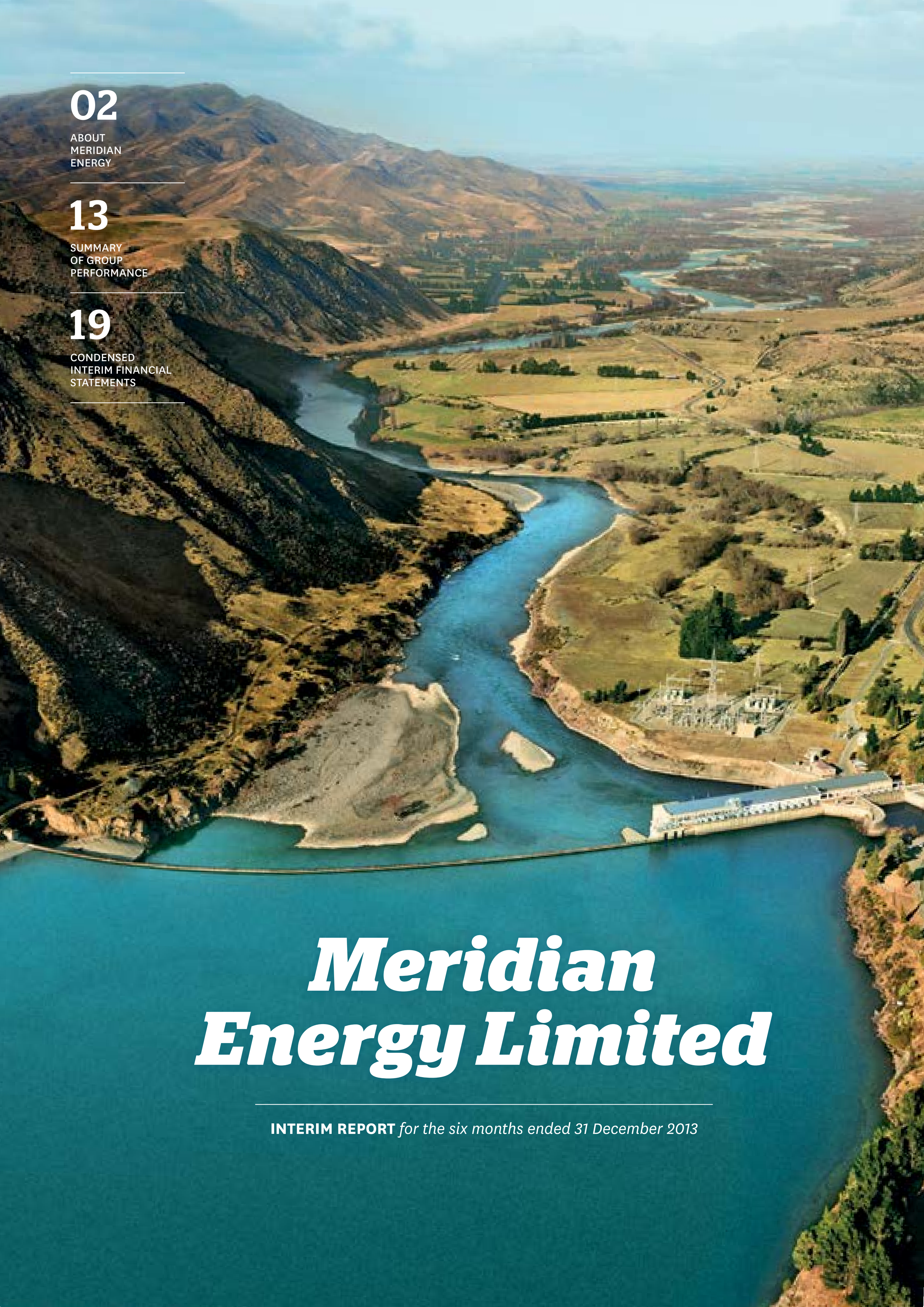


Meridian Energy Limited

INTERIM REPORT *for the six months ended 31 December 2013*

A Brief Overview of our

Performance

FINANCIAL

$56.4M

Reduction in Net Profit after Taxation (NPAT) from the same period last year, largely non-cash fair value gains from last year

$8.9M

Reduction in EBITDAF* from the same period last year

$5.3M

Reduction in Underlying NPAT** from the same period last year

$11.2M

Improvement in New Zealand Energy Margin from the same period last year

$11.9M

Increase in Transmission costs from the same period last year

$18.6M

Improvement in Net Cash Flow from Operating Activities from the same period last year

GENERATION

601GWh***

Increase in New Zealand physical generation volume from the same period last year

CUSTOMERS

276,564****

Active New Zealand customer installation control points (ICPs), an increase of 4,487 since 30 June 2013

3.0%

Growth in Meridian's North Island ICPs since 30 June 2013

RETAIL SALES

3.3%

Growth in retail contracted sales from the same period last year

DEVELOPMENT

131MW*****

Mt Mercer wind farm generated first power in November 2013

INFLOWS

18%

Increase in hydro inflows into Meridian's storage catchments from the same period last year

* *Earnings before interest, tax, depreciation, amortisation, changes in fair value of financial instruments, gains/(losses) on sale of assets and joint venture equity accounted earnings.*

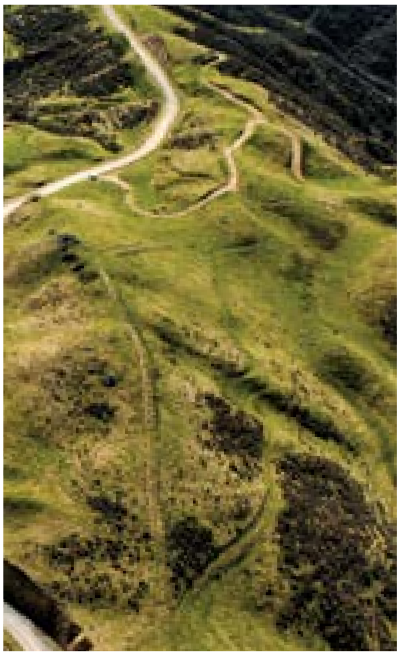
** *NPAT minus the effects of one-off and/or infrequently occurring events, impairments and changes in fair value of financial instruments.*

*** *Gigawatt hours.*

**** *Excluding vacant ICPs.*

***** *Megawatts.*

Contents



$116.9M
NPAT

$83.0M
Underlying NPAT **

$191.5M
Net Cash Flow
From Operating Activities

$268.2M
EBITDAF *

4.19
Cents per Share
Interim Dividend

$168.9M
Capital Investment Expenditure

About

Meridian Energy

Meridian is creating a better energy future through its approach to generating electricity from 100% renewable sources, supporting communities where we operate and focusing on energy solutions for customers

As the country's biggest electricity generator and a significant retailer, Meridian Energy Limited (Meridian) is New Zealand's largest electricity company.

Meridian is committed to generating electricity from 100% renewable sources – water, wind and solar. Meridian generates approximately 30% of New Zealand's electricity from its integrated chain of dams on the Waitaki River and Manapōuri, which is the largest hydro power station in New Zealand, along with four wind farms around the country.

Through the Meridian and Powershop brands, Meridian retails electricity to more than 276,000 customer connections, including homes, businesses and farms around the country.

Meridian owns and operates the Mt Millar wind farm in South Australia and is constructing the Mt Mercer wind farm in Victoria. In New Zealand, Meridian is also constructing the Mill Creek wind farm near Wellington.

Meridian built 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 and supporting the environments and communities where it operates underpins a sustainable business model. Meridian continues to focus on providing energy solutions that can help customers manage their energy use.

The Meridian Group employs approximately 800 full-time-equivalent employees and has offices in New Zealand, Australia and the United States.

Retail

NORTH ISLAND

148,377
ICPs*
109,236 MERIDIAN RETAIL
39,141 POWERSHOP

10.1%
Market Share[1]
7.4% MERIDIAN RETAIL
2.7% POWERSHOP

SOUTH ISLAND

128,187
ICPs*
115,092 MERIDIAN RETAIL
13,095 POWERSHOP

25.0%
Market Share[1]
22.5% MERIDIAN RETAIL
2.6% POWERSHOP

TOTAL NEW ZEALAND

276,564
ICPs

14.0%
Market Share

Hydro

NEW ZEALAND	PLANT CAPACITY MW***	TOTAL GWH** PRODUCED 6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUN 2013
Ōhau A	264	520	443	1,029
Ōhau B	212	439	372	875
Ōhau C	212	434	370	865
Benmore	540	1,014	1,021	2,154
Aviemore	220	431	439	950
Waitaki	90	243	233	499
Manapōuri	800	2,910	2,554	4,546
Total Hydro Generation	**2,338**	**5,991**	**5,432**	**10,918**

TOTAL INSTALLED CAPACITY

2,338MW***

TOTAL GENERATION

5,991GWh**

Wind

NEW ZEALAND	PLANT CAPACITY MW***	TOTAL GWH** PRODUCED 6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUN 2013
Te Uku	64	116	111	198
Te Āpiti	91	174	161	291
West Wind	143	273	247	475
White Hill	58	97	99	188
Total New Zealand Wind Generation	**356**	**660**	**618**	**1,152**
AUSTRALIA				
Mt Millar	70	101	85	166
Macarthur (interest in joint venture sold June 2013)	420	-	-	255
Mt Mercer (Partly operational)	131	5	-	-
Total Australia Wind Generation	**621**	**106**	**85**	**421**
Total Wind Generation	**977**	**766**	**703**	**1,573**
UNDER CONSTRUCTION				
Mill Creek (New Zealand)	60	-	-	-

TOTAL INSTALLED CAPACITY

557MW***

(Excluding the Macarthur wind farm which was sold in June 2013)

TOTAL GENERATION

766GWh**

Solar

UNITED STATES	PLANT CAPACITY MW***	TOTAL GWH** PRODUCED 6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUN 2013
CalRENEW-1	5	5	5	11

TOTAL INSTALLED CAPACITY

5MW***

TOTAL GENERATION

5GWh**

1 *Electricity Authority, 31 December 2013.*   * *Active installation control points, excluding vacant ICPs.*   ** *Gigawatt hours.*   *** *Megawatts.*

Report from the

Chairman and Chief Executive

We are pleased to present Meridian's Interim Report for the six months ended 31 December 2013, the company's first Interim Report as a publicly listed company.

Meridian's Prospectus set out full year financial forecasts for this financial year. In the six months ended 31 December 2013 Meridian delivered earnings results that exceeded the company's internal split of these forecasts, with EBITDAF ahead by 6.9% and Underlying NPAT ahead by 27.7%.

Meridian enjoyed improved hydrology conditions in the six months ended 31 December 2013. Inflows were 18% higher than the same period last year and 122% higher than average. This contributed to Meridian's highest July to December generation on record, after adjusting historical generation for the sale of the Tekapo stations.

While lower wholesale market prices accompanied high hydro generation, Meridian was able to increase sell-side derivative sales and sales to corporate and industrial customers, which drove growth in Energy Margin.

The company managed its financial position well, continuing to deliver strong operating cash flows, while lowering interest costs and tightly managing operating and capital costs.

We are also pleased to announce an interim dividend of 4.19 cents per Share, in line with the Prospectus forecast. This distribution will be a cash dividend, imputed to 90% and above the forecast imputation level of 72%.

Listing on the NZX/ASX

Meridian's successful Initial Public Offering (IPO), culminating in listings on the New Zealand and Australian stock exchanges, was a major piece of work during the period. The offer of Shares in Meridian involved months of preparation and marked a significant milestone in the company's history. The Board was pleased by the strong interest from investors and remains committed, subject to hydrological conditions, to delivering the results set out in Meridian's Prospectus.

New Zealand Aluminium Smelters contract

After more than a year of negotiations, New Zealand Aluminium Smelters (NZAS) and Meridian reached an agreement on a variation to the existing contract on 7 August 2013. The variation took effect from 1 July 2013 and resulted in a reduction in the smelter's electricity charge and greater certainty and flexibility for Meridian over the term and conditions of the contract.

The renegotiated contract allows for price increases, both for inflation and should the New Zealand dollar value of aluminium rise above agreed levels. The amended contract also provides NZAS with more flexibility in its operation of the Tiwai Point smelter and it also has options to reduce load or ultimately close.

Delivering on our strategy

Following Meridian's IPO, the company has lifted its focus on improving the operating performance of its core business. Meridian continues to improve customer service and support and is delivering on measured investment in new growth initiatives. Wind farm construction at both Mill Creek (Wellington, New Zealand) and Mt Mercer (Victoria, Australia) is on track. Victorians can now enjoy Powershop's unique online retail offering, with its official launch in February 2014.

Together with ongoing refinement of the company's operating cost base, Meridian is delivering on these key areas of focus, ensuring the company continues to provide value to its shareholders.

Strong retail competition

At the end of 2013 New Zealand was named in the VaasaETT report[1] as having the most competitive electricity market in the world in terms of switching. Average market churn across all retailers is running close to 20%. This competitive pressure is reflected in Meridian's 1.6% decrease in the average net sales price for residential and small business customers compared to the same period last year.

Despite the acquisition and retention cost pressure strong retail competition brings, Meridian has not increased the network-by-network energy component of its sales price to residential customers since December 2012 and is not forecasting to make any network-wide changes before at least June 2015. The company is committed to passing on changes in distribution costs, which can include decreases, such as with Vector line charges that decreased in early 2013.

Although retail competition is high, Meridian feels more can be done to enhance competition through better transparency and simplification for customers. While Meridian provides customers with clear breakdowns of their energy and lines costs, there remain a huge number of tariffs and ways of describing tariffs across the industry, creating confusion for customers.

1 *The VaasaETT World Energy Retail Market Rankings 2013.*

Chris Moller
Chairman

Mark Binns
Chief Executive

Future regulatory change

Transpower's recent commissioning of the upgraded inter-island High Voltage Direct Current (HVDC) link has addressed a critical constraint in New Zealand's transmission network and will lead to a more efficient wholesale market. However, Meridian continues to bear a disproportionate share of the costs of that piece of infrastructure. This is reflected in an $11.9 million or 21.7% increase in transmission costs in the six months to 31 December 2013, compared to the same period last year.

Meridian is working constructively with the Electricity Authority's (EA's) transmission pricing review. Recently the EA has developed four alternative models on how a beneficiaries-pay principle could be applied to transmission pricing. All alternatives offer a more equitable charging basis and as a result look beneficial to Meridian compared to the current pricing methodology.

Meridian's renewable generation investments in Australia are supported by the Renewable Energy Target (RET). This provides assistance to developers of new renewable energy projects through certificates that are available to generators of renewable energy. Australia's new coalition government is reviewing the RET scheme during 2014 and any significant weakening of the RET would affect Meridian's future Australian activity. It is anticipated that this review will be announced sometime between July and September this year.

The Labour-Green proposed market reforms announced last year are still unclear, making the proposals difficult to assess. However, Meridian believes the current market is delivering positive change, with competition benefiting consumers, improved security of supply and the development of renewable expertise in New Zealand that has been taken offshore.

A common feature of the proposed reforms is a single-buyer model. Meridian believes this will be extremely difficult to implement and would lead to government, and not the market, carrying the major risk of security of supply, dry weather impacts on price and inefficient procurement of future production capacity.

While the current market structure is not perfect, there are means of encouraging further competition in the retail market, which can provide greater transparency for customers and encourage the entry of new retailers. It is hoped that these will be fully evaluated before any overarching changes are contemplated to the current industry structure.

Recognition as a leader in sustainability

For the third year in a row, Meridian has been recognised by Kiwis as New Zealand's leader in sustainability as seen in the Better Business Better World report, by Colmar Brunton[2].

As a company that prides itself on being a sustainable business, we were pleased recently to receive global recognition of our position as a renewable energy leader when we won the Best Energy Group 2013 Asia category, as part of the London-based *New Economy* magazine's annual Sustainable Energy Awards.

Community initiatives

Meridian continues to make a difference to local projects through the company's community funds programme. In the six months to 31 December 2013, Meridian granted a further $314,000 to community projects throughout New Zealand.

This brings the company's contribution to $1 million in the past 18 months, supporting projects ranging from environmental and heritage conservation to volunteer emergency services and community facilities.

Meridian was delighted in mid-2013 to commence a new corporate sponsorship with KidsCan as principal partner. KidsCan works to meet the physical and nutritional needs of less fortunate Kiwi kids. Meridian is proud to provide assistance allowing 62 additional schools to come into the KidsCan programme and meet the needs of 2,500 more children every day.

Chris Moller
Chairman

Mark Binns
Chief Executive

2 *Colmar Brunton Better Business Better World report 2013.*

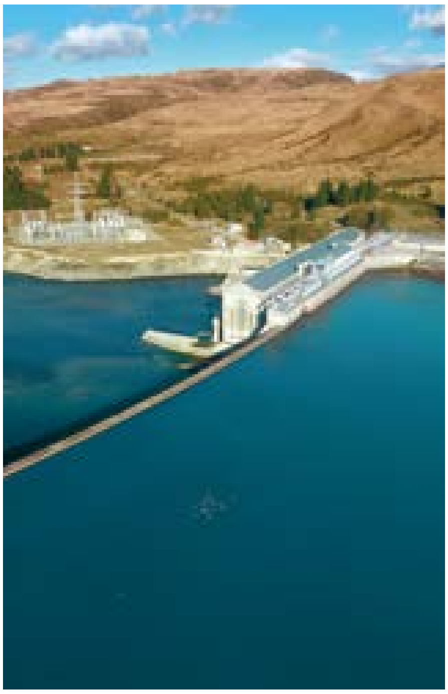
Meridian's Christchurch Energy Centre
Handles over 480,000 calls and 60,000 emails each year.

Delivering for our

Shareholders, Customers and Communities

Meridian continues to improve customer service and support, while delivering new growth and ongoing support for community initiatives

Profitability and Returns



In this interim result, Meridian has delivered earnings ahead of the company's internal half-year split of its Prospectus forecasts, with EBITDAF ahead by 6.9% and Underlying NPAT ahead by 27.7%. Following this positive half-year result, Meridian has continued to deliver strong operating performance.

We have made a pleasing start as we embark on a new journey as a publicly listed company. It is also important to remind investors that hydrology and other risks described in Meridian's Prospectus can significantly affect results. In both of the past two years the company has managed periods of adverse hydrology conditions that have reduced the availability of water.

The Board remains committed to meeting the financial targets set out in Meridian's Prospectus, subject to hydrological conditions, and is pleased to announce an interim dividend of 4.19 cents per share, in line with the Prospectus forecast. This payment will be a cash dividend and will be imputed to 90% of the corporate tax rate. This is ahead of the forecast 72% imputation level.

The level of return of this dividend is expressed as a yield on both Instalment Receipts and Shares. The level of dividend yield on Meridian's Instalment Receipts is higher than that on Meridian's Shares, because the Shares are paid for in two instalments. The dividend yield on Instalment Receipts is calculated based on the First Instalment of $1.00 per Share. The dividend yield is based on the final price of $1.50 per Share.

The ongoing prudent financial management of the business supports Meridian's returns to shareholders. We continue to deliver strong operating cash flows while lowering interest costs and tightly managing operating and capital costs.

We continue to improve customer service and support, are refining our operating cost base and are investing carefully to deliver future growth. We remain firmly focused on continuously improving the efficiency of the business.

A great example of our focus on continuous improvement is the four-year, $40 million refurbishment of the historic Waitaki dam and power station. The Waitaki power station is the oldest station in the Waitaki hydro system and was built by manual labour as a 'make-work' programme during the 1930s' Depression.

The power station has six operational 15MW generating units and generates enough electricity each year for about 51,000 average New Zealand homes.

We are improving the station's fire and electrical protection and upgrading the seismic performance of both the power station and the dam itself. The upgrade includes reinstating the site's seventh generation unit and lifting the power station capacity by 17%.

The project will ensure that this iconic New Zealand asset continues to provide reliable and renewable electricity for many generations to come.

FY2014 DIVIDENDS	GROSS YIELD ON SHARES	GROSS YIELD ON INSTALMENT RECEIPTS
Interim dividend (4.19 cents per Share)	3.8%	5.7%
Forecast full year dividend (10.5 cents per Share)	8.9%	13.4%

New Growth Sources

At Meridian, we count ourselves lucky to be living in a country where we have high rainfall and an abundance of wind. It means that we're able to harness wind and water to produce around 30% (and sometimes more) of the nation's power.

While most of our electricity generation comes from hydro dams in the South Island, wind power adds an important element of diversity of generation and earnings to our renewable generation portfolio both here and overseas. Investment in new wind generation has been a significant area of growth for Meridian. During the past 10 years we have built five wind farms in New Zealand and Australia and built the world's southernmost wind farm in Antarctica. We currently have two wind farms under construction – Mill Creek, near Wellington and Mt Mercer, near Ballarat in Victoria, Australia.

Australia has proven to be a solid source of success for the company. An example of this was the recent sale of the Macarthur wind farm in Victoria. We sold our interest in Macarthur in June 2013 to a Malaysian power generator and retailer – Malakoff Corporation Berhad – for a profit before tax of $101.4 million.

The Mt Mercer wind farm is our second wind project in Australia. Mt Mercer reached a major milestone in November 2013 with first power. Once completed this year, the 64-turbine wind farm will have a capacity of 131MW and will complement the Powershop retail brand in Australia.

The 26-turbine Mill Creek wind farm near Wellington is well advanced and is expected to generate first electricity by May 2014. Once the $169 million project is completed later this year, it will have a generation capacity of 60MW, and will produce enough electricity for about 30,000 average New Zealand homes a year.

Mill Creek's Wellington location is also of strategic value in terms of proximity to the HVDC transmission line that links the North and South Island distribution systems. Due to the configuration of the national grid, Mill Creek will assist the transfer of more electricity across to the South Island when inflows into our hydro catchments are low.

Like any other Meridian development, both projects source local goods and services where possible, which helps give back to the communities and regions where we operate. We continue to support communities by assisting initiatives and activities with funding and acting as a good neighbour throughout the life of our assets.

Empowering Customers

Electricity is an essential service – we all need it – but we all use it differently. From farmers to flatmates and everything in between, we know that no two customers are the same. That is why we go the extra mile by getting to know our customers and supplying them with advice and tools to better manage their electricity usage and costs.

A large part of New Zealand's economy relies on the agricultural sector and many of those working the land rely on Meridian for their electricity needs. We have a strong relationship with the farming and agriculture community – a relationship built on mutual understanding and respect. We understand that electricity is a fundamental part of business, which is why we have a dedicated Industry Training Organisation-trained sales team with agricultural knowledge and experience to give the best possible electricity service.

Our regional account managers welcome the opportunity to don their gumboots and make on-farm visits because we know that a lot can be achieved over a cup of tea. As a company focused on sustainability, we also offer advice on energy efficiency so that customers can make more sustainable choices about the way they power their farms.

"THE AGRIBUSINESS TEAM DON'T JUST OFFER POWER; THEY SHARE THEIR KNOWLEDGE AND EXPERIENCES FROM THE INDUSTRY FOR OUR BENEFIT.

THEY ALSO GAVE US SIMPLE WAYS TO EFFICIENTLY MANAGE OUR WATER... GOOD ADVICE ON SAVING POWER... AND ADVICE ON ENERGY EFFICIENCY TOOLS IN THE MARKET."

ENDA HAWE, SHAREMILKER, OXFORD, NORTH CANTERBURY

We also partner with a number of agricultural buying groups such as Farmlands and PGG Wrightson and work closely to establish pricing, services and terms that specifically suit their members.

As a company that relies on natural resources, we understand the importance of looking after the land. That's why we get in behind major national agricultural awards and initiatives that recognise and promote sustainable land management, such as the Ballance Farm Environment Awards, the New Zealand Dairy Industry Awards and the Dairy Women's Network.

For those who prefer a different approach, Meridian subsidiary Powershop lives up to its brand promise. Powershop is an online electricity experience that puts power into customers' hands by offering a range of smart online tools so that customers can take control of their power usage and make savings.

"I LOVE BEING ABLE TO VIEW MY USAGE ONLINE. AND BEING ABLE TO PURCHASE POWER AS I GO HELPS ME MANAGE MY BILL. KEEP UP THE GREAT WORK!!"

JANE BAMBERY, POWERSHOP CUSTOMER

Customers can buy blocks of power called 'Powerpacks' in advance. Rather than paying for electricity when bills arrive, users have the flexibility and choice of buying power online in their own time. This means that customers can buy specials when they are available and then use the 'Powerpack' when they want to. At Powershop, we believe that information is power. Our easy-to-use online tools help customers understand how they use power. This also helps raise awareness around sustainability and more efficient use of electricity.

In 2013 Powershop launched a mobile application, which gives customers even more flexibility on the go. Notifications are also sent automatically for specials and when automatic payments are due or when meter readers will make their next visit. The app also makes it easier to monitor electricity usage and compare costs for the previous 12 months. The service has proven popular in the first few months of operation.

"...LOVE THE NEW POWERSHOP APP AND KEEPING TRACK OF MY POWER CONSUMPTION :) NO ONE ELSE HAS THAT..."

YAMAN KAYTAZ, POWERSHOP CUSTOMER

Spotting a gap in the market, we recently took our power revolution to Australia, where we are now offering the Powershop product in the state of Victoria.

Real Community Relations

West Wind

Developing a wind farm involves a lot of people, planning and processes. It includes working with councils, suppliers and contractors and importantly, building relationships with the communities living nearby.

Respecting different views and perspectives and maintaining ongoing communication before, during and after the construction of a wind farm are fundamental to the success of any development project.

Completed in 2009, Meridian's 62-turbine West Wind farm, in the Makara hills near Wellington, was met by some opposition from local residents. From the planning stages of West Wind through to the present day, we have focused on involving local residents and being open to feedback. After all, our long-term commitment is to be a good neighbour in the communities where we operate.

We have a dedicated community liaison role that works with people living near the wind farm. This role is closely linked to a community liaison group that consists of local representatives. The group meets quarterly and as required to discuss any issues and to hear about recent developments. We also have a dedicated phone line for residents with queries and organise visits for locals and schools.

In an effort to open up West Wind to the wider public, we opened the West Wind Recreation Area in December 2011, which consists of three walkways and bikeways that provide visitors with access to spectacular views of the coastline, wind farm and World War II gun emplacements.

We also get involved in the wider Makara community by supporting community events. For the past two years we have teamed up with the award-winning charity Sustainable Coastlines to clean up the coastline surrounding the wind farm. The last event held on 1 December 2013 resulted in the collection of 10,500 litres of rubbish in one day by around 80 local residents, Meridian staff and Wellingtonians.

"FROM THE SCHOOL'S PERSPECTIVE, WE HAVE BENEFITED FROM AMAZING FUNDING… AND THERE ARE WIDER BENEFITS FOR THE CHILDREN IN TERMS OF EDUCATION BECAUSE THEY HAVE BEEN ABLE TO SEE THE DEVELOPMENT OF A WIND FARM.

WE DEFINITELY APPRECIATE THE RELATIONSHIP WE HAVE WITH MERIDIAN. THEY HAVE INVOLVED US IN A LOT OF WAYS INCLUDING 'WORKING BEES', PLANTING TREES, VISITS TO THE WIND FARM AND EVEN A VISIT TO THEIR OFFICES."

GAIL DEWAR, PRINCIPAL OF MAKARA MODEL SCHOOL

Another way that we give back to the Makara community is through our West Wind Community Fund, which supports local initiatives and activities. Funding allocations are managed by a panel of Makara residents and Meridian staff to ensure that we support projects that meet genuine community needs. More than $250,000 has been granted through the fund to support 26 local projects during the past five years.

Supporting KidsCan

We are proud to be the principal partner of KidsCan, which provides hands-on assistance to low-decile schools across the country. When we came on board in June 2013, an additional 62 low-decile schools that had been waiting for assistance were able to join KidsCan programmes.

Meridian's support helped KidsCan to deliver core programmes including the distribution of 16,000 raincoats, 10,000 pairs of shoes, 20,000 pairs of socks and 32,000 meals a week for Kiwi kids with food insecurity.

The partnership, which is our biggest national sponsorship, is our way of helping KidsCan in its mission to give every Kiwi kid the chance to succeed.

Staff have got behind the sponsorship with fundraising activities, donations and initiatives, with a highlight being a 24-hour run that raised more than $10,000 in November 2013. Staff also stepped up by volunteering for the annual KidsCan 'Santa Run' events in Wellington and Christchurch.

"THE SUPPORT WILL HELP MANY FAMILIES THAT ARE STRUGGLING AND ENHANCE THE SENSE OF COMMUNITY. OUR SCHOOL IS REALLY GRATEFUL TO MERIDIAN AND KIDSCAN FOR THE SUPPORT THAT WILL HELP WITH THE ATTENDANCE OF OUR CHILDREN AT SCHOOL AND PLACE THEM IN A BETTER POSITION TO LEARN."

MARK KIBBLEWHITE
PRINCIPAL OF AKARUA SCHOOL, WAINUIOMATA

West Wind wind farm near Wellington

Has 62 turbines and can generate enough electricity each for about 71,000 average New Zealand homes.

Summary of *Group Performance*

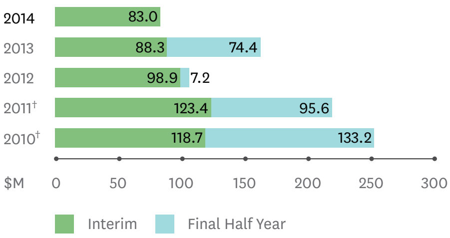
Meridian continues to deliver strong operating cash flows, while lowering interest costs and tightly managing operating and capital costs

MERIDIAN GROUP SUMMARY INCOME STATEMENT ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUNE 2013
Energy Margin (New Zealand)	434.9	423.7	865.1
Energy Margin (International)	11.7	11.3	50.7
Total Energy Margin	**446.6**	**435.0**	**915.8**
Dividend and Other Revenue	12.7	13.2	29.7
Energy Transmission Expenses	(66.7)	(54.8)	(115.3)
Gross Margin	**392.6**	**393.4**	**830.2**
Employee and Other Operating Expenses	(124.4)	(116.3)	(245.4)
EBITDAF	**268.2**	**277.1**	**584.8**
Net Change in Fair Value of Financial Instruments (Operational)	1.7	102.6	51.1
Depreciation, Amortisation and Impairments	(105.3)	(108.3)	(244.5)
Gain/(Loss) on Sale of Assets and Investments	(2.4)	6.0	106.6
Equity Accounted Earnings of Joint Ventures	(0.2)	0.1	0.1
Operating Profit	**162.0**	**277.5**	**498.1**
Net Finance Expenses	(37.5)	(43.8)	(113.5)
Net Change in Fair Value of Financial Instruments (Financing)	39.5	(0.5)	42.7
Profit Before Taxation	**164.0**	**233.2**	**427.3**
Income Tax	(47.1)	(59.9)	(132.2)
Net Profit After Taxation (NPAT)	**116.9**	**173.3**	**295.1**

MERIDIAN GROUP UNDERLYING NET PROFIT AFTER TAX ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUNE 2013
NPAT	**116.9**	**173.3**	**295.1**
Net Change in Fair Value of Financial Instruments (Financing)	(39.5)	0.5	(42.7)
Net Change in Fair Value of Financial Instruments (Operational)	(1.7)	(102.6)	(51.1)
Premiums Paid on Electricity Options (less interest)	(8.3)	(7.8)	(18.5)
Impairment of Assets	-	-	24.8
Gain/(Loss) on Sale of Assets	2.4	-	0.7
Net Gain on Sale of Investments	-	(5.9)	(107.3)
Adjustments Before Taxation	**(47.1)**	**(115.8)**	**(194.1)**
Income Tax on Adjustments	13.2	30.8	61.7
Adjustments After Taxation	**(33.9)**	**(85.0)**	**(132.4)**
Group Underlying Profit After Taxation	**83.0**	**88.3**	**162.7**

GROUP UNDERLYING NPAT*

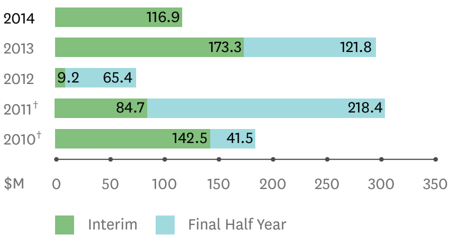
Financial Year Ended 30 June



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

GROUP NPAT**

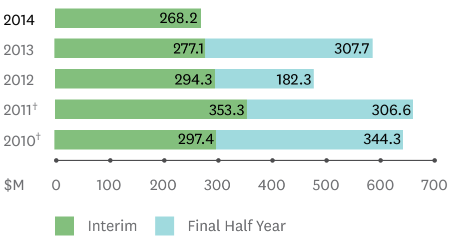
Financial Year Ended 30 June



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

GROUP EBITDAF***

Financial Year Ended 30 June



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

† *Results in the financial years ended 30 June 2010 and 2011 include the Tekapo A and B stations, which we sold to Genesis Energy in June 2011.*

Net Profit after Taxation

Meridian delivered NPAT of $116.9 million for the six months to 31 December 2013 (HY2014). This was $38.6 million higher than the company's internal half-year split of the prospective financial information (PFI) included in Meridian's Prospectus.

After removing the impact of fair value movements and other one-off or infrequently occurring events, Meridian's Underlying NPAT (reconciliation on page 14) was $83.0 million, $18.0 million ahead of the half-year PFI split and $5.3 million lower than in the six months to 31 December 2013 (HY2013).

EBITDAF

EBITDAF in HY2014 was $268.2 million, $17.4 million higher than the half-year PFI split. This was, however, $8.9 million lower than in HY2013. During HY2014 Meridian incurred one-off listing costs of $8.3 million and higher transmission costs (an increase of $11.9 million or 21.7%), following Transpower's investment in upgrading the HVDC link. Removing the one-off listing costs saw flat year-on-year employee and other operating costs.

New Zealand Energy Margin

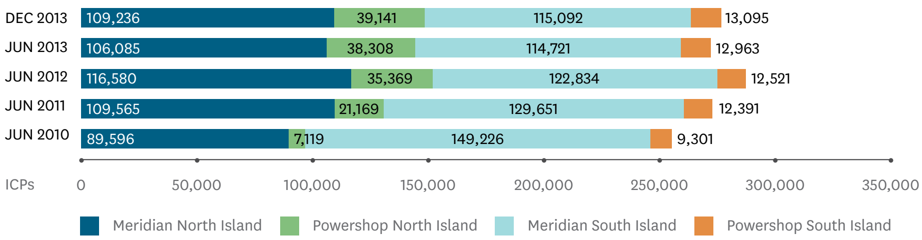
New Zealand Energy Margin consists of:

- revenue received from sales to retail customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenue from derivatives sold (Contracted Sales Revenue: $444.5 million in HY2014)
- the net revenue position of virtual asset swaps (VAS) with Genesis Energy and Mighty River Power ($10.2 million in HY2014)
- the cost of derivatives acquired to supplement generation and spot price risks, net of spot revenue received for generation acquired from those derivatives (Net Cost of Acquired Generation: costs of $24.9 million in HY2014)
- revenue from the volume of electricity that Meridian generates that is in excess of the volume required to cover contracted customer sales (Spot Exposed Revenues: $8.1 million in HY2014)
- other associated market revenue and costs including EA levies and ancillary generation revenues (such as frequency keeping: costs of $3.0 million in HY2014).

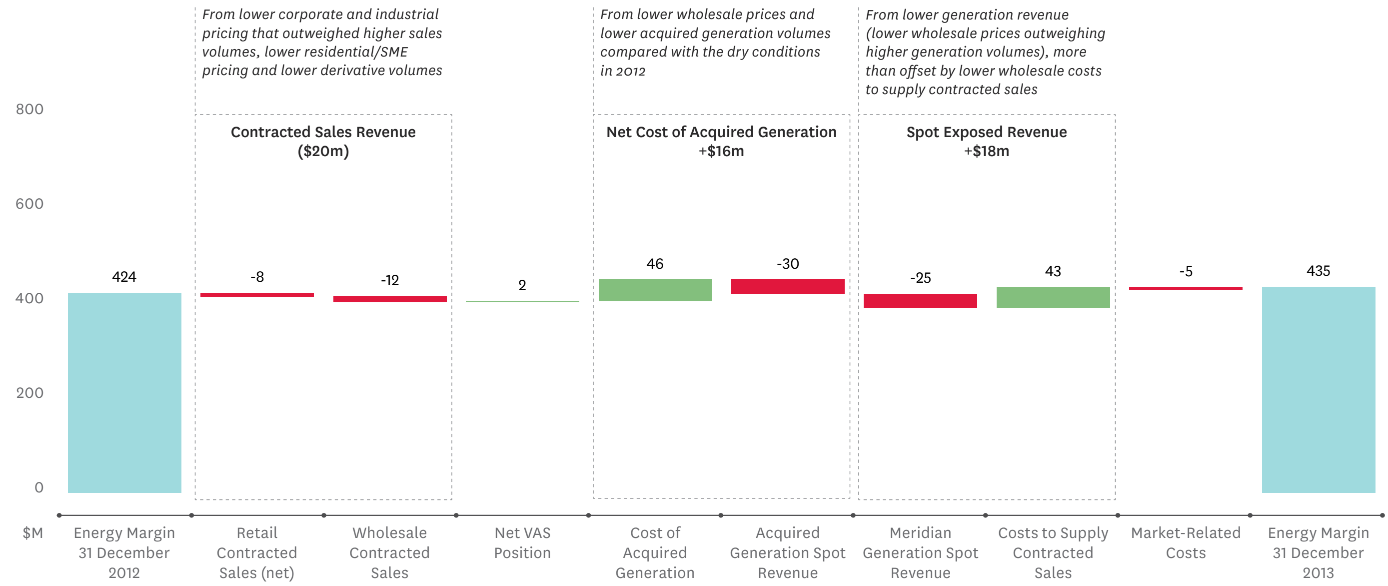
RETAIL ELECTRICITY SALES VOLUMES (GWh)	6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUNE 2013
Powershop Contracted Electricity Sales	286	263	506
Meridian Retail Non-half-hourly Sales	1,484	1,482	2,923
Meridian Retail Half-hourly Sales	1,116	1,049	2,232
Total Contracted Sales Volume	**2,886**	**2,794**	**5,661**

MERIDIAN AND POWERSHOP NEW ZEALAND CUSTOMER CONNECTIONS

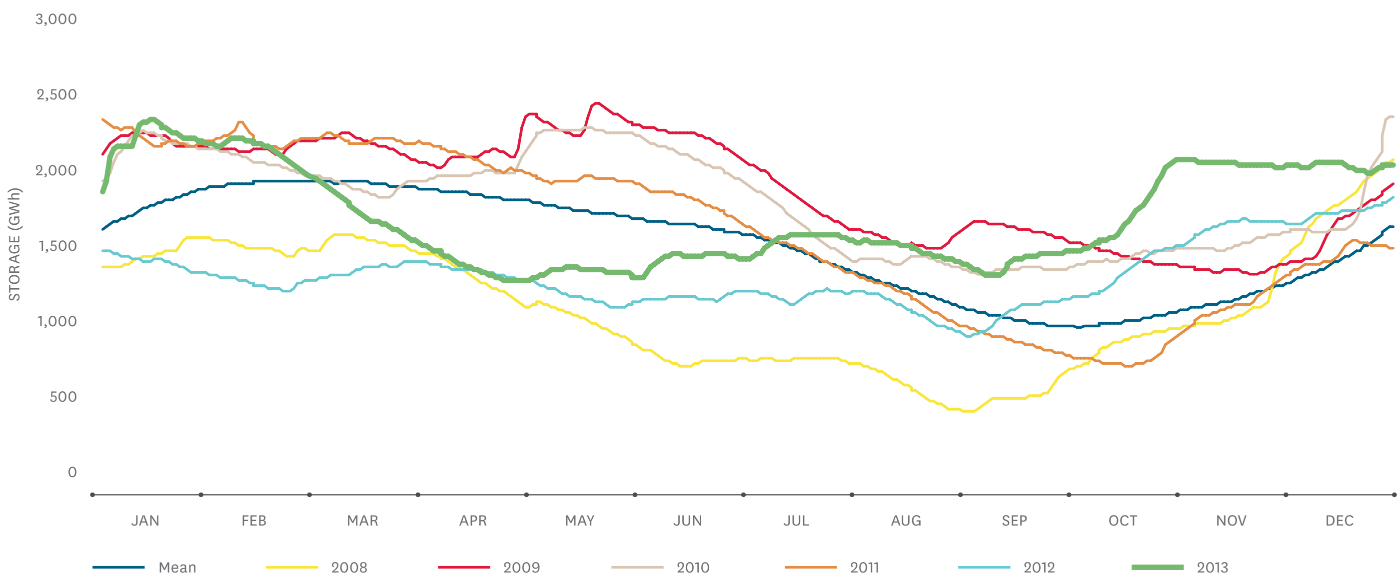
Period Ended 30 June



MOVEMENT IN NEW ZEALAND ENERGY MARGIN



MERIDIAN'S WAITAKI STORAGE



New Zealand Energy Margin in HY2014 was higher than PFI expectations by $8.0 million and $11.2 million higher than in HY2013. Key to this result was the impact of inflows into Meridian's hydro lakes, which were 122% of the historical average. This represents the seventh highest July to December inflows on record, the highest since 1996. Above-average inflows enabled an increase in generation production, 601GWh (9.9%) more than in HY2013. The 6,651GWh of generation from renewable resources represented the highest level of half-year generation by Meridian (adjusting for the sale of Tekapo A and B power stations to Genesis Energy).

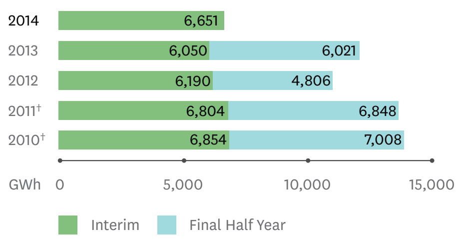
The impacts of above-average national hydro storage and continued flat demand saw the average price received for generation fall by $8.0/Megawatt hour (MWh) or 16.8% in HY2013 to $39.7/MWh. Lower prices outweighed higher generation volumes and resulted in generation revenues being $24.5 million lower than HY2013. The lower average wholesale price also had the positive impact of reducing the cost of supplying contracted retail and wholesale sales by $42.8 million, resulting in Meridian's net spot exposed revenue being $18.3 million higher than in HY2013.

The net cost of buy-side derivatives in HY2014 was $15.6 million lower than that in HY2013, a result of Meridian's generation production and storage position and the residual effects of the record dry FY2012 on HY2013.

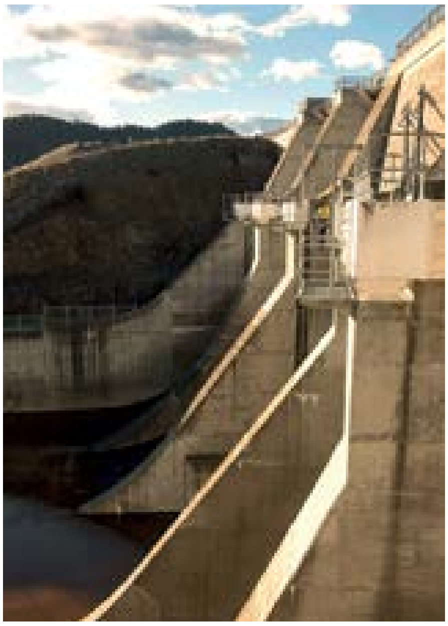
AVERAGE WHOLESALE ELECTRICITY PRICE RECEIVED FROM GENERATION PRODUCTION ($/MWh)	FINANCIAL YEAR ENDED 30 JUNE				
	2014	**2013**	**2012**	**2011**	**2010**
Quarter 1 – Sept	48.6	62.4	83.6	47.5	26.8
Quarter 2 – Dec	31.5	34.8	71.2	54.8	41.7
Half-Year	**39.7**	**47.7**	**77.6**	**51.1**	**34.0**
Quarter 3 – Mar		83.4	109.9	31.7	74.5
Quarter 4 – June		80.8	153.3	39.4	50.3
Annual		**64.9**	**100.7**	**43.3**	**48.3**

MERIDIAN'S NEW ZEALAND PHYSICAL GENERATION VOLUMES

Financial Year Ended 30 June



† *The Tekapo hydro power stations were sold to Genesis Energy on 1 June 2011; the Tekapo power stations' annual average generation was approximately 1,000GWh.*



The retail market continued to be highly competitive; the number of customers switching during HY2014 was 17.3% higher than during HY2013. Meridian achieved customer connection growth of 1.6% in the six months ended 31 December 2013. Contracted sales made to residential, business, corporate and industrial customers increased in HY2014 by 3.3% compared with HY2013. The average price received from these sales in HY2014 was $6.1/MWh (5.6%) lower (net of distribution costs) than in HY2013.

Below EBITDAF the net change in fair value of financial instruments saw a gain of $41.2 million in HY2014; this was $60.9 million lower than in HY2013. Meridian uses various derivative instruments to manage electricity price and volume, interest rate and foreign exchange risk; as forward prices and rates change, these changes are generally recognised in unrealised non-cash fair value movements in the income statement.

Net finance costs of $37.5 million in HY2014 were $6.3 million lower than in HY2013; this reflects the lower net debt position following the sale of Macarthur wind farm in Australia. At 31 December 2013, Total Borrowings were $1,126.1 million, $499.6 million lower than at the same time last year. Meridian's committed bank facilities at 31 December 2013 were $858.8 million, of which $379.8 million was undrawn.

Cash Flow

Meridian continues to generate strong operating cash flows; these increased by $18.6 million from HY2013 to $191.5 million in HY2014.

Meridian's capital investment expenditure of $168.9 million during HY2014 was largely associated with the construction of Mill Creek, near Wellington, New Zealand and Mt Mercer, in Victoria, Australia.

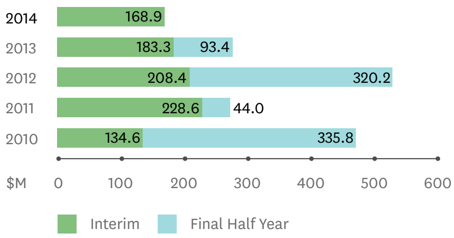
Meridian has maintained its BBB+ credit rating from Standard & Poor's (outlook stable).

Dividend

An interim dividend of 4.19 cents per share, to be imputed to 90% of the corporate tax rate, has been declared for the six months ended 31 December 2013.

GROUP INVESTMENT EXPENDITURE

Financial Year Ended 30 June



MERIDIAN GROUP SUMMARY CASH FLOW ($ MILLIONS)	6 MONTHS ENDED 31 DEC 2013	6 MONTHS ENDED 31 DEC 2012	YEAR ENDED 30 JUNE 2013
Net Cash Flow from Operating Activities	191.5	172.9	416.7
Net Cash Flow from Investing Activities	(161.9)	(125.2)	(124.1)
Net Cash Flow from Financing Activities	(158.5)	(182.6)	(101.3)
Net (Decrease)/Increase in Cash and Cash Equivalents	**(128.9)**	**(134.9)**	**191.3**

NET TANGIBLE ASSETS PER SECURITY	31 DEC 2013 (NZ CENTS)	31 DEC 2012 (NZ CENTS)
Net tangible assets per security	282	327

ASSOCIATES AND JOINT VENTURE ENTITIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	DATE	PRINCIPAL ACTIVITY	INTEREST HELD BY GROUP
EDDI Project JV	New Zealand	01/05/12	Dam Management Systems	50%
Hunter Downs Development Company	New Zealand	01/07/13	Irrigation Development	100%

During the period Meridian Energy Limited changed the accounting treatment of Hunter Downs Development Company to recognise the entity as a joint venture, previously recognised by the Group as a subsidiary.

Meridian Energy Limited

Condensed Interim Financial Statements

For the six months ended 31 December 2013

Contents

Income Statement

	NOTES	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Operating Revenue				
Energy Sales Revenue		**1,085.2**	1,180.0	2,681.5
Energy Related Services Revenue		**6.8**	7.1	13.3
Dividends Received		**-**	-	0.1
Other Revenue		**5.9**	6.1	16.3
Total Operating Revenue		**1,097.9**	1,193.2	2,711.2
Operating Expenses				
Energy Related Expenses		**(426.2)**	(534.2)	(1,361.5)
Energy Distribution Expenses		**(212.4)**	(210.8)	(404.2)
Energy Transmission Expenses		**(66.7)**	(54.8)	(115.3)
Employee Expenses		**(47.3)**	(46.5)	(88.6)
Other Operating Expenses	3	**(77.1)**	(69.8)	(156.8)
		(829.7)	(916.1)	(2,126.4)
Earnings Before Interest, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)		**268.2**	277.1	584.8
Impairment of Assets	4	**-**	-	(24.8)
(Loss)/Gain on Sale of Assets		**(2.4)**	6.0	106.6
Equity Accounted Earnings of Joint Ventures		**(0.2)**	0.1	0.1
Amortisation of Intangible Assets		**(11.1)**	(7.4)	(18.5)
Depreciation		**(94.2)**	(100.9)	(201.2)
Net Change in Fair Value of Financial Instruments Gain (Operational)	14	**1.7**	102.6	51.1
Operating Profit		**162.0**	277.5	498.1
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	5	**(41.7)**	(45.5)	(115.1)
Interest Income		**4.2**	1.7	1.6
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Financing)	14	**39.5**	(0.5)	42.7
Profit Before Tax		**164.0**	233.2	427.3
Income Tax Expense	6	**(47.1)**	(59.9)	(132.2)
Profit After Tax		**116.9**	173.3	295.1
Profit After Tax Attributable to:				
Shareholders of the Parent Company		**116.9**	173.3	295.1
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Period:				
Basic Earnings per Share ($)		**0.05**	0.07	0.12
Diluted Earnings per Share ($)		**0.05**	0.07	0.12

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		
	NOTES	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Profit After Tax for the Period		**116.9**	173.3	295.1
Other Comprehensive Income:				
Items that will not be Reclassified to Profit or Loss:				
Reversal of Asset Revaluation		**-**	-	(476.2)
Tax Relating to Items that will not be Reclassified:				
Deferred Tax on Asset Revaluation Reserve	11	**-**	-	133.3
		-	-	(342.9)
Items that may be Reclassified Subsequently to Profit or Loss:				
Net (Loss)/Gain on Available for Sale Investments		**(1.2)**	2.0	2.3
Net (Loss)/Gain on Cash Flow Hedges		**(2.8)**	(7.3)	28.3
Exchange Differences Arising from Translation of Foreign Operations		**(12.9)**	(6.8)	(11.5)
Income Tax Relating to Items that may be Reclassified	11	**1.1**	1.5	(9.2)
		(15.8)	(10.6)	9.9
Total Other Comprehensive Income for the Period, Net of Tax		**(15.8)**	(10.6)	(333.0)
Total Comprehensive Income for the Period, Net of Tax		**101.1**	162.7	(37.9)
Total Comprehensive Income for the Period, Net of Tax, Attributable to:				
Shareholders of the Parent Company		**101.1**	162.7	(37.9)

Statement of Financial Position

		GROUP		
	NOTES	UNAUDITED 31 DEC 2013 $M	UNAUDITED 31 DEC 2012 $M	AUDITED 30 JUNE 2013 $M
Shareholders' Equity				
Share Capital	7	**1,598.6**	1,600.0	1,600.0
Reserves		**3,036.5**	3,388.4	3,088.0
Total Equity		**4,635.1**	4,988.4	4,688.0
Represented by:				
Current Assets				
Cash and Cash Equivalents		**252.4**	72.6	382.8
Accounts Receivable and Prepayments		**187.0**	211.3	261.9
Inventories		**5.0**	3.8	4.3
Other Assets		**2.9**	-	0.6
Finance Lease Receivable		**0.2**	5.1	0.2
Assets Classified as Held for Sale	9	**47.2**	27.8	64.8
Derivative Financial Instruments	14	**33.6**	31.3	51.5
Total Current Assets		**528.3**	351.9	766.1
Non-Current Assets				
Finance Lease Receivable		**0.5**	-	0.6
Available for Sale Investments		**-**	5.7	-
Intangible Assets		**55.5**	50.1	54.8
Property, Plant and Equipment	10	**6,809.3**	7,970.3	6,769.0
Deferred Tax Asset	11	**11.6**	8.3	12.7
Derivative Financial Instruments	14	**68.0**	184.8	134.2
Total Non-Current Assets		**6,944.9**	8,219.2	6,971.3
Total Assets		**7,473.2**	8,571.1	7,737.4
Current Liabilities				
Liabilities Classified as Held for Sale	9	**1.0**	0.7	2.7
Payables and Accruals		**176.8**	179.6	274.7
Provisions		**-**	0.1	0.1
Current Tax Payable		**47.5**	4.9	51.3
Current Portion of Term Borrowings	12	**62.2**	113.7	146.7
Derivative Financial Instruments	14	**43.9**	52.1	45.0
Total Current Liabilities		**331.4**	351.1	520.5
Non-Current Liabilities				
Deferred Tax Liability	11	**1,354.6**	1,468.9	1,364.2
Term Borrowings	12	**1,063.9**	1,512.0	1,033.5
Term Payables		**-**	15.3	6.7
Derivative Financial Instruments	14	**88.2**	235.4	124.5
Total Non-Current Liabilities		**2,506.7**	3,231.6	2,528.9
Total Liabilities		**2,838.1**	3,582.7	3,049.4
Net Assets		**4,635.1**	4,988.4	4,688.0

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

Chris Moller

Chris Moller
Chairman, 18 February 2014

Jan Dawson

Jan Dawson
Chair of Audit and Risk Committee, 18 February 2014

Statement of Changes in Equity

	NOTES	UNAUDITED							
		SHARE CAPITAL $M	SHARE OPTION RESERVE[1] $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2013		**1,600.0**	**-**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**
Comprehensive Income									
Profit for the Period		-	-	-	-	-	-	116.9	116.9
Cash Flow Hedges:									
Net Loss Taken to Equity		-	-	-	-	(2.8)	-	-	(2.8)
Available for Sale Reserve:									
Net Loss Taken to Equity		-	-	-	-	-	(1.2)	-	(1.2)
Exchange Differences Arising from Translation of Foreign Operations		-		-	(12.9)	-	-	-	(12.9)
Asset Revaluation Reserve Transferred to Retained Earnings		-	-	(0.1)	-	-	-	0.1	-
Income Tax Relating to Other Comprehensive Income		-	-	-	-	0.8	0.3	-	1.1
Total Comprehensive Income for the Period		**-**	**-**	**(0.1)**	**(12.9)**	**(2.0)**	**(0.9)**	**117.0**	**101.1**
Shares Issued	7	-	-	-	-	-	-	-	-
Acquisition of Treasury Shares[1]	7	(1.4)	-	-	-	-	-	-	(1.4)
Dividends Paid	8	-		-	-	-	-	(152.6)	(152.6)
Balance at 31 December 2013		**1,598.6**	**-**	**3,073.8**	**(26.1)**	**6.9**	**0.7**	**(18.8)**	**4,635.1**

1 The share option reserve and treasury shares are required to meet the current and future obligations under long term incentive plans refer to note 7.

	NOTE	UNAUDITED						
		SHARE CAPITAL $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2012		**1,600.0**	**3,418.0**	**(1.7)**	**(41.8)**	**-**	**(148.8)**	**4,825.7**
Profit for the Period		-	-	-	-	-	173.3	173.3
Cash Flow Hedges:								
Net Loss Taken to Equity		-	-	-	(7.3)	-	-	(7.3)
Available for Sale Reserve:								
Net Gain Taken to Equity		-	-	-	-	2.0	-	2.0
Exchange Differences Arising from Translation of Foreign Operations		-	-	(6.8)	-	-	-	(6.8)
Income Tax Relating to Other Comprehensive Income		-	-	-	2.1	(0.6)	-	1.5
Total Comprehensive Income for the Period		**-**	**-**	**(6.8)**	**(5.2)**	**1.4**	**173.3**	**162.7**
Dividends Paid	8	-	-	-	-	-	-	-
Balance at 31 December 2012		**1,600.0**	**3,418.0**	**(8.5)**	**(47.0)**	**1.4**	**24.5**	**4,988.4**

Statement of Changes in Equity

		AUDITED						
	NOTES	SHARE CAPITAL $M	REVALUATION RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	CASH FLOW HEDGE RESERVE $M	AVAILABLE FOR SALE RESERVE $M	RETAINED EARNINGS $M	TOTAL EQUITY $M
Balance at 1 July 2012		**1,600.0**	**3,418.0**	**(1.7)**	**(41.8)**	-	**(148.8)**	**4,825.7**
Profit for the Period		-	-	-	-	-	295.1	295.1
Reversal of Asset Revaluation		-	(476.2)	-	-	-	-	(476.2)
Cash Flow Hedges:								
Net Gain Taken to Equity		-	-	-	28.3	-	-	28.3
Available for Sale Reserve:								
Net Gain Taken to Equity		-	-	-	-	2.3	-	2.3
Transfer Cash Flow Hedge Reserve to Retained Earnings on Sale of Subsidiary		-	-	-	44.2	-	(44.2)	-
Exchange Differences Arising from Translation of Foreign Operations		-	-	(11.5)	-	-	-	(11.5)
Asset Revaluation Reserve Transferred to Retained Earnings		-	(1.6)	-	-	-	1.6	-
Deferred Tax on Asset Revaluation Reserve	11	-	133.7	-	-	-	(0.4)	133.3
Income Tax Relating to Other Comprehensive Income		-	-	-	(21.8)	(0.7)	13.3	(9.2)
Total Comprehensive Income for the Period		**-**	**(344.1)**	**(11.5)**	**50.7**	**1.6**	**265.4**	**(37.9)**
Dividends Paid	8	-	-	-	-	-	(99.8)	(99.8)
Balance at 30 June 2013		**1,600.0**	**3,073.9**	**(13.2)**	**8.9**	**1.6**	**16.8**	**4,688.0**

 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		
	NOTES	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**963.5**	1,277.9	2,390.0
Interest Received		**4.2**	1.4	2.0
Dividends Received		**-**	-	0.1
		967.7	1,279.3	2,392.1
Cash was Applied to:				
Payments to Suppliers and Employees		**(677.9)**	(1,029.4)	(1,811.8)
Interest Paid		**(39.9)**	(44.0)	(106.5)
Income Tax Paid		**(58.4)**	(33.0)	(57.1)
		(776.2)	(1,106.4)	(1,975.4)
Net Cash Inflows from Operating Activities		**191.5**	172.9	416.7
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment	10	**4.7**	0.4	0.6
Finance Lease Receivable		**0.2**	0.6	-
Sale of Subsidiaries		**2.1**	56.3	151.2
Sale of Investments		**-**	0.8	0.8
		7.0	58.1	152.6
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(151.7)**	(166.6)	(244.8)
Capitalised Interest		**(3.6)**	(3.6)	(5.7)
Purchase of Intangible Assets		**(13.4)**	(13.1)	(25.9)
Purchase of Investments		**(0.2)**	-	(0.3)
		(168.9)	(183.3)	(276.7)
Net Cash Outflows from Investing Activities		**(161.9)**	(125.2)	(124.1)
Financing Activities				
Cash was Provided from:				
Proceeds From Borrowings		**80.4**	341.1	1,115.9
		80.4	341.1	1,115.9
Cash was Applied to:				
Dividends Paid	8	**(152.6)**	-	(99.8)
Treasury Shares Purchased	7	**(1.0)**	-	-
Term Borrowings Paid		**(85.3)**	(523.7)	(1,117.4)
		(238.9)	(523.7)	(1,217.2)
Net Cash Outflows from Financing Activities		**(158.5)**	(182.6)	(101.3)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(128.9)**	(134.9)	191.3
Cash and Cash Equivalents at Beginning of Period		**382.8**	214.4	214.4
Cash Removed on Sale of Subsidiaries		**-**	(4.9)	(14.1)
Effect of Exchange Rate Changes on Net Cash		**(1.5)**	(2.0)	(8.8)
Cash and Cash Equivalents at End of Period		**252.4**	72.6	382.8

Statement of Cash Flows

RECONCILIATION OF PROFIT AFTER TAX FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Profit after Tax for the Period		**116.9**	173.3	295.1
Adjustments:				
Amortisation of Intangible Assets		**11.1**	7.4	18.5
Depreciation		**94.2**	100.9	201.2
Movement in Deferred Tax		**(7.6)**	27.8	40.3
Net Change in Fair Value of Financial Instruments (Gain)/Loss	14	**(41.2)**	(102.1)	(93.8)
Cash Receipt on Closeout of Aluminium Commodity Swap		**54.6**	-	-
Cash Payments of Option Premiums		**(8.9)**	(8.8)	(20.4)
Equity Accounted Earnings of Joint Venture		**0.2**	(0.1)	(0.1)
Finance Costs		**-**	(1.0)	10.5
		102.4	24.1	156.2
Items Classified as Investing Activities:				
Impairment of Assets	4	**-**	-	24.8
Finance Lease Interest		**0.1**	(0.3)	-
Loss on Sale of Property, Plant and Equipment		**2.4**	-	0.2
Gain on Sale of Subsidiaries		**-**	(5.9)	(107.3)
		2.5	(6.2)	(82.3)
Items Classified as Financing Activities:				
Amortisation of Prepaid Debt Facility Fees		**1.6**	0.7	(2.3)
		1.6	0.7	(2.3)
Changes in Working Capital Items				
Decrease in Accounts Receivable and Prepayments		**74.9**	86.8	36.2
(Increase)/Decrease in Inventory		**(0.7)**	0.8	0.2
Increase in Other Assets		**(2.3)**	-	(0.4)
Decrease in Payables and Accruals		**(99.9)**	(104.6)	(29.0)
(Decrease)/Increase in Provisions		**(0.1)**	-	0.1
(Decrease)/Increase in Current Tax Payable		**(3.8)**	(1.1)	45.3
Working Capital Items Transferred to Available for Sale		**-**	(0.2)	(0.2)
Working Capital Items on Sale of Subsidiaries		**-**	(0.7)	(2.2)
		(31.9)	(19.0)	50.0
Net Cash Flow from Operating Activities		**191.5**	172.9	416.7

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

Contents

1. Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Limited (the "Company" or the "Parent") 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. Meridian Energy Limited is a mixed ownership model Company, that is majority owned by Her Majesty the Queen in Right of New Zealand (the "Crown") and is dual listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX). The Company is bound by the requirements of the Public Finance Act 1989 but is no longer bound by The State-Owned Enterprises Act 1986.

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 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 2013.

The financial statements were authorised for issue by the Directors on 18 February 2014.

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* as appropriate for a profit-oriented entity.

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

These financial statements are presented in New Zealand dollars rounded to the nearest million.

The following new standards and amendments below became effective during the period:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER
NZ IFRS 10 Consolidated Financial Statements	1 January 2013
NZ IFRS 11 Joint Arrangements	1 January 2013
NZ IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
NZ IFRS 13 Fair Value Measurement	1 January 2013
NZ IAS 19 Employee Benefits (revised 2011)	1 January 2013
NZ IAS 27 Separate Financial Statements (revised 2011)	1 January 2013
NZ IAS 28 Investments in Associates and Joint Ventures	1 January 2013
Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to IFRS:2009-2011 cycle	1 January 2013

Apart from NZ IFRS 13 the adoption of these standards does not have a material impact on the reported results or financial position of Meridian.

The introduction of NZ IFRS 13 establishes a single source of guidance for fair value measurement and disclosure requirements. Specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions the Group, in these Condensed Interim Financial Statements, has not made any disclosures for the comparative period ending 31 December 2012 (notes 13 and 14). Other than additional disclosures, the application of NZ IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Judgements and Estimations

The preparation of financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The application of these are consistent with those used in the preparation of the Group's financial statements for the year ended 30 June 2013. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

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

Accounting Policies

Except as described below, the same accounting policies, presentation and methods of computation are applied in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2013. The following new policies were introduced:

SHARE BASED PAYMENTS

Employees (including Senior Management) of the Company may receive remuneration in the form of share-based payments, whereby employees render services as consideration for shares (equity settled) or cash (cash settled). The cost of equity settled transactions with employees is measured at the fair value of the shares at the date at which they are granted. The cost of cash settled transactions with employees is measured at the fair value of the liability at each reporting date.

The fair value of equity settled options at the grant date is recognised as an expense, together with a corresponding increase to the share option reserve within equity, over the vesting period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is based on the fair value of each option along with the best estimate of the number of equity instruments that will ultimately vest which includes an assessment of the likelihood that service conditions will be met.

The fair value of the liability associated with cash settled transactions is recognised as an expense, together with a corresponding increase in a share based payment liability, over the period in which the performance and/or service conditions are fulfilled. The total amount to be expensed is based on the fair value of the liability along with the best estimate of the number of notional shares that will ultimately vest which includes an assessment of the likelihood that service conditions will be met.

The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

FAIR VALUE HIERARCHY TRANSFERS

All assets and liabilities measured or disclosed at fair value are categorised into the following three-level hierarchy based on the inputs to the valuation:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 Inputs – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs for the asset or liability, other than quoted prices included in Level 1
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Should market liquidity/products alter significantly or the observability of inputs change, consideration will be given to transfers from one level of the hierarchy to another.

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 before the allocation of central administration costs, Directors' fees, equity accounted earnings of joint ventures, change in fair value of financial instruments, finance costs, gain/loss on sale of assets, 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 the equivalent of approximately 40% (December 2012: 40%, June 2013: 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.

Except as described in the Summary of Accounting Policies, the accounting policies of the reportable segments are the same as those applied in the preparation of the Group financial statements for the year ended 30 June 2013.

In the year ended 30 June 2013, Meridian commenced allocating directly attributable ICT, Insurance, Property and Brand costs to segments in order to better assess performance. As the allocation methodology is based on current costs, it was not considered appropriate to restate prior periods to reflect this change since the data is unavailable and the cost to develop it would be excessive.

Wholesale Segment

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

Costs to develop New Zealand renewable generation opportunities and dam consultancy services offered by Damwatch Engineering Limited (previously Damwatch Services Limited) are reported as part of the Wholesale operating segment as it is determined that they have similar long term economic characteristics.

2. Segment Reporting *(continued)*

Retail Segment

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

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

International Segment

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

On 28 June 2013, Meridian Wind Macarthur Holdings Pty Ltd, a controlled entity involved in the construction of the Macarthur Windfarm, was sold as a going concern.

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 that provide support to the Wholesale, Retail, International and Other segments, and Meridian's non-operating subsidiaries.

Inter-segment Items

Inter-segment revenue and expenses are sales and purchases between the Wholesale, Retail and International segments.

The Unaudited Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2013 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	OTHER SEGMENTS $M	UNALLOCATED CORPORATE $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Energy Sales Revenue	768.4	568.0	12.5	-	-	(263.7)	1,085.2
Energy Related Expenses	(396.4)	(292.9)	(0.6)	-	-	263.7	(426.2)
Energy Distribution Expenses	-	(212.2)	(0.2)	-	-	-	(212.4)
Energy Margin	**372.0**	**62.9**	**11.7**	**-**	**-**	**-**	**446.6**
Dividend and Other Revenue	4.3	9.1	-	0.1	5.2	(6.0)	12.7
Energy Transmission Expenses	(64.8)	-	(1.9)	-	-	-	(66.7)
Gross Margin	**311.5**	**72.0**	**9.8**	**0.1**	**5.2**	**(6.0)**	**392.6**
Employee Expenses	(14.8)	(16.3)	(4.6)	-	(12.1)	0.5	(47.3)
Other Operating Expenses	(25.0)	(28.0)	(4.1)	-	(20.5)	0.5	(77.1)
EBITDAF	**271.7**	**27.7**	**1.1**	**0.1**	**(27.4)**	**(5.0)**	**268.2**
Reconciliation of Operating Revenue							
Energy Sales Revenue	768.4	568.0	12.5	-	-	(263.7)	1,085.2
Dividend and Other Revenue	4.3	9.1	-	0.1	5.2	(6.0)	12.7
Inter-Segment Revenue	(263.7)	(1.0)	-	-	(5.0)	269.7	-
Revenue from External Customers	**509.0**	**576.1**	**12.5**	**0.1**	**0.2**	**-**	**1,097.9**

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:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	OTHER SEGMENTS $M	UNALLOCATED CORPORATE $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Energy Sales Revenue	858.1	580.4	11.6	9.7	-	(279.8)	1,180.0
Energy Related Expenses	(497.2)	(311.9)	(0.3)	(4.6)	-	279.8	(534.2)
Energy Distribution Expenses	(8.6)	(202.2)	-	-	-	-	(210.8)
Energy Margin	**352.3**	**66.3**	**11.3**	**5.1**	**-**	**-**	**435.0**
Dividend and Other Revenue	4.7	7.6	-	0.3	0.6	-	13.2
Energy Transmission Expenses	(53.8)	-	(1.0)	-	-	-	(54.8)
Gross Margin	**303.2**	**73.9**	**10.3**	**5.4**	**0.6**	**-**	**393.4**
Employee Expenses	(15.3)	(14.2)	(3.3)	(1.5)	(12.2)	-	(46.5)
Other Operating Expenses	(20.0)	(22.9)	(2.2)	(2.1)	(22.6)	-	(69.8)
EBITDAF	**267.9**	**36.8**	**4.8**	**1.8**	**(34.2)**	**-**	**277.1**
Reconciliation of Operating Revenue							
Energy Sales Revenue	858.1	580.4	11.6	9.7	-	(279.8)	1,180.0
Dividend and Other Revenue	4.7	7.6	-	0.3	0.6	-	13.2
Inter-Segment Revenue	(279.8)	-	-	-	-	279.8	-
Revenue from External Customers	**583.0**	**588.0**	**11.6**	**10.0**	**0.6**	**-**	**1,193.2**

The Audited Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2013 is as follows:

	WHOLESALE $M	RETAIL $M	INTERNATIONAL $M	OTHER SEGMENTS $M	UNALLOCATED CORPORATE $M	INTER-SEGMENT ITEMS $M	TOTAL $M
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	-	(607.3)	2,681.5
Energy Related Expenses	(1,289.3)	(674.8)	(0.6)	(4.6)	0.5	607.3	(1,361.5)
Energy Distribution Expenses	(1.1)	(403.0)	(0.1)	-	-	-	(404.2)
Energy Margin	**770.8**	**88.7**	**50.7**	**5.1**	**0.5**	**-**	**915.8**
Dividend and Other Revenue	12.3	15.1	-	0.4	2.6	(0.7)	29.7
Energy Transmission Expenses	(113.2)	-	(2.1)	-	-	-	(115.3)
Gross Margin	**669.9**	**103.8**	**48.6**	**5.5**	**3.1**	**(0.7)**	**830.2**
Employee Expenses	(29.3)	(28.2)	(7.1)	(1.5)	(22.5)	-	(88.6)
Other Operating Expenses	(64.2)	(58.0)	(6.9)	(2.2)	(26.0)	0.5	(156.8)
EBITDAF	**576.4**	**17.6**	**34.6**	**1.8**	**(45.4)**	**(0.2)**	**584.8**
Reconciliation of Operating Revenue							
Energy Sales Revenue	2,061.2	1,166.5	51.4	9.7	-	(607.3)	2,681.5
Dividend and Other Revenue	12.3	15.1	-	0.4	2.6	(0.7)	29.7
Inter-Segment Revenue	(607.5)	-	-	(0.3)	(0.2)	608.0	-
Revenue from External Customers	**1,466.0**	**1,181.6**	**51.4**	**9.8**	**2.4**	**-**	**2,711.2**

2. Segment Reporting *(continued)*

Information Relating to Geographical Area Operations

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Total Revenue in:			
New Zealand	**1,085.4**	1,181.6	2,659.8
Australia	**10.8**	10.0	48.3
United States of America	**1.7**	1.6	3.1
	1,097.9	1,193.2	2,711.2

Reconciliation of EBITDAF to Profit Before Tax provided as follows:

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
EBITDAF for Reportable Segments	**300.5**	309.5	628.6
Other Segments EBITDAF	**0.1**	1.8	1.8
Unallocated EBITDAF	**(32.4)**	(34.2)	(45.6)
Total Group EBITDAF	**268.2**	277.1	584.8
Impairment of Assets	**-**	-	(24.8)
(Loss)/Gain on Sale of Assets	**(2.4)**	6.0	106.6
Equity Accounted Earnings of Joint Ventures	**(0.2)**	0.1	0.1
Amortisation	**(11.1)**	(7.4)	(18.5)
Depreciation	**(94.2)**	(100.9)	(201.2)
Net Change in Fair Value of Financial Instruments	**41.2**	102.1	93.8
Net Finance Costs and Other Finance Related Expenses	**(37.5)**	(43.8)	(113.5)
Profit Before Tax	**164.0**	233.2	427.3

3. Operating Expenses

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Other Operating Expenses include:			
Initial Public Offer costs	**8.3**	0.2	2.9

4. Impairment of Assets

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Impairment of Property, Plant and Equipment	**-**	-	19.1
Impairment of Held for Sale Assets	**-**	-	5.7
	-	-	24.8

In the period ended 30 June 2013, Property, Plant and Equipment impairments included North Bank Tunnel Development project ($17.9 million) as well as other early stage development projects ($1.2m). Held for Sale Assets impairments included the Jacobs Creek and San Luis Valley proposed solar developments through Meridian Energy USA Incorporated ($5.7m).

5. Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Interest on Borrowings	**45.4**	61.2	123.0
Less Capitalised Interest	**(3.7)**	(15.7)	(7.9)
	41.7	45.5	115.1

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.

6. Income Tax

		GROUP		
	NOTE	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Income Tax Expense				
Current Income Tax Charge		**57.1**	32.1	100.3
Adjustments Regarding Current Income Tax of Prior Years		**(2.4)**	-	(5.7)
Total Current Tax Expense		**54.7**	32.1	94.6
Deferred Tax Expense				
Relating to Origination and Reversal of Timing Differences		**(7.6)**	27.8	37.6
Total Deferred Tax Expense	11	**(7.6)**	27.8	37.6
Total Income Tax Expense		**47.1**	59.9	132.2
Income Tax Expense can be reconciled to accounting profit as follows:				
Profit Before Tax		**164.0**	233.2	427.3
Income Tax at Applicable Tax Rates		**45.8**	65.2	120.2
Tax Effect of Expenditure Not Deductible for Tax		**3.7**	0.5	9.8
Tax Effect of Income Not Subject to Tax		**-**	(5.8)	(0.9)
Income Tax (Over)/Under Provided in Prior Period		**(2.4)**	-	3.1
Income Tax Expense		**47.1**	59.9	132.2

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

7. Share Capital

	GROUP					
	UNAUDITED 31 DEC 2013 SHARES	UNAUDITED 31 DEC 2013 $M	UNAUDITED 31 DEC 2012 SHARES	UNAUDITED 31 DEC 2012 $M	AUDITED 30 JUNE 2013 SHARES	AUDITED 30 JUNE 2013 $M
Opening Balance of Ordinary Shares Issued	1,600,000,002	1,600.0	1,600,000,002	1,600.0	1,600,000,002	1,600.0
Bonus Shares Issued	962,999,998	-	-	-	-	-
Treasury Shares Acquired[1]	(965,016)	(1.4)	-	-	-	-
	2,562,034,984	**1,598.6**	**1,600,000,002**	**1,600.0**	**1,600,000,002**	**1,600.0**

1 Includes provision for payment of final instalment

7. Share Capital *(continued)*

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

Long-Term Incentive

During the period the Group established a long-term equity settled incentive plan for New Zealand based senior executives. The movement in treasury shares during the period relates to the purchase of shares by an external trustee as part of this plan. It is designed to enhance the alignment between Shareholders and those executives most able to influence the performance of the company.

Under the plan senior executives have the option to purchase shares at market value funded by an interest free loan from the Company, with the shares held on trust by the Trustee of the long term incentive (LTI) plan until the end of the vesting period. Vesting of shares is dependent on continued employment through the vesting period. It is also dependent on the Company achieving a positive total shareholder return over the period and the Company's performance relative to the benchmark peer group. If the Company's total shareholder return performance over the vesting period exceeds the 50th percentile total shareholder return of the benchmark peer group, 50% of the shares will vest. 100% of an executive's shares will vest upon meeting the performance of the 75th percentile of the benchmark peer group, with vesting on a straight line basis between these two points. In the event that total shareholder return is negative over the period or less than 50th percentile of the benchmark peer group, no shares will vest. The benchmark peer group comprises a selected number of NZX and ASX listed electricity generators and energy retailers.

Should the relevant total shareholder return performance hurdle not be met, or if the executive ceases to be employed by the Company other than for a qualifying reason, or the executive does not execute the option, the shares or notional shares will be forfeited to the trustee without compensation and the relevant executive will receive no benefits (subject to the Board exercising a discretion to allow some or all of the shares or notional shares to vest).

If the shares vest, executives are entitled to a bonus amount which, after deduction of tax, is equal to the loan balance at grant date for the shares which have vested. That amount must be applied towards repayment of their loan balance and the corresponding shares are released by the trustee to the individual. The initial vesting period for the plan is from January 2014 to June 2016.

The plan represents the grant of in-substance nil-price options to executives. The fair value of the options granted under the plan are estimated as at the date of grant using an option pricing model that takes into account the terms and conditions upon which the options were granted. In accordance with the rules of the plans, the model simulates the Company's total shareholder return and compares it against the peer group over the vesting period. The model takes into account the historic dividends, share price volatilities and co-variances of the Company and peer group to produce a predicted distribution of relative share performance. This is applied to the relevant grant to give an expected value of the total shareholder return element for the plan.

8. Dividends

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
2013 Final Dividend Paid	**152.6**	-	-
2013 Interim Dividend Paid	**-**	-	99.8
	152.6	-	99.8

On 18 February 2014 the Board declared a partially imputed dividend of $107.4 million payable on 15 April 2014.

9. Assets and Liabilities Classified as Held For Sale

Assets classified as held for sale as at 31 December 2013, 31 December 2012 and 30 June 2013 comprised Meridian Energy USA Inc net assets and land no longer required for development projects.

10. Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Additions at Cost	**146.0**	171.5	276.7
Carrying Value of Disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**7.1**	0.4	40.2
Proceeds of Disposals (including those classified as Held for Sale, excluding disposal of Subsidiaries)	**4.7**	0.4	0.6

11. 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:

	NOTE	GROUP UNAUDITED 31 DEC 2013 $M	GROUP UNAUDITED 31 DEC 2012 $M	GROUP AUDITED 30 JUNE 2013 $M
Balance at Beginning of Period		**1,351.5**	1,435.8	1,435.8
Recognised in the Income Statement:				
Movement in Temporary Differences		**(7.6)**	27.8	37.6
	6	**(7.6)**	27.8	37.6
Recognised in Other Comprehensive Income:				
Deferred Tax on Asset Revaluation Reserve Movements		**-**	-	(133.3)
Movement in Temporary Differences (Equity)		**(1.1)**	(1.5)	9.2
		(1.1)	(1.5)	(124.1)
Effect of Retranslating Foreign Opening Balances		**0.2**	-	(0.1)
Adjustments Regarding Deferred Tax of Prior Years		**-**	-	2.7
Effect of Sale of Subsidiaries		**-**	(1.5)	(0.4)
		1,343.0	1,460.6	1,351.5
The movement in temporary differences recognised in the income statement consist of the following:				
Property, Plant and Equipment		**(3.7)**	-	4.6
Term Payables		**2.9**	-	14.4
Financial Instruments		**(3.7)**	28.6	26.5
Carried Forward Losses to be Utilised Against Future Taxable Income		**-**	-	(6.4)
Other		**(3.1)**	(0.8)	(1.5)
		(7.6)	27.8	37.6

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 2013 $M	GROUP UNAUDITED 31 DEC 2012 $M	GROUP AUDITED 30 JUNE 2013 $M
Property, Plant and Equipment	**941.9**	1,076.5	942.0
Accelerated Depreciation	**422.8**	437.8	428.9
Term Payables	**2.2**	(18.9)	(8.6)
Financial Instruments	**(8.4)**	(30.5)	0.9
Other	**(3.9)**	4.0	1.0
Deferred Tax Liability	**1,354.6**	1,468.9	1,364.2
Carried Forward Losses to be Utilised Against Future Taxable Income	**(11.5)**	(8.1)	(12.5)
Other	**(0.1)**	(0.2)	(0.2)
Deferred Tax Asset	**(11.6)**	(8.3)	(12.7)
	1,343.0	1,460.6	1,351.5

12. Borrowings

	ORIGINAL CURRENCY	GROUP UNAUDITED 31 DEC 2013 $M	GROUP UNAUDITED 31 DEC 2012 $M	GROUP AUDITED 30 JUNE 2013 $M
Borrowings – Current				
Unsecured Borrowings	NZD	**11.3**	113.7	90.9
Unsecured Borrowings	USD	**50.9**	-	55.8
Total Current Borrowings		**62.2**	113.7	146.7
Borrowings – Non Current				
Unsecured Borrowings	NZD	**412.8**	422.5	416.3
Unsecured Borrowings	AUD	**254.3**	619.8	189.7
Unsecured Borrowings	USD	**396.8**	469.7	427.5
Total Non Current Borrowings		**1,063.9**	1,512.0	1,033.5
Total Borrowings		**1,126.1**	1,625.7	1,180.2

Meridian has committed bank facilities of $858.8 million of which $379.8 million were undrawn at 31 December 2013. The expiry of these facilities range from November 2015 to November 2017.

13. 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 (FECs) and options; cross currency interest rate swaps (CCIRSs); interest rate swaps (IRSs) including forward rate agreements and interest rate options; electricity contracts for differences (CfDs) and options; and financial transmission rights (FTRs) and options.

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

Specific details of certain risks and sensitivities to movements in underlying assumptions are shown below. Sensitivities are calculated by moving one input assumption while holding all other inputs constant.

Liquidity Risk

Meridian maintains sufficient funding through adequate committed funding facilities and the ability to close out market positions as part of its management of liquidity risk. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed undrawn funding facilities available of at least $250 million to ensure it has sufficient headroom under normal and abnormal conditions.

Market Risk

FOREIGN EXCHANGE RISK

Where Meridian raises debt 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, Australian 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 yet 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.

13. Financial Risk Management *(continued)*

Sensitivity Analysis – Foreign Currency[1]

		GROUP			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
NZ Dollar / US Dollar	-20%	**2.3**	0.7	**2.3**	3.1
	+20%	**(1.5)**	(0.5)	**(1.6)**	(2.1)
NZ Dollar / Euro	-20%	**4.1**	0.1	**7.7**	10.8
	+20%	**(2.1)**	(0.1)	**(5.1)**	(7.2)
AUD / Euro	-20%	**-**	-	**12.3**	19.0
	+20%	**-**	-	**(8.2)**	(12.6)

1 Sensitivities that relate to translating the financial statements of subsidiaries denominated in foreign currency into NZ dollars are not included in the analysis.

CASH FLOW AND INTEREST RATE RISK

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

Sensitivity Analysis – Interest Rates

		GROUP			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
New Zealand BKBM	-100 bps	**(25.1)**	(34.7)	**(25.1)**	(34.7)
	+100 bps	**23.4**	32.3	**23.4**	32.3
Australian BBSY	-100 bps	**(8.9)**	(6.6)	**(8.9)**	(6.6)
	+100 bps	**8.4**	6.2	**8.4**	6.2

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 electricity derivative contracts to manage the net risk. Meridian does not enter into derivative contracts for speculative purposes.

13. *Financial Risk Management* *(continued)*

Sensitivity Analysis – Electricity Price Risk

		GROUP			
		IMPACT ON AFTER TAX PROFIT		IMPACT ON EQUITY	
		UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
CfDs held for trading					
Electricity Prices	-10%	**129.9**	16.9	**129.9**	16.9
	+10%	**(129.7)**	(13.7)	**(129.7)**	(13.7)
Interest Rates (discount rate)	-100 bps	**(0.7)**	0.1	**(0.7)**	0.1
	+100 bps	**(1.9)**	(0.1)	**(1.9)**	(0.1)
Level 3 CfDs only					
Electricity Prices	-10%	**129.2**	18.3	**129.2**	18.3
	+10%	**(128.3)**	(15.2)	**(128.3)**	(15.2)
Interest Rates (discount rate)	-100 bps	**0.6**	(1.0)	**0.6**	(1.0)
	+100 bps	**(0.6)**	1.0	**(0.6)**	1.0

Credit Risk

Credit risk is managed based on net exposures at Group level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including derivatives which have a positive value, outstanding receivables and 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 and provision of prudential security by wholesale customers is regularly monitored by line management. Credit risk surrounding the sales to retail customers is predominantly mitigated by the accounts being settled on a monthly basis. Retail credit management continually monitors the size and nature of the exposure and acts to mitigate the risk deemed to be over acceptable levels.

14. *Financial Instruments*

NZ IFRS 13 provides for a three-level fair value hierarchy of valuation data inputs that requires financial instruments inputs to be categorised as follows:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 Inputs – Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs for the asset or liability, other than quoted prices included in Level 1
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of a derivative financial instrument is calculated as the present value of the estimated future cash flows of the instrument. Two key types of variables used by the valuation technique are:

- Forward price curve; and
- Discount rates

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

14. Financial Instruments *(continued)*

FINANCIAL ASSETS/ FINANCIAL LIABILITIES	FAIR VALUE HIERARCHY	VALUATION TECHNIQUE(S) AND KEY INPUT(S)	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Electricity related CfDs	Level 3	Valuation technique: Discounted cash flows. Future cash flows have been calculated with reference to: **Price** Quoted market data (Australian Securities Exchange (ASX)) where available and relevant. Where quoted prices are not available or not relevant (i.e. for long dated and large volume contracts such as the NZAS CfD) Meridian's best estimate of long-term forward wholesale electricity price is used. Meridian's best estimate is based on a fundamental analysis of expected demand and cost of new supply **Discount Rate** Rates based on the forward interest rate swap curve adjusted for additional risks including counterparty credit risk **Term and volumes** All contracts are assumed to run for the full duration of the contract and are adjusted for any potential early termination or discontinuation of the contracts and for the volume stated in the contracts **Other factors** London Metal Exchange (LME) quoted prices of primary aluminium **Calibration factor** Factor applied to forward price curve as a consequence of initial recognition differences	Estimate of forward wholesale electricity price ranging from $55 per MwH to $98 per MwH (in real terms)	For a buy contract the higher the forward wholesale electricity price the lower the fair value loss or the higher the gain and for a sell contract the higher the fair value loss or lower the fair value gain
Electricity related CfD's	Level 2	Valuation technique: Discounted cash flows. Quoted market data for similar assets and liabilities in an active market (ASX) and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Electricity related CfD's	Level 1	Quoted market data (Australian Securities Exchange (ASX))	N/A	N/A
Interest rate Swaps and Cross Currency Interest Rate Swaps	Level 2	Valuation technique: Discounted cash flows. Published market interest rates as applicable to the remaining life of the instrument and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Foreign Exchange Contracts	Level 2	Valuation technique: Discounted cash flows. Published forward exchange market rates and discount rates based on the forward interest rate swap curve adjusted for counterparty credit risk	N/A	N/A
Held for Sale Financial Assets – Listed securities	Level 1	Quoted bid prices in an active market	N/A	N/A

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

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

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

14. Financial Instruments *(continued)*

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

	GROUP							
DERIVATIVE FINANCIAL INSTRUMENTS	UNAUDITED LEVEL 1 $M	UNAUDITED LEVEL 2 $M	UNAUDITED LEVEL 3 $M	UNAUDITED 31 DEC 2013 $M	AUDITED LEVEL 1 $M	AUDITED LEVEL 2 $M	AUDITED LEVEL 3 $M	AUDITED 30 JUNE 2013 $M
Assets:								
Held for Trading								
NZAS CfD	-	-	-	**-**	-	-	18.4	**18.4**
Electricity Related CfDs	5.0	(0.1)	72.9	**77.8**	3.7	62.6	64.6	**130.9**
Interest Rate Swaps	-	10.0	-	**10.0**	-	9.9	-	**9.9**
Foreign Exchange Contracts	-	-	-	**-**	-	0.1	-	**0.1**
Cash Flow Hedges								
Foreign Exchange Contracts	-	12.0	-	**12.0**	-	12.1	-	**12.1**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	1.8	-	**1.8**	-	14.3	-	**14.3**
Total	5.0	23.7	72.9	**101.6**	3.7	99.0	83.0	**185.7**
Liabilities:								
Held for Trading								
NZAS CfD	-	-	-	**-**	-	-	7.1	**7.1**
Electricity Related CfDs	8.6	0.1	38.4	**47.1**	7.3	0.3	55.8	**63.4**
Interest Rate Swaps	-	49.5	-	**49.5**	-	89.6	-	**89.6**
Cash Flow Hedges								
Foreign Exchange Contracts	-	2.9	-	**2.9**	-	0.7	-	**0.7**
Cross Currency Interest Rate Swaps	-	0.9	-	**0.9**	-	1.4	-	**1.4**
Fair Value Hedges								
Cross Currency Interest Rate Swaps	-	31.7	-	**31.7**	-	7.3	-	**7.3**
Total	8.6	85.1	38.4	**132.1**	7.3	99.3	62.9	**169.5**
HELD FOR SALE FINANCIAL ASSETS								
Listed Securities	5.9	-	-	**5.9**	-	-	-	**-**
Total	5.9	-	-	**5.9**	-	-	-	**-**

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

There have been no transfers between levels during the period. The carrying value of other financial assets and liabilities equals the fair value.

14. 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 2013 $M	UNAUDITED 6 MONTHS ENDED 31 DEC 2012 $M	AUDITED 12 MONTHS ENDED 30 JUNE 2013 $M
Fair Value Hedge			
Cross Currency Interest Rate Swaps	**(26.3)**	(10.1)	57.5
Borrowings – Fair Value of Hedged Risk	**25.7**	10.1	(57.4)
	(0.6)	-	0.1
Held for trading			
Interest Rate Swaps	**40.1**	(0.5)	42.6
Net Change in Fair Value of Financial Instruments Gain/(Loss) (Financing)	**39.5**	(0.5)	42.7
Foreign Exchange Contracts	**(0.2)**	-	0.3
Other	**0.1**	-	(0.8)
CfDs – NZAS Contract	**(11.3)**	136.2	56.2
CfDs – Aluminium	**(7.7)**	(11.5)	27.6
CfDs – Electricity Related	**20.8**	(22.1)	(32.2)
Net Change in Fair Value of Financial Instruments Gain (Operational)	**1.7**	102.6	51.1
Total Net Change in Fair Value of Financial Instruments Gain	**41.2**	102.1	93.8

Included in the above is $10.6 million (30 Jun 13: $22.7 million) related to Level 3 financial instruments held at half year.

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

	GROUP	
	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
Energy Derivatives (CfDs)		
Opening Balance	**20.1**	(1.9)
Total gains/(losses) recognised in the Income Statement		
Realised in Energy Sales Revenue	**33.3**	(56.7)
Net Change in Unrealised Fair Value of CfDs	**10.5**	22.9
Total unrealised losses recognised in the Cash Flow Hedge Reserve	**-**	(1.1)
Total unrealised losses recognised in the FX Translation Reserve	**(0.1)**	-
CfDs settled during the year	**(33.3)**	56.7
CfDs entered into during the year	**4.0**	0.2
Closing Balance	**34.5**	20.1

Refer to previous Electricity price risk sensitivity analysis (in Note 13 – Financial Risk Management) for sensitivity to changes in valuation assumptions of Level 3 financial instruments (CfDs).

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2013 of $(2.0) million is net of tax (December 2012 $(5.2) million, June 2013 $50.7 million).

This movement comprises the realised and unrealised changes in the fair value of electricity derivatives of $Nil (December 2012 $(0.1) million, June 2013 $(0.8) million), and the realised and unrealised changes in fair value of treasury derivatives (FECs, IRSs and CCIRSs) of ($2.0) million (December 2012 $(5.1) million, June 2013 $51.5 million).

14. Financial Instruments *(continued)*

Material CfD Agreements

On 7 August 2013, Meridian and New Zealand Aluminium Smelters (NZAS) entered into an electricity price agreement (2013 Agreement). This replaced the previous agreement negotiated in 2007 which took effect on 1 January 2013 (2007 Agreement).

The 2013 Agreement is for a period of up to eighteen years and is based on 400 to 572MW of continuous consumption at the Tiwai smelter, thereby providing NZAS price certainty for this consumption volume which NZAS is responsible for purchasing from the New Zealand wholesale market. The agreed energy price is subject to escalation with reference to the Consumers Price Index (All Groups) and world aluminium prices.

Meridian considers that the 2013 Agreement will best ensure that the electricity price NZAS pays will remain competitive for the scale of electricity consumption at the Tiwai smelter, while recognising both the commodity-price driven cycles of NZAS's business environment and the wholesale electricity price cycles to which Meridian is exposed.

The 2007 and 2013 agreements have been accounted for at fair value as required by NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Fair value changes subsequent to initial recognition are recognised in the Income Statement. The 2013 Agreement has been measured using the fair value guidelines under NZ IFRS 13.

Initial Recognition Difference

An initial recognition difference (also referred to as Day 1 adjustment) arises when an electricity derivative is entered into at a fair value determined to be different to the transaction price. This difference is accounted for by recalibrating the valuation model by a fixed percentage to result in a value at inception equal to the transaction price (fair value). This recalibration adjustment is then applied to future valuations over the life of the contract.

The table below shows the aggregate Day 1 adjustment yet to be recognised in the Income Statement under the recalibration method:

	GROUP	
	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
Opening Difference	**69.9**	119.4
Initial Difference on New Hedges		
NZAS 2013 Agreement	**853.2**	-
Electricity Related CfDs	**3.0**	0.1
Volumes Expired during the Period		
NZAS 2013 Agreement	**(18.0)**	-
Electricity Related CfDs	**(2.0)**	(26.3)
Recalibration of Model for Future Price Estimates and Time		
NZAS 2013 Agreement	**(28.7)**	-
Electricity Related CfDs	**(3.1)**	(23.3)
Closing Difference	**874.3**	69.9

The table below shows the aggregate Day 1 adjustment yet to be recognised in the Income Statement under the amortisation method (NZAS 2007 Agreement):

	GROUP	
	UNAUDITED 31 DEC 2013 $M	AUDITED 30 JUNE 2013 $M
Opening Difference	**116.1**	515.0
Additions During the Year	**-**	-
Amortised During the Year	**(116.1)**	(398.9)
Closing Difference	**-**	116.1

15. Commitments

	GROUP		
	UNAUDITED 31 DEC 2013 $M	UNAUDITED 31 DEC 2012 $M	AUDITED 30 JUNE 2013 $M
Capital Expenditure Commitments			
Property, Plant and Equipment	**201.0**	316.9	230.1
Software	**1.5**	2.8	3.9
	202.5	319.7	234.0

Guarantees

Meridian Energy Limited has provided parent guarantees for various construction and grid connection obligations of Mt Mercer Wind Farm Pty Limited. The maximum liability under these guarantees is $211.6 million (31 December 2012 $Nil, 30 June 2013 $221.9 million).

Three River Holdings No 2 Limited has provided a bank guarantee (A$37.9 million, 31 December 2012 A$Nil, 30 June 2013 A$37.9 million) to the financiers of the Macarthur Wind Farm, guaranteeing that it will comply with its various obligations under the Refinancing Coordination Deed (with that guarantee expected to be released in quarter 4 of the 2014 calendar year).

16. Subsequent Events

On the 18 February 2014 the Board declared a partially imputed dividend of $107.4 million payable on the 15th of April 2014. 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 2013.

17. Contingent Assets and Liabilities

There were no contingent assets (31 December 2012 $Nil, 30 June 2013 $Nil) or contingent liabilities at 31 December 2013 (31 December 2012 $Nil, 30 June 2013 $Nil).

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 20 to 42. 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 2013. This information is stated in accordance with the accounting policies referred to on page 27.

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 give a true and fair view of the financial position of the Group as at 31 December 2013 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 give a true and fair view of the matters to which they relate.

BASIS OF OPINION

A review is limited primarily to enquiries of Company 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 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board. These standards require that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial statements of the Group are free from material misstatement.

In addition to this review and the audit of the Company and Group annual financial statements, we have carried out other assignments for the Company and Group consisting of a carbon emissions audit, audit of the securities registers and were appointed as the investigating accountant in respect of the public offer which are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition, principals and employees of our firm deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. Other than these assignments and transactions within the ordinary course of trading activities of the Company and Group, and in our capacity as auditor acting on behalf of the Auditor-General, we have no other relationships with, or interests in, the Company or Group.

OPINION

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 20 to 42 do not give a true and fair view of the financial position of the Group as at 31 December 2013 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 18 February 2014 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 2013 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 18 February 2014 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.

Directory

REGISTERED OFFICE
Level 1
33 Customhouse Quay
Wellington 6011
New Zealand

OFFICES
33 Customhouse Quay
PO Box 10840
The Terrace
Wellington 6143
New Zealand

Telephone +64 4 381 1200
Facsimile +64 4 381 1201

104 Moorhouse Avenue
PO Box 2146
Christchurch 8140
New Zealand

Telephone +64 3 357 9700

State Highway 8
Private Bag 950
Twizel 7944
New Zealand

Telephone +64 3 435 0818
Facsimile +64 3 435 0939

Meridian Energy Australia Pty Ltd
9 Queen Street
Melbourne VIC 3000
Australia

Telephone +61 3 8370 2100
Facsimile +61 3 9620 9955

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

BANKER
Westpac
Wellington
New Zealand

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

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

meridian

meridian.co.nz

Front cover image – Waitaki Hydro Station, North Otago, New Zealand

Meridian is spending $40 million refurbishing the historic Waitaki dam and power station, lifting capacity by 17%.