meridian

18 February 2015

Company Announcements Office
ASX Market Announcements
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

Meridian Energy Limited (MEZCA)

Please find attached the media release, analyst presentation and investor letter related to Meridian's half year report.

Yours sincerely

Jason Stein

Jason Stein
General Counsel and Company Secretary
Meridian Energy Limited

Meridian delivers higher earnings

18 February, 2015

Meridian Energy delivered a solid interim result for the six months to 31 December 2014, with higher earnings compared to the same period last year.

Meridian was ahead of the same period last year on all financial measures with Net Profit After Tax (NPAT) of $117.1m, while Underlying NPAT (which excludes the effects of non-cash fair value movements, gains on sale of assets, impairments and other one off items) was $114.8m.

Performance against last year

Meridian Chief Executive Mark Binns said that it was gratifying that earnings were up against the previous period on all measures.

Compared with the same period last year, earnings before interest and taxation, depreciation and amortisation and fair value adjustments (EBITDAF) was up 20.9% and underlying NPAT was up 38.3%. The result was due to an increase in generation volumes and wholesale prices, improved retail sales volume in irrigation and business sales and a decrease in operating costs.

“It was especially pleasing to note that total electricity demand in the period had shown a 1.3% lift on the previous corresponding period following a period of flat or declining demand,” said Mr Binns.

Dividends and Capital Management

Meridian will pay an interim dividend of 4.8 cents per share which is 4% higher than the dividend forecast in the Prospectus.

In addition, Meridian will pay a special dividend of 1.4 cents per share. This will utilise imputation credits that would otherwise be lost upon the final payment on the instalment receipts and the subsequent transfer of shares from the Crown to shareholders, in May this year.

Both dividends will be imputed to 100% and paid on 15 April 2015.

As indicated in August last year, the Board has reviewed the company’s capital structure given its conservative gearing ratios and the limited likely requirement for capital to fund substantial growth in the foreseeable future.

The initial step is an immediate amendment to the dividend policy to increase the percentage of free cash flow paid out on average from 70%-80% to 75%-90%. All other elements of the dividend policy remain unchanged.

In addition, Meridian intends to return $625m to shareholders over the next five years. The Board will remain flexible as to how this is achieved but the anticipated form of return will be either an annual on-market share buyback programme, special dividends, or a combination of both.

The capital return will follow the final instalment receipt process and will be subject to the owners of the Tiwai Point smelter not terminating the electricity agreement, or there not being any adverse event in the interim.

Details of the initial capital return programme for FY16 will be announced in August at the FY15 results announcement.

Outlook

While significant parts of the country are experiencing drought conditions, the southern lakes which feed Meridian's power stations are receiving regular inflows from small weather systems. As at yesterday, storage in Lake Pukaki, the principle storage lake for Meridian, is 93% of average. It is not anticipated that continuing dry conditions will affect the year end result. However, the outlook could change depending on how long the current situation continues.

In Australia, Meridian's Powershop retail brand, which now has over 30,000 customers in Victoria, will enter the NSW market in the first quarter this year.

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Better energy

meridian

MERIDIAN ENERGY LIMITED

2015 INTERIM RESULTS PRESENTATION

for the six months ended 31 December 2014

Disclaimer

The information in this presentation was prepared by Meridian Energy with due care and attention. However, the information is supplied in summary form and is therefore not necessarily complete, and no representation is made as to the accuracy, completeness or reliability of the information. In addition, neither the company nor any of its directors, employees, shareholders nor any other person shall have liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

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This presentation does not constitute financial advice. Further, this presentation is not and should not be construed as an offer to sell or a solicitation of an offer to buy Meridian Energy securities and may not be relied upon in connection with any purchase of Meridian Energy securities.

This presentation contains a number of non-GAAP financial measures, including Energy Margin, EBITDAF, Underlying NPAT and gearing. Because they are not defined by GAAP or IFRS, Meridian's calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the condensed interim financial statements, which are included in Meridian's interim report for the six months ended 31 December 2014 and is available at:

http://www.meridianenergy.co.nz/investors/reports-and-presentations/interim-results-and-reports/

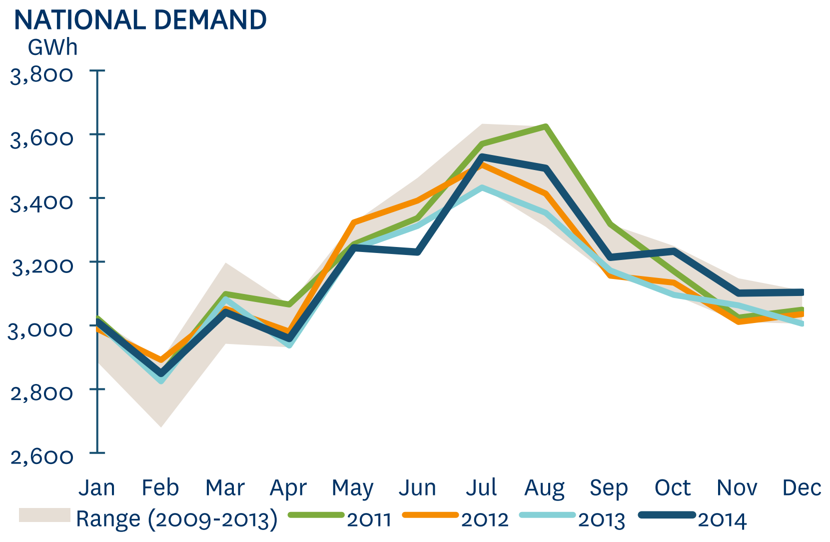
All currency amounts are in New Zealand dollars unless stated otherwise.

Key financial points

- Interim financials well ahead of last year
  - Operating cash flow +13.2%
  - EBITDAF +20.9%
  - Underlying NPAT +38.3%
- Capital projects completed
  - Mt Mercer and Mill Creek wind farms
  - Generation control system
- Total generation volumes +6.1%
  - 271GWh of new wind production
  - Higher winter inflows this year
  - HVDC constraints last year

Key market points

- Modest demand growth in 2014, up 1.3%
- Retail competition remains fierce
- Aluminium prices and currency rates are assessed as having a positive impact on the Tiwai Point smelter
- Slow progress on major regulatory decisions



Capital management

- Lift in dividend policy to 75%-90% of free cash flow (from 70%-80%)
- In addition, targeting a progressive return of a further $625m over next 5 years, starting in August 2015
- Mechanism for this additional return will be considered on an ongoing basis
- Ordinary interim dividend of 4.8 cps, fully imputed
- Special interim dividend of 1.4 cps, fully imputed

Regulatory issues

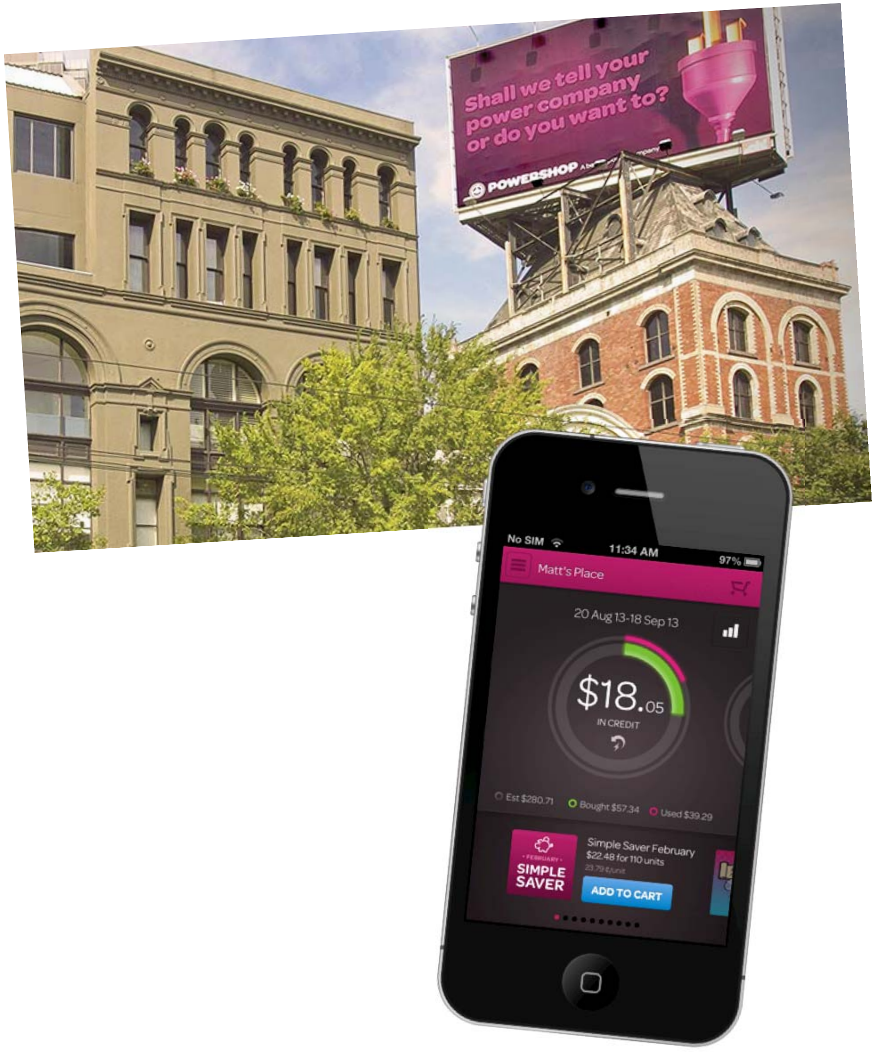
- The Electricity Authority is expected to publish a transmission pricing options paper in the next few weeks
- A second issues paper is due in June 2015
- Currently the proposed changes will mean lower transmission charges to consumers and downward pressure on retail prices
- Uncertainty about the Renewable Energy Target (RET) in Australia has paralysed investment in renewable generation
- Unclear when a stable, bipartisan energy policy that supports renewables may return
- Meridian's focus in Australia is on successfully rolling out a new retail experience

Projects

- Major projects completed on time and under budget
  - Mt Mercer will eliminate half a million tonnes of carbon emissions annually
  - Mill Creek completion means that Wellington wind can now power 100,000 homes
  - New generation control system monitors 50,000 data points around our assets
- Other projects progressing inside the stay in business capital envelope
  - Waitaki refurbishment
  - Manapouri transformer replacement

Powershop Australia

- Over 30,000 customers in Victoria at the end of January 2015
- Leverages existing NZ technology and call centre investment
- Business run out of Melbourne and Wellington
- Customers serviced out of Masterton
- Anticipating NSW launch this quarter



New Zealand retail

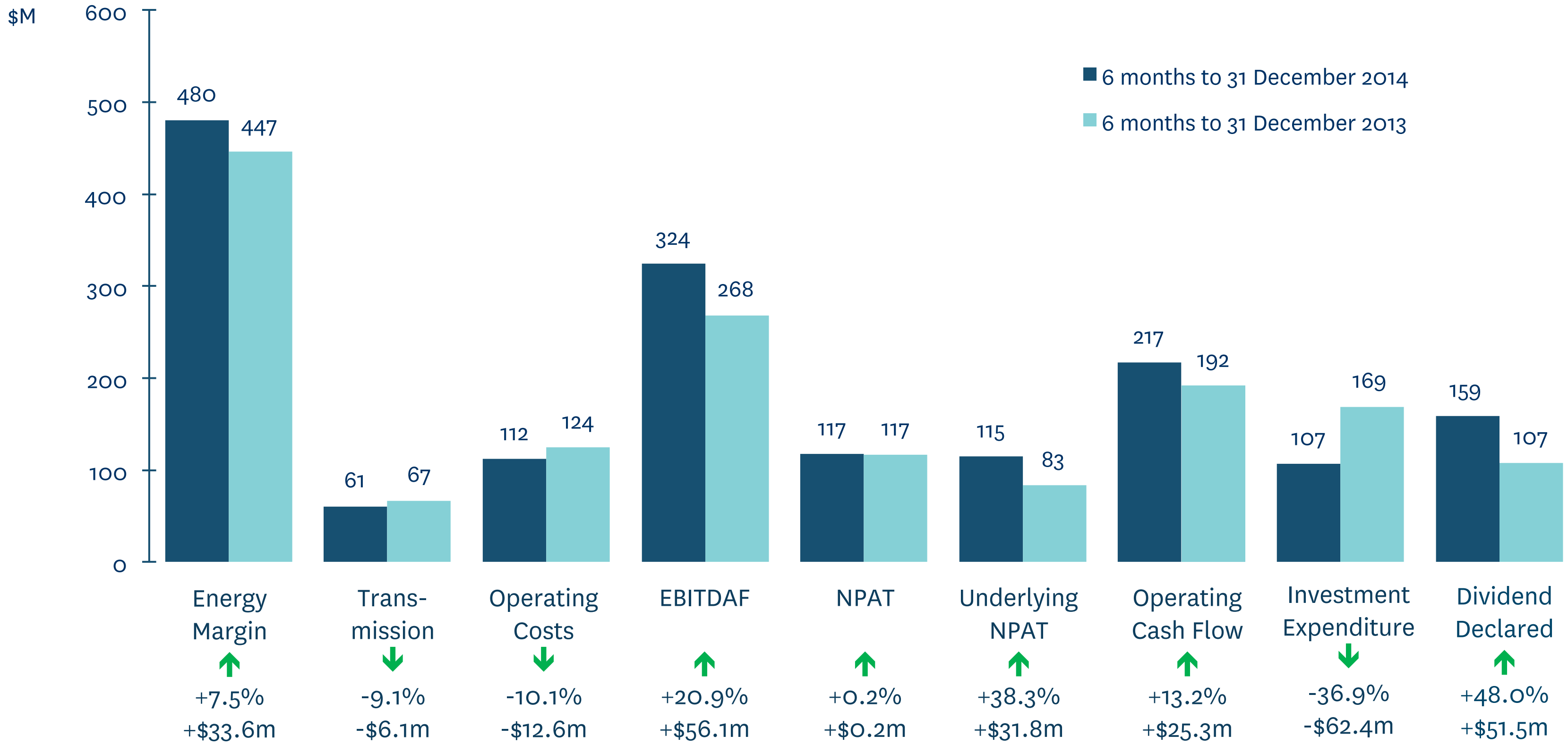
- Arc metering business sold and programme commenced to replace remaining 125,000 legacy meters
- New Meridian website launched, improved customer join, move and bill estimate functionality
- Aggressive residential competition has seen a small decline in customer connections
- More successful targeted retention activity: 2.4% improvement in Meridian's rolling retention rate since June 2014

New Zealand retail

- Annual demand up 1.3%, last 6 months up 2.9% on prior period
- Reduced fuel purchase obligations mean that thermal generators are able to reduce output
- The forward market has risen across all quarters, which may benefit commercial and industrial pricing
- No network-wide energy price increases in April this year
- Meridian's residential pricing is close to the lowest in most major networks

Financial performance

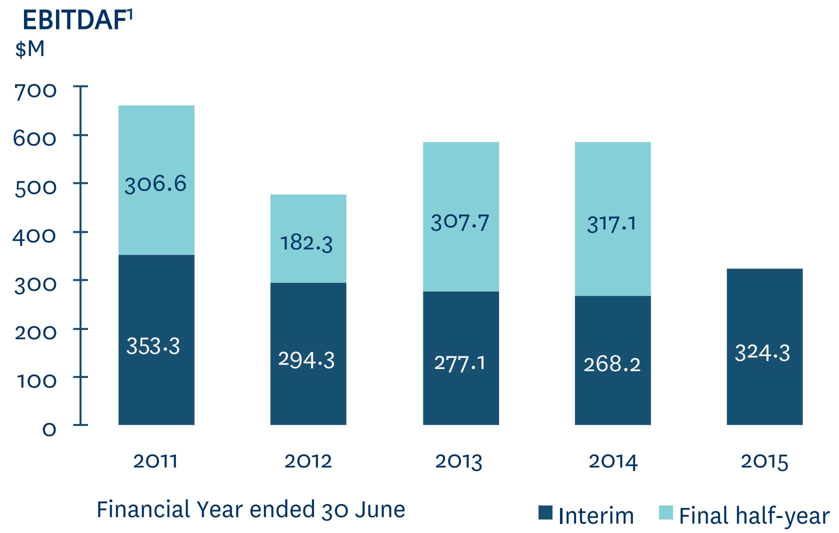
FINANCIAL PERFORMANCE AGAINST PRIOR YEAR

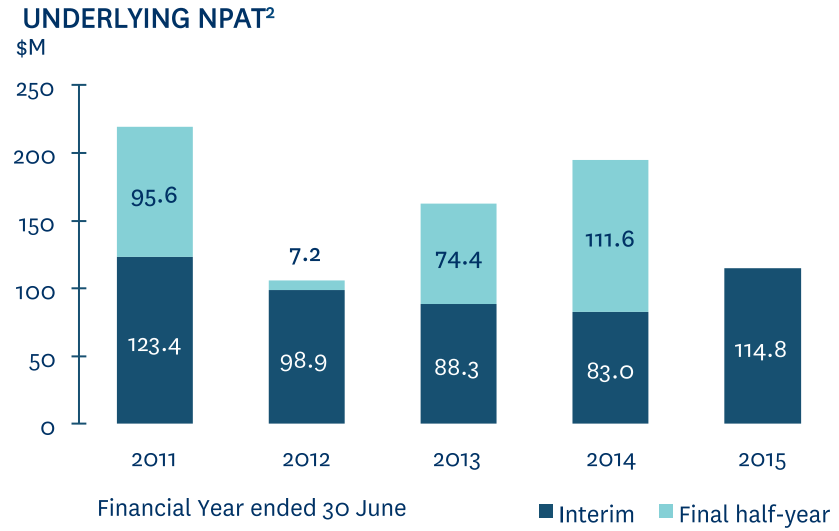


- Better than prior year performance on all major financial measures
- 1H FY14 included $8.3m of IPO costs, not repeated in 1H 14
- 1H FY15 EBITDAF includes $5.2m of insurance proceeds
- 1H FY15 NPAT includes $15.2m of gains on asset sales – metering business and farms

Earnings

- 'Like for like' EBITDAF (excluding insurance proceeds and IPO costs) increase of 15.4% in 1H FY14 from:
  - Additional generation from Mill Creek in NZ and Mt Mercer in Australia
  - Higher residential/SME sales volumes
  - Higher sell-side CFD volumes and lower acquired generation, off the back of higher NZ generation
  - Continued cost savings and lower HVDC charges
- Higher interest costs on connection asset finance leases and end of project interest capitalisation





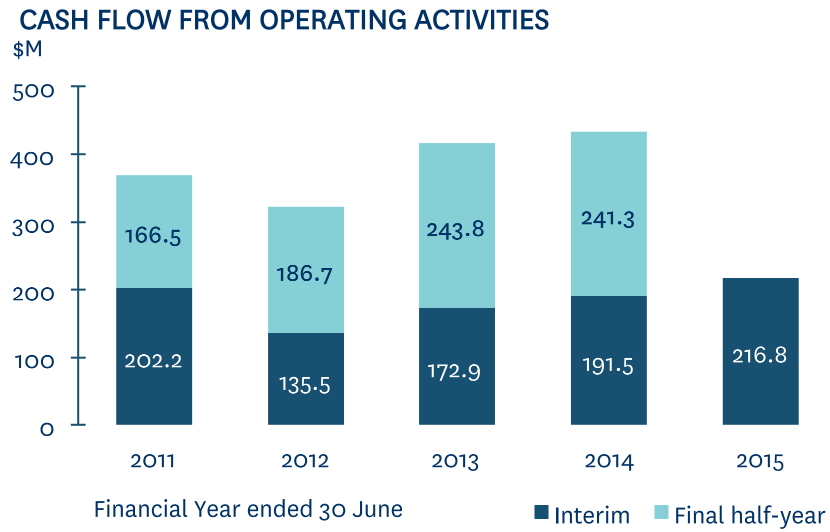
[1]Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets

[2]Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items

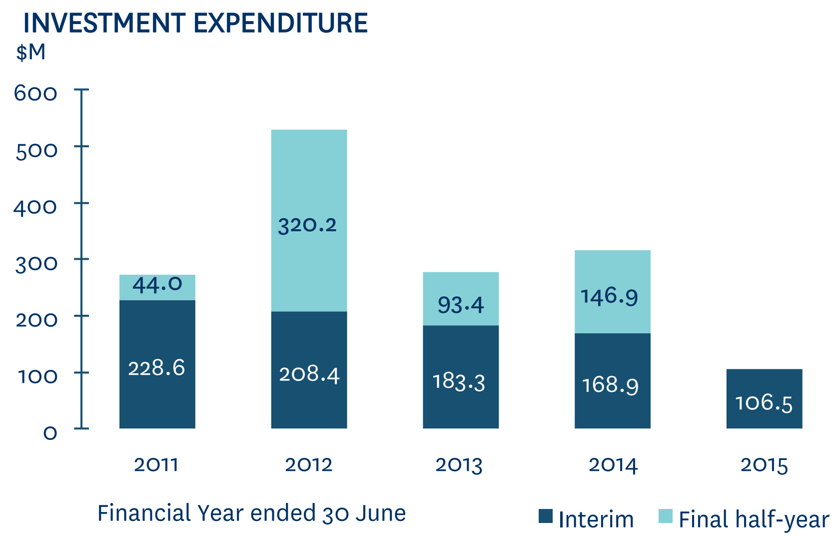
A reconciliation between Net Profit after Tax and Underlying Net Profit after Tax is on p31

Operating cash flow and investment expenditure

- Net cash flow from operating activities was $25.3m (13.2%) higher than 1H FY14
- Reflects the higher energy margin and lower operating costs in 1H FY15
- Includes higher income tax payments on improved EBITDAF

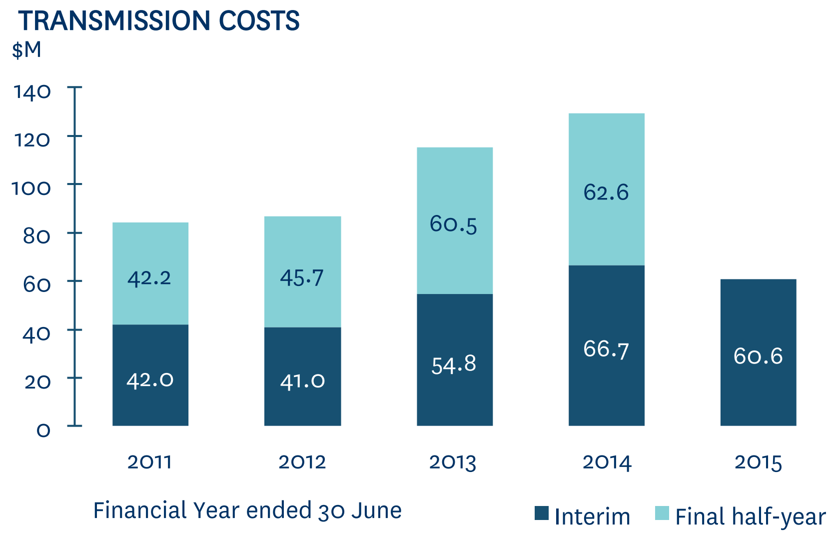


- Investment expenditure was $62.4m (36.9%) lower than 1H FY14
- Reflects completion of Mill Creek and Mt Mercer wind projects
- Both projects were completed under budget
- Stay in business capital expenditure of $23.9m in 1H FY15

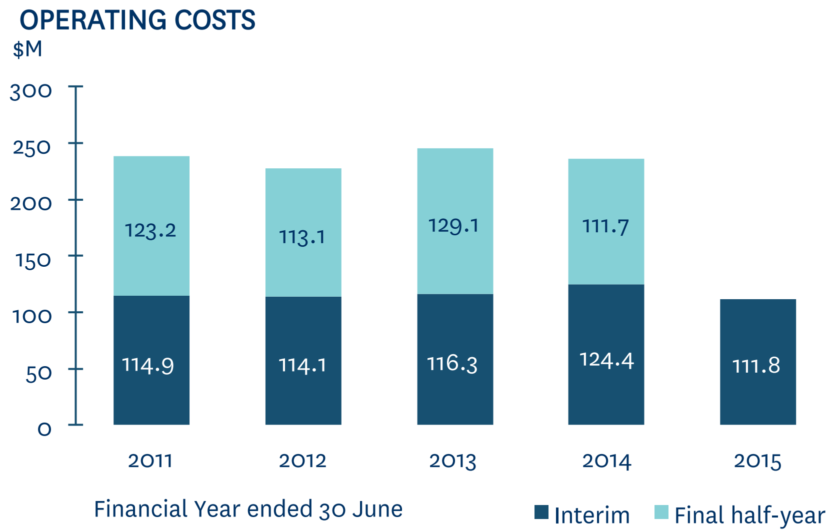


Costs

- $6.1m (9.1%) decrease in Transmission costs in 1H FY15
- Benefiting from lower final costs on HVDC Pole 3 project
- 5% increase in 2015/16 transmission costs coming



- $12.6m (10.1%) decrease in reported Operating costs in 1H FY15
- Adjusting for IPO costs, Operating costs have decreased $4.3m (3.7%) in 1H FY15
- Absorbing costs from growth projects – new wind farms and Powershop Australia



Concluding remarks

- Higher energy margin and lower costs has driven a lift in profits and operating cash flow
- Inflows into catchments have been consistent, with Lake Pukaki storage (as at 17 Feb) 93% of average. Position is not adversely affecting generation outlook
- Tiwai Point decision
- Amended dividend policy the first step in a capital management programme, with further update in August 2015
- Final instalment receipt payment of $NZ0.50 per share due in May 2015, more details at:

  www.treasury.govt.nz/statesector/soes/meridianenergyinstalmentreceipts

Additional information

New Zealand retail

Customer connections

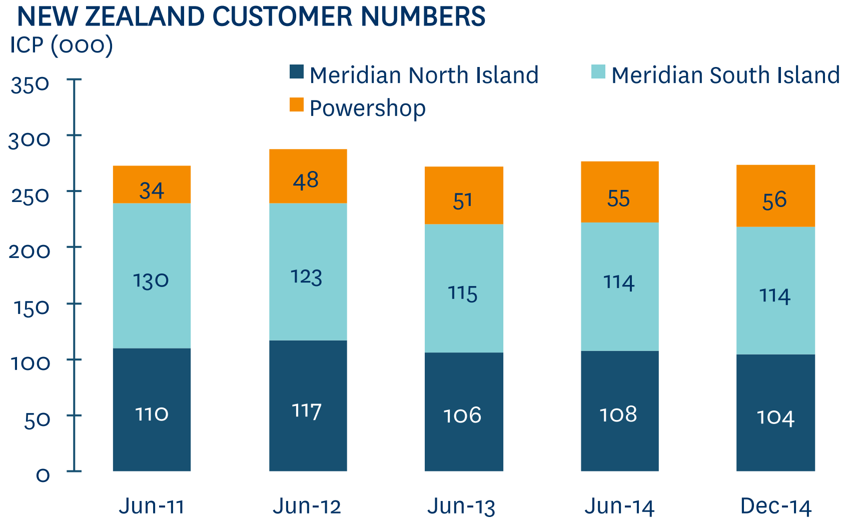
- Small decline in ICP numbers since June 2014, reflecting aggressive residential sales activity

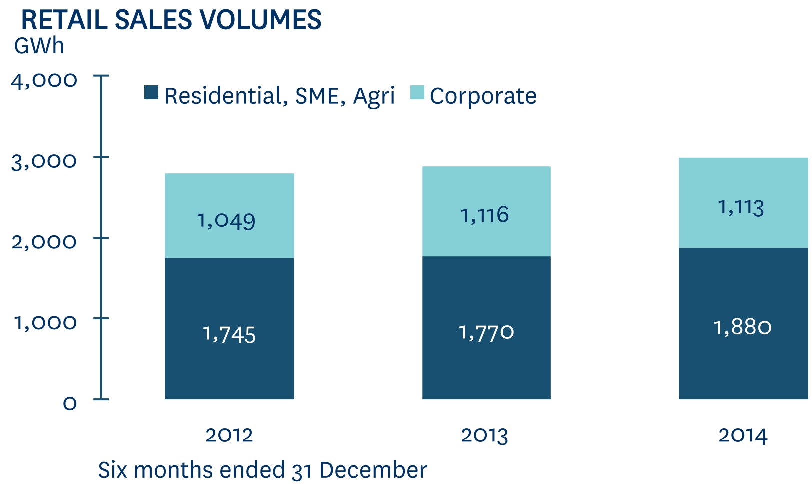
Residential, SME, Agri segment

- 6.2% increase in volumes largely from growth in SME and agribusiness customer base
- Average price is stable

Corporate segment

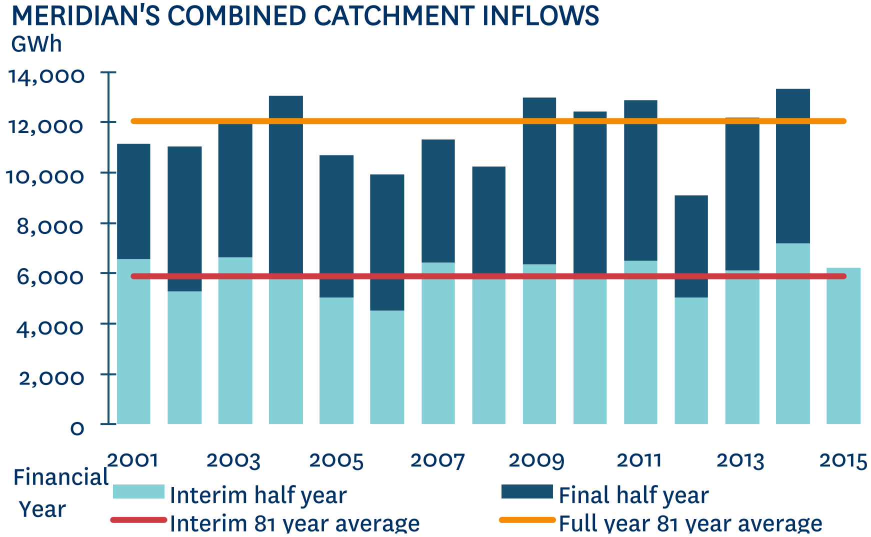
- 4.2% decrease in average price, reflecting corporate and industrial customers rolling off fixed term contracts
- Increasing ASX prices may feed through into C&I pricing

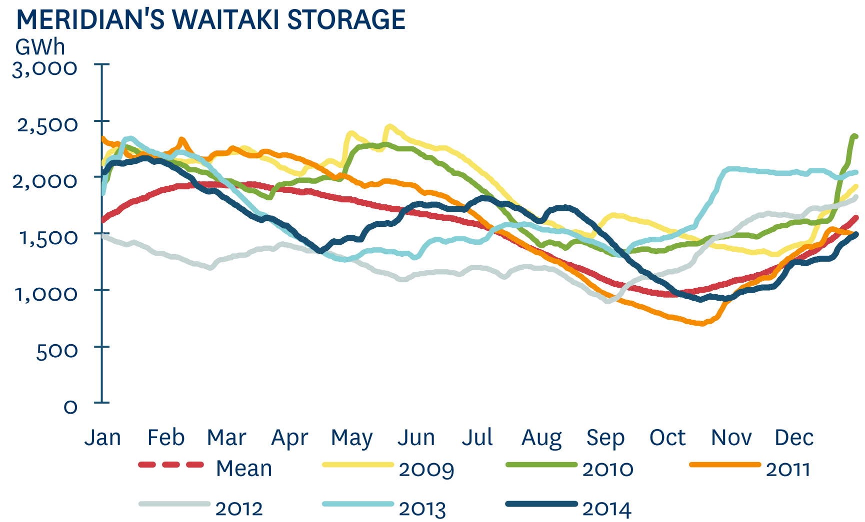




Hydrology

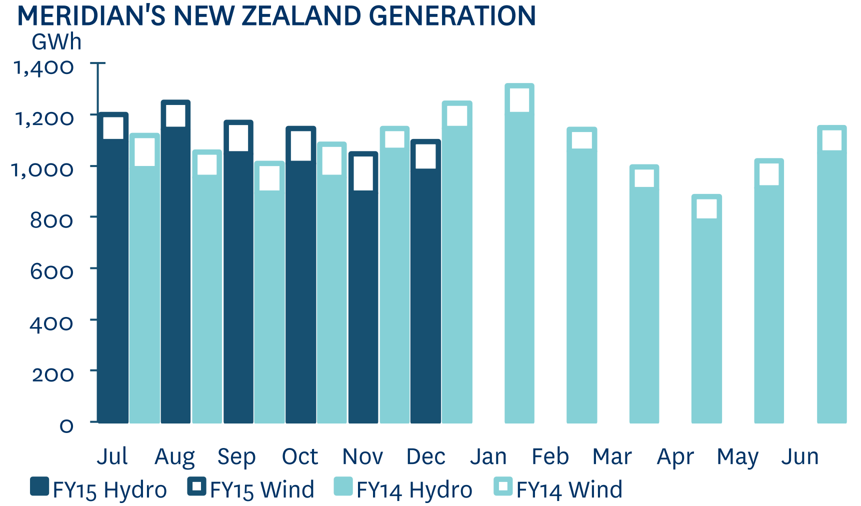
- Inflows for the 6 months to December 2014 were 106% of historical average
- This reflects comparatively high inflows in July and August 2014
- January 2015 inflows were 77% of historical average
- Meridian's Waitaki catchment storage at 31 December 2014 was 91% of historical average
- By 31 January 2015, this storage position was 83% of historical average

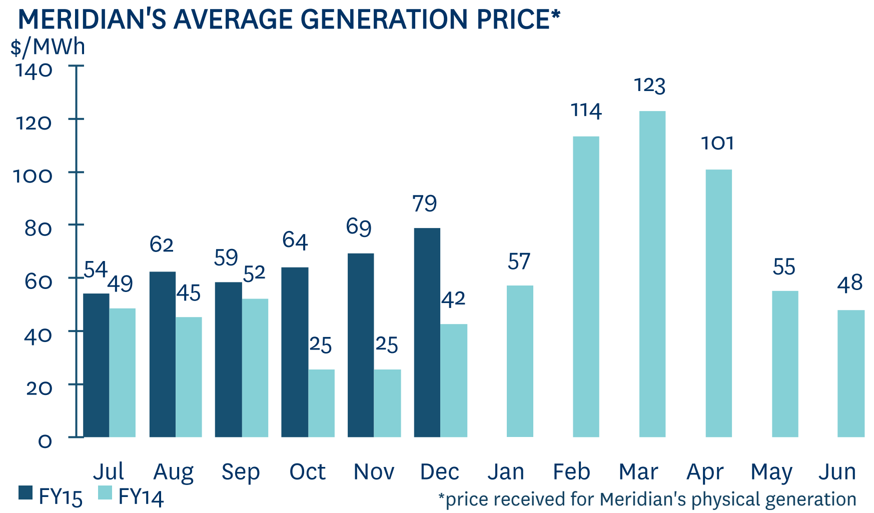




New Zealand generation

- For the 6 months to December 2014, Meridian's New Zealand generation was 3.8% higher than the same period last year
- For the 6 months to December 2014, the average price Meredian received for its generation was 61.7% higher than the same period last year
- Similarly, the price Meridian paid to supply contracted sales in the 6 months to December 2014 was 60.4% higher than last year

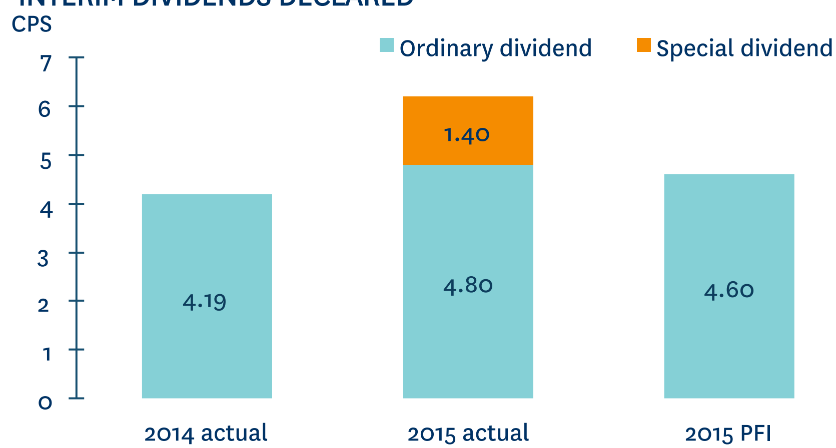




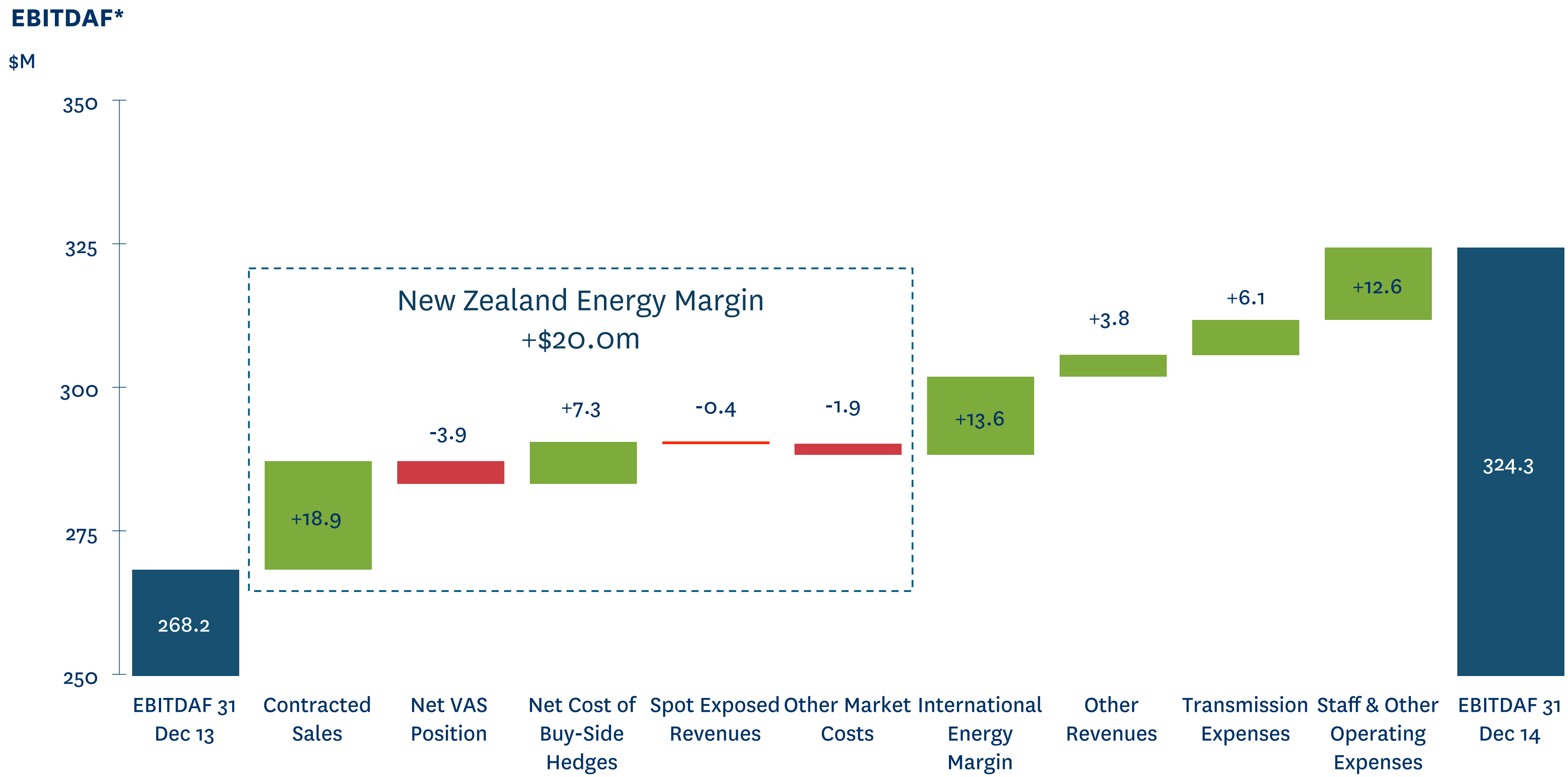
Dividends

2015 DIVIDENDS	DATE ANNOUNCED	DATE PAID	AMOUNT CPS	IMPUTATION %
Interim Ordinary Dividend	18 February 2015	15 April 2015	4.80	100%
Interim Special Dividend	18 February 2015	15 April 2015	1.40	100%
Total Interim Dividend			6.20	100%

INTERIM DIVIDENDS DECLARED



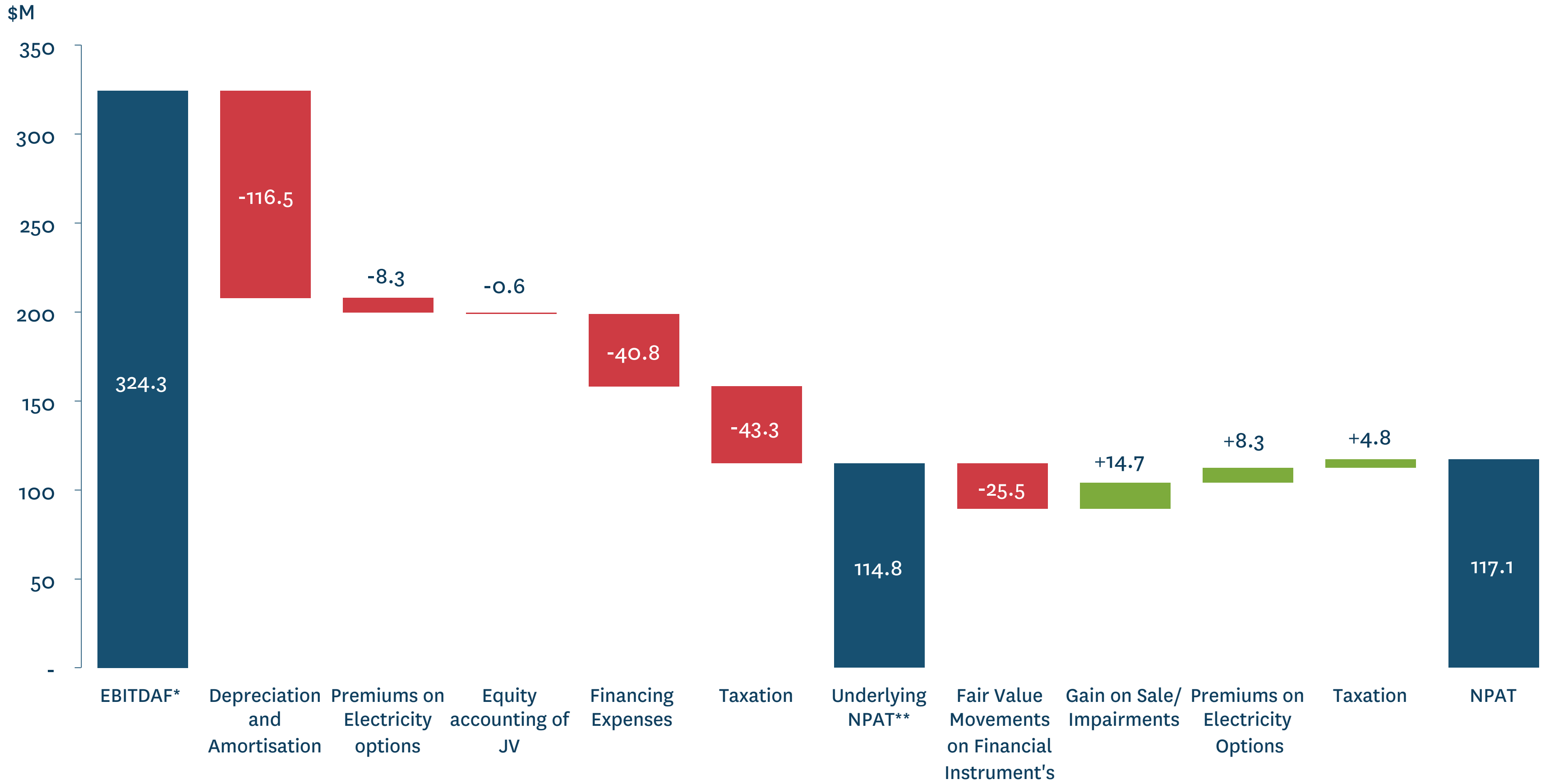
Movement in EBITDAF HY14 to HY15



*Earnings before interest, taxation, depreciation, amortisation, changes in fair value of financial instruments, impairments and gain/(loss) on sale of assets

EBITDAF and Net Profit After Tax

HY2015 EBITDAF TO NPAT RECONCILIATION



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**Net Profit after Tax adjusted for the effects of non cash fair value movements and other one-off items

A reconciliation between Net Profit after Tax and Underlying Net Profit after Tax is on p30

New Zealand energy margin

- Energy margin is a non-GAAP financial measure representing Energy Sales Revenue less Energy Related Expenses and Energy Distribution Expenses
- Energy margin is used to measure the vertically integrated performance of the retail and wholesale businesses. This measure is used in place of statutory reporting which requires gross sales and costs to be reported separately, therefore not accounting for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases

- Energy margin is defined as:
  + revenues received from sales to customers net of distribution costs (fees to distribution network companies that cover the costs of distribution of electricity to customers), sales to large industrial customers and fixed price revenues from derivatives sold (Contract sales revenue)

  ± the net position of virtual assets swaps with Genesis Energy and Mighty River Power

  − the cost of fixed cost of derivatives acquired to supplement generation and spot price risks, net of spot revenue received for generation acquired from those derivatives (Net cost of acquired generation)

  ± revenue from the volume of electricity that Meridian generates that is in excess of volumes required to cover contracted customer sales (Spot exposed revenues)

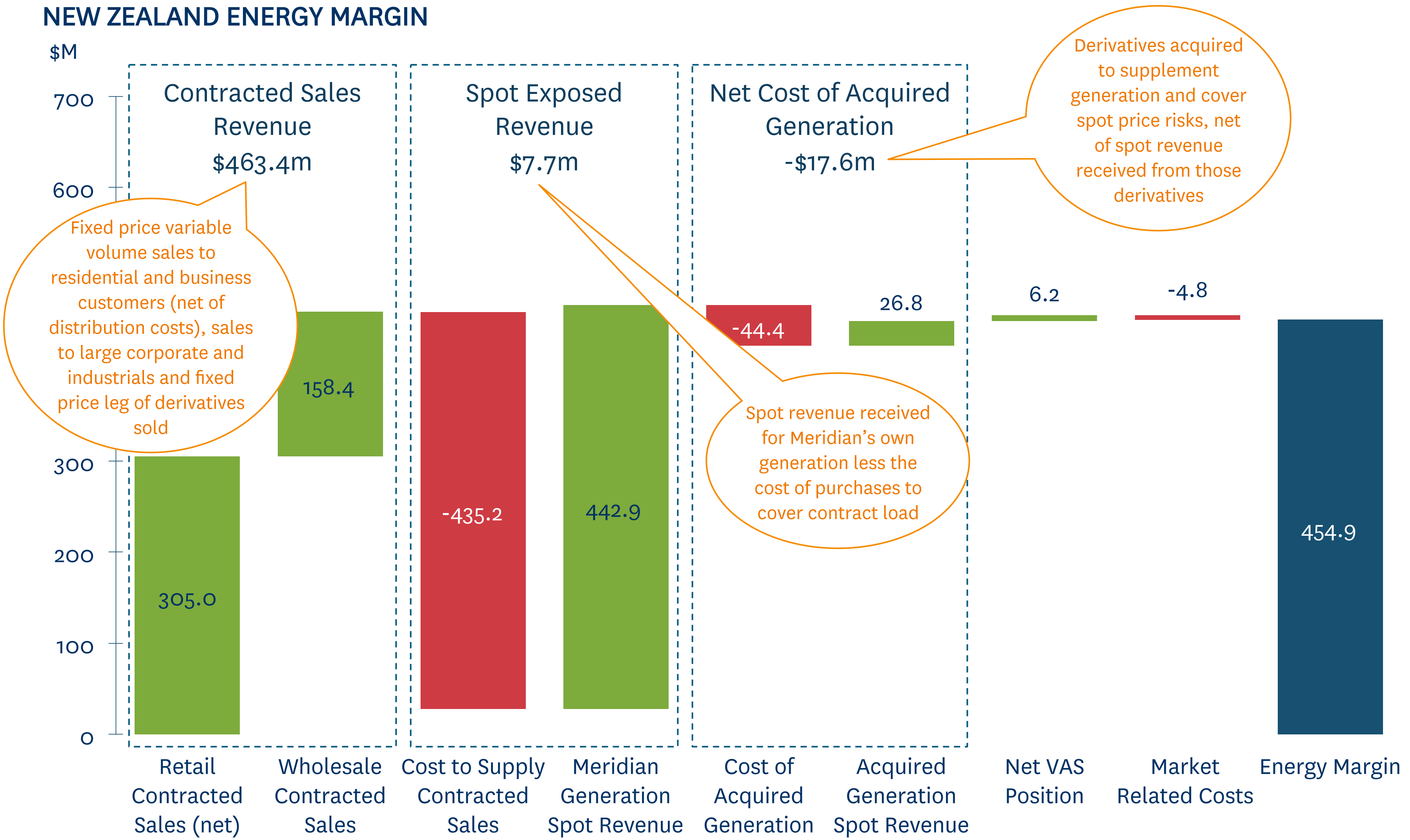
  ± other associated market revenues and costs including Electricity Authority levies and ancillary generation revenues (i.e. frequency keeping)

New Zealand energy margin

NEW ZEALAND ENERGY MARGIN	HY2014			HY2013		
	VOLUME GWh	VWAP $/MWh	$M	VOLUME GWh	VWAP $/MWh	$M
Retail Contracted Sales	2,993.4	$101.9	$305.0	2,885.7	$102.9	$296.9
NZAS Aluminium Sales	2,525.4			2,525.4		
Sell Side CFDs	606.1			434.4		
Wholesale Contracted Sales	3,131.5	$50.6	$158.4	2,959.8	$49.9	$147.6
Net VAS Position	578.8[1]		$6.2	553.6[1]		$10.2
Acquired Generation Revenue	530.3	$50.5	$26.8	665.0	$45.3	$30.1
Cost of Acquired Generation	530.3	-$83.7	-$44.4	665.0	-$82.7	-$55.0
Net Cost of Acquired Generation			-$17.6			-$24.9
Generation Revenue	6,897.6	$64.2	$442.9	6,644.5	$39.7	$263.8
Cost to Supply Contracted Sales	6,302.3	-$69.1	-$435.2	5,940.4	-$43.1	-$255.7
Net Spot Exposed Revenue			$7.7			$8.1
Other Market Revenue/(Costs)			-$4.8			-$3.0
Energy Margin			**$454.9**			**$434.9**
LWAP:GWAP[2]			1.11			1.10

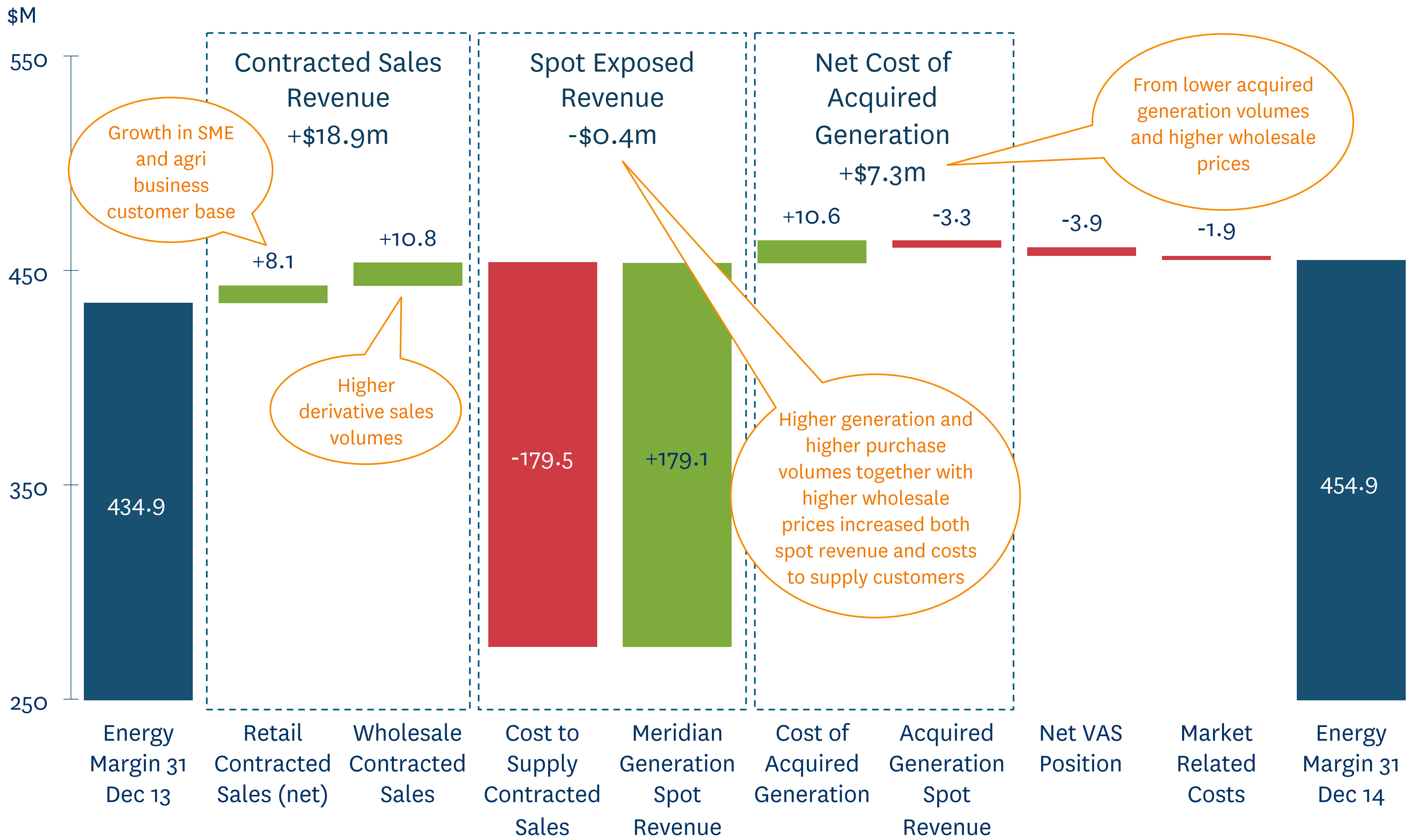
[1]Notional VAS volumes
[2]Ratio between the price per unit received for Meridian's physical generation and the price paid to supply each unit of contracted sales, inclusive of line losses

HY15 energy margin



Movement in energy margin HY14 to HY15

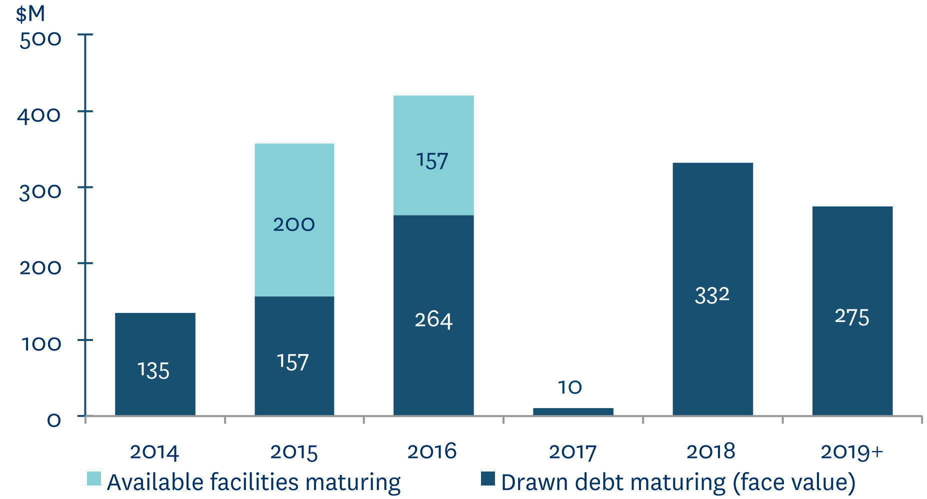
NEW ZEALAND ENERGY MARGIN



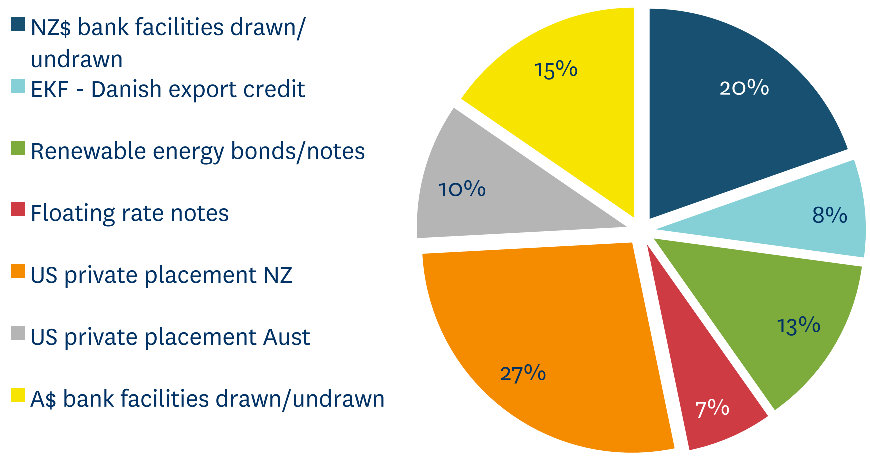
Funding

- Total borrowings as at 31 December 2014 of $1,186.9m, up $60.8m from 31 December 2013 and up $94.4m from 30 June 2014
- Net borrowings (net of cash) as at 31 December 2014 of $955.9m, up $82.2m from 31 December 2013
- Committed bank facilities of $650.7m as at 31 December 2014, of which $357.1m were undrawn
- Net finance costs increased by $3.3m (8.8%) in HY15, reflecting finance lease interest on transmission costs assets and the end of capitalisation of interest on build projects

DEBT MATURITY PROFILE AS AT 31 DECEMBER 2014

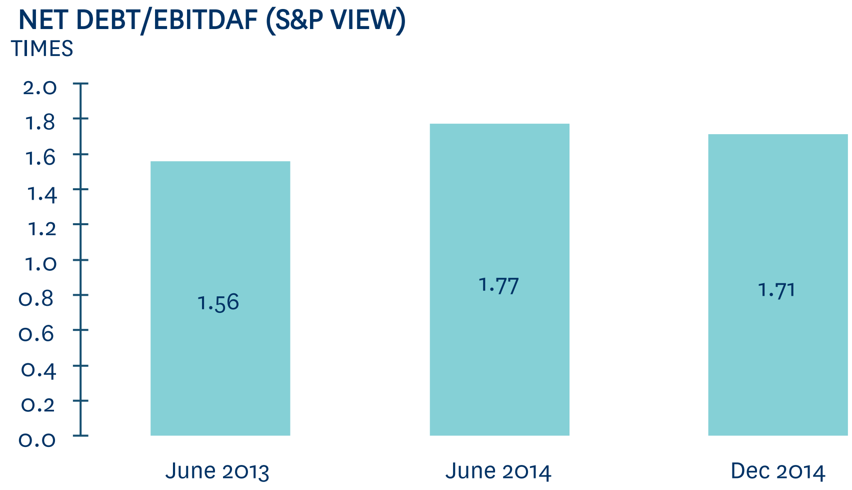


SOURCES OF FUNDING AS AT 31 DECEMBER 2014



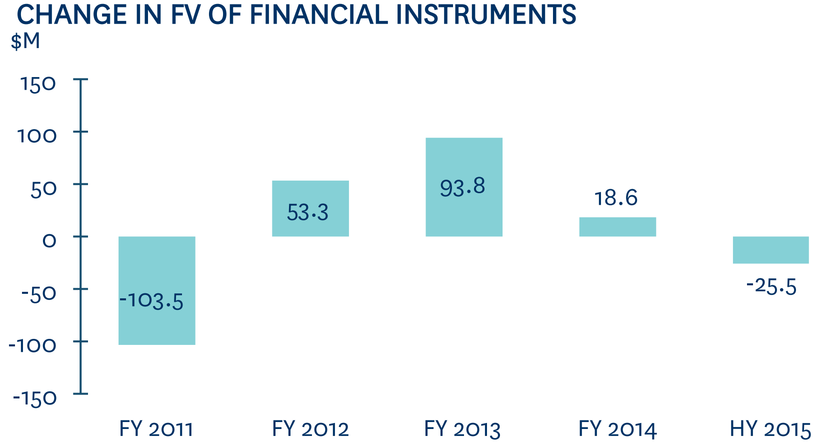
Funding metrics

- Net debt/EBITDAF is the principal metric underpinning S&P credit rating
- S&P calculation of Net debt/EBITDAF includes numerous adjustments to reported numbers
  - Borrowings are adjusted for the impact of finance and operating leases
  - Cash balances are adjusted for restricted cash
  - EBITDAF is adjusted for operating leases and non core revenue



Fair Value movements

- Meridian uses derivative instruments to manage commodity price, interest rate and foreign exchange risk
- As forward prices and rates on these instruments move, non cash changes to their carrying values are reflected in NPAT
- Accounting standards only allow hedge accounting if specific conditions are met, which creates NPAT volatility
- Net changes in the fair value of derivatives was an unrealised loss of $25.5m in HY15
- This is driven by changes in the value of interest rate hedges from a drop in the forward interest rate curve
- This compares to an unrealised gain of $41.2m in HY14 and $18.6m in FY14



Group income statement

SUMMARY GROUP INCOME STATEMENT	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
New Zealand Energy Margin	454.9	434.9	891.5	865.1
International Energy Margin	25.3	11.7	31.9	50.7
Other Revenue	16.5	12.7	27.3	29.7
Energy Transmission Costs	(60.6)	(66.7)	(129.3)	(115.3)
Employee and Other Operating Costs	(111.8)	(124.4)	(236.1)	(245.4)
EBITDAF	**324.3**	**268.2**	**585.3**	**584.8**
Impairment of Assets	(0.5)	-	-	(24.8)
Gain/(Loss) on Sale of Assets	15.2	(2.4)	6.6	106.6
Equity Accounted Earnings of Joint Ventures	(0.6)	(0.2)	(0.4)	0.1
Depreciation and Amortisation of Intangible Assets	(116.5)	(105.3)	(220.0)	(219.7)
Net Change in Fair Value of Financial Instruments (Operational)	0.3	1.7	(8.4)	51.1
Net Finance Costs	(40.8)	(37.5)	(73.7)	(113.5)
Net Change in Fair Value of Financial Instruments (Financing)	(25.8)	39.5	27.0	42.7
Net Profit before Tax	**155.6**	**164.0**	**316.4**	**427.3**
Income Tax Expense	(38.5)	(47.1)	(86.6)	(132.2)
Net Profit after Tax	**117.1**	**116.9**	**229.8**	**295.1**

Group underlying NPAT

UNDERLYING NPAT RECONCILIATION	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
Net Profit after Tax	**117.1**	**116.9**	**229.8**	**295.1**
Net Change in Fair Value of Financial Instruments (Operational)	(0.3)	(1.7)	8.4	(51.1)
Net Change in Fair Value of Financial Instruments (Financing)	25.8	(39.5)	(27.0)	(42.7)
Premiums paid on Electricity Options (less Interest)	(8.3)	(8.3)	(20.1)	(18.5)
Impairment of Assets	0.5	-	-	24.8
Gain on Sale of Assets	(15.2)	2.4	(6.6)	(106.6)
Adjustments before Tax	**2.5**	**(47.1)**	**(45.3)**	**(194.1)**
Income Tax Expense	(4.8)	13.2	10.1	61.7
Underlying Net Profit after Tax	**114.8**	**83.0**	**194.6**	**162.7**

Group cash flow statement

SUMMARY GROUP CASH FLOW STATEMENT	6 MONTHS ENDED 31 DEC		YEAR ENDED 30 JUNE	
	2014 $M	2013 $M	2014 $M	2013 $M
Receipts from Customers	1.002.4	963.5	2,083.4	2,390.0
Interest and Dividends Received	4.6	4.2	8.5	2.1
Payments to Suppliers and Employees	(685.9)	(677.9)	(1,480.5)	(1,811.8)
Interest and Income Tax Paid	(104.3)	(98.3)	(178.6)	(163.6)
Net Cash Inflows from Operating Activities	**216.8**	**191.5**	**432.8**	**416.7**
Sale of Property, Plant and Equipment	15.4	4.7	41.1	0.6
Finance Lease Receiveable/Payable	(0.4)	0.2	(0.3)	-
Sale of Subsidiaries and Investments	24.0	2.1	21.1	152.0
Purchase of Property, Plant and Equipment	(101.2)	(151.7)	(283.7)	(244.8)
Capitalised Interest	(0.4)	(3.6)	(9.3)	(5.7)
Purchase of Intangible Assets and Investments	(4.5)	(13.6)	(22.3)	(26.2)
Net Cash Outflows from Investing Activities	**(67.1)**	**(161.9)**	**(253.4)**	**(124.1)**
Proceeds from Borrowings	203.7	80.4	133.7	1,115.9
Dividends Paid	(228.6)	(152.6)	(261.4)	(99.8)
Shares Purchased for Long Term Incentive	(1.0)	(1.0)	(1.0)	-
Term Borrowings Paid	(168.9)	(85.3)	(153.5)	(1,117.4)
Net Cash Outflows from Financing Activities	**(194.8)**	**(158.5)**	**(282.2)**	**(101.3)**

Group balance sheet

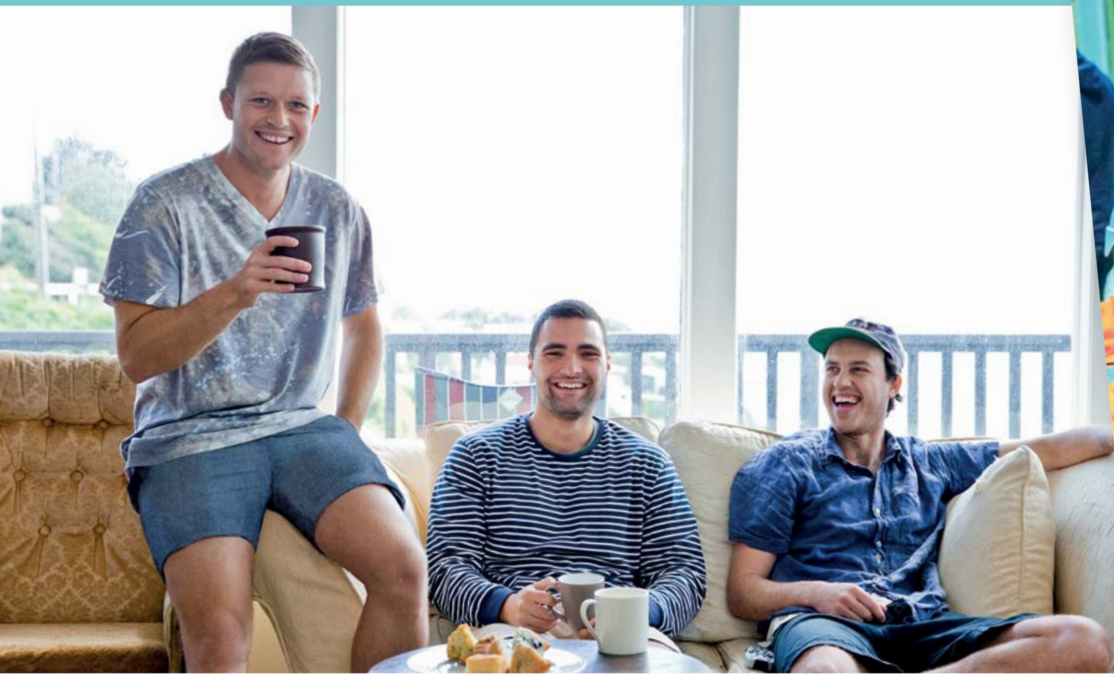
SUMMARY GROUP BALANCE SHEET	6 MONTHS ENDED 31 DEC 2014 $M	6 MONTHS ENDED 31 DEC 2013 $M	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M
Cash and Cash Equivalents	231.0	252.4	276.4	382.8
Accounts Receiveable	217.1	180.7	182.7	254.5
Other Current Assets	58.7	95.2	63.5	128.8
Current Assets	**506.8**	**528.3**	**522.6**	**766.1**
Intangible Assets	45.7	55.5	54.0	54.8
Property, Plant and Equipment	6,852.9	6,809.3	6,929.0	6,769.0
Other Non-Current Assets	143.6	80.1	84.2	147.5
Non-Current Assets	**7,042.2**	**6,944.9**	**7,067.2**	**6,971.3**
Payables and Accruals	232.7	176.8	235.6	274.8
Current Portion of Term Borrowings	133.7	62.2	133.4	146.7
Other	67.0	92.4	96.9	99.0
Current Liabilities	**433.4**	**331.4**	**465.9**	**520.5**
Deferred Tax Liability	1,343.3	1,354.6	1,349.7	1,364.2
Term Borrowings	1,053.2	1,063.9	959.1	1,033.5
Other	201.6	88.2	181.4	131.2
Total Non-Current Liabilities	**2,598.1**	**2,506.7**	**2,490.2**	**2,528.9**
Net Assets	**4,517.5**	**4,635.1**	**4,633.7**	**4,688.0**

Glossary

Acquired generation volumes	buy-side electricity derivatives excluding the buy-side of virtual asset swaps
Average generation price	the volume weighted average price received for Meridian's physical generation
Average retail contracted sales price	volume weighted average electricity price received from retail customers, less distribution costs
Average wholesale contracted sales price	volume weighted average electricity price received from wholesale customers, including NZAS
Combined catchment inflows	combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes
Cost of acquired generation	volume weighted average price Meridian pays for derivatives acquired to supplement generation
Cost to supply contracted sales	volume weighted average price Meridian pays to supply contracted customer sales
Contracts for Difference (CFDs)	an agreement between parties to pay the difference between the wholesale electricity price and an agreed fixed price for a specified volume of electricity. CFDs do not result in the physical supply of electricity
Customer connections	installation control points, excluding vacants
GWh	gigawatt hour. Enough electricity for 125 average New Zealand households for one year
Historic average inflows	the historic average combined water inflows into Meridian's Waitaki and Manapouri hydro storage lakes over the last 81 years
Historic average storage	the historic average level of storage in Meridian's Waitaki catchment since 1979
HVDC	high voltage direct current link between the North and South Islands of New Zealand
ICP	installation control points, excluding vacants
ICP switching	the number of installation control points changing retailer supplier in New Zealand, recorded in the month the switch was initiated
MWh	megawatt hour. Enough electricity for one average New Zealand household for 46 days
NZAS	New Zealand Aluminium Smelters Limited
National demand	Transpower's Daily Demand reporting, adjusted for embedded generation from Meridian's Te Uku, White Hill and Mill Creek wind farms
Retail sales volumes	contract sales volumes to retail customers, including both non half hourly and half hourly metered customers
Sell side derivatives	sell-side electricity derivatives excluding the sell-side of virtual asset swaps
Virtual Asset Swaps (VAS)	CFDs Meridian has with Genesis Energy and Mightly River Power. They do not result in the physical supply of electricity

Better energy

meridian



Dear Investor

Our interim results for the six months ended 31 December 2014 are now available and show a lift in profits and operating cash flow, which supports an enhanced dividend.

4.8 CPS **Interim ordinary dividend**	1.4 CPS **Additional special dividend**
13.2% **Growth in operating cash flow**	38.3% **Growth in underlying net profit after tax**
3.7% **Higher retail sales volumes**	3.8% **Higher NZ generation**

Payment of the final instalment receipt

If you hold Meridian instalment receipts on 4 May 2015, you will be liable to pay the final instalment receipt of NZ$0.50 per share

Payment must be made between 6-15 May 2015

More information can be **downloaded here**

From our Chair and Chief Executive

Meridian continued to perform well, with the New Zealand market showing some small signs of overall growth. All key measures of financial performance were ahead of the same period last year.

CHRIS MOLLER, CHAIR
MARK BINNS, CHIEF EXECUTIVE

Total generation for the six months was up by over 6% on the previous corresponding period, reflecting strong first quarter hydro generation in New Zealand and the contribution made by the completed Mt Mercer (Victoria) and Mill Creek (Wellington) wind farms. This, together with strong irrigation demand and favourable business sales compared with last year, saw Meridian's total Energy Margin increase by 7.5%.

A tight rein was kept on operating costs and these were down 10.1% on the same period last year.

This all flowed through to strong operating cash flows that were 13.2% ahead of last year and EBITDAF that was 20.9% ahead.

We are pleased to announce a dividend of 4.8 cents per share, which is in excess of the forecast provided in the prospectus. In addition, the Board has taken the opportunity to declare a special dividend of 1.4 cents per share. Both these dividends will be imputed to 100%.

We are pleased that the instalment receipts have continued to perform well, with an increase of 76% from listing through to 31 December 2014. In the 2014 calendar year the company was first on the NZX 50 in terms of total shareholder return (which includes dividends).

Instalment receipt holders will be aware of the second instalment (50 cents) being due for payment on or before 15 May this year. This is a payment to the Crown. However Meridian is working with the Crown to implement a seamless process to manage these changes. Holders should expect to receive initial communications in early April 2015.

In August last year we announced that the Board would review the capital structure of the company, given its conservative gearing ratios. Over the period Meridian has continued to perform well financially, the risk of wholesale change to the electricity market structure has receded and there are limited attractive growth opportunities that would require significant capital in the foreseeable future. In these circumstances, the Board believes it is appropriate to signal an intention to return capital to shareholders, provided the Tiwai Point smelter owners do not terminate their electricity agreement. The first step the Board has taken is to amend the company's dividend policy by increasing the percentage of free cash flow paid out (as defined in the policy) on average from 70%-80% to 75%-90%. All other elements of the dividend policy remain unchanged. Furthermore, the Board intends to return an additional $625m to shareholders over the next five years.

The Board will remain flexible as to how capital is returned but at this point it is envisaged that this will be by either an annual on-market share buyback programme, special dividends, or a combination of both.

The Board intends to advise shareholders of the programme for the 2016 financial year at the full year results announcement in August. At that point the decision of New Zealand Aluminium Smelters (NZAS) regarding the Tiwai Point electricity agreement will be known, and clearly, if the decision is to terminate, or there has been a material adverse change to the company's financial position, the Board will revisit its decision to proceed with all or part of the planned capital distribution.

The Mill Creek and Mt Mercer wind farm projects were closed out during the last six months. In aggregate they were delivered with exemplary health and safety performance and 4% under their original budgets.

In line with our stated aim of improving the core business, Meridian's metering business was sold in December 2014 to a subsidiary of Vector Limited and commitments were entered into to replace all our New Zealand customers' legacy meters.

While Australia provides challenges in the generation space, we continued the push into the Victorian retail market with the Powershop brand. Customer numbers are now over 30,000 and we will start operations in New South Wales commencing in the first quarter of this year.

The launch of our new website in December 2014 reflects our strategy to move customer engagement online to improve service, reduce overall cost and to continue our position as a leader in sustainability.

In the interim report last year we noted that it was unlikely there would be any network-wide increases in the energy component of our New Zealand customers' bills before at least June this year. This will prove correct. We continue to review our pricing.

One issue that arose during the period was a problem with the coolers on some of the Manapōuri power station transformers, which led to the decision to replace two transformers and procure a third as a spare. The replacement programme is well underway. The first transformer, which was delivered immediately before Christmas, was made operational on 12 January. The second transformer is expected to be installed in early March 2015, which will restore the station to full capacity.

The Electricity Authority's (EA's) transmission pricing review is on track and we look forward to the publication of the EA's final issues paper on this topic mid-2015.

The other regulatory issue we are closely monitoring is the Australian Government's review of the Renewable Energy Target (RET). The RET is mired in politics and the political parties involved have been unable to reach any compromise that might deliver some degree of certainty for participants in the Australian renewable energy industry.

As previously advised, the Tiwai Point smelter owners have the option to give Meridian notice of their intention to terminate the electricity agreement on 1 July this year, in which case the current supply agreements would cease on 31 December 2016. On balance, we remain hopeful that the smelter will continue in operation but the decision is not ours. The reality is that uncertainty around the future of the smelter is something the industry just has to live with as NZAS has ongoing termination rights under the contract.

As we write, the farming communities in both the North and South Islands are going through a difficult period as a result of drought conditions but our storage lakes are still getting reasonably regular inflows from small weather systems. So while always watchful, at this point we do not see anything in our current hydro position that is of concern.

More information on the company's latest financial performance can be downloaded here.

We thank you for your continued support as an investor in Meridian Energy.

Waitaki – powering on

The Waitaki hydro power station is still going strong 80 years after it first started producing electricity – and thanks to a $40 million refurbishment programme, it will continue to power New Zealand for generations to come.

Set on the border of Canterbury and Otago, the Waitaki dam has stood the test of time, which is a tribute to those who designed and built the power station with pick, shovel and wheelbarrow back in the 1930s.

Now about halfway through the four-year programme, the refurbishment project has three major goals: to refurbish plant and infrastructure in order to reduce maintenance costs and improve performance, to upgrade critical safety systems to modern standards and lastly to implement improvements that will limit the interruption to Meridian and our customers in case of a major earthquake.

The equipment has remained steadfast over 80 years of use, with the two original 15MW generators, which were enough to meet almost half of the South Island's electricity demand back in the 1930s, still operating at the original output. These two generators, G1 and G2, were cleaned, tightened and rebalanced, and are now operating more smoothly than ever.

'Generator 3', or G3, which was one of the five additional generators installed between 1940 and 1954, is undergoing a major refit and repair after seizing up in 1998. This is not an easy task considering its rotor weighs nearly 120 tonnes and the turbine weighs in at around 38 tonnes. Once recommissioned, G3 will bring the total station capacity back up to its rated 105MW or enough electricity for about 60,000 average homes.

Other important works have included making sure that the powerhouse, where all generators are located, is stable enough to withstand a major earthquake. Using 3-D modelling, we were able to see how the powerhouse's walls and roof would perform under the massive stress of an earthquake. Rather than just strengthening the powerhouse's walls, we took a more innovative approach. The outer wall will have the ability to flex independently of the roof, avoiding the possibility of the roof collapsing.

After 80 years of wear and tear from the constant flow of water, erosion work is also being carried out, both downstream of the power station below the switchyard and on the jetty that protrudes out of the powerhouse.

Another important piece of work has involved replacing the old carbon dioxide fire system with a new, safer system. The new fire system is a major improvement for health and safety as it is designed to suppress a fire while also providing breathable oxygen.

An important design feature of the dam is the function of its under-dam drainage systems. A multimillion dollar upgrade is underway to enhance the extent of this drainage and ensure that the pumping systems and dam galleries remain serviceable and accessible following a large seismic event. This work will ensure that the time taken to reinstate electricity production from Waitaki dam following a significant earthquake will be as short as possible.

The Waitaki power station is a tribute to the skills and energy of our forbears and with the efforts of our current team, the station will continue to power on for many years to come.

Keeping the lights on

Ensuring that we provide electricity from our hydro dams and wind farms reliably and safely is one of our main priorities. We recently completed an upgrade of the system that controls all of our generation assets around the country to make sure that we continue to do so.

The Generation Control System (GCS) is a critical piece of information technology infrastructure as it monitors and controls all of our hydro and wind generation assets (except Te Āpiti wind farm) and lake and canal control gates from a central hub. The system works around the clock to make sure we reach our commitments and responsibilities as the largest generator of electricity in the country.

Long gone are the days when we had staff on the ground monitoring and operating our hydro dams around the clock – these days, it is all done centrally by one generation controller. The current system that the controller operates now monitors some 50,000 data points around our assets such as water flow, water levels and vibration in machines. The controller also works closely with our energy traders who offer generation capacity to the market and the system operator at Transpower, so that Meridian can dispatch energy into the national grid for supply into people's homes, farms and businesses.

Completed in July of this year, the $19 million GCS upgrade gives Meridian a greater level of safety and reliability when controlling our assets.

The three-year project was delivered on time and on budget while meeting all of its performance and testing objectives. Meridian was only the third company in the world at the time to get this system upgrade.

"It's a testament to the hard work, dedication and exceptional team work by people at Meridian and our vendor partners that we delivered such a high quality result. It was also impressive that we achieved such a complicated project on time, on cost and on scope with zero impact to our generation and customers." says Meridian General Manager of Markets and Production, Neal Barclay.

The project team consisted of Siemens, which supplied the software, PSC, our New Zealand-based GCS integrator, Fujitsu, our ICT supplier, and a number of other contractors and consultants.

A powerful partnership

When it comes to customers like meat processing company Wilson Hellaby Ltd (WHL), they are discovering that Meridian has a lot more advice and expertise to offer their business than just supplying power.

Bruce Fyfe, WHL Group General Manager Commercial, says that he was originally of the belief that electricity was "the ultimate in commodities", meaning that the price of power was the sole determinant behind choosing an electricity supplier. Since becoming a Meridian customer two years ago, he has since changed this view.

WHL uses the same amount of electricity as around 2,300 typical New Zealand homes per year. It uses much of its electricity on cooling chillers and freezers, mostly during the day. The company's total utility bill is second only to its labour costs, which means that any advice or tools that can help it become more energy efficient the better.

One of the key factors that has changed Bruce's mind is the value that Meridian has added through its approach to account management. "Our account manager has been proactive in working with us to address opportunities to improve our performance. His electrical engineering background is very useful and we value the input.

"As a customer we do not need an account manager that wants to take us out for lunch, what we need is an expert that will help us save money and operate more effectively – in Meridian we have found that," says Bruce.

This approach has changed Bruce's perception of purchasing power. "I now value the account management role and the 'value' our electricity supplier can add to our business through their knowledge and expertise in the market and industry. This is a significant change for me and the experience with Meridian was not matched by our previous suppliers," he says.

Together with Meridian, WHL has been able to address energy efficiency issues and is now working on a full site energy audit with a list of recommended options to improve. The company is also looking to redevelop its site and will be working closely with Meridian when it comes to designing a new factory to optimise electricity efficiency and heat recovery.

***Click here** to download the full Meridian Interim Report for the six months ended 31 December 2014*