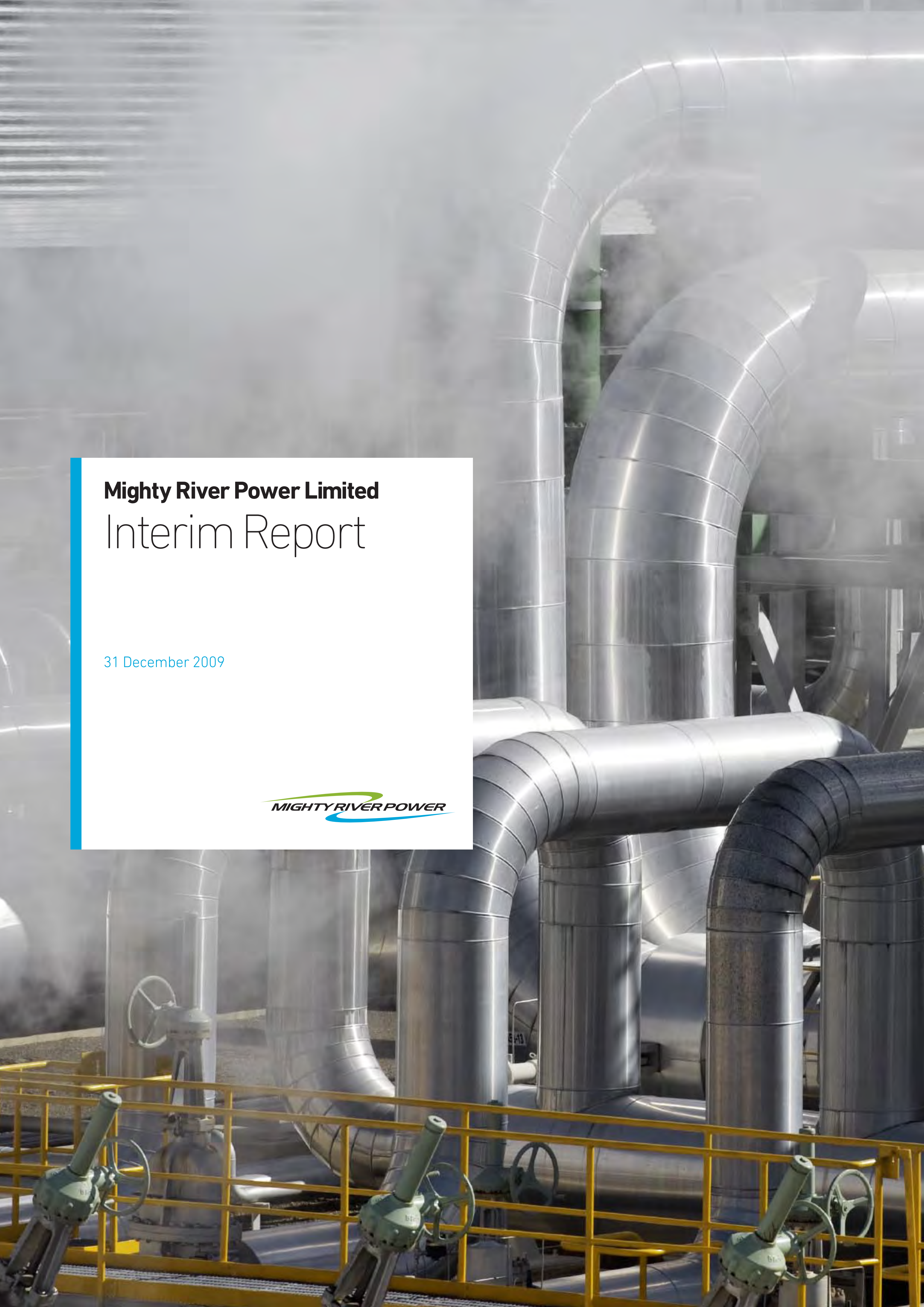
Mighty River Power Limited
Interim Report

31 December 2009



Highlights for the six months to 31 December 2009

Generation production 2,953GWh.

Underlying earnings $85.5m.

Generation production more than 90 per cent renewable.

Mercury Energy gains market share against increasing competition.

140MW Nga Awa Purua Geothermal Power Station on track for completion before winter 2010.

Consents lodged for 110MW Ngatamariki Geothermal Power Station.

Chair and Chief Executive's Report

On behalf of the Mighty River Power Board and Management, we are pleased to report on Mighty River Power's performance for the six months to 31 December 2009.

Financial Summary

EBITDAF (earnings before net interest expense, income tax, depreciation, amortisation, and financial instruments) was $191.2 million for the six months to December 2009. This was better than expected but down on the same period last year, which saw a record EBITDAF of $234.5m. The return to average water flows during the first quarter (in contrast to the exceptional conditions of 2008) was the main driver in the decline in EBITDAF for the half year. Increases in head count and associated costs to support the significant geothermal development activity and retail growth, combined with increased maintenance activity, also contributed to this decline.

Underlying earnings for the period were $85.5m, compared to $121.0m in the year to 31 December 2008. In contrast, net profit after tax (NPAT) was $43.2m favourable to the prior year, at $73.9m. The impact of movements in the fair value of financial instruments was a significant factor in the turnaround to a favourable comparison at the NPAT level. The fair value movement in financial instruments is predominantly driven by movements in interest rates. In the six months to 31 December 2008 a rapid fall-off in interest rates occurred, giving rise to a $121.4m adverse movement in fair values. In the six months to 31 December 2009 interest rates have fluctuated but have resulted in minimal movement compared to the end of the prior financial year.

Operating cash flow was $122.0m compared to $201.0m in the prior period. This is a reflection of a return to more normal hydro operating conditions. In addition, changes to provisional tax payment dates also had an impact. The current period included the third and final provisional tax payment for the 2009 financial year, which had record profits, together with the first payment for the 2010 year. The comparative period only included one provisional tax payment. This resulted in a $37.4m increase in tax paid compared to the prior period.

Capital expenditure for the half year totalled $128.6m compared to $152.8m in the prior comparable period. This brings the Company's total capital expenditure since June 2004 to over $1 billion.

Mighty River Power continues to maintain a strong liquidity position with extra facilities negotiated during the period. At period end available facilities totalled $980m, with $860m drawn. During the half year the Company negotiated an additional $300m of funding at very competitive rates for a BBB+ utility. This included a $250m facility that expires in September 2011 and a $50m wholesale private placement bond with an expiry date of October 2016.

It is anticipated that an interim dividend of $56.2m will be paid in March 2010, subject to Board approval, under the distribution policy within our Statement of Corporate Intent.

Operational Overview

Overall geothermal production was slightly ahead of last year's record result. An even better result would have been achieved but for the need to remove an injection well at our Kawerau Plant for maintenance in the second quarter. Restoration of capacity at Kawerau from 90MW back to 100MW is expected by winter 2010.

We have made excellent progress on the construction of the Nga Awa Purua Geothermal Station, a joint venture with our partners, the Tauhara North No.2 Trust. The $430m power station houses the world's largest single shaft geothermal turbine. When commissioned it will have a capacity of 140MW and will produce enough electricity to power around 130,000 homes – the equivalent of every home in Hamilton, Tauranga, Rotorua and Taupo. The first export of power from Nga Awa Purua to the national grid took place in January, well ahead of original plans. Further testing over the next two months will see electricity delivered to the national grid in stages before commissioning is expected to be complete by April 2010.

In November we and our partner the Tauhara North No. 2 Trust lodged consents with Environment Waikato and the Taupo District Council for the 110MW Ngatamariki Power Station, following the successful exploration in 2009. We expect construction of this project to occur over 2010-2012 with commissioning planned ahead of winter 2013.

As 25 per cent shareholder and cornerstone investor in GeoGlobal Energy (GGE), we have continued our development of an international geothermal business.

In July GGE acquired geothermal rights for the Gabbs Valley prospect in Nevada and has commenced geophysical evaluation. A US Department of Energy grant was also received to undertake exploration drilling.

During 2009 we funded geophysical surveys over a number of areas in Chile and we have already seen some drilling success on the Tolhuaca permit in southern Chile – the first commercial geothermal drilling discovery there in 40 years. As a result of this success, GGE applied for permits to develop the resource and in February 2010 received notice from the Chilean government that it had been successful. Another slim-hole exploration well is to be drilled at Tolhuaca this summer and a further exploration concession has been awarded for Ranquil, near the Tolhuaca site.

Operating Information

	6 months to 31 Dec 2009		6 months to 31 Dec 2008		6 months to 31 Dec 2007	
Customer numbers		400,000		350,000		339,000
	GWh	**$/MWh**	**GWh**	**$/MWh**	**GWh**	**$/MWh**
Generation						
Hydro	2075	53.02	2595	70.69	2137	50.64
Co-generation	228	77.49	244	112.86	406	55.7
Geothermal	640	43.41	628	58.53	264	47.32
Biomass	10	47.02	20	70.1	23	49.33
Generation Total	2953	52.83	3487	71.46	2829	51.04
Sales						
Residential FPW	1379	105.9	1193	102.8	1184	93.4
Commercial FPVV	1123	93.6	930	94.5	880	90.3
Spot	1035	47.8	958	68.1	735	53.2
Net CFD	553		791		560	
Purchases						
Total NZEM purchases	3638	50.3	3209	74.0	3022	51.7
	PJ	**$/GJ**	**PJ**	**$/GJ**	**PJ**	**$/GJ**
Gas						
Co-generation	2.3	6.74	2.5	6	3.8	5.2
Retail	0.8		0.5		0.5	

In January 2010 GGE were advised by the Chilean government that applications for exploration concessions, made by GGE and a joint venture partner Colbun, had been successful at Alitar and Colimapu. This means GGE is now involved in five geothermal prospects in Chile, one of which has proceeded to the development stage. Total investment through GGE is now US$16m.

Hydro generation for the six months to 31 December 2009 was 2,075GWh. This is down on the same period last year – where exceptional climatic and trading conditions saw hydro production reach 2,595GWh – but it is more comparable to the 2007 figure of 2,137GWh.

Overall spot prices were low at $52.83 per MWh during the first half of the year, which was offset by the significant hedging provided by end user contract pricing. Spot price volatility was high over the period as a result of competitor thermal plant and transmission outages. Mighty River Power managed this volatility by utilising the inherent flexibility in the Waikato Hydro and Southdown plants to provide peaking capacity.

In July 2009 Mighty River Power entered into a contract with Toshiba as part of a $30m project to replace all four turbine units at the Ohakuri power station. We expect to install the new runners by July 2013, with the first installation taking place in September 2011. The project will result in a seven per cent increase in the efficiency of generating electricity from water.

The process of implementing variation 6 (water allocation) to the proposed Waikato Regional Plan continues, with multi-party appellant meetings. It appears at this point that most of the substantive issues are unlikely to be resolved by mediation and will therefore proceed to the Environment Court. Mighty River Power continues to support Environment Waikato's initial decision to maintain allocable flow at the current rate.

In late 2009 we progressed contractual arrangements with the Puketapu 3A Incorporation to purchase carbon credits from their forest planting on land adjacent to Lake Taupo. This agreement has the purpose of improving water quality in Lake Taupo and the Waikato River, with the revenue from carbon credits underpinning the forest investment. We expect to enter into more arrangements like this in the future to offset our carbon liability.

During the period the Taupo Foreshore Erosion Strategy was formally accepted by the Taupo District Council. The strategy acknowledged the minor role that lake levels play in lake foreshore erosion and how Mighty River Power lake level management reduces the risk of floods. Mighty River Power will now work with Taupo District Council and Environment Waikato to allocate funding contributions to address specific sites around the lake.

In December the Crown signed settlement deeds with both Waikato-Tainui and Raukawa in relation to their claims on the Waikato River. The new governance structure proposed for the Waikato River will see the establishment of the Waikato River Authority as the primary decision-making and policy-setting body

Chair and Chief Executive's Report

for all activities on or affecting the Waikato River. Mighty River Power looks forward to participating in the new processes when the arrangement comes into effect.

The Board of Inquiry process considering the proposed Turitea Wind Farm has continued into 2010 and hearings will recommence in March, pursuant to the ministerial call-in. Following input through this process, Mighty River Power redesigned the wind farm layout, giving further consideration to visual and landscape effects. The company is now seeking consent for a wind farm with a capacity between 240MW and 290MW (compared to the previous plan for a 300MW to 360MW wind farm).

Windflow Technology Limited was granted consent for the Long Gully wind farm in October. The 12.5MW project, located in southwest Wellington, is being consented and constructed by Windflow Technology for Mighty River Power. We are also investigating a number of other potential wind generation sites.

Production at our thermal plant at Southdown totalled 228GWh over the six months, compared to 244GWh in the prior period. In the first quarter production was reduced in response to low spot prices. Production increased in December as spot prices rose and we took advantage of lower fuel costs before a gas price rise on 1 January 2010. In the future Southdown's production will be impacted by significantly higher gas prices and costs associated with the introduction of the Emissions Trading Scheme (ETS).

The Government's Climate Change Response (Moderated Emissions Trading) Amendment Act was passed in November. This Act set a revised date of 1 July 2010 for the stationary energy sector to enter the ETS. Mighty River Power's greenhouse gas emissions are dominated by the gas-fired power station at Southdown.

Strong retail growth continued throughout the half year, underpinned by Mercury Energy's customer acquisition efforts in the South Island. Mercury grew its electricity market share by almost one per cent to over 20 per cent during the period and a net gain of 18,000 brought total electricity customer numbers to 400,000 as at 31 December 2009. Mercury also maintained its position in the gas market under increasingly competitive conditions.

Looking forward, we expect the current increase in switching activity on the registry to continue, which is an indication of the strongest competition in the retail market since deregulation in 1998. Mercury Energy has proven to be New Zealand's fastest growing energy retailer for the past seven years. However, the virtual asset swap proposed by the Government is causing us to reconsider our plans for how to continue this growth because of the potential change in business risks.

In November we launched Tiny Mighty Power, a niche electricity retailer developed specifically to service smaller New Zealand towns. Tiny Mighty Power was set up to ensure that those living in small towns are able to reap the benefits of a competitive retail electricity market. It was launched in the South Waikato towns of Cambridge and Te Awamutu, promising cheaper electricity for most households and a special winter bonus for senior citizens.

The rollout of smart meters by our metering subsidiary Metrix continued in the first half of the year. Metrix has been installing approximately 2,000 smart meters per week and is on track to complete its initial deployment of 285,000 meters in homes throughout Auckland by December 2011.

In December the government outlined a suite of changes to the electricity sector, the majority of which were incorporated into the Electricity Industry Bill. Mighty River Power is supportive of many of the government's recommendations. In particular, we support further pro-market rules to improve hedge market liquidity, and the institutional and regulatory changes replacing the Electricity Commission with the Electricity Market Authority and creating the Security and Reliability Council to monitor the system operator.

We also welcome the initiative to reward customers who use less electricity in drought situations, and initiatives to standardise lines company pricing and process to enable competition in provincial New Zealand. We applaud the government for recognising that this latter issue has been the most significant handbrake on our ability to deliver choice to consumers outside of the main urban centres.

In November 2009 Mighty River Power joined the five other major generators to launch a new company, EnergyHedge Ltd, which formalised the previously multilateral arrangement between generators relating to the trading of energy hedge products. The new company allows a greater number of participants to more effectively manage risk and enables new retail entrants enhanced access to wholesale electricity. From mid-December the company successfully implemented trading at two additional nodes (Benmore and Otahuhu). The ongoing development of EnergyHedge represents a significant change in opportunities for new retail competition.

Chair and Chief Executive's Report

Mighty River Power continues to be a major provider of employment, both nationally and regionally. We currently have 180 people working on the construction of Nga Awa Purua, which at its peak employed 450. At 31 December 2009, the company employed 812 staff, including part-time and casual workers, apprentices and those on parental leave.

The success of our apprenticeship programme continued over the period, with Mighty River Power apprentice Kendra Butler winning the Electricity Supply Industry Training Organisation (ESITO) Generation Trainee of the Year award. The award is made annually to an apprentice in the electricity industry who has displayed excellence in vocational training.

Mighty River Power announced in October that the Company will be a Premier Partner of the 2010 World Rowing championships, which will take place at Lake Karapiro in November. We are also the exclusive sponsor of the Championships' official volunteer team – the Karapiro Crew. The sponsorship is particularly fitting as Mighty River Power is a long standing sponsor of Rowing New Zealand, and has a long association supporting rowing events at Lake Karapiro.

Starship Children's Health received a special Christmas present from the Mercury Energy Star Supporters Club in December. The Club donated 10 specialist incubators to the national Neonatal Intensive Care Unit (NICU) at Auckland Hospital. The $250,000 Christmas gift will help neonatal staff deliver lifesaving care to New Zealand's most vulnerable and premature babies. The Star Supporters Club is comprised of Mercury Energy customers who donate to Starship through their energy bill. To date, the club has raised almost $1.5m for Starship Children's Health.

Mercury Energy once again lit up Auckland Domain and Hagley Park in Christchurch with its sponsorship of the annual Christmas in the Park event. This year 200,000 turned out in Auckland and 100,000 in Christchurch to sing, dance and enjoy the fireworks, and to watch the lighting up of Mercury Energy's 20-metre high Christmas tree. The Mercury Energy staff choir also performed at the event, singing a special version of Silent Night.

The Future

Geothermal remains our strategic focus and we look forward to achieving another major milestone in our development plans with the commissioning of Nga Awa Purua in the second half of the year, as well as the progression of our 110MW project at Ngatamariki. We also look forward to the results of geothermal exploration in Chile and the US.

A decision was made in December 2009 to base our geothermal operations in Rotorua, which will see the consolidation of teams currently based in Taupo and Hamilton. The geothermal operations team has grown quickly from a few people in 2004 to over 50, in addition to those based at the power stations. The choice of Rotorua as our new geothermal base is a logical one as it is near our geothermal assets and partners and in the centre of any new domestic opportunities.

Wind will also continue to play a role in our growth plans, and our focus will stay on gaining consent for the Turitea Wind Farm, which will utilise one of the best wind resources in the world to provide electricity for up to 100,000 homes.

The Company is evaluating the implications of the Electricity Industry Bill, which is currently with Select Committee. We will discuss these implications with our Shareholders and will participate in the Select Committee process during the second half of the financial year.

JOAN WITHERS
Chair

DOUG HEFFERNAN
Chief Executive

Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2009

Consolidated Income Statement

For the six months ended 31 December 2009

	Note	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Sales		720,183	741,343	1,428,867
Less line charges		(209,606)	(170,120)	(349,717)
Other revenue		11,180	9,835	40,741
Total revenue		521,757	581,058	1,119,891
Energy costs		208,787	253,845	460,659
Other expenses		121,783	92,666	213,811
Total expenses		330,570	346,511	674,470
Earnings before net interest expense, income tax, depreciation, amortisation and financial instruments (EBITDAF)		191,187	234,547	445,421
Depreciation and amortisation		(57,603)	(51,783)	(104,947)
Change in the fair value of financial instruments	10	(1,540)	(118,802)	(47,155)
Impaired exploration and development expenditure	4	(15,019)	(10,101)	(45,230)
Equity accounted earnings of associate companies	7	1,753	2,179	2,928
Earnings before net interest expense and income tax (EBIT)		118,778	56,040	251,017
Interest expense		(14,691)	(17,062)	(31,012)
Interest income		696	4,002	6,772
Net interest expense		(13,995)	(13,060)	(24,240)
Profit before income tax		104,783	42,980	226,777
Income tax expense	5	(30,878)	(12,258)	(67,159)
Net profit for the period		73,905	30,722	159,618

Supplementary disclosure

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the change in the fair value of financial instruments.

	Note	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Underlying earnings after tax	3	85,496	120,954	209,945

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

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

	Note	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Net profit for the period		73,905	30,722	159,618
Other comprehensive income				
Fair value revaluation of other generation assets, net of taxation		0	0	170,987
Equity accounted share of movements in associates' reserves		(2,418)	6,848	11,053
Fair value gains on available-for-sale financial assets, net of taxation		(584)	0	(2,168)
Movements in foreign currency translation reserve		(9)	(38)	15
Cash flow hedges gain/(loss) taken to equity, net of taxation		(70,862)	105,982	79,945
Other comprehensive income for the period, net of taxation		(73,873)	112,792	259,832
Total comprehensive income for the period		32	143,514	419,450

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

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2009

	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	Total equity $000
Balance as at 1 July 2008 (Audited)	377,561	605,276	0	0	1,363,115	(88,302)	2,257,650
Equity accounted share of movements in associates' reserves	0	0	0	0	0	6,848	6,848
Movements in foreign currency translation reserve	0	0	0	(38)	0	0	(38)
Cash flow hedges gain/(loss) taken to equity, net of taxation	0	0	0	0	0	105,982	105,982
Other comprehensive income	0	0	0	(38)	0	112,830	112,792
Net profit for the period	0	30,722	0	0	0	0	30,722
Total comprehensive income for the period	0	30,722	0	(38)	0	112,830	143,514
Dividend	0	(55,500)	0	0	0	0	(55,500)
Balance as at 31 December 2008 (Unaudited)	377,561	580,498	0	(38)	1,363,115	24,528	2,345,664
Balance as at 1 January 2009 (Unaudited)	377,561	580,498	0	(38)	1,363,115	24,528	2,345,664
Fair value revaluation of other generation assets, net of taxation	0	0	0	0	170,987	0	170,987
Equity accounted share of movements in associates' reserves	0	0	0	0	0	4,205	4,205
Net loss on available for sale investments, net of taxation	0	0	(2,168)	0	0	0	(2,168)
Movements in foreign currency translation reserve	0	0	0	53	0	0	53
Cash flow hedges gain/(loss) taken to equity, net of taxation	0	0	0	0	0	(26,037)	(26,037)
Release of asset revaluation reserve for assets taken out of service	0	67	0	0	(67)	0	0
Other comprehensive income	0	67	(2,168)	53	170,920	(21,832)	147,040
Net profit for the period	0	128,896	0	0	0	0	128,896
Total comprehensive income for the period	0	128,963	(2,168)	53	170,920	(21,832)	275,936
Dividend	0	0	0	0	0	0	0
Balance as at 30 June 2009 (Audited)	377,561	709,461	(2,168)	15	1,534,035	2,696	2,621,600
Balance as at 1 July 2009 (Audited)	377,561	709,461	(2,168)	15	1,534,035	2,696	2,621,600
Equity accounted share of movements in associates' reserves	0	0	0	0	0	(2,418)	(2,418)
Net loss on available for sale investments, net of taxation	0	0	(584)	0	0	0	(584)
Movements in foreign currency translation reserve	0	0	0	(9)	0	0	(9)
Cash flow hedges gain/(loss) taken to equity, net of taxation	0	0	0	0	0	(70,862)	(70,862)
Other comprehensive income	0	0	(584)	(9)	0	(73,280)	(73,873)
Net profit for the period	0	73,905	0	0	0	0	73,905
Total comprehensive income for the period	0	73,905	(584)	(9)	0	(73,280)	32
Dividend	0	(229,800)	0	0	0	0	(229,800)
Balance as at 31 December 2009 (Unaudited)	377,561	553,566	(2,752)	6	1,534,035	(70,584)	2,391,832

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

Consolidated Balance Sheet

As at 31 December 2009

	Note	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
SHAREHOLDERS' EQUITY		2,391,832	2,345,664	2,621,600
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		19,252	110,642	56,823
Receivables		256,823	173,239	276,725
Inventories		18,280	11,949	14,299
Derivative financial instruments	10	34,421	41,382	39,333
Total current assets		328,776	337,212	387,180
NON-CURRENT ASSETS				
Property, plant and equipment	6	3,892,424	3,585,414	3,859,941
Intangible assets		35,106	24,526	32,803
Available for sale financial assets		3,224	0	4,050
Investment and advances to associates	7	96,042	83,602	84,713
Derivative financial instruments	10	5,503	13,264	19,377
Total non-current assets		4,032,299	3,706,806	4,000,884
TOTAL ASSETS		4,361,075	4,044,018	4,388,064
LIABILITIES				
CURRENT LIABILITIES				
Payables and accruals		141,304	120,146	176,461
Provisions	8	2,176	1,620	2,058
Current portion loans	11	30,064	16,274	42,456
Derivative financial instruments	10	90,227	165,936	92,706
Taxation payable		16,303	43,200	41,316
Total current liabilities		280,074	347,176	354,997
NON-CURRENT LIABILITIES				
Derivative financial instruments	10	147,774	40,903	67,464
Loans	11	831,500	644,472	600,079
Deferred tax	9	709,895	665,803	743,924
Total non-current liabilities		1,689,169	1,351,178	1,411,467
TOTAL LIABILITIES		1,969,243	1,698,354	1,766,464
NET ASSETS		2,391,832	2,345,664	2,621,600

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

Consolidated Cash Flow Statement

For the six months ended 31 December 2009

	Note	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		558,600	721,019	1,155,523
Payments to suppliers and employees		(355,299)	(477,447)	(738,441)
Interest received		443	3,355	6,011
Interest paid		(22,483)	(23,992)	(44,288)
Taxes paid		(59,300)	(21,900)	(61,700)
Net cash provided by operating activities	12	121,961	201,035	317,105
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment		(107,027)	(36,727)	(169,385)
Proceeds from sale of property, plant and equipment		100	166	24,518
Acquisition of associate		0	(7,163)	(25)
Advances to associate		(19,111)	0	(6,193)
Advances to associates repaid		3,902	2,215	2,765
Acquisition of intangibles		(7,769)	(687)	(11,494)
Acquisition of other non-current assets		(18,824)	(25,746)	(62,017)
Net cash used in investing activities		(148,729)	(67,942)	(221,831)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans		230,000	0	50,000
Repayment of loans		(11,003)	(1,000)	(67,000)
Dividends paid		(229,800)	(55,500)	(55,500)
Net cash used in financing activities		(10,803)	(56,500)	(72,500)
Net (decrease)/increase in cash and cash equivalents held		(37,571)	76,593	22,774
Cash and cash equivalents at the beginning of the period		56,823	34,049	34,049
Cash and cash equivalents at the end of the period		19,252	110,642	56,823
Cash balance comprises:				
Cash		5,550	6,058	9,088
Short term deposits		13,702	104,584	47,735
Cash balance at the end of the year		19,252	110,642	56,823

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

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 1. ACCOUNTING POLICIES

(1) Reporting entity

Mighty River Power 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 NZ IFRS 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 consolidated financial statements comprise the Company, its subsidiaries, associates and interests in jointly controlled assets.

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 the production of electricity and the selling of energy and energy related services and products to retail and wholesale customers.

2) Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") as applicable to interim financial statements and as appropriate to profit-oriented entities.

These condensed consolidated interim financial statements comply with NZ IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should therefore be read in conjunction with the annual financial statements for the year ended 30 June 2009, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards and comply with International Financial Reporting Standards.

(b) Accounting policies

The accounting policies and methods of computation, apart from the ones noted below, are consistent with those of the annual financial statements for the year ended 30 June 2009, as described in those annual financial statements.

The following amending standards have been adopted from 1 July 2009.

NZ IAS 1 (revised) – Presentation of Financial statements. The revised standard introduced, amongst other things, a statement of comprehensive income. The amendment has only impacted the presentation of the financial statements and did not have an impact on the measurement or recognition of amounts contained within the financial statements.

NZ IFRS 3 (revised) – Business Combinations and NZ IAS 27 (revised) – Consolidated and Separate Financial Statements. Both standards require prospective application from the date of adoption. There have been no transactions since adoption that would require the application of the revised standards.

NZ IFRS 7 (revised) – Financial Instruments: Disclosure. Revised disclosure requirements will impact the annual financial statements prepared for the 2010 year.

(c)Estimates and judgements

The preparation of interim financial statements in conformity with NZ 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 ongoing 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 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 judgment 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.

Notes to the Financial Statements

For the six months ended 31 December 2009

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 customers 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
Energy contracts are valued by reference to the Group's financial model for future electricity prices. Foreign exchange and interest rate derivatives 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.

(d) Functional and presentation currency
These financial statements are presented in New Zealand Dollars ($), which is the Group's functional currency. 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.

Types of products and services
Wholesale
The wholesale segment encompasses activity associated with the production of energy from all power stations, the purchase of energy related products and services, and the sale of power to the retail segment together with activities such as risk and asset management. The wholesale segment is exposed to volatility in wholesale prices which may result in significant fluctuations in segmental results from year to year.

Retail
The retail segment encompasses activity associated with the purchase of power from the wholesale segment and the subsequent sale of energy and energy related services and products to customers. The retail segment is also exposed to fluctuation in wholesale prices relating to energy purchases, electricity sales at spot and the settlement of electricity price derivatives. The results of wholesale price volatility will have a partially offsetting impact between the wholesale and retail segments.

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 other corporate support activities.

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 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, share of profits of associates, change in fair value of financial instruments, impairment of exploration expenditure, finance costs and income tax expense.

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

Notes to the Financial Statements

For the six months ended 31 December 2009

	Wholesale $000	Retail $000	Other segments $000	Total $000
Six months ended 31 December 2009 (Unaudited)				
Total segment revenue	411,210	353,570	16,828	781,608
Inter-segment revenue	(245,489)	0	(14,362)	(259,851)
Revenue from external customers	165,721	353,570	2,466	521,757
Segment EBITDAF	153,160	51,501	(13,474)	191,187
Segment Assets	4,053,050	144,831	163,194	4,361,075

	Wholesale $000	Retail $000	Other segments $000	Total $000
Six months ended 31 December 2008 (Unaudited)				
Total segment revenue	450,751	325,138	13,515	789,404
Inter-segment revenue	(197,210)	0	(11,136)	(208,346)
Revenue from external customers	253,541	325,138	2,379	581,058
Segment EBITDAF	154,184	89,952	(9,589)	234,547
Segment Assets	3,667,429	141,805	234,784	4,044,018

	Wholesale $000	Retail $000	Other segments $000	Total $000
Twelve months to 30 June 2009 (Audited)				
Total segment revenue	868,751	648,751	51,220	1,568,722
Inter-segment revenue	(422,973)	0	(25,858)	(448,831)
Revenue from external customers	445,778	648,751	25,362	1,119,891
Segment EBITDAF	314,477	129,874	1,070	445,421
Segment Assets	4,006,654	163,935	217,475	4,388,064

Reconciliation of segment revenue to the income statement

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Total segment revenue	781,608	789,404	1,568,722
Inter-segment sales elimination	(259,851)	(208,346)	(448,831)
Total revenue per the income statement	521,757	581,058	1,119,891

Reconciliation of segment assets to total assets

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Segment assets	4,361,075	4,044,018	4,388,064
Current tax assets	0	0	0
Total assets	4,361,075	4,044,018	4,388,064

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 3. UNDERLYING EARNINGS

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Net profit for the period	73,905	30,722	159,618
Change in the fair value of financial instruments	1,540	118,802	47,155
Impaired exploration and development expenditure	15,019	10,101	45,230
Gain on sale of Marsden generation assets	0	0	(20,426)
Adjustments before income tax expense	16,559	128,903	71,959
Income tax expense on adjustments	(4,968)	(38,671)	(21,632)
Adjustments after income tax expense	11,591	90,232	50,327
Underlying earnings after tax	85,496	120,954	209,945

Tax has been applied on all taxable adjustments at 30%.

NOTE 4. IMPAIRED EXPLORATION AND DEVELOPMENT EXPENDITURE

The Group is undertaking a gas exploration program. Costs capitalised as property, plant and equipment which relate to exploration efforts that prove to be unsuccessful are expensed to the income statement as impaired exploration expenditure.

Impaired gas exploration expenditure during the six months ended 31 December 2009 was $15.0m and related to the Albacore prospect in the gas exploration cash generating unit (31 December 2008:$10.1m, 30 June 2009:$12.6m).

Impaired development expenditure during the six months ended 31 December 2009 was $nil (31 December 2008: $nil, 30 June 2009: $32.7m).

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 5. INCOME TAX EXPENSE

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Income tax expense			
Profit before income tax	104,783	42,980	226,777
Prima facie income tax expense at 30% on profit before tax	(31,435)	(12,894)	(68,033)
Increase/(decrease) in income tax due to:			
• share of associate's tax paid earnings	526	654	878
• capital gain	0	0	6,128
• capital loss	0	0	(6,083)
• other differences	(29)	(149)	(197)
Over provision in prior period	60	131	148
Income tax expense attributable to profit from ordinary activities	(30,878)	(12,258)	(67,159)
Represented by:			
Current tax expense	(34,252)	(53,296)	(90,061)
Deferred tax expense recognised in the income statement	3,374	41,038	22,902
Total income tax expense	(30,878)	(12,258)	(67,159)

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Assets acquired at cost	101,736	144,979	263,087
Net book value of assets disposed	95	277	1,845
Gain/(loss) on disposal	5	(111)	22,673

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 7. INVESTMENT AND ADVANCES TO ASSOCIATES

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
Balance at the beginning of the period	84,713	65,944	65,944
Additions during the year	19,111	7,163	6,218
Disposals during the year	0	0	(78)
Equity accounted earnings	1,753	2,179	2,928
Equity accounted share of movements in reserves	(2,418)	6,848	11,053
Exchange movements	(3,215)	3,725	1,455
Repayment of advances during the year	(3,902)	(2,257)	(2,807)
Balance at the end of the period	96,042	83,602	84,713

NOTE 8. PROVISIONS

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
Balance at the beginning of the period	2,058	1,582	1,582
Provisions made during the year	0	0	288
Provisions used during the year	0	0	0
Provisions reversed during the year	0	0	0
Unwind of discount rate	118	38	188
Balance at the end of the period	2,176	1,620	2,058

Provisions have been recognised for the abandonment and subsequent restoration of areas from which geothermal resources have been extracted. The timing of expected cash out-flows required to settle the above provision is uncertain and will depend on the extent of the geothermal steam resource for the well and the field.

NOTE 9. DEFERRED TAX

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
Balance at the beginning of the period	(743,924)	(690,370)	(690,370)
Current period changes in temporary differences affecting tax expense	3,374	41,038	22,902
Current period changes in temporary differences affecting reserves	30,655	(16,471)	(76,456)
Balance at the end of the period	(709,895)	(665,803)	(743,924)

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
CURRENT			
Interest rate derivative assets	20,665	32,093	25,454
Electricity price derivative assets	6,489	6,267	9,727
Foreign exchange rate derivative assets	7,267	3,022	4,152
	34,421	41,382	39,333
Interest rate derivative liabilities	68,474	149,523	73,112
Electricity price derivative liabilities	4,020	2,285	5,402
Foreign exchange rate derivative liabilities	17,733	14,128	14,192
	90,227	165,936	92,706
NON-CURRENT			
Electricity price derivative assets	5,503	13,264	19,377
	5,503	13,264	19,377
Electricity price derivative liabilities	141,013	40,903	63,847
Foreign exchange rate derivative liabilities	6,761	0	3,617
	147,774	40,903	67,464

Interest rate derivatives, short term low value foreign exchange rate derivatives, and short term low value electricity price derivatives that are traded on the Energy Hedge Market, 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 are designated as cash flow hedges under NZ IAS 39.

The changes in fair values of derivative financial instruments recognised in the income statement and equity are summarised below:

	Income Statement Unaudited 6 Months 31 Dec 2009 $000	Income Statement Unaudited 6 Months 31 Dec 2008 $000	Income Statement Audited 12 Months 30 June 2009 $000	Equity Unaudited 6 Months 31 Dec 2009 $000	Equity Unaudited 6 Months 31 Dec 2008 $000	Equity Audited 12 Months 30 June 2009 $000
Interest rate derivatives	49	(121,390)	(50,824)	0	21	21
Electricity price derivatives	(1,543)	804	1,971	(91,232)	58,918	41,481
Foreign exchange derivatives	0	(32)	(32)	(9,999)	92,459	72,703
Income tax on changes taken to equity	0	0	0	30,369	(45,419)	(34,260)
	(1,494)	(120,618)	(48,885)	(70,862)	105,979	79,945
Ineffectiveness of cash flow hedges recognised in the income statement	(46)	1,816	1,730			

Fair value movements of derivative financial instruments recognised in the income statement are non cash movements.

Notes to the Financial Statements

For the six months ended 31 December 2009

NOTE 11. LOANS

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
Current	30,064	16,274	42,456
Non-current	831,500	644,472	600,079
	861,564	660,746	642,535

During the six months to December 2009 the USD $8.0 million bank loan was repaid.

A $250 million, 2 year club deal was arranged during the six months to December, of this $120 million remains undrawn. A $20 million, 7 year fixed rate bond and a $30 million, 7 year floating rate bond were also issued during the period.

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

	Unaudited 6 Months 31 Dec 2009 $000	Unaudited 6 Months 31 Dec 2008 $000	Audited 12 Months 30 June 2009 $000
Profit for the period	73,905	30,722	159,618
Items classified as investing/financing activities			
• Fixed, intangible and investment asset charges	(9,781)	(7,704)	(14,261)
• Loan charges	1,114	(651)	(1,745)
Non-cash items			
Depreciation and amortisation	57,603	51,783	104,947
Net gain on sale of property, plant and equipment	(5)	0	(22,673)
Change in the fair value of financial instruments	1,540	118,802	47,155
Impairment of exploration expenditure	15,019	10,101	45,230
Other property, plant and equipment impairment charges	2,097	0	1,710
Unwind of discount on long term provisions	118	38	188
Share of profits of equity accounted investees	(1,753)	(2,179)	(2,928)
Other non-cash items	2,337	383	2,410
Net cash provided by operating activities before change in assets and liabilities	142,194	201,295	319,651
Change in assets and liabilities during the period:			
• Decrease in trade receivables and prepayments	38,728	141,457	66,602
• Increase in inventories	(3,981)	(5,428)	(7,778)
• Decrease in trade payables and accruals	(26,555)	(126,650)	(66,777)
• (Decrease)/increase in provision for taxation	(25,013)	60,347	58,448
• Decrease in deferred taxation	(3,412)	(69,986)	(53,041)
Net cash inflow from operating activities	121,961	201,035	317,105

NOTE 13. COMMITMENTS AND CONTINGENCIES

Commitments

	Unaudited 31 Dec 2009 $000	Unaudited 31 Dec 2008 $000	Audited 30 June 2009 $000
Commitments for future capital expenditure	84,554	140,837	115,970
Commitments for future operating expenditure	43,795	34,070	38,089

Contingencies

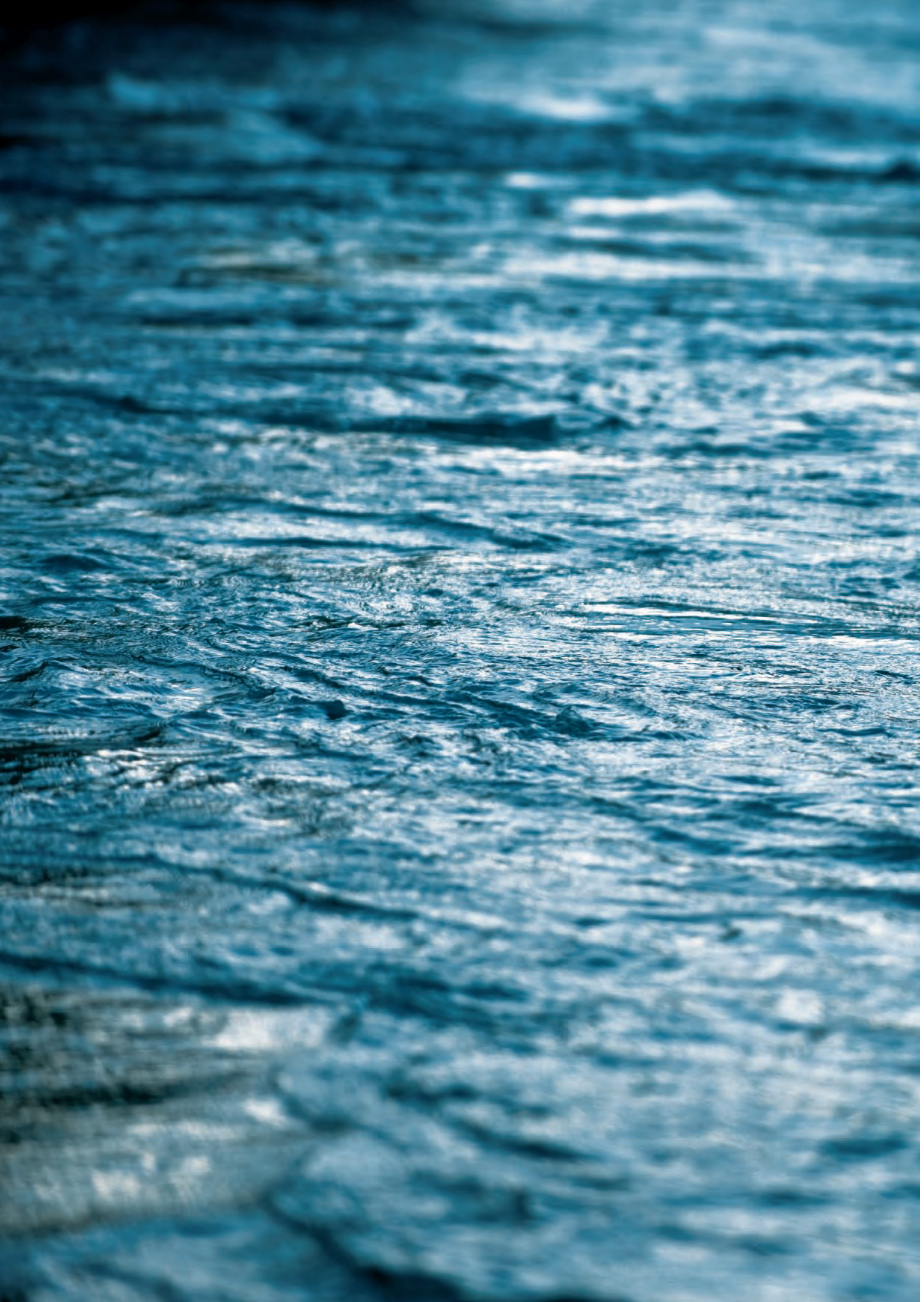
The Group has no material contingent assets or liabilities.

NOTE 14. SUBSEQUENT EVENTS

In February the Company issued $50m fixed-rate bonds due October 2016, $20m floating-rate bonds due October 2016, and $30m fixed-rate bonds due February 2020.

The Board have approved an interim dividend of $56.2m to be paid in March.

There have been no other material events subsequent to 31 December 2009.



Directory

Shareholders
The Minister for State Owned Enterprises (Hon Simon Power) and Minister of Finance (Hon Bill English).

Company Credit Rating (as at 30 June 2009)
Standard & Poor's Short-term: **A-2**
Long term: **BBB+**
Outlook: **Stable**

Company Secretary
Tony Nagel, LLB, MComLaw (Hons)

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Auditor
The Auditor-General pursuant to section 14 of the Public Audit Act 2001. Brent Penrose of Ernst & Young was appointed to perform the audit on behalf of the Auditor-General.

Solicitors
Chapman Tripp
Bell Gully

Bankers
ANZ National Bank
ASB Bank
Kiwibank
Bank of Tokyo-Mitsubishi
Bank of New Zealand

Board
Joan Withers, Chair
Trevor Janes, Deputy Chair
Dr Michael Allen, Director
Diana Crossan, Director
Jon Hartley, Director
Sandy Maier, Director
Tania Simpson, Director
Keith Smith, Director

Senior Management
Doug Heffernan, Chief Executive
John Foote, General Manager Development
Dan Hoyer, General Manager Geothermal
William Meek, Chief Financial Officer
James Munro, General Manager Consumer Markets
Fraser Whineray, General Manager Generation
Neil Williams, Group Strategist

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