NEWS RELEASE
21 February 2013

Mighty River Power Reports Increase in Net Profit and Underlying Earnings

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012[1]

Highlights

- **Net Profit After Tax increased by $58 million reflecting improved operational performance, mixed results from our investment in the GGE Fund, and lower non-cash fair value movements compared to prior period**
- **$140 million cash distribution from investment in GeoGlobal Energy (GGE) partially offset by $89 million accounting impairment principally related to investments in Chile and Germany**
- **Underlying Earnings up 31% ($32 million) on the previous year as a result of gains in market share and higher hydro volumes**
- **Declared interim dividend of $67 million reflecting the Company's new dividend policy**

Mighty River Power today reported an increase in Net Profit after Tax by $58 million to $75 million, which demonstrated improved operational performance, mixed results from the Company's investment in the GeoGlobal Partners I Fund (GGE Fund), and lower non-cash fair value movements.

Chair of Mighty River Power, Joan Withers, said the Company had also increased Underlying Earnings by $32 million on the prior comparable period (pcp) to $133 million. This follows a steady growth in underlying earnings over the past three years. The Company's improved operational performance reflected market share gains and increased hydro volumes.

"The Board of Directors is pleased to declare an interim dividend of $67 million in line with the Company's new dividend policy and reflecting the new weightings[2] of the interim and final dividend payments," said Mrs Withers.

Financial Results

EBITDAF[3] increased by $6 million to $260 million (2012: $254 million), as a result of market share gains achieved in electricity sales to customers and higher hydro generation.

The financial results from the Company's investment in the GGE Fund were mixed. During the period, Mighty River Power received its first cash distribution of $140 million from the GGE Fund. Returns from GGE had a $57 million favourable impact on Net Profit after Tax, after accounting for a foreign exchange loss reflecting the significant exchange rate appreciation since the original investment.

However, the Company also recognised an $89 million non-cash accounting impairment relating to the GGE Fund's investments and its management company. This reflected higher estimated costs than anticipated by GGE, the Manager at the Tolhuaca project in Southern Chile, following the worst winter in 40 years badly affecting drilling, and only one of the two wells having good production capacity. In Germany, delays in progressing Weilheim due to environment court challenges (now resolved) contributed to the impairment, along with the need to relocate the proposed drilling location following assessment of the results of 3D seismic testing.

Mighty River Power's Chief Executive, Doug Heffernan, said, "It was pleasing to see the first demonstration of financial success of our international geothermal strategy with a cash return consistent with our business case and providing a good return on the original invested capital. However, we felt it was prudent to recognise accounting non-cash impairments on the value of GeoGlobal Energy and its greenfield developments located in Chile and Germany," said Mr Heffernan.

A further factor influencing the impairment was that as at the end of the year, GGE had not raised third party capital in the Fund as originally planned, and Mighty River Power declined the opportunity to invest further capital into the existing structure. This lack of development capital available to GGE, coupled with the above factors, led to a full review of Mighty River Power's investment in the assets of the GGE Fund.

Overall reported Net Profit after Tax (NPAT) increased $58 million on the pcp due to the improvement in operational performance, the mixed results from GeoGlobal Energy, and a lower level of fair value losses recognised on financial instruments.

Operating Performance

Mighty River Power achieved a solid operating performance as the Company continued to achieve gains in market share in electricity sales to customers and benefited from higher hydro volumes. During the half year, Mighty River Power's electricity price to customers increased 2% to $115.32/MWh and associated volumes increased by 9% to 2,777GWh as the Company secured more business customers well ahead of the commissioning of the 82MW Ngatamariki geothermal power station.

Total electricity purchase costs fell 22% (from $83.48/MWh to $64.82/MWh), reflecting lower wholesale prices as inflows into our competitors South Island catchments increased, and a less constrained grid.

Overall generation increased by 36GWh due to higher hydro generation and the strong reliability (96%) across the Company's geothermal plants (partly offset by the sale of 10% interest in Nga Awa Purua in April 2012). Gas-fired generation at the Southdown plant in Auckland fell by 130GWh on the pcp as the Company responded to pricing in the wholesale market.

Hydro generation increased by 210GWh on the pcp as a result of higher inflows than average in the first quarter of the financial year. The price received for the Company's generation outperformed the market over the period reflecting the ability to effectively utilise storage and flexible plant to respond to wholesale prices, and the decision to move the planned outage of Southdown to ensure availability at a time when national electricity supply was impacted by a number of thermal and transmission outages.

Domestic Development

Construction of the 82MW Ngatamariki geothermal power station progressed and the plant remains on track for commissioning in mid 2013, with first power to the grid expected in early March.

“We’re looking forward to the plant coming on stream over the next few months, which will increase the Company’s base-load geothermal generation to around 40% of total production, providing a contribution to earnings in FY2014 and further improving the stability of the Company’s financial performance,” said Mr Heffernan.

Funding & Debt Maturities

As at 31 December 2012, the Company had total debt facilities of $1,460 million (31 December 2011: $1,360 million), with $450 million of un-drawn bank facilities. The next maturity is a $200 million retail bond in May 2013, which can be can be fully funded with existing facilities. The average maturity for the debt facilities portfolio is 4.8 years; however, the Company has recently initiated a refinancing programme to increase the average maturity profile.

In October 2012, Standard & Poor’s reaffirmed Mighty River Power’s long-term credit rating of BBB+ with a Stable outlook.

Performance since balance date

During January, inflows into competitor’s South Island reservoirs were strong, leading to South Island storage rising to a peak of 150% of average. Since January, South Island storage has reduced to 106% of average and 48% ahead of the previous year. This improvement in South Island hydrology has led to wholesale market prices falling from the highs of a year ago.

Following the Company’s high level of hydro generation in the first half of the financial year and lower than average inflows into the Waikato catchment during the last quarter, Mighty River Power ended the half year with storage at 69% of the historical average (since 1999). Since 31 December 2012, inflows have been significantly lower than average and storage is currently at 217GWh, compared to 359GWh the same time last year and the historical average (since 1999) of 377GWh.

International Geothermal and Restructure Agreement

As announced on 15 February 2013, Mighty River Power reached an agreement with the Managing Partners of GeoGlobal Energy (GGE) LLC to take direct control of geothermal interests in Chile and US-based EnergySource.

Mr Heffernan said Mighty River Power’s strong New Zealand geothermal operating business and long term strategic horizons can better leverage our capabilities for developments in Chile and we see a lot of potential synergies between our business and EnergySource as an operator and developer of a large brownfield geothermal reservoir in the US.

The Company's priority in Chile was to develop a strategic plan for the business, utilising the knowledge of the staff in Chile, and the experience we have gained through the GGE relationship, and from the experience gained over the past decade developing a significant geothermal business in New Zealand.

"Mighty River Power will maintain a measured and prudent approach to international development opportunities, and any related capital commitments." Mr Heffernan said.

ENDS

Notes to Editors

1 Click here for a full market disclosure including Financial Commentary, Audited Financial Statements and Presentation.

2 In November 2012, Mighty River Power announced a new dividend policy that targets paying out an interim dividend representing 40% of total forecasted dividend.

3 EBITDAF or Earnings before net interest expense, income tax, depreciation, amortization, change in fair value of financial instruments, impairments and Equity-Accounted Earnings – sometimes referred to as Operating Earnings.

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Mighty River Power is one of New Zealand's largest electricity companies – with its core business based on reliable, low fuel-cost electricity generation complemented by sales to homes and businesses.

The Company generates about 17% of New Zealand's electricity from the nine hydro stations on the Waikato River, four geothermal power stations in the Central North Island and a multi-unit gas-fired station in Auckland. More than 90% of its electricity production is from renewable sources. Mighty River Power sells electricity through multiple channels and retail brands, including Mercury Energy, GLO-BUG, Bosco Connect and Tiny Mighty Power. Mighty River Power's metering business, Metrix, provides electricity retailers with advanced metering infrastructure (AMI) solutions for their residential and commercial customers.

Mighty River Power is one of the world's largest geothermal power station owners, and has successfully developed 255MW of renewable geothermal generation since 2008, with the new 82MW Ngatamariki station to be commissioned by mid-2013. The Company is applying this capability and experience – gained through domestic geothermal exploration, development, construction and operations – to invest in international growth opportunities.

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Financial Results for the six months ended 31 December 2012

FINANCIAL COMMENTARY

	HY2013 ($ million)	HY2012 ($ million)	Change ($ million)	Change %
Revenue	706.3	729.1	(22.7)	(3.1)
EBITDAF	260.1	254.5	5.6	2.2
Depreciation and amortisation	(75.3)	(73.2)	(2.1)	2.8
Fair value adjustments	(12.4)	(85.7)	73.3	(85.5)
Impairments	(91.4)	(2.7)	(88.7)	3251.3
Equity accounted earnings of associate companies	1.6	2.1	(0.5)	(22.1)
Equity accounted earnings/(losses) of interest of jointly controlled entities	57.2	(21.5)	78.7	(366.7)
Net interest	(31.5)	(36.9)	5.4	(14.7)
Income tax expense	(32.9)	(18.8)	(14.1)	74.6
Net profit after tax	75.5	17.6	57.8	327.7
Underlying earnings after tax	133.2	101.7	31.5	31.0
Operating cash flow	212.0	185.4	26.6	14.4
Capital expenditure	145.8	163.7	(17.9)	(10.9)
Interim dividend	67.2	74.8	(7.6)	(10.2)

Note: All commentary below refers to the six months ended 31 December 2012 as compared with the six months ended 31 December 2011 unless stated otherwise.

Revenue

Revenue was down 3.1% to $706.3 million. This reflected increased prices and volumes for electricity sales, offset by lower prices received for Mighty River Power's generation as a result of falling prices in the national wholesale market due to improved South Island hydrology.

Energy Margin[1] is a more meaningful indicator of company performance (than Revenue), as it also takes into account the broadly offsetting impact of the lower wholesale prices on the cost of the Company's retail electricity purchases. Energy Margin increased $21.3 million from $356.9 million to $378.2 million reflecting gains in market share and increased hydro volumes.

EBITDAF

Earnings before net interest expense, taxation, depreciation, amortisation, financial instruments, impairments and equity accounted earnings (EBITDAF), increased by $5.6 million to $260.1 million (2012: $254.5 million).

During the period the Company's FPVV electricity price increased from $113.58/MWh to $115.32/MWh despite an increased portion of business volumes as the Company contracted business customers ahead of the commissioning of the new Ngatamariki geothermal power station in mid-2013. Energy margin also benefited from a 8.7% uplift in FPVV volumes which increased by 222GWh as a result of increased volumes to business customers offset by a 2.6% fall in residential customer volumes.

The Energy Margin benefited from a decrease in the price paid for the Company's electricity purchases relative to the price received from our generation (LWAP/GWAP), which improved from 1.04 to 0.99. This demonstrated lower South Island wholesale prices and the Company's effective use of the high inflows received into the Waikato catchment in the first quarter. In addition, the Company's annual planned maintenance outage of Southdown was brought forward to ensure it was available to respond to higher pricing at a time when national electricity supply was impacted by several thermal and transmission outages.

Conversely, Energy Margin in the six months ended 31 December 2011 benefited from the one-off impact of $7.0 million from the sale of emission credits.

In October 2012 the Company received a $140 million New Zealand dollar equivalent cash distribution from the GeoGlobal Partners I Fund (GGE Fund) (discussed in Returns from GGE section below) which had a one-off adverse impact to EBITDAF of $11.5 million. Returns from GGE resulted in the recognition of income of $10.9 million in "Other income" and a foreign exchange loss of $22.4 million realised reflected in "other operating expenses" to reflect the exchange rate appreciation since the time the original investment was made in 2010.

Excluding one-off impacts, Operating Expenses increased by $4.0 million, following a $2.8 million increase in maintenance expenses at the Kawerau geothermal power station, along with increased insurance costs.

Depreciation and amortisation

Depreciation and amortisation increased by $2.1 million to $75.3 million (2012: $73.2 million), as a result of revaluations of Mighty River Power's portfolio recognised as at 30 June 2012.

Mighty River Power carries its assets at fair value in accordance with Crown policy, which may result in periodic revaluations. For the year ended 30 June 2012, the Company recognised $170 million of upward revaluations.

Change in fair value of financial instruments

The Company recognised a change in the fair value of derivatives in the income statement of negative $12.4 million, a positive variance to 31 December 2011 when negative $85.7 million was recognised. The majority of the $12.4m movement was attributable to electricity price hedges ($7.6 million) relating to non-designated electricity hedges being negatively impacted by lower forward electricity prices. Fair value changes on interest derivatives and borrowings along with ineffectiveness on cash flow hedges had a $4.8 million negative impact.

Impairments

During the period, the Company recognised $91.4 million of impairments principally reflecting its investment in the GeoGlobal Partners I Fund (GGE Fund), and its greenfield explorations for potential developments in Chile and Germany.

This impairment followed higher than expected costs at the Tolhuaca project in Chile due to the worst winter in 40 years adversely affecting drilling performance and only one of the two wells having proven production capacity. The value of GGE's investment at Weiheim in Germany, has been impacted by increased costs due to required changes in the drilling location following the 3D seismic surveys and delays from environmental court challenges which have been resolved post balance date.

The GGE Fund had not raised capital from other investors by the end of the 2012 and Mighty River Power made the decision not to invest further capital into the existing structure. Overall, the impairment charge of $88.9 million for the German and Tolhuaca assets and the management company of GGE LLC leaves a residual book value of $91.8 million.

Equity-Accounted Earnings of Associate companies and Jointly Controlled Entities

Equity-accounted earnings increased by $78.2 million principally reflecting an improvement of the equity accounted earnings connected to Company's first cash distribution from the GeoGlobal Partners I Fund (GGE Fund).

Net Interest

Net interest fell $5 million to $31.5 million reflecting increased capitalised interest and a fall of Net Debt from $985.9 million to $951.8 million.

Taxation

Income tax expense increased from $18.8 million to $32.9 million. Income tax expenses benefited from a tax credit of $11.7 million relating to the recognition of deferred tax losses relating to both current and prior periods.

Returns from GGE

The Company received its first cash distribution from the GeoGlobal Partners I Fund (GGE Fund). The Company's return from the John L Featherstone project, through the GGE Fund was consistent with the business case for the project after adjusting for foreign exchange movements.

The return from GGE had a $57.4 million favourable impact on the Income Statement recognised across a number of lines within the financial statements (discussed above) summarised in the below table:

RETURNS FROM GGE

	$ million
Other Income	10.9
Other Expenses	(22.4)
Impact on EBITDAF	**(11.5)**
Earnings from Investments	57.2
Tax Credit	11.7
Impact on Net Profit After Tax	**57.4**

The tax credit of $11.7 million relates to the recognition of deferred tax on losses from both current and prior period and therefore is not included in the underlying earnings adjustment.

Net Profit After Tax

Overall, the Company's net profit after tax increased by $57.8 million to $75.5 million reflecting the impairment of Mighty River Power's GGE investment, which was more than offset by lower fair value adjustments than in the prior period, the distribution from the GGE Fund and improved operating performance.

Underlying Earnings

Mighty River Power's underlying earnings after tax (that adjusts for one-off and/or infrequently occurring events exceeding $10 million), impairments and any changes in the fair value of derivative financial instruments) increased by $31.5 million (31%) on the prior comparable period, demonstrating an improved operational performance.

RECONCILIATION FROM NET PROFIT AFTER TAX TO UNDERLYING EARNINGS

	HY2013 ($ million)	HY2012 ($ million)	Change ($ million)	Change (%)
Net Profit After Tax	75.5	17.6	57.8	327.7
Change in fair value of financial instruments	12.4	85.7	(73.3)	(85.5)
Change in fair value of financial instruments of associate companies	1.6	(0.4)	2.0	(528.9)
Change in fair value of financial instruments of jointly controlled entities	(37.6)	20.6	(58.2)	(282.5)
Equity Accounted share of capital return from jointly controlled entities	(6.0)	-	(6.0)	-
Impairments	91.4	2.7	88.7	3,251.3
Income tax expense on adjustments	(4.1)	(24.7)	20.6	(83.4)
Underlying Earnings	**133.2**	**101.7**	**31.5**	**31.0**

Declared Dividends

In November 2012, the Company published its Statement of Corporate Intent (SCI) which included a change to the Company's dividend policy, approved by the Mighty River Power Board; increasing dividends declared from 75% to between 90–110% of net profit after tax, after adjusting for the impact of NZ IFRS fair value movements net of tax each year and any accounting impairments.

Under the policy the interim dividend targets 40% of the total forecasted dividend for the full year. Under the former policy, interim dividends were typically higher than final dividends due to seasonality of earnings.

In line with this new dividend policy, for the half year to 31 December 2012, the Board has declared an interim dividend of $67.2 million - down from the $74.8 million last year as a result of the change in weightings of the interim and final dividend payments. Last year the interim dividend was 62% of the total dividend declared. The interim dividend will be paid on 28 March 2013.

Cash flow

Operating cash flows increased $26.6 million from $185.4 million to $212.0 million reflecting the improved operational performance over the period. Investing cash flows fell from outflows of $149.5 million to $2.1 million reflecting the $140 million cash distribution from the GGE Fund. Capital expenditure for the Company's 82MW Ngatamariki project was broadly similar year on year and expenditure relating to the GGE fund was down by $23 million. Cash outflows from financing activities increased by $163.3 million, as a result of the repayment of some debt facilities in October 2012.

Balance sheet

Mighty River Power's total assets fell from $5.9 billion as at 30 June 2012 to $5.7 billion as at 31 December 2012, reflecting a $120.2 million fall in receivables due to lower wholesale prices, and a $77.0 million fall in the investment in jointly controlled entities resulting from the cash distribution from the GGE Fund. In addition property, plant and equipment fell $18.8 million reflecting additions, which were offset by the impairments recognised during the period and depreciation. The Group's gearing ratio at 31 December 2012 was 23.4%, compared to 27.0% at 30 June 2012.

Funding and debt maturity

Mighty River Power had total committed facilities of $1,460 million as at 31 December 2012 (31 December 2011: $1,360 million) with $450 million of undrawn bank facilities. In October 2012 bank facilities of $100 million (due to mature in December 2013) were cancelled. The next maturity is a $200 million retail bond in May 2013, which can be fully funded with existing facilities. The average maturity for the debt facilities portfolio is 4.8 years (31 December 2011: 5.9 years. During February, $200 million of new bank facilities were established that will replace $150 million of facilities that were due to mature in December 2013. In October 2012, Standard and Poor's reaffirmed Mighty River Power's long-term credit rating of BBB+ with a Stable outlook.

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21 February 2013

Financial Results

Six Months ended 31 December 2012

MIGHTY RIVER POWER

Presented by:

Doug Heffernan
Chief Executive

William Meek
Chief Financial Officer

Disclaimer

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Due to Securities Act restrictions the company is not presently in a position to provide forward looking financial information nor to answer questions about its activities or prospects. This presentation does not constitute financial advice.

Agenda

Highlights

Highlights

Financial performance

- Energy Margin up 6% to $378 million reflecting gains in customer sales market share and increased hydro volumes
- $140 million cash distribution received from the GGE Fund with $57 million accounting gains after incorporating FX losses
- $89 million of non-cash accounting impairments relating to GGE and its investments
- NPAT up $58 million, reflecting increased energy margin, mixed results from our GGE investments, and lower fair value adjustments of financial instruments
- Underlying earnings up $32 million to $133 million reflecting the improved operating performance
- Declared interim dividend of $67 million reflecting the Company's new dividend policy

Operational performance

- Stronger electricity sales to customers; volumes up 9% and prices up 2%
- Generation volumes up 1% reflecting strong hydro generation and geothermal reliability offset by lower gas generation and the sale of 10% in Nga Awa Purua
- Improvement in LWAP/GWAP ratio reflecting lower south island wholesale prices and a generation price that outperformed the market

Health and Safety

- Continued improvement in all metrics but serious near miss incident under investigation

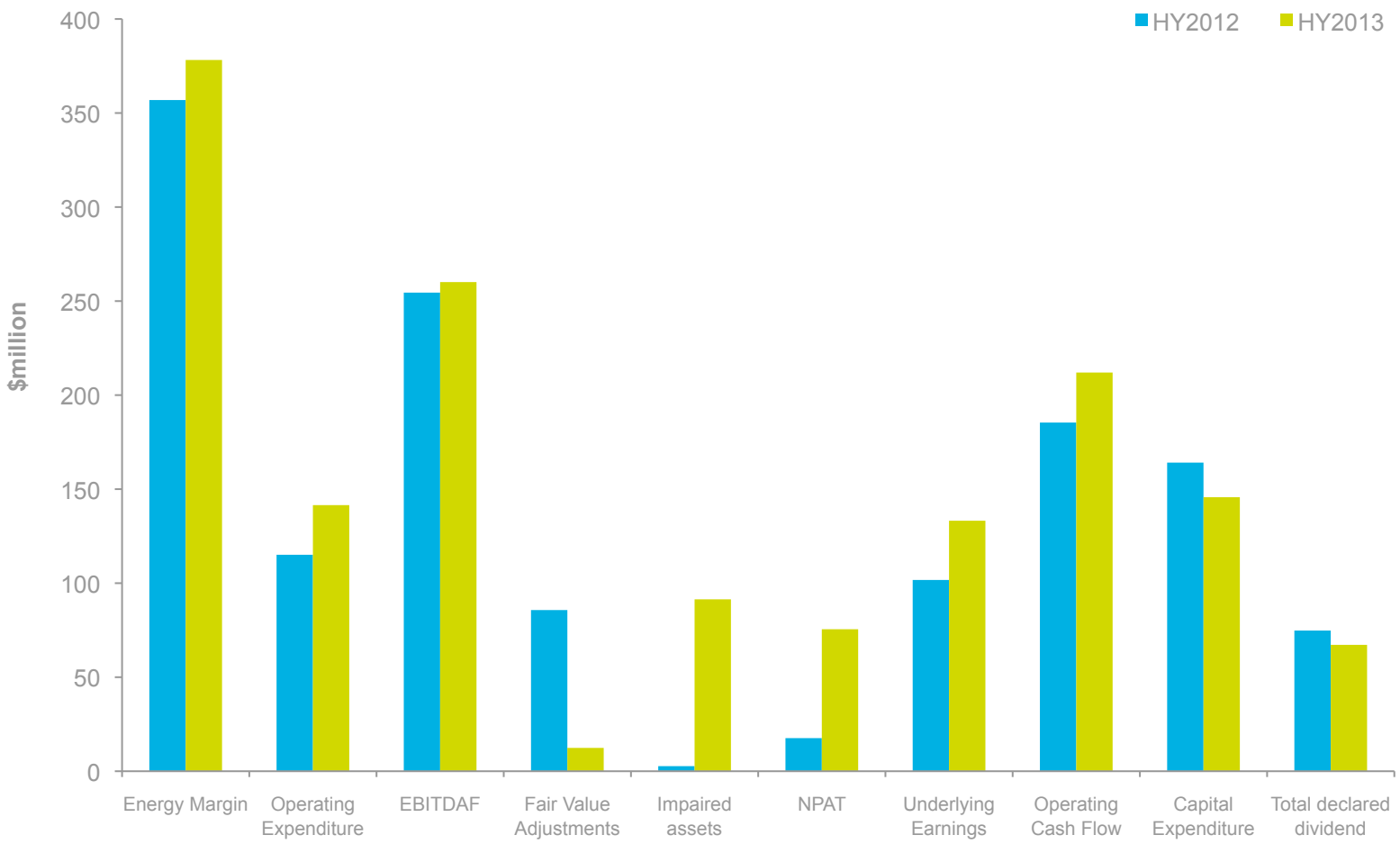
Development

- 82MW Ngatamariki geothermal plant on track for commissioning in mid-2013 with first power to grid early March
- Restructure of international geothermal business to increase direct control and leverage our geothermal capabilities

Capital structure

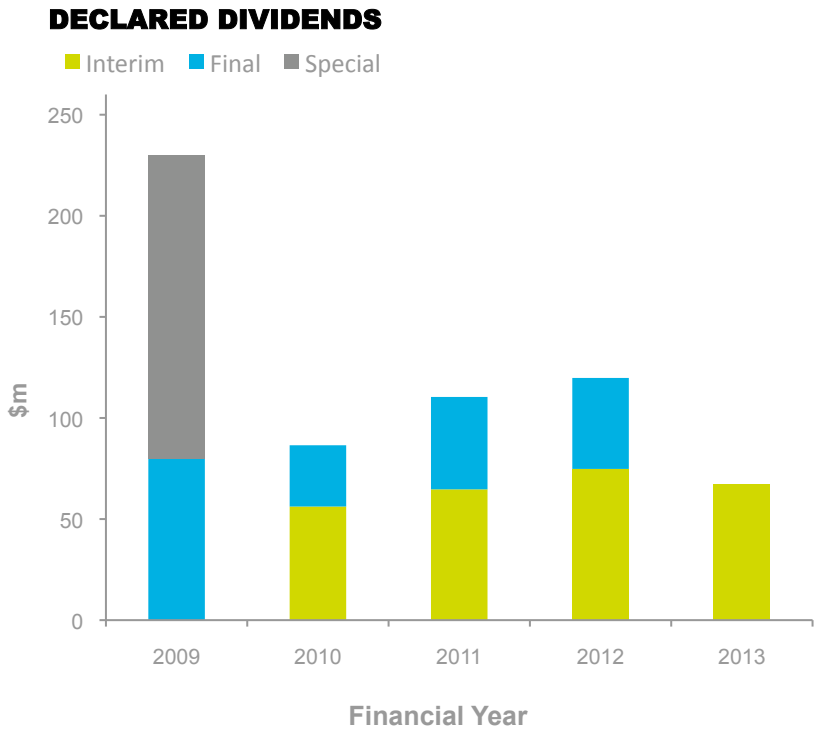
- Board increased dividend pay-out ratio from 75% to 90 – 110%
- Standard & Poor's reaffirmed long-term credit rating of BBB+ with a Stable outlook in October 2012

HY2013 Highlights



Dividend

- Board increased dividend pay-out ratio[1] from 75% to between 90–110%
- Revaluation of assets in accordance with Crown policy results in higher depreciation and lower NPAT but does not affect cash flow
- New policy is a reflection of the:
  - Completion of domestic geothermal programme in mid 2013
  - Current outlook for New Zealand electricity supply and demand with less operating cash flow allocated to new domestic projects
- Interim dividend of $67.2 million
- New policy targets interim dividend representing 40% of the total forecasted dividend for the full year. Previously interim dividends were higher than final dividends due to seasonality of earnings (2012 Interim dividend: 62% weighting)

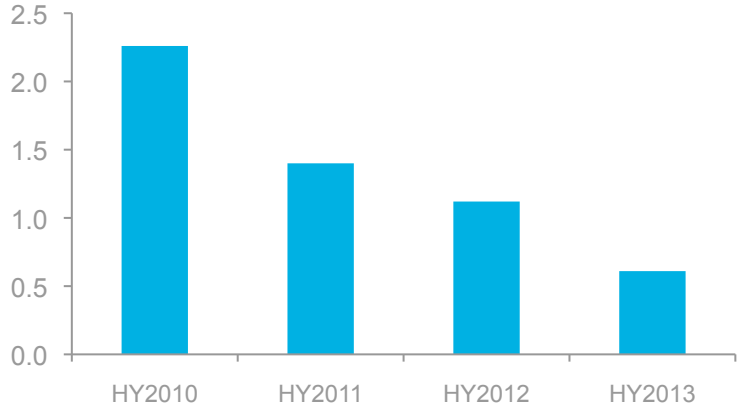


1. As a percentage of net profit after tax, after adjusting for the impact of NZ IFRS fair value movements of financial instruments net of tax each year and any accounting impairments

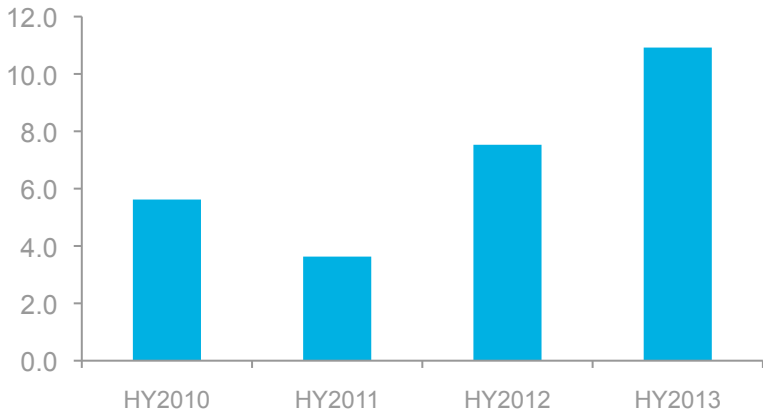
Health and Safety

- The health, safety and well-being of our people is an absolute priority
- Better reporting leads to more learnings and less future injuries
  - Near Miss Reported Incident Frequency Rate up 45% on pcp
- Total Recordable Injury Frequency Rate down 46% on the pcp and down 73% on 2009
- Serious near miss drilling incident on site at Ngatamariki currently under investigation by High Hazards Unit
- Contractor focus for future improvement – current focus of StayLive generation safety group

TOTAL RECORDED INJURY FREQUENCY RATE



NEAR MISS REPORTED INCIDENT FREQUENCY RATE

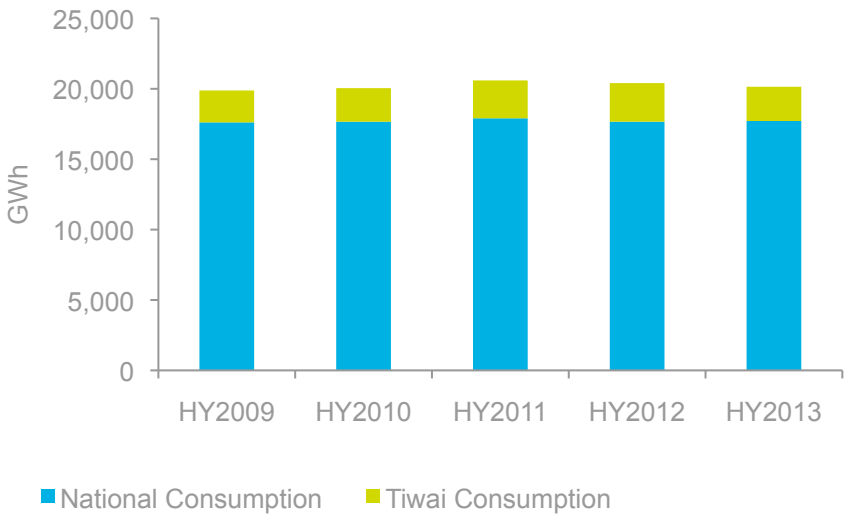


2012 Market Dynamics

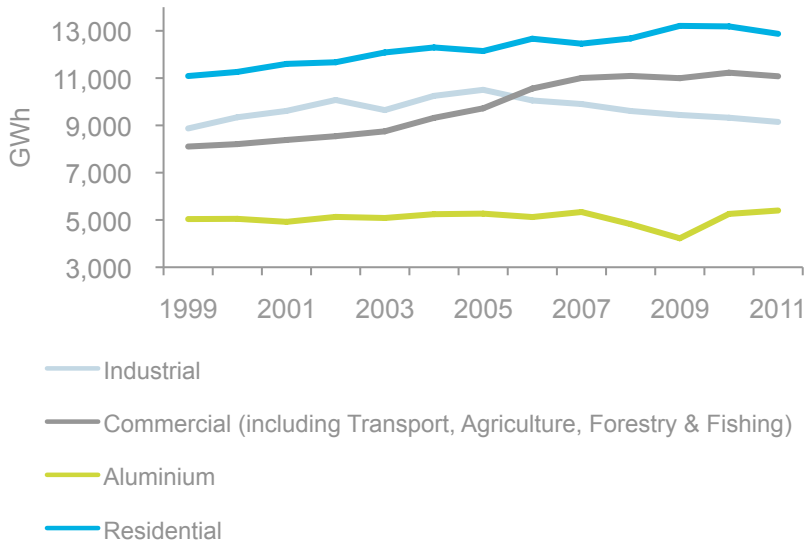
Demand

- Tiwai decreased consumption by 307GWh on pcp
- National consumption excluding Tiwai continued to be relatively flat
  - Up 47GWh to 17,713GWh
- Norske Skog closed one production line (approx 350GWh pa) on 9 January 2013
- Continuing decline in the industrial consumption reflecting
  - Efficiency gains
  - Electricity intensive manufacturing locating closer to customers
  - Decline of newsprint and global aluminium prices

ELECTRICITY CONSUMPTION[1]



ELECTRICITY CONSUMPTION BY SECTOR – CY1999 – CY2011

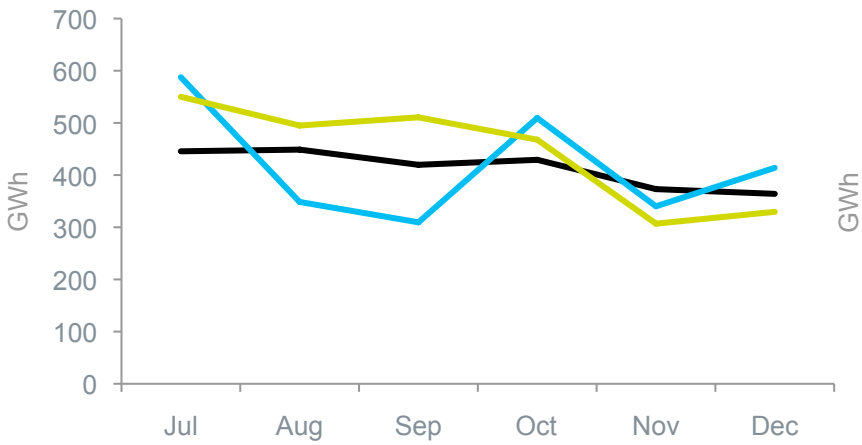


1. Sourced from Transpower Information Exchange (TPIX) impacted by embedded generation

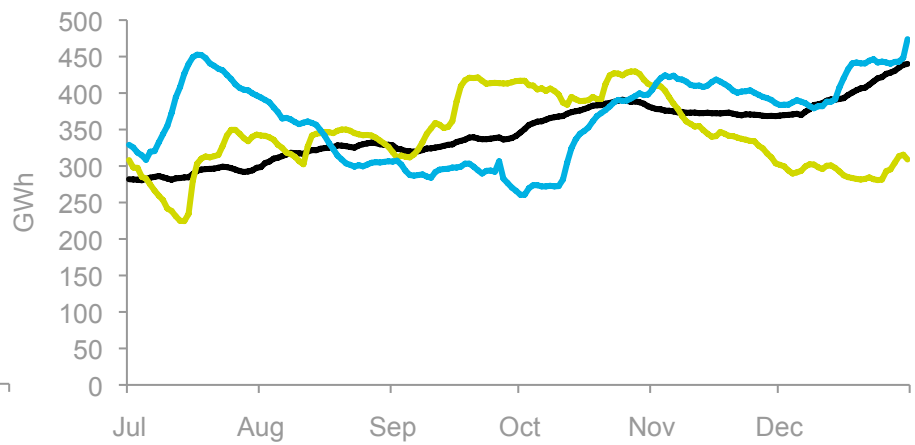
Supply

- Above average inflows into the Waikato Catchment in the first three months, lower than average in the last three months
- Improved South Island hydrology compared to last year
- Several thermal outages during October and November at the same time as major transmission outages
- One 250 MW unit at Huntly mothballed in December 2012, with second 250 MW unit expected by the end of December 2014
- Nationally, higher cost thermal production replaced with hydro generation – hydro up 3%, geothermal up 1% and thermal (coal & gas) down 13% pcp

WAIKATO INFLOWS



TAUPO STORAGE



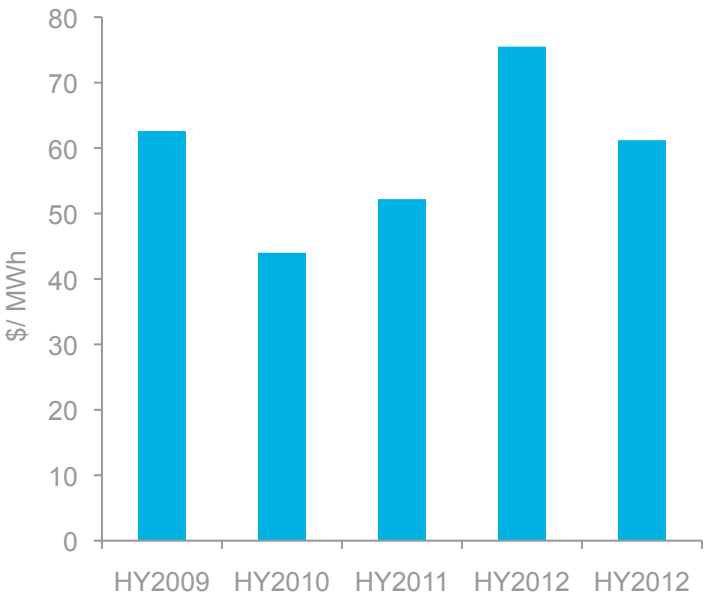
Average FY2012 FY2013

Note: Average for Waikato inflows calculated since 1927 and average for storage since 1999 when Mighty River Power began operating the Waikato Hydro system

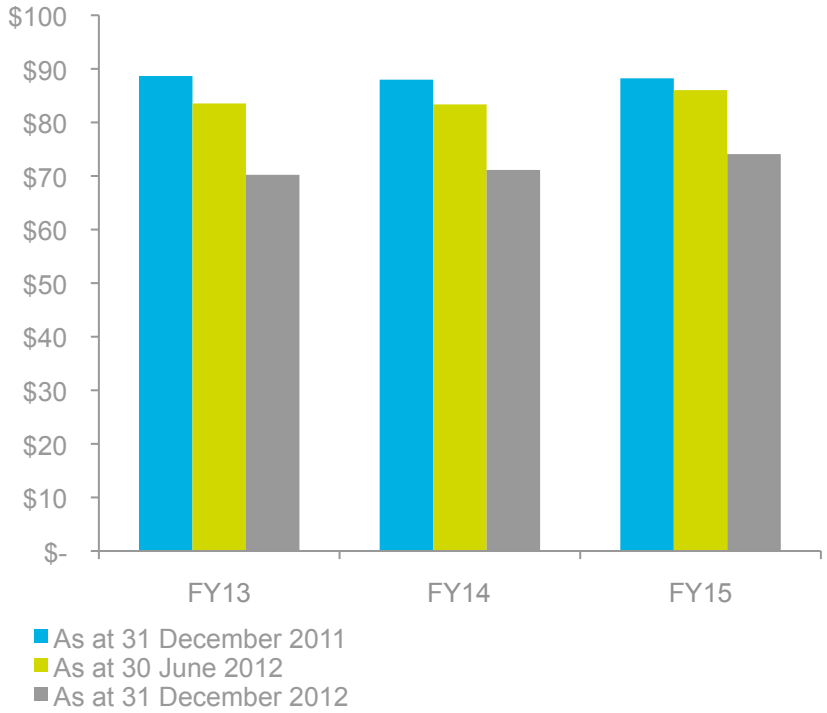
Wholesale Prices

- Wholesale prices fell following the high inflows and storage levels in the South Island, however wholesale prices higher than 2010 and 2011 levels
- Increased differential between North and South Islands on pcp given increased inflows into the South Island and transmission constraints
- Fall in ASX market reflective of South Island hydrology conditions and national demand/supply conditions

AVERAGE WHOLESALE PRICE (WKM)

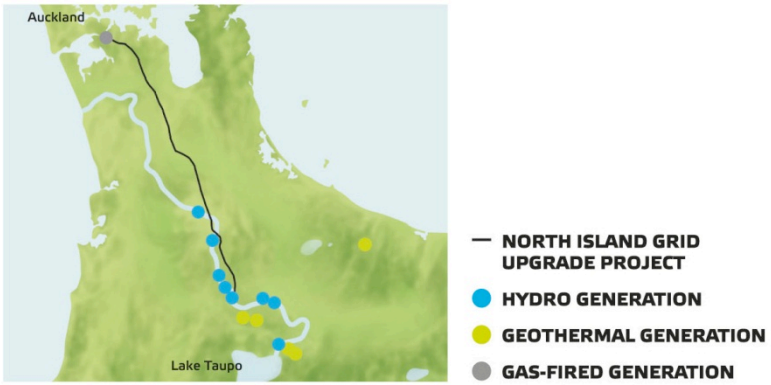


ASX FUTURES SETTLEMENT PRICE (OTA)

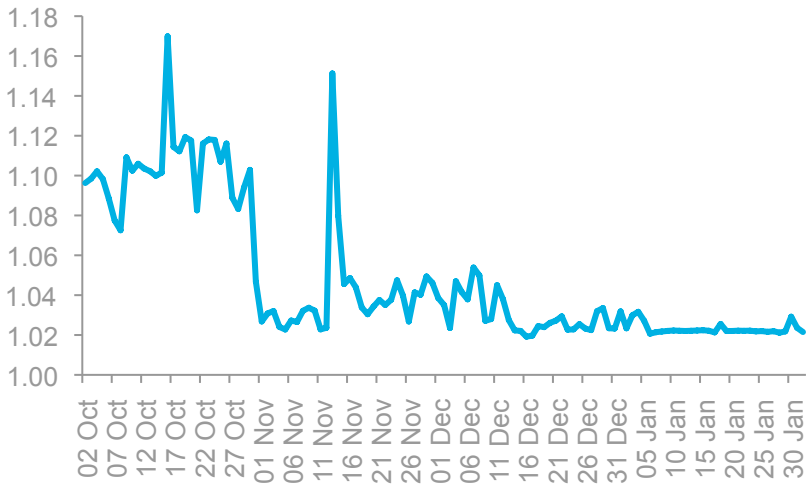


Transmission Upgrades

- North Island Grid Upgrade Programme (NIGUP) providing improved security of supply for Aucklanders and Northlanders was commissioned in October
  - lower opportunity for significant price separation
- HVDC Pole 3 upgrade enabling greater inter-island transfer nearing completion of installation works



RELATIVE WHOLESALE PRICE – OTAHUHU TO WHAKAMARU



Transmission Pricing Methodology Review

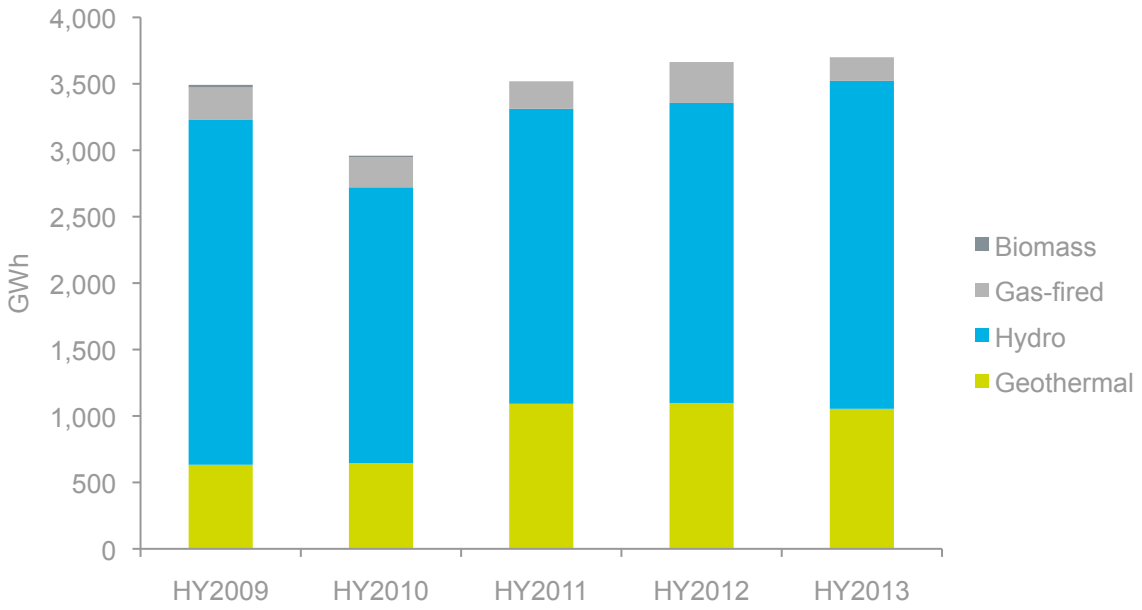
- HVDC cost allocation has been an area of frustration across the industry for over a decade
- The EA announced a new Transmission Pricing Mechanism (TPM) in October 2012 for consultation with proposed implementation in 2015
- The proposal is extremely complex, applies to all transmission (not just HVDC) and is retrospective in nature
  - Transpower is half way through a $3.5 billion programme expected to complete in 2014
  - changes in TPM will not influence decision making on large investments in three decades
- No transition period despite significant change in cost allocation
- Independent economic research (CEG) has found:
  - *method is inconsistent with international practice; reallocating sunk costs*
  - *approach creates disputation, reduced wholesale market efficiency and systemic risk through the supply chain*
  - *increased risk associated will increased costs for consumers and impact negatively on retail competition*

Operational Update

Electricity Generation

- 1,597MW in operation (1,464MW by equity share), 82MW geothermal station under construction
- Diversified and flexible portfolio six month production increased by 1% to 3,700GWh
  - 67% hydro –peaking capacity with limited storage in Taupo lake; mainly rain fed (not snow fed)
  - 28% geothermal – high availability, low fuel cost renewable base-load – 'premium' renewable
  - 5% gas-fired – can take advantage of wholesale market opportunities and provides dry-year cover

TOTAL GENERATION

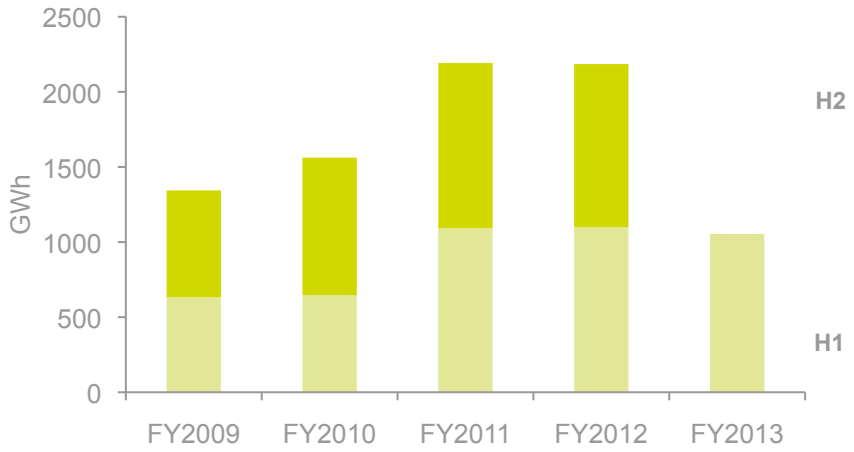


Note: Sold last of biomass operations in July 2010

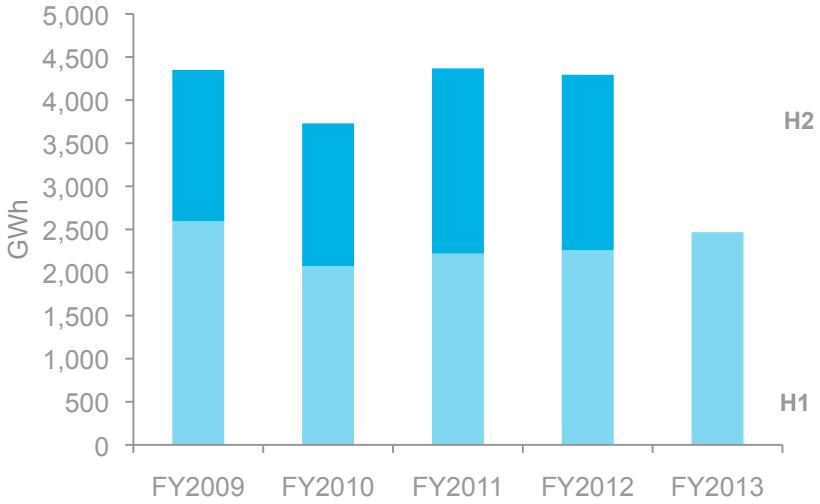
Electricity Generation

- Hydro generation up 9% on pcp reflecting storage and strong inflows in the first quarter
- Geothermal generation had average availability factor of 96%
- 2 April 2012 sold 10% interest in Nga Awa Purua
- Southdown decreased production by 130GWh as responded to lower wholesale prices

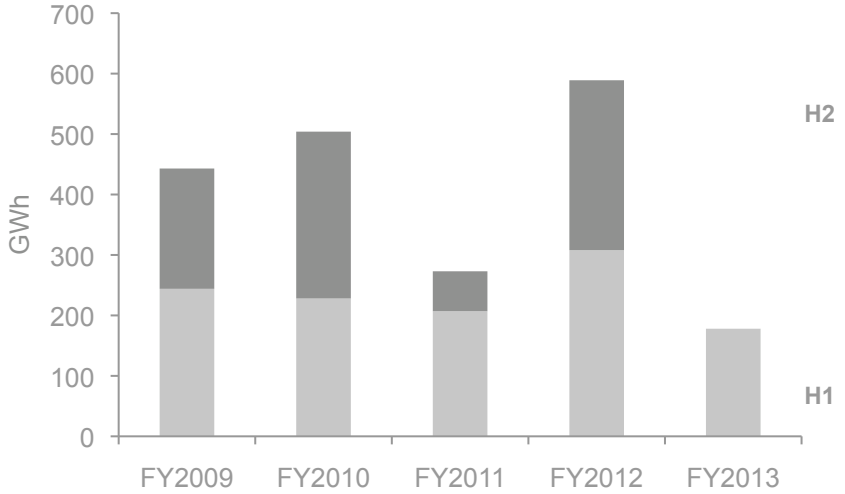
GEOTHERMAL



HYDRO



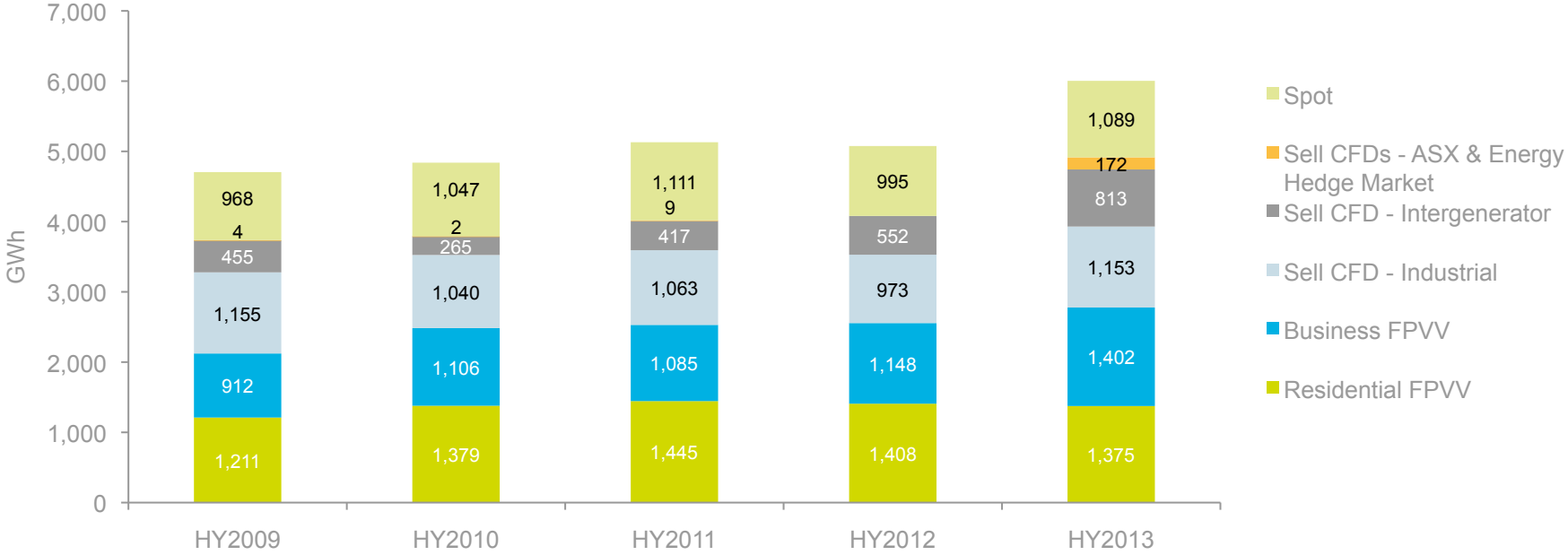
GAS-FIRED



Electricity Sales

- Market share increased from 18% to 20% reflecting a 9% increase in physical sales (FPVV) volumes
- FPVV volumes to Business customers increased 22% to 1,402GWh
- Volume Weighted Average Price (VWAP) received from customers increased by 2% to $115.32 despite increased business volumes
- Increased Inter-generator and ASX CFDs on pcp reflecting locational hedging (typically with netting buy transaction)

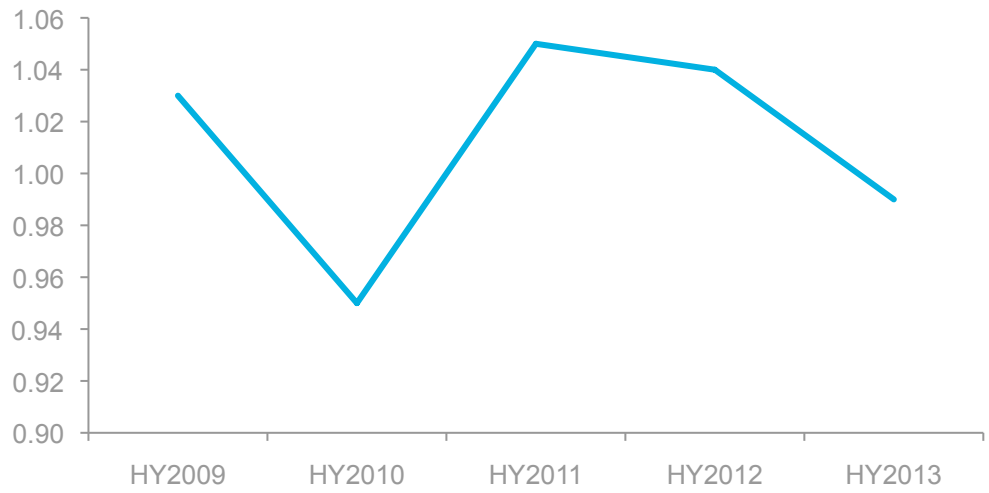
PHYSICAL AND FINANCIAL SALES



LWAP/GWAP Ratio

- LWAP/GWAP[1] - Ratio of price of electricity purchased relative to the price received for generation
- Lower South Island prices and effective use of hydro storage
- Moved annual outage at Southdown to ensure it was available at a time of a number of other thermal generation and transmission maintenance

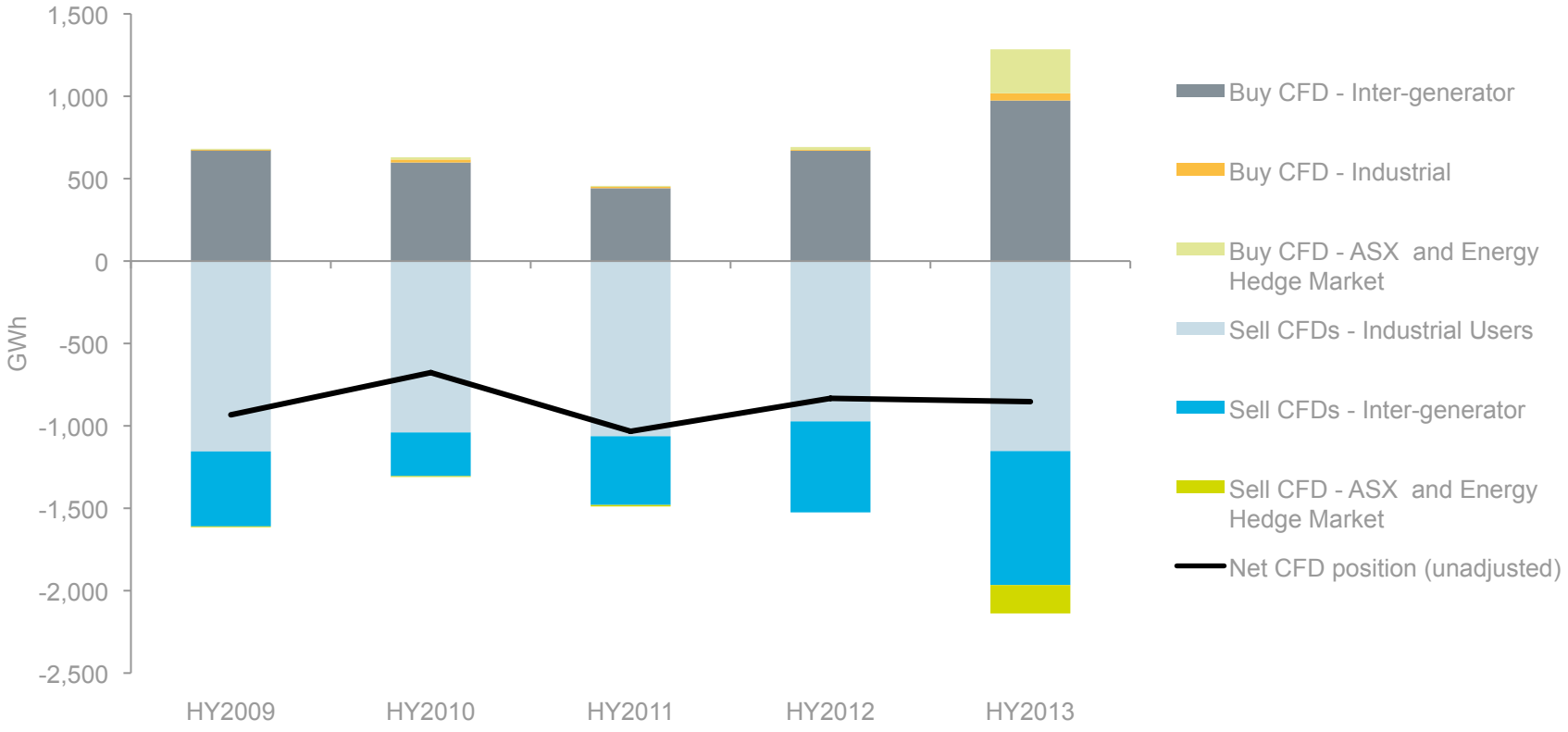
LWAP/GWAP RATIO



1. Defined as Total NZEM Purchase Price (including spot) dividend by VWAP received for electricity generation

Contracts for Difference

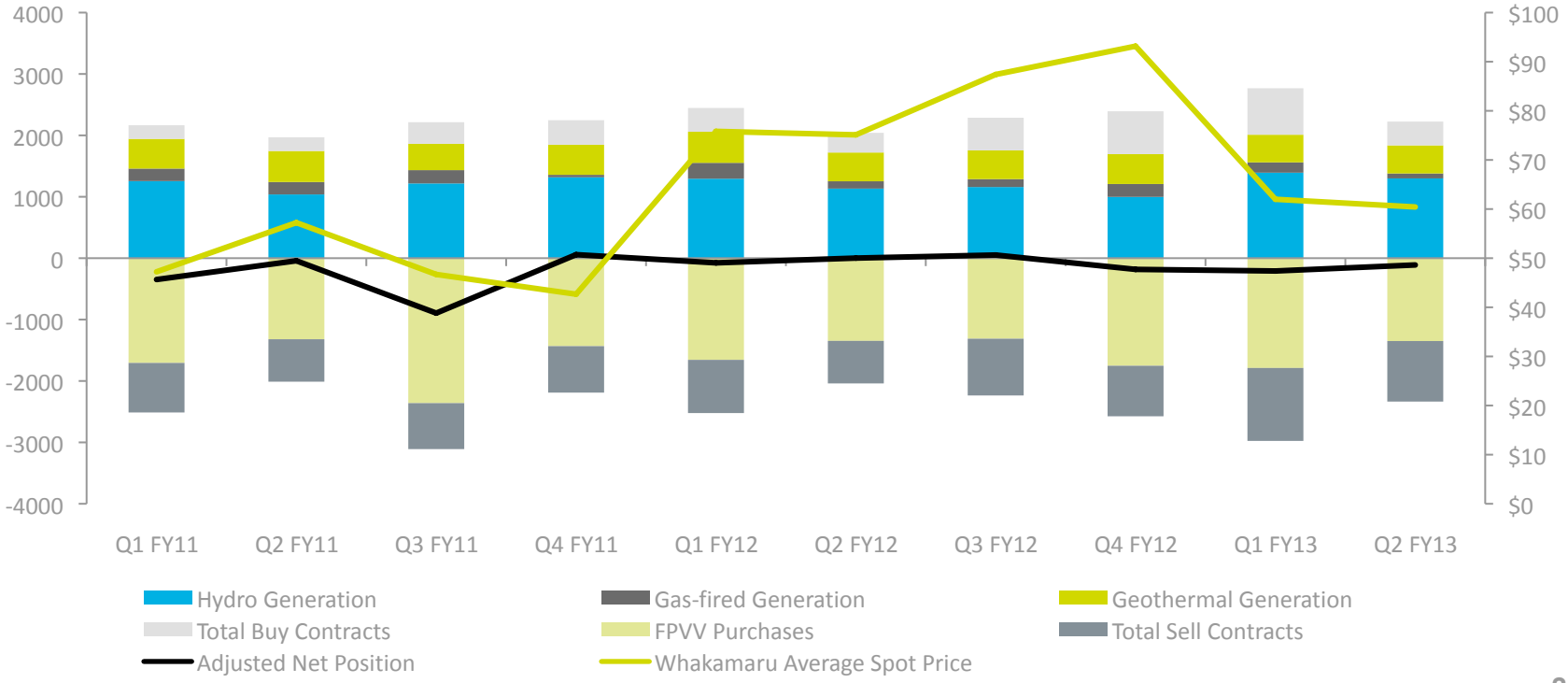
- Inter-generator CFDs and ASX futures increased on pcp as the Company entered into a number of locational hedges to protect against constrained grid issues
- VAS increased from 300GWh to 600GWh in January 2012 (with a further 50GWh increase in January 2013 and again January 2014)



Net Position Adjusted for Volume Profile & Generation Locations

- To illustrate our portfolio position we adjust our disclosed operating statistics for both nodal location and profile of generation and load
- Vertically integrated portfolio slightly short in the first half of the year
  - adjusted short position: 319GWh, unadjusted short position: 241GWh
  - Southdown utilisation low at 23% capacity – available to cover risk

ADJUSTED NET POSITION



Financial Update

Income Statement

Six months ended 31 December $ million	2012	2011	$m change	% change
Energy Margin	**378.2**	**356.9**	**21.3**	**6.0**
Other income	23.4	12.7	10.7	84.7
Operating expenses	(141.5)	(115.1)	(26.4)	22.9
EBITDAF	**260.1**	**254.5**	**5.6**	**2.2**
Depreciation and amortisation	(75.3)	(73.2)	(2.1)	2.8
Change in fair value of financial instruments	(12.4)	(85.7)	73.3	(85.5)
Impairments	(91.4)	(2.7)	(88.7)	3251.3
Equity accounted earnings of interest in associates	1.6	2.1	(0.5)	(22.1)
Equity accounted earnings of interest in jointly controlled entities	57.2	(21.5)	78.7	(366.7)
Net interest expense	(31.5)	(36.9)	5.4	(14.7)
Income tax expense	(32.9)	(18.8)	(14.1)	74.6
Net profit after tax	75.5	17.6	57.8	327.7
Underlying earnings after tax	133.2	101.7	31.5	31.0

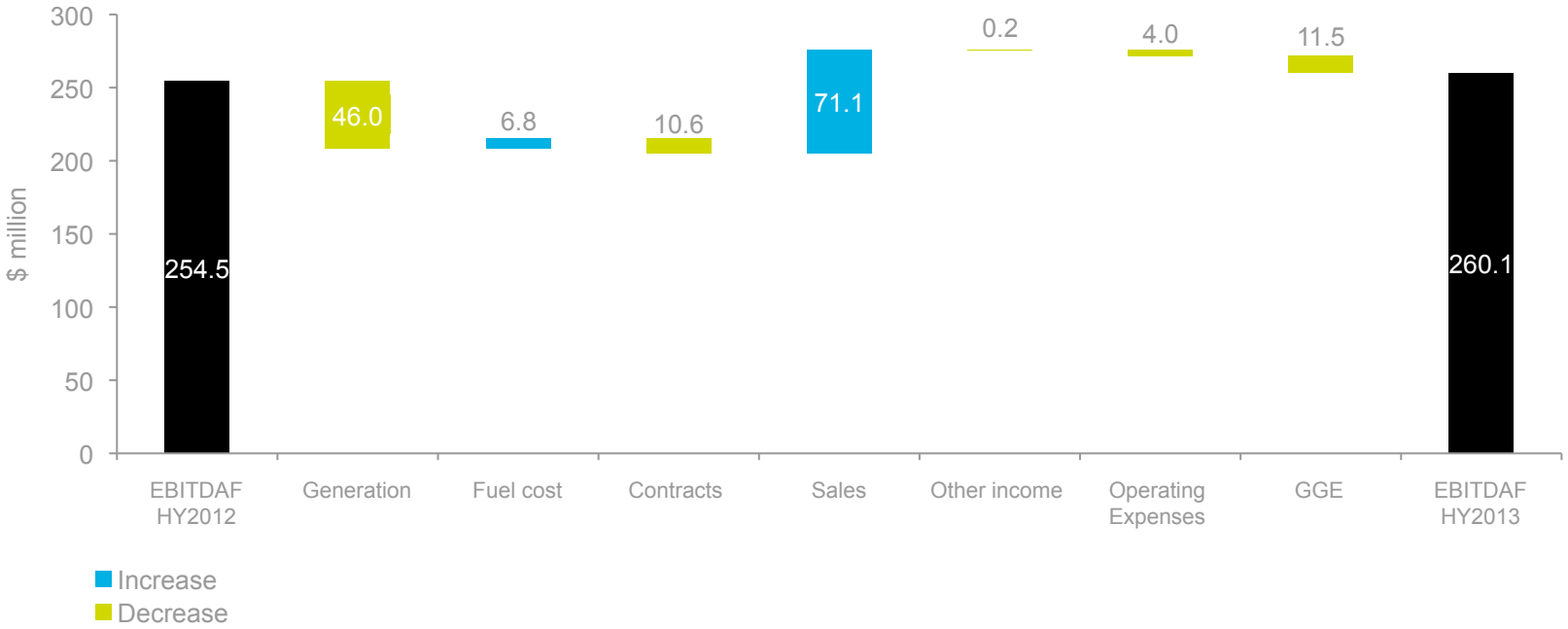
GGE Returns

- $140 million cash distribution received in October 2012 decreasing investing cash outflows
- $57.4 million favourable impact on Income Statement recognised across a number of lines within the Group Accounts
  - $43.6 million adjustment used for underlying earnings calculation (excluding impairments)
  - $11.7 million favourable impact on tax expense relates to the recognition of deferred tax on losses (both current and prior period tax losses)

Six months ended 31 December 2012	$m
Other Income	10.9
Other Expenses	(22.4)
Impact on EBITDAF	**(11.5)**
Earnings from Investments	57.2
Tax credit	11.7
Impact on NPAT	**57.4**

EBITDAF

- FPVV volumes sold to customers up 8.7% to 2,777GWh
- Improved LWAP/GWAP reflecting lower South wholesale prices, the effective use of hydro flexibility and timing of Southdown outage
- Fall in contracts of $10.6 million on pcp reflecting cost of locational hedging due to North and South Island differential spot price separation
- GGE distribution adversely impacted EBITDAF by $11.5 million
  - Increased other income by $10.9 million
  - Increased other expenses by $22.4 million released foreign exchange losses



Operating Expenses

- Operating expenditure incurred a $22.4 million impact from a realised foreign exchange loss relating to the GGE distribution
- Operating expenses (excluding GGE distribution impact) increased $4.0 million (3.5%) reflecting slightly higher maintenance expenses and insurance costs
- During the period the Company incurred $3.0 million relating to IPO preparation work

EBITDAF to NPAT

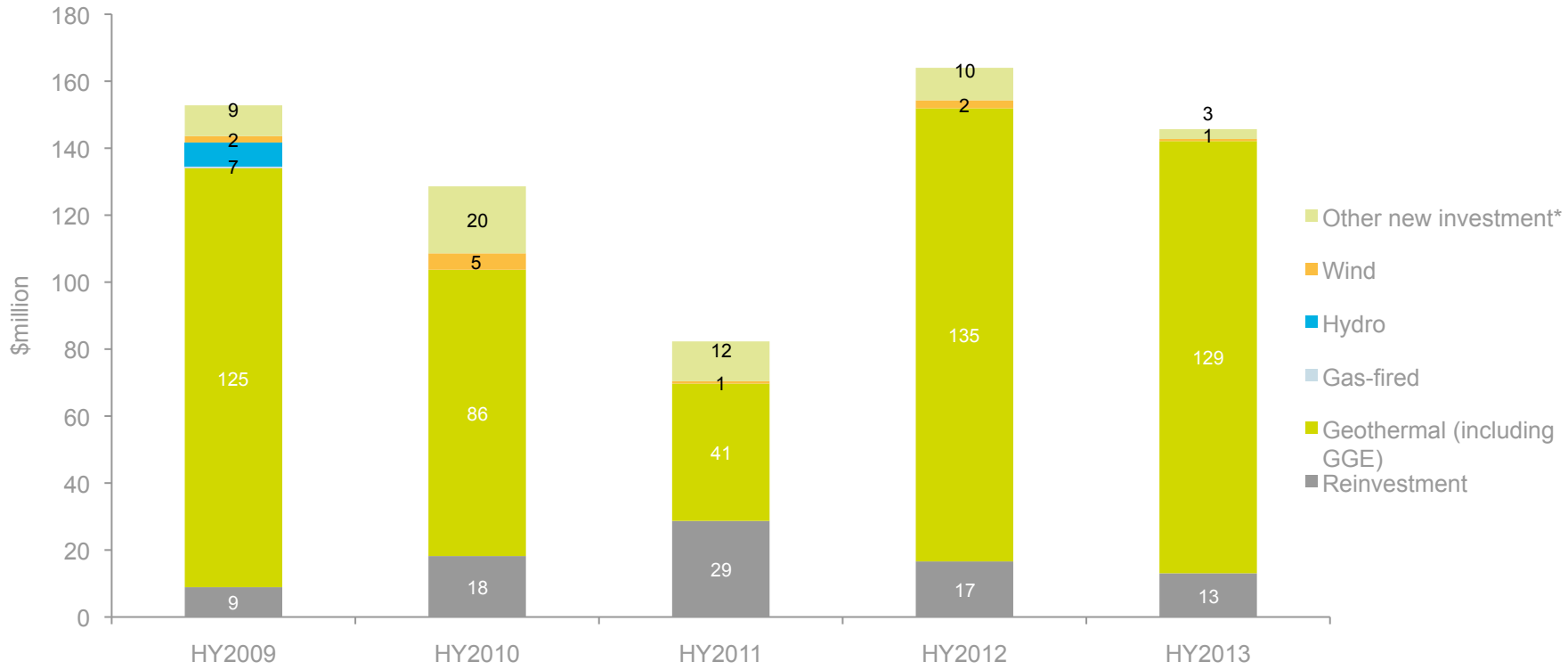
- Depreciation increased $2.1 million reflecting $170 million of asset revaluations recognised 30 June 2012
- Fair Value Movements on financial instruments of $12.4 million (HY2012: $85.7 million)
- Impairments relating to GGE and its investments of $88.9 million
- Equity Accounted Earnings of $57.2 million from GGE

Impairments

- A full assessment of GGE and its investments was undertaken which looked at project risks, forecast returns and capital requirements
- The Company felt it prudent to realise Impairments of $88.9 million relating to GeoGlobal Partners I Fund (GGE Fund) and its investments
  - higher than expected costs at the Tolhuaca project in Chile following worst winter in 40 years impacting drilling performance; one very good well and one with low productivity
  - Weilheim project in Germany impacted by environmental court challenges and drilling pad relocation following 3D seismic survey
  - GGE Fund had not raised third party capital by the end of 2012
  - Mighty River Power decided not to commit more capital to existing structure
- Residual book value of asset $91.8 million as at 31 December 2012

Capital Expenditure

- Ngatamariki 82MW geothermal development
  - $402 million spent to date
  - $115 million of which occurred in HY2013
- $14 million of geothermal capital expenditure relates to GGE (HY2012: $37 million)
- Other new investment includes $2.5 million relating to Metrix's roll out of smart meters



* Includes smart meters

Consolidated Cash Flow

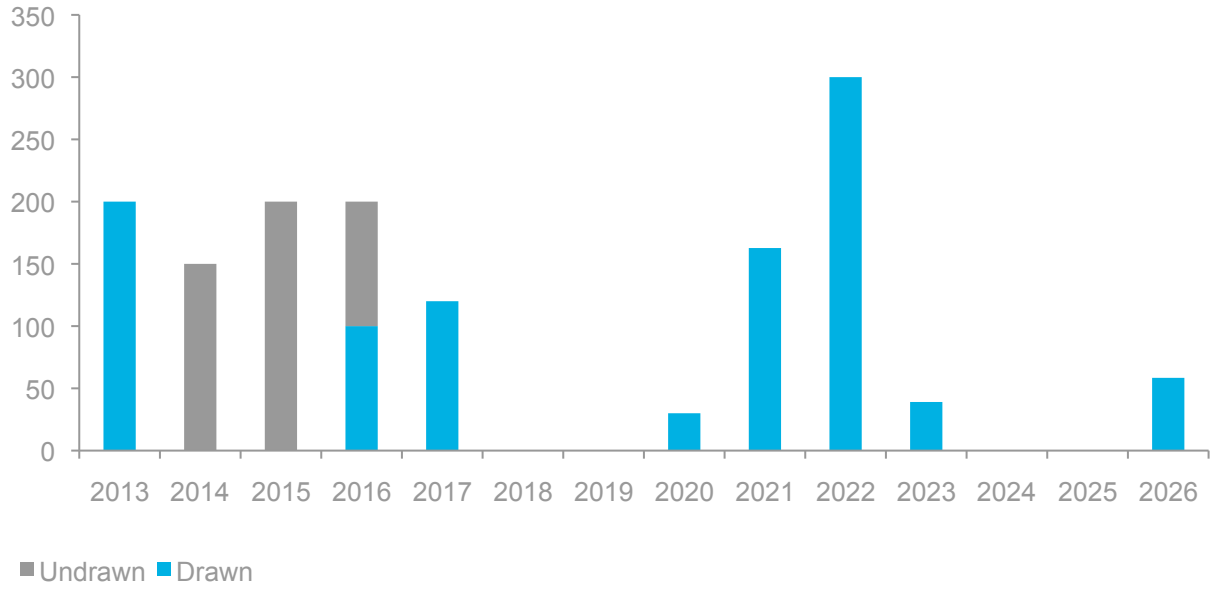
- $140 million distribution from GGE Fund decreased investing cash outflows
- Investment outflows include Ngatamariki and further deployment of GGE commitments
- Repayment of $100 million of debt facilities in October 2012

$ million	HY2013	HY2012	$m change	% change
Net cash receipts	296.9	258.2	38.7	15.0
Net interest paid	(43.7)	(41.5)	(2.2)	5.4
Taxes paid	(41.2)	(31.4)	(9.8)	31.2
Net operating cash flow	**212.0**	**185.4**	**26.6**	**14.4**
Investing cash flow	**(2.1)**	**(149.5)**	**147.4**	**(98.6)**
Financing cash flow	**(185.0)**	**(21.7)**	**(163.3)**	**752.5**
Net increase in cash	**24.9**	**14.2**	**10.7**	**75.7**

Funding Profile

- Average debt maturity profile of 4.8 years
- In October 2012 repaid $100 million of bank facilities due to mature in December 2013
- $450 million of undrawn facilities sufficient to cover repayment of $200 million retail bond which matures in May 2013
- During February 2013, $200 million of new bank facilities established to replace $150 million of facilities due to mature in December 2013

DEBT MATURITIES AS AT 31 DECEMBER 2012



Note: Undrawn facilities excludes commercial paper programme

Balance Sheet

- Fall in non-current liabilities reflecting payment of bank facilities in October 2012
- Fall in non-current assets results from a fall in investment in jointly controlled entities following GGE distribution
- Lower current assets given reduced receivables due to lower wholesale power prices

$ million	As at 31 December 2012	As at 30 June 2012	$m change	% change
SHAREHOLDERS' EQUITY				
Total shareholders' equity	**3,109.1**	**3,014.2**	**94.9**	**3.1%**
ASSETS				
Current assets	317.7	394.3	(76.6)	(19.4%)
Non-current assets	5,384.3	5,483.1	(98.8)	(1.8%)
Total assets	**5,702.0**	**5,877.4**	**(175.4)**	**(3.0%)**
LIABILITIES				
Current liabilities	560.1	642.1	(82.1)	(12.8%)
Non-current liabilities	2,032.8	2,221.1	(188.3)	(8.5%)
Total liabilities	**2,592.9**	**2,863.2**	**(270.3)**	**(9.4%)**
TOTAL NET ASSETS	**3,109.1**	**3,014.2**	**94.9**	**3.1%**

Financial Ratios

- Standard & Poor's credit rating: BBB+/Stable/A2
- Rating reaffirmed in October 2012

	31 December 2012	30 June 2012	31 December 2011
Net debt ($m)	951.8	1,115.6	985.9
Equity/total assets (%)	54.5%	51.3%	52.4%
Net debt/net debt+equity (%)	23.4%	27.0%	25.5%
Interest (net) cover (times)[1]	5.7x	5.3x	6.0x

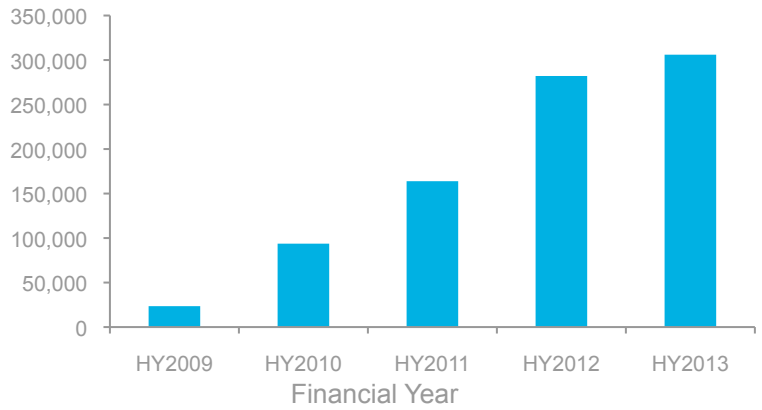
1. Includes capitalised interest

Business Update

Metrix

- Provides residential and commercial metering equipment, and related data and field services
- Operates throughout the greater Auckland area and manages sub-contract relationships for manual meter reads for Mercury Energy nationwide
- Auckland's largest electricity meter asset owner (with over 400,000 meters as at 31 December 2012)
- Deployed more than 305,000 AMI meters as at 31 December 2012
- Working with local lines company Delta, will commence deployment of smart meters for Mercury in Dunedin in Q3 FY2013
- Provides services to all major electricity retailers
- Continue to seek opportunities to grow asset base and delivering smart services to retailers

AMI METERS



Domestic Development

- 82MW Ngatamariki geothermal power station on track for commissioning mid-2013
  - Staged commissioning of the four units beginning with first power to grid early March
- Project expected to complete within revised budget of $484 million
- Key project uncertainties remaining
  - Pre commercial handover revenue
  - Steamfield performance on full power

International Geothermal

- Restructure of GGE relationship announced; due for financial close in March
- Mighty River Power to take direct control of:
  - GGE Fund's minority interest in EnergySource
  - GGE's interests in Chile, including Tolhuaca and Puchildiza development projects and operating business headquartered in Santiago
- GeoGlobal Energy LLC will take direct control of the Fund's interests in Germany
  - Mighty River Power retains an passive economic interest - value dependent on GGE performance
- US$24.8 million payment to GeoGlobal Energy LLC
  - terminate fund half way through defined life
  - acquire full control of Chile business and EnergySource interests
  - both parties now free from geographic restriction
  - no further obligations for management fee payments
- In Chile priority focus on transition and integration
  - High quality resource, strong economic growth with favourable supply/demand characteristics
  - Development of strategic plan
- In US priority focus on EnergySource partnership
  - Hudson Ranch II PPA in place, drilling underway
- Will continue to maintain a measured and prudent approach to international geothermal programme

Summary

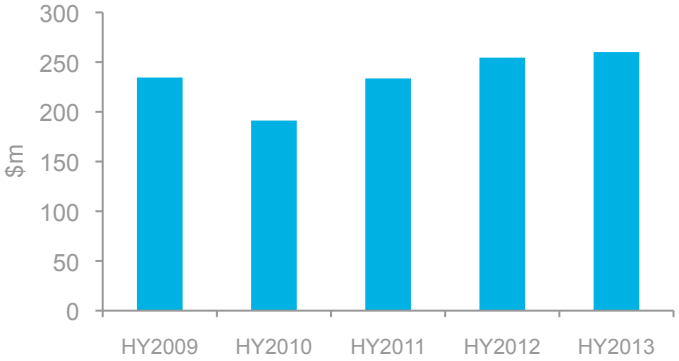
SUMMARY

Since period end

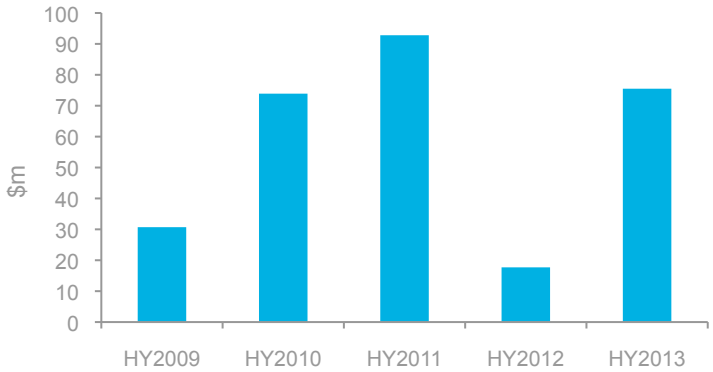
- Announced residential FPVV price changes effective as at April 2013
  - Main factor pass through of lines company charges including transmission
- Strong sales volumes
- During January inflows into South Island reservoirs were strong, leading to South Island storage rising to 150% of historical averages
- At present South Island storage 106% of average and 48% ahead of last year
- Waikato catchment inflows have been significantly lower than average and storage is currently at 217GWh, compared to 359GWh the same time last year and the historical average of 377GWh
- 3 Lost Time Injuries involving contractors since year end
- Restructure of international geothermal interests to increase direct control and leverage geothermal capabilities.

5 Year Summary

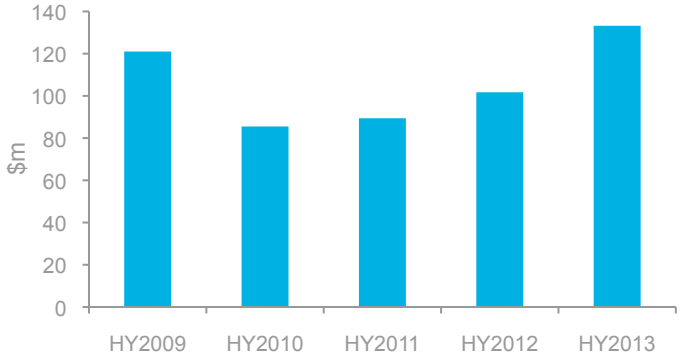
EBITDAF – 5 YEAR CAGR 3%



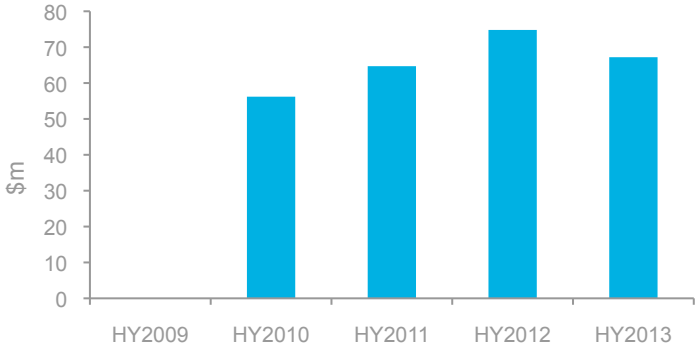
NET PROFIT AFTER TAX – 5 YEAR CAGR 25%[1,3]



UNDERLYING EARNINGS[2] – 5 YEAR CAGR 2%[3]



TOTAL DIVIDEND – 4 YEAR CAGR 6%[3]



1. Impacted by fair value accounting of our interest rate swaps
2. Generation assets revalued by over $2 billion over the last five years which has increased depreciation charges
3. New dividend policy introduced October 2012 which targets a interim pay-out of 40% of total forecasted dividends. HY2012 represented 62% of total declared dividend for FY2012

Appendix

Operating Information HY2013 vs HY2012

	Six months ended 31 December 2012		Six months ended 31 December 2011		Twelve months ended 30 June 2012	
Electricity Sales	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**	**VWAP[1] ($/MWh)**	**Volume (GWh)**
FPVV sales to customers	115.32	2,777	113.58	2,555	115.48	5,021
Residential customers		1,375		1,408		2,609
Commercial customers		1,402		1,148		2,412
FPVV purchases from market		2,964		2,714		5,323
Spot customer purchases		1,089		995		2,035
Total NZEM Purchases	64.82	4,053		3,709	$94.68	7,358
Electricity Customers ('000)	391		383		386	
North Island Customers	348		346		350	
South Island Customers	43		37		36	
Dual Fuel Customers	41		39		41	
Contracts for Difference		**Volume (GWh)**		**Volume (GWh)**		**Volume (GWh)**
Buy CfD		1,285		691		1,708
Sell CfD		2,139		1,525		3,224
Net Sell CfD		854		834		1,516

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees

Operating Information HY2013 vs HY2012

	Six months ended 31 December 2012		Six months ended 31 December 2011		Twelve months ended 30 June 2012	
Electricity Generation	**VWAP ($/MWh)**	**Volume (GWh)**	**VWAP ($/MWh)**	**Volume (GWh)**	**VWAP ($/MWh)**	**Volume (GWh)**
Hydro	66.79	2,468	81.14	2,258	87.89	4,294
Gas	85.98	178	92.55	308	100.97	589
Geothermal (consolidated)[2]	59.69	930	74.87	981	82.11	1,946
Geothermal (equity accounted)[3]	61.26	124	72.93	117	81.80	239
Total	**65.74**	**3,700**	**81.16**	**3,664**	**87.18**	**7,068**
LWAP/GWAP[4]	0.99		1.04		1.09	
Gas Purchases [5]	**$/GJ**	**PJ**	**$/GJ**	**PJ**	**$/GJ**	**PJ**
Retail purchases	8.93	0.61	8.74	0.61	8.73	1.1
Generation purchases	8.87	1.80	8.11	2.84	8.18	5.47
Carbon Emissions ('000 tonnes CO_2e)	255		328		628	

1. VWAP is volume weighted average energy only price sold to FPVV customers after lines, metering and fees
2. Includes share of Nga Awa Purua generation
3. Tuaropaki Power Company (Mokai) equity share
4. Load weighted and generation weighted average price. This ratio gives an indication of electricity purchase costs compared to the sales price of the electricity produced
5. Prices exclude fixed transmission charges

NPAT to Underlying Earnings HY2013 vs HY2012

$ million	HY2013	HY2012	$m change	% change	FY2012
NPAT	**75.5**	**17.6**	**57.9**	**329.0**	**67.7**
Change in fair value of financial instruments	12.4	85.7	(73.3)	(85.5)	92.8
Change in fair value of financial instruments of associate companies	1.6	(0.4)	2.0	(528.9)	1.5
Change in fair value of financial instruments of jointly controlled entities	(37.6)	20.6	(58.2)	(282.5)	24.2
Impairments	91.4	2.7	88.7	3251.3	4.0
Impact of Capital return from jointly controlled entities	(6.0)	-	-	-	-
Income tax expense on adjustments	(4.1)	(24.7)	20.6	(83.4)	(27.5)
Underlying Earnings	**133.2**	**101.7**	**31.5**	**31.0**	**162.7**

NPAT to Underlying Earnings - five year summary

$ million	HY2013	HY2012	HY2011	HY2010	HY2009
NPAT	**75.5**	**17.6**	**92.8**	**73.9**	**30.7**
Change in fair value of financial instruments	12.4	85.7	5.8	1.5	118.8
Change in fair value of financial instruments of associate companies	1.6	(0.4)	(0.2)	-	
Change in fair value of financial instruments of jointly controlled entities	(37.6)	20.6	(9.9)	-	
Impairments	91.4	2.7	3.5	15.0	10.1
Impact from capital return from jointly controlled entities	(6.0)	-	-	-	-
Income tax expense on adjustments	(4.1)	(24.7)	(2.7)	(5.0)	(38.7)
Underlying Earnings	**133.2**	**101.7**	**89.4**	**85.5**	**121.0**

MIGHTY RIVER POWER LIMITED

Condensed Consolidated Interim Financial Statements

For the period ended 31 December 2012

MIGHTY RIVER POWER LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	**6 Months 31 Dec 2012 $000**	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Sales		**927,237**	930,730	1,903,515
Less line charges		**(244,348)**	(214,359)	(424,247)
Other revenue		**23,432**	12,686	41,295
Total revenue		**706,321**	729,057	1,520,563
Energy costs		**289,477**	344,011	761,158
Other direct cost of sales, including metering		**15,229**	15,454	33,524
Employee compensation and benefits		**38,904**	36,554	76,139
Maintenance expenses		**29,368**	26,612	71,808
Sales and marketing		**6,790**	8,877	20,898
Contractors' fees		**5,894**	4,773	11,136
Professional services		**10,020**	7,732	18,958
Other expenses		**50,538**	30,587	65,445
Total expenses		**446,220**	474,600	1,059,066
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)		**260,101**	254,457	461,497
Depreciation and amortisation		**(75,274)**	(73,201)	(158,397)
Change in the fair value of financial instruments	7	**(12,427)**	(85,746)	(92,751)
Impaired assets	4	**(91,390)**	(2,727)	(4,004)
Equity accounted earnings of associate companies	9	**1,610**	2,066	2,852
Equity accounted earnings/(losses) of interest in jointly controlled entities	11	**57,236**	(21,464)	(27,655)
Earnings before net interest expense and income tax (EBIT)		**139,856**	73,385	181,542
Interest expense		**(33,229)**	(38,131)	(75,360)
Interest income		**1,739**	1,225	2,808
Net interest expense		**(31,490)**	(36,906)	(72,552)
Profit before income tax		**108,366**	36,479	108,990
Income tax expense	5	**(32,884)**	(18,832)	(41,289)
Net profit for the period		**75,482**	17,647	67,701
Net profit for the period is attributable to:				
Owners of the parent		**75,404**	17,696	67,775
Non-controlling interests		**78**	(49)	(74)
		75,482	17,647	67,701
Earnings per share attributable to owners of the parent:				
Basic and diluted earnings per share (cents)	6	**5.39**	4.67	17.80

The accompanying notes form an integral part of these financial statements.

MIGHTY RIVER POWER LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Net profit for the period	**75,482**	17,647	67,701
Other comprehensive income			
Fair value revaluation of hydro and thermal assets	**500**	-	166,000
Fair value revaluation of other generation assets	**-**	-	4,000
Equity accounted share of movements in associates' reserves	**3,829**	(1,347)	1,165
Equity accounted share of movements in jointly controlled entities' reserves	**(1,548)**	-	31,621
Exchange movements on equity accounted share of movements in jointly controlled entities' reserves	**(1,001)**	-	-
Movement in available for sale investment reserve	**1,476**	(429)	(619)
Movements in foreign currency translation reserve	**15,631**	6,181	(1,531)
Cash flow hedges gain/(loss) taken to or released from equity	**62,775**	(1,261)	27,758
Income tax on items of other comprehensive income	**(17,092)**	472	(68,083)
Other comprehensive income for the period, net of taxation	**64,570**	3,616	160,311
Total comprehensive income for the period	**140,052**	21,263	228,012
Total comprehensive income for the period is attributable to:			
Owners of the parent	**139,974**	21,312	228,090
Non-controlling interests	**78**	(49)	(78)
	140,052	21,263	228,012

The accompanying notes form an integral part of these financial statements.

MIGHTY RIVER POWER LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Issued capital $000	Retained earnings $000	Available for sale investment reserve $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Non-controlling interest $000	Total equity $000
Balance as at 1 July 2011	377,561	540,353	(617)	(30,521)	2,159,494	(140,023)	295	2,906,542
Equity accounted share of movements in associates' reserves	-	-	-	-	-	(1,347)	-	(1,347)
Net loss on available-for-sale investments, net of taxation	-	-	(310)	-	-	-	-	(310)
Movements in foreign currency translation reserve	-	-	-	6,181	-	-	-	6,181
Cash flow hedges gain/(loss) taken to equity, net of taxation	-	-	-	-	-	(908)	-	(908)
Other comprehensive income	-	-	(310)	6,181	-	(2,255)	-	3,616
Net profit for the period	-	17,696	-	-	-	-	(49)	17,647
Total comprehensive income for the period	-	17,696	(310)	6,181	-	(2,255)	(49)	21,263
Non-controlling interest	-	-	-	-	-	-	90	90
Dividend	-	(45,700)	-	-	-	-	-	(45,700)
Balance as at 31 December 2011	377,561	512,349	(927)	(24,340)	2,159,494	(142,278)	336	2,882,195
Balance as at 1 January 2012	377,561	512,349	(927)	(24,340)	2,159,494	(142,278)	336	2,882,195
Fair value revaluation of hydro and gas-fired generation assets, net of taxation	-	-	-	-	119,520	-	-	119,520
Fair value revaluation of other generation assets, net of taxation	-	-	-	-	2,880	-	-	2,880
Equity accounted share of movements in jointly controlled entities' reserves, net of taxation	-	-	-	-	18,758	-	(21)	18,737
Equity accounted share of movements in associates' reserves	-	-	-	-	-	2,512	-	2,512
Net loss on available-for-sale investments, net of taxation	-	-	(136)	-	-	-	-	(136)
Movements in foreign currency translation reserve	-	-	-	(7,708)	-	-	(4)	(7,712)
Cash flow hedges gain/(loss) taken to equity, net of taxation	-	-	-	-	-	19,986	-	19,986
Impact of tax rate change	-	-	-	-	-	908	-	908
Other comprehensive income	-	-	(136)	(7,708)	141,158	23,406	(25)	156,695
Net profit for the period	-	50,079	-	-	-	-	(25)	50,054
Total comprehensive income for the period	-	50,079	(136)	(7,708)	141,158	23,406	(50)	206,749
Non-controlling interest	-	-	-	-	-	-	18	18
Dividend	-	(74,800)	-	-	-	-	-	(74,800)
Balance as at 30 June 2012	377,561	487,628	(1,063)	(32,048)	2,300,652	(118,872)	304	3,014,162
Balance as at 1 July 2012	**377,561**	**487,628**	**(1,063)**	**(32,048)**	**2,300,652**	**(118,872)**	**304**	**3,014,162**
Fair value revaluation of other generation assets, net of taxation	**-**	**-**	**-**	**-**	**360**	**-**	**-**	**360**
Equity accounted share of movements in associates' reserves	**-**	**-**	**-**	**-**	**-**	**3,829**	**-**	**3,829**
Equity accounted share of movements in jointly controlled entities' reserves, net of taxation	**-**	**-**	**-**	**-**	**(1,509)**	**-**	**(2)**	**(1,511)**
Net loss on available-for-sale investments, net of taxation	**-**	**-**	**(34)**	**-**	**-**	**-**	**-**	**(34)**
Release of reserve to the income statement, net of taxation			**1,097**					**1,097**
Movements in foreign currency translation reserve	**-**	**-**	**-**	**15,629**	**-**	**-**	**2**	**15,631**
Release of asset revaluation reserve following disposal of assets	**-**	**2,744**	**-**	**-**	**(2,744)**	**-**	**-**	**-**
Cash flow hedges gain/(loss) taken to equity, net of taxation	**-**	**-**	**-**	**-**	**-**	**45,198**	**-**	**45,198**
Other comprehensive income	**-**	**2,744**	**1,063**	**15,629**	**(3,893)**	**49,027**	**-**	**64,570**
Net profit for the period	**-**	**75,404**	**-**	**-**	**-**	**-**	**78**	**75,482**
Total comprehensive income for the period	**-**	**78,148**	**1,063**	**15,629**	**(3,893)**	**49,027**	**78**	**140,052**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(120)**	**(120)**
Dividend	**-**	**(45,000)**	**-**	**-**	**-**	**-**	**-**	**(45,000)**
Balance as at 31 December 2012	**377,561**	**520,776**	**-**	**(16,419)**	**2,296,759**	**(69,845)**	**262**	**3,109,094**

The accompanying notes form an integral part of these financial statements.

MIGHTY RIVER POWER LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	**31 Dec 2012** **$000**	31 Dec 2011 $000	30 June 2012 $000
SHAREHOLDERS' EQUITY				
Issued capital		**377,561**	377,561	377,561
Reserves		**2,731,271**	2,504,298	2,636,297
Non-controlling interest		**262**	336	304
Total shareholders' equity		**3,109,094**	2,882,195	3,014,162
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		**62,459**	43,185	38,296
Receivables		**195,916**	214,502	316,097
Inventories		**22,161**	22,245	24,147
Derivative financial instruments	7	**37,138**	18,114	15,769
Total current assets		**317,674**	298,046	394,309
NON-CURRENT ASSETS				
Property, plant and equipment	8	**5,045,271**	4,827,246	5,064,100
Intangible assets		**48,728**	45,287	49,795
Emissions units		**4,707**	794	4,323
Available-for-sale financial assets		**524**	762	572
Investment and advances to associates	9	**71,896**	76,917	78,022
Investment in jointly controlled entities	11	**31,131**	84,500	108,104
Advances		**13,438**	10,470	13,992
Receivables		**15,919**	402	5,751
Derivative financial instruments	7	**152,683**	160,726	158,438
Total non-current assets		**5,384,297**	5,207,104	5,483,097
TOTAL ASSETS		**5,701,971**	5,505,150	5,877,406
LIABILITIES				
CURRENT LIABILITIES				
Payables and accruals		**186,078**	201,268	289,221
Provisions	12	**7,729**	4,390	6,546
Current portion loans	14	**305,701**	6,234	305,684
Derivative financial instruments	7	**35,234**	27,600	23,779
Taxation payable		**25,309**	20,813	16,887
Total current liabilities		**560,051**	260,305	642,117
NON-CURRENT LIABILITIES				
Payables and accruals		**16,285**	21,366	17,163
Derivative financial instruments	7	**380,658**	444,100	419,910
Loans	14	**727,036**	1,051,398	875,688
Deferred tax	13	**908,847**	845,786	908,366
Total non-current liabilities		**2,032,826**	2,362,650	2,221,127
TOTAL LIABILITIES		**2,592,877**	2,622,955	2,863,244
NET ASSETS		**3,109,094**	2,882,195	3,014,162

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 21 February 2013.

Joan Withers
Chair
21 February 2013

Trevor Janes
Deputy Chair
21 February 2013

MIGHTY RIVER POWER LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	**6 Months 31 Dec 2012 $000**	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**799,608**	731,419	1,387,480
Payments to suppliers and employees		**(502,752)**	(473,221)	(964,112)
Interest received		**1,740**	1,225	2,808
Interest paid		**(45,429)**	(42,675)	(86,333)
Taxes paid		**(41,154)**	(31,378)	(62,850)
Net cash provided by operating activities	15	**212,013**	185,370	276,993
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		**(142,570)**	(140,748)	(311,720)
Proceeds from sale of property, plant and equipment		**5,394**	2	349
Advances to joint venture partner repaid		**553**	407	891
Partial disposal of interest in jointly controlled assets		**-**	-	40,526
Investment in jointly controlled entities		**(1,488)**	(2,188)	(2,001)
Distribution received from jointly controlled entities	11	**140,321**	-	-
Acquisition of intangibles		**(5,129)**	(8,560)	(24,904)
Acquisition of emission units		**(570)**	-	(5,285)
Disposal of emission units		**-**	-	7,005
Dividends received from associate		**1,416**	1,613	3,513
Net cash used in investing activities		**(2,073)**	(149,474)	(291,626)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans		**-**	30,000	228,728
Repayment of loans		**(140,000)**	(6,000)	(80,439)
Dividends paid		**(45,000)**	(45,700)	(120,500)
Net cash used in financing activities		**(185,000)**	(21,700)	27,789
Net increase in cash and cash equivalents held		**24,940**	14,196	13,156
Net foreign exchange movements		**(777)**	267	(3,582)
Cash and cash equivalents at the beginning of the period		**38,296**	28,722	28,722
Cash and cash equivalents at the end of the period		**62,459**	43,185	38,296
Cash balance comprises:				
Cash		**62,459**	43,185	38,296
Cash balance at the end of the period		**62,459**	43,185	38,296

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

NOTE 1. ACCOUNTING POLICIES

1) Reporting entity

Mighty River Power (the "Company") Limited is a company incorporated in New Zealand, registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993. The condensed consolidated interim financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The condensed consolidated interim financial statements are for Mighty River Power Limited Group (the "Group"). The condensed consolidated interim financial statements comprise the Company and its subsidiaries, including its investments in associates and interests in jointly controlled assets and entities.

Mighty River Power Limited is wholly owned by Her Majesty the Queen in Right of New Zealand (the Crown). Consequently, the Company is bound by the requirements of the State-Owned Enterprises Act 1986.

The liabilities of the Company are not guaranteed in any way by the Crown.

The Group's principal activities are to invest in, develop and produce electricity from renewable and other energy sources and to sell energy and energy related services and products to retail and wholesale customers.

2) Basis of preparation

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting. In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 Interim Financial Reporting. For the purposes of financial reporting, Mighty River Power is a profit-oriented entity.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements. Consequently, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2012.

(b) Accounting policies and methods of computation

Apart from the change in computation below, the accounting policies and methods of computation are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those annual financial statements.

Valuation of ASX electricity futures contracts

A change in the valuation approach for ASX electricity futures contracts has been adopted. The valuation of these contracts are now taken directly from the Credit Suisse (ASX clearing house) mark-to-market figures for open trades. Previously the valuations had been performed internally based on a future price path which was derived from ASX price information. At the date the valuation approach changed for the ASX futures contracts a valuation difference of $0.1 million existed between the two methodologies which resulted in a decrease in the fair value asset.

(c) Estimates and judgements

The preparation of interim financial statements in conformity with NZ IAS 34 and IAS 34 requires Management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Generation plant and equipment

The Group's generation assets are stated at fair value as determined by an independent valuer. The basis of the valuation is the net present value of the future earnings of the assets, excluding any reduction for costs associated with restoration and environmental rehabilitation. The major inputs and assumptions that are used in the valuation model that require judgement include the forecast of the future electricity price path, sales volume forecasts, projected operational and capital expenditure profiles, capacity and life assumptions for each generation plant and discount rates. The last revaluation was performed in June 2012. Management expect to test the assumptions as at 30 June 2013 and if required engage an independent valuer to determine whether carrying values remain materially consistent with fair value.

Retail revenue

Management has exercised judgement in determining estimated retail sales for unread gas and electricity meters at balance date. Specifically this involves an estimate of consumption for each unread meter, based on the customer's past consumption history. The estimated balance is recorded in sales and as an accrual balance within receivables.

Restoration and environmental rehabilitation
Liabilities are estimated for the abandonment and site restoration of areas from which natural resources are extracted. Such estimates are valued at the present value of the expenditures expected to settle the obligation. Key assumptions have been made as to the expected expenditures to remediate based on the expected life of the assets employed on the sites and an appropriate discount rate.

Valuation of Financial instruments
ASX electricity future contracts are classified as level 1 and valuations are recorded directly from Credit Suisse (ASX clearing house) valuations. Energy contracts classified as level 3 are valued by reference to the Group's financial model for future electricity prices. Foreign exchange and interest rate derivatives are classified as level 2 and are valued based on quoted market prices. Detailed information about assumptions and risk factors relating to financial instruments and their valuation are included in the annual financial statements.

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Evaluation and exploration assets are assessed for impairment when there is an indication that the carrying amount of the asset may exceed its recoverable amount.

Deferred tax
In May 2010 the Government announced that tax depreciation deductions for buildings would be disallowed effective from 1 July 2011. As there is no definition of a building in the Income Tax Act, Management have had to make an assessment of whether its generation assets, which have historically been classified as buildings, have been appropriately classified or whether they would more appropriately be classified as plant. In the event the Inland Revenue Department disagrees with the position Management takes when filing the 2012 tax returns in March 2013, then an additional deferred tax liability and tax expense of $21.3 million would need to be recognised associated with the portion of powerhouses that Management considered should be more appropriately classified as plant.

(d) Functional and presentation currency
These financial statements are presented in New Zealand Dollars ($). The functional currency of Mighty River Power Limited and all its subsidiaries, apart from Mighty Geothermal Power Limited and its direct subsidiaries and PT ECNZ Services Indonesia, is New Zealand Dollars. The functional currency of PT ECNZ Services Indonesia and Mighty Geothermal Power Limited, and its subsidiaries except the German subsidiaries, is the United States Dollar. The German subsidiaries have a functional currency of Euro. The financial statements of these entities have been translated to the presentation currency for these Group Accounts. All financial information has been rounded to the nearest thousand.

(e) Seasonality of operations
The energy business operates in an environment that is dependent on weather as one of the key drivers of supply and demand. Fluctuations in seasonal weather patterns, particularly over the short term, can have a positive or negative effect on the reported result. It is not possible to consistently predict this seasonality and some variability is common.

(f) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive.

NOTE 2. SEGMENT REPORTING

Identification of reportable segments
The operating segments are identified by Management based on the nature of the products and services provided. Discrete financial information about each of these operating businesses is reported to the chief operating decision-maker on at least a monthly basis.

Operating segments are aggregated into reportable segments only if they share similar economic characteristics.

During the year ended 30 June 2012 Mighty River Power ceased producing and reporting to the chief operating decision maker separate Retail and Wholesale segments to align with the manner in which the Group views and manages its energy business. As a result the Retail and Wholesale results which have previously been reported separately have been combined into an "Energy Markets" segment. The previously reported Retail and Wholesale segments have been incorporated into the Energy Markets segment in their entirety.

Types of products and services
Energy Markets
The energy markets segment encompasses activity associated with the production, sale and trading of energy and related services and products, and generation development activities.

Other Segments
Other operating segments that are not considered to be reporting segments are grouped together in the "Other Segments" column. Activities include metering, upstream gas and international geothermal development.

Unallocated
Represents other corporate support services and other elimination adjustments.

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Accounting Policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in note 1 to the annual financial statements and in the prior comparative periods. The Chief Executive assesses the performance of the operating segments on a measure of EBITDAF. Segment EBITDAF represents profit earned by each segment exclusive of any allocation of central administration costs, depreciation and amortisation, share of profits of associates and jointly controlled entities, change in fair value of financial instruments, impairments, finance costs and income tax expense.

Transactions between segments are carried out on an arm's length basis.

Six months ended 31 December 2012	Energy Markets $000	Other Segments $000	Unallocated $000	Total $000
Total segment revenue	689,797	31,707	794	722,298
Inter-segment revenue	-	(15,977)	-	(15,977)
Revenue from external customers	689,797	15,730	794	706,321
Segment EBITDAF	290,941	11,091	(41,931)	260,101
Segment Assets	5,324,374	208,992	168,605	5,701,971

Six months ended 31 December 2011	Energy Markets $000	Other Segments $000	Unallocated $000	Total $000
Total segment revenue	724,554	20,702	527	745,783
Inter-segment revenue	-	(16,726)	-	(16,726)
Revenue from external customers	724,554	3,976	527	729,057
Segment EBITDAF	269,337	(838)	(14,042)	254,457
Segment Assets	5,064,722	330,258	110,170	5,505,150

Twelve months to 30 June 2012	Energy Markets $000	Other Segments $000	Unallocated $000	Total $000
Total segment revenue	1,510,922	41,751	951	1,553,624
Inter-segment revenue	-	(33,061)	-	(33,061)
Revenue from external customers	1,510,922	8,690	951	1,520,563
Segment EBITDAF	499,048	680	(38,231)	461,497
Segment Assets	5,309,913	376,422	191,071	5,877,406

Reconciliation of segment revenue to the income statement

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Total segment revenue	722,298	745,783	1,553,624
Inter-segment sales elimination	(15,977)	(16,726)	(33,061)
Total revenue per the income statement	706,321	729,057	1,520,563

Reconciliation of segment assets to total assets

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Segment assets	5,533,366	5,394,980	5,686,335
Unallocated	168,605	110,170	191,071
Total assets	5,701,971	5,505,150	5,877,406

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

NOTE 3. UNDERLYING EARNINGS

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of earnings after removing one-off and/or infrequently occurring events (exceeding $10 million of net profit before tax), impairments and any changes in the fair value of derivative financial instruments or any equity accounted share of changes in the fair value of derivative financial instruments.

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Net profit for the period	**75,482**	17,647	67,701
Change in the fair value of financial instruments	**12,427**	85,746	92,751
Equity accounted share of the change in the fair value of financial instruments of associate entities	**1,604**	(374)	1,510
Equity accounted share of the change in the fair value of financial instruments of jointly controlled entities	**(37,599)**	20,601	24,207
Equity accounted share of the income statement impact of the capital return from jointly controlled entities (refer note 11)	**(6,021)**	-	-
Impaired assets	**91,390**	2,727	4,004
Adjustments before income tax expense	**61,801**	108,700	122,472
Income tax expense on adjustments	**(4,084)**	(24,668)	(27,514)
Adjustments after income tax expense	**57,717**	84,032	94,958
Underlying earnings after tax	**133,199**	101,679	162,659

Tax has been applied on all taxable adjustments at 28%

NOTE 4. OTHER INCOME STATEMENT DISCLOSURES

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Auditing the financial statements - Ernst & Young (New Zealand)	**315**	383	763
Auditing the financial statements - BDO (United States, Chile & Germany)	**305**	402	318
Other services - Investigating Accountant role in preparation of IPO - Ernst & Young	**383**	-	322
Total auditor's remuneration	**1,003**	785	1,403
Foreign currency exchange (gains)/losses	**21,628**	516	(217)
Interest charged	**47,072**	43,704	90,249
Interest capitalised to capital work in progress	**(13,843)**	(5,573)	(14,889)
Total interest expense	**33,229**	38,131	75,360
Impaired property, plant and equipment	**(46,596)**	-	(30)
Impaired exploration and development expenditure	**(33,446)**	(3,604)	(4,843)
Impaired available for sale financial asset	**(1,525)**	-	-
Impaired investment in associate	**(9,823)**	877	869
	(91,390)	(2,727)	(4,004)

Management performed a review of all international geothermal development projects and related interests to identify whether any indicators of impairment exist. Drilling results on the Tolhuaca project in Southern Chile over 2011/12 delivered less productivity than planned and were more expensive than expected. In addition, significant delays in progressing the Weilheim project in Germany due to environmental court challenges (now resolved), combined with the need to move drilling locations, led to increased costs. As a consequence, at 31 December 2012 the Company recognised an impairment charge against the German and Tolhuaca assets. While the carrying value of the interests in Jointly Controlled Entities reduced significantly this period, as a consequence of the cash distribution received, management also assessed these interests for impairment, none were noted. As at 31 December 2012, the GeoGlobal Energy Fund had not raised third party capital as planned and the Company had decided that it would decline the opportunity to invest further capital into the existing structure. This has led to the recognition of an impairment in its investment in the management company GeoGlobal Energy LLC. Impairment charges against international geothermal interests total $88.9 million and adjust these assets to their recoverable value, which is based on management estimates of their fair value less costs to sell, leaving a residual book value of $91.8 million. Impairments against domestic assets total $2.5 million taking total impairments to $91.4 million.

Expenses incurred by the Company during the period relating to the preparation for a potential listing totalled $3.0 million ($3.8 million for the full year to 30 June 2012), comprising $2.4 million ($3.1 million for the full year to 30 June 2012) of direct issue expenses (predominantly professional services including audit costs) and an additional $0.6 million ($0.7 million for the full year to 30 June 2012) relating to employee compensation and benefits and other expenses. An agreement has yet to be reached with the Crown on recovery of issue expenses.

NOTE 5. INCOME TAX EXPENSE

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
(i) Income tax expense			
Profit before income tax	**108,366**	36,479	108,990
Prima facie income tax expense at 28% on profit before tax	**(30,342)**	(10,214)	(30,517)
Increase/(decrease) in income tax due to:			
• share of associates' tax paid earnings	**451**	578	799
• share of jointly controlled entities' tax paid earnings	**16,026**	(6,010)	(7,743)
• foreign entities' losses not recognised for deferred tax	**(23,962)**	(3,725)	(3,598)
• foreign entities' losses recognised for deferred tax	**11,721**	-	-
• non-deductible foreign exchange loss	**(6,273)**	-	-
• other differences	**(498)**	345	(892)
Over/(under) provision in prior period	**(7)**	194	662
Income tax expense attributable to profit from ordinary activities	**(32,884)**	(18,832)	(41,289)
Represented by:			
Current tax expense	**(49,912)**	(46,535)	(74,381)
Deferred tax expense recognised in the consolidated income statement	**17,028**	27,703	33,092
Total income tax expense	**(32,884)**	(18,832)	(41,289)
(ii) Income tax reported in other comprehensive income			
Tax on movements in asset revaluation reserve	**898**	-	(60,484)
Tax on movements in cash flow hedge reserve	**(17,577)**	353	(7,772)
Tax on movements in available for sale investment reserve	**(413)**	119	173
Income tax reported in other comprehensive income	**(17,092)**	472	(68,083)

Tax on movements in the cash flow hedge reserve includes both current and deferred tax. The current tax component arises due to realised foreign exchange gains or losses on hedge transactions that are rolled on an instalment basis which accumulate in the cash flow hedge reserve until the underlying transaction occurs.

NOTE 6. EARNINGS PER SHARE

	6 Months 31 Dec 2012	6 Months 31 Dec 2011	12 Months 30 June 2012
Numerator:			
Net profit for the period ($000)	**75,482**	17,647	67,701
Less net profit attributable to non-controlling interests ($000)	**78**	(49)	(74)
Net profit attributable to owners of the parent ($000)	**75,482**	17,647	67,701
Denominator (thousands of shares) - weighted average	**1,400,000**	377,561	380,362
Basic and diluted earnings per share (Cents)	**5.39**	4.67	17.80

On 30 June 2012 the Company made a taxable bonus issue of 1,022,439,546 ordinary shares to its existing shareholders, bringing total shares on issue to $1.4 billion. All shares have equal voting rights and share equally in dividends and any surplus on winding up.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets 31 Dec 2012 $000	**Liabilities 31 Dec 2012 $000**	Assets 31 Dec 2011 $000	Liabilities 31 Dec 2011 $000	Assets 30 June 2012 $000	Liabilities 30 June 2012 $000
Interest rate derivatives	**28,695**	**248,068**	31,291	239,418	29,676	249,127
Cross currency interest rate derivatives	**8,659**	**-**	19,161	-	19,787	-
Cross currency interest rate derivatives - margin	**-**	**11,326**	-	9,507	-	10,014
Electricity price derivatives	**152,448**	**156,056**	125,878	216,910	124,744	181,266
Foreign exchange rate derivatives	**19**	**442**	2,510	5,865	-	3,282
	189,821	**415,892**	178,840	471,700	174,207	443,689
Current	**37,138**	**35,234**	18,114	27,600	15,769	23,779
Non-current	**152,683**	**380,658**	160,726	444,100	158,438	419,910
	189,821	**415,892**	178,840	471,700	174,207	443,689

Interest rate derivatives, short term low value foreign exchange rate derivatives, and short term low value electricity price derivatives, while economic hedges, are not designated as hedges under NZ IAS 39 but are treated as at fair value through profit and loss. All other foreign exchange rate and electricity price derivatives (except the Tuaropaki Power Company Foundation Hedge, Virtual Asset Swap with Meridian, the Nga Awa Purua outage cover contract and the Genesis swaption) are designated as cash flow hedges under NZ IAS 39. Cross currency interest rate swaps, which are used to manage the combined interest and foreign currency risk on borrowings issued in foreign currency, have been split into two components for the purposes of hedge designation. The hedge of the benchmark interest rate is designated as a fair value hedge and the hedge of the issuance margin is designated as a cash flow hedge.

The changes in fair values of derivative financial instruments and borrowings measured at fair value recognised in the income statement and other comprehensive income are summarised below:

	Income Statement			**Other Comprehensive Income**		
	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000	**6 Months 31 Dec 2012 $000**	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Cross currency interest rate derivatives	**(11,105)**	49,302	49,235	**-**	-	-
Borrowings - fair value change	**9,011**	(47,638)	(46,568)	**-**	-	-
	(2,094)	1,664	2,667	**-**	-	-
Interest rate derivatives	**(248)**	(84,802)	(94,969)	**-**	-	-
Cross currency interest rate swaps - margin	**-**	-	-	**(941)**	3,001	2,765
Electricity price derivatives	**(7,644)**	(691)	(693)	**63,219**	(15,766)	21,005
Foreign exchange derivatives	**-**	108	108	**497**	11,504	3,988
	(9,986)	(83,721)	(92,887)	**62,775**	(1,261)	27,758
Ineffectiveness of cash flow hedges	**(2,441)**	(2,025)	136			
Total fair value movements recognised through the consolidated income statement	**(12,427)**	(85,746)	(92,751)			

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Significant property plant and equipment related transactions during the period			
Assets acquired at cost	**138,592**	152,956	329,643
Net book value of assets disposed	**5,211**	28	4,629
Gain/(loss) on disposal	**183**	(26)	(4,280)
Asset revaluations	**500**	-	170,000
Impaired other generation assets	**(46,596)**	-	(30)
Impaired exploration and development expenditure	**(33,446)**	(3,604)	(4,843)

NOTE 9. INVESTMENT AND ADVANCES TO ASSOCIATES

	31 Dec 2012 $000	31 Dec 2011 $000	30 June 2012 $000
Balance at the beginning of the period	**78,022**	76,252	76,252
Equity accounted earnings	**1,610**	2,066	2,852
Equity accounted share of movement in other comprehensive income	**3,829**	(1,347)	1,165
Dividends received during the period	**(1,416)**	(1,613)	(3,513)
Exchange movements	**(326)**	682	397
Impaired investment in associate reversed	**-**	877	869
Impaired investment in associate	**(9,823)**	-	-
Balance at the end of the period	**71,896**	76,917	78,022

Associates include:

	Interest Held				
Name of entity	**31 Dec 2012**	**31 Dec 2011**	**30 June 2012**	**Principal activity**	**Country of incorporation**
TPC Holdings Limited	25.00%	25.00%	25.00%	Investing in Tuaropaki Power Company Limited	New Zealand
Hot Water Innovations Limited	34.71%	34.71%	34.71%	Development of a hot water storage solution	New Zealand
GeoGlobal Energy LLC	29.23%	29.23%	29.23%	Geothermal development	United States

The investment in TPC Holdings Limited includes a $15 million prepayment made in 2008 for an additional interest which will be acquired upon the commissioning of an expansion, or at another date agreed by both parties. It also includes an $8 million payment in compensation for the extension and variation of the shareholders agreement from 2027 to 2037 at which point the equity in TPC Holdings Limited will revert to Tuaropaki Kaitiaki Limited for $1 plus working capital adjustments. The impairment charge recognised in 2011 was reversed in 2012 following an internal valuation that supported the previous carrying value of the investment.

NOTE 10. INVESTMENT IN JOINTLY CONTROLLED ASSETS

	Interest Held			
Name of joint venture	**31 Dec 2012**	**31 Dec 2011**	**30 June 2012**	**Principal activity**
Rotokawa	64.80%	74.68%	64.80%	Steamfield operation
Nga Awa Purua	65.00%	75.00%	65.00%	Electricity generation

The joint venture partner in Rotokawa and Nga Awa Purua exercised an option to acquire an additional 9.88% and 10% interest in the respective joint ventures. Proceeds of $40.5 million were recognised on the disposal of the interests which was effective from 31 March 2012.

NOTE 11. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	31 Dec 2012 $000	31 Dec 2011 $000	30 June 2012 $000
Balance at the beginning of the period	**108,104**	98,970	98,970
Additions during the period	**1,487**	2,188	2,001
Equity accounted earnings	**57,236**	(21,464)	(27,655)
Equity accounted share of movements in other comprehensive income	**(1,548)**	-	31,621
Cash distribution received	**(131,534)**	-	-
Exchange movements	**(2,614)**	4,806	3,167
Balance at the end of the period	**31,131**	84,500	108,104

Jointly controlled entities include:

	Economic Interest Held				
Name of entity	**31 Dec 2012**	**31 Dec 2011**	**30 June 2012**	**Principal activity**	**Country of incorporation**
Energy Source LLC	20.15%	20.31%	20.31%	Investment holding	United States
Hudson Ranch Holdings LLC	75.00%	75.00%	75.00%	Investment holding	United States

The Group's interest in the above jointly controlled entities is held by GeoGlobal U.S. EnergySource LLC.

Due to the nature of the contractual arrangement that surround these entities, which allows for a reduction in the Group's economic interest once prescribed preferred returns have been achieved, the share of movements in earnings and reserves has been calculated based on the Hypothetical Liquidation at Book Value method. This method more closely aligns the recognition of earnings through time with the expected contractually agreed economic outcomes compared to the recognition of earnings based on a strict percentage of ownership.

In the current period Hudson Ranch Holdings LLC contributed its direct interest in Hudson Ranch Power LLC, the owner of the John L Featherstone plant commissioned last financial year, to a new 100% owned subsidiary Hudson Ranch TE Holdings LLC. Shortly after, a new tax equity investor contributed capital to Hudson Ranch TE Holdings in return for a class B membership interest which entitles it to tax losses which arise as a consequence of accelerated depreciation deductions allowable under the US tax code. In addition, Hudson Ranch Power LLC refinanced its construction loan, closing out its interest rate derivative position at the same time, and replaced it with long term debt. It also received a grant from the government under the American Recovery and Reinvestment Act of 2009. The excess cash from these three sources was used to make distributions to the original joint venture parties. This cash is first applied against the carrying value of the investment with the balance recognised within other revenue in the consolidated income statement.

	$000
Total cash distributed per the consolidated cash flow statement	**140,321**
Cash distribution recognised above	**131,534**
Cash distribution recognised within other revenue in the consolidated income statement	**8,787**
	140,321

The cash distribution has triggered a release of $22.4 million from the foreign currency translation reserve to other expenses within the consolidated income statement. This has arisen as a consequence of the movement in exchange rate between the date of the initial investment and rate on the day the cash was received.

As the distribution is a significant one-off item an adjustment has been made to calculate underlying earnings. The adjustment has been derived as follows:

	$000
Equity accounted earnings as recognised above	**57,236**
Add back fair value gain on derecognition of derivatives, retired as part of debt refinancing, recognised separately	**(37,599)**
Distribution income recognised in the income statement	**8,787**
Impact of the release from the foreign currency translation reserve	**(22,403)**
Adjustment to underlying earnings	**6,021**

NOTE 12. PROVISIONS

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Balance at the beginning of the period	**6,546**	4,200	4,200
Provisions made during the period	**1,013**	9	2,217
Movement in effect of discounting	**184**	181	129
Translation adjustment	**(14)**	-	-
Balance at the end of the period	**7,729**	4,390	6,546

Provisions have been recognised for the abandonment and subsequent restoration of areas from which geothermal resources have been extracted. The provision is calculated based on the present value of management's best estimate of the expenditure required, and the likely timing of settlement. The increase in provision resulting from the passage of time (the discount effect) is recognised as an interest expense.

NOTE 13. DEFERRED TAX

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Balance at the beginning of the period	**(908,366)**	(875,342)	(875,342)
Charged/(credited) to the income statement	**17,028**	27,703	33,092
Charged/(credited) to other comprehensive income	**(17,509)**	1,853	(66,838)
Partial disposal of interest in jointly controlled assets	**-**	-	722
Balance at the end of the period	**(908,847)**	(845,786)	(908,366)

NOTE 14. LOANS

	Borrowing Currency Denomination	**6 Months 31 Dec 2012 $000**	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Bank loans (unsecured)	NZD	**-**	115,842	140,144
Fixed Rate Bonds (unsecured)	NZD	**304,254**	304,254	304,254
Floating rate bonds (unsecured)	NZD	**351,121**	351,139	351,076
US Private Placement (unsecured)	USD	**260,882**	260,212	260,906
Commercial paper programme (unsecured)	NZD	**99,657**	-	99,517
Deferred financing costs		**(1,650)**	(2,369)	(2,010)
Fair value adjustments		**18,473**	28,554	27,485
Carrying value of loans		**1,032,737**	1,057,632	1,181,372
Current		**305,701**	6,234	305,684
Non-current		**727,036**	1,051,398	875,688
		1,032,737	1,057,632	1,181,372

Subsequent to 31 December 2012 the Group established new unsecured bank loan facilities totalling $200 million. These facilities replace $150 million of unsecured bank loan facilities maturing in December 2013.

MIGHTY RIVER POWER LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

NOTE 15. RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Profit for the period	**75,482**	17,647	67,701
Items classified as investing /or financing activities			
Loan charges	**360**	370	1,092
Dividend from jointly controlled entities	**(8,787)**	-	-
Adjustments for:			
Depreciation and amortisation	**75,274**	73,201	158,397
Capitalised interest	**(13,843)**	(5,573)	(14,889)
Net (gain)/loss on sale of property, plant and equipment	**(183)**	26	4,280
Net loss on sale of intangibles	**-**	-	25
Net gain on disposal of emission units	**-**	-	(7,005)
Net gain on disposal of interest in jointly controlled assets	**-**	-	(8,252)
Change in the fair value of financial instruments	**12,427**	85,746	92,751
Impaired assets	**91,390**	2,727	4,004
Movement in effect of discounting on long-term provisions	**184**	190	372
Share of earnings of associate companies	**(1,610)**	(2,066)	(2,852)
Share of earnings of jointly controlled entities	**(57,236)**	21,464	27,655
Release from the foreign currency translation reserve	**22,403**	-	-
Other non-cash items	**(106)**	504	1,652
Net cash provided by operating activities before change in assets and liabilities	**195,755**	194,236	324,931
Change in assets and liabilities during the period:			
• Increase in trade receivables and prepayments	**104,574**	(9,611)	(114,497)
• Decrease/(increase) in inventories	**1,987**	771	(1,363)
• Increase in trade payables and accruals	**(82,028)**	12,508	89,477
• Increase/(decrease) in provision for taxation	**8,325**	16,550	14,637
• (Decrease)/increase in deferred taxation	**(16,600)**	(29,084)	(36,192)
Net cash inflow from operating activities	**212,013**	185,370	276,993

NOTE 16. RELATED PARTY TRANSACTIONS

Ultimate shareholder

The ultimate shareholder of Mighty River Power Limited is the Crown. All transactions with the Crown and other State-Owned Enterprises are at arms length and at normal market prices and on normal commercial terms. Transactions cover a variety of services including trading energy, postal, travel and tax.

Transactions with related parties

Notes 9, 10 and 11 provide details of subsidiaries, associates, jointly controlled assets and jointly controlled entities. All of these entities are related parties.

As these are consolidated financial statements transactions between related parties within the Group have been eliminated. Consequently, only those transactions between entities which have some owners external to the Group have been reported below:

	Transaction Value		
	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Management fees and service agreements received (paid)			
Associates	**(5,290)**	(4,560)	(6,842)
Jointly controlled assets	**2,482**	2,429	4,857
Energy contract settlements received (paid)			
Associates	**1,209**	(183)	6,533
Jointly controlled assets	**(10,009)**	205	14,013
Interest income (expense)			
Jointly controlled assets	**776**	863	1,666

For the terms and conditions of these related party transactions refer to note 30 of the 30 June 2012 annual financial statements.

Key management personnel

Key management personnel compensation (paid and payable) comprised:

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Directors' fees	**411**	317	657
Salary and other short term benefits of the Chief Executive and Senior Management	**2,133**	1,881	4,560
Long term benefits of the Chief Executive and Senior Management	**1,525**	290	1,094
	4,069	2,488	6,311

Other transactions with key management personnel

Directors and employees of the Group deal with Mighty River Power Limited as electricity consumers on normal terms and conditions within the ordinary course of trading activities.

A number of key management personnel provide directorship services to direct subsidiaries and other third party entities as part of their employment without receiving any additional remuneration. A number of these entities transacted with the Group on an arms length basis in the reporting period.

NOTE 17. COMMITMENTS AND CONTINGENCIES

	6 Months 31 Dec 2012 $000	6 Months 31 Dec 2011 $000	12 Months 30 June 2012 $000
Commitments			
Commitments for future capital expenditure include:			
Property, plant and equipment	**67,299**	206,696	101,189
Emission units	**104,203**	62,921	98,124
Other commitments			
Commitments for future operating expenditure	**56,508**	39,705	52,240

In the event the emissions trading scheme is terminated the forward purchase agreements for the acquisition of emissions units which cover a 15 year period will also terminate.

Contingencies

The Company holds land and has interests in fresh water and geothermal resources that are subject to claims that have been brought against the Crown. At the time of signing the accounts both claims are before the Supreme Court. In relation to the land claim, the Company has received advice that, if the claim succeeds, it is unlikely that the remedy granted by the Court will impact the Company's ability to operate its hydro assets. A separate claim relating to fresh water and geothermal resources was lodged with the Waitangi Tribunal. The Tribunal concluded that Maori have residual proprietary rights in fresh water and geothermal resources. If this claim succeeds, it will be for the Crown to determine how any rights and interests may best be addressed. The impact of this claim is unknown at this time.

From time to time the Company will issue letters of credit and guarantees to various suppliers in the normal course of business. However, there is no expectation that any outflow of resource relating to these letters of credit or guarantees will be required as a consequence.

Geotermia Curacautin Limitada (formerly GGE Chile SpA), a subsidiary of GeoGlobal Partners I, L.P. and indirectly Mighty River Power Limited, is involved in two contract disputes which are currently before the Courts with a potential liability of up to $2.9 million New Zealand Dollar equivalent.

The group has no other material contingent assets or liabilities.

NOTE 18. SUBSEQUENT EVENTS

The Board has approved an interim dividend of $67.2 million to be paid on 28 March 2013.

The Company announced on 15 February 2013 that it had reached agreement with the managing partners of GeoGlobal Energy LLC (GGE) and GeoGlobal Partners 1. L.P (the Fund) that the Company would acquire the non-controlling interests in the Fund and GeoGlobal US Holdings LLC and that it would transfer its 29.23% interest in GGE to the managing partners. The company will take direct control of investments in Chile, and via GeoGlobal U.S. EnergySource LLC, the interests in jointly controlled entities. GGE will take direct ownership and control of the Fund's German interests and the remaining non-EnergySource related investments in the United States. The Company has retained an option for an economic interest in the German assets but will have no on-going management involvement. Under the terms of the agreement all parties will now be free from geographic restriction or exclusivity in pursuing future geothermal opportunities. By terminating the existing agreements half-way through the 10-year term of the Fund the Company also avoids, among other things, future obligations for management fee payments to GGE. The consideration payable to the managing partners under this agreement is US$24.8 million.

There are no other material events subsequent to balance date that would affect the fair presentation of these financial statements.

Independent Auditor's Report

To the Shareholders of Mighty River Power Limited

Report on the Condensed Consolidated Interim Financial Statements of Mighty River Power Limited

for the Six Month Period Ended 31 December 2012

The Auditor-General is the auditor of Mighty River Power Limited and its subsidiaries. We have carried out the audit of the condensed consolidated interim financial statements of Mighty River Power Limited (hereafter referred to as the financial statements of the group), on behalf of the Auditor-General.

We have audited the financial statements of the group on pages 2 to 18, that comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six month period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

Opinion on the financial statements of the group

In our opinion the financial statements of the group on pages 2 to 18:

- comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements;
- comply with International Financial Reporting Standards as it relates to interim financial statements; and
- give a true and fair view of the group's:
  - financial position as at 31 December 2012; and
  - financial performance and cash flows for the six month period ended on that date.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the group as far as appears from an examination of those records.

Our audit was completed on 21 February 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholder's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the group's financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. Also, we did not evaluate the security and controls over the electronic publication of the financial statements. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of the group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Partners and staff of Ernst & Young may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. Ernst & Young Transaction Advisory Services Limited has also been engaged as investigating accountants in connection with the proposed public offer of shares in the company. Other than these matters and the audit, we have no relationship with or interests in the group.

BRPenrose

Brent Penrose
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand