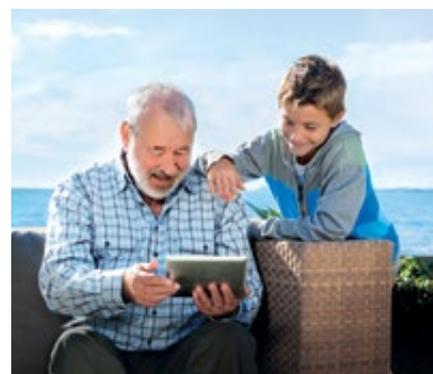


Dear Investor



The recent announcement of Meridian's interim results for the six months ended 31 December 2013 is our first as a publicly listed company. We are pleased to report that these interim results show earnings that exceeded the company's internal split of the full year financial forecasts set out in Meridian's Prospectus.



EBITDAF¹

6.9%

AHEAD OF PROSPECTUS FORECAST³

We 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 our highest July to December generation on record⁵. While lower wholesale market prices accompanied high hydro generation, we were able to increase sell-side derivative sales and sales to corporate and industrial customers, which drove growth in Energy Margin.

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

Underlying NPAT²

27.7%

AHEAD OF PROSPECTUS FORECAST³

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 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.

During the six months ended December 2013, New Zealand Aluminium Smelters (NZAS) and Meridian reached an agreement on a variation to the existing contract. The variation took effect from 1 July 2013 and resulted in a reduction in the

Interim Dividend

4.19 CPS⁴

IN LINE WITH PROSPECTUS FORECAST³, IMPUTED TO 90%

smelter's electricity charge and greater certainty and flexibility for Meridian over the term and conditions of the contract.

Following Meridian's IPO, we have lifted focus on improving the operating performance of our core business. We continue to improve customer service and support and are 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.

¹ Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments, gains/(losses) on sale of assets and joint venture equity accounted earnings.

² Net Profit after Taxation minus the effects of the effects of one-off and/or infrequently occurring events, impairments and changes in fair value of financial instruments.

³ The company's internal split of the FY2014 full year financial forecast set out in Meridian's Prospectus.

⁴ Cents per Share

⁵ After adjusting historical generation for the sale of the Tekapo stations in June 2011.



Chris Moller
Chairman



Mark Binns
Chief Executive

Together with ongoing refinement of our operating cost base, we are delivering on these key areas of focus, ensuring we continue to provide value to our shareholders.

At the end of 2013, New Zealand was named in the VaasaETT report as the most competitive 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 a 1.6% decrease in our 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, we have not increased the network-by-network energy component of our sales price since December 2012 and we are not forecasting to make any network-wide changes before at least June 2015. We are committed to passing on changes in distribution costs, which can include decreases, such as with Vector line charges in early 2013.

Although retail competition is high, we feel more can be done to enhance competition through better transparency and simplification for customers. While we provide 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.

Transpower's recent commissioning of the upgraded inter-island High Voltage Direct Current link has addressed a critical constraint in New Zealand's transmission network and will lead to a more efficient wholesale market. However, we continue 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.

We are 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 us compared to the current pricing methodology.

Our renewable generation investment in Australia is 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 our future Australian activity.

The Labour-Green proposed market reforms announced last year are still unclear, making the proposals difficult to assess. However, we believe 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.

We trust this letter provides you with a useful update on what is happening at Meridian. More information about the company's performance can be found in Meridian's Interim Report for the six months ended 31 December 2013, which is available on our website:

meridian.co.nz/investors/reports-and-presentations

We thank you for your continued support as investors in the company.

Chris Moller

Mark Binns

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 Meridian has 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.”

EDNA HAWE, SHAREMILKER, OXFORD, NORTH CANTERBURY

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.

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

YAMAN KAYTAZ, POWERSHOP CUSTOMER

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.

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.

POWER UP YOUR POCKET

Get a **\$50 power credit** by joining Powershop. Offer closes 30 April 2014

Visit www.powershop.co.nz or give us a call on **0800 1000 60**

Real Community Relations



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.

"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

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 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.

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 last five years.

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**

Click here to download the full Meridian Interim Report for the six months ended 31 December 2013