meridian

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Meridian Interim Report

For the period to 31 December 2010

Overview

Performance Summary

Meridian Group Performance in Brief	6 MONTHS ENDED 31 DEC 2010	6 MONTHS ENDED 31 DEC 2009	PERIOD CHANGE	YEAR ENDED 30 JUN 2010
Net Profit/(Loss) After Tax $m[1]	**84.7**	142.5	(57.8)	184.0
Underlying Net Profit/(Loss) After Tax $m[2]	**123.4**	118.7	4.7	251.9
EBITDAF $m[3]	**353.3**	297.4	55.9	641.7
EBITDAF $ per MWh[4]	**51.9**	43.4	8.5	46.3

Notes

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

2 Underlying net profit/(loss) after tax excludes unrealised fair value movements and other one-off items.

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

4 EBITDAF per megawatt hour (MWh) generated by our New Zealand hydro power stations and wind farms.

EBITDAF

$353.3m

Earnings before interest, taxation, depreciation, amortisation and financial instruments

EBITDAF Increase

19%

19% increase compared with the same period last year

Injury Rates Reduced

47%

Lost-time frequency rate has improved by 47% to 1.8 since December 2009

Retail

Total Retail ICPs

262,923

Customer installation control points (ICPs)

North Island ICPs

13%

Increase in North Island ICPs since June 2010

Powershop ICPs

48%

Growth of Powershop ICPs since June 2010 – now 24,024 customers

Development

Te Uku wind farm

Started to generate power in November 2010 – full commissioning expected ahead of plan

Plant Capacity and Generation

	Total Plant Capacity (MW)	Total GWh* Generated 6 Months Ended Dec 2010	Total GWh Generated 6 Months Ended Dec 2009	Total GWh Generated Annual 2010
New Zealand	2,756	6,804	6,854	13,862
International	75	90	–	12

* *Gigawatt hours*

Hydro 6,331 GWh hydro generation | Wind 558 GWh wind generation | Solar 5 GWh solar generation

Contents

Benmore Hydro Dam, Waitaki Valley – the Benmore Refurbishment Programme is on track for completion in early 2011.

Message from the Chairman & Chief Executive

The first half of the 2011 financial year saw Meridian deliver a number of significant milestones consistent with our vision of being the global reference company in renewable energy.

Financial Performance

We recorded a net profit after tax (NPAT) of $84.7 million and an underlying net profit after tax of $123.4 million for the interim period.

This represents a 4% increase in underlying NPAT and a 41% reduction in NPAT on the same period last year. This NPAT performance was affected by increased depreciation following the revaluation of our generation assets at 30 June 2010 and non-cash accounting adjustments for fair value movements on financial instruments.

Earnings before interest, taxation, depreciation, amortisation and financial instruments (EBITDAF) were $353.3 million, an increase of 19% on the same period last year. This included $28.1 million (net of legal expenses) recieved, following the settlement reached between Meridian and RTA Power (NZAS) concerning liability for electricity during the 2008 pot line outage at the Tiwai smelter. This outcome sees us looking forward to continuing our positive working relationship with our largest customer.

Excluding this settlement, EBITDAF increased by $27.8 million (9%) on last year's result, which was pleasing. A key driver of this result was improved margins derived from careful management of the company's net contracted position.

Storage levels, while down on last year's, remained above the long-term average. The second quarter saw declining inflows and an increase in wholesale electricity prices against the same period last year.

A series of major inflow events beginning late in December 2010 reduced wholesale prices significantly towards the end of the period.

Meridian continues to maintain a strong financial position with total assets of $8.8 billion and a gearing ratio of 22.9%, which is within Statement of Corporate Intent (SCI) target levels.

An interim dividend of $94.2 million has been declared for distribution with respect to the six months ending 31 December 2010.

Investments

Our commitment to invest in new renewable generation continues as we further develop our renewable generation portfolio and future development pipeline.

In New Zealand, the Te Uku wind farm project near Raglan started generating power and is close to full commissioning.

The Environment Court hearing on our Mokihinui hydro proposal on the West Coast of the South Island is expected in the first half of 2012. We also continue to consult on and progress a number of projects through the resource management framework.

We have purchased two pre-consented sites in Hawke's Bay with a view to utilising both sites in the design of one wind farm project. In addition we continue to investigate new sites with a view to securing some of New Zealand's best renewable development options for the long-term.

Internationally, our Australian growth strategy is progressing to plan as we commence construction of the Macarthur wind farm in Victoria, a joint venture between Meridian and Australia's largest renewable generator, AGL Energy. We have also appointed a Chief Executive to lead our Australian operations.

Our solar programme continues to be an integral part of our renewable development strategy.

Electricity Industry Act

Meridian is committed to implementing successfully the measures set out in the Electricity Industry Act. These include the sale of the Tekapo A and B power stations to Genesis Energy and entering into Virtual Asset Swap (VAS) agreements (long-term swaps of electricity) between Meridian in the South Island and Genesis Energy and Mighty River Power in the North Island.

During December 2010 Meridian was given a Ministerial Direction to sign the VAS agreements, which took effect from 1 January 2011 for a period of 15 years.

The Ministerial Directions relating to the Tekapo sale are expected in the first half of 2011.

During the period the Government announced that it would be selling the diesel-fired electricity power plant at Whirinaki by tender rather than transferring it to Meridian.

Our People

Meridian and its people did not escape the impacts of the Christchurch earthquake. This event saw staff work through personal and professional challenges to ensure business continuity was maintained at a time when our customers depended on us.

No more so than when the Manchester Street building housing our Christchurch-based contact centre was physically affected by the quake. Despite personal disruption, our contact centre team relocated to our Wellington office and continued to maintain high standards of service and support in the days immediately following the quake. We acknowledge the resilience, engagement and professionalism all Meridian people demonstrated at this difficult time.

The Te Uku wind farm project, near Raglan, North Island, New Zealand started to generate power in November 2010 – full commissioning is scheduled for the second half of the financial year.

Our July 2010 engagement survey results revealed a pleasing improvement in overall staff engagement. These results are assisting us to launch and refine a range of initiatives to support our people to deliver on our business goals.

Outlook for the Year

The slow recovery of the New Zealand economy, coupled with a high level of retail competition for electricity customers, will remain a real challenge for us to navigate during the rest of the year.

We continue to manage our hydro storage position responsibly as we move into autumn. Meridian enters the second half of the year in a strong position with full lakes. However, recent hydrology conditions highlight the volatile nature of inflows.

We are on track to achieve our SCI financial targets.

Chris Moller Chairman

Tim Lusk Chief Executive

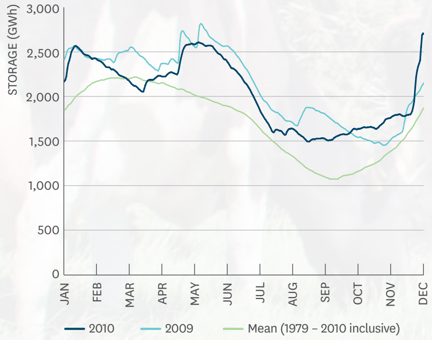
Highlights

Wholesale

Meridian started this financial year with above-average hydro storage levels, which continued throughout the six-month period. This, combined with the continuation of soft electricity demand, meant average wholesale electricity spot prices remained relatively low during the majority of this period, albeit higher than for the same period last year.

However, December 2010 saw unusually high average wholesale prices owing to an extended period of below-average inflows and a dry outlook. This period also coincided with a period of significant, although scheduled, thermal power station outages. These higher prices abruptly changed late in December 2010 following significant inflows that pushed prices down to low levels by the end of the reporting period.

Waitaki Storage (Lake Tekapo & Lake Pukaki (GWh))



Meridian's total New Zealand generation for the six months was 6,804GWh, consistent with the same period last year.

All plant performed in line with expectations. A very low forced outage factor (hydro) provided a strong platform to maximise generation volumes.

The VAS agreements and the future sale of Tekapo A and B power stations will change the shape of our portfolio. The Wholesale and Retail areas of our business are working together to both minimise risk and create opportunities for our retail business to grow in the North Island.

We saw a marked increase in activity on the Australian Securities Exchange, the agreed platform for New Zealand electricity futures' trading. We support the building of a liquid hedge market and see this greater liquidity allowing participants to better manage their risk positions and enhancing retail competition.

The construction and commissioning of Pole 3 of the high-voltage direct-current (HVDC) link between the North and South Island remains an important step in helping to address current transmission constraints limiting the capacity of this link.

Our Benmore Refurbishment Programme is on track for completion in early 2011. The Benmore upgrade, the first major upgrade in the power station's 46-year history, is part of our ongoing programme to refurbish our core hydro assets in order to maximise generation and performance.

Work on the last of the six units is close to completion. The final result will see an efficiency gain of 3% and the project is expected to be completed within plan.

Retail

Our two retail brands, Meridian Retail and Powershop, continue to focus on key initiatives to lift our customer game by improving our service offering to customers, rebalancing our retail portfolio and streamlining internal processes to support core retail activities.

As part of our plan to get the basics right, we continue to shape the development of our back-office systems and digital and online services. This will enable more flexible and personalised interactions with our customers. In December 2010 Meridian Retail upgraded its customer billing platform to Gentrack's Velocity system. The implementation was completed on time and to plan, however there were issues with some customer bills that resulted in 15% not being sent on time. We have worked hard to resolve this situation and are on track to have all issues cleared during March 2011. The full programme of Meridian Retail's systems work is due for completion during 2011.

Meridian Retail's in-house Christchurch-based contact centre continued to perform strongly. Notably, despite the major impact the earthquake had on our Manchester Street base and staff, we continued to deliver a high standard of service and support. In the first few days directly after the quake, all vulnerable and priority customers in the Christchurch area were called multiple times as we moved swiftly to ensure that those who depended on electricity supply were identified and supported.

Arc Innovations (our electricity metering service business) provided valuable real-time services assessing safety and assisting with restoring electricity to our customers following the Christchurch earthquake, at a time when infrastructure was fully tested and resources fully stretched.

Retail competition and customer churn (the movement of customers between retailers) remained high during this period. However, despite this, Meridian's total installation control points (ICPs) increased by 3% to 262,923 from June 2010.

During this period North Island ICP numbers increased by 13%, which was partially offset by a reduction in South Island ICPs. This change in customer mix was partly driven by increased competitor activity in the South Island, the management of South Island risk following the outcomes of the Electricity Industry Act and our growing North Island generation base.

Within the overall number, Powershop continued to innovate in the retail sector and experienced strong ICP growth (48% since June 2010) in both the residential and business segments of the market.

Maintaining high levels of customer satisfaction is challenging in light of increased competition and customer choice. We are pleased to have increased Meridian Retail's overall satisfaction ratings and will continue to pursue opportunities to make it easy for customers to use us.

We are pleased to have increased our overall customer satisfaction rating and achieved a 13% increase in North Island Retail Customer ICPs.

Powershop continued to build on its strong customer satisfaction rating and was recognised by Consumer NZ as having the highest customer satisfaction rating for an electricity retailer at over 92% for the second year running.

The decline in Meridian Retail's business satisfaction rating was disappointing, however we believe focused account management and more effective relationships with our channel partners will help us to turn this around in the short-term.

Arc Innovations is firmly on track to meet its key objectives as it focuses on providing a high standard of metering services to retail and lines company customers. Arc also plans to pursue further growth opportunities to deploy advanced metering solutions in New Zealand.

We are proud of the recognition that two of our people received at the inaugural Deloitte Energy Excellence Awards in September 2010. Arc's Simon Clarke was named Young Energy Executive of the Year and Powershop's Ari Sargent was named Energy Executive of the Year. Both were recognised for their achievement and excellence in the New Zealand energy sector, demonstrating great innovation in the market and for our customers.

Investments

Our commitment to exploring and investing in renewable development projects and technology both in New Zealand and internationally continues as we maintain our focus on developing a diverse and strategic portfolio of wind, solar and hydro generation.

Highlights continued

New Zealand Investments

In New Zealand, working closely with community-owned lines company WEL Networks, the Te Uku wind farm near Raglan started generating power in November 2010. Full power is scheduled for the second half of this financial year and the project is expected to be completed within plan.

Consent applications were lodged in October 2010 for Pukaki Gate 18. This proposal is based on utilising the available head (the difference in height between water in the reservoir and generation point) between Lake Pukaki and the Pukaki-Ohau canal. A small powerhouse close to the existing inlet structure would provide up to a further 35MW of generation.

Following Meridian's appeal to the High Court over the Project Hayes decision to reverse the consents granted for our proposed 630MW wind farm in the Lammermoor Ranges, the High Court referred the case back to the Environment Court with specific directions. We expect the Environment Court to consider this project during 2011.

We announced our intention to design one wind farm, Project Maungaharuru, following the purchase of two consented wind farm sites in Hawke's Bay. Pre-consultation, wind monitoring and geotechnical investigations are taking place in order to inform capacity and final design.

The Environment Court appeal of the proposal for the 67MW Project Mill Creek wind farm north-west of Wellington closed in November 2010. A decision is expected in 2011.

A feasibility study was completed for the proposed North Bank Hydro Project. This identified a preferred scheme that utilises a small canal section, rather than a full tunnel design, to avoid an area of difficult geotechnical conditions. With an estimated annual output of over 1,400GWh, this project, alongside our Mokihinui proposal on the West Coast of the South Island, remains one of the few hydro opportunities of scale remaining in New Zealand.

The Mokihinui proposal gained resource consent in April 2010, which has now been appealed. We continue to work towards an Environment Court hearing date expected in the first half of 2012. We remain committed to this project and believe that its significance both regionally and nationally will bring great benefits. We are working with independent experts to ensure we are able to demonstrate genuinely that environmental concerns and other impacts are thoroughly and sensitively managed, mitigated or offset where possible.

International Investments

We continued to make substantial progress in our Australian growth strategy.

Mt Millar, our operating wind farm in South Australia, was successfully integrated into the business. We are now focused on lifting its performance above historical levels.

In August 2010 we announced our joint venture with Australia's largest renewable generator, AGL Energy, to develop the 420MW Macarthur wind farm in Victoria. Site contractors are commencing construction. In December 2010 Meridian appointed ANZ Bank as the lead arranger and underwriter of the project finance facility to fund our contribution to this development.

As we grow in Australia we continue to build the organisational capabilities required. This has included the appointment in November of Ben Burge as Chief Executive of the company's growing Australian operations.

We continue to investigate opportunities to develop our capabilities in solar technology. We achieved early success with the construction of a 5MW utility-scale solar plant in California. CalRENEW-1 commenced operations in April 2010 and the facility has been performing in line with our expectations.

We also continue to pay close attention to global developments in solar technology and watch for potential development opportunities in Australia and the Pacific.

Innovation

We continued to develop our subsidiary businesses and our portfolio performed broadly in line with expectations. The economic climate affecting some sectors posed challenges. In other areas we made good progress and further developed our interests.

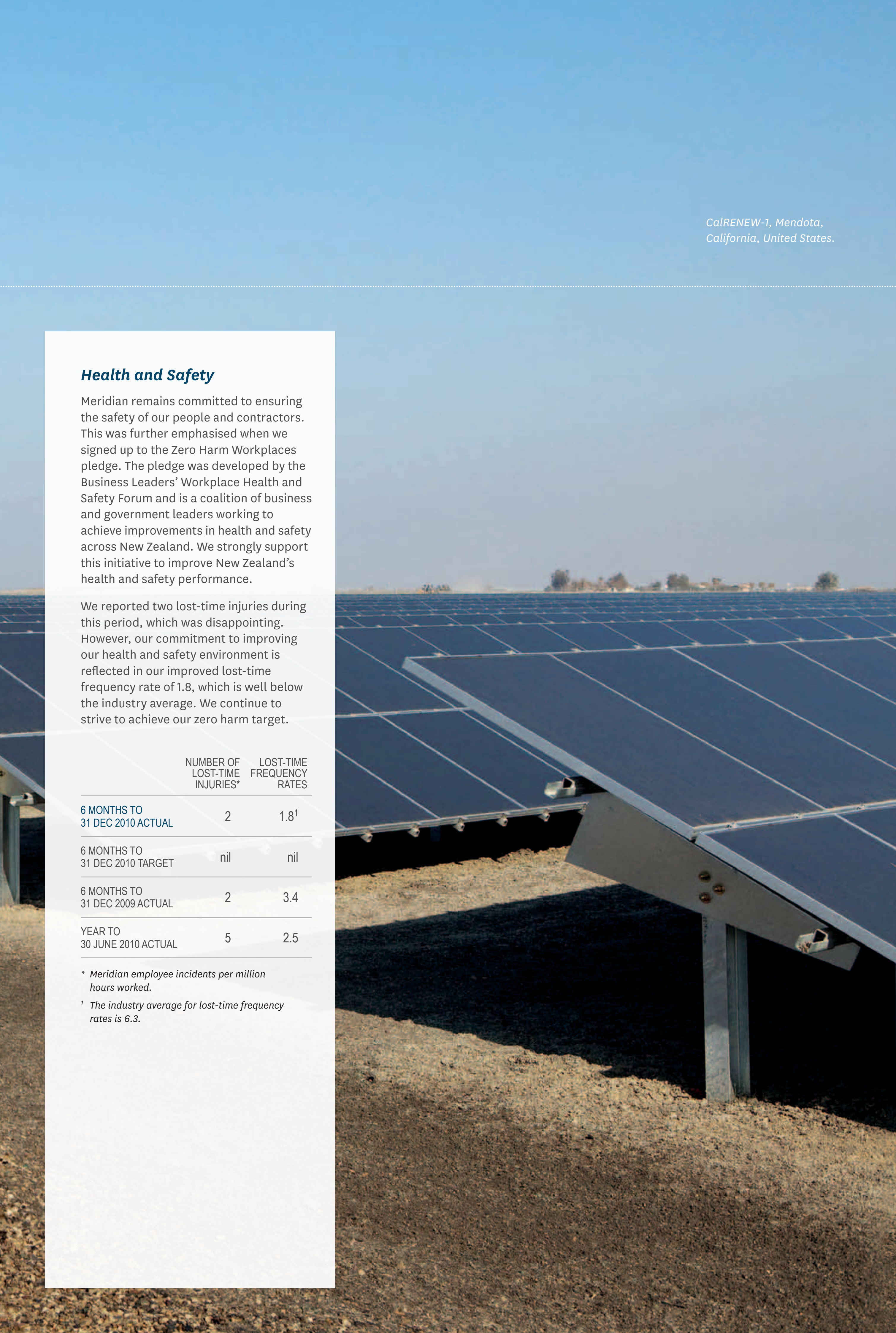
Energy for Industry (EFI) became a fully owned subsidiary of Meridian on 1 July 2010, after 10 years' operation as a business unit specialising in the industrial energy services market. EFI has investment partnerships with industrial customers across New Zealand, owning and operating customised energy centres that are designed to utilise processed waste fuels and to reduce overall environmental impact and carbon emissions. We are pleased with the progress EFI has made to improve its development pipeline.

The Christchurch Energy Centre drying plant, an innovative project that turns biosolids and landfill gas into usable fuel and heat, became operational in July 2010. This groundbreaking approach to bioenergy won EFI the Public Sector and Renewable Energy Award and it was Highly Commended in the Innovation category by the Energy Efficiency and Conservation Authority.

The Efficient Home Energy joint venture between our subsidiary Whisper Tech and Spanish industrial cooperative Mondragon is now focusing on sales of its micro combined heat and power units in Europe.

Right House, our home energy efficiency business, is operating in a challenging environment, where building consents are in decline and demand for energy efficiency solutions is suppressed.

Damwatch continues to provide leadership in dam safety and monitoring services. Offshore growth opportunities continue to develop and Damwatch is currently providing consultancy services to World Bank-funded hydro projects in Vietnam.



CalRENEW-1, Mendota, California, United States.

Health and Safety

Meridian remains committed to ensuring the safety of our people and contractors. This was further emphasised when we signed up to the Zero Harm Workplaces pledge. The pledge was developed by the Business Leaders' Workplace Health and Safety Forum and is a coalition of business and government leaders working to achieve improvements in health and safety across New Zealand. We strongly support this initiative to improve New Zealand's health and safety performance.

We reported two lost-time injuries during this period, which was disappointing. However, our commitment to improving our health and safety environment is reflected in our improved lost-time frequency rate of 1.8, which is well below the industry average. We continue to strive to achieve our zero harm target.

	NUMBER OF LOST-TIME INJURIES*	LOST-TIME FREQUENCY RATES
6 MONTHS TO 31 DEC 2010 ACTUAL	2	1.8[1]
6 MONTHS TO 31 DEC 2010 TARGET	nil	nil
6 MONTHS TO 31 DEC 2009 ACTUAL	2	3.4
YEAR TO 30 JUNE 2010 ACTUAL	5	2.5

* *Meridian employee incidents per million hours worked.*

[1] *The industry average for lost-time frequency rates is 6.3.*

Performance Summary

Meridian Group

Meridian Group Income Statement Highlights ($ Millions)	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Energy and Related Services Revenue	1,086.8	917.8	2,039.6
Other Revenue	7.7	7.7	22.3
Total Group Operating Revenue	**1,094.5**	**925.5**	**2,061.9**
Energy Related Expenditure	394.1	289.6	743.6
Energy Transmission, Distribution and Levies	232.2	213.8	426.0
Total Energy Related, Transmission and Distribution Expenditure	**626.3**	**503.4**	**1,169.6**
Employee Expenditure	42.8	44.6	87.2
Other Operating Expenditure	72.1	80.1	163.4
Total Employee and Other Expenditure	**114.9**	**124.7**	**250.6**
Total Operating Expenditure	**741.2**	**628.1**	**1,420.2**
EBITDAF	**353.3**	**297.4**	**641.7**
Net Change in Fair Value of Electricity, Aluminium and Foreign Exchange Derivatives	(67.5)	23.4	(48.0)
Depreciation, Amortisation, Impairments and Gains/(Losses) on Sale of Property, Plant and Equipment	(111.4)	(86.2)	(206.1)
Equity Accounted Earnings of Associates	(1.3)	(1.3)	(2.0)
Group Operating Profit	**173.1**	**233.3**	**385.6**
Net Finance Costs	(51.5)	(37.1)	(85.1)
Net Gains/(Net Losses) on Financial Instruments	7.5	9.5	(23.3)
Group Profit Before Tax	**129.1**	**205.7**	**277.2**
Income Tax	(44.4)	(63.2)	(93.2)
Group Profit After Tax	**84.7**	**142.5**	**184.0**
Net Change in Fair Value of Financial Instruments (includes Premiums Paid)	54.1	(32.9)	71.3
Net Gain on Sale of Property, Plant and Equipment and Investments	(0.4)	(2.4)	(0.3)
Impairment of Property Plant and Equipment, Investments and Intangibles	0.3	1.3	18.3
Income Tax	(15.3)	10.2	(21.4)
Underlying Profit After Tax	**123.4**	**118.7**	**251.9**

Meridian Group SCI Financial Measures	SCI ANNUAL TARGET	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Equity to Total Assets	56.6%	59.6%	57.7%	58.2%
Return on Average Equity[1]	3.9%	2.5%	6.0%	3.9%
Underlying Return on Average Equity (excl. Revaluations)[1]	18.3%	21.5%	18.1%	19.8%
Underlying Return on Average Capital Employed (incl. Revaluations)[1]	4.7%	5.4%	5.6%	5.6%
EBITDAF per MWh Generated ($ per MWh)	46.40	51.92	43.40	46.29
Net Debt/(Net Debt plus Equity) Gearing	25.6%	22.9%	23.8%	22.4%
Free Funds from Operations Interest Cover (# of Times)	4.6	4.9	4.6	5.7
EBITDAF Interest Cover (# of Times)	5.4	6.2	6.9	6.7
Solvency [2]	54.6%	84.4%	42.4%	48.7%

[1] *Preceding 12 months' profit compared with average interim and previous year-end equity.*

[2] *Excluding current assets classified as held for sale.*

Group Performance

Meridian Group's NPAT was $84.7 million for the six months ended 31 December 2010 – a reduction of $57.8 million (41%) from the same period last year. This reduction was largely a consequence of non-cash fair value movements on financial instruments ($92.9 million) and an increase in depreciation ($23.0 million) following the revaluation of our generation assets at 30 June 2010.

Underlying NPAT, excluding the effects of fair value movements and other one-off non-cash items, was $123.4 million – an increase of $4.7 million (4%) over last year.

This result was in line with half-year targets.

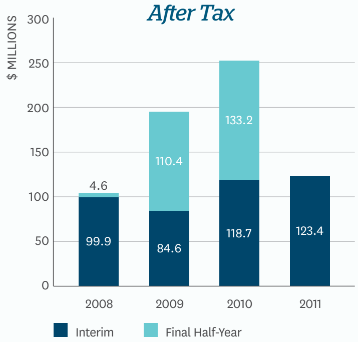
EBITDAF improved by $55.9 million (19%). After adjusting for the settlement with NZAS this represents an improvement of $27.8 million (9% on the same period last year). Our key productivity measure of EBITDAF per MWh generated by our New Zealand assets continued to improve, reaching $51.92/MWh – an improvement of $8.52/MWh on the same period last year.

The improvements in EBITDAF were driven by a relatively strong hydrology storage position, improved generation revenue, settlement of the NZAS arbitration for $28.1 million after legal costs, management of operating costs and improved international contribution.

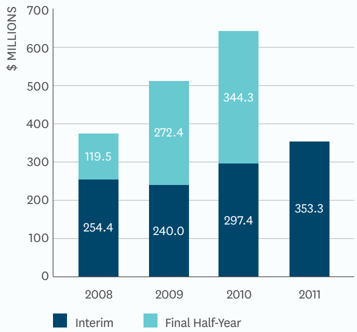
Energy and related revenues rose by $169.0 million against the same period last year. After deducting the direct energy related and transmission, distribution and levies expenditure, our margin on electricity sales rose by 11% on the same period last year. Excluding the NZAS settlement we saw an improvement of $18.0 million or 4% on the same period last year. This improvement was driven by increased wholesale electricity spot prices, improved generation revenue and contracted electricity sales volume growth within our Retail segment, along with earnings from our international generation plants.

Our Wholesale and Retail segments work closely together to manage our risk position and optimise earnings. Our net contract position (the difference between volume generated and volume purchased to support contracted electricity sales)

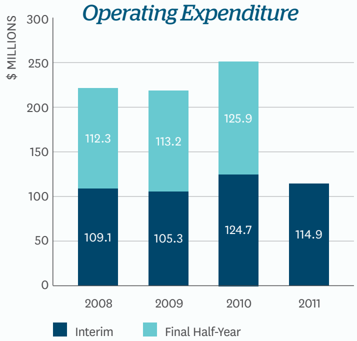
Group Underlying Profit After Tax



Group EBITDAF



Employee & Other Operating Expenditure



is now in a more stable state, which leaves us well placed to deal with potential hydrology shocks. Our average net contract position during the period was 82.3%.

While the HVDC link remained constrained, we saw fewer instances of price separation between the North and South Island during the past six months. This contributed to reductions in the differential between average generation and purchase prices, which improved our gross margin position.

Employee and other operating expenditure reduced by $9.8 million (an 8% reduction), which was a result of a continued focus on cost control and improved commercial practices. This improvement was achieved despite the increased cost associated with building our international operation, increased customer numbers and the impact of increased retail competition driving up retention and acquisition costs.

The decline in the fair value of electricity, aluminium and foreign exchange derivatives of $92.9 million reflects movements in forward price curves. This period saw a softening of the short-term forward electricity price and strengthening of the aluminium price curves.

Meridian had total assets of $8.8 billion at 31 December 2010 and maintained its gearing ratio within target.

Meridian had cash and undrawn debt facilities of $629.6 million at 31 December 2010 available to fund its proposed generation development initiatives and investment opportunities.

The company spent $218.2 million on capital development projects during the six months to 31 December 2010. The majority related to the development of the Te Uku and Macarthur wind farms.

Ratio of Purchase Price to Generation Price	**2011**	2010	2009
Quarter 1 – Sept	1.10	1.20	0.98
Quarter 2 – Dec	1.12	1.16	1.15
Half-Year	**1.11**	**1.18**	**1.08**
Quarter 3 – Mar		1.09	1.35
Quarter 4 – June		1.10	1.60
Annual		**1.13**	**1.25**

Performance Summary continued

New Zealand Wholesale

New Zealand Wholesale Segment Summary *($ Millions)*	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Energy and Related Services' Revenue	530.9	414.4	1,023.7
Other Revenue	2.4	3.4	7.6
Wholesale Revenue	**533.3**	**417.8**	**1,031.3**
Energy Related Expenditure	147.6	109.4	270.9
Electricity Transmission Expenditure and Levies	56.1	46.0	98.4
Employee Expenditure	11.4	11.1	22.4
Other Operating Expenditure	21.5	22.3	48.8
Wholesale Operating Expenditure	**236.6**	**188.8**	**440.5**
Wholesale EBITDAF	**296.7**	**229.0**	**590.8**
Wholesale EBITDAF per MWh Generated ($)	**43.61**	**33.41**	**42.62**
Wholesale Contracted Electricity Sales (GWh)	**2,402**	**2,151**	**4,763**
Hydro Generation	6,331	6,337	12,857
Wind Generation	473	517	1,005
Total Generation (GWh)	**6,804**	**6,854**	**13,862**
Average Price per MWh Generated ($)	**50.28**	**34.04**	**48.33**

Plant Performance	ANNUAL TARGET	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Plant Availability – Hydro	92.6%	93.4%	92.3%	91.3%
Plant Availability – Wind	96.2%	97.5%	95.9%	96.0%
Plant Forced Outage Factor – Hydro	0.34%	0.22%	0.35%	1.47%

		TOTAL GWh PRODUCED		
New Zealand Generation	PLANT CAPACITY MW	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Hydro Generation				
Aviemore	220	481	465	948
Benmore	540	1,148	1,111	2,284
Manapouri	730	2,359	2,580	5,134
Ohau A	264	561	538	1,134
Ohau B	212	477	450	948
Ohau C	212	474	447	940
Tekapo A	25	82	75	152
Tekapo B	160	488	429	817
Waitaki	90	261	243	500
Total Hydro Generation	**2,453**	**6,331**	**6,338**	**12,857**
Wind Generation				
Te Āpiti	90	121	172	325
Te Uku – Raglan (Partially Constructed)	12	3	-	-
West Wind	143	257	252	497
White Hill	58	92	92	183
Total Wind Generation	**303**	**473**	**516**	**1,005**
Total Generation	**2,756**	**6,804**	**6,854**	**13,862**

New Zealand Wholesale

The Wholesale segment includes New Zealand generation, wholesale electricity sales and renewable development operations.

Wholesale EBITDAF increased by $67.7 million (30%) compared with the same period last year. A relatively strong hydrology position, higher electricity spot prices and the $28.1 million settlement of the arbitration process with NZAS resulted in an increase in energy and related revenue of $116.5 million over last year.

While remaining relatively volatile, the average price received for our generation for the six months to December 2010 was $50.28/MWh, a 48% increase on the same period last year.

The volatility of wholesale prices was particularly evident in December 2010, when following a sustained period of below-average inflows, and a dry outlook, average daily prices received for our generation peaked at $236/MWh. However, a series of large inflow events late in December caused our average daily prices to fall significantly towards the end of the half to an average daily price of $5/MWh.

Overall, New Zealand generation volumes were 6,804GWh – a reduction of 50GWh compared with the same period last year. This decrease included lower generation at the Te Āpiti wind farm, a combination of maintenance outages and low wind speeds.

Net costs relating to transmission and levies increased by $10.1 million compared with the same period last year. These included a reduction in constraint rental rebates, resulting from fewer instances of price separation between the North and South Island and increased HVDC charges. We are expecting HVDC charges to increase further in future years as additional capital is spent on the link.

We remain committed to further developing a pipeline of quality future generation options to strengthen our portfolio of renewable energy. This includes the construction of the Te Uku wind farm, which is nearing completion.

Lake Storage at Quarter End

Average Wholesale Electricity Sales Price *(Received)*	**2011 $/MWh**	2010 $/MWh	2009 $/MWh
Quarter 1 – Sept	46.24	26.80	132.00
Quarter 2 – Dec	54.54	41.66	33.95
Half-Year	**50.28**	**34.04**	**79.00**
Quarter 3 – Mar		74.52	22.38
Quarter 4 – June		50.35	22.97
Annual		**48.33**	**48.53**

New Zealand Development Projects	LOCATION	PROJECT TYPE	STATUS AS AT 31 DEC 2010	PLANT CAPACITY (MW)
Central Wind	Waiouru	Wind	Fully consented	120
Gate 18 Hydro Proposal	Upper Waitaki, South Canterbury	Hydro	Consents lodged	35
Hayes	Lammermoor Range, Otago	Wind	Environment Court	630
Hunter Downs	North of Lower Waitaki River, South Canterbury	Irrigation	Water rights consent granted – appealed to Environment Court	N/A
Hurunui	North Canterbury	Wind	Consultation	76
Maungaharuru	Hawke's Bay	Wind	Consents held	94–127
Mill Creek	Ohariu Valley, north of Wellington	Wind	Consent granted – appealed to Environment Court	67
Mokihinui	Mokihinui River, near Seddonville	Hydro	Consent granted – appealed to Environment Court	100
North Bank Hydro Project	Lower Waitaki River, South Canterbury	Hydro	Water consent held. Land use consent preparation	260
Te Uku	Wharauroa Plateau, 30 kilometres west of Hamilton	Wind	Partially constructed	64

Performance Summary continued

Retail

Retail Segment Summary *($ Millions)*	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Electricity Related Services Revenue	529.9	490.1	988.1
Other Revenue	2.6	3.3	5.6
Retail Revenue	**532.5**	**493.4**	**993.7**
Energy Related Expenditure	234.4	176.3	459.4
Energy Transmission, Distribution and Levies	175.2	167.9	327.4
Employee Expenditure	12.1	11.7	24.4
Other Operating Expenditure	23.6	19.3	44.8
Retail Operating Expenditure	**445.3**	**375.2**	**856.0**
Retail EBITDAF	**87.2**	**118.2**	**137.7**
Powershop Contracted Electricity Sales (GWh)	125	19	83
Meridian Retail Contracted Electricity Sales (GWh)	2,987	2,962	5,823
Meridian Retail Spot Electricity Sales (GWh)	934	910	1,835
Total Electricity Sales (GWh)	**4,046**	**3,891**	**7,741**
Average Retail Electricity Purchase Price ($ per MWh)	**55.48**	**43.20**	**58.05**

Customer Satisfaction	ANNUAL TARGET	**6 MONTHS ENDED 31 DEC 2010**	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Meridian Retail				
Business Customer Satisfaction[1]	58.0%	48.5%	46.8%	53.1%
Rural Customer Satisfaction[1]	52.0%	57.0%	46.4%	50.1%
Residential Customer Satisfaction[1]	55.0%	57.9%	53.6%	51.0%
Perceived Leadership in Sustainable Electricity Supply	50.0%	51.8%	50.5%	51.4%
Powershop				
Residential Customer Satisfaction[2]	80.0%	88.1%	-	-

[1] *Six-month rolling average of survey scores measuring the percentage of customers who rate Meridian as Excellent or Very Good.*

[2] *Based on score as to how likely customers are to recommend Powershop to a friend or colleague (internal measure).*

Retail

The Retail segment includes Meridian's two retail electricity brands, Meridian and Powershop, and also includes Arc Innovations, our electricity meter services business.

Retail EBITDAF of $87.2 million for the six months to 31 December 2010 represents a decrease of $31.0 million (26%) compared with the same period last year.

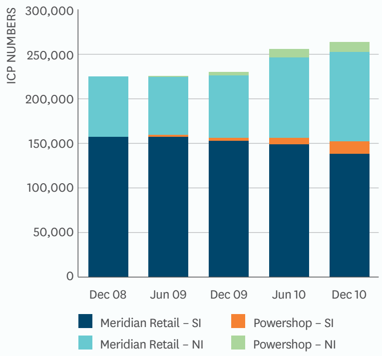
Retail's performance is dependant on the average purchase price of electricity, which can fluctuate significantly from year to year. When removing the impact of this volatility, through using a consistent purchase price across both this period and the same period last year, EBITDAF has improved by $6.3 million against last year.

Despite strong retail competition, contracted electricity sales volumes increased from last year, reflecting the increased contribution from the Powershop brand and changes in customer mix. This, combined with increased average wholesale spot prices, which are passed through to spot electricity customers, drove increased electricity revenue compared with last year.

The impact of higher average electricity purchase prices reduced the profitability of this segment. The average electricity purchase price for the six months was $55.48/MWh up from $43.20/MWh (a 28% increase) in the same period last year.

Overall total customer ICP numbers increased by 7,879 (3%) from June 2010. Meridian Retail ICP numbers are similar to those reported at June 2010, however the portfolio mix has changed with an increase in North Island ICPs of 11,197 being offset by a reduction in South Island ICP numbers. It was also pleasing to see Powershop's ICP numbers grow to 24,024 (a 48% increase from June 2010), with increases in both the North and South Island.

Meridian ICP Numbers



We have seen some rebalancing of our customer portfolio to align with generation capacity following the enactment of the Electricity Industry Act and our own North Island generation builds. Since June 2010, we have seen our North Island ICP numbers increase by 13%. We have seen a small decline in our customer base in the South Island, where there has been strong competitor activity.

Employee and other operating expenditure increased by $4.7 million against last year, driven by increased retention and acquisition activity, in response to heightened competition and an increase in customer service costs resulting from Powershop customer growth.

Average Electricity Purchase Price	**2011 $/MWh**	2010 $/MWh	2009 $/MWh
Quarter 1 – Sept	49.79	35.31	122.84
Quarter 2 – Dec	61.18	52.25	41.84
Half-Year	**55.48**	**43.20**	**82.62**
Quarter 3 – Mar		84.14	34.16
Quarter 4 – June		57.85	44.24
Annual		**58.05**	**62.13**

Performance Summary continued

International

International Segment Summary ($ Millions)	6 MONTHS ENDED 31 DEC 2010	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Electricity Revenue United States	1.6	-	0.6
Electricity Revenue Australia	9.2	-	1.1
Other Revenue	-	-	(0.1)
International Revenue	**10.8**	**-**	**1.6**
Energy Related Expenditure	0.2	-	-
Energy Transmission, Distribution and Levies	1.0	-	0.1
Employee Expenditure	1.9	0.8	1.9
Other Operating Expenditure	3.0	1.4	10.7
International Operating Expenditure	**6.1**	**2.2**	**12.7**
International EBITDAF	**4.7**	**(2.2)**	**(11.1)**

		TOTAL GWh PRODUCED		
International Generation	PLANT CAPACITY MW	6 MONTHS ENDED 31 DEC 2010	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Wind Generation				
Mt Millar[1]	70	85	-	10
Solar Generation				
CalRENEW-1[2]	5	5	-	2
Total Generation	**75**	**90**	**-**	**12**

[1] *Mt Millar wind farm acquisition was completed on 31 May 2010.*

[2] *CalRENEW-1 commenced generation from April 2010.*

Other Segments

Other Segment Summary ($ Millions)	6 MONTHS ENDED 31 DEC 2010	6 MONTHS ENDED 31 DEC 2009	YEAR ENDED 30 JUNE 2010
Energy Revenue	15.1	13.3	27.7
Other Revenue	2.5	0.9	7.3
Other Segment Revenue	**17.6**	**14.2**	**35.0**
Energy Related Expenditure	8.3	7.0	19.7
Employee Expenditure	6.4	7.1	13.5
Other Operating Expenditure	4.7	5.4	9.7
Other Segment Operating Expenditure	**19.4**	**19.5**	**42.9**
Other Segment EBITDAF	**(1.8)**	**(5.3)**	**(7.9)**

International

This segment includes Meridian's international generation businesses in both Australia and the United States.

EBITDAF for the six-month period was $4.7 million, which is a $6.9 million increase on EBITDAF reported during the same period last year.

The increase in profitability of this segment was due to the contribution of additional generation activity from new operations during the period. Meridian's acquisition of the Mt Millar wind farm and the construction of the CalRENEW-1 solar plant in California were completed during the second half of 2010.

Mt Millar is now fully integrated into the business and we are focused upon lifting the performance of this wind farm from historical levels.

Construction has commenced on the Macarthur wind farm in Victoria and completion is scheduled for 2013.

Other Segments

These segments include Meridian's portfolio of energy related subsidiaries and Meridian's Captive Insurance Company, EFI, Damwatch, Right House and Whisper Tech.

EBITDAF for the six months was a $1.8 million loss, a $3.5 million improvement on the EBITDAF loss incurred during the same period last year.

This improvement was driven primarily by the activities of both EFI and Whisper Tech, which reported increased revenue against last year as they continued to grow and secure new sales contracts.

Right House performance reflects the challenging environment in which it is currently operating.

International Development Projects	LOCATION	PROJECT TYPE	STATUS AS AT 31 DEC 2010	PLANT CAPACITY MW
Mt Mercer	Victoria, Australia	Wind	Pre-construction design	130
Macarthur[1]	Victoria, Australia	Wind	Construction	420
Jacobs Corner	California, United States	Solar	Feasibility	20–60

[1] 50/50 unincorporated joint venture with AGL Energy.

Income Statement

For the six months ended 31 December 2010

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2010 $'000
Operating Revenue				
Energy Sales	17	**1,076,981**	912,057	2,023,136
Energy Related Services Revenue		**9,781**	5,773	16,463
Other Revenue		**7,667**	7,699	22,306
Total Operating Revenue		**1,094,429**	925,529	2,061,905
Operating Expenses				
Energy Related Expenses		**(394,056)**	(289,595)	(743,625)
Energy Transmission and Distribution		**(232,175)**	(213,832)	(425,978)
Employee Expenses		**(42,801)**	(44,573)	(87,258)
Other Operating Expenses		**(72,125)**	(80,085)	(163,364)
Total Operating Expenses		**(741,157)**	(628,085)	(1,420,225)
Earnings Before Interest, Taxation, Depreciation, Amortisation and Financial Instruments (EBITDAF)		**353,272**	297,444	641,680
Net Change in Fair Value of Financial Instruments (Loss)/Gain	10	**(65,846)**	23,423	(14,872)
Foreign Exchange Contracts ('FECs') Reclassified to Profit or Loss[1]		**(1,634)**	-	(33,087)
Depreciation		**(103,388)**	(80,370)	(174,318)
Amortisation of Intangible Assets		**(7,995)**	(6,943)	(13,712)
Impairment of Property, Plant and Equipment		**(256)**	(1,200)	(1,200)
Impairment of Available for Sale Investments		**-**	(142)	-
Impairment of Intangible Assets		**-**	-	(17,136)
Gain on Sale of Property, Plant and Equipment		**330**	2,388	275
Equity Accounted Earnings of Joint Ventures		**(1,336)**	(1,298)	(2,012)
Operating Profit		**173,147**	233,302	385,618
Finance Costs and Other Finance Related Income/(Expenses)				
Finance Costs	3	**(52,383)**	(38,108)	(86,816)
Interest Income		**917**	1,012	1,730
Net Change in Fair Value of Financial Instruments Gain/(Loss)	10	**7,466**	9,465	(23,296)
Profit Before Tax		**129,147**	205,671	277,236
Income Tax Expense	4	**(44,475)**	(63,209)	(93,187)
Profit After Tax		**84,672**	142,462	184,049
Profit After Tax Attributable to:				
Shareholders of the Parent Company		**85,012**	142,898	184,852
Non-Controlling Interest		**(340)**	(436)	(803)
		84,672	142,462	184,049
Earnings Per Share from Operations Attributable to Equity Holders of the Company During the Year:				
Basic Earnings per Share ($)		**0.05**	0.09	0.12
Diluted Earnings per Share ($)		**0.05**	0.09	0.12

[1] *Includes losses on FECs, previously deferred in the cash flow hedge reserve and not expected to be recovered in one or more future periods.*

Statement of Comprehensive Income

For the six months ended 31 December 2010

		GROUP		
	NOTE	**UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000**	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Profit After Tax for the Period		**84,672**	142,462	184,049
Other Comprehensive Income				
Revaluation Gain on Property, Plant and Equipment		**-**	-	1,213,663
Net Loss on Cash Flow Hedges		**(470)**	(21,102)	(24,279)
FECs Reclassified to Profit or Loss[1]		**1,634**	-	33,087
Net (Loss)/Gain on Available for Sale Investments		**(274)**	(43)	8
Exchange Gain/(Loss) Arising from Translation of Foreign Operations		**7,221**	(923)	(3,060)
Effect of Corporate Tax Rate Reduction on Deferred Tax	5	**18**	-	103,299
Deferred Tax Adjustment re Assets Held for Sale	5	**133,419**	-	-
Income Tax Relating to Other Comprehensive Income		**(268)**	6,346	(366,738)
Other Comprehensive Income for the Period		**141,280**	(15,722)	955,980
Total Comprehensive Income for the Period		**225,952**	126,740	1,140,029
Total Comprehensive Income for the Period Attributable to:				
Shareholders of the Parent Company		**226,292**	127,176	1,140,832
Non-Controlling Interest		**(340)**	(436)	(803)
		225,952	126,740	1,140,029

[1] *Includes losses on FECs, previously deferred in the cash flow hedge reserve and not expected to be recovered in one or more future periods.*

Statement of Financial Position

As at 31 December 2010

		GROUP		
	NOTE	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUNE 2010 $'000
Shareholders' Equity				
Share Capital		**1,600,000**	1,600,000	1,600,000
Reserves		**3,626,776**	2,544,904	3,468,979
Equity Attributable to Shareholders of the Parent		**5,226,776**	4,144,904	5,068,979
Share Options Vested in Whisper Tech Ltd		**1,098**	1,079	1,098
Non-Controlling Interest		**267**	974	607
Total Equity		**5,228,141**	4,146,957	5,070,684
Represented by:				
Current Assets				
Cash and Cash Equivalents		**53,729**	30,588	54,394
Accounts Receivable and Prepayments		**274,463**	201,883	199,114
Inventories		**5,315**	6,041	6,029
Finance Lease Receivable		**-**	-	683
Assets Classified as Held for Sale	13	**643,912**	6,839	350
Derivative Financial Instruments	10	**15,561**	7,472	11,004
Total Current Assets		**992,980**	252,823	271,574
Non-Current Assets				
Finance Lease Receivable		**4,984**	-	4,984
Equity Accounted Joint Ventures		**803**	393	294
Available for Sale Investments		**5,882**	5,876	6,077
Derivative Financial Instruments	10	**47,356**	96,428	171,891
Intangible Assets		**50,517**	50,957	50,053
Deferred Tax Asset	5	**5,678**	547	3,399
Property, Plant and Equipment	12	**7,669,799**	6,781,299	8,207,327
Total Non-Current Assets		**7,785,019**	6,935,500	8,444,025
Total Assets		**8,777,999**	7,188,323	8,715,599
Current Liabilities				
Payables and Accruals		**256,683**	190,781	201,614
Provisions		**514**	1,729	736
Current Tax Payable		**14,574**	19,437	31,633
Current Portion of Term Borrowings	7	**129,110**	333,690	284,417
Liabilities Classified as Held for Sale		**-**	153	15
Derivative Financial Instruments	10	**12,821**	33,857	38,592
Total Current Liabilities		**413,702**	579,647	557,007
Non-Current Liabilities				
Term Borrowings	7	**1,504,060**	1,022,053	1,323,058
Term Payables		**43,354**	60,014	52,954
Derivative Financial Instruments	10	**174,081**	69,484	152,389
Deferred Tax Liability	5	**1,414,661**	1,310,168	1,559,507
Total Non-Current Liabilities		**3,136,156**	2,461,719	3,087,908
Total Liabilities		**3,549,858**	3,041,366	3,644,915
Net Assets		**5,228,141**	4,146,957	5,070,684

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

Chris Moller
Chairman, 22 February 2011

Anne Urlwin
Chair of Audit and Risk Committee, 22 February 2011

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

Statement of Changes in Equity

For the six months ended 31 December 2010

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000
Balance at 1 July 2010	**1,600,000**	**3,686,651**	**(2,720)**	**659**	**387**	**(215,998)**	**5,068,979**
Profit for the Period	-	-	-	-	-	85,012	85,012
Cash Flow Hedges:							
Net Gain Taken to Equity	-	-	-	(470)	-	-	(470)
FECs Reclassified to Profit or Loss	-	-	-	1,634	-	-	1,634
Available for Sale Reserve Net Loss Taken to Equity	-	-	-	-	(274)	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	-	-	7,221	-	-	-	7,221
Effect of Corporate Tax Reduction on Deferred Tax	-	-	-	23	(5)	-	18
Income Tax Relating to Other Comprehensive Income	-	253	-	(349)	81	(253)	(268)
Deferred Tax on Assets Held for Sale	-	133,419	-	-	-	-	133,419
Asset Revaluation Reserve Transferred to Retained Earnings	-	(843)	-	-	-	843	-
Total Comprehensive Income for the Period	**-**	**132,829**	**7,221**	**838**	**(198)**	**85,602**	**226,292**
Dividends Paid	-	-	-	-	-	(68,495)	(68,495)
Balance at 31 December 2010	**1,600,000**	**3,819,480**	**4,501**	**1,497**	**189**	**(198,891)**	**5,226,776**

	GROUP – UNAUDITED			
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2010	**5,068,979**	**1,098**	**607**	**5,070,684**
Profit for the Period	85,012	-	(340)	84,672
Cash Flow Hedges:				
Net Gain Taken to Equity	(470)	-	-	(470)
FECs Reclassified to Profit or Loss	1,634	-	-	1,634
Available for Sale Reserve Net Loss Taken to Equity	(274)	-	-	(274)
Exchange Differences Arising from Translation of Foreign Operations	7,221	-	-	7,221
Effect of Corporate Tax Reduction on Deferred Tax	18	-	-	18
Income Tax Relating to Other Comprehensive Income	(268)	-	-	(268)
Deferred Tax on Assets Held for Sale	133,419	-	-	133,419
Asset Revaluation Reserve Transferred to Retained Earnings	-	-	-	-
Total Comprehensive Income for the Period	**226,292**	**-**	**(340)**	**225,952**
Dividends Paid	(68,495)	-	-	(68,495)
Balance at 31 December 2010	**5,226,776**	**1,098**	**267**	**5,228,141**

Statement of Changes in Equity

For the six months ended 31 December 2010

	GROUP – UNAUDITED						
	SHARE CAPITAL $'000	REVALUATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	AVAILABLE FOR SALE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000
Balance at 1 July 2009	**1,600,000**	**2,737,092**	**340**	**(5,525)**	**380**	**(50,648)**	**4,281,639**
Profit for the Period	-	-	-	-	-	142,898	142,898
Cash Flow Hedges Net Gain Taken to Equity	-	-	-	(21,102)	-	-	(21,102)
Available for Sale Reserve Net Loss Taken to Equity	-	-	-	-	(43)	-	(43)
Exchange Differences Arising from Translation of Foreign Operations	-	-	(923)	-	-	-	(923)
Income Tax Relating to Other Comprehensive Income	-	(41)	-	6,330	16	41	6,346
Asset Revaluation Reserve Transferred to Retained Earnings	-	137	-	-	(14)	(123)	-
Total Comprehensive Income for the Period	**-**	**96**	**(923)**	**(14,772)**	**(41)**	**142,816**	**127,176**
Dividends Paid	-	-	-	-	-	(263,911)	(263,911)
Balance at 31 December 2009	**1,600,000**	**2,737,188**	**(583)**	**(20,297)**	**339**	**(171,743)**	**4,144,904**

	GROUP – UNAUDITED			
	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT $'000	SHARE OPTIONS VESTED $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
Balance at 1 July 2009	**4,281,639**	**1,079**	**1,410**	**4,284,128**
Profit for the Period	142,898	-	(436)	142,462
Cash Flow Hedges Net Gain Taken to Equity	(21,102)	-	-	(21,102)
Available for Sale Reserve Net Loss Taken to Equity	(43)	-	-	(43)
Exchange Differences Arising from Translation of Foreign Operations	(923)	-	-	(923)
Income Tax Relating to Other Comprehensive Income	6,346	-	-	6,346
Total Comprehensive Income for the Period	**127,176**	**-**	**(436)**	**126,740**
Dividends Paid	(263,911)	-	-	(263,911)
Balance at 31 December 2009	**4,144,904**	**1,079**	**974**	**4,146,957**

Cash Flow Statement

For the six months ended 31 December 2010

	NOTE	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	GROUP UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	GROUP AUDITED 12 MONTHS ENDED 30 JUNE 2010 $'000
Operating Activities				
Cash was Provided from:				
Receipts from Customers		**1,022,861**	907,331	2,050,950
Net GST Received		**32**	4,191	1,009
Interest Received		**917**	1,012	1,730
		1,023,810	912,534	2,053,689
Cash was Applied to:				
Payments to Suppliers and Employees		**(695,258)**	(621,822)	(1,420,472)
Interest Paid		**(50,863)**	(39,472)	(80,512)
Income Tax Paid		**(75,474)**	(56,807)	(100,881)
		(821,595)	(718,101)	(1,601,865)
Net Cash Inflows from Operating Activities	6	**202,215**	194,433	451,824
Investment Activities				
Cash was Provided from:				
Sale of Property, Plant and Equipment		**954**	6,159	11,092
Sale of Investments		**-**	931	924
Finance Lease Receivable		**683**	-	-
		1,637	7,090	12,016
Cash was Applied to:				
Purchase of Property, Plant and Equipment		**(213,158)**	(114,633)	(196,944)
Capitalised Interest	3	**(5,066)**	(5,850)	(10,082)
Purchase of Subsidiaries		**-**	-	(245,828)
Purchase of Intangible Assets		**(8,206)**	(14,072)	(17,523)
Investment in Associates		**(2,109)**	-	-
Purchase of Investments		**(78)**	-	(8)
		(228,617)	(134,555)	(470,385)
Net Cash Outflows from Investing Activities		**(226,980)**	(127,465)	(458,369)
Financing Activities				
Cash was Provided from:				
Proceeds from Borrowings		**380,036**	470,408	564,281
		380,036	470,408	564,281
Cash was Applied to:				
Term Borrowings Paid		**(287,441)**	(290,754)	(197,727)
Dividends Paid		**(68,495)**	(263,911)	(353,492)
		(355,936)	(554,665)	(551,219)
Net Cash Inflows/(Outflows) from Financing Activities		**24,100**	(84,257)	13,062
Net (Decrease)/Increase in Cash and Cash Equivalents		**(665)**	(17,289)	6,517
Cash and Cash Equivalents at Beginning of Period		**54,394**	47,877	47,877
Cash and Cash Equivalents at End of Period		**53,729**	30,588	54,394

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

Notes to the Condensed Interim Financial Statements

For the six months ended 31 December 2010

Contents

1 Summary of Accounting Policies

Reporting Entity and Statement of Compliance

Meridian Energy Ltd (the 'Company') is domiciled in New Zealand and registered under the Companies Act 1993. The shares in Meridian Energy Ltd are held in equal numbers by the Minister for State-Owned Enterprises and the Minister of Finance, on behalf of Her Majesty the Queen in Right of New Zealand ('the Crown') under the State-Owned Enterprises Act 1986.

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

The condensed interim financial statements comprise those of Meridian Energy Ltd (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 2010.

The financial statements were authorised for issue by the Directors on 22 February 2011.

Basis of Preparation

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

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

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

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 30 June 2010 except for the additional new Standards, which are now effective as follows:

- *NZ IFRS 2 (Amendment) Share-Based Payments: Group Cash Settled Share Based Payment Transactions* – effective for annual reporting periods beginning on or after 1 January 2010
- *NZ IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issues* – effective for annual reporting periods beginning on or after 1 February 2010
- *NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* – effective for annual reporting periods beginning on or after 1 July 2010
- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2009 – effective for annual reporting periods beginning on or after various dates
- Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010 – effective for annual reporting periods beginning on or after various dates
- Improvements to NZ IFRS 3 and NZ IAS 27 – effective 1 July 2010
- Other improvements – effective 1 January 2010

The standards identified above do not have an impact on the reported results or financial position of the Group.

Day 1 Adjustment

Where a valuation technique that incorporates unobservable inputs is used to fair value electricity contracts for differences ('CfDs'), and this fair value results in a fair value at inception that is different from its cost, the valuation model is recalibrated by a fixed percentage to result in the cost value of the CfDs at inception. This recalibration adjustment is then applied to future valuations over the life of the contract.

Judgements and Estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and income and expenses, and these are consistent with those applied in the preparation of the Group's financial statements for the year ended 30 June 2010. 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. A revision of the accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are in relation to forecast earnings and multiples used to value the generation structures and plant assets and price path estimates, including electricity, aluminium and estimates for inflation and discount rates, which have been used to fair value the energy derivatives. In addition, accounting judgements are made in respect of the hedge designations of certain financial instruments, assessments of hedge effectiveness and the impacts of tax rate changes on deferred tax balances.

2 Segment Reporting

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

The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment without the allocation of central administration costs, Directors' salaries, share of profits of joint ventures, changes in fair value of financial instruments, finance costs and income tax expenses.

With the growth of Meridian's international generation business, the Chief Executive now 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 approximately 35% of its generation output to a single customer. The revenues received from this customer are attributable to the Wholesale segment.

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

The accounting policies of the reportable segments are the same as Meridian's accounting policies applied in the preparation of the Group financial statements for the year ended 30 June 2010.

Wholesale Segment

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

Wholesale revenues received from generation reflect the spot prices received from the wholesale electricity market at the relevant grid injection points, and revenue received from large industrial customers.

Since the last reporting date, costs to develop New Zealand renewable generation opportunities are now reported as part of the Wholesale operating segment as it has been determined they have similar long-term economic characteristics. In the previous period these costs were included in Other Segments.

Retail Segment

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

The Retail segment purchases electricity from the wholesale electricity market at spot prices at the relevant grid exit points.

Since the last reporting date, Powershop New Zealand Ltd is reported as part of the Retail segment as it has been determined they have similar long-term economic characteristics. In the previous period Powershop New Zealand Ltd was included in Other Segments.

International Generation Segment

The International Generation segment comprises Meridian's Australian and United States operations.

Since the last reporting date, International Generation subsidiaries is now a separate reportable segment. In the previous period this was included in Other Segments.

Other Segments

Other operations, which are not considered reportable segments, include Meridian's portfolio of subsidiaries that provide micro combined heat and power technologies, home energy efficiency products and services, energy solutions to industry and dam consultancy services. The results of these segments are included in Other Segments.

Since the last reporting date, EFI is reported as part of Other Segments. In the previous period this was included in Wholesale Segment.

Unallocated Corporate

Unallocated Corporate encompasses Meridian's business functions and company-wide costs, such as insurance, that provide support to the Wholesale, Retail, International Generation, Other Segments and Meridian's non-operating subsidiaries.

Comparative figures have been restated to reflect the above changes.

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2010 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	536,161	532,518	10,837	18,850	191	1,098,557
Inter-Segment Revenue	(2,883)	-	-	(1,245)	-	(4,128)
Revenue from External Customers	533,278	532,518	10,837	17,605	191	1,094,429
EBITDAF	**296,743**	**87,230**	**4,659**	**(1,771)**	**(33,589)**	**353,272**
Equity Accounted Earnings of Joint Ventures	-	-	-	(1,336)	-	(1,336)
Additions to Non-Current Assets	134,012	5,691	67,413	1,272	2,156	210,544
Total Assets	7,847,068	194,776	457,838	75,525	202,792	8,777,999

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Six Months Ended 31 December 2009 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	417,834	493,427	-	15,454	106	926,821
Inter-Segment Revenue	-	-	-	(1,292)	-	(1,292)
Revenue from External Customers	417,834	493,427	-	14,162	106	925,529
EBITDAF	**229,025**	**118,223**	**(2,208)**	**(5,315)**	**(42,281)**	**297,444**
Equity Accounted Earnings of Joint Ventures	-	-	-	(1,298)	-	(1,298)
Additions to Non-Current Assets	74,057	5,777	38,253	940	4,212	123,239
Total Assets	6,629,465	184,278	100,517	45,998	228,065	7,188,323

The Segment Information Provided to the Chief Executive for the Reportable Segments for the Year Ended 30 June 2010 is as follows:

	WHOLESALE $'000	RETAIL $'000	INTERNATIONAL GENERATION $'000	OTHER SEGMENTS $'000	UNALLOCATED CORPORATE $'000	**TOTAL $'000**
Total Segment Revenue	1,033,338	993,656	1,583	38,088	521	2,067,186
Inter-Segment Revenue	(2,037)	-	-	(3,045)	(199)	(5,281)
Revenue from External Customers	1,031,301	993,656	1,583	35,043	322	2,061,905
EBITDAF	**590,770**	**137,688**	**(11,080)**	**(7,889)**	**(67,809)**	**641,680**
Equity Accounted Earnings of Joint Ventures	-	-	-	(2,012)	-	(2,012)
Additions to Non-Current Assets	146,719	267	294,364	1,116	21,382	463,848
Total Assets	7,869,475	178,617	374,072	31,132	262,303	8,715,599

Information Relating to Geographical Area Operations

	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Total Revenue in:			
New Zealand	**1,083,592**	925,529	2,060,203
Australia	**9,196**	-	1,060
United States of America	**1,641**	-	642
	1,094,429	925,529	2,061,905

	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Non Current Assets Held:			
New Zealand	**7,381,249**	6,834,983	8,165,800
Australia	**365,001**	64,221	235,512
United States of America	**38,769**	36,296	42,713
	7,785,019	6,935,500	8,444,025

Reconciliation of EBITDAF to Profit Before Tax Provided as follows:

	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
EBITDAF for Reportable Segments	388,632	345,040	717,378
Other Segments EBITDAF	(1,771)	(5,315)	(7,889)
Unallocated EBITDAF	(33,589)	(42,281)	(67,809)
Total Group EBITDAF	353,272	297,444	641,680
Unrealised Net (Loss)/Gain on Financial Instruments	(58,380)	32,888	(38,168)
FECs Reclassified to Profit or Loss	(1,634)	-	(33,087)
Depreciation	(103,388)	(80,370)	(174,318)
Amortisation of Intangible Assets	(7,995)	(6,943)	(13,712)
Impairment of Property, Plant and Equipment	(256)	(1,200)	(1,200)
Impairment of Available for Sale Investments	-	(142)	-
Impairment of Intangible Assets	-	-	(17,136)
Gain on Sale of Property, Plant and Equipment	330	2,388	275
Equity Accounted Earnings of Joint Ventures	(1,336)	(1,298)	(2,012)
Finance Costs and Other Finance Expenses	(51,466)	(37,096)	(85,086)
Profit Before Tax	129,147	205,671	277,236

Reportable Segments' Assets are Reconciled to Total Group Assets as follows:

	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Segment Assets for Reportable Segments	8,499,682	6,914,260	8,422,164
Other Segment Assets	75,525	45,998	31,132
Unallocated Assets:			
Cash and Cash Equivalents	25,638	15,177	33,739
Finance Lease Receivables	4,984	-	5,667
Derivative Financial Instruments	10,884	25,719	83,387
Available for Sale Investments	5,874	5,876	6,069
Intangible Assets	15,276	12,576	11,957
Property, Plant and Equipment	164,313	191,866	152,932
Other Assets	12,759	6,743	6,272
Intercompany Loans Included in Other Segment Assets	(36,936)	(29,892)	(37,720)
Total Assets	8,777,999	7,188,323	8,715,599

The amounts provided to the Chief Executive with respect to assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

3 Finance Costs

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Interest on Borrowings	**57,449**	43,958	96,898
Less Capitalised Interest	**(5,066)**	(5,850)	(10,082)
	52,383	38,108	86,816

4 Income Tax Expense

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Current Tax	**58,431**	48,024	103,913
Deferred Tax	**(13,956)**	15,185	(10,726)
Income Tax Expense	**44,475**	63,209	93,187
Income Tax Expense Can be Reconciled to Accounting Profit as Follows:			
Profit Before Tax	**129,147**	205,671	277,236
Income Tax at 30%	**38,744**	61,701	83,171
Tax Effect of Expenditure Not Deductible for Tax	**2,137**	184	4,292
Tax Effect of Income Not Subject to Tax	**(135)**	-	(34)
Effect of Held For Sale Reclassification on Deferred Tax Liability	**2,914**	-	-
Income Tax Over Provided in Prior Period	**-**	-	(381)
Effect of Corporate Tax Rate Reduction on Deferred Tax Liability	**930**	-	(9,442)
Effect of Change in Building Tax Depreciation	**-**	-	14,748
Other	**(115)**	1,324	833
Income Tax Expense	**44,475**	63,209	93,187

5 Deferred Tax Liability

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

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Balance at Beginning of Period	**1,556,108**	1,300,782	1,300,782
Movement in Temporary Differences Recognised in:			
– Income Statement	**(14,886)**	15,185	(16,032)
– Equity	**268**	(6,346)	366,738
– Deferred Tax on Acquisition of Subsidiary	**-**	-	2,613
Effect of Held for Sale Reclassification on Revaluation Reserve[1]	**(133,419)**	-	-
Effect of Corporate Tax Rate Reduction on:			
– Income Tax Expense	**930**	-	(9,442)
– Revaluation Reserve	**-**	-	(103,270)
– Cash Flow Hedge Reserve	**(23)**	-	(18)
– Available for Sale Reserve	**5**	-	(11)
Effect of Building Tax Depreciation Charge	**-**	-	14,748
	1,408,983	1,309,621	1,556,108
Consisting of Temporary Differences on the Following:			
Property, Plant and Equipment	**1,467,858**	1,333,024	1,607,115
Financial Instruments	**(41,085)**	(1,824)	(23,505)
Term Payables	**(22,595)**	(18,004)	(22,595)
Other	**4,805**	(3,575)	(4,907)
	1,408,983	1,309,621	1,556,108

[1] *This represents the reversal of the deferred tax liability previously recorded on the revaluation of Tekapo A and B power stations, which are now expected to be sold during 2011 (refer note 13).*

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 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2009 $'000
Deferred Tax Liability	**1,414,661**	1,310,168	1,559,507
Deferred Tax Asset	**(5,678)**	(547)	(3,399)
	1,408,983	1,309,621	1,556,108

6 Reconciliation of Profit for the Period to Net Cash Flows from Operating Activities

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Profit After Tax for the Period	**84,672**	142,462	184,049
Adjustments for Non-Cash Items:			
Depreciation	**103,388**	80,370	174,318
Amortisation of Intangible Assets	**7,995**	6,943	13,712
Total Net Change in Fair Values of Financial Instruments Loss/(Gain)	**60,014**	(32,888)	71,255
Less: Cash Payments of Option Premiums	**(8,014)**	-	(10,686)
Net Non-Cash Movement in Fair Values of Financial Instruments	**52,000**	(32,888)	60,569
Movement in Deferred Tax	**(13,956)**	15,185	(10,726)
Share-Based Payments	**-**	-	19
Equity Accounted Earnings of Joint Venture	**1,336**	1,298	2,012
Other Non-Cash Items	**310**	(280)	-
	151,073	70,628	239,904
Items Classified as Investing Activities:			
Net Gain on Sale of Property, Plant and Equipment	**(330)**	(2,388)	(275)
Impairment of Property, Plant and Equipment	**256**	1,200	1,200
Impairment of Intangibles	**-**	-	17,136
Impairment of Investments	**-**	142	-
	(74)	(1,046)	18,061
Items Classified as Financing Activities:			
Amortisation of Prepaid Debt Facility Fees	**48**	638	(593)
	48	638	(593)
Changes in Working Capital Items			
Increase in Trade and Other Receivables	**(75,349)**	(13,727)	(10,958)
Decrease in Inventory	**714**	1,258	1,270
Increase in Payables and Accruals	**58,412**	2,467	17,135
(Decrease)/Increase in Provisions	**(222)**	357	(636)
(Decrease)/Increase in Current Tax Payable	**(17,059)**	(8,604)	3,592
	(33,504)	(18,249)	10,403
Net Cash Flow from Operating Activities	**202,215**	194,433	451,824

7 Borrowings

During the six months ended 31 December 2010 additional debt was sourced by drawing down a further net $10.0 million from committed bank facilities and $100 million from the Danish Export Credit Facility. There was also a $12.8 million increase in the Australian Term Debt during the period due to foreign exchange movements upon translation to NZD.

The fair value of the $704.6 million US private placement loan has decreased $79.7 million owing to movements in the foreign exchange rates affecting the fair value of the loan (offset by the fair value movements of the related cross-currency interest rate swaps ('CCIRSs')) for the six months ended 31 December 2010.

Renewable Energy Notes ('RENs') are short-term debt obligations issued for terms of 18 months or less and are issued under the Prospectus, of which the current version was registered on 1 October 2010. $23.0 million in RENs was issued during the period of six months ending 31 December 2010, and $40.4 million was repaid.

Meridian had $300.0 million of bank facilities maturing in December 2010. These have been replaced with $150.0 million four-year and $150.0 million five-year committed bank facilities. As at 31 December 2010 Meridian had undrawn committed bank facilities of $575.9 million. The expiries of these facilities range from May 2011 to October 2026.

8 Financial Risk Management

Meridian's activities expose it to a variety of financial risks: market risk (including electricity price risk, currency risk and interest rate risk), credit risk and liquidity 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. Meridian uses derivative financial instruments including FECs, CCIRSs, currency options, interest rate swaps ('IRSs') and CfDs to hedge certain risk exposures.

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

Foreign Exchange Risk

Meridian borrows in foreign currencies and is exposed to foreign exchange risks, primarily in respect of the US and Australian dollars. Meridian's policy is to hedge 100% of the foreign currency exposures of both interest and principal repayments. This is achieved through CCIRSs that swap all foreign currency denominated interest and principal repayments with New Zealand denominated floating exposures over the lives of the borrowings.

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

In addition, Meridian incurs capital expenditure denominated in foreign currencies, which exposes Meridian to foreign exchange risk primarily in respect of US dollars, Japanese yen, Australian dollars and the Euro. Capital projects that are approved by the Board are hedged 100% whilst capital projects that are anticipated but not approved are hedged up to 50% based on treasury limits. All committed foreign currency exposures of greater than $100,000 NZD equivalent are hedged. Meridian hedges the foreign exchange risk through a combination of foreign exchange forward contracts and options, and where appropriate has designated these as cash flow hedges.

Interest Rate Risk

Meridian's main interest rate risk arises from long-term borrowings, which are issued at both fixed interest rates and floating interest rates. In addition, as described in the section above, the combination of foreign denominated borrowings and CCIRSs results in an exposure to floating New Zealand interest rates.

Meridian manages its interest rate exposure on a net grouped basis by first entering into a number of 'fixed to floating' IRSs to reflect a floating interest rate exposure for all borrowings, then fixing interest rates on portions of the borrowings (in relation to both face amounts and tenor) by entering into a number of 'floating to fixed' IRSs.

Meridian has not hedge accounted the IRSs.

Electricity Price Risk

Meridian is exposed to movements in the spot price of electricity arising through the sale and purchase of electricity to and from the market. Meridian manages this exposure by entering into CfDs to manage the net risk. Meridian does not enter into CfDs for speculative purposes.

Although Meridian considers itself economically hedged in relation to electricity price risk, prior to 1 January 2009 it decided to meet the requirements to enable it to adopt hedge accounting for a portion of its CfDs. Effective 1 January 2009, Meridian no longer met the requirements to enable it to adopt hedge accounting for any of its CfDs. Consequently for accounting purposes, from 1 January 2009, all of the CfDs are classified as held for trading with movements in fair value recognised in the income statement.

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including derivatives that 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. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are settled monthly, mitigating credit risk. Retail credit management continually monitors the size and nature of the exposure and acts to mitigate risks deemed to be over acceptable levels.

Liquidity Risk

Meridian maintains sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions as part of its management of liquidity risk. Owing to the dynamic nature of the underlying businesses, Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

9 NZAS Agreement

On 1 October 2007, Meridian and New Zealand Aluminium Smelters ('NZAS') entered into an electricity price agreement (which includes a CfD) based on 572MW of continuous consumption at the smelter. The agreement is for a period of up to 18 years and will take effect from 1 January 2013.

Under an existing contract that expires in 2012, Meridian is responsible for delivered energy supply to the smelter. This means Meridian is responsible for the electricity, its quality, and its transmission to the smelter.

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

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

Meridian considers this formula will best ensure that the electricity price NZAS pays remains competitive for electricity demand of the unique type created by the 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 increase in price and reduction in transmission risk under the new agreement result in a substantial improvement in the core pricing and risk profile when compared with the existing supply contract.

Accounting Treatment of NZAS Contract

Under the new agreement, the arrangement with NZAS includes a CfD, which is accounted for at fair value in accordance with NZ IAS 39: *Financial Instruments: Recognition and Measurement*. Subsequent fair value changes are recognised in the income statement.

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

Whilst there are projected negative cash flows on the CfD against Meridian's forecast forward price curve, it is expected that the entire arrangement with NZAS will have a positive impact on Meridian's cash flows that will more than offset the settlements expected under the CfD.

At 31 December 2010, the Carrying Value of the CfD is as Follows:

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Present Value of Estimated Cash Flows	(584,353)	(517,482)	(602,175)
Less: Day 1 Adjustment[1]	514,970	514,970	514,970
	(69,383)	(2,512)	(87,205)

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

10 Derivative Financial Instruments

	GROUP		
	UNAUDITED 31 DEC 2010 $'000	UNAUDITED 31 DEC 2009 $'000	AUDITED 30 JUN 2010 $'000
Current Assets			
Foreign Exchange Contracts	**4,771**	213	252
Electricity Derivatives	**10,790**	7,259	10,752
	15,561	7,472	11,004
Non-Current Assets			
Interest Rate Swaps/Options	**12,695**	18,893	9,178
Cross-Currency Interest Rate Swaps	**-**	6,613	74,209
Electricity Derivatives	**34,661**	70,922	88,504
	47,356	96,428	171,891
Current Liabilities			
Interest Rate Swaps/Options	**-**	3,442	36
Foreign Exchange Contracts	**8,360**	24,921	33,935
Electricity Derivatives	**4,461**	5,494	4,621
	12,821	33,857	38,592
Non-Current Liabilities			
Interest Rate Swaps/Options	**46,575**	24,140	50,696
Cross-Currency Interest Rate Swaps	**8,936**	-	-
Foreign Exchange Contracts	**48**	3,401	85
Electricity Derivatives	**118,522**	41,943	101,608
	174,081	69,484	152,389

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

The table below shows the changes in the fair values 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 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Cross-Currency Interest Rate Swaps	**(79,922)**	(76,046)	(9,942)
Borrowings	**79,744**	76,410	10,349
	(178)	364	407
Interest Rate Swaps	**7,644**	9,466	(23,399)
Cross-Currency Interest Rate Swaps (Margin)	**-**	(365)	(304)
Net Change in Fair Values of Financial Instruments Gain/(Loss) Included in Other Finance Related Expenses	**7,466**	9,465	(23,296)
Foreign Exchange Contracts	**(109)**	(485)	(198)
CfDs – NZAS Contract	**17,822**	65,532	(19,162)
CfDs – Aluminium	**(34,796)**	(32,995)	(4,097)
CfDs – Electricity	**(48,763)**	(8,629)	8,585
Net Change in Fair Value of Financial Instruments (Loss)/Gain on Financial Instruments Included in Operating Profit	**(65,846)**	23,423	(14,872)
Total Net Change in Fair Value of Financial Instruments (Loss)/Gain	**(58,380)**	32,888	(38,168)

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Total Amount of Change in Fair Values of Level 3 Financial Instruments Recognised in the Income Statement[1]	**(33,594)**	65,532	(7,497)

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

Cash Flow Hedge Reserve

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve. The movement in the cash flow hedge reserve for the six months ended 31 December 2010 of ($0.8) million is net of tax (December 2009 ($14.8) million, June 2010 $6.2 million).

This movement comprises the realised and unrealised changes in the fair values of electricity derivatives of ($0.3) million (December 2009 $0.2 million, June 2010 $1.2 million), the reclassification of FECs to profit or loss of $1.6 million (December 2009 nil, June 2010 $33.1 million) and the realised and unrealised changes in fair values of treasury derivatives (foreign exchange contracts and CCIRSs) of ($0.5) million (December 2009 ($15.0) million, June 2010 $5.0 million).

11 Dividends Paid

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
2009 Final Dividend Paid	**-**	263,911	263,912
2010 Interim Dividend Paid	**-**	-	89,580
2010 Final Dividend Paid	**68,495**	-	-
	68,495	263,911	353,492

12 Property, Plant and Equipment

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Additions at Cost	**202,339**	120,483	443,712
Carrying Value of Disposals (Including Those Classified as Held for Sale)	**624**	3,771	10,797
Proceeds of Disposals (Including Those Classified as Held for Sale)	**954**	6,159	11,092

13 Assets Classified as Held For Sale

As at 31 December 2010 the Tekapo A and B power stations, which will be sold to Genesis Energy during 2011 (refer to note 18), have been classified as held for sale at their current book value, as determined by independent valuers PricewaterhouseCoopers at 30 June 2010. The value of the Tekapo assets represents a stand-alone valuation excluding any allocation of corporate overheads.

Prior period assets classified as held for sale relate to land, buildings and land improvements originally purchased for anticipated hydro projects.

Prior period liabilities classified as held for sale represent the estimated disposal costs of the assets classified as held for sale.

14 Investments in Subsidiaries and Controlled Entities

During the six months ended 31 December 2010, the Energy for Industry business that was previously operated within Meridian Energy Limited was transferred into the subsidiary Energy for Industry Limited.

During the six months ended 31 December 2010, Meridian entered into a 50/50 joint venture arrangement with AGL Energy Limited for the construction of the 420MW Macarthur wind farm in south-west Victoria. The project is expected to cost AUD$1 billion (Meridian's 50% share being AUD$0.5 billion) with construction expected to take three years. During the six months ended 31 December 2010, AUD$50 million was spent in respect of the joint venture arrangement and it is capitalised as capital work in progress, which forms part of Property, Plant and Equipment in the statement of financial position.

During the six months ended 31 December 2010, Meridian Energy Australia Pty Limited changed its name to Meridian Wind Macarthur Holdings Pty Limited and Meridian Renewables Pty Limited changed its name to Meridian Energy Australia Pty Limited.

Notes to the Condensed Interim Financial Statements continued

For the six months ended 31 December 2010

15 Commitments

	GROUP		
	UNAUDITED 6 MONTHS ENDED 31 DEC 2010 $'000	UNAUDITED 6 MONTHS ENDED 31 DEC 2009 $'000	AUDITED 12 MONTHS ENDED 30 JUN 2010 $'000
Capital Expenditure Commitments			
Property, Plant and Equipment	**616,353**	99,209	107,375
Software	**350**	26	11,485
	616,703	99,235	118,860

Guarantees

Meridian Wind Macarthur Holdings Pty Limited has various obligations arising from the joint venture with AGL Energy Limited (discussed in note 14 and disclosed above). These include performance and funding obligations under the joint venture deed, obligations to contractors in relation to the construction of the wind farm, and obligations under various landowner agreements. Meridian Energy Limited has provided various guarantees and letters of comfort to the relevant parties that effectively guarantee the obligations of Meridian Wind Macarthur Holdings Pty Limited.

16 Subsequent Events

On 22 February 2011 the Board declared a fully imputed dividend of $94.2 million payable on 29 April 2011. 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 2010.

17 Contingent Assets and Liabilities

There were no contingent assets or liabilities at 31 December 2010.

The arbitration between Meridian and RTA Power (NZ) Limited was settled in October 2010 for a sum of $28.1 million (net of legal costs) and this is included in Energy Sales in the income statement.

18 Ministerial Review

The Government announced the initial outcomes of the Electricity Market Ministerial Review in early December 2009. The recommendations included the sale of Tekapo A and B power stations to Genesis Energy and the establishment of Virtual Asset Swap (VAS) agreements (long-term swaps of electricity) between Meridian in the South Island and Genesis Energy and Mighty River Power in the North Island. During December 2010 Meridian was issued a Ministerial Direction to sign the VAS agreements taking effect from January 2011. The sale of Tekapo A and B power stations is expected to occur in the second half of this financial year.

Review Report of the Auditor-General to the Readers of the Condensed Group Interim Financial Statements of Meridian Energy Limited

We have reviewed the condensed consolidated interim financial statements on pages 16 to 34. The condensed consolidated interim financial statements provide information about the past financial performance of Meridian Energy Limited and its subsidiaries (the 'Group') and its financial position as at 31 December 2010. This information is stated in accordance with the Group's NZ IFRS accounting policies.

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 interim financial statements which present fairly the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' 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, Jamie Schmidt, using the staff and resources of Deloitte to undertake the annual audit of the Group.

We are responsible for reviewing the condensed 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 interim financial statements do not present fairly 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 interim financial statements of the Group for the six months ended 31 December 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

Our firm carries out other assignments for the Group in the area of other assurance services on behalf of the Auditor-General. In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in, the Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements on pages 16 to 34 do not present fairly the financial position of the Group as at 31 December 2010 and the results of its operations and cash flows for the six months ended on that date in accordance with both IAS 34: *Interim Financial Reporting* and NZ IAS 34, *Interim Financial Reporting*.

Our review was completed on 22 February 2011 and our review opinion is expressed as at that date.

Yours sincerely

J Schmidt

Jamie Schmidt
DELOITTE
ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND

This review report relates to the unaudited condensed group interim financial statements of Meridian Energy Limited for the six months ended 31 December 2010 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 group interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed group 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 group 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 reviewed unaudited group consolidated interim financial statements and related review report dated 22 February 2011 to confirm the information included in the reviewed unaudited condensed group interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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