INTERIM REPORT **2014**

Customer choice.

Customer choice, in an electricity market that is among the most competitive in the world, provides a powerful incentive for innovation.

Mighty River Power's investment in new technology and tools, such as GEM and GLO-BUG, is delivering value by giving our customers a new level of visibility and control over the power they use – and active engagement with our brands.

COVER PHOTO: At Blueberry Corner, the summer's day favourite for 4 year-old Alison Barsdell and 5 year-old Hollie Tane is the fresh fruit ice-creams. Owners of the blueberry farm and shop near Whakatane, Ben and Heidi Rosewarne, chose Tiny Mighty Power as their electricity retailer in 2012. Alison's mum, Sandie, is part of our local sales team.

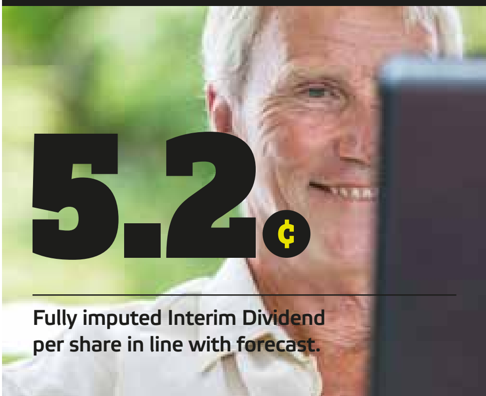
Driving results.

ON-TRACK

To achieve IPO forecast for FY2014, based on a return to average hydro inflows.

$9.5M

Resilient portfolio results in Operating Earnings (EBITDAF) up 4% despite worst-ever hydro inflows.



5.2¢

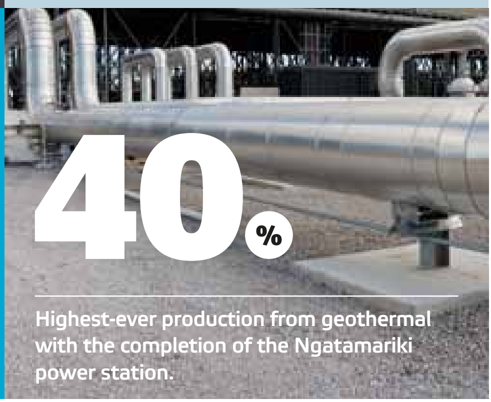
Fully imputed Interim Dividend per share in line with forecast.

97%

Renewables in HY2014 from geothermal and hydro.

80,000

Active users of Mercury Energy's GEM (Good Energy Monitor).



40%

Highest-ever production from geothermal with the completion of the Ngatamariki power station.

From the Chair.

The results Mighty River Power has reported for the first half of FY2014 should be encouraging for shareholders.

WE HAVE come through a serious test and, in spite of the worst hydro conditions in the Company's history, the resilience of our business has enabled us to remain on track for the full year – with forecasts at the time we announced our Interim Results for a return to more normal inflows in autumn.

On track for FY2014 forecast

In line with our growth forecast for this financial year, your Board has declared a fully imputed interim dividend of 5.2 cents per share, an increase of 8.3% on last year. The dividend will be paid on March 31.

For the six months ending 31 December 2013, NPAT was up $48 million to $124 million, largely due to lower operating costs, positive non-cash fair value movements, and significant one-off effects in the prior period. Underlying Earnings was down $28 million as a result of lower earnings from our Joint Ventures and Associates and the higher interest and depreciation costs following the completion of the Ngatamariki station.

Our reliable base-load geothermal generation is really proving its worth. With the completion of the Ngatamariki power station at the beginning of September, geothermal now makes up 40% of our production, which means we now have more flexibility to adjust the balance of our generation and sales portfolio to drive value. This performance and the cash return to shareholders underline the resilience in our portfolio, and the health of your Company.

Green energy advantage for NZ

We are fortunate in New Zealand to have an electricity market that in just over a decade has delivered world-class efficiency, reliability and security of supply.

The fact that we have achieved these outcomes with unsubsidised renewables now making up around 80% of total national supply – among the highest in the world by volume – should be a source of national pride. Renewables-based electricity is a competitive advantage for the country that could be used for benefit in other sectors that are more fossil fuel-based such as transport. In terms of New Zealand's performance in the global marketplace, it also offers a genuine 'green' premium that could better leverage some of our exports, and should be an integrated component of our tourism positioning.

New Zealand has addressed the challenges of achieving security of supply for electricity while moving to a more renewable-based industry ahead of most countries. Those adjustments have led to price increases for consumers, which are now in the middle of the OECD pack, but unlike most other countries we do not face the significant upward pressure in prices still required overseas to make those adjustments.

Regulatory uncertainty

Since our IPO, there has been an obvious burden on our share price – and all companies in the electricity sector in New Zealand – from the regulatory uncertainty associated with potentially significant changes in the electricity market should there be a change of government in late 2014.

The adjustments to the new renewables world has meant a period where prices were regularly increasing, but that adjustment is now well-advanced and energy prices for electricity consumers are now expected to be flat for the foreseeable future. This is a real strength of where New Zealand now finds itself relative to the rest of the world.

We will be continuing to represent your Company's interests to ensure the unique positive features of New Zealand's electricity system are preserved and enhanced, and to encourage the bigger picture of how these could be extended to create wider economic benefits for New Zealanders. As part of this, we will be encouraging and supporting initiatives to improve transparency and information for customers and shareholders.

Mighty River Power has been recognised for the leadership position we have taken on energy affordability for the small segment of consumers who really struggle to pay their household bills. Our success in dramatically reducing disconnection rates with the use of innovative new technology, such as our GLO-BUG product, is encouraging.

5.2¢

Per share fully imputed interim dividend

This convenient pre-pay solution has dropped total electricity costs for the majority of these customers by over $300 a year, and we are continuing to engage at a policy level on the broader issue of how the energy needs of the most vulnerable in society can be best met.

We are committed to advancing the interests of consumers and shareholders to ensure the broader benefits of a healthy, well-functioning electricity market – one that delivers world best environmental outcomes, security of supply, sustainable pricing for consumers and fair risk-weighted returns for investors.

Update and outlook

Our announcement in December of a commitment not to increase energy prices until at least April 2015 reflects the highly-competitive retail environment and our lead has now been followed by other electricity retailers. It means the only increase on our customers' electricity bills will be where there are increases from transmission, distribution and metering charges resulting from regulatory changes.

While we had built up Lake Taupo hydro storage between October and December, inflows have continued to be very weak with storage at the end of February just over 60% of average, although we are expecting a return to more normal inflows as we go into autumn.

We have lowered our estimate for capital expenditure for the full year from the previous guidance ($125 million - $175 million) to $95 million - $120 million due to lower investment domestically as we successfully implement cost containment initiatives, and in international geothermal where we are taking a patient approach to growth opportunities.

During the half, we invested $26 million in the share buyback announced in October. The Company reported the purchase of nearly 12 million shares by the end of the period, representing just under 50% of the maximum stipulated under the share buyback programme, which can extend through to 14 October 2014. These shares are currently being held by the Company as treasury stock.

We have reaffirmed the forecast 27% lift in full-year operating earnings (EBITDAF) set out in the IPO offer document and we expect to meet the financial metrics outlined at the Annual Shareholders' Meeting (ASM) in November. Our current forecasts for Net Profit and Underlying Earnings show us more than $35 million ahead of the IPO forecasts. This guidance is subject to any material adverse events, significant one-off expenses and the risks outlined in the IPO offer document, including hydrology.

We were pleased to welcome Patrick Strange, one of the electricity industry's most experienced executives, back onto the Board in February, filling the casual vacancy from Trevor Janes' retirement at the end of his term in December 2013. Patrick had previously resigned from our Board in 2007 to take up the Chief Executive role at Transpower. As we announced at the ASM, we will be bringing the Board complement to eight directors with the addition of a further director in 2014, with the search process already underway.

Any directors appointed by the Board will retire prior to the next Annual Meeting and stand for election by shareholders – alongside those directors retiring by rotation who are standing for re-election and any other candidates.

$300 /YR

Average saving for GLO-BUG customers

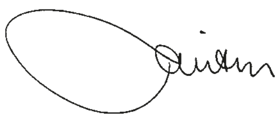
Our long-standing Chief Executive, Doug Heffernan, is leaving the Company at the end of August 2014 and the Board is working with an executive search firm with international credentials. The search process, which includes internal candidates, is now well underway.

I look forward to updating shareholders on progress with these appointments and other developments in the coming months.

We are seeing a new level of public interest and engagement in our industry, and in Mighty River Power. This is something we welcome and always anticipated as a listed company.

What these trends indicate to me is that the retail electricity sector is fiercely competitive and companies such as ours are using smart and innovative technology to provide tools for customers to reduce their bills. At the same time, we are delivering value to customers and shareholders and benefits to the environment over the long-term through the use of renewable generation.

For New Zealand, this is a superb foundation on which we can continue to build a positive point of difference.



Joan Withers Chair

Chief Executive's report.

The results we delivered in the six months to 31 December 2013 are proof of the high level of resilience and flexibility in Mighty River Power, and the degree to which we can adapt our business portfolio to mitigate tough conditions.

ALONG WITH efficiency gains and cost savings that are now beginning to show through more clearly, a highlight of this period was the value that we gained from our geothermal base and by optimising the use of limited hydro fuel and right-sizing our commercial sales volumes.

Adapting to market conditions

While the flat electricity demand trend continued nationally and competition remains intense, the principal challenge for Mighty River Power was the very low inflows to our North Island hydro storage in Lake Taupo – that feeds the Waikato Hydro System.

In stark contrast to the generous rainfall in our competitors' South Island hydro catchments, we faced the worst inflows since the Company was formed in 1999. Hydro volumes were down 25% (or 619GWh) in the half, representing a loss of more than $33 million in potential operating income. This was partially offset by the timely additional contribution from geothermal which was up 25% (or 267GWh) with the completion of the new Ngatamariki station at the beginning of September.

"...a highlight of this period was the value that we gained from our geothermal base and by **optimising the use of limited hydro fuel** and right-sizing our commercial sales volumes."

Mighty River Power's Operating Expenditure fell $33.7 million, reflecting permanent cost savings of $8.3 million and the absence of $25.4 million of one-off costs incurred in the prior period. Building on the cost management gains achieved in the last quarter of FY2013, our focus across the business on performance and efficiency gains has seen savings from taking direct control of international geothermal interests along with broader reduction in spend on legal, tax and other consultancy fees. We have also cut travel costs and related expenses and reviewed and adjusted discretionary asset maintenance to better reflect current market conditions.

The acute hydro conditions had a distinct impact on operating performance. However, a key measure, Energy Margin, was down only 4% ($15.0 million) from $378.2 million to $363.2 million because of the higher geothermal production, coupled with

0.1%

Industry-leading low disconnection rate

active management for value and risk in the retail and generation markets.

With a significantly larger reliable base-load geothermal output, running 24/7 and not dependent on the weather, the Company had more discretion around water storage and was able to concentrate hydro production into times when it was highly-valued by the wholesale market. This flexible use of available water resulted in better prices for our production in HY2014 than the average in the market, with geothermal and hydro accounting for more than 97% of total output.

This high renewables component is a very important feature of our own and New Zealand's electricity generation, with very low utilisation of thermal plants that are more expensive to run – with high carbon emissions. This is a very good story about how the market is working, for consumers and for the country as a whole, with this positive change in our energy mix for electricity generation very well-advanced compared with the rest of the world.

We are continuing to review our portfolio of assets including the best role for Southdown in light of continued weak demand conditions and to further evolve and fine-tune the balance of the Company's sales and generation portfolio to changes in the market.

With prices and margins very low for new contracts in the commercial market during 2013, our electricity sales volumes to businesses were reduced by 9% as we conceded market share and returned to 2012 levels. The lower commercial volumes helped lift average sales prices which were up 2% across the Company's combined customer base of more than 380,000 homes and businesses.

Residential sales volumes were down 5% on the previous half year, partly due to warmer winter and spring temperatures.

Focus on the future

We are ushering in a new era of innovation in the retail electricity market in New Zealand, which has been spurred by the high level of competition for customers. The potential for strategic gains and differentiation is exciting with the growing penetration of the AMI (Advanced Metering Infrastructure) 'smart' meter technology and online tools to add value for our customers.

Mighty River Power's major consumer brand, Mercury Energy, has achieved early success in this space – with evidence of residential customers in particular starting to take more control of their energy consumption and costs – assisted by innovative tools such as the Mercury Energy GEM (Good Energy Monitor). By the end of the half year we had about 80,000 customers actively using GEM, and we are very encouraged by early analysis and feedback from customers.

Mighty River Power's GLO-BUG pre-pay technology is also proving a breakthrough solution for income-constrained customers who gain greater control over their spend and total cost of electricity supply.

The now widespread application of this technology is behind a sharp drop in the Company's disconnection rates from a high of 0.9% in 2006 to 0.4% in 2009 and 0.1% in 2013, which are a standout in the industry. As a targeted and proven tool in reducing customer debt, supported by community and budgeting agencies, we are looking to expand its reach as a potential nationwide solution on the back of the smart meter roll-out across more areas of New Zealand.

The power of partnership

Along with the strength of our relationship with customers, the most vital partnership for our

"Metrix is now engaged in progressing growth plans in partnering with other electricity retailers to **provide enhanced information solutions** for them and their customers."

business is with our own people and those who work with us – around their well-being.

With a focus on 'zero harm' it was pleasing to have no serious harm injury events in the period, and extend the positive trend we have seen with a steady reduction in the Total Recordable Injury Frequency Rate (TRIFR). In HY2014, more than one million hours were worked on our sites with five non-serious harm injury incidents – but each of these offers a learning opportunity as we continue to build the strongest-possible health and safety culture in Mighty River Power.

A major strategy milestone was the addition of our new Ngatamariki Power Station to our generation fleet. This is a development which has been more than 10 years in the making since we secured the development rights for the geothermal reservoir jointly with Tauhara North No.2 Trust in 2000.

In October, we marked the official opening of this station near Taupo with the support of local stakeholders and our project partners, Ormat, Hawkins Infrastructure, Icelandic Drilling Company and Electrix who worked with us to harness this resource, and in the planning for this station – its design, construction and now operation. The three successful major geothermal projects Mighty River Power has completed in New Zealand since 2008 produce enough electricity to power more than 330,000 New Zealand homes with renewable, clean green power that normally runs 24/7 and is not dependent on the weather.

Offshore, we are applying our geothermal expertise in our operating business in Chile and in the United States through EnergySource. We see good long-term growth opportunities in Chile with an attractive outlook in that economy, and our current focus with our Chilean staff is on building confidence in the key commercial aspects for future projects and reducing the risk of project execution. We are also exploring commercial partnerships and deepening our understanding of the local geothermal resources.

In the US, following the return in 2012 of our initial capital plus an investment return from the successful John L Featherstone plant, it was positive to have reported during the half year that the plant has been operating above expectations at 96.5% availability. EnergySource's latest drilling programme to prove up a new resource failed to identify a commercially-productive well in new territory to the east of the operating plant, however we see plenty of further potential from the existing footprint on this quality Salton Sea reservoir.

In New Zealand, we have signalled growth opportunities with the Company's metering business, Metrix, which had a total of 330,000 AMI meters deployed at 31 December 2013. In the half year, one area of focus was planning for the rollout of more than 40,000 'smart' meters in conjunction with Counties Power. Metrix is now engaged in progressing growth plans in partnering with other electricity retailers to provide enhanced information solutions for them and their customers, and hopes to be in a position to confirm commercial terms with at least one large retailer in the next quarter.

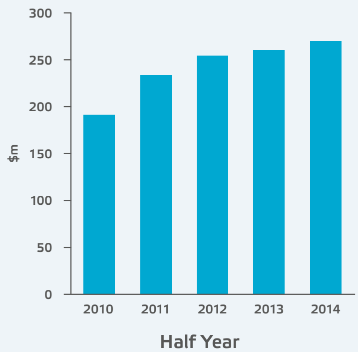
I am pleased to see a strong engagement across the Company on these initiatives to drive growth and value, and on preparing for the opportunities and potential changes in the future. I look forward to updating you at the full year on the progress that has been made in readiness for the handover to a new CEO.

Doug Heffernan Chief Executive

Financial **highlights.**

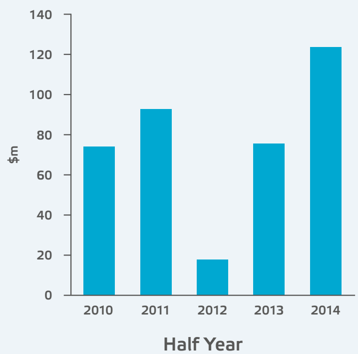
Mighty River Power has delivered operating earnings growth based on the strength and resilience of our core business.

EBITDAF*



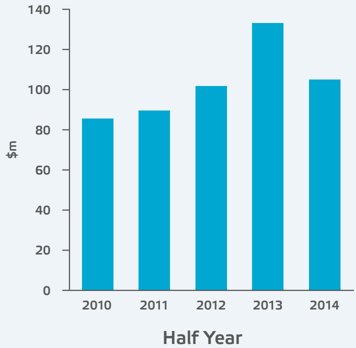
EBITDAF increased by $9.5 million to $269.6 million for the six months ended 31 December 2013 despite the worst-ever first half of hydro inflows since the Company's inception. Significantly lower than expected renewable generation was more than offset by savings in operating expenditure.

NET PROFIT



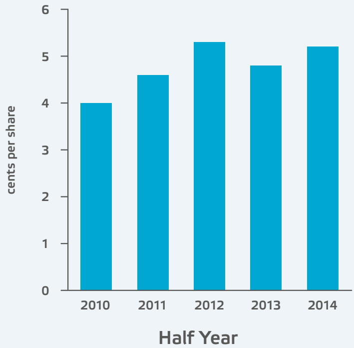
Net profit for the period increased $48.2 million to $123.7 million (HY2013: $75.5 million) reflecting lower operating costs, a positive change to non-cash fair value movements and impairments made in the prior period.

UNDERLYING EARNINGS*



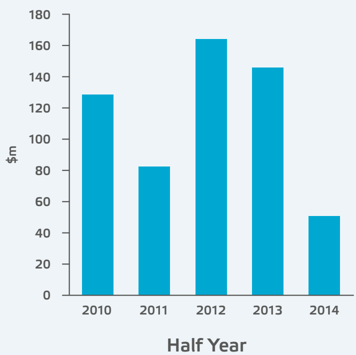
Underlying earnings was down $28.2 million against the prior period due to lower earnings from Joint Ventures and Associates and higher depreciation and interest costs following the commissioning of Ngatamariki geothermal power station.

INTERIM DECLARED DIVIDEND



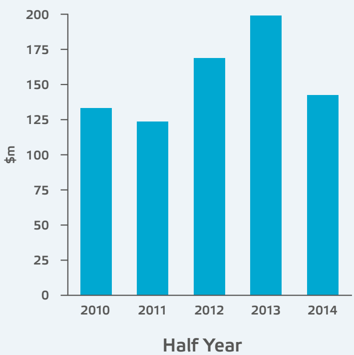
As forecast at the time of the IPO, the Board declared a fully imputed interim dividend of 5.2 cents per share – an 8.3% uplift from the 4.8 cents per share of HY2013. The interim dividend, together with the IPO forecast final dividend (7.8 cents per share) represents a total forecast FY2014 dividend of 13 cents per share, an 8.3% increase on FY2013.

CAPITAL EXPENDITURE



Capital expenditure was down $95.2 million to $50.5 million. Reinvestment capital expenditure was up on the prior period and new investment capital expenditure was significantly down reflecting the completion of the recent domestic geothermal programme.

FREE CASH FLOW*



Free cash flow was down $56.4 million to $142.5 million reflecting lower net cash provided by operating activities and higher reinvestment capital expenditure. Free cash flow is expected to be up on the prior period by the year-end due to additional cash flow from Ngatamariki geothermal power station and $37 million one-off costs incurred in FY2013 relating to the internalisation of international geothermal.

* A description and reconciliation of these Non-GAAP measures can be found on page 10.

Non-GAAP Financial Information

The Company believes that the following Non-GAAP financial information is useful to investors for the reasons set out below. Mighty River Power has reported these measures of financial performance to date and intends to do so in the future, allowing investors to compare periods. The basis of these calculations can either be found below or as part of the Financial Statements.

EBITDAF is reported in the income statement of the Financial Statements and is a measure that allows comparison across the electricity industry. EBITDAF is defined as earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings.

ENERGY MARGIN is defined as sales less lines charges, energy costs and other direct cost of sales, including metering. Energy Margin provides a measure that, unlike sales or total revenue, accounts for the variability of the wholesale spot market and the broadly offsetting impact of wholesale prices on the cost of retail electricity purchases and can be derived from the Financial Statements as follows:

$m	HY2014	HY2013
Sales	826.6	927.2
Less: lines charges	(226.7)	(244.3)
Less: energy costs	(215.8)	(289.5)
Less: other direct cost of sales, including metering	(20.9)	(15.2)
Energy Margin	363.2	378.2

UNDERLYING EARNINGS reported in Note 3 of the Financial Statements, is net profit for the half year adjusted for 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. In contrast to net profit, the exclusion of certain items enables a comparison of the underlying performance across time periods.

NET DEBT is defined as current and non-current loans less cash and cash equivalents and loan fair value adjustments and is a metric commonly used by investors and can be derived from the Financial Statements as follows:

$m	HY2014	FY2013
Current loans at carrying value	105.5	105.4
Add: Non-current loans at carrying value	971.6	952.4
Add: Fair value adjustments US Private Placement	2.1	(18.8)
Less: cash and cash equivalents	(35.4)	(11.2)
Net debt	1,043.8	1,027.8

FREE CASH FLOW is net cash provided by operating activities less reinvestment capital expenditure (including accrued costs). Free cash flow is a measure that the Company uses to evaluate the levels of cash available for debt repayments, growth capital expenditure and dividends.

$m	HY2014	HY2013
Net cash provided by operating activity	170.7	212.0
Less: Reinvestment capital expenditure (including accrued costs)	(28.2)	(13.1)
Free cash flow	142.5	198.9

REVIEW REPORT TO THE SHAREHOLDERS OF MIGHTY RIVER POWER LIMITED

We have reviewed the consolidated interim group financial statements of Mighty River Power Limited on pages 13 to 36. The consolidated interim group financial statements provide information about the past financial performance of the Group and its financial position as at 31 December 2013. This information is stated in accordance with the accounting policies set out in the company's annual financial statements for the year ended 30 June 2013.

This report is made solely to the company's shareholders, as a body, in accordance with the engagement letter. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The directors are responsible for the preparation of consolidated interim group financial statements which comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements and which present fairly the financial position of the Group as at 31 December 2013 and the results of its operations and cash flows for the 31 December 2013 period ended on that date.

Reviewer's Responsibilities

We are responsible for reviewing the consolidated interim group financial statements presented by the directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the consolidated group interim financial statements do not present fairly the matters to which they relate.

Basis of Statement

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We have reviewed the consolidated interim group financial statements of the Group for the six months ended 31 December 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board. These standards require that we plan and perform the review to obtain moderate assurance as to whether the statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

Other than in our capacity as auditor we have no relationship with or interest in the Group.

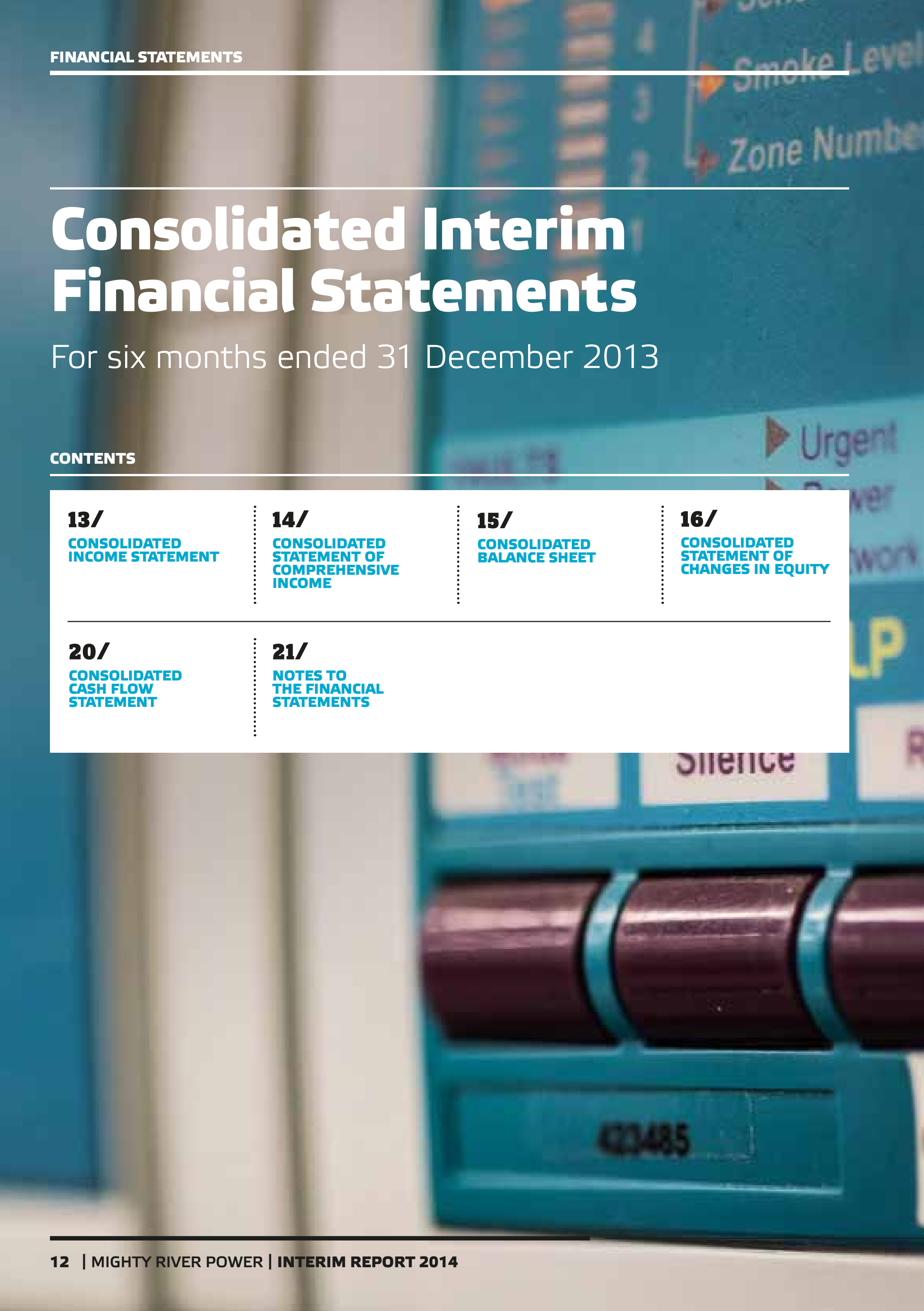
Statement of Review Findings

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated interim group financial statements, set out on pages 13 to 36, do not fairly present the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the 31 December 2013 period ended on that date in accordance with generally accepted accounting practice in New Zealand as it relates to interim financial statements.

Our review was completed on 26 February 2014 and our findings are expressed as at that date.

Ernst + Young

Ernst & Young
Auckland



Consolidated Interim Financial Statements

For six months ended 31 December 2013

CONTENTS

Consolidated Income Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Note	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Sales		**826,604**	927,237	1,805,579
Other revenue		**14,176**	23,432	30,973
Total revenue		**840,780**	950,669	1,836,552
Energy costs		**215,797**	289,477	636,359
Line charges		**226,736**	244,348	454,120
Other direct cost of sales, including third party metering		**20,913**	15,229	36,842
Employee compensation and benefits		**40,859**	38,904	78,468
Maintenance expenses		**24,123**	29,368	66,189
Sales and marketing		**9,658**	6,790	20,198
Contractors' fees		**4,868**	5,894	11,878
Professional services		**5,955**	10,020	27,332
Other expenses		**22,315**	50,538	114,689
Total expenses		**571,224**	690,568	1,446,075
Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings (EBITDAF)		**269,556**	260,101	390,477
Depreciation and amortisation		**(78,471)**	(75,274)	(149,824)
Change in the fair value of financial instruments		**20,513**	(12,427)	25,633
Impaired assets	4	**–**	(91,390)	(85,100)
Equity accounted earnings of associate companies	8	**3,743**	1,610	4,705
Equity accounted earnings/(losses) of interest in joint ventures	10	**(4,405)**	57,236	58,233
Earnings before net interest expense and income tax (EBIT)		**210,936**	139,856	244,124
Interest expense	4	**(39,791)**	(33,229)	(60,590)
Interest income		**1,081**	1,739	3,638
Net interest expense		**(38,710)**	(31,490)	(56,952)
Profit before income tax		**172,226**	108,366	187,172
Income tax expense		**(48,561)**	(32,884)	(72,411)
Net profit for the period		**123,665**	75,482	114,761
NET PROFIT FOR THE PERIOD IS ATTRIBUTABLE TO:				
Owners of the parent		**123,665**	75,404	114,701
Non-controlling interests		**–**	78	60
		123,665	75,482	114,761
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:				
Basic and diluted earnings per share (cents)		**8.86**	5.39	8.19

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Net profit for the period	**123,665**	75,482	114,761
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value revaluation of hydro and thermal assets	**–**	500	43,000
Fair value revaluation of other generation assets	**–**	–	36,500
Equity accounted share of movements in associates' reserves	**(7,413)**	3,829	13,382
Equity accounted share of movements in joint ventures' reserves	**–**	(1,548)	(1,548)
Exchange movements on equity accounted share of movements in joint ventures' reserves	**(1,067)**	(1,001)	619
Income tax on items of other comprehensive income that will not be reclassified subsequently to profit or loss	**–**	898	(21,630)
Items that may be reclassified subsequently to profit or loss			
Movement in available for sale investment reserve	**(239)**	1,476	1,429
Movements in foreign currency translation reserve	**(3,538)**	15,631	22,280
Cash flow hedges gain/(loss) taken to or released from equity	**24,394**	62,775	103,639
Income tax on items of other comprehensive income that may be reclassified subsequently to profit or loss	**(6,763)**	(17,990)	(29,419)
Other comprehensive income for the period, net of taxation	**5,374**	64,570	168,252
Total comprehensive income for the period	**129,039**	140,052	283,013
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent	**129,039**	139,974	282,942
Non-controlling interests	**–**	78	71
	129,039	140,052	283,013

Consolidated Balance Sheet

AS AT 31 DECEMBER 2013

	Note	Unaudited 31 Dec 2013 $000	Audited 31 Dec 2012 $000	Audited 30 June 2013 $000
SHAREHOLDERS' EQUITY				
Issued capital		**377,598**	377,561	377,561
Treasury shares		**(28,191)**	–	(3,057)
Reserves		**2,835,613**	2,731,271	2,807,244
Non-controlling interest		**–**	262	–
Total shareholders' equity		**3,185,020**	3,109,094	3,181,748
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		**35,362**	62,459	11,234
Receivables		**185,938**	195,916	239,459
Inventories		**21,847**	22,161	20,427
Derivative financial instruments	6	**29,867**	37,138	40,394
Total current assets		**273,014**	317,674	311,514
NON-CURRENT ASSETS				
Property, plant and equipment	7	**5,110,187**	5,045,271	5,141,108
Intangible assets		**49,472**	48,728	52,045
Emissions units		**10,878**	4,707	10,796
Available-for-sale financial assets	6	**12,925**	524	13,400
Investment and advances to associates	8	**76,168**	71,896	81,563
Investment in joint ventures	10	**26,313**	31,131	29,841
Advances		**12,329**	13,438	12,884
Receivables		**6,568**	15,919	5,970
Derivative financial instruments	6	**99,967**	152,683	142,934
Total non-current assets		**5,404,807**	5,384,297	5,490,541
TOTAL ASSETS		**5,677,821**	5,701,971	5,802,055
LIABILITIES				
CURRENT LIABILITIES				
Payables and accruals		**148,004**	186,078	213,510
Provisions		**2,224**	1,993	3,628
Current portion loans	11	**105,524**	305,701	105,389
Derivative financial instruments	6	**41,225**	35,234	43,771
Taxation payable		**17,124**	25,309	33,130
Total current liabilities		**314,101**	554,315	399,428
NON-CURRENT LIABILITIES				
Payables and accruals		**12,355**	16,285	12,428
Provisions		**11,294**	5,736	8,876
Derivative financial instruments	6	**220,157**	380,658	291,961
Loans	11	**971,628**	727,036	952,434
Deferred tax		**963,266**	908,847	955,180
Total non-current liabilities		**2,178,700**	2,038,562	2,220,879
TOTAL LIABILITIES		**2,492,801**	2,592,877	2,620,307
NET ASSETS		**3,185,020**	3,109,094	3,181,748

For and on behalf of the Board of Directors who authorised the issue of the Financial Statements on 26 February 2014.

Joan Withers
Chair
26 February 2014

Keith Smith
Director
26 February 2014

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Issued capital $000	Treasury shares $000
Balance as at 1 July 2012[1]	377,561	–
Fair value revaluation of other generation assets, net of taxation	–	–
Equity accounted share of movements in associates' reserves	–	–
Equity accounted share of movements in joint ventures' reserves	–	–
Net loss on available-for-sale investment reserve	–	–
Release of reserve to the income statement, net of taxation	–	–
Movements in foreign currency translation reserve	–	–
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	–	–
Release of asset revaluation reserve following disposal of assets	–	–
Other comprehensive income	–	–
Net profit for the period	–	–
Total comprehensive income for the period	–	–
Non-controlling interest	–	
Dividend	–	–
Balance as at 31 December 2012[1]	377,561	–
Balance as at 1 January 2013[1]	377,561	–
Fair value revaluation of hydro and thermal assets, net of taxation	–	–
Fair value revaluation of other generation assets, net of taxation	–	–
Equity accounted share of movements in associates' reserves	–	–
Equity accounted share of movements in joint ventures' reserves	–	–
Net loss on available-for-sale investment reserve	–	–
Movements in foreign currency translation reserve	–	–
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	–	–
Release of asset revaluation reserve following disposals of assets	–	–
Other comprehensive income	–	–
Net profit for the period	–	–
Total comprehensive income for the period	–	–
Non-controlling interest	–	–
Net movement in treasury shares	–	(3,057)
Share based payments	–	–
Dividend	–	–
Balance as at 30 June 2013[1]	377,561	(3,057)

1 Audited.

Retained earnings $000	Available-for-sale investment reserve $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Share based payments reserve $000	Non-controlling interest $000	Total equity $000
487,628	(1,063)	(32,048)	2,300,652	(118,872)	–	304	3,014,162
–	–	–	360	–	–	–	360
–	–	–	–	3,829	–	–	3,829
–	–	–	(1,509)	–	–	(2)	(1,511)
–	(34)	–	–	–	–	–	(34)
–	1,097	–	–	–	–	–	1,097
–	–	15,629	–	–	–	2	15,631
–	–	–	–	45,198	–	–	45,198
2,744	–	–	(2,744)	–	–	–	–
2,744	1,063	15,629	(3,893)	49,027	–	–	64,570
75,404	–	–	–	–	–	78	75,482
78,148	1,063	15,629	(3,893)	49,027	–	78	140,052
–	–	–	–	–		(120)	(120)
(45,000)	–	–	–	–	–	–	(45,000)
520,776	–	(16,419)	2,296,759	(69,845)	–	262	3,109,094
520,776	–	(16,419)	2,296,759	(69,845)	–	262	3,109,094
–	–	–	30,600	–	–	–	30,600
–	–	–	26,280	–	–	–	26,280
–	–	–	8,224	1,329	–	–	9,553
–	–	–	1,199	–	–	13	1,212
–	(34)	–	–	–	–	–	(34)
–	–	6,651	–	–	–	(2)	6,649
–	–	–	–	29,422	–	–	29,422
34	–	–	(34)	–	–	–	–
34	(34)	6,651	66,269	30,751	–	11	103,682
39,297	–	–	–	–	–	(18)	39,279
39,331	(34)	6,651	66,269	30,751	–	(7)	142,961
–	–	–	–	–	–	(255)	(255)
–	–	–	–	–	–	–	(3,057)
–	–	–	–	–	205	–	205
(67,200)	–	–	–	–		–	(67,200)
492,907	(34)	(9,768)	2,363,028	(39,094)	205	–	3,181,748

Consolidated Statement of Changes in Equity – continued

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Issued capital $000	Treasury shares $000
Balance as at 1 July 2013[1]	377,561	(3,057)
Equity accounted share of movements in associates' reserves	–	–
Equity accounted share of movements in joint ventures' reserves	–	–
Net loss on available-for-sale investment reserve	–	–
Movements in foreign currency translation reserve	–	–
Cash flow hedges gain/(loss) taken to or released from equity, net of taxation	–	–
Other comprehensive income	–	–
Net profit for the period	–	–
Total comprehensive income for the period	–	–
Net movement in treasury shares	–	(25,134)
Share based payments	37	–
Dividend	–	–
Balance as at 31 December 2013[2]	377,598	(28,191)

1 Audited.
2 Unaudited.

Retained earnings $000	Available-for-sale investment reserve $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Share based payments reserve $000	Non-controlling interest $000	Total equity $000
492,907	(34)	(9,768)	2,363,028	(39,094)	205	–	3,181,748
–	–	–	(5,044)	(2,369)	–	–	(7,413)
–	–	–	(1,067)	–	–	–	(1,067)
–	(172)	–	–	–	–	–	(172)
–	–	(3,538)	–	–	–	–	(3,538)
–	–	–	–	17,564	–	–	17,564
–	(172)	(3,538)	(6,111)	15,195	–	–	5,374
123,665	–	–	–	–		–	123,665
123,665	(172)	(3,538)	(6,111)	15,195	–	–	129,039
–	–	–	–	–	–	–	(25,134)
–	–	–	–	–	75	–	112
(100,745)	–	–	–	–	–	–	(100,745)
515,827	(206)	(13,306)	2,356,917	(23,899)	280	–	3,185,020

Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Note	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**663,387**	799,608	1,435,133
Payments to suppliers and employees		**(386,944)**	(502,752)	(1,004,718)
Interest received		**1,081**	1,740	3,638
Interest paid		**(44,204)**	(45,429)	(88,266)
Taxes paid		**(62,601)**	(41,154)	(59,821)
Net cash provided by operating activities	12	**170,719**	212,013	285,966
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		**(60,454)**	(142,570)	(201,029)
Proceeds from sale of property, plant and equipment		**47**	5,394	5,468
Disposal of associate		**–**	–	364
Advances to joint venture partner repaid		**555**	553	1,108
Investment in joint ventures		**(2,668)**	(1,488)	(4,721)
Distribution received from joint ventures		**–**	140,321	141,458
Acquisition of intangibles		**(2,987)**	(5,129)	(14,991)
Disposal of subsidiaries		**–**	–	(9,455)
Acquisition of emission units		**–**	(570)	(6,658)
Disposal of emission units		**–**	–	185
Dividends received from associate		**1,725**	1,416	4,397
Net cash used in investing activities		**(63,782)**	(2,073)	(83,874)
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of treasury shares		**(25,134)**	–	(3,057)
Proceeds from loans		**40,000**	–	100,000
Repayment of loans		**–**	(140,000)	(215,000)
Dividends paid		**(100,800)**	(45,000)	(112,200)
Net cash used in financing activities		**(85,934)**	(185,000)	(230,257)
Net increase in cash and cash equivalents held		**21,003**	24,940	(28,165)
Net foreign exchange movements		**3,125**	(777)	1,103
Cash and cash equivalents at the beginning of the period		**11,234**	38,296	38,296
Cash and cash equivalents at the end of the period		**35,362**	62,459	11,234
Cash balance comprises:				
Cash		**35,362**	62,459	11,234
Cash balance at the end of the period		**35,362**	62,459	11,234

NOTE 1. ACCOUNTING POLICIES

1) Reporting entity

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

The Group financial statements are for Mighty River Power Limited Group (the "Group"). The Group financial statements comprise the Company and its subsidiaries, including its investments in associates and interests in joint ventures.

Mighty River Power Limited is majority owned by Her Majesty the Queen in Right of New Zealand (the "Crown") and is dual listed on the NZSX and ASX. The Company, as a mixed ownership model company, is bound by the requirements of the Public Finance Act 1989.

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

2) Basis of preparation

(a) Statement of compliance

The Group 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.

These Group financial statements do not include all the information and disclosures required in the annual financial statements. Consequently, these Group financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2013.

(b) 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.

Amendments to NZ IFRS

The accounting policies adopted in the preparation of these Group financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations effective as of 1 July 2013 which the Group applies for the first time. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interests in Other Entities will result in additional disclosures in the annual consolidated financial statements. Several other new standards and amendments apply for the first time in 2013, however, they do not impact the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group. The nature and the impact of each new standard/amendment that impacts the Group is described below:

- NZ IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. These amendments require an entity to disclose information about rights to set off and related arrangements (e.g. collateral agreements). The disclosures are required for all recognised financial instruments that are set-off in accordance with NZ IAS 32 – Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set-off under NZ IAS 32. The Group provides these disclosures in Note 6.
- NZ IFRS 11 – Joint Arrangements. This standard replaces NZ IAS 31 – Interests in Joint Ventures and removes the option to account for jointly controlled entities using proportionate consolidation, instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the

arrangement. Joint operations that give a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give rise to a right to the net assets are accounted for using the equity method.

- NZ IFRS 13 – Fair Value Measurement. NZ IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. NZ IFRS 13 does not change when an entity is required to use fair value measurements, but rather provides guidance on how to determine fair value. The application of NZ IFRS 13 has impacted the fair value measurements carried out by the Group as it is now required to incorporate counterparty credit risk within these measurements.

NZ IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including NZ IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim consolidated financial statements period. The Group provides these disclosures in Note 6.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(c) Estimates and judgements

The preparation of Group 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. Management for the Group is considered to be the Directors and Senior Management.

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. 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 the same as those disclosed in the Group's annual financial statements for the year ended 30 June 2013.

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 executive, being the chief operating decision-maker, on at least a monthly basis, who 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, share of profits of associates, change in fair value of financial instruments, depreciation and amortisation, impairment of exploration expenditure, finance costs and income tax expense.

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

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 and international geothermal development and operations.

Unallocated

Represents other corporate support services and other elimination adjustments.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

Accounting Policies and inter-segment transactions

Six months ended 31 December 2013 (unaudited)	Energy Markets $000	Other Segments $000	Unallocated $000	Inter-segment $000	Total $000
Total segment revenue	836,017	21,891	(530)	(16,598)	840,780
Direct costs	(480,044)	–	–	16,598	(463,446)
Other operating expenses	(78,001)	(12,733)	(17,044)	–	(107,778)
Segment EBITDAF	277,972	9,158	(17,574)	–	269,556

Six months ended 31 December 2012 (audited)	Energy Markets $000	Other Segments $000	Unallocated $000	Inter-segment $000	Total $000
Total segment revenue	935,253	31,707	(314)	(15,977)	950,669
Direct costs	(564,751)	(280)	–	15,977	(549,054)
Other operating expenses	(79,561)	(20,336)	(41,617)	–	(141,514)
Segment EBITDAF	290,941	11,091	(41,931)	–	260,101

Twelve months to 30 June 2013 (audited)	Energy Markets $000	Other Segments $000	Unallocated $000	Inter-segment $000	Total $000
Total segment revenue	1,823,448	46,323	(1,510)	(31,709)	1,836,552
Direct costs	(1,158,789)	–	(241)	31,709	(1,127,321)
Other operating expenses	(168,582)	(82,470)	(67,702)	–	(318,754)
Segment EBITDAF	496,077	(36,147)	(69,453)	–	390,477

Transactions between segments are carried out on an arm’s length basis and represent charges by Other Segments to Energy Markets.

NOTE 3. NON STATUTORY MEASURE – 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.

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Net profit for the period	**123,665**	75,482	114,761
Change in the fair value of financial instruments	**(20,513)**	12,427	(25,633)
Equity accounted share of the change in the fair value of financial instruments of associate entities	**(5,419)**	1,604	(2,382)
Equity accounted share of the change in the fair value of financial instruments of joint ventures	**–**	(37,599)	(37,599)
Equity accounted share of the income statement impact of the capital return from joint ventures excluding fair value movements (refer note 10)	**–**	(6,021)	397
Restructure cost of international geothermal interests	**–**	–	37,170
Impaired assets	**–**	91,390	85,100
Adjustments before income tax expense	**(25,932)**	61,801	57,053
Income tax expense on adjustments	**7,261**	(4,084)	7,689
Adjustments after income tax expense	**(18,671)**	57,717	64,742
Underlying earnings after tax	**104,994**	133,199	179,503

Tax has been applied on all taxable adjustments at 28%.

NOTE 4. OTHER INCOME STATEMENT DISCLOSURES

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Auditing the financial statements – EY (New Zealand)	**356**	315	899
Auditing the financial statements – BDO (United States, Chile & Germany) & EY (US)	**85**	305	570
Other services – Investigating Accountant role for IPO – EY	**–**	383	1,291
Total auditors' remuneration	**441**	1,003	2,760
Foreign currency exchange gains	**(288)**	(21,628)	(24,049)
Interest charged	**46,174**	47,072	91,863
Interest capitalised to capital work in progress	**(6,383)**	(13,843)	(31,273)
Total interest expense	**39,791**	33,229	60,590
Impaired property, plant and equipment	**–**	(46,596)	(52,289)
Impaired exploration and development expenditure	**–**	(33,446)	(22,274)
Impaired available-for-sale financial asset	**–**	(1,525)	(1,525)
Impaired investment in associate	**–**	(9,823)	(9,012)
	–	(91,390)	(85,100)

NOTE 5. SHARE CAPITAL AND DISTRIBUTION

The share capital is represented by 1,400,012,517 ordinary shares (30 June 2013: 1,400,000,094) authorised, issued and fully paid. These shares do not have a par value. All shares have equal voting rights and share equally in dividends and any surplus on winding up.

	Unaudited 31 Dec 2013 Number of shares thousands	Unaudited 31 Dec 2013 $000	Audited 31 Dec 2012 Number of shares thousands	Audited 31 Dec 2012 $000	Audited 30 June 2013 Number of shares thousands	Audited 30 June 2013 $000
Treasury shares						
Balance at the beginning of the period	**1,223**	**3,057**	–	–	–	–
Acquisition of treasury shares	**11,912**	**25,893**	–	–	1,223	3,057
Disposal of treasury shares	**(304)**	**(759)**	–	–	–	–
Balance at the end of the period	**12,831**	**28,191**	–	–	1,223	3,057

In May 2013, 1,222,996 treasury shares were acquired and in December 2013, 12,423 new shares were issued by the Group, to meet the current and future obligations under long-term incentive plans and the Employee Share Purchase Programme. In August 2013, 303,624 shares were transferred to the participants of the long-term incentive plan.

In October 2013, the Group announced an on-market share buyback programme. Under the programme, the Group is to purchase up to $50 million of the Group's issued share capital. As at 31 December 2013, 11.9 million shares had been purchased for an aggregate cost of $25.9 million, representing an average cost of $2.1714 per share. These shares are held as treasury stock and no decision has been made by the Board of Directors as to whether to re-issue or cancel this stock.

Dividends declared and paid

	Cents per share	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Final dividend for 2012	3.21	–	45,000	45,000
Interim dividend for 2013	4.80	–	–	67,200
Final dividend for 2013	7.20	**100,800**	–	–
		100,800	45,000	112,200

After the reporting date an interim dividend of 5.2 cents per share, was approved by the Board of Directors. This dividend will be fully imputed utilising imputation credits arising on 2014 tax payments in addition to the credits currently available. This amount has not been recognised as a liability as at 31 December 2013 but will be brought to account during the 2014 financial year.

NOTE 6. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits, debt, available-for-sale investments and derivatives.

Exposure to price, credit, foreign exchange, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to proactively manage these risks with the aim of protecting shareholder wealth. The Group uses derivative financial instruments to hedge these exposures.

Risk management is carried out by a central Treasury function ("Treasury") for interest rate and foreign exchange exposures. Risk management activities in respect of electricity exposures are undertaken by the Generation Group ("Generation"). Both Treasury and Generation operate under policies approved by the Board of Directors.

Further information on the identified risks can be found within note 25 of the Group's annual financial statements for the year ended 30 June 2013.

Fair Values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying Amount $000	Fair Value $000
Financial assets:		
Interest rate derivatives	5,398	5,398
Cross currency interest rate derivatives	674	674
Electricity price derivatives	23,391	23,391
Foreign exchange rate derivatives	404	404
Total current	29,867	29,867
Interest rate derivatives	11,505	11,505
Electricity price derivatives	88,462	88,462
Total non-current	99,967	99,967
Total financial assets	129,834	129,834
Financial liabilities:		
Interest rate derivatives	8,239	8,239
Electricity price derivatives	32,883	32,883
Foreign exchange rate derivatives	103	103
Total current	41,225	41,225
Interest rate derivatives	120,707	120,707
Cross currency interest rate derivatives	24,211	24,211
Electricity price derivatives	75,239	75,239
Total non-current	220,157	220,157
Total financial liabilities	261,382	261,382

The carrying amount of financial assets and liabilities recorded in the financial statements approximates their fair values except for the Fixed Rate Bonds and the US Private Placement, the fair values for which have been calculated at $205 million (30 June 2013: $212 million) and $247 million (30 June 2013: $266 million) respectively based on quoted market prices for each bond issue. Refer to note 11 which outlines the values of each of these instruments.

Fair value Hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1– the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the following table.

Group 31 December 2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Derivative instruments				
Interest rate derivatives	–	16,903	–	16,903
Cross currency interest rate derivatives	–	674	–	674
Electricity price derivatives	5,724	–	106,129	111,853
Foreign exchange rate derivatives	–	404	–	404
Available-for-sale investments				
Listed investments	238	–	–	238
Investment option	–	–	12,687	12,687
	5,962	17,981	118,816	142,759
Financial liabilities				
Derivative instruments				
Interest rate derivatives	–	128,946	–	128,946
Cross currency interest rate derivatives	–	24,211	–	24,211
Electricity price derivatives	2,785	–	105,337	108,122
Foreign exchange rate derivatives	–	103	–	103
	2,785	153,260	105,337	261,382

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuation techniques

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments and exchange traded energy contracts are based on quoted market prices.

Financial instruments that use a valuation technique with only observable market inputs, or unobservable inputs that are not significant to the overall valuation, include interest rate derivatives and foreign exchange rate derivatives not traded on a recognised exchange.

Financial instruments that use a valuation technique which includes non-market observable data include non-exchange traded electricity contracts which are valued using a discounted cash flow methodology using a combination of ASX market prices for the first five years, combined with Management's internal view of forward prices for the remainder of the contract's term. Management's internal view of forward prices incorporates a minimum price of $71/MWh and a maximum price of $100/MWh over the period in question (in real terms) and is determined by a demand supply based fundamental model which takes account of current hydrological conditions, future inflows, an assessment of thermal fuel costs, anticipated demand and supply conditions and future committed generation capacity.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument there are two key variables being used; the forward price curve and the discount rate. Where the derivative is an option then the volatility of the forward price is another key variable. The selection of the variables requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation technique.

Reconciliation of Level 3 fair value movements

Group 31 December 2013	$000
Opening balance	25,022
New contracts	1,511
Matured contracts	(6,767)
Ineffectiveness of electricity derivative cash flow hedges recognised through the income statement	(1,025)
Gains and losses	
Through the income statement	(26,180)
Through other comprehensive income	20,916
Closing balance	13,477

Deferred 'inception' gains/(losses)

There is a presumption that when derivative contracts are entered into on an arm's length basis, fair value at inception would be zero. The contract price of non-exchange traded electricity derivative contracts are agreed on a bilateral basis, the pricing for which may differ from the prevailing derived market price curve for a variety of reasons. In these circumstances an inception adjustment is made to bring the initial fair value of the contract to zero at inception. This inception value is amortised over the life of the contract by adjusting the future price path used to determine the fair value of the derivatives by a constant amount to return the initial fair value to zero.

The table below details the movements in inception value gains/(losses) included in the fair value of derivative financial assets and liabilities as at 31 December 2013.

Group 31 December 2013	$000
Electricity price derivatives	
Opening deferred inception gains	38,110
Deferred inception gains on new hedges	3,627
Deferred inception losses realised during the period	(24,302)
Closing inception gains	**17,435**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Opening net book value	5,141,108	5,064,100	5,064,100
Additions	46,105	138,592	226,007
Disposals	(37)	(5,394)	(5,381)
Disposal of subsidiaries	–	–	(12,032)
Revaluation	–	500	79,500
Impaired assets	–	(46,596)	(52,289)
Impairment of exploration and development expenditure	–	(33,446)	(22,274)
Exchange movements	(3,039)	(3,711)	(88)
Depreciation charge for the period	(73,950)	(68,774)	(136,435)
Closing net book value	**5,110,187**	5,045,271	5,141,108

During the period the Ngatamariki geothermal power plant was completed. Consequently, the associated generation assets have been transferred from work in progress to other generation assets. These assets are currently held at cost and, in line with the Group's accounting policy, will be subject to revaluation to their fair value by third party valuation experts as part of the next periodic revaluation of the Group's generation assets.

NOTE 8. INVESTMENT AND ADVANCES TO ASSOCIATES

	Unaudited 31 Dec 2013 $000	Audited 31 Dec 2012 $000	Audited 30 June 2013 $000
Balance at the beginning of the period	**81,563**	78,022	78,022
Disposals during the period	–	–	(364)
Equity accounted earnings	**3,743**	1,610	4,705
Equity accounted share of movement in other comprehensive income	**(7,413)**	3,829	13,382
Dividends received during the period	**(1,725)**	(1,416)	(4,397)
Advance repaid as part of international geothermal restructure	–	–	(448)
Exchange movements	–	(326)	(325)
Impaired investment and advances to associate reversed	–	–	811
Impaired investment and advances to associate	–	(9,823)	(9,823)
Balance at the end of the period	**76,168**	71,896	81,563

Associates include:

	Interest Held				
Name of entity	Unaudited 31 Dec 2013	Audited 31 Dec 2012	Audited 30 June 2013	Principal activity	Country of Incorporation
TPC Holdings Limited	**25.00%**	25.00%	25.00%	Investing in Tuaropaki Power Company Limited	New Zealand

During the period, the Group disposed of its interests in Hot Water Innovations Limited for $500. The investment had previously been impaired to zero value.

NOTE 9. INVESTMENT IN JOINT OPERATIONS

	Interest Held			
Name of joint operation	Unaudited 31 Dec 2013	Audited 31 Dec 2012	Audited 30 June 2013	Principal activity
Rotokawa	**64.80%**	64.80%	64.80%	Steamfield operation
Nga Awa Purua	**65.00%**	65.00%	65.00%	Electricity generation

Under NZ IAS 31 – Investments in Joint Ventures (prior to the transition to NZ IFRS 11), the Group's interests in the above joint operations were classified as jointly controlled assets and were proportionately consolidated in the consolidated financial statements. Upon adoption of NZ IFRS 11 Joint Arrangements, the Group has determined the above interests to be joint operations and accounts for its share of the operations, assets, liabilities, revenue and expenses. There is no material impact on the Group financial statements.

NOTE 10. INVESTMENT IN JOINT VENTURES

	Unaudited 31 Dec 2013 $000	Audited 31 Dec 2012 $000	Audited 30 June 2013 $000
Balance at the beginning of the period	**29,841**	108,104	108,104
Additions during the period	**1,405**	1,487	4,721
Advance during the period	**1,263**	–	–
Equity accounted earnings	**(4,405)**	57,236	58,233
Equity accounted share of movements in other comprehensive income	**–**	(1,548)	(1,548)
Cash distribution received	**–**	(131,534)	(139,089)
Exchange movements	**(1,791)**	(2,614)	(580)
Balance at the end of the period	**26,313**	31,131	29,841

Joint ventures include:

	Economic Interest Held				
Name of entity	Unaudited 31 Dec 2013	Audited 31 Dec 2012	Audited 30 June 2013	Principal activity	Country of incorporation
Energy Source LLC	**20.86%**	20.15%	20.86%	Investment holding	United States
Hudson Ranch Holdings LLC	**75.00%**	75.00%	75.00%	Investment holding	United States

Under NZ IAS 31 – Investments in Joint Ventures (prior to the transition to NZ IFRS 11), the Group's interests in the above joint ventures were classified as jointly controlled entities and were equity accounted for in the consolidated financial statements. Upon adoption of NZ IFRS 11 Joint Arrangements, the Group has determined the above interests to be joint ventures and continues to be equity accounted for its interests. There is no material impact on the Group financial statements.

NOTE 11. LOANS

	Borrowing Currency Denomination	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Bank loans (unsecured)	NZD	**165,344**	–	125,156
Fixed Rate Bonds (unsecured)	NZD	**203,785**	304,254	203,786
Floating rate bonds (unsecured)	NZD	**351,067**	351,121	351,084
US Private Placement (unsecured)	USD	**260,888**	260,882	260,929
Commercial paper programme (unsecured)	NZD	**99,653**	99,657	99,647
Deferred financing costs		**(1,480)**	(1,650)	(1,577)
Fair value adjustments		**(2,105)**	18,473	18,798
Carrying value of loans		**1,077,152**	1,032,737	1,057,823
Current		**105,524**	305,701	105,389
Non-current		**971,628**	727,036	952,434
		1,077,152	1,032,737	1,057,823

The Group had reduced its aggregate revolving loan facilities by $80 million during the period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

NOTE 12. RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
Profit for the period	**123,665**	75,482	114,761
Items classified as investing /or financing activities			
Loan charges	**232**	360	139
Dividend from joint ventures	**–**	(8,787)	(2,369)
Adjustments for:			
Depreciation and amortisation	**78,471**	75,274	149,824
Capitalised interest	**(6,383)**	(13,843)	(31,273)
Net (gain)/loss on sale of property, plant and equipment	**56**	(183)	(90)
Net loss on disposal of subsidiaries	**–**	–	4,168
Change in the fair value of financial instruments	**(20,513)**	12,427	(25,633)
Impaired assets	**–**	91,390	85,100
Movement in effect of discounting on long-term provisions	**364**	184	483
Share of earnings of associate companies	**(3,743)**	(1,610)	(4,705)
Share of earnings of joint ventures	**4,405**	(57,236)	(58,233)
Release from the foreign currency translation reserve	**–**	22,403	22,403
Other non-cash items	**448**	(106)	432
Net cash provided by operating activities before change in assets and liabilities	**177,002**	195,755	255,007
Change in assets and liabilities during the period:			
• Decrease in trade receivables and prepayments	**54,705**	104,574	70,714
• (Increase)/decrease in inventories	**(1,421)**	1,987	3,722
• Decrease in trade payables and accruals	**(45,490)**	(82,028)	(55,333)
• (Decrease)/increase in provision for tax	**(16,005)**	8,325	16,090
• Increase/(decrease) in deferred tax	**1,928**	(16,600)	(4,234)
Net cash inflow from operating activities	**170,719**	212,013	285,966

NOTE 13. RELATED PARTY TRANSACTIONS

Ultimate shareholder

The majority shareholder of Mighty River Power Limited is the Crown. All transactions with the Crown and other State-Owned Enterprises are at arm's 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 8, 9 and 10 provide details of associates, joint operations and joint ventures. All of these entities are related parties of the Company.

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		
	Unaudited	Audited	Audited
	6 Months 31 Dec 2013 $000	6 Months 31 Dec 2012 $000	12 Months 30 June 2013 $000
Associates			
Management fees and service agreements paid	**(2,813)**	(5,290)	(32,344)
Energy contract settlements received	**(350)**	1,209	1,850
Joint operations			
Management fees and service agreements received	**2,554**	2,482	4,963
Energy contract settlements paid	**(9,828)**	(10,009)	(1,490)
Interest income	**720**	776	1,506
Key management personnel compensation (paid and payable) comprised:			
Directors' fees	**396**	411	785
Benefits for the Chief Executive and Senior Management:			
Salary and other short-term benefits	**2,789**	2,133	4,670
Share-based payments	**74**	–	205
Long-term benefits	**124**	1,525	1,311
	3,383	4,069	6,971

For the terms and conditions of these related party transactions refer to note 31 of the 30 June 2013 annual financial statements.

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 Directors also provide directorship services to other third party entities. A number of these entities transacted with the Group on an arms length basis in the reporting period.

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. Again, a number of these entities transacted with the Group on an arms length basis in the reporting period.

NOTE 14. COMMITMENTS AND CONTINGENCIES

	Unaudited 6 Months 31 Dec 2013 $000	Audited 6 Months 31 Dec 2012 $000	Audited 12 Months 30 June 2013 $000
COMMITMENTS			
Commitments for future capital expenditure include:			
Property, plant and equipment	**57,607**	67,299	39,274
Emission units	**110,077**	104,203	102,121
Other commitments			
Commitments for future operating expenditure	**45,510**	56,508	50,358

In the event the New Zealand 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.

Tax depreciation deductions are disallowed for buildings from 1 July 2011. An adjustment to deferred tax was made in the 2010 year relating to office and other buildings. While it is Management's view that powerhouse assets should not be captured, they accept that there is a potential risk that a portion of the asset may be considered by the Inland Revenue to be a building for tax purposes with the balance more appropriately being identified as plant. Consequently, as a prudent measure in the 2010 year, a deferred tax liability was also recognised for a portion of the powerhouse assets. Deferred tax was increased by $9.8 million as a result of this change. In the event that all powerhouse assets were deemed to be buildings by the Inland Revenue an additional deferred tax liability of $21.3 million would need to be recognised.

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.

MRP Geotermia Curacautín Limitada 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 15. SUBSEQUENT EVENTS

The Board of Directors has approved an interim dividend of 5.2 cents per share to be paid on 31 March 2014.

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

Glossary

Base-load	Producing electricity at a constant rate and running continuously
Dividend	The distribution of a proportion of a company's earnings, decided by the board of directors, to its shareholders. The dividend is most often quoted in terms of the dollar amount per share. May be paid as Interim Dividend and Final Dividend
EBITDAF	Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings
Energy Margin	The amount of the company's sales, less lines charges, energy costs and other direct costs of sales, including metering
Equity Interest	Where Mighty River Power has equity (investment) in another business entity
Fair Value Adjustments	An accounting process that reassesses the fair value (estimate of a company's potential market price) taking into account various factors
Fixed Price Variable Volume (FPVV)	A contract for electricity that allows the consumer to use as much electricity as they want at a fixed price per unit
Free Cash Flow	Net cash provided by operating activities, less re-investment capital expenditure (including accrued costs)
GWh	Gigawatt hour. One gigawatt hour is equal to one million kilowatt hours
Interest Rate Derivatives	A financial instrument based on an underlying financial security whose value is affected by changes in interest rates
MWh	Megawatt hour. One megawatt hour is equal to 1,000 kilowatt hours. A megawatt hour is the metering standard unit for the wholesale market
NPAT	Net profit after tax
Operating Cash Flow	The amount of cash a company generates from the revenues it brings in, excluding costs associated with long-term investment on capital items or investment in securities
Operating Expenses	Total costs incurred in the business, less energy costs and other direct costs of sales including metering
Peaking	Flexible generation output used to meet peak demand. At Mighty River Power, our co-generation plant is used primarily for peaking as is a large proportion of our hydro capacity
Share buyback	As part of capital management, a company may purchase outstanding (ordinary) shares from the market in circumstances, for example, where this provides a return above the company's cost of capital and would be value-enhancing for shareholders
Spot market / wholesale market	The buying and selling of wholesale electricity is done via a 'pool', where electricity generators offer electricity to the market and retailers bid to buy the electricity. This market is called the spot or physical wholesale market
Spot price	The half-hour price of wholesale ('spot') market electricity
Total Recordable Injury Frequency Rate (TRIFR)	A record of the number of reported medical treatment, restricted work, lost time and serious harm injuries per 100,000 hours, including employees and contractors
Underlying Earnings	Net profit for the year adjusted for one-off and/or infrequently occurring events exceeding $10 million of net profit, impairments and any changes in the fair value of derivative financial instruments

Shareholder information

Shareholder enquiries

Changes in address, dividend payment details and investment portfolios can be viewed and updated online: **www.investorcentre.com/nz**. You will need your CSN and FIN numbers to initially access the website.

Enquiries may be addressed to the Share Registrar:

Share Registrar – New Zealand

Computershare Investor Services Ltd
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
Private Bag 92119
Auckland 1142
Phone: +64 9 488 8777
Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz
Web: www.investorcentre.com/nz

Please think about the environment and help us save paper and costs

Share Registrar – Australia

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3037
GPO Box 3329
Melbourne, VIC 3001
Phone: 1800 501 366 (within Australia)
Phone: +61 3 9415 4083 (outside Australia)
Fax: +61 3 9473 2500
Email: enquiry@computershare.co.nz

Investor Relations

Anna Hirst
Head of Investor Relations

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New Zealand

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Investor information

Our website at **www.mightyriver.co.nz** is an excellent source of information about what's happening within the Company.

Our Investor Centre allows you to view all regular investor communications, information on our latest operating and financial results, dividend payments, news and share price history.

Electronic shareholder communication

Around 75% of Mighty River Power shareholders have already opted to receive their Annual and Interim reports electronically – the most environmentally-friendly, efficient and cost-effective method of communication. It is important that you have the choice and we will keep sending you printed copies of these reports if that is your preference.

If you are one of the shareholders receiving a copy of our report and you don't really need it, you can help the environment and us in reducing costs.

It is quick and easy to make the change to receiving your reports electronically. This can be done either:

- Online at **www.investorcentre.com/nz** by using your CSN and FIN numbers (when you log in for the first time). Select 'View Portfolio' and log in. Then select 'Update My Details' and select 'Communication Options'; or
- Contacting Computershare Investor Services Limited by email, fax or post.

INTERIM DIVIDEND TIMETABLE

	Date	Event
Ex-dividend date	**10 March 2014**	To receive the interim dividend you must own or have purchased shares before the 10 March 2014 for shares held on the NZX and 5 March for shares held on the ASX.
Record date	**12 March 2014**	If you own shares as at the above dates you will appear on Mighty River Power's share register on the 12 March 2014.
Payment date	**31 March 2014**	All shareholders on the 12 March 2014 share register will be paid their interim dividend by cheque or direct into their bank account on 31 March 2014.

Directory

Board of Directors

Joan Withers, Chair
Michael Allen
Prue Flacks
Trevor Janes (retired 31 Dec 2013)
James Miller
Tania Simpson
Keith Smith
Patrick Strange (commenced 4 Feb 2014)

Executive Management Team

Doug Heffernan,
Chief Executive

William Meek,
Chief Financial Officer

James Munro,
General Manager Retail

Matt Olde,
General Manager Business Strategy & Solutions

Marlene Strawson,
General Manager Human Resources

Mark Trigg,
General Manager Development

Fraser Whineray,
General Manager Operations

Company Secretary

Tony Nagel,
General Counsel

Registered Office in New Zealand

Level 14, 23-29 Albert Street, Auckland 1010

Registered Office in Australia

c/- TMF Corporate Services
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Level 16, 201 Elizabeth Street
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Legal Advisors

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Level 35, ANZ Centre
23-29 Albert Street, Auckland 1010
PO Box 2206, Auckland
Phone: +64 9 357 9000

Bankers

ANZ Bank
ASB Bank
Bank of Tokyo-Mitsubishi UFJ
Bank of New Zealand
Westpac

Credit Rating (reaffirmed April 2013)

Long term: BBB+
Outlook: Stable

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