary	5,945	-	-
Equity Accounted Earnings of Joint Ventures	80	(456)	(2,724)
Finance Costs and Other Finance Expenses	(43,772)	(46,851)	(82,531)
Profit Before Tax	233,235	7,501	158,024

3. Impairment of Assets

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Impairment of Intangible Assets	-	-	22,383
Impairment of Property, Plant and Equipment	-	7,655	35,377
Impairment of Investments	-	602	1,445
Impairment of Held for Sale Assets	-	-	873
	-	8,257	60,078

Property, Plant and Equipment impairment of $7.66 million in the period ended 31 December 2011 included $6.91 million of work in progress assets relating to Project Hayes, a wind farm project in North Otago following a decision not to proceed.

In the period ended 30 June 2012, Intangible Asset impairments of $22.38 million included Whisper Tech Limited ($16.20 million) and Meridian Energy USA Incorporated ($6.18 million) due to the carrying values no longer being supported by expected future cash flows. Property, Plant and Equipment impairments of $35.38 million included Project Hayes ($6.91 million), the discontinuation of the Mokihinui hydro project in Westland ($18.10 million), Arc Innovations Limited metering assets ($5.80 million) and various work in progress assets of the Parent and Meridian Energy USA Inc ($4.57 million).

4. Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Interest on Borrowings	61,176	53,002	111,131
Less Capitalised Interest	(15,692)	(1,714)	(20,902)
	45,484	51,288	90,229

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.

5. Income Tax Expense

	NOTE	GROUP		
		UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Income Tax Expense				
Current Income Tax Charge		32,077	30,747	28,540
Adjustments Regarding Current Income Tax of Prior Years		-	-	(2,213)
Total Current Tax Expense		32,077	30,747	26,327
Deferred Tax Expense				
Relating to Origination and Reversal of Timing Differences		27,808	(32,477)	25,215
Deferred Tax Asset Written Off in Relation to Carried Forward Losses		-	-	7,648
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability		-	-	554
Effect of Change in Building Tax Depreciation on Deferred Tax		-	-	23,640
Total Deferred Tax Expense/(Credit)	10	27,808	(32,477)	57,057
Total Income Tax Expense/(Credit)		59,885	(1,730)	83,384
Income Tax Expense can be reconciled to accounting profit as follows:				
Profit Before Tax		233,235	7,501	158,024
Income Tax at Applicable Tax Rates		65,145	1,305	43,883
Tax Effect of Expenditure Not Deductible for Tax		503	2,893	16,474
Tax Effect of Income Not Subject to Tax		(5,882)	(2,829)	(6,947)
Income Tax (Over)/Under Provided in Prior Period		-	(3,174)	5,678
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	10	-	-	554
Effect of Change in Building Tax Depreciation on Deferred Tax	10	-	-	23,640
Other		119	75	102
Income Tax Expense/(Credit)		59,885	(1,730)	83,384

Applicable tax rates for the Group are 28% for New Zealand and 30% for Australia.

6. Dividends Paid

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
2012 Interim Dividend Paid	-	-	71,320
2011 Final Dividend Paid	-	69,406	69,406
	-	69,406	140,726

7. Assets Classified as Held For Sale

Assets classified as held for sale as at 31 December 2012 and 30 June 2012 comprised Meridian Energy USA Inc net assets and land no longer required for development projects.

At 30 June 2012 assets classified as held for sale also included the Nth Power Technologies Fund II, L.P. investment which was sold during the current period.

8. Investments in Subsidiaries and Controlled Entities

On 20 December 2012 the Group disposed of its entire interest in Energy for Industry Limited, a wholly owned subsidiary of the Parent, based on 30 November 2012 draft completion accounts, resulting in a gain of $5.945 million to the Group.

Summary of the effect of the disposal of the subsidiary:

	GROUP
	DEC 2012 $'000
Assets and Liabilities Disposed of:	
Cash and Cash Equivalents	4,851
Accounts Receivable and Prepayments	2,921
Inventories	1,083
Tax Receivable	63
Intangible Assets	5,719
Property, Plant and Equipment	39,694
Payables and Accruals	(3,337)
Derivative Financial Instruments	(106)
Deferred Tax	(1,465)
Assets and Liabilities Disposed	49,423
Proceeds Received	
Cash Proceeds	56,297
Working Capital Adjustment	92
Disposal Costs	(1,021)
Net Proceeds	55,368
Gain on Disposal	5,945

The Working Capital adjustment is an amendment to the purchase price based on the finalised completion accounts.

9. Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Additions at cost	171,524	213,050	533,789
Carrying value of disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	358	2,097	2,627
Proceeds of disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	376	2,552	3,231

10. Deferred Tax Liability

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.

		GROUP		
	NOTE	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Balance at Beginning of Period		1,435,784	1,404,383	1,404,383
Recognised in the Income Statement:				
Movement in Temporary Differences		27,808	(32,477)	25,215
Corporate Tax Rate Reduction		-	-	554
Deferred Tax Written Off in Relation to Carried Forward Losses		-	-	7,648
Building Tax Depreciation Change		-	-	23,640
	5	27,808	(32,477)	57,057
Recognised in Other Comprehensive Income:				
Deferred Tax on Revaluation Reserve		-	-	(4,338)
Movement in Temporary Differences (Equity)		(1,534)	2,066	(18,013)
		(1,534)	2,066	(22,351)
Effect of Exchange Rate Changes on Opening Balance		(10)	-	100
Effect of Sale of Subsidiary		(1,465)	-	-
Adjustments Regarding Deferred Tax of Prior Years		-	-	(3,405)
		1,460,583	1,373,972	1,435,784
The movement in temporary differences recognised in the Income Statement consist of the following:				
Property, Plant and Equipment		49	1,679	16,244
Financial Instruments		28,589	(26,346)	14,994
Carried Forward Losses to be Utilised Against Future Taxable Income		-	-	(8,256)
Other		(830)	(7,810)	2,233
		27,808	(32,477)	25,215

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:

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Fair Valued Generation Assets	1,076,473	1,231,228	1,076,473
Property, Plant and Equipment	437,844	252,553	439,433
Term Payables	(18,903)	(41,814)	(41,814)
Financial Instruments	(30,562)	(53,890)	(34,194)
Other	4,037	(6,074)	4,323
Deferred Tax Liability	1,468,889	1,382,003	1,444,221
Carried Forward Losses to be Utilised Against Future Taxable Income	(8,114)	(7,871)	(8,256)
Other	(192)	(160)	(181)
Deferred Tax Asset	(8,306)	(8,031)	(8,437)
	1,460,583	1,373,972	1,435,784

11. Borrowings

		GROUP – CARRYING VALUE			GROUP – FACE VALUE		
		UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Bank Funding	NZD	-	128,919	369,072	-	130,000	370,000
Bank Funding	AUD	160,688	138,622	134,721	161,268	138,622	134,721
Renewable Energy Bonds	NZD	198,103	197,504	197,804	200,000	200,000	200,000
Renewable Energy Notes	NZD	23,333	87,921	44,859	23,333	87,921	44,859
EKF Facility	NZD	131,717	143,360	138,422	135,000	145,000	140,000
Floating Rate Note	NZD	99,803	-	49,853	100,000	-	50,000
Floating Rate Note	AUD	-	131,216	-	-	123,000	-
Fixed Rate Bond Issue	USD	469,061	590,990	488,297	479,860	581,649	479,860
Project Financing	AUD	458,833	166,592	402,633	458,833	166,592	402,633
Commercial Papers	NZD	84,126	-	-	85,000	-	-
		1,625,664	1,585,124	1,825,661	1,643,294	1,572,784	1,822,073

Meridian has total committed bank facilities of $1,077 million (excluding project financing) of which $831 million were undrawn at 31 December 2012. The expiry of these facilities range from December 2014 to November 2017.

Certain USD and AUD denominated borrowings are reported in the financial statements at fair value with movements in fair value largely offset by related cross currency interest rate swaps ('CCIRSs'). Other borrowings are reported at amortised cost.

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 electricity spot price 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 and options ('FECs'); 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 aluminium CfDs.

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

LIQUIDITY RISK

Meridian maintains sufficient cash and marketable securities, the availability of funding through an adequate amount of 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 funding lines available.

MARKET RISK

Foreign Exchange Risk

Where Meridian raises funding denominated in a foreign currency, its policy is to hedge all foreign currency and interest rate exposures back into the currency of the funds ultimate utilisation. The resulting local currency floating interest rate risk is managed as part of the interest rate risk management as described in the following section.

Meridian establishes a combination of both cash flow and fair value hedges for the CCIRSs and the foreign denominated borrowings.

Meridian incurs capital and operating expenditure denominated in foreign currencies which creates an exposure to foreign exchange risk primarily in respect of US dollars and the Euro. Meridian does not enter into FECs for speculative purposes.

Foreign currency expenditure, once approved is hedged 100% whilst anticipated foreign currency expenditure but not approved may be hedged up to 50% based on criteria set out in the Group Treasury Policy.

All committed foreign currency exposures below $1 million NZD equivalent may be hedged at the discretion of the Group Treasurer. Foreign currency exposures of $1 million NZD equivalent or greater are hedged.

For any FECs that are individually, or part of a series of exposures that is in excess of $5 million NZD equivalent, Meridian establishes cash flow hedges for accounting purposes.

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 cash flow risks whilst borrowings issued at fixed interest rates expose Meridian to risk of changes in the fair value of the debt issued. Meridian does not enter into interest rate hedges 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. In the case of Macarthur Wind Farm Project Financing, Meridian has established cash flow hedges for the IRSs and related debt.

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 this exposure by entering into CfDs to manage the net risk. Meridian does not enter into CfDs for speculative purposes.

In the case of one CfD (NZAS contract), Meridian is also exposed to the price of aluminium but has sought to mitigate this through the use of Aluminium Commodity Swaps (ACSs) as economic hedges against the aluminium price component of the contract.

CREDIT RISK

Credit risk is managed on a Group basis. 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 committed transactions. 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 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.

13. Financial Instruments

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Current Assets			
Interest Rate Swaps/Options	2,673	-	-
Cross Currency Interest Rate Swaps	3,712	8,397	-
Foreign Exchange Contracts	1,215	18	36
Contracts for Difference	23,669	12,652	23,561
	31,269	21,067	23,597
Non-Current Assets			
Interest Rate Swaps/Options	11,340	12,347	15,081
Cross Currency Interest Rate Swaps	5,509	27,065	14,468
Foreign Exchange Contracts	1,140	-	-
Contracts for Difference	166,842	29,067	81,419
	184,831	68,479	110,968
Current Liabilities			
Interest Rate Swaps/Options	41,885	1,050	2,308
Cross Currency Interest Rate Swaps	-	10,953	-
Foreign Exchange Contracts	396	279	260
Contracts for Difference	9,773	2,881	50,003
	52,054	15,163	52,571
Non-Current Liabilities			
Interest Rate Swaps/Options	164,070	156,398	199,187
Cross Currency Interest Rate Swaps	17,352	1,106	-
Foreign Exchange Contracts	3,765	12	2,749
Contracts for Difference	50,275	167,205	27,088
	235,462	324,721	229,024

13. Financial Instruments (CONTINUED)

The table below shows the changes in the fair value of financial instruments recognised in the Income Statement. This represents where management has not sought hedge accounting or where ineffectiveness is recognised for accounting purposes in the Income Statement.

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Cross Currency Interest Rate Swaps	(10,129)	61,054	(9,289)
Borrowings	10,129	(61,089)	9,263
	-	(35)	(26)
Interest Rate Swaps	(480)	(89,327)	(67,925)
Cross Currency Interest Rate Swaps (margin)	-	-	-
Net Change in Fair Value of Financial Instruments Loss (Financing)	(480)	(89,362)	(67,951)
Foreign Exchange Contracts	35	(132)	(223)
Contracts for Difference – NZAS Contract	136,217	(89,102)	29,619
Contracts for Difference – Aluminium	(11,469)	57,399	87,072
Contracts for Difference – Other	(22,147)	1,945	4,854
Net Change in Fair Value of Financial Instruments Gain /(Loss) (Operational)	102,636	(29,890)	121,322
Total Unrealised Net Gain/(Loss) on Financial Instruments	102,156	(119,252)	53,371

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2011 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2012 $'000
Total Amount of Change in Fair Values of Level 3 Financial Instruments Recognised in the Income Statement [1]	116,153	(84,079)	39,567

1 *Level 3 – valuation data inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of derivatives that are designated and qualify as cashflow hedges are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2012 of ($5.2) million is net of tax (December 2011 $5.2 million, June 2012 ($41.6) million).

This movement comprises the realised and unrealised changes in the fair value of electricity derivatives of ($0.1) million (December 2011 $1.3 million, June 2012 $0.5 million), and the realised and unrealised changes in fair value of treasury derivatives (FECs, IRSs and CCIRSs) of ($5.1) million (December 2011 $3.9 million, June 2012 ($42.1) million).

NZAS CONTRACT

On 1 October 2007, Meridian and New Zealand Aluminium Smelters ("NZAS") entered into an electricity price agreement (which includes a CfD) based on 572MW of continuous consumption at the smelter. The agreement is for a period of up to eighteen years and took effect on 1 January 2013.

Under the prior contract which expired in December 2012, Meridian was responsible for delivered energy supply to the smelter. This meant Meridian was responsible for the electricity, its quality, and its transmission to the smelter.

The new agreement is a pricing agreement rather than a supply agreement. NZAS will be responsible for purchasing electricity from the national market itself, and Meridian will provide NZAS with price certainty for that electricity.

The agreed base price under the new agreement is subject to escalation with reference to a multi-year average market price for electricity in New Zealand, the world price for aluminium (as determined by an independent benchmark), and a component as a proxy for price inflation.

Meridian Energy Limited has been approached by Pacific Aluminium Pty Limited, a business unit of Rio Tinto Limited, the majority shareholder of New Zealand Aluminium Smelters Limited, to discuss potential changes to the electricity price agreement with the smelter. Discussions are ongoing and remain confidential. The outcome of negotiations is unknown at this stage, therefore Meridian is unable to quantify the financial impacts.

Accounting Treatment of NZAS Contract

The contract with NZAS includes a CfD which is accounted for at fair value in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Subsequent fair value changes are recognised in the Income Statement.

The application of NZ IAS 39 only considers the CfD part of the agreement and does not consider the value of the agreement to Meridian as a whole.

13. Financial Instruments (CONTINUED)

At 31 December 2012, the carrying value of the CfD is as follows:

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Present Value of Estimated Cash Flows	(423,659)	(678,597)	(559,876)
Less: Day 1 adjustment[1]	514,970	514,970	514,970
	91,311	(163,627)	(44,906)

The present value of estimated cash flows represents the discount implied within the CfD against Meridian's forecast wholesale electricity market forward price curve.

[1] **Day 1 Adjustment – NZAS Pricing Agreement**

A Day 1 adjustment, arising when an electricity derivative is entered into at a fair value determined to be different to the transaction price, is amortised to the Income Statement as electricity volumes contracted in the derivative expire. The carrying value of the derivative is disclosed net of the Day 1 adjustment.

There has been no movement in the aggregate day 1 adjustment since inception with the contract. From 1 January 2013 the day 1 adjustment will be amortised over the remaining life of the contract.

14. Commitments

	GROUP		
	UNAUDITED 31 DEC 2012 $'000	UNAUDITED 31 DEC 2011 $'000	AUDITED 30 JUN 2012 $'000
Capital Expenditure Commitments			
Property, Plant and Equipment	316,891	308,808	78,251
Software	2,829	133	703
	319,720	308,941	78,954

GUARANTEES

Meridian Wind Macarthur Pty Limited has various obligations arising from the joint venture with AGL Energy Limited. These include performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of the wind farm, and obligations under various landowner agreements. Meridian Energy Limited has provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Pty Limited.

15. Subsequent Events

On 24 February 2013 the Board declared a fully imputed dividend of $99.8 million payable on the 30th of April 2013. The dividend has not been included as a liability in these financial statements. The payment of the dividend will not have tax consequences for the Group other than reducing the imputation credit balance.

There have been no other material events subsequent to 31 December 2012.

16. Contingent Assets and Liabilities

There were no contingent assets (31 December 2011 Nil, 30 June 2012 Nil) or contingent liabilities at 31 December 2012 (31 December 2011 $14 million, 30 June 2012 $14 million).

The contingent liability of $14 million reported at 31 December 2011 and 30 June 2012 was in regard to a group of market participants appeal to the High Court on prices in excess of $19,000/MWh bid into the wholesale electricity market. The appeal was subsequently withdrawn resulting in no liability to the Group.

Review Report of the Auditor-General

Deloitte.

TO THE SHAREHOLDERS OF MERIDIAN ENERGY LIMITED

We have reviewed the condensed consolidated interim financial statements on pages 18 to 38. The condensed consolidated interim financial statements provide information about the past financial performance of Meridian Energy Limited ("the Company") and its subsidiaries ("the Group") and its financial position as at 31 December 2012. This information is stated in accordance with the accounting policies referred to on page 25.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of condensed consolidated interim financial statements which present fairly the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

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 me, Michael Wilkes, using the staff and resources of Deloitte to undertake the annual audit of the Group.

We are responsible for reviewing the condensed consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed consolidated interim financial statements of the Group for the six months ended 31 December 2012 in accordance with the Review Engagement Standards issued by the External Reporting Board.

Our firm carries out other assignments for the company and Group in the areas of carbon emissions audit, audit of the securities registers and in connection with the prospectus. In addition to this, principals and employees of our firm deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. The firm has no other relationships with, or interests in, the Company or Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements on pages 18 to 38 do not present fairly the financial position of the Group as at 31 December 2012 and the results of its operations 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.

Our review was completed on 24 February 2013 and our review opinion is expressed as at that date.

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

This review report relates to the unaudited condensed consolidated interim financial statements of Meridian Energy Limited and its subsidiaries ('the Group') for the six months ended 31 December 2012 included on Meridian Energy Limited's website. The Board of Directors is responsible for the maintenance and integrity of Meridian Energy Limited's website. We have not been engaged to report on the integrity of Meridian Energy Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 24 February 2013 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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