To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	19 February 2013
From	Helen Hardy	Pages	79
Subject	**CONTACT ENERGY LIMITED - HALF YEAR RESULTS**		

Attached herewith is a copy of an announcement released to the NZX by Contact Energy today.

Origin Energy holds 53.09% of quoted ordinary shares in Contact Energy Limited.

Regards

Helen Hardy
Company Secretary

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MEDIA RELEASE

19 February 2013

Solid first half performance

Overview of results

Contact has delivered a solid half year performance despite weakness in the wholesale electricity market and sustained competition in the retail market. Chief Executive Dennis Barnes says that Contact's results show the benefits of its diverse fuel and asset portfolio and competitive customer offers. Mr Barnes said that this clearly demonstrates Contact's increasing ability to perform and respond to a range of market conditions.

Contact reported profit after tax for the six months ended 31 December 2012 of $88 million, $20 million (29 per cent) higher than the prior corresponding period. Earnings Before Net Interest Expense, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)[1] were $253 million, up 10 per cent from $231 million in the first half of the 2012 financial year. Underlying earnings after tax[2] (profit for the period adjusted for significant items that do not reflect the ongoing performance of the Group) were $92 million, up $16 million (21 per cent).

"Again, the result demonstrates the benefits of our investments in peakers and gas storage. The diversity of our fuel and asset portfolio has more than offset the impact of lower wholesale prices. Our Te Mihi project made good progress and, combined with the expiry of the Huntly swaption contract, will make a significant contribution to earnings from the middle of 2013.

In a retail market where 30,000 customers per month switch supplier we have been successful at retaining a stable market share in both the mass market and commercial and industrial markets; however, margins are lower with continued generation oversupply and the competition that this drives. We will continue our focus on winning and keeping customers.

With our current capital investment programme coming to an end and the flat outlook for energy demand we are taking steps to adjust the cost base and structure of the business" Mr Barnes said.

Distribution to shareholders

The Contact Board of Directors resolved to hold the interim distribution to shareholders at the equivalent of 11 cents per share. As indicated in the full year announcement, the distribution will be made as a fully imputed cash dividend and represents a payout ratio of 87% of Contact's underlying earnings after tax.

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[1] Refer to page 3 of the Management Discussion & Analysis for a definition and reconciliation between Statutory Profit and the non-GAAP profit measure EBITDAF.

[2] Refer to page 1 and 2 of the Management Discussion & Analysis for a definition and reconciliation between Statutory Profit and the non-GAAP profit measure Underlying Earnings.

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Diverse portfolio proves it worth again

The benefits of Contact's diverse fuel and asset portfolio were again evidenced in the first half of the 2013 financial year. Higher rainfall in the South Island resulted in increased hydro generation displacing more expensive thermal generation. Contact was able to actively respond by reducing its thermal generation and purchasing a greater proportion of its generation from the spot market while prices were lower.

The peakers and gas storage managed trading risk and enabled increased participation in the ancillary services market.

"I have stated before that the investments we have made to increase the diversity of our portfolio will reduce the impact that varied operating conditions have on our performance. I am pleased to see the way we have been able to flex the portfolio over the past six months to deliver good results in both wet and dry conditions," Mr Barnes said.

Te Mihi power station progressing to final stages of development

Progress on building Contact's Te Mihi power station continues. Steamfield work is largely complete and the first stages of commissioning on the power station has commenced. The completion of Te Mihi will bring to an end a greater than $2 billion investment programme, adding lower-cost geothermal, and flexible thermal generation capacity and New Zealand's first gas storage facility.

We opened the Wairakei bioreactor, a unique facility that significantly lowers our impact on the Waikato River by removing hydrogen sulphide from cooling fluid from the iconic Wairakei Power Station using bacteria native to the Waikato River. We also opened the Ohaaki wetland, a two-year project managed by Fish & Game NZ which has transformed previously unused land impacted by subsidence into a useful natural resource. These two projects represent important steps in the ongoing care for the environment in which we operate.

"In the current low demand growth environment we will not be committing to further generation developments in the near term. Contact maintains a range of high quality development options with the world class resource at Tauhara ready for execution as market signals dictate. In the meantime, our focus will be on minimising the costs required to retain the full range of development options we have in place," Mr Barnes said.

Customer numbers stable, retail margins remain tight

In the retail business, Mr Barnes reported that Contact had achieved an acceptable result. Despite the market continuing to experience high levels of customer switching, Contact's customer numbers saw a modest increase. However, sales volumes were 1 per cent lower than the first half of the 2012 financial year. Margins decreased for electricity sales by $1 per megawatt hour, reflecting the competition for customers in an oversupplied market. The Online OnTime discount for customers who receive their bill online and pay on time has continued to increase in popularity with over 40 per cent of customers taking advantage of this product.

The Retail Transformation programme is moving into the final stages of testing and preparing the business for the introduction of the new system.

Controlling costs a priority

In an environment of flat electricity demand it is important that we continue to manage our cost base. We have announced to staff that we will be restructuring the business. We recognise that workforce changes are unsettling, particularly for any of our people who are affected and we will support them through this transition. Restructuring is one of a number of initiatives underway across the business to control costs.

“The proposed changes will control our costs and help us to remain competitive for customers and shareholders” Mr Barnes said.

Safety

The health and safety of all people who work for the company remains our number one priority. Mr Barnes reported no improvement in the company’s safety statistics, with its total recordable injury frequency rate in line with 30 June 2012.

“We are working to ensure every employee and contractor is focussed first and foremost on safety and will continue to improve our leadership, culture and systems. I am confident that the steps we are taking will bring us closer to our goal of zero harm,” said Mr Barnes.

Looking forward

For the remainder of 2013 and beyond, Contact will focus on remaining competitive for our customers and improving our cost base.

The completion of Te Mihi will provide Contact with additional lower-cost generation. Contact will make important decisions in the next 12 months relating to the amount of gas we will contract and how we operate our combined-cycle gas-fired power stations.

“We will be putting a greater emphasis on ensuring we are meeting the needs of our customers,” Mr Barnes said. In time, Retail Transformation will provide us with new ways to engage with our customers and I want to ensure we are totally focused on offering products and solutions that meet their needs.”

“We are working on the factors that we can control and impact, Mr Barnes said. Completing the current asset and systems investment programme, continuing to improve our fuel purchase costs and ensuring the organisation is sized to match current market conditions will position Contact to grow earnings in coming years.”

ENDS

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Contact Energy Limited	
Results for announcement to the market	
Basis of Report	Unaudited
Reporting Period	6 months to 31 December 2012
Previous Reporting Period	6 months to 31 December 2011

	Amount ($m)	Percentage change
Operating Revenue and Other Income	1,213	(5.5%)
Earnings Before Net Interest Expense, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)	253	9.5%
Profit for the Period After Tax	88	29.4%
Underlying Earnings After Tax[1]	92	21.1%
Basic and Diluted Earnings Per Share (Cents)	12.2	25.8%
Underlying Earnings Per Share (Cents) [1]	12.7	16.5%

Interim Distribution	Equivalent amount per security	Imputed amount per security
Cash dividend	$0.11	$0.05

Record Date	08 March 2013
Dividend Payment Date	26 March 2013

Comments:	1. Underlying Earnings After Tax and Underlying Earnings Per Share exclude significant items that do not reflect the ongoing performance of the Group. This is a non-statutory measure.

Attachments:

- Unaudited Financial Statements for the six months ended 31 December 2012
- KPMG Auditors’ Review Report
- NZX Appendix 7
- Media Release
- Management Discussion and Analysis
- Investor Presentation

Income Statement

For the six months ended 31 December 2012

	Note	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Revenue	3	1,200	1,273	2,683
Other income		13	10	18
Operating expenses	3	(960)	(1,052)	(2,192)
Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF)		**253**	**231**	**509**
Depreciation and amortisation		(95)	(95)	(193)
Change in fair value of financial instruments	7	(1)	(10)	(11)
Other significant items	3	(4)	(1)	21
Equity accounted earnings of associate		-	2	2
Net interest expense		(33)	(37)	(72)
Profit before tax		**120**	**90**	**256**
Tax expense		(32)	(22)	(66)
Profit for the period		**88**	**68**	**190**
Basic and diluted earnings per share (cents)		**12.2**	**9.7**	**26.9**

Non-statutory measure: underlying earnings

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of ongoing performance. It is calculated by adjusting profit for the period for significant items that do not reflect the ongoing performance of the Group.

	Note	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Profit for the period		**88**	**68**	**190**
Underlying adjustments				
Change in fair value of financial instruments	7	1	10	11
Other significant items	3	4	1	(21)
Adjustments before tax		**5**	**11**	**(10)**
Tax credit on underlying adjustments		(1)	(3)	(4)
Underlying earnings after tax		**92**	**76**	**176**
Underlying earnings per share (cents)		**12.7**	**10.9**	**25.0**

Statement of Comprehensive Income

For the six months ended 31 December 2012

	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Profit for the period	**88**	**68**	**190**
Other comprehensive income			
Change in cash flow hedge reserve	6	28	36
Total other comprehensive income before tax	**6**	**28**	**36**
Deferred tax relating to components of other comprehensive income	(2)	(4)	(7)
Other comprehensive income for the period after tax	**4**	**24**	**29**
Total comprehensive income for the period	**92**	**92**	**219**

Statement of Changes in Equity

For the six months ended 31 December 2012

	Note	Share capital $m	Retained earnings $m	Cash flow hedge reserve $m	Share-based compensation reserve $m	Total shareholders' equity $m
Opening balance at 1 July 2011		1,413	1,855	(37)	5	3,236
Profit for the period after tax		-	68	-	-	68
Other comprehensive income after tax		-	-	24	-	24
Restricted shares and options lapsed during the period		-	1	-	(1)	-
Transactions with owners recorded directly in equity:						
Change in share capital		63	-	-	-	63
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(84)	-	-	(84)
Total transactions with owners recorded directly in equity		**63**	**(84)**	**-**	**2**	**(19)**
Unaudited closing balance at 31 December 2011		**1,476**	**1,840**	**(13)**	**6**	**3,309**
Opening balance at 1 January 2012		1,476	1,840	(13)	6	3,309
Profit for the period after tax		-	122	-	-	122
Other comprehensive income after tax		-	-	5	-	5
Transactions with owners recorded directly in equity:						
Change in share capital		58	-	-	-	58
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(78)	-	-	(78)
Total transactions with owners recorded directly in equity		**58**	**(78)**	**-**	**2**	**(18)**
Audited closing balance at 30 June 2012		**1,534**	**1,884**	**(8)**	**8**	**3,418**
Opening balance at 1 July 2012		1,534	1,884	(8)	8	3,418
Profit for the period after tax		-	88	-	-	88
Other comprehensive income after tax		-	-	4	-	4
Share options lapsed during the period		-	1	-	(1)	-
Transactions with owners recorded directly in equity:						
Change in share capital		71	-	-	-	71
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(86)	-	-	(86)
Total transactions with owners recorded directly in equity		**71**	**(86)**	**-**	**2**	**(13)**
Unaudited closing balance at 31 December 2012		**1,605**	**1,887**	**(4)**	**9**	**3,497**

Statement of Financial Position
At 31 December 2012

	Note	Unaudited 31 Dec 2012 $m	Unaudited 31 Dec 2011 $m	Audited 30 June 2012 $m
Shareholders' equity		**3,497**	**3,309**	**3,418**
Represented by:				
Current assets				
Cash and cash equivalents		8	49	6
Receivables and prepayments		240	256	351
Inventories		36	38	38
Carbon emission units		28	18	17
Derivative financial instruments		2	3	3
Assets held for sale		63	13	7
Tax receivable		1	1	-
Total current assets		**378**	**378**	**422**
Non-current assets				
Inventories		87	92	93
Property, plant and equipment	5	5,170	4,986	5,163
Intangible assets		215	170	188
Goodwill		182	182	182
Gas storage - cushion gas		52	52	52
Available-for-sale financial assets		3	3	3
Derivative financial instruments		2	2	1
Other non-current assets		8	8	8
Total non-current assets		**5,719**	**5,495**	**5,690**
Total assets		**6,097**	**5,873**	**6,112**
Current liabilities				
Payables and accruals		289	319	409
Borrowings	6	126	1	102
Derivative financial instruments		59	27	56
Provisions		3	5	5
Liabilities held for sale		6	-	-
Tax payable		-	-	28
Total current liabilities		**483**	**352**	**600**
Non-current liabilities				
Borrowings	6	1,184	1,315	1,202
Derivative financial instruments		145	149	128
Provisions		58	58	64
Deferred tax		725	690	700
Other non-current liabilities		5	-	-
Total non-current liabilities		**2,117**	**2,212**	**2,094**
Total liabilities		**2,600**	**2,564**	**2,694**
Net assets		**3,497**	**3,309**	**3,418**

Authorised on behalf of the Board on 18 February 2013:

Grant King, Chairman **Sue Sheldon, Director**

The accompanying notes form an integral part of the condensed interim group financial statements.

Statement of Cash Flows

For the six months ended 31 December 2012

	Note	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		1,317	1,279	2,614
Dividends received		-	1	1
		1,317	1,280	2,615
Cash applied to:				
Payments to suppliers and employees		(1,074)	(1,088)	(2,154)
Tax paid		(39)	(16)	(21)
		(1,113)	(1,104)	(2,175)
Net cash inflow from operating activities	10	**204**	**176**	**440**
Cash flows from investing activities				
Cash provided from:				
Interest received		2	1	3
Proceeds from sale of property, plant and equipment		5	-	4
Exit of investment in Oakey Power Holdings Pty Limited		-	-	38
		7	1	45
Cash applied to:				
Purchase of property, plant and equipment		(163)	(232)	(482)
Purchase of intangible assets		(21)	(27)	(47)
Purchase of Whirinaki generation plant and on-site diesel fuel		-	(36)	(36)
		(184)	(295)	(565)
Net cash (outflow) to investing activities		**(177)**	**(294)**	**(520)**
Cash flows from financing activities				
Cash provided from:				
Proceeds from other loans		69	117	124
Proceeds from gas sale and repurchase arrangement		12	-	-
Proceeds from capital bonds offer		-	200	200
		81	317	324
Cash applied to:				
Interest paid		(51)	(45)	(97)
Distributions paid to shareholders		(15)	(21)	(43)
Repayment of other loans and finance lease liabilities		(40)	(118)	(122)
Financing costs		-	(10)	(10)
Entitlement offer-related costs		-	(1)	(1)
Advance in relation to gas sale and repurchase arrangement		-	-	(10)
		(106)	(195)	(283)
Net cash (outflow)/inflow from financing activities		**(25)**	**122**	**41**
Net increase/(decrease) in cash and cash equivalents		**2**	**4**	**(39)**
Add: cash and cash equivalents at the start of the period		6	45	45
Cash and cash equivalents at the end of the period		**8**	**49**	**6**

The accompanying notes form an integral part of the condensed interim group financial statements.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

1 Basis of accounting

Reporting entity

Contact Energy Limited is registered in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993. Contact Energy Limited is listed on the NZX with its ordinary shares quoted on the NZSX and two series of bonds quoted on the NZDX.

The condensed interim group financial statements of Contact Energy Limited (the Group financial statements) at, and for the six months ended, 31 December 2012 comprise the Parent and its subsidiaries and interest in associate (together referred to as Contact or the Group).

Basis of preparation

The Group financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and also comply with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34).

The functional and reporting currency used in the preparation of the Group financial statements is New Zealand dollars, rounded to the nearest million ($m).

These Group financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the financial statements and related notes included in Contact's Annual Report for the year ended 30 June 2012 (2012 Annual Report).

Changes in accounting policies

There have been no changes in accounting policies since 30 June 2012. The accounting policies set out in the 2012 Annual Report have been applied consistently to all periods presented in these Group financial statements. Certain comparative amounts have been reclassified to conform to the current period's presentation.

Critical accounting estimates and judgements

Application of the Group's accounting policies requires the use of estimates. The estimates are based on historical experience and other factors that are believed to be reasonable. Actual results may differ from these estimates. The areas of significant estimation and critical judgments are the same as those disclosed in the 2012 Annual Report, other than the estimation of the split of inventory gas between current and non-current on the basis of usage.

Notes to the condensed interim group financial statements
For the six months ended 31 December 2012

2 Segments

Contact's operating segments are identified based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources. During the reporting period, the composition of the internally reported segments changed with retail and wholesale gas activities moved to the Electricity segment and renamed as 'Integrated Energy'. This change reflects management's view that retail and wholesale gas are an integral part of the electricity business. Comparative segment information has been restated.

Contact has two operating segments, 'Integrated Energy' and 'Other':
- The 'Integrated Energy' business is a generator of electricity and retailer of electricity and gas to residential, commercial and industrial customers throughout New Zealand.
- The 'Other' business is a combination of other products and services offered by Contact. These include the sale of LPG to residential and commercial customers, and the provision of electricity and gas meter services to other retailers and internally to the 'Integrated Energy' business.

Unaudited **6 months ended 31 December 2012**	**Integrated Energy** **$m**	**Other** **$m**	**Inter-segment** **$m**	**Total** **$m**
Revenue and other income	1,136	94	(17)	1,213
Direct costs	(786)	(61)	17	(830)
Other operating expenses	(119)	(11)	-	(130)
Segment EBITDAF	**231**	**22**	**-**	**253**

Unaudited **6 months ended 31 December 2011**	**Integrated Energy** **$m**	**Other** **$m**	**Inter-segment** **$m**	**Total** **$m**
Revenue and other income	1,212	88	(17)	1,283
Direct costs	(886)	(55)	17	(924)
Other operating expenses	(117)	(11)	-	(128)
Segment EBITDAF	**209**	**22**	**-**	**231**

Audited **12 months ended 30 June 2012**	**Integrated Energy** **$m**	**Other** **$m**	**Inter-segment** **$m**	**Total** **$m**
Revenue and other income	2,565	169	(33)	2,701
Direct costs	(1,857)	(106)	33	(1,930)
Other operating expenses	(239)	(23)	-	(262)
Segment EBITDAF	**469**	**40**	**-**	**509**

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

3 Components of profit

	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Revenue			
Retail electricity	773	757	1,490
Wholesale electricity	297	393	963
LPG	65	62	118
Gas	54	50	92
Steam	11	11	20
	1,200	**1,273**	**2,683**
Other income	13	10	18
Total revenue and other income	**1,213**	**1,283**	**2,701**
Operating expenses			
Electricity purchases	(289)	(388)	(874)
Electricity transmission, distribution and levies	(301)	(276)	(544)
Gas purchases, transmission and levies	(176)	(192)	(391)
LPG purchases	(48)	(44)	(83)
Meter costs	(13)	(11)	(23)
Emission costs	(3)	(13)	(15)
Labour costs	(55)	(49)	(104)
Other	(75)	(79)	(158)
	(960)	**(1,052)**	**(2,192)**
Other significant items			
Transition costs (1)	(3)	(1)	(5)
Clutha asset impairment and land sales (2)	2	-	(2)
Asset impairments (3)	(3)	-	-
Exit of investment in Oakey Power Holdings Pty Limited	-	-	28
	(4)	**(1)**	**21**

(1) Transition costs arising on the implementation of Enterprise Transformation and associated activities in the Retail business.
(2) Contact has decided not to proceed in the foreseeable future with any of the options being investigated for hydro generation development on the Clutha River. The project development costs have been impaired and some of the associated land has been sold.
(3) Asset impairments arising on land classified as held for sale, other than land in relation to the Clutha River hydro development.

Transactions are classified as other significant items when they meet certain criteria approved by Contact's Board. Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as other significant items include impairment or reversal of impairment of assets, business integration and acquisition costs and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.

4 Distributions and share capital

	Cents per share	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
2011 year final distribution	12.0	-	84	84
2012 year interim distribution	11.0	-	-	78
2012 year final distribution	12.0	86	-	-
Total distributions		**86**	**84**	**162**

On 21 September 2012, Contact issued 17,728,186 ordinary shares pursuant to the Profit Distribution Plan. As a result of shareholder elections, Contact completed an off-market buy-back of 3,096,672 shares. These shares were immediately cancelled upon buy-back.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

5 Property, plant and equipment

	Unaudited 31 Dec 2012 $m	Unaudited 31 Dec 2011 $m	Audited 30 June 2012 $m
Opening balance	5,163	4,813	4,813
Additions	153	260	539
Transfer to assets held for sale	(56)	-	(7)
Disposals	-	-	(1)
Depreciation charge	(87)	(87)	(177)
Impairment	(3)	-	(4)
	5,170	**4,986**	**5,163**

The gas metering assets, the decommissioned New Plymouth power station site and certain land assets have been classified as assets held for sale. These assets are expected to be sold within one year from the end of the reporting period.

6 Borrowings

	Unaudited 31 Dec 2012 $m	Unaudited 31 Dec 2011 $m	Audited 30 June 2012 $m
Long-term borrowings maturing within one year	92	-	98
Committed credit facilities	33	-	3
Finance lease liabilities	1	1	1
Total current borrowings	**126**	**1**	**102**
Retail bonds	546	545	545
Wholesale bonds	100	100	100
Capital bonds	196	195	196
US Private Placement (USPP)	587	586	587
Fair value adjustment on USPP	(154)	(113)	(130)
Total long-term borrowings	**1,275**	**1,313**	**1,298**
Finance lease liabilities	1	2	2
Less: long-term borrowings maturing within one year	(92)	-	(98)
Total non-current borrowings	**1,184**	**1,315**	**1,202**

Contact has total committed credit facilities at 31 December 2012 of $380 million, of which $33 million has been drawn (31 December 2011: $450 million, nil drawn; 30 June 2012: $450 million, $3 million drawn). At 31 December 2012, $90 million matures in November 2015, $150 million matures between March 2016 and May 2016, $40 million matures in November 2016 and $100 million matures in November 2017.

In addition, Contact has an export credit agency facility of $105 million. At 31 December 2012, the available facility was $92 million, of which nil has been drawn (30 June 2012: $92 million, nil drawn). The facility matures in November 2027.

Notes to the condensed interim group financial statements
For the six months ended 31 December 2012

7 Derivative financial instruments

The change in the fair value of financial instruments during the period is summarised below:

	Unaudited 6 months ended 31 Dec 2012		Unaudited 6 months ended 31 Dec 2011		Audited 12 months ended 30 June 2012	
Favourable/(unfavourable)	Income Statement $m	Cash flow hedge reserve $m	Income Statement $m	Cash flow hedge reserve $m	Income Statement $m	Cash flow hedge reserve $m
Fair value hedges:						
Cross-currency interest rate swaps	(24)	-	36	-	20	-
Borrowings	24	-	(36)	-	(20)	-
	-	**-**	**-**	**-**	**-**	**-**
Cash flow hedges:						
Cross-currency interest rate swaps - margin	-	1	-	1	-	2
Foreign exchange derivatives	-	-	-	13	-	11
Electricity price hedges	(1)	5	(1)	14	(1)	23
Tax on change in fair value of cash flow hedges	-	(2)	-	(4)	-	(7)
Derivatives not designated in hedge relationships:						
Interest rate derivatives	-	-	(9)	-	(10)	-
	(1)	**4**	**(10)**	**24**	**(11)**	**29**

8 Commitments

	Unaudited 31 Dec 2012 $m	Unaudited 31 Dec 2011 $m	Audited 30 June 2012 $m
Capital and investment commitments	104	312	125
Operating lease commitments	38	31	26
Operating lease income	(5)	(3)	(4)

In addition, Contact holds contracts with a variety of counterparties relating to the right to uplift and transport gas. The nature of these commitments was disclosed in the 2012 Annual Report. No contracts with new counterparties relating to the right to uplift and transport gas were entered into during the period.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

9 Related party transactions

No transactions with new related parties were entered into during the period.

Transactions with related parties - received/(paid)	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Subsidiaries of Origin Energy Limited (Origin)			
Ahuroa gas storage facility development and operation expenses	(4)	(5)	(10)
SAP infrastructure and data services costs	(3)	(1)	(4)
Purchase of LPG	(28)	(19)	(43)
Sale of electricity	3	-	1
Key management personnel			
Directors' fees	(1)	(1)	(1)
Chief Executive Officer seconded from Origin	(1)	(1)	(1)
Leadership team (excluding Chief Executive Officer)	(5)	(3)	(5)
Associate of the Group			
Sale of LPG	1	-	1

New Zealand based directors and members of the Leadership team purchase gas and electricity from the Group for domestic purposes on normal retail terms and conditions.

Contact and Origin have a Master Services Agreement for the provision of professional, consulting and administrative services. During the six months ended 31 December 2012, six members of staff, including the Chief Executive Officer, were seconded from Origin to Contact, and one staff member was seconded from Contact to Origin.

10 Reconciliation of profit for the period to cash flows from operating activities

	Unaudited 6 months ended 31 Dec 2012 $m	Unaudited 6 months ended 31 Dec 2011 $m	Audited 12 months ended 30 June 2012 $m
Profit for the period	**88**	**68**	**190**
Adjustments to reconcile profit to net cash inflow from operating activities:			
Depreciation and amortisation	95	95	193
Change in fair value of financial instruments	1	10	11
Exit of investment in Oakey Power Holdings Pty Limited	-	-	(26)
Asset impairments	3	-	4
Gain on sale of property, plant and equipment	(2)	-	(2)
Non-cash share of equity accounted earnings of associates	-	(2)	(2)
Net interest expense	33	37	72
Bad debt expense	6	7	13
Movement in provisions	(1)	-	2
Movement in deferred tax	22	6	13
Share-based compensation	1	2	3
Changes in assets and liabilities, net of non-cash, investing and financing activities:			
Receivables and prepayments	98	(14)	(104)
Inventories	8	(16)	(17)
Payables and accruals	(108)	(8)	69
Tax receivable/payable	(29)	-	29
Other assets	(11)	(9)	(8)
Net cash inflow from operating activities	**204**	**176**	**440**

11 Subsequent events

On 18 February 2013, the Board declared an interim distribution of 11.0 cents per share, to be paid on 26 March 2013.

Auditors' review report

To the shareholders of Contact Energy Limited

We have completed a review of the condensed interim group financial statements on pages 1 to 10 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of Contact Energy Limited and its subsidiaries ("the Group") and its financial position at 31 December 2012.

Directors' responsibilities

The Directors of Contact Energy Limited are responsible for the preparation of condensed interim group financial statements which give a true and fair view of the financial position of the Group at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the condensed interim group financial statements presented by the Directors and report our opinion to you.

Basis of opinion

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

Partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group.

Other than in our capacity as auditors we have no relationship with or interests in the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim group financial statements on pages 1 to 10 do not give a true and fair view of the financial position of the Group at 31 December 2012, the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 18 February 2013 and our opinion is expressed at that date.

KPMG

Wellington

Management discussion of financial results for the six months ended 31 December 2012

Financial results for the six months ended 31 December 2012

Key financial information	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Revenue and other income	1,213	1,283	(70)	(5%)
Operating expenses (1)	(960)	(1,052)	92	9%
EBITDAF (2)	**253**	**231**	**22**	**10%**
Depreciation and amortisation	(95)	(95)	-	0%
Change in fair value of financial instruments	(1)	(10)	9	90%
Other significant items	(4)	(1)	(3)	(300%)
Equity accounted earnings of associate	-	2	(2)	(100%)
Earnings before net interest expense and tax (EBIT)	**153**	**127**	**26**	**20%**
Net interest expense	(33)	(37)	4	11%
Tax expense	(32)	(22)	(10)	(45%)
Profit for the period	**88**	**68**	**20**	**29%**
Statutory earnings per share (cents)	**12.2**	**9.7**	**2.5**	**25%**
Underlying earnings after tax (3)	**92**	**76**	**16**	**21%**
Underlying earnings per share (cents)	**12.7**	**10.9**	**1.8**	**17%**
Shareholders' equity	**3,497**	**3,309**	**188**	**6%**

(1) Includes electricity purchases.

(2) Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.

(3) Underlying earnings after tax is calculated by adjusting profit for the period for significant items that do not reflect the ongoing performance of the Group.

Profit for the period

Contact Energy's improving performance has continued with a solid profit for the six months ended 31 December 2012 (1H13) of $88 million, up $20 million (29 per cent) compared with the corresponding prior half year (1H12). This is primarily due to a reduction in the net purchase cost within the Integrated Energy segment and improved fair value adjustments.

Underlying earnings after tax

Management and directors monitor underlying earnings after tax as a basis for determining dividends and believe it assists investors in understanding the ongoing performance of the business. Underlying earnings is a non-GAAP profit measure that is not included in Contact's segment reporting disclosures in the financial statements because debt funding and tax expense are managed at a Group level. Accordingly, net interest expense and tax expense are not allocated to Contact's segments.

Underlying earnings after tax is calculated by adjusting profit for the period for significant items that do not reflect the ongoing performance of the Group[1].

Underlying earnings after tax was $92 million, up $16 million (21 per cent) from 1H12. The underlying adjustments in the current period are the change in fair value of financial instruments, transition costs as a result of Enterprise Transformation and associated activities in the Retail business, land sales in relation to the halted Clutha hydro development and impairment charges on land classified as held for sale, along with the associated tax on these items.

Reconciliation of reported profit to underlying earnings after tax

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Profit for the period	**88**	**68**	**20**	**29%**
Change in fair value of financial instruments	1	10	(9)	(90%)
Transition costs	3	1	2	200%
Clutha asset impairment and land sales	(2)	-	(2)	(100%)
Asset impairments	3	-	3	100%
Tax credit on underlying items	(1)	(3)	2	67%
Underlying earnings after tax	**92**	**76**	**16**	**21%**

Profit for the period: Reported profit for the period has been prepared in accordance with New Zealand generally accepted accounting practice (GAAP). The reported profit for the period has been extracted from the reviewed financial statements.
Change in the fair value of financial instruments: The change in fair value of financial instruments that do not qualify for hedge accounting.
Transition costs: Transition costs arising on implementation of Enterprise Transformation and associated activities in the Retail business.
Clutha asset impairment and land sale: As a result of the decision not to proceed in the foreseeable future with any of the options being investigated for hydro generation development on the Clutha River, the project development costs have been impaired and some of the associated land has been sold.
Tax credit on underlying items: Tax adjustments in relation to the above.
Underlying earnings after tax: The adjustments have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standards RS-1.

[1] Significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as significant items include impairment or reversal of impairment of assets, fair value movements in financial instruments, business integration and acquisition costs, and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.

EBITDAF

Management and directors monitor earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF)[2] as a key indicator of Contact's performance at segment and Group levels and believe it assists investors in understanding the performance of the core operations of the business.

Contact's EBITDAF for 1H13 was $253 million, $22 million (10 per cent) higher than 1H12. The Integrated Energy segment grew strongly, with EBITDAF up $22 million (11 per cent), while the Other segment remained unchanged at $22 million.

National electricity demand remained flat in 1H13 with Contact's sales volumes relatively stable, down just 1 per cent at 4,260 gigawatt hours (GWh) and retail gas volumes stable at 1.4 petajoules (PJ). Across the market around 30,000 customers change properties or suppliers each month. Electricity customer numbers at 31 December 2012 were 442,500 with gains in overall residential customer numbers, while retail gas continued to grow, increasing by 2,500 customers to 63,000. Margins decreased for electricity sales by $1 per megawatt hour (MWh) with continued generation oversupply and the competition that this drives. We will continue our focus on winning and keeping customers.

Net purchase cost reduced by $5 per MWh, predominantly as a result of increased hydro generation displacing more expensive thermal generation. Lower take-or-pay gas and swaption volumes enabled thermal generation to be reduced in-line with increasing hydro generation. The diversity within Contact's generation portfolio allowed the combined-cycle gas-fired power stations to be turned down during lower-priced periods with the risk being managed by the Stratford peakers and Whirinaki power station. In August, Contact was able to take advantage of lower wholesale prices and generate less than it sold to customers. The average wholesale spot price for 1H13 was $56 per MWh compared with $79 per MWh for 1H12.

Gas unit costs were reasonably stable as improvements in contracted gas prices were mixed with 1.7 PJ of gas extracted from storage. Lower thermal generation and much lower international carbon prices resulted in carbon costs decreasing by $10 million. Contract for Difference (CfD) sales increased and, while there were periods of price separation due to capacity constraints on the HVDC, Contact's diverse fuel and asset portfolio enabled increased capacity to be provided to the ancillary services market.

The EBITDAF contribution from the Other business segment was stable at $22 million with LPG sales volume increasing 5 per cent to 36,808 tonnes being offset by increased purchase costs.

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[2] EBITDAF is a non-GAAP financial profit measure calculated as reported profit for the period before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.

Reconciliation of reported profit to EBITDAF

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	Variance %
EBITDAF	**253**	**231**	**22**	**10%**
Depreciation and amortisation	(95)	(95)	-	0%
Change in fair value of financial instruments	(1)	(10)	9	90%
Other significant items	(4)	(1)	(3)	(300%)
Equity accounted earnings of associate	-	2	(2)	(100%)
Net interest expense	(33)	(37)	4	11%
Tax expense	(32)	(22)	(10)	(45%)
Profit for the period	**88**	**68**	**20**	**29%**

Explanations of adjustments are outlined below.

Depreciation and amortisation

Depreciation and amortisation costs of $95 million were unchanged.

Change in fair value of financial instruments

The reported profit for 1H13 included an unfavourable non-cash pre-tax movement of $1 million in the fair value of financial instruments. The movement was predominantly driven by the release of the residual mark to market value of the Huntly swaption on maturity. This compares to an unfavourable pre-tax movement of $10 million in 1H12 as a result of a downward shift in New Zealand interest rates.

Equity accounted earnings of associate

The decline of $2 million compared with 1H12 is due to the exit of the investment in Oakey Power Holdings Pty Limited in January 2012.

Net interest expense

Net interest expense decreased by $4 million (11 per cent) to $33 million in 1H13. The decrease was attributable to capitalised interest increasing by $8 million as development of the Te Mihi power station continued, partially offset by a $5 million increase in interest expense in relation to the capital bond issue in December 2011.

Tax expense

Tax expense for 1H13 was $32 million, up $10 million (45 per cent). This represents an effective tax rate of 26 per cent, which is lower than the statutory rate of 28 per cent, principally due to the release of part of the deferred tax liability recognised in relation to the held for sale New Plymouth Power Station site, offset by the non-deductibility of impairment losses on held for sale land.

Distributions to shareholders

The Contact Energy Board of Directors declared an interim cash distribution to shareholders of 11 cents per share. The distribution represents a payout ratio of 87 per cent of underlying earnings after tax for the period.

Cash flow

Free cash flow in 1H13 was $39 million (44 per cent) up on 1H12 at $128 million. Improvements in EBITDAF, a favourable working capital movement driven by lower wholesale prices and stored gas extractions and lower stay in business capital expenditure due to the completion of the Wairakei Bioreactor were partially offset by a higher tax payment relating to the 2012 financial year (FY12).

Financial performance and liquidity

Net debt exclusive of fair value adjustments at 31 December 2012 was $1,464 million, compared with $1,437 million at 30 June 2012, due to an increase in short-term committed credit facility borrowings of $30 million. The balance sheet gearing of 29 per cent has remained unchanged.

Existing term debt comprises US$330 million (NZ$587 million) of United States Private Placements (USPP) of various maturities, $550 million of fixed rate retail bonds maturing in May 2014, $100 million of fixed rate wholesale bonds maturing in April 2017 and the $200 million capital bonds maturing in February 2042. The next maturing USPP tranche of US$75 million ($135 million excluding fair value adjustments) occurs in February 2013 and has been classified as a current liability.

Contact has additional liquidity from $380 million of committed bank facilities ($33 million drawn at 31 December 2012) and a currently undrawn export credit agency facility of $92 million (of a maximum facility of $105 million).

Looking forward

For the remainder of 2013 and beyond Contact will focus on being competitive for customers and improving its cost base.

The completion of Te Mihi will provide Contact with additional lower cost generation. Contact will make important decisions in the next 12 months relating to the amount of gas it will contract and how it operates its combined-cycle gas-fired power stations.

An increased focus on customers and the implementation of Retail Transformation will provide Contact with new ways to engage with customers and offer products and solutions that meet their needs.

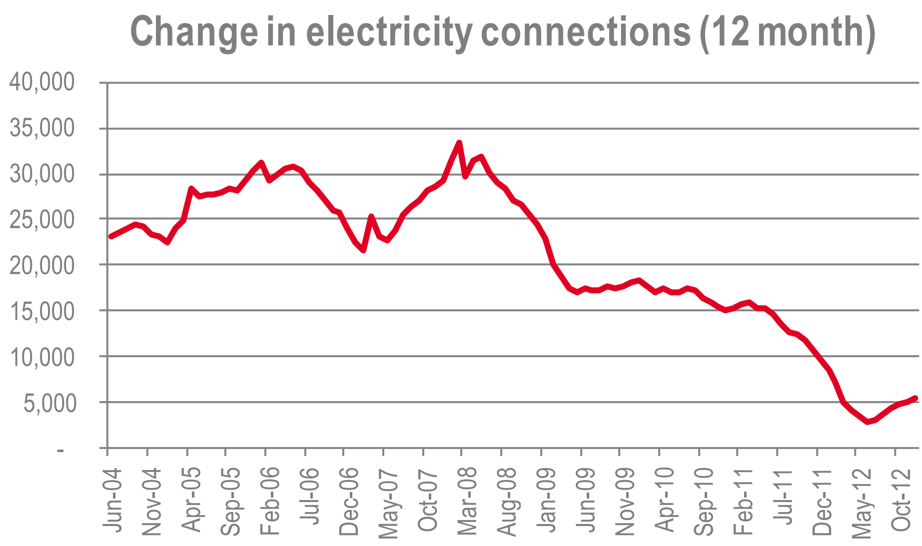
Completing the current asset and systems investment programme, continuing to improve our fuel purchase costs and ensuring the organisation is sized to match current market conditions will position Contact to grow earnings in coming years.

Overview of performance for the period

National demand

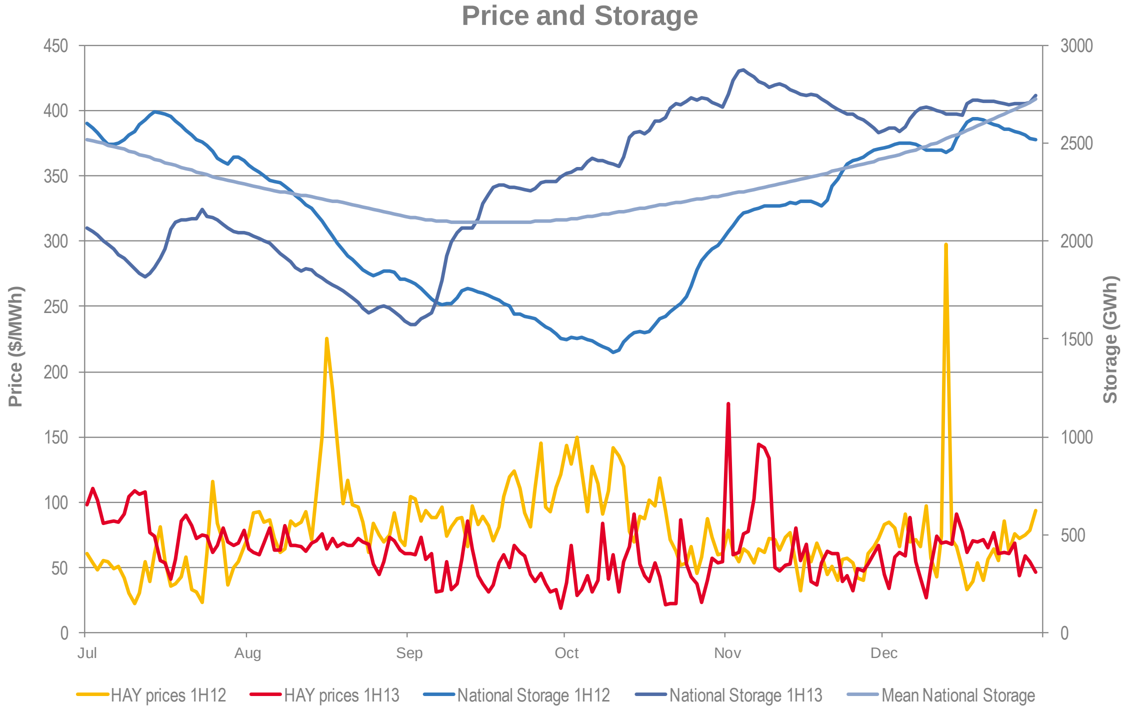
	6 months ended 31 Dec 2012 GWh	6 months ended 31 Dec 2011 GWh	Variance GWh	%
North Island	12,739	12,800	(61)	(0%)
South Island ex Tiwai	4,750	4,722	28	1%
Tiwai	2,407	2,721	(314)	(12%)
Total national demand	**19,896**	**20,243**	**(347)**	**(2%)**

National demand was reasonably stable in 1H13 with total demand of 19,896 GWh, 347 GWh (2 per cent) below 1H12. A reduction in demand at the Tiwai Point aluminium smelter was the main cause of the variance. Average temperatures during the first six months were 3 per cent above the prior corresponding period and 2 per cent above the long-term average. While demand is down slightly, there are some positive signs with Christchurch demand up 177 GWh (16 per cent) and an upward trend in housing connections over the past quarter following four years of decreases.



Electricity market conditions

The average wholesale spot price for 1H13 was $56 per MWh compared with $79 per MWh for 1H12. While storage levels were low at the start of FY13 following record low South Island inflows in the second half of FY12, regular rainfall from the middle of July saw storage levels above mean throughout the majority of the period. Storage levels returned to mean by the end of December; however, a significant amount of rain in the South Island catchments in early January saw spilling of water and South Island storage at 118 per cent of mean at 31 January 2013. Hawea storage at 31 January was 277 GWh, 87 GWh above the prior corresponding period.



Integrated Energy segment

EBITDAF contribution from the Integrated Energy segment increased $22 million (11 per cent) with pressures on electricity sales volumes and margins more than offset by an improved fuel mix and unit generation costs.

Integrated Energy segment	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Mass market electricity	515	494	21	4%
Commercial & industrial electricity	258	263	(5)	(2%)
Retail gas	39	38	1	3%
Steam	11	11	-	0%
Total revenue	**823**	**806**	**17**	**2%**
Net purchase cost	(222)	(249)	27	11%
Electricity networks, levies & meter costs	(295)	(273)	(22)	(8%)
Gas networks, levies & meter costs	(23)	(23)	-	0%
Total cost of goods sold	**(540)**	**(545)**	**5**	**1%**
Electricity and gas cost to serve	(52)	(52)	-	0%
EBITDAF	**231**	**209**	**22**	**11%**
Mass market electricity sales (GWh)	2,207	2,223	(16)	(1%)
Commercial & industrial electricity sales (GWh)	2,053	2,064	(11)	(1%)
Retail gas sales (GWh)	388	407	(19)	(5%)
Steam sales (GWh)	365	357	8	2%
Total retail sales (GWh)	**5,013**	**5,051**	**(38)**	**(1%)**
Average electricity sales price ($/MWh)	181.61	176.71	4.90	3%
Electricity direct pass through costs ($/MWh)	(69.33)	(63.79)	(5.54)	(9%)
Electricity and gas cost to serve ($/MWh)	(11.25)	(10.95)	(0.30)	(3%)
Netback ($/MWh)	90.33	90.83	(0.50)	(1%)
Actual electricity line losses (%)	4%	5%	(1%)	(20%)
Retail gas sales (PJ)	1.4	1.4	-	0%
Electricity customer numbers (closing)	442,500	443,000	(500)	(0%)
Retail gas customer numbers (closing)	63,000	60,500	2,500	4%

Netback

Performance of the retail channels is measured using a netback calculation. Netback is calculated by deducting the network, meter, levy and cost to serve costs from the customer tariffs. This enables the performance of the retail channels to be measured without using an energy cost. The netback is meant to cover, inter alia, the net purchase cost, capital return, risk margin and a retail margin.

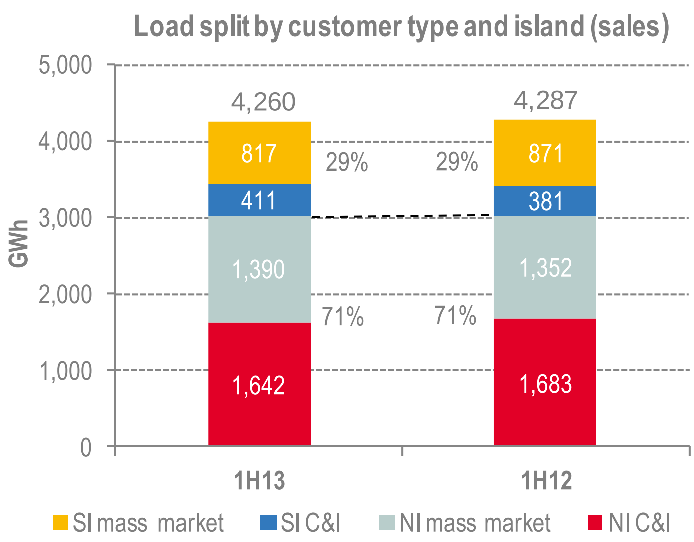
Volume and customer numbers

Total retail electricity sales decreased marginally in 1H13 to 4,260 GWh with both mass market and commercial and industrial sales reducing by 1 per cent, or 16 GWh and 11 GWh respectively.

In mass market, customer numbers were stable in 1H13 at 439,000 and sales were down 1 per cent to 2,207 GWh. With 19 per cent market share in Christchurch compared with 23 per cent nationally, the increase in Christchurch demand was not enough to offset lower average usage across the rest of the country.

Commercial and industrial sales volumes decreased 1 per cent to 2,053 GWh, predominantly as a result of a cautious acquisition strategy during the second half of FY12 in response to increasing forward prices and low hydro generation. Re-sign rates during 1H13 have remained strong enabling Contact to maintain market share at approximately 40 per cent.

Following four years of actively reducing South Island exposure and repositioning load closer to generation, the proportion of North Island and South Island load has largely stabilised.



Gas customer numbers increased 4 per cent in 1H13 to 63,000 as the dual fuel offering continues to attract customers. Retail gas sales were stable at 1.4 PJ.

Netback

Overall netback of the Retail business decreased by 1 per cent to $90 per MWh in 1H13.

Retail margins remain under pressure with limited returns available for the costs and risks of supplying residential and business customers. The average mass market tariff increased 5 per cent at the same time network costs increased 9 per cent. The higher prompt payment discount for residential customers who receive their bills online and pay on time has continued to grow with 40 per cent of retail customers now utilising the service. This has seen the percentage of customers paying on-time increasing from 88 per cent in 1H12 to 91 per cent in 1H13.

The commercial and industrial average sales revenue decreased by 1 per cent to $126 per MWh on the back of lower wholesale prices.

Retail gas remained stable with the average margin increasing $2 per GJ.

Cost to serve remained stable at $11 per MWh or $52 million. The Retail Transformation programme is continuing to progress with project 'go-live' planned for later in 2013. Customer satisfaction ratings remain strong for front line customer service. The deployment of smart meters continues to build momentum with 20,000 deployed over the past 6 months, bringing the total number of customers now with smart meters to over 100,000.

Net purchase cost

Performance of the supply business is measured using a net purchase cost calculation. The net purchase cost reflects the total operational costs of supplying the energy sold. It is calculated as the sum of the total cost of generation and the trading margin between wholesale electricity sales and purchases. It does not include any capital return expectations.

Net purchase cost decreased by $27 million (11 per cent) as increased hydro generation resulted in lower gas volumes and carbon costs. This was supported by increased CfD sales and ancillary services revenues, largely offset by price separation and reduced exposed generation.

Net purchase cost	**6 months ended 31 Dec 2012 $m**	**6 months ended 31 Dec 2011 $m**	**Variance $m**	**%**
Wholesale electricity revenue	297	393	(96)	(24%)
Wholesale gas revenue	15	12	3	25%
Total wholesale revenue	**312**	**405**	**(93)**	**(23%)**
Electricity purchases	(274)	(372)	98	26%
Other purchase costs	(14)	(16)	2	13%
Electricity transmission & levies	(20)	(17)	(3)	(18%)
Gas purchases	(141)	(160)	19	12%
Gas transmission & levies	(15)	(11)	(4)	(36%)
Emision costs	(3)	(13)	10	77%
Total direct costs	**(467)**	**(589)**	**122**	**21%**
Generation operating costs	(67)	(65)	(2)	(3%)
Net purchase cost	**(222)**	**(249)**	**27**	**11%**
Thermal generation (GWh)	1,768	2,149	(381)	(18%)
Geothermal generation (GWh)	1,144	1,169	(25)	(2%)
Hydro generation (GWh)	1,849	1,598	251	16%
Spot market generation (GWh)	**4,761**	**4,916**	**(155)**	**(3%)**
Swaption (GWh)	198	320	(122)	(38%)
Spot electricity purchases (GWh)	4,382	4,443	(61)	(1%)
CfD sales (GWh)	269	148	121	82%
GWAP ($/MWh)	55.67	78.75	(23.08)	(29%)
LWAP ($/MWh)	(62.64)	(83.89)	21.25	25%
LWAP/GWAP (%)	113%	107%	6%	6%
Gas used in internal generation (PJ)	15.7	18.0	(2.3)	(13%)
Wholesale gas sales (PJ)	1.6	1.4	0.2	14%
Gas storage net movement (PJ)	(1.7)	1.7	(3.4)	(200%)
Unit generation cost ($MWh)	(46.84)	(50.01)	3.2	6%
Net purchase cost ($MWh)	(44.21)	(49.39)	5.2	11%

Generation

Contact's total generation in 1H13 was 4,761 GWh, 155 GWh or 3 per cent lower than in 1H12.

Hydro generation was up 251 GWh (16 per cent) as higher rainfall resulted in increased tributary flows. While the storage at Hawea is not large at 285 GWh, the increased flexibility in the portfolio and the capacity provided by the peaking plants enabled Contact to draw down Hawea storage as low as 17 GWh – 11 per cent of mean – at the end of August. This enabled water to be used to take advantage of higher wholesale prices, reducing the amount of thermal generation required.

Contact's geothermal generation was down 25 GWh to 1,144 GWh due to a number of outages relating to Te Mihi commissioning. This was partially offset by an increase in Te Huka generation as a result of steamfield enhancements completed in 1H12.

Generation from the combined-cycle gas-fired power stations decreased 416 GWh to 1,574 GWh, a capacity factor of 46 per cent. Lower wholesale prices and a reduction in gas take-or-pay constraints meant that it was often cheaper to purchase electricity off the spot market than it was to generate it. The reduction in generation came largely from Otahuhu where the completion of the half-life maintenance on the gas turbine was completed between the end of October and the middle of December extending its useful life by an additional 25,000 equivalent operating hours. Otahuhu generation was also impacted by an unplanned outage in August to address high clutch vibrations. The plant operated on limited load during August and September at the request of the system operator, due to concerns over the plant's response during a grid frequency excursion.

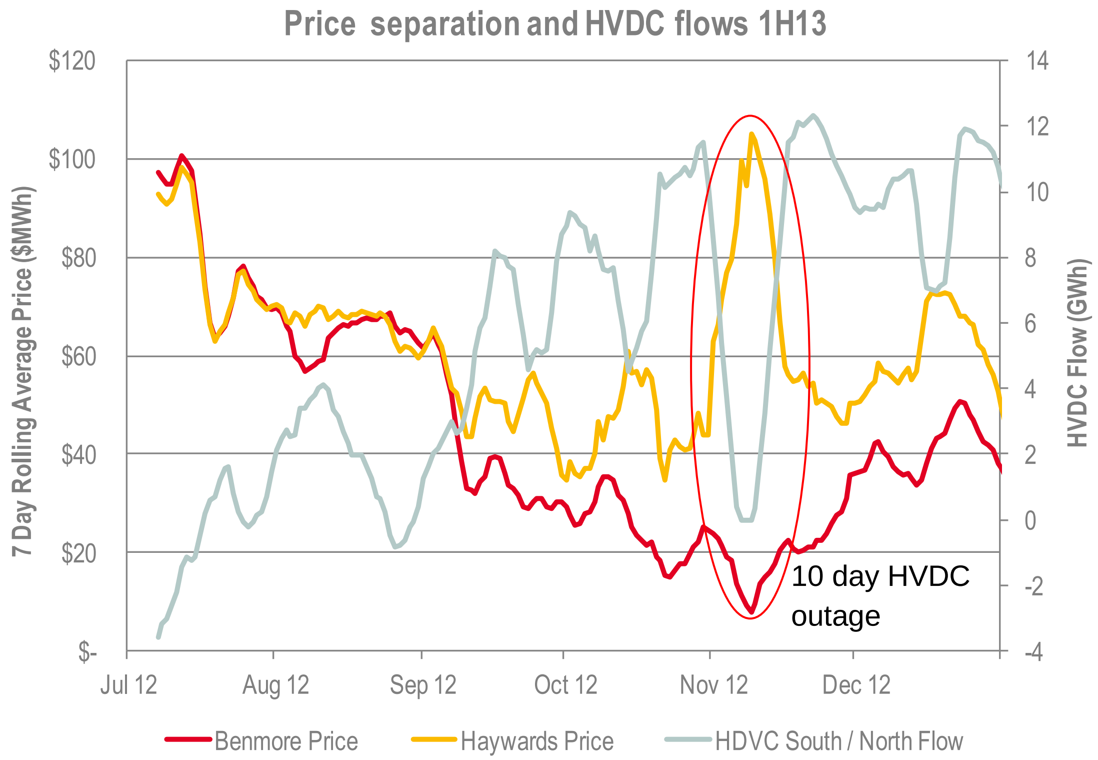
The Stratford peaker plant generated 192 GWh during 1H13, 33 GWh more than 1H12, and had a capacity factor of 20 per cent. The peakers have increased Contact's ability to respond to market prices and manage portfolio risk, particularly during planned and unplanned outages of other plant. The average price received for generation from the peakers was $93 per MWh, a premium of 67 per cent over the average generation. Whirinaki was also used on 31 days, generating 2 GWh at an average price of $175 per MWh.

Wholesale price and volume

In 1H13, the volumes used by Contact customers, including CfDs, increased by 60 GWh to 4,651 GWh. Purchases by commercial and industrial, and mass market customers were down 61 GWh (1 per cent). Increased volumes traded on the Australian Securities Exchange (ASX) and CfD sales made as industry participants sought to reduce their exposure to spot electricity prices resulted in CfD volumes increasing 121 GWh (82 per cent).

The average price received for generation was $56 per MWh, down $23 per MWh due to generally higher hydro storage levels and increased hydro generation. The average price paid for purchases was $63 per MWh, $21 per MWh below 1H12. The increase in the

LWAP/GWAP spread of $2 per MWh was caused by periods of significant price separation due to higher levels of South Island hydro generation increasing North Island reserve pricing and bi-pole outages to allow for commissioning work on the new HVDC transmission line.



While the HVDC outages were detrimental to hydro earnings, the work completed in 1H12 to increase Contact's North Island reserves capability enabled the impact of price separation to be largely offset through the Stratford power stations covering Contact's own costs and providing additional capacity to the market.

Contact has continued to be an active participant in the ASX NZ Electricity Futures market through both market making and hedging activities. Moving from a period of low inflows at the start of the 2012 calendar year through to a recovery in hydro storage, Contact was able to use the market to offset short-term risk and hedge longer term generation at favourable levels. Traded volume and open interest on the ASX continued to grow significantly across FY12, with over 7,533 GWh trading and unmatched open interest reaching 2,448 GWh.

Generation from the swaption was 198 GWh, 122 GWh less than in 1H12 as higher usage during the first half of the calendar year meant there was a lower take-or-pay volume to be managed in 1H13.

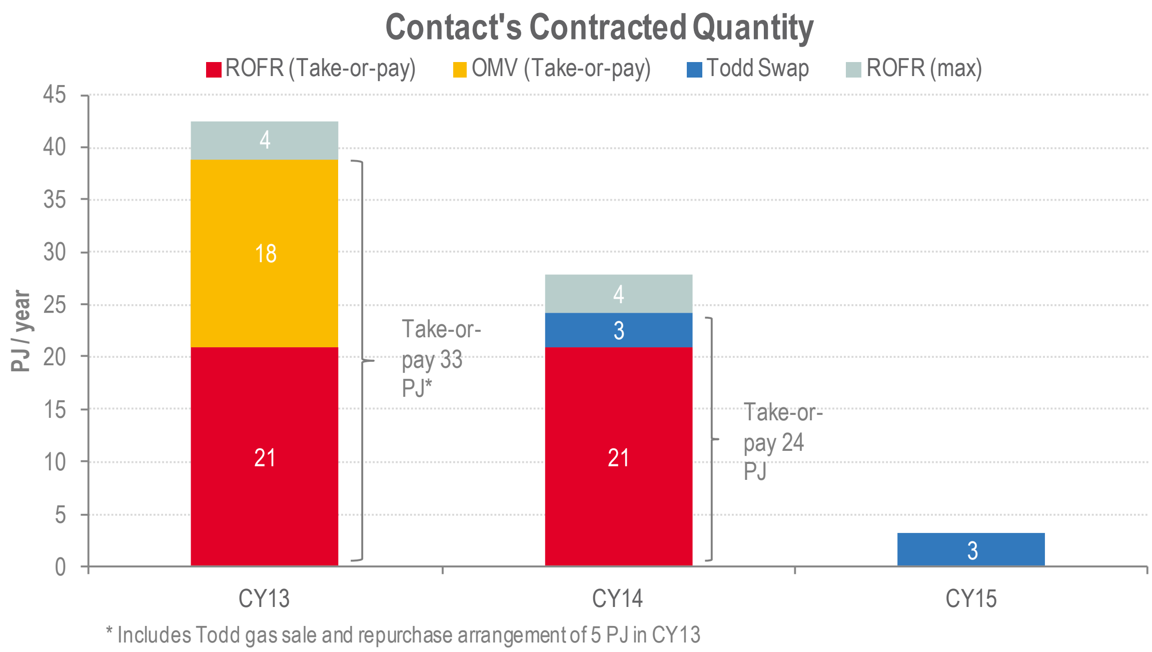
Unit generation costs

Average unit generation costs for the generation portfolio decreased 6 per cent to $47 per MWh as increased hydro generation displaced more expensive thermal generation.

Gas costs

Gas take-or-pay volumes in 1H13 were 17.0 PJ, 5.7 PJ less than in 1H12. An increase in hydro generation and lower take-or-pay volumes reduced gas usage in the thermal power stations to 15.7 PJ, a reduction of 2.3 PJ from 1H12. Wholesale and retail gas was largely stable at 1.6 PJ and 1.4 PJ respectively. Natural gas held in the Ahuroa gas storage facility reduced by 1.7 PJ in 1H13 to 10.2 PJ as extractions were made in November and December as available contract gas did not offer sufficient flexibility to match thermal requirements with demand.

The average cost of gas fell 11 cents per GJ in 1H13 as progress made in restructuring the gas portfolio to improve unit costs and flexibility more than offset inflationary increases in gas contract costs and the higher cost of stored gas. Part of the contract restructuring resulted in a 1 PJ increase in CY13 take-or-pay volumes. At this stage no additional gas has been contracted for CY14 and beyond.



In 1H13, wholesale gas revenue increased by $3 million due to a 0.2 PJ increase in sales volume and an average price increase of 8 per cent driven by additional spot gas sales.

Carbon costs

The Integrated Energy segment incurs carbon costs based on the amount of gas purchased for generation and sale to wholesale and retail customers, as well as the amount of steam extracted for use in geothermal power stations. In 1H13, this cost totalled $3 million compared with $13 million in 1H12 as Contact's carbon emissions decreased 10 per cent and the unit cost of carbon fell from an average of $16 per tonne to $4 per tonne as low cost carbon units were combined with forward purchased units to meet Contact's obligations.

Asset changes

Contact has continued to advance its programme of selling non-core assets with proceeds in excess of $100 million expected in FY13.

In November, the sale of the gas metering business to Vector for a sale price of $63 million was announced. The completion of the sale remains subject to Commerce Commission clearance which is expected in March.

Contact has agreed to sell the New Plymouth Power Station site to Methanex New Zealand and Port Taranaki in two separate transactions for a total price of $24m. Contact retains the exclusive right to repurchase parts of the site sold to Port Taranaki for electricity generation or gas infrastructure. The sale agreements are unconditional and will settle upon the issuing of separate land titles to both Methanex New Zealand and Port Taranaki.

Contact has continued its multi-year programme to sell land assets that are not core to operations or future developments. Land sales have taken place in 1H13, and a further 14 properties are classified as held for sale at 31 December 2012.

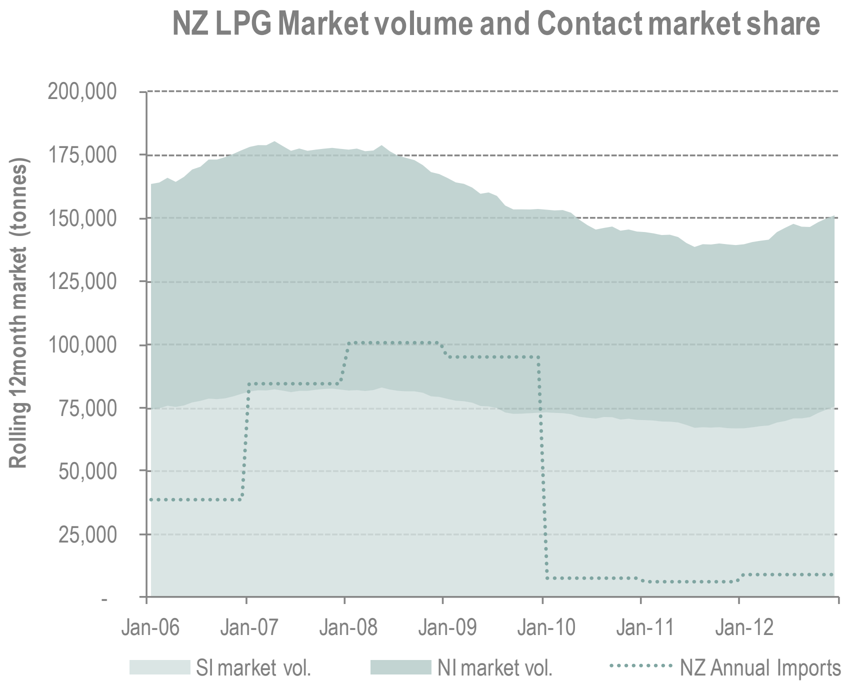
In January 2013, Contact announced it would build a 9-kilometre, $15 million pipeline to provide a direct linkage between Ahuroa and its peaking site. The new pipeline will enable Contact to extract gas without processing it through the Waihapa Production Station, reducing costs as well as improving the portfolio flexibility and control of performance.

Other segment

The Other segment includes the LPG and meter businesses. Other segment EBITDAF was stable at $22 million.

Other segment	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
LPG revenue	65	62	3	5%
Meter leases revenue	7	7	-	0%
Meter leases revenue - internal	17	17	-	0%
Other revenue	5	2	3	130%
Total other segment revenue	**94**	**88**	**6**	**7%**
LPG purchases	(48)	(44)	(4)	(9%)
Meter costs	(13)	(11)	(2)	(18%)
Total direct costs	**(61)**	**(55)**	**(6)**	**(11%)**
Other operating expenses	(11)	(11)	-	0%
EBITDAF	**22**	**22**	-	0%
LPG sales (tonnes)	36,808	35,037	1,771	5%
LPG customer numbers (closing)	63,000	60,000	3,000	5%

LPG contributions decreased by $1 million to $7million; however, LPG sales increased 5 per cent compared with 1H12 due to franchise customer number growth and the continued recovery of reticulated demand in Christchurch. Domestic oversupply meant that intense price pressure is still being experienced for commercial customers. Purchase costs increased by 9 per cent due to increased product imports following Kupe production constraints combined with seasonally high product costs, while the average sales price remained stable. The LPG market is showing some signs of growth with annualised demand of approximately 148,000 tonnes per annum, up 8,000 tonnes on the prior year.



Source: LPGA, MBIE

Meters contribution decreased $2 million mainly due to increasing electricity meter costs as a result of increased smart meter deployment. Gas meters gross margin was stable at $7 million.

2013 Interim Results Presentation

19 February 2013

Six months ended 31 December 2012

Dennis Barnes, Chief Executive Officer

Graham Cockroft, Chief Financial Officer

Contact Energy - highlights

Contact Energy is one of New Zealand's largest electricity generators and retailers, and owns and operates geothermal, hydro and thermal electricity plants across New Zealand that support homes and businesses.

Contact Energy owns and operates **11 power stations** throughout New Zealand

166 MW (gross) of geothermal generation under construction

New Zealand's only underground gas storage at **Ahuroa, Taranaki**

4 geothermal stations in the central North Island

Supplies **23%** of the New Zealand electricity retail market (at 31 December 2012)

4 thermal generation stations, located in Taranaki, Auckland, the Waikato and Hawke's Bay, provide capacity and backup to New Zealand's largely renewable generation

2 hydro power stations at Roxburgh and Clyde

Employs around **1,100** staff from Auckland to Invercargill

Generates around **1/4** of New Zealand's electricity

Contact Energy Group had net assets of **$3.5 billion** at 31 Dec 2012

Contact Energy is one of New Zealand's largest publicly listed companies by market capitalisation and is widely held, with **around 75,000 shareholders**

Contact has approximately: **568,000+** customers across Contact Energy's electricity, gas and LPG businesses

Disclaimer

This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

EBITDAF and underlying earnings are non-GAAP (generally accepted accounting practice) profit measures. Information regarding the usefulness, calculation and reconciliation of EBITDAF and underlying earnings is provided in the supporting material.

Furthermore, while all reasonable care has been taken in compiling this presentation, Contact accepts no responsibility for any errors or omissions.

This presentation does not constitute investment advice.

Agenda

1. **Result highlights**	Dennis Barnes
2. **Operational review**	Dennis Barnes
3. **Financial performance**	Graham Cockroft
4. **Strategy update**	Dennis Barnes

Supplementary information

Solid results with improvement across all key financial metrics
Resumption of cash dividend

	6 months ended 31 Dec 2012	
EBITDAF[1]	$253m	up 10% from $231m
Profit for the period	$88m	up 29% from $68m
Earnings per share (cents)	12.2 cps	up 26% from 9.7cps
Net items excluded from underlying earnings after tax	($4m)	down from ($8m)
Underlying earnings after tax[1]	$92m	up 21% from $76m
Underlying earnings per share (cents)	12.7 cps	up 17% from 10.9 cps
Interim dividend (cents)	11 cps	stable
Operating cashflow after tax[1]	$177m	up 33% from $133m
Capital expenditure	$188m	down 32% from $276m

[1] Refer to slides 35-39 for a definition and reconciliation of non-GAAP measures.

The business is better able to manage changes in the operating environment

- In a highly competitive retail market volumes remain stable, with sales margins lower as a result of sustained competition
- Increasingly diverse fuel and asset portfolio responded as hydro volumes increased
  - base load thermal plant turned down
  - peakers provided capacity support for hydro
- Key capital projects progressing well
- Maintenance arrangements for Otahuhu and Taranaki combined-cycle power stations restructured, gas contracting discussions continue
- Focus on sustainable cost reduction and operational efficiency
- Programme to sell non-core assets advanced
- Safety statistics flat, prompting increased effort to achieve our Zero Harm aspiration

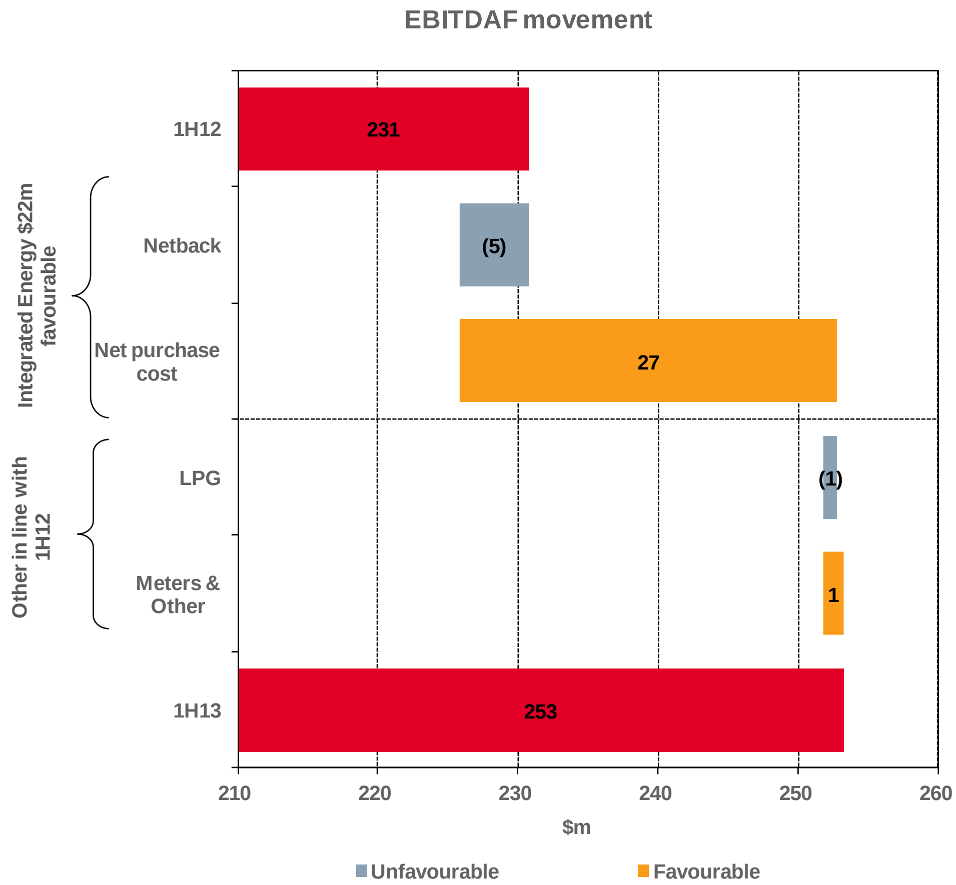
Margin reductions more than offset by lower costs as a result of increasingly diverse asset and fuel position

Integrated Energy segment EBITDAF: up $22m (11%) to $231m:

- **Netback:** unfavourable $5m (1%)
- **Net purchase cost:** favourable $27m (11%)

Other segment EBITDAF: stable at $22m:

- **LPG:** unfavourable $1m due to higher purchase costs
- **Other:** favourable $0.3m with increased meter costs more than offset by other revenue



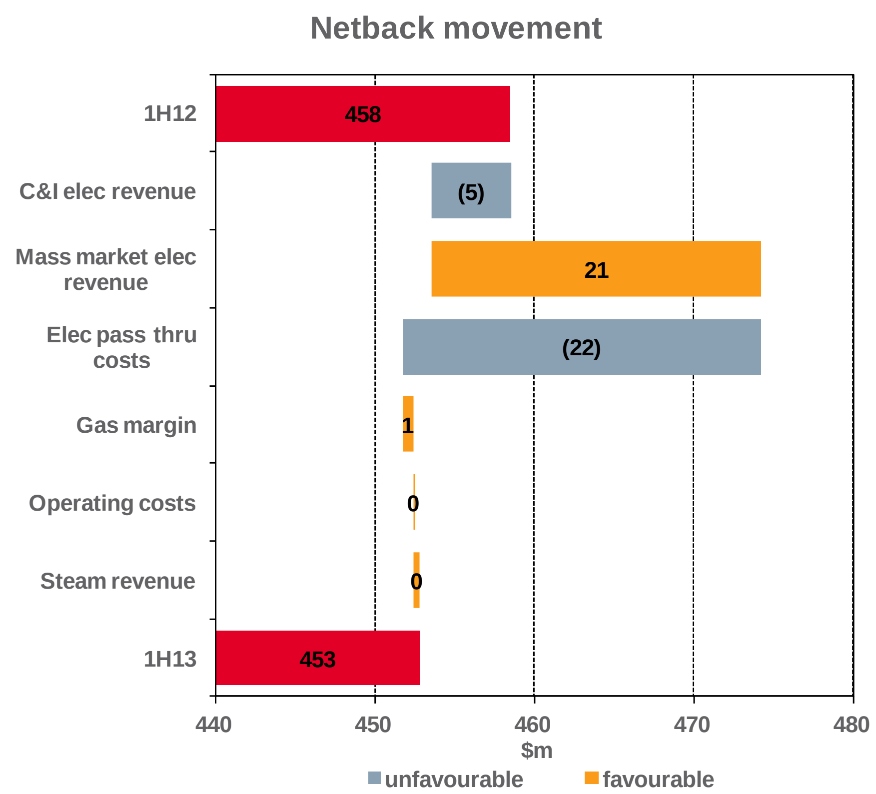
Operational review

Dennis Barnes

Netback – $5m lower (1%) to $453m

Stable customer base; margins reduce through sustained competition

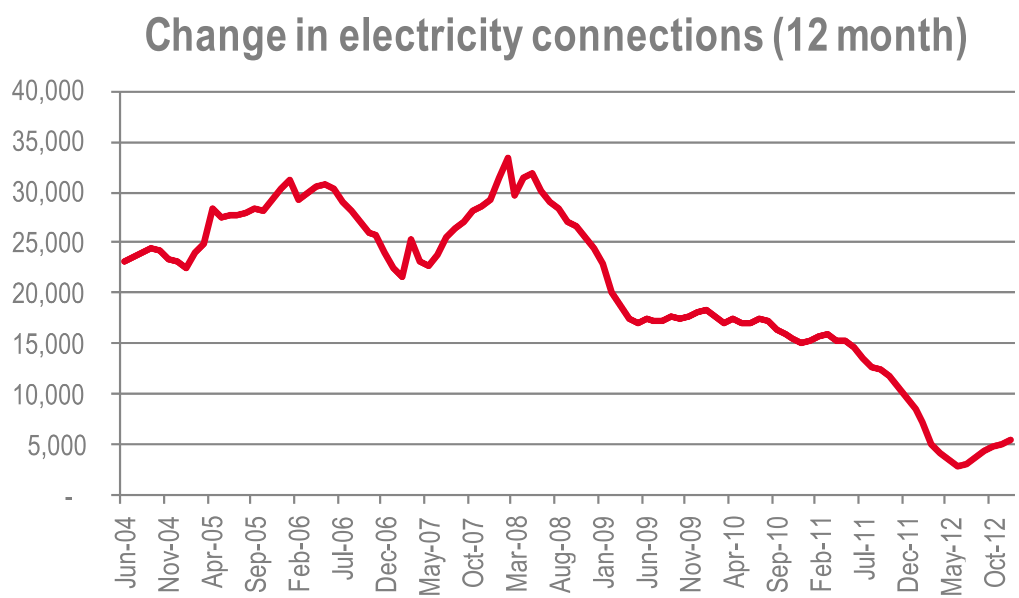
- Netback down $1/MWh to $90/MWh
- C&I revenue down $5m
  - Sales marginally down 11 GWh to 2,053 GWh
  - Average tariffs down $2/MWh due to lower wholesale prices
- Mass market revenue up $21m
  - Sales marginally down 16 GWh to 2,207 GWh
  - Average tariff up $11/MWh (5%), recovering network costs
- Electricity pass-through costs up $22m
  - Network charges up $6/MWh (9%), mass market up $9/MWh
- Gas margin up $1m
  - Gas volumes stable at 1.4 PJ, customer numbers up 2,500



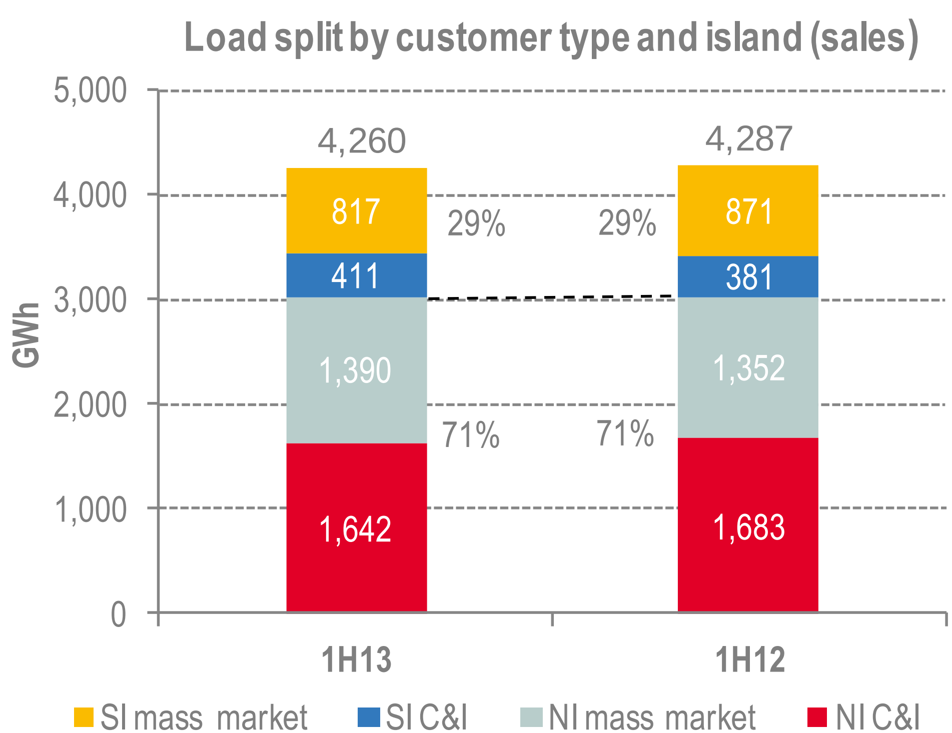
National demand remains suppressed; early signs of improvement

	6 months ended 31 Dec 2012 GWh	6 months ended 31 Dec 2011 GWh	Variance GWh	%
North Island	12,739	12,800	(61)	(0%)
South Island ex Tiwai	4,750	4,722	28	1%
Tiwai	2,407	2,721	(314)	(12%)
Total national demand	**19,896**	**20,243**	**(347)**	**(2%)**

- National demand excluding Tiwai stable
- Tiwai demand down 314 GWh (12%). Increased demand from January 2013
- Early signs of growth
  - Christchurch demand up 177 GWh (16%)
  - Upward trend in new connections following four consecutive years of decreases

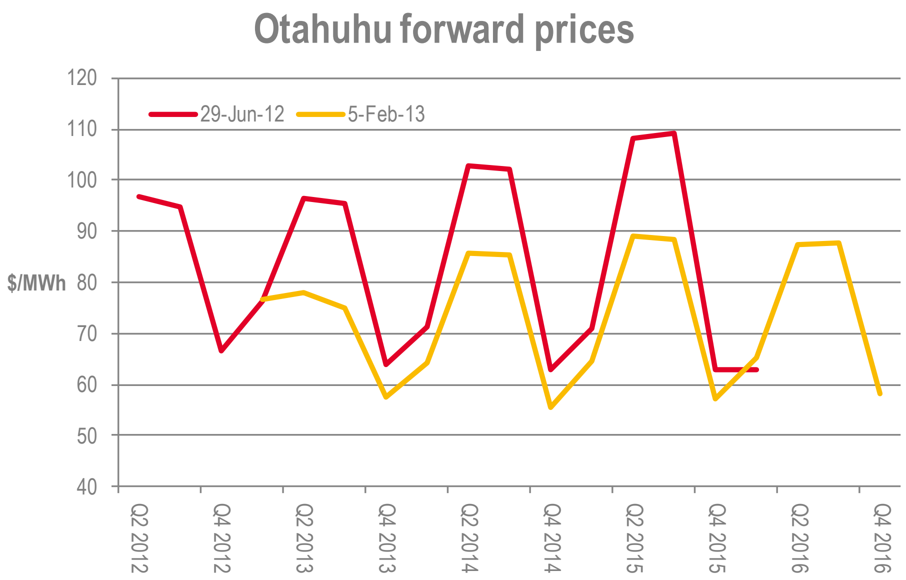


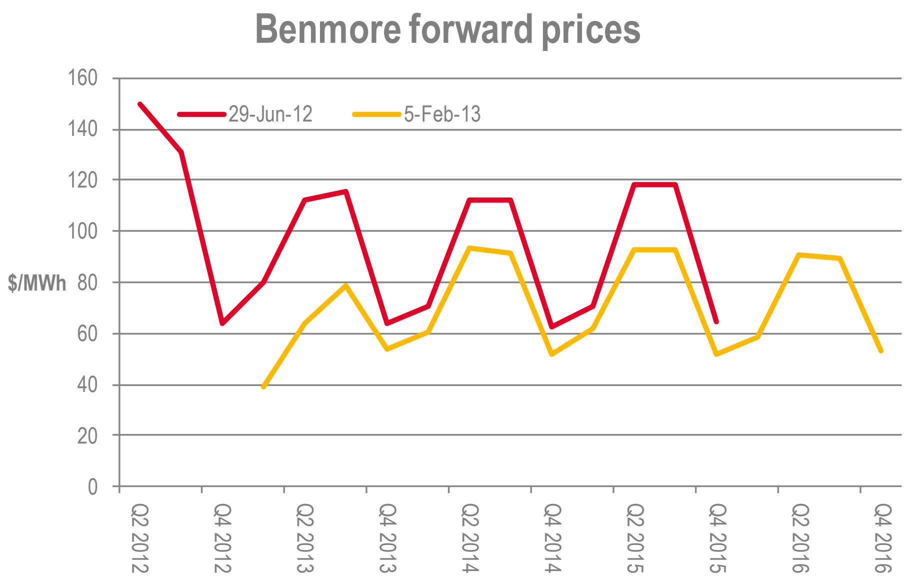
Contact has consolidated its electricity, gas and LPG market share



- Retail customer numbers remain stable
  - Electricity customer numbers stable at 442,500; OLOT customers 177,000 (+17,000 from 30 June 2012)
  - Retail gas customers up 2,500 from 31 December 2011 to 63,000
- Market churn is circa 20% with 30,000 customers per month switching
- C&I sales marginally down 11 GWh to 2,053 GWh
- LPG sales increased 5 per cent compared with1H12 due to increasing franchise customer numbers and the continued recovery of reticulated demand in Christchurch
- Retail Transformation project ‘go-live’ planned for later in CY13

The forward price curve has fallen over the last 6 months as the current oversupply impact is forecast to continue

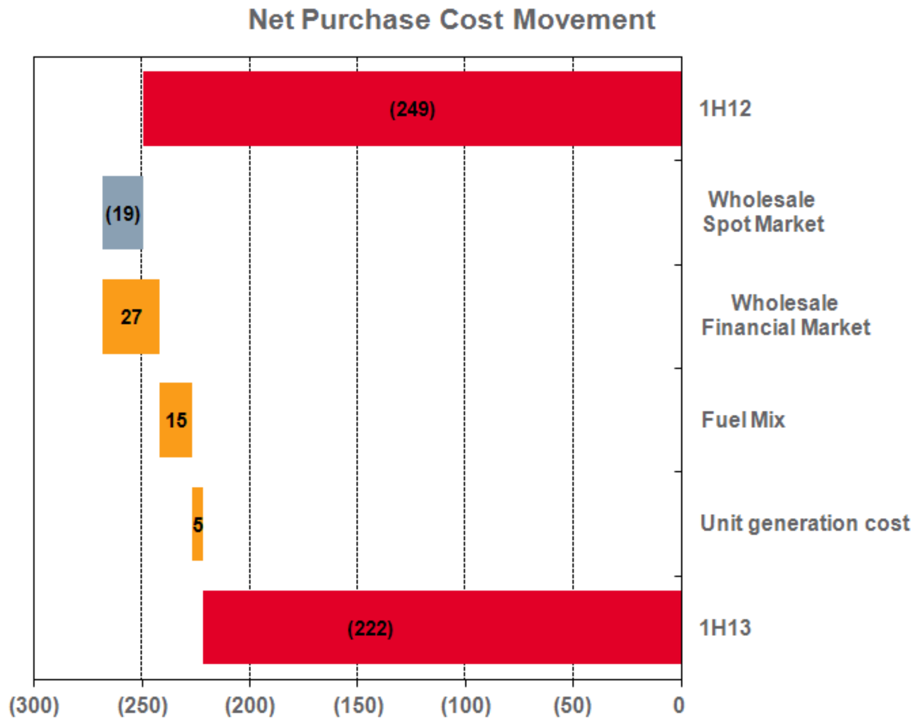




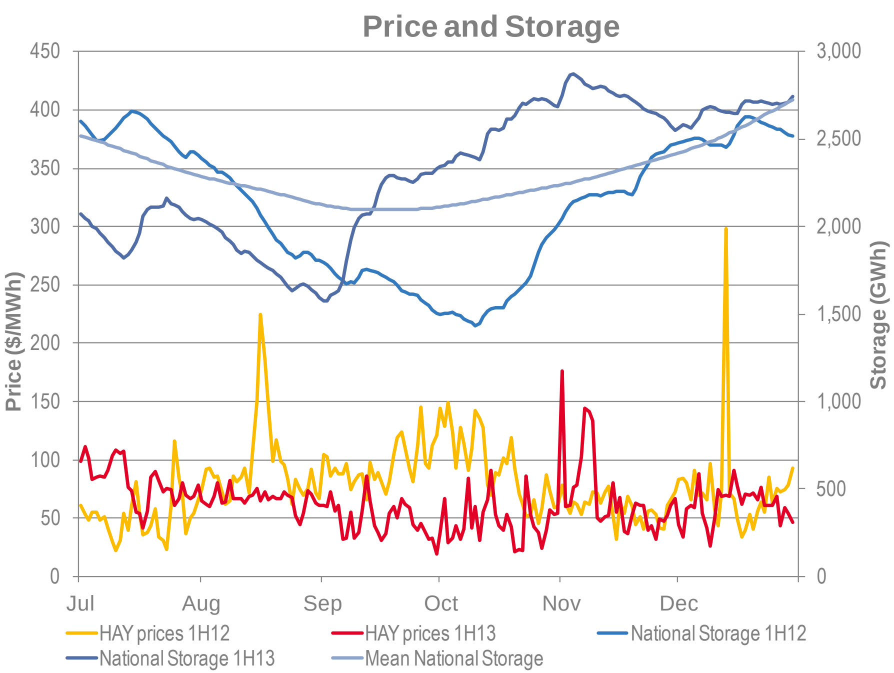
Source: http://d-cyphatrade.com.au

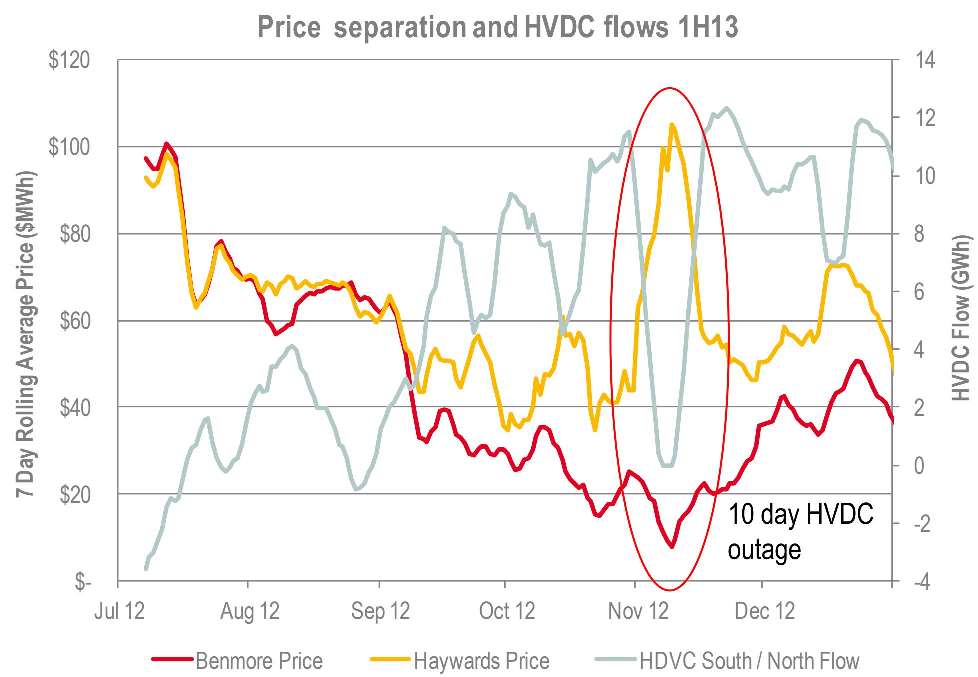
Net purchase cost – favourable $27m (11%) to –$222m
Diverse fuel and asset portfolio more than offsets impact of lower wholesale prices and price separation

- Wholesale spot market down $19m
  - – GWAP down $23/MWh to $56/MWh, exposed volumes down 20%
  - – LWAP down $21/MWh; purchases down 61 GWh
  - – Location costs increased $2/MWh
- Wholesale financial market up $27m
  - – CfDs up 121 GWh providing an effective hedge against lower wholesale prices
  - – Ancillary services capability covered position and supported market
- Fuel mix up $15m
  - – Low cost hydro generation displaced thermal generation. Gas usage down 2.3 PJ (13%)
- Unit generation cost down $5m
  - – Lower carbon unit price partially offset by increased HVDC charges



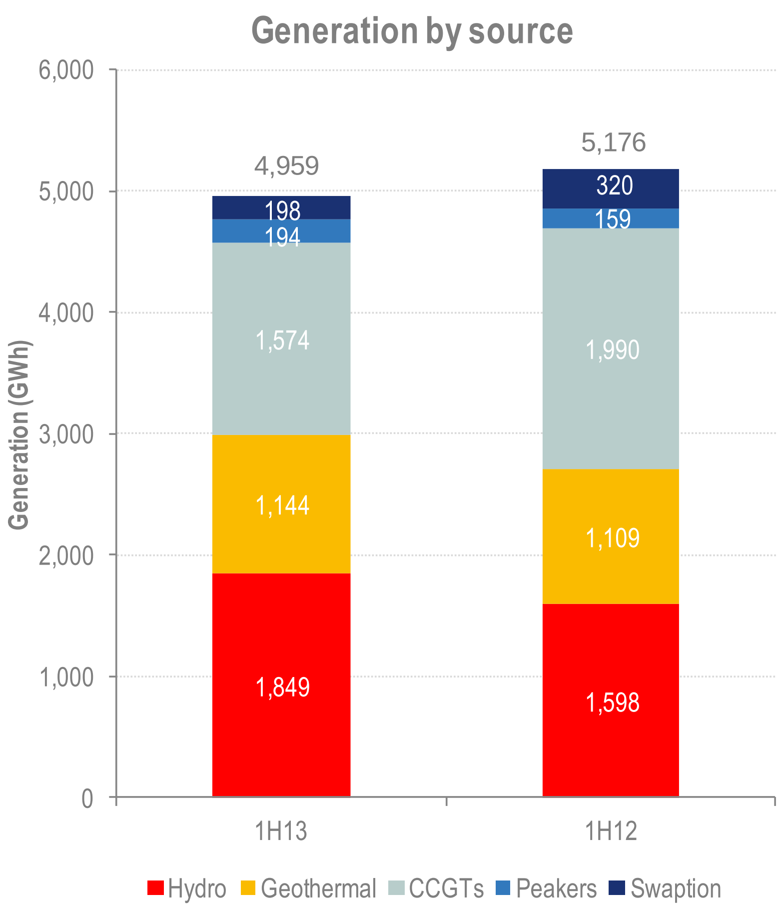
Wholesale price down $23/MWh to $56/MWh due to generally higher storage levels and increased hydro generation





- Inter-island price separation increased $2/MWh driven by HVDC capacity constraints and North Island reserve costs
- HVDC pole 3 commissioning in mid-2013

Flexibility of portfolio allows management of variable operating conditions

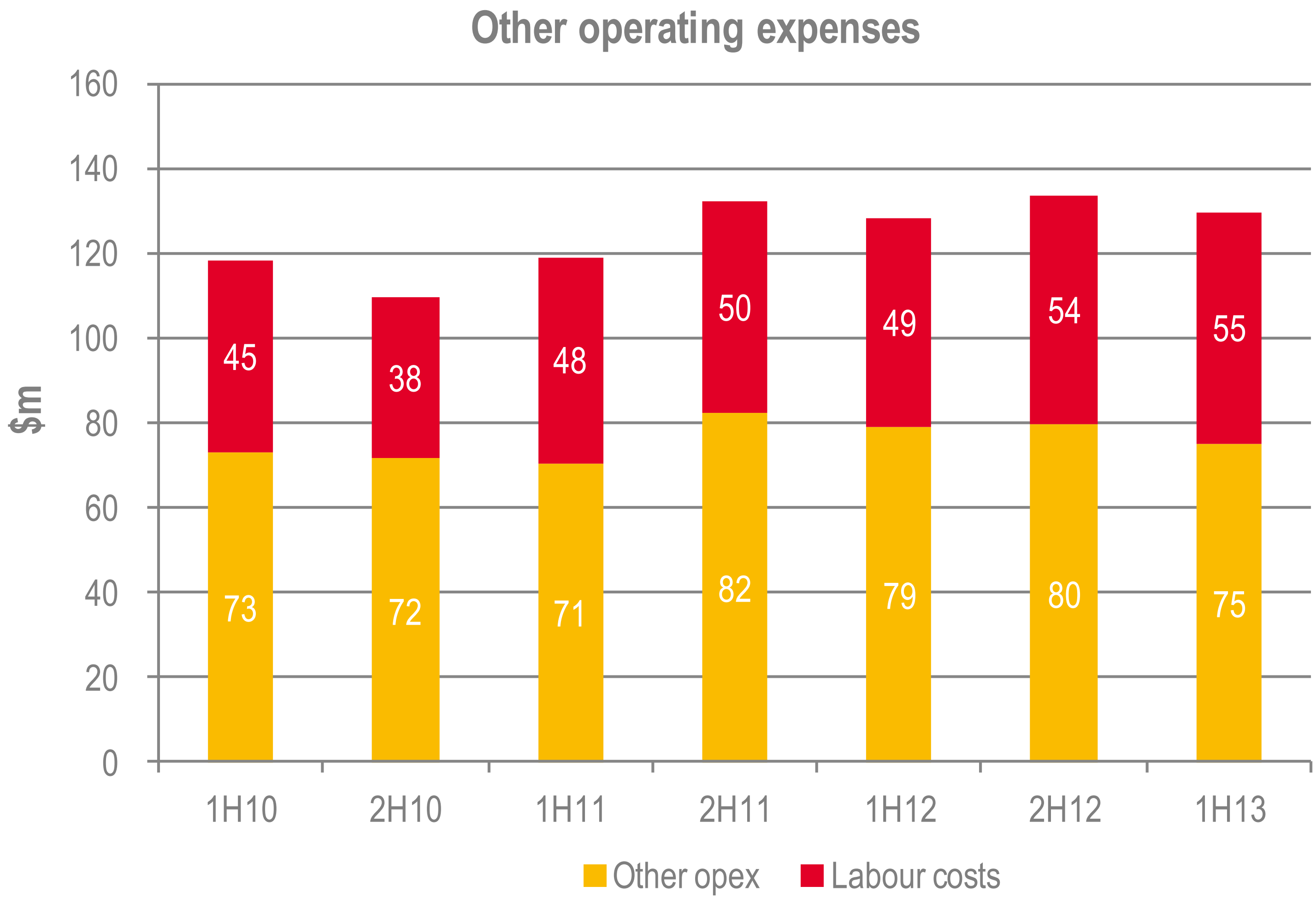


- More flexible fuel allows less thermal generation while hydro volumes increase
  - Hydro generation was up 251 GWh (16%) as higher rainfall resulted in increased tributary flows
  - Geothermal generation was down 25 GWh to 1,144 GWh as a number of outages due to Te Mihi commissioning works
  - Generation from the combined-cycle gas-fired power stations decreased 416 GWh to 1,574 GWh. Lower wholesale prices and a reduction in gas take-or-pay constraints meant that it was often cheaper to purchase electricity off the spot market than it was to generate it
  - Major plant outage completed at Otahuhu adding 25,000 operating hours to the gas turbine
  - Stratford Peaker generation increased 33 GWh to 192 GWh, Whirinaki 2 GWh generation
  - Swaption volumes were 198 GWh, down 122 GWh

Stratford Peakers, Whirinaki and Ahuroa gas storage operating as expected
Peaker generation increased 35 GWh to 194 GWh in 1H13

- The peakers have increased Contact's ability to respond to market prices and manage portfolio risk, particularly during planned and unplanned outages of other plant
  - The average price received for generation from the peakers was $93 per MWh, a premium of 67 per cent over the average generation price
  - Greater participation and earnings from the ancillary services market
    - Reserves market – aids Clutha generation to flow north
    - Frequency keeping – reduced costs for all of the market
- Whirinaki ran on 31 days in the period successfully capping exposure to high prices
- Gas storage provided gas flexibility in November and December 2012 that was not available in the market. Net extractions in 1H13 were 1.7 PJ

Contact is focusing on its operational costs across all areas of spend



Contact continues to focus on health, safety and the environment

Total Recordable Injury Frequency rate stable at 5.9

- The safety of our employees, contractors and visitors to any Contact site is the company's highest priority
- 66% of staff and contractors trained in "leading towards zero harm" and "safety conversations"
- Tana Umaga continues as spokesperson for our Safety and Well-being campaign "Stay safe mate"

Financial performance

Graham Cockroft

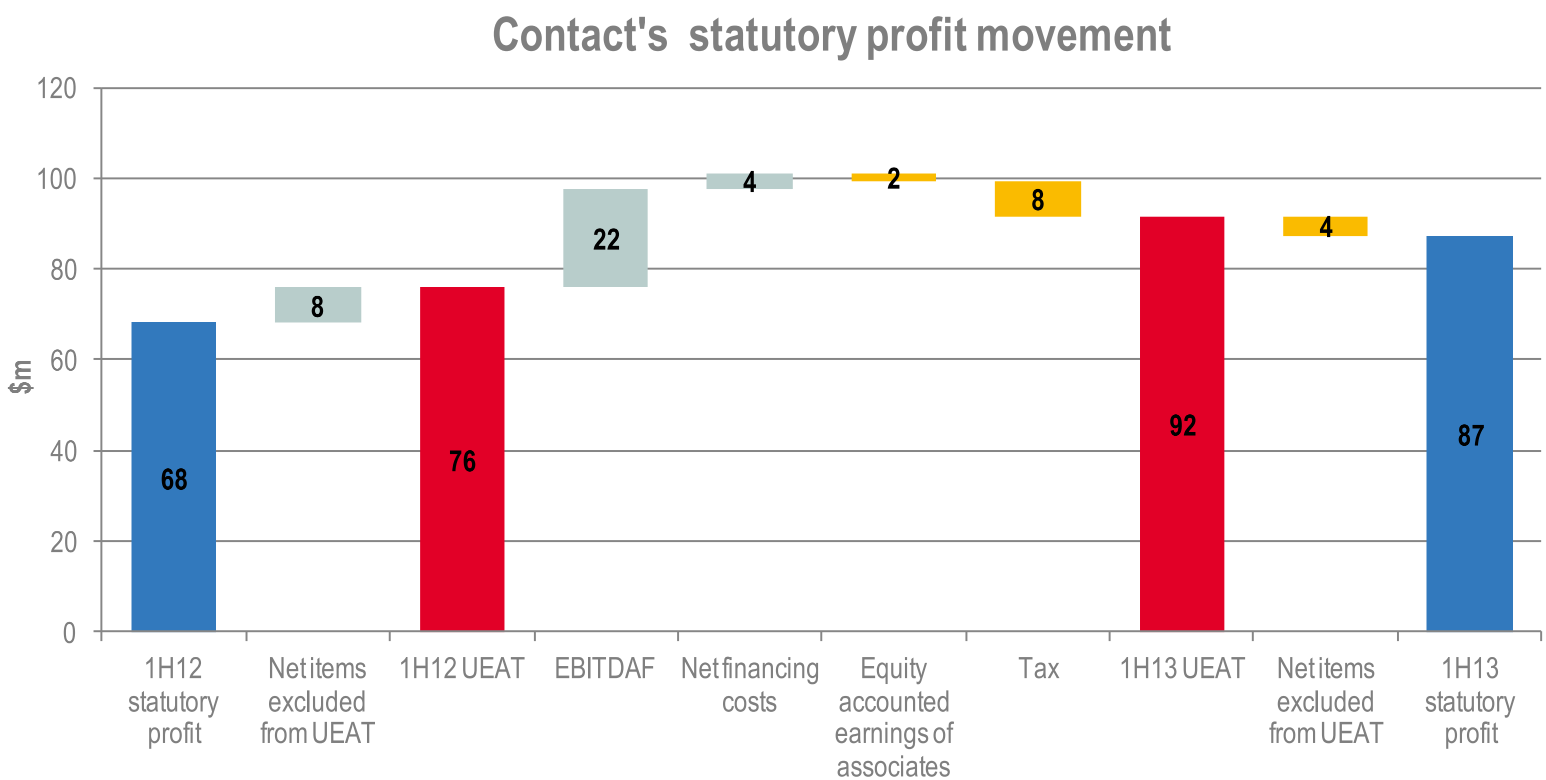
Underlying earnings per share up 17% and free cashflows up 45%

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	variance $m	%
Profit for the period	88	68	20	29%
Earnings per share (cents)	12.2	9.7	2.5	26%
Revenue	1,213	1,283	(70)	(5%)
EBITDAF	253	231	22	10%
Underlying earnings after tax	92	76	16	21%
Underlying earnings per share (cents)	12.7	10.9	1.8	17%
OCAT	177	133	44	33%
Free cash flow per share	17.7	12.2	5.4	44%
Capital expenditure	188	276	(88)	(32%)

Reconciliation of Statutory Profit to Underlying earnings after tax

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	Variance %
Profit for the period	**88**	**68**	**20**	**29%**
Change in fair value of financial instruments	1	10	(9)	(90%)
Transition costs	3	1	2	200%
Clutha asset impairment and land sales	(2)	-	(2)	(100%)
Asset impairments	3	-	3	100%
Tax credit on underlying items	(1)	(3)	2	67%
Underlying earnings after tax	**92**	**76**	**16**	**21%**

Profit for the period up 29% from $68m to $88m
Underlying earnings after tax up 21% from $76m to $92m



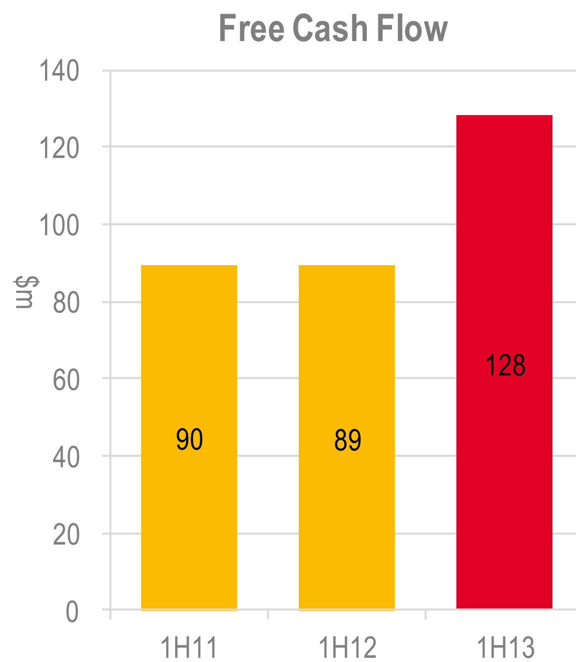
- Underlying earnings after tax increased 21%, primarily reflecting a 10% increase in EBITDAF and lower net financing costs; partially offset by the exit of the investment in Oakey Power Holdings Pty Limited in January 2012 and an increase in tax

Improved EBITDAF and working capital movements resulted in an increase in OCAT and free cash flow

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
EBITDAF	**253**	**231**	**22**	**10%**
Change in working capital	(15)	(48)	33	69%
Tax paid	(39)	(16)	(23)	(144%)
Other	5	9	(4)	(44%)
Operating cash flows	**204**	**176**	**29**	**16%**
Stay in business Capex	(27)	(43)	16	(37%)
OCAT[1]	**177**	**133**	**44**	**33%**
Net interest paid	(49)	(44)	(5)	11%
Free cash flow[2]	**128**	**89**	**39**	**44%**
Average Funds Employed (calendar year)	3,932	3,675	257	7%
OCAT Ratio (calendar year)	9.6%	7.6%	2.0%	26%

[1] Operating Cashflow After Tax

[2] Cash available to fund distributions to shareholders and growth capital expenditure



- Improved working capital driven by lower wholesale spot price in Dec 2012
- Higher tax paid due to increased final FY12 tax payment paid in July 2012
- Lower SIB capex spend following the completion of the Wairakei Bioreactor in FY12

- Refer to slide 39 for definitions

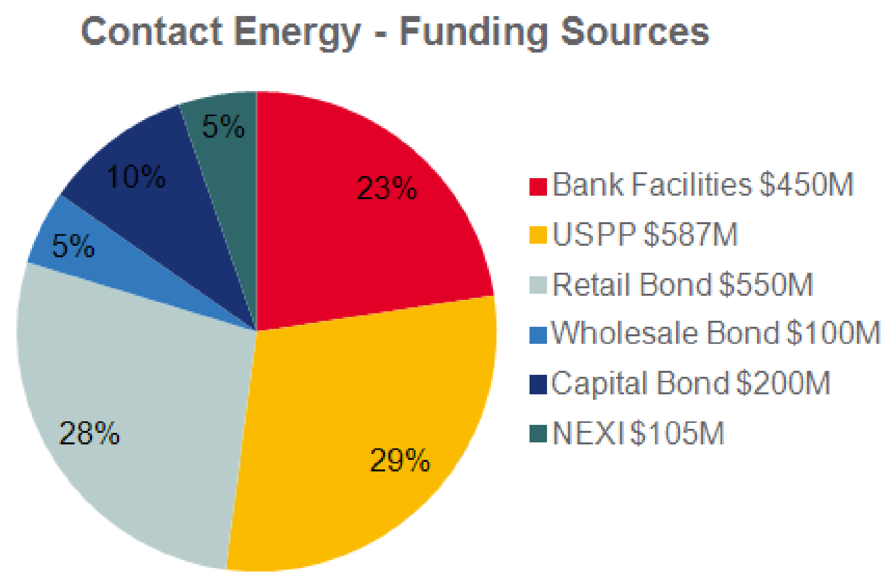
Financing costs increased by $4m, reflecting the investment in Wairakei Investment Programme and Retail Transformation project

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m
Interest income	2	1
Interest expenses	(56)	(51)
Financing costs	**(54)**	**(50)**
Financing costs capitalised	21	13
Weighted average interest rate on borrowing	6.9%	7.6%

- Financing costs increased by $4m reflective of ongoing growth capex spend partially offset by interest income
- Lower weighted average interest rate fell as Contact took advantage of current rates to lower the overall rate on its hedging portfolio

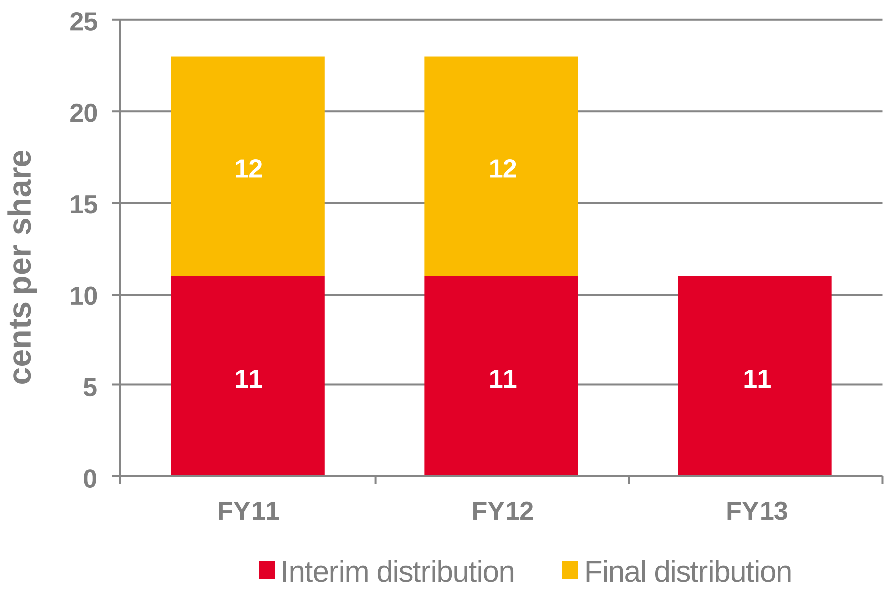
Diversity of funding choices for 2014 refinancing

- Balance Sheet gearing level remains strong
  At 31 December 2012:
  - Net debt $1.5bn, up slightly on 31 December 2011
  - Gearing ratio 29.3%
  - $450m total committed bank facilities* ($33m drawn) plus $92m available under export credit agency facility (nil drawn)
  - Weighted average tenor of funding facilities 5.4 years
- Bank facilities were extended in November with the banking group widened, adding to potential capacity in this market
- Contact's diverse funding portfolio provides options for 2014 refinancing



* As at 31 December committed bank facilities totalled $450m of which $70m was not available to draw until mid-February 2013

As signalled, Contact has reverted to a fully imputed cash dividend
Interim dividend stable at 11 cps, a payout ratio of 87% of Underlying EPS



- 31 December 2012 total imputation credits available to be attached to a dividend are 236m
- Available subscribed capital at 31 December 2012 in excess of $1bn

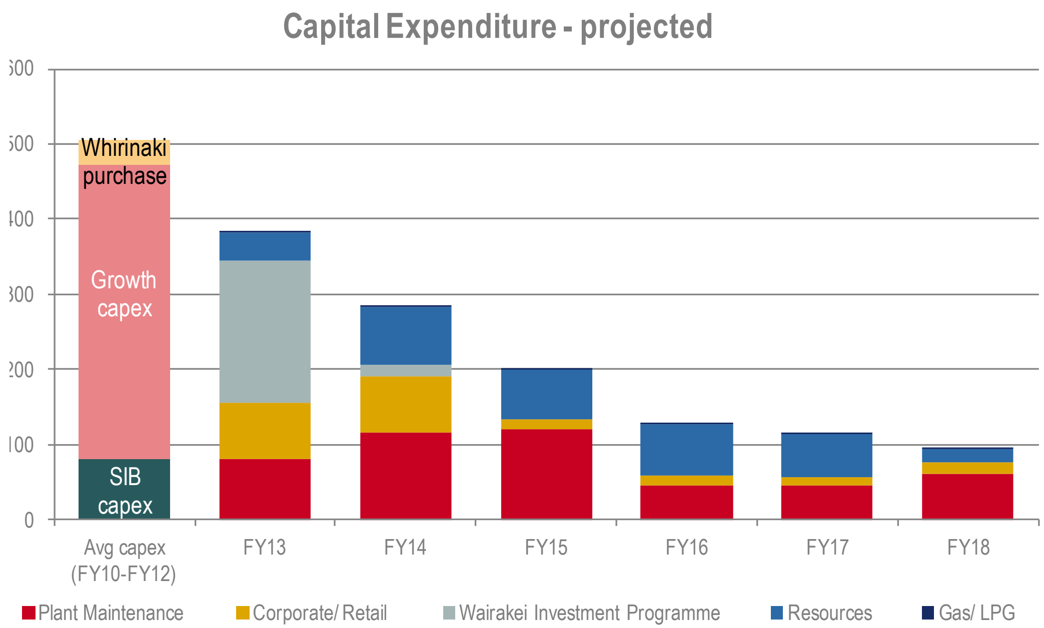
- Ex-dividend date: Wednesday, 6 March 2013
- Record date: Friday, 8 March 2013
- Payment date: Tuesday, 26 March 2013

Strategy update

Dennis Barnes

Significant growth capex finishes in FY14 with the completion of Te Mihi, which in turn releases free cash flow in FY14

- **Lower average cost of generation and increased portfolio flexibility**
  - 166 MW Te Mihi geothermal power station, completion mid-CY2013
  - Huntly swaption expired
  - Ahuroa bypass pipeline completion mid CY2013
- **Defining the optimal operating regime of the CCGTs continues**
  - No significant gas commitments made
  - "Plant maintenance" currently includes uncommitted major refurbishments for combined-cycle plants



- **Future development options maintained for when market signals improve**
  - Tauhara – New Zealand's next lowest cost generation development
  - Taheke development

The Wairakei Investment Programme continues to progress; will add 114 MW of additional renewable generation

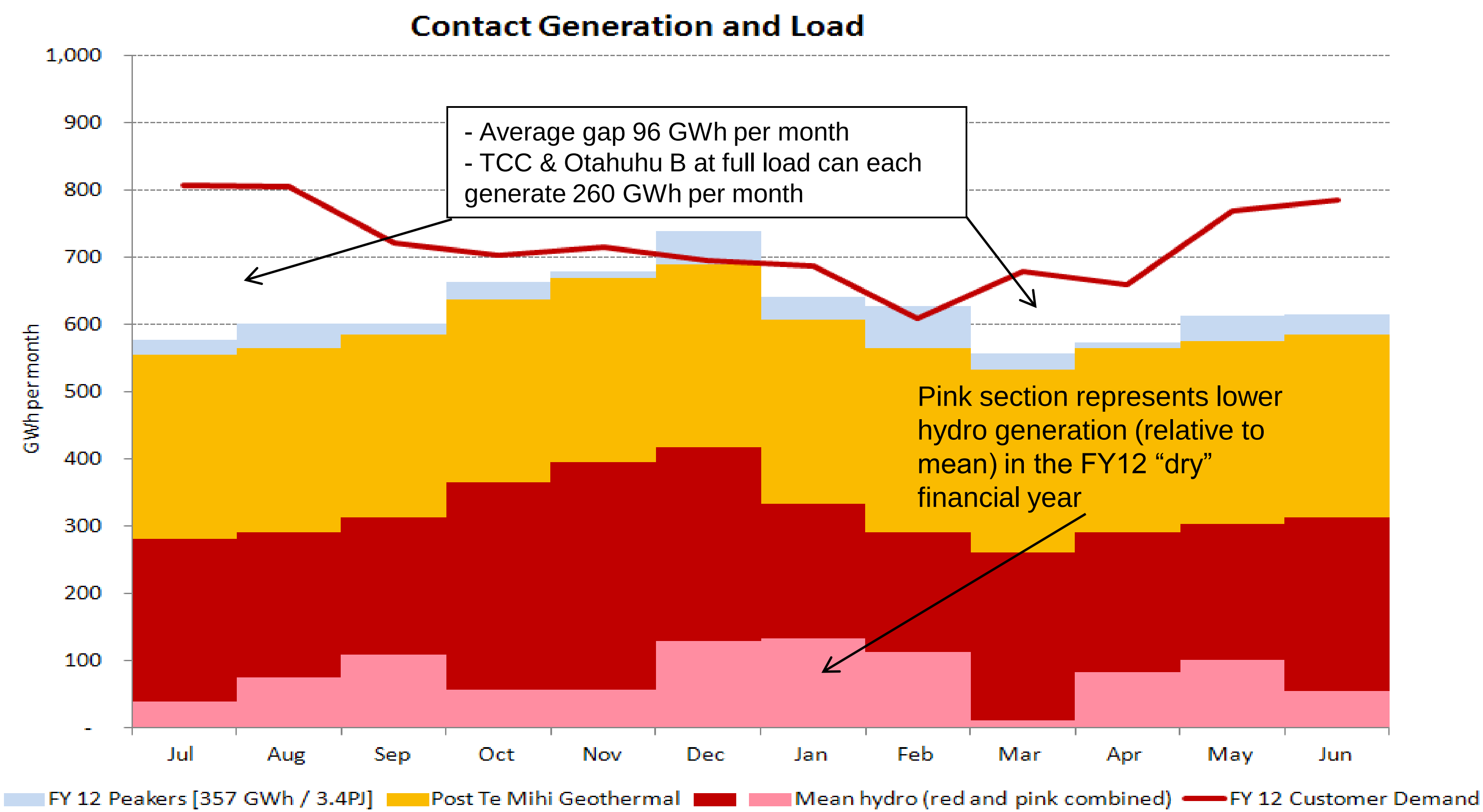
Project	Contractor	Due date	Status
Wairakei Steamfield Project	Hawkins	August 2011	Commissioned and operating to expectations
Wairakei Bioreactor Project	Downers	August 2012	Commissioned and operating to expectations
Te Mihi Steamfield Project	Downers	October 2012	Practically complete and currently in operation to meet the power station commissioning schedule. First steam blows at power station pre-Christmas 2012
Drilling (WRK and Te Mihi)	Century	2013	All new wells complete
Te Mihi Power Station Project	MSP JV	2013	Construction well advanced. Commissioning commenced
Operational Preparedness	Internal	2013	On target. Operators recruited

Unit 1 turbine & generator installation works

Te Mihi site looking east out of turbine hall

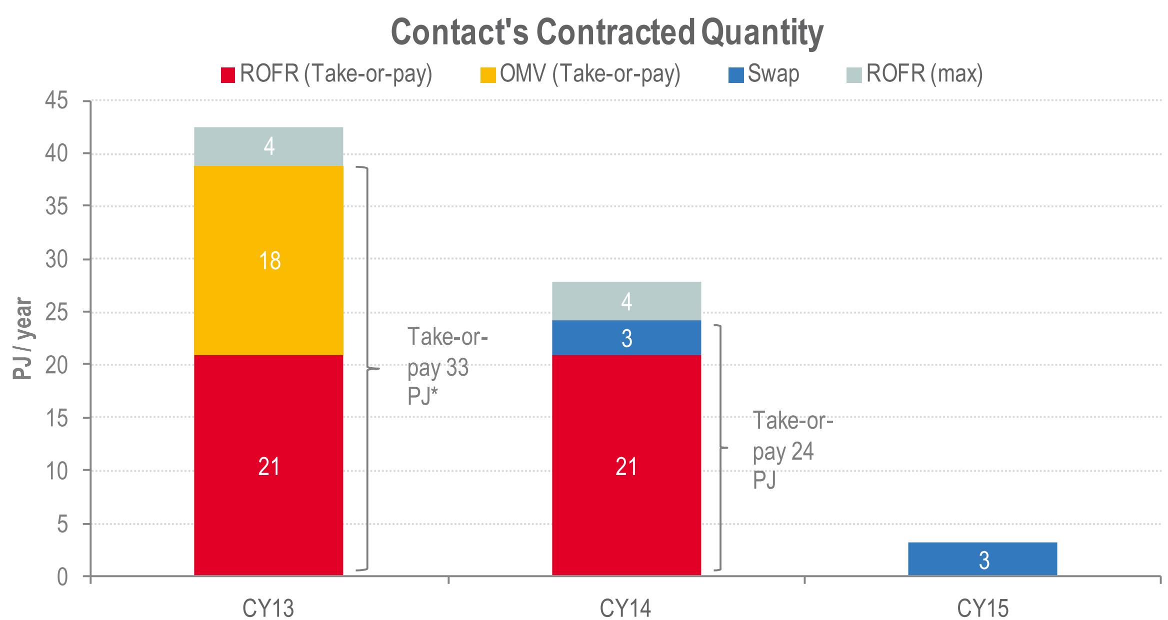
Steam field dump station being used for the first time

Contact's generation is increasingly renewable with flexibility around the future role of thermal



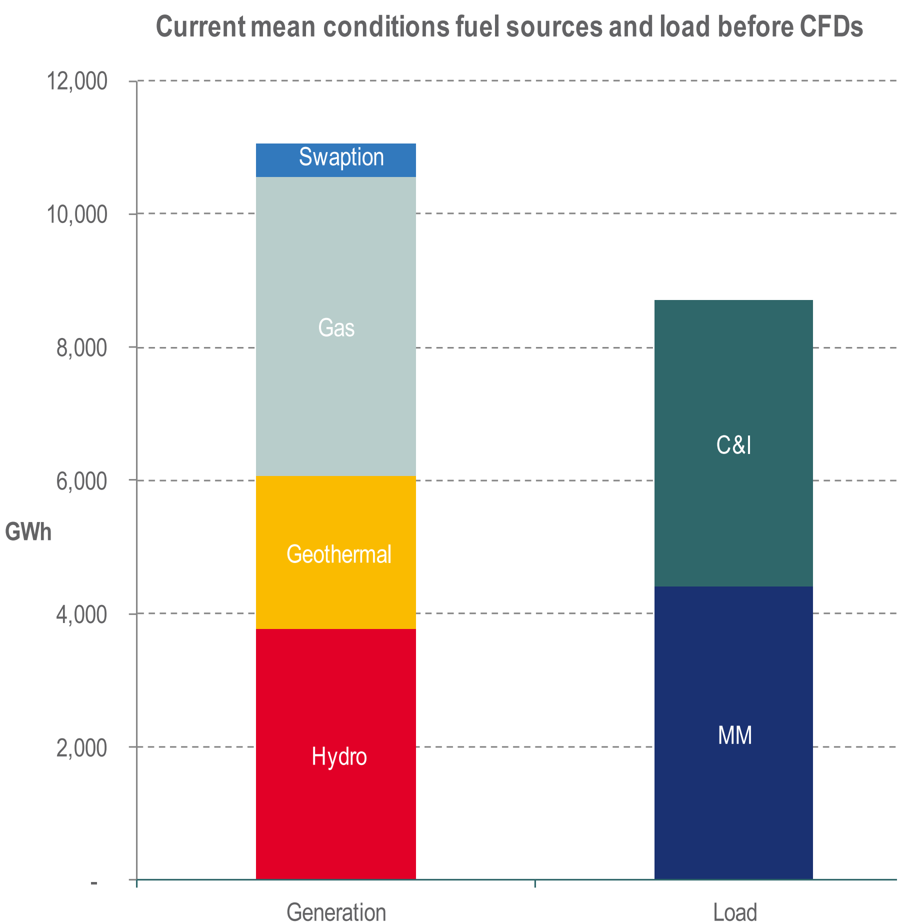
Progress continues on lowering cost of goods sold

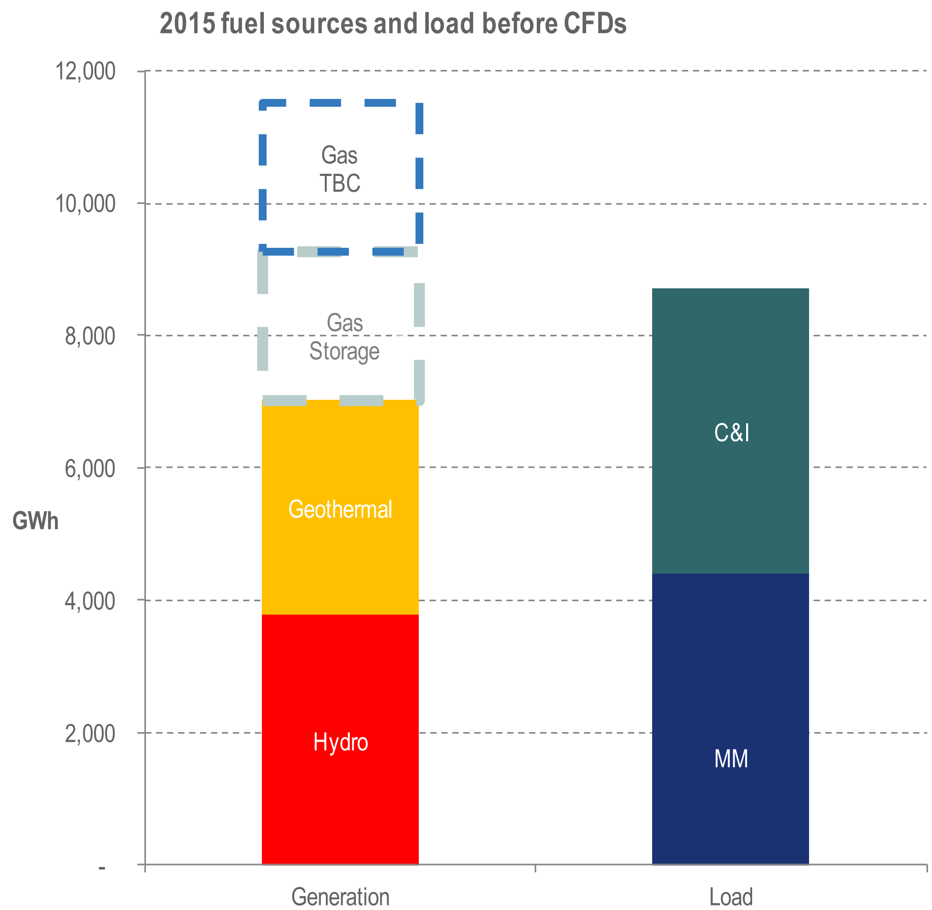
- New maintenance agreements for Otahuhu and Taranaki combined-cycle gas-fired power stations deliver lower costs, defer commitments to major maintenance and provide time to determine future operating regime
- Swaption ended 31 December 2012. First Huntly unit decommissioned
- No new gas commitments
- Gas pipeline between Ahuroa gas storage and the Stratford power stations progressing well
  - $15m capital spend will reduce operating costs and increase operating flexibility



* Includes gas sale and repurchase arrangement of 5 PJ in CY13

Reshaping contracted gas volumes from 2H14 will allow Contact to flexibly match its retail sales





Summary

- Solid first half performance
  - Stable volume and customer numbers reflect competitive retail offerings
  - Margins lower as continued generation oversupply drives competition
  - Reducing cost of generation from diverse fuel and asset portfolio
  - Cost control
- Cost base and structure of the business adjusting to match the flat outlook for energy demand, covering all areas including procurement, IT and people. Focus to increasingly move to the customer
- Major projects and divestments progressing with the end of the current capital programme in sight
- Positioned to make the right portfolio decisions with plant maintenance agreements restructured and no new gas commitments

Supporting material

Non-GAAP profit measures – EBITDAF

- EBITDAF is Contact's earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.
- Management and directors monitor EBITDAF as a key indicator of Contact's performance at segment and Group levels and believe it assists investors to understand the performance of the core operations of the business.
- Reconciliation of EBITDAF to reported profit:

	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	Variance %
EBITDAF	**253**	**231**	**22**	**10%**
Depreciation and amortisation	(95)	(95)	-	0%
Change in fair value of financial instruments	(1)	(10)	9	90%
Other significant items	(4)	(1)	(3)	(300%)
Equity accounted earnings of associate	-	2	(2)	(100%)
Net interest expense	(33)	(37)	4	11%
Tax expense	(32)	(22)	(10)	(45%)
Profit for the period	**88**	**68**	**20**	**29%**

The numbers in the table have been extracted from Contact's reviewed financial statements.

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide. Other significant items are explained in the following slides on underlying earnings.

Explanation of reconciliation between EBITDAF and profit for the period

- The adjustments from EBITDAF to reported profit are as follows:
  - Depreciation and amortisation: Costs of $95 million are unchanged.
  - Change in fair value of financial instruments: Current period movement predominantly driven by the release of the residual mark to market value of the Huntly swaption on maturity. This compares with an unfavourable movement of $10 million in 1H12 as a result of a downward shift in New Zealand interest rates.
  - Equity accounted earnings of associate: Decline of $2m compared with 1H12 is due to the exit of the investment in Oakey Power Holdings Pty Limited in January 2012.
  - Net interest expense: Decreased by $4 million (11 per cent) to $33 million due to capitalised interest increasing by $8 million as development of the Te Mihi power station continued, partially offset by a $5 million increase in interest expense in relation to the capital bond issue in December 2011.
  - Tax expense: Represents an effective tax rate of 26 per cent, which is lower than the statutory rate of 28 per cent, principally due to the release of part of the deferred tax liability recognised in relation to the held for sale New Plymouth plant site offset by the non-deductibility of impairment losses on held for sale land.
  - Other significant items explained in a following slide.

Non-GAAP profit measures – underlying earnings

- Underlying earnings after tax are calculated by adjusting reported profit for the year for significant items that do not reflect the ongoing performance of the Group.
- Significant items are determined in accordance with the three principles of consistency, relevance and clarity. Transactions considered for classification as significant items include impairment or reversal of impairment of assets, fair value movements in financial instruments, business integration and acquisition costs, and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.
- Management and directors monitor underlying earnings as a basis for determining dividends and believe it assists investors to understand the ongoing performance of the business.
- Underlying earnings is not included in Contact's segment reporting disclosures in the financial statements as debt funding and tax expense are managed at a Group level.
- Reconciliation of reported profit to underlying earnings:

	6 months ended 31 Dec 2012	6 months ended 31 Dec 2011	Variance	
	$m	$m	$m	%
Profit for the period	**88**	**68**	**20**	**29%**
Change in fair value of financial instruments	1	10	(9)	(90%)
Transition costs	3	1	2	200%
Clutha asset impairment and land sales	(2)	-	(2)	(100%)
Asset impairments	3	-	3	100%
Tax credit on underlying items	(1)	(3)	2	67%
Underlying earnings after tax	**92**	**76**	**16**	**21%**

The numbers in the table have been extracted from Contact's reviewed financial statements.

Non-GAAP profit measures – explanation of reconciliation from reported profit to underlying earnings

- The adjustments from reported profit to underlying earnings are as follows:
  - The change in fair value of financial instruments that do not qualify for hedge accounting.
  - Transition costs arising on implementation of Enterprise Transformation and associated activities in the Retail business.
  - As a result of the decision not to proceed in the foreseeable future with any of the options being investigated for hydro generation development on the Clutha River, the project development costs have been impaired and some of the associated land has been sold.
  - Tax adjustments in relation to the above.

- Underlying earnings after tax: The adjustments have been the subject of a review by the auditors pursuant to New Zealand Institute of Chartered Accountants (NZICA) Review Engagement Standards RS-1.

Operating cashflow after tax (OCAT) and OCAT ratio

- Contact uses OCAT and OCAT ratio as an internal measure of the cash generating performance of the business
- Key difference between OCAT and statutory cash flows from operating activities is OCAT includes stay-in-business capex

OCAT ratio

- Measures Contact's cash returns generated from productive funds employed within operations
- Calculated on a 13 month weighted average basis

  OCAT ratio = (OCAT – interest tax shield)/Average funds employed
- Interest tax shield adjustment accounts for the reduction in tax due to interest paid

Average fund employed

- Measures funds employed by Contact in the operating assets of the business, excluding capital work in progress that is not yet operational
- Calculated on a 13 month weighted average basis to match the operating asset base to operational cash flows

Reconciliation of net assets to productive capital

Net assets
Less:
Cash
Derivative financial instruments - assets
Capital Work in Progress
Add:
Debt (NZD equivalent of notional borrowings – after foreign exchange hedging and before deferred financing fees
Derivative financial instruments - liabilities
Fund employed (13 month weighted average)

18 months operational statistics

Data		Measure	The month ended 31 July 2011	The month ended 31 August 2011	The month ended 30 September 2011	The month ended 31 October 2011	The month ended 30 November 2011	The month ended 31 December 2011
Netback	Mass market electricity sales	GWh	414	431	390	350	332	306
	Commercial & industrial electricity sales	GWh	317	346	345	354	353	348
	Retail gas sales	GWh	86	98	75	63	45	40
	Steam sales	GWh	23	67	68	65	67	68
	Total retail sales	GWh	840	942	878	833	797	762
	Average electricity sales price	$/MWh	200.57	187.81	175.77	168.88	162.13	161.63
	Electricity direct pass thru costs	$/MWh	70.74	65.31	65.67	61.65	60.30	58.06
	Electricity and gas cost to serve	$/MWh	11.53	10.67	10.71	11.20	12.48	9.04
	Netback[1]	$/MWh	106.60	97.44	87.67	85.47	80.49	85.59
	Actual electricity line losses	%	10%	5%	-1%	1%	5%	7%
	Retail gas sales	PJ	0.3	0.3	0.2	0.2	0.1	0.2
	Electricity customer numbers [6]		438,500	438,500	439,500	441,000	442,500	443,000
	Gas customer numbers [6]		59,000	59,500	59,500	60,000	60,500	60,500
Net Purchase Cost	Thermal generation	GWh	427	471	458	322	251	220
	Geothermal generation	GWh	187	206	192	201	178	205
	Hydro generation	GWh	243	217	204	307	340	287
	Spot market generation	GWh	857	893	855	831	768	712
	Swaption	GWh	34	80	59	61	33	54
	Spot electricity purchases	GWh	806	805	721	702	715	695
	CfD sales	GWh	22	14	30	36	17	28
	GWAP [2]	$/MWh	52.45	96.53	95.97	96.05	57.28	70.42
	LWAP [3]	$/MWh	55.48	103.09	100.37	101.69	64.68	79.24
	LWAP/GWAP	%	106%	107%	105%	106%	113%	113%
	Gas used in internal generation	PJ	3.4	3.8	3.6	2.8	2.2	2.1
	Wholesale gas sales	PJ	0.1	0.2	0.3	0.3	0.3	0.2
	Gas storage net movement	PJ	0.5	0.3	0.1	0.1	0.7	0.1
	Unit generation cost [4]	$/MWh	54.47	56.73	56.97	46.58	44.22	38.01
	Net purchase cost [5]	$/MWh	61.57	54.55	50.13	39.59	48.36	40.31
LPG	LPG sales	tonnes	6,911	7,200	6,096	5,603	4,575	4,653
	LPG customer numbers (includes franchises) [6]		59,500	59,500	59,500	60,000	60,000	60,000

[1] Netback margin equates to: (retail electricity, gas and steam sales less direct pass thru and cost to serve costs) / (total retail sales volume).

[2] This is the price received by Contact for its spot generation. It excludes contracts for differences (including swaption) and direct sales.

[3] This is the price paid by Contact for its spot electricity purchases. It excludes contracts for differences and other purchase costs.

[4] Unit generation costs equates to: (total generation fuel, transmission and operating costs) / (Spot market generation). Excludes gas purchases for wholesale and retail gas sales

[5] Net purchase cost equates to: (total wholesale revenue less unit generation costs and electricity & gas purchases) / (retail sales volume).

[6] Data has been rounded to the nearest 500 and reflects numbers as at month end.

18 months operational statistics

Data		Measure	The month ended 31 January 2012	The month ended 28 February 2012	The month ended 31 March 2012	The month ended 30 April 2012	The month ended 31 May 2012	The month ended 30 June 2012
Netback	Mass market electricity sales	GWh	294	268	318	317	357	411
	Commercial & industrial electricity sales	GWh	341	344	358	333	348	305
	Retail gas sales	GWh	35	34	40	46	58	76
	Steam sales	GWh	68	64	66	67	37	11
	Total retail sales	GWh	738	710	783	762	800	802
	Average electricity sales price	$/MWh	163.74	167.83	173.80	182.76	202.40	205.08
	Electricity direct pass thru costs	$/MWh	60.70	60.79	63.19	64.61	72.65	73.88
	Electricity and gas cost to serve	$/MWh	12.29	14.45	12.67	12.39	13.65	13.57
	Netback[1]	$/MWh	82.86	83.87	89.01	94.75	105.51	111.82
	Actual electricity line losses	%	9%	1%	2%	3%	9%	8%
	Retail gas sales	PJ	0.1	0.1	0.1	0.2	0.3	0.3
	Electricity customer numbers [6]		444,000	444,500	444,000	443,000	443,000	443,500
	Gas customer numbers [6]		60,500	61,000	61,500	61,500	62,000	62,500
Net Purchase Cost	Thermal generation	GWh	284	354	478	430	495	475
	Geothermal generation	GWh	206	196	207	205	187	201
	Hydro generation	GWh	200	180	249	210	201	258
	Spot market generation	GWh	690	729	933	844	883	933
	Swaption	GWh	23	94	31	14	87	53
	Spot electricity purchases	GWh	687	608	678	657	768	781
	CfD sales	GWh	9	45	202	107	105	112
	GWAP [2]	$/MWh	77.33	128.43	86.39	80.68	136.71	115.62
	LWAP [3]	$/MWh	82.55	143.39	91.65	87.60	150.40	129.84
	LWAP/GWAP	%	107%	112%	106%	109%	110%	112%
	Gas used in internal generation	PJ	2.5	3.0	3.7	3.5	4.3	3.7
	Wholesale gas sales	PJ	0.2	0.2	0.2	0.2	0.1	0.1
	Gas storage net movement	PJ	(0.0)	(0.0)	(0.2)	0.0	(0.0)	(0.0)
	Unit generation cost [4]	$/MWh	49.20	54.71	48.89	43.42	54.33	54.58
	Net purchase cost [5]	$/MWh	50.52	43.01	18.65	30.73	40.33	49.09
LPG	LPG sales	tonnes	4,238	4,194	4,140	5,067	6,384	6,654
	LPG customer numbers (includes franchises) [6]		60,500	60,500	60,500	61,000	61,500	61,500

18 months operational statistics

Data		Measure	The month ended 31 July 2012	The month ended 31 August 2012	The month ended 30 September 2012	The month ended 31 October 2012	The month ended 30 November 2012	The month ended 31 December 2012
Netback	Mass market electricity sales	GWh	465	428	365	340	304	305
	Commercial & industrial electricity sales	GWh	310	344	339	354	356	349
	Retail gas sales	GWh	92	85	67	56	47	42
	Steam sales	GWh	29	65	68	71	68	65
	Total retail sales	GWh	895	921	839	821	775	761
	Average electricity sales price	$/MWh	198.79	194.16	181.14	172.84	167.78	170.23
	Electricity direct pass thru costs	$/MWh	69.34	77.33	73.13	68.36	62.16	64.07
	Electricity and gas cost to serve	$/MWh	10.10	10.45	11.35	12.20	12.64	11.13
	Netback[1]	$/MWh	107.55	93.99	85.91	82.11	84.00	85.80
	Actual electricity line losses	%	4%	3%	6%	4%	5%	3%
	Retail gas sales	PJ	0.3	0.3	0.3	0.2	0.2	0.2
	Electricity customer numbers [6]		443,000	443,000	442,500	443,000	443,000	442,500
	Gas customer numbers [6]		62,500	63,000	63,000	63,500	63,500	63,000
Net Purchase Cost	Thermal generation	GWh	364	355	367	219	237	226
	Geothermal generation	GWh	205	197	170	193	189	190
	Hydro generation	GWh	285	235	343	369	289	328
	Spot market generation	GWh	854	787	880	780	715	744
	Swaption	GWh	63	53	-	22	44	17
	Spot electricity purchases	GWh	801	786	735	714	681	666
	CfD sales	GWh	76	81	75	5	18	14
	GWAP [2]	$/MWh	78.72	64.02	45.18	39.08	52.02	53.73
	LWAP [3]	$/MWh	83.46	68.73	50.55	46.68	61.49	62.00
	LWAP/GWAP	%	106%	107%	112%	119%	118%	115%
	Gas used in internal generation	PJ	3.1	3.1	3.1	2.1	2.2	2.1
	Wholesale gas sales	PJ	0.2	0.2	0.3	0.3	0.3	0.2
	Gas storage net movement	PJ	(0.2)	(0.1)	(0.0)	(0.1)	(0.6)	(0.7)
	Unit generation cost [4]	$/MWh	50.77	54.67	48.21	38.41	45.80	42.36
	Net purchase cost [5]	$/MWh	49.60	51.00	45.28	37.14	42.06	38.31
LPG	LPG sales	tonnes	7,313	6,724	6,083	6,151	5,345	5,192
	LPG customer numbers (includes franchises) [6]		62,000	62,000	62,500	62,500	63,000	63,000

Financial results summary

Key financial information	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Revenue and other income	1,213	1,283	(70)	(5%)
Operating expenses (1)	(960)	(1,052)	92	9%
EBITDAF (2)	**253**	**231**	**22**	**10%**
Depreciation and amortisation	(95)	(95)	-	0%
Change in fair value of financial instruments	(1)	(10)	9	90%
Other significant items	(4)	(1)	(3)	(300%)
Equity accounted earnings of associate	-	2	(2)	(100%)
Earnings before net interest expense and tax	**153**	**127**	**26**	**20%**
Net interest expense	(33)	(37)	4	11%
Tax expense	(32)	(22)	(10)	(45%)
Profit for the period	**88**	**68**	**20**	**29%**
Statutory earnings per share (cents)	**12.2**	**9.7**	**2.5**	**25%**
Underlying earnings after tax (3)	**92**	**76**	**16**	**21%**
Underlying earnings per share (cents)	**12.7**	**10.9**	**1.8**	**17%**
Shareholders' equity	**3,497**	**3,309**	**188**	**6%**

(1) Includes electricity purchases.
(2) Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items.
(3) Underlying earnings after tax is calculated by adjusting profit for the period for significant items that do not reflect the ongoing performance of the Group.

Integrated Energy segment result

Integrated Energy segment	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Mass market electricity	515	494	21	4%
Commercial & industrial electricity	258	263	(5)	(2%)
Retail gas	39	38	1	3%
Steam	11	11	-	0%
Total revenue	**823**	**806**	**17**	**2%**
Net purchase cost	(222)	(249)	27	11%
Electricity networks, levies & meter costs	(295)	(273)	(22)	(8%)
Gas networks, levies & meter costs	(23)	(23)	-	0%
Total cost of goods sold	**(540)**	**(545)**	**5**	**1%**
Electricity and gas cost to serve	(52)	(52)	-	0%
EBITDAF	**231**	**209**	**22**	**11%**

Net purchase cost

Net purchase cost	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	%
Wholesale electricity revenue	297	393	(96)	(24%)
Wholesale gas revenue	15	12	3	25%
Total wholesale revenue	**312**	**405**	**(93)**	**(23%)**
Electricity purchases	(274)	(372)	98	26%
Other purchase costs	(14)	(16)	2	13%
Electricity transmission & levies	(20)	(17)	(3)	(18%)
Gas purchases	(141)	(160)	19	12%
Gas transmission & levies	(15)	(11)	(4)	(36%)
Emision costs	(3)	(13)	10	77%
Total direct costs	**(467)**	**(589)**	**122**	**21%**
Generation operating costs	(67)	(65)	(2)	(3%)
Net purchase cost	**(222)**	**(249)**	**27**	**11%**

Other segment result

Other segment	6 months ended 31 Dec 2012 $m	6 months ended 31 Dec 2011 $m	Variance $m	Variance %
LPG revenue	65	62	3	5%
Meter leases revenue	7	7	-	0%
Meter leases revenue - internal	17	17	-	0%
Other revenue	5	2	3	130%
Total other segment revenue	**94**	**88**	**6**	**7%**
LPG purchases	(48)	(44)	(4)	(9%)
Meter costs	(13)	(11)	(2)	(18%)
Total direct costs	**(61)**	**(55)**	**(6)**	**(11%)**
Other operating expenses	(11)	(11)	-	0%
EBITDAF	**22**	**22**	-	0%