Contact Energy

Half Year Report

For the six months to 31 December 2009

contact

Contents

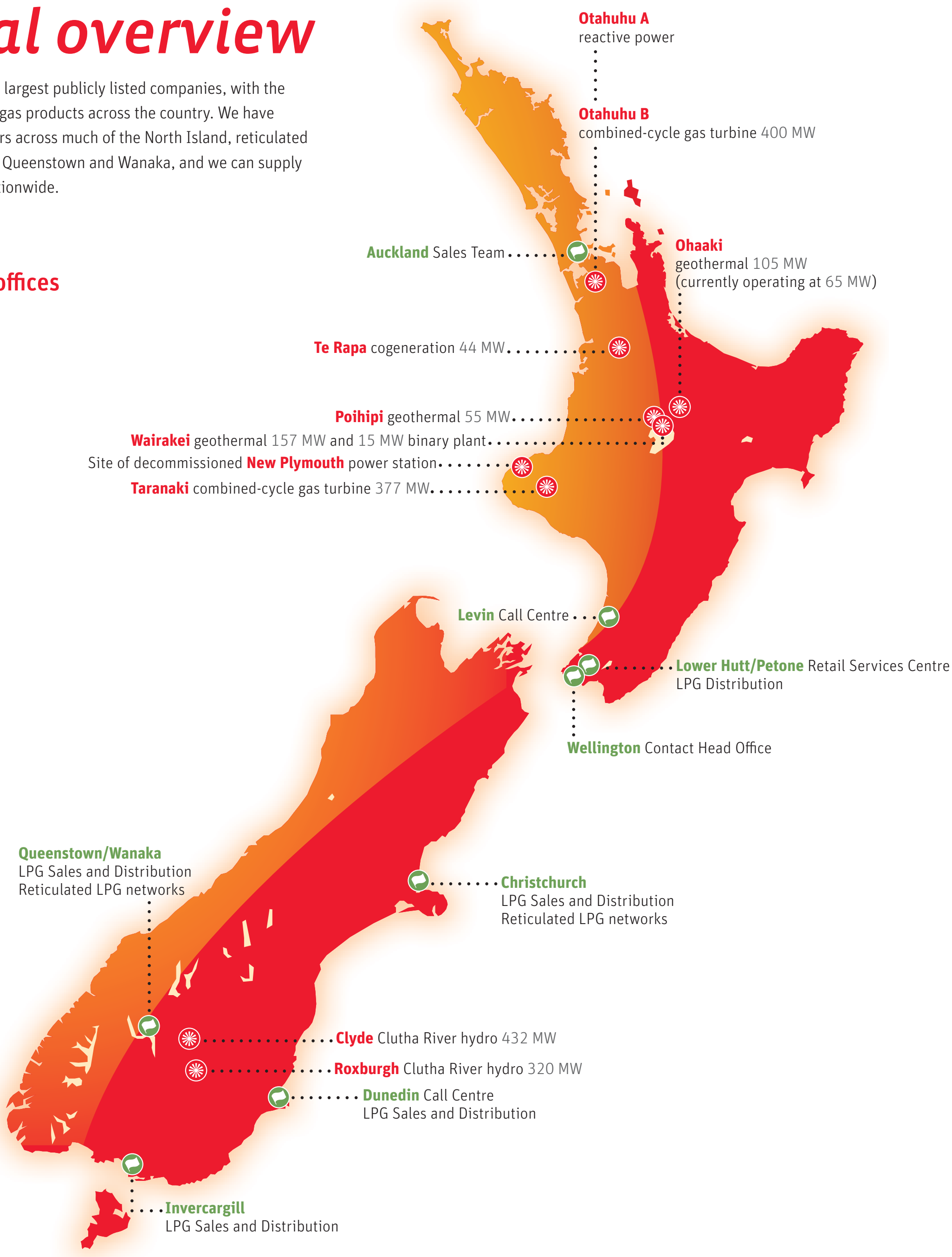
National overview

Contact is one of New Zealand's largest publicly listed companies, with the ability to supply electricity and gas products across the country. We have reticulated natural gas customers across much of the North Island, reticulated LPG customers in Christchurch, Queenstown and Wanaka, and we can supply bottled and automotive LPG nationwide.

Existing assets and offices

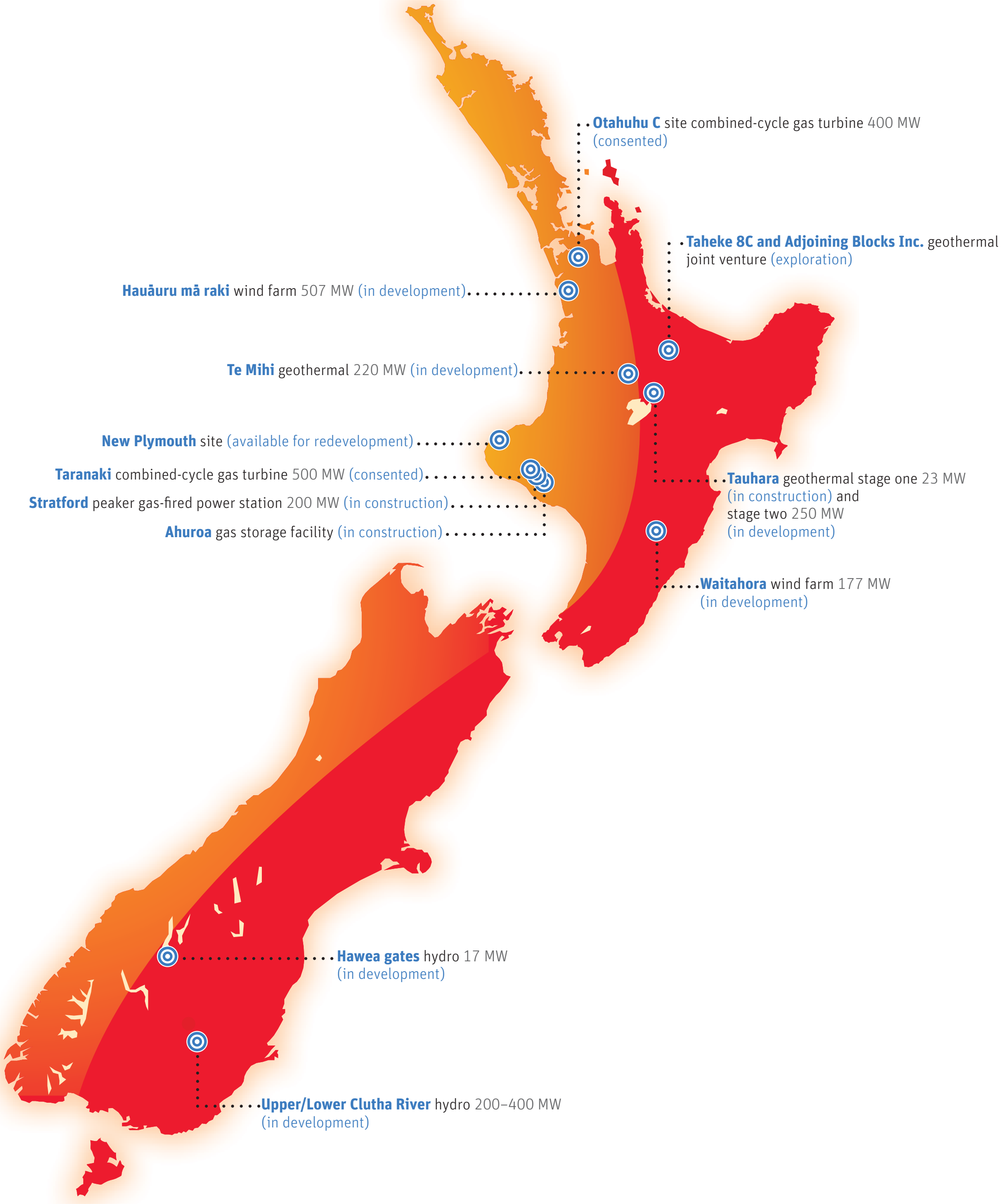
Existing power stations

Offices



Strategic initiatives

Strategic initiatives – projects in development and other potential options



Summary

For the six months ended 31 December 2009, Contact:

- Recorded earnings before net interest expense, income tax, depreciation, amortisation, financial instruments and other significant items (EBITDAF) of $225.0 million, compared with the $224.7 million recorded for the corresponding period in 2008.
- Recorded underlying earnings after tax of $80.1 million, compared with the $79.9 million recorded for the six months to 31 December 2008.
- Advanced the company's $600 million investment programme in three energy projects:
  - the 23 megawatt Tauhara 1 geothermal power station at Taupo
  - the Ahuroa underground gas storage project at Stratford
  - the 200 megawatt gas-fired peaking power station at Stratford.

  All three of these developments will be commissioned and commercially operational over the 2010 calendar year.
- Advanced a number of other key energy developments, including:
  - filing resource consent applications for the company's 250 megawatt Tauhara 2 geothermal power station at Taupo
  - executing a joint venture agreement with the Taheke 8C and Adjoining Blocks Incorporation to develop a geothermal power station on the Taheke geothermal field on the shore of Lake Rotoiti – signed in February 2010
  - progressing consent applications for two wind farms in coastal Waikato and southern Hawke's Bay
  - continuing to investigate new hydro development options on the Clutha River.
- Announced an interim distribution to shareholders equivalent to 11 cents per share under the company's profit distribution plan.
- In February 2010, appointed Whaimutu Dewes to the Contact Board as an independent director.

Chairman and Managing Director's review

Following an extended period of high inflows into the country's hydro lakes resulting in low wholesale prices, Contact Energy recorded earnings before net interest expense, income tax, depreciation, amortisation, financial instruments and other significant items (EBITDAF) for the six months ended 31 December 2009 of $225.0 million, consistent with the prior corresponding period.

Underlying earnings after tax for the six months to 31 December 2009 were $80.1 million, which was also consistent with the six months to 31 December 2008. Contact's Board of Directors resolved to hold the interim distribution for the six months to 31 December 2009 at the equivalent of 11 cents per share, under the company's profit distribution plan.

While wholesale electricity prices in the six months ended 31 December 2009 were 42 per cent lower than the prior period, the contribution from the unhedged generation was similar, with an increase in volume offsetting the reduction in wholesale electricity prices. In the period ended 31 December 2008, Contact incurred approximately $40 million in electricity purchase costs due to extreme weather and transmission constraints. While this did not reoccur in the period ended 31 December 2009, the hedged portion of the electricity business incurred an increase in other costs of the same amount. This was due to thermal generation costs being up by nine per cent, transmission and distribution costs up by five per cent, and customer retention costs and debt write-offs up by 76 per cent.

Recent price increases reflect some of these higher operating costs, the majority of which are external to Contact.

Investments in increasing portfolio flexibility

One of the key issues affecting the result was the lack of operational flexibility – primarily the ability to respond to different weather conditions, such as during periods of high hydro inflows over the last 16 months.

Having anticipated this exposure, a little over two years ago we initiated two projects that will add operational flexibility to Contact's portfolio. Both of these projects, known as the Stratford peakers and the Ahuroa gas storage facility, will be complete and delivering benefits in 2010.

The $250 million, 200 megawatt gas-fired peaking power station at Stratford is approaching the commissioning stage and is on track to be in commercial operation in winter 2010.

This fast-start plant will support greater volumes of weather-dependent renewables in the system and make an important contribution to the country's security of supply. The peaking plant will also enable Contact to respond to the increasingly 'peaky' nature of electricity demand, a role that our two large combined-cycle gas-fired power stations are not designed to meet.

The other project under development to address operational flexibility is the country's first underground natural gas storage facility at Ahuroa, which is also progressing well. In total, six petajoules of natural gas have been injected into the reservoir. Since the commissioning of a new compressor in October 2009, over the period in review gas was injected consistently into the storage reservoir at the target rate of around 40 terajoules per day.

Stage two of the Ahuroa development involves the drilling of three additional wells into the reservoir, which is intended to enable the continuation of gas injection. The drilling of these three wells is nearly complete.

The installation of the gas extraction and processing equipment on the surface of the Ahuroa gas storage reservoir began in March 2010 and is expected to be completed during the fourth quarter of calendar 2010. At that point we expect to be able to extract gas at up to 45 terajoules per day.

This is a particularly important project for Contact in that it will enable us to store natural gas in the reservoir when it is not needed for electricity generation (when the demand for baseload gas-fired generation is low) to be extracted and used when it is most needed and valued.

The commissioning of the Stratford peaking power station and the Ahuroa gas storage facility will help Contact mitigate the extent to which hydrology and fixed gas supply contracts can impact negatively on the company's earnings, as we have seen over the last year.

Your company is in good financial health. Three to four years ago, Contact's gearing (net debt to net debt plus equity) was viewed as being too low. There was significant commentary suggesting that the company should take on more debt and return cash to shareholders. In anticipation of a substantial forward capital expenditure programme, Contact chose to retain significant financial flexibility and has been able to invest the $500 million necessary to build two key projects to address operational flexibility – particularly during the period in review when earnings have been pressured by this lack of flexibility. This approach enabled the Stratford peakers, the Ahuroa gas storage project, and the $100 million Tauhara 1 geothermal project, to be executed while maintaining the company's investment grade credit rating.

Electricity prices

Over the six months in review, neither wholesale nor retail prices have reflected the true costs of electricity.

While we have seen some encouraging trends in wholesale electricity prices since December 2009, we are still yet to see the true costs of electricity reflected in retail tariffs.

Electricity prices over the six months in review have not covered the true costs of thermal generation as prices have been unsustainably low. New Zealand requires thermal generation to balance weather variability. When it's dry, the country relies on thermal capacity to maintain security of supply. When it's wet, thermal generation is still required to be available to meet peak demand or when transmission outages occur. Irrespective of whether it is wet or dry, the costs are incurred.

Thermal generation is a critical component of New Zealand's supply system, and the costs of providing thermal generation need to be borne by the electricity market as a whole, or thermal plant may be withdrawn from the market.

New Zealand's generation capacity remains tight. In order for investment in new generation to occur, electricity prices need to reflect the true cost of that capacity. For example, an average new geothermal project requires an electricity price of around $80 per megawatt hour (eight cents per kilowatt hour). Retail electricity prices do not reflect this cost of electricity and will need to rise if geothermal plants – which are currently the cheapest new source of electricity available to New Zealand – are to be built.

If the investment in new capacity that New Zealand needs is to be made, and if existing thermal plant is to continue to support the system, electricity prices – both wholesale and retail – will need to rise.

Investing in the future

In addition to Contact's investment in gas-fired peaking capacity and gas storage, Contact is making good progress on a number of other important energy developments, including three significant geothermal projects near Taupo.

The six months in review was a period in which the building blocks have been put in place to take Contact's geothermal development strategy to the next level.

The first stage of the development of the Tauhara steam field, a $100 million, 23 megawatt geothermal power station, is in advanced stages of commissioning and is expected to be transferred to Contact for commercial operation in mid 2010.

On 19 February, Contact filed resource consent applications for the company's 250 megawatt Tauhara stage two (Tauhara 2) geothermal power station. Contact has requested that the resource consent application be considered under the new Environmental Protection Agency (EPA) process which facilitates the potential award of consents within nine months of the application being accepted by the EPA.

In addition, Contact holds consents for a 220 megawatt geothermal power station at Te Mihi. We expect to execute contracts to construct the Te Mihi project when market conditions indicate that the roughly half a billion dollar investment required to execute Te Mihi will be value adding for Contact shareholders.

In February 2010, Contact and the Taheke 8C and Adjoining Blocks Incorporation signed an agreement that will see the two organisations work together in the appraisal and development of the Taheke geothermal field near Rotorua.

This project will be the first development beyond the company's legacy geothermal entitlements and represents the company's commitment to developing trusted commercial relationships with tangata whenua in the sustainable development of New Zealand's resources.

Additionally, Contact continues to work on consenting wind generation options in Waikato and southern Hawke's Bay and on advancing a future hydro development option on the Clutha River.

New independent director appointed

In February 2010, Contact welcomed Whaimutu Dewes to the Board as an independent director.

Mr Dewes is the third new director appointed to the Contact Board over the last 18 months, following the appointments of Sue Sheldon as an independent director and David Baldwin as Managing Director.

Whaimutu Dewes holds a Master in Public Administration from Harvard University and Bachelor degrees in Arts and Law from Victoria University. He has held numerous directorships in organisations including Television New Zealand and the AMP New Zealand Advisory Board. He acted as Deputy Chair of Sealord Group between 1992 and 2008, has held senior management roles at Fletcher Challenge and the Department of Maori Affairs and has served as a director of Central North Island Iwi Holdings.

Mr Dewes is of Ngati Porou and Ngati Rangitihi descent and lives in Rotorua.

Mr Dewes is a highly experienced and respected director with particular experience in resource management, commercial negotiation and management of relationships between the business and government sectors.

Ministerial Taskforce Review

The Ministerial Taskforce Review into the electricity sector has created some uncertainty over the six months in review.

The proposed outcomes of the review itself are not of particular concern to Contact. While the reallocation of assets among the three State Owned Enterprises is an interference in the market, we are pleased that the market model has remained intact as the most efficient way to deliver electricity to consumers.

Contact also supports the Government's changes to improve disclosure requirements for State Owned Enterprises as a step towards improved commercial scrutiny and performance.

Outlook

Contact's financial performance for the second half of the current financial year will depend on various factors including hydrology, wholesale prices and the extent to which higher operating costs (gas, transmission and distribution, customer retention) can be reflected in retail prices.

A planned outage at the Otahuhu B gas-fired power station in December 2009 was extended by about two months to mid-March 2010 to resolve defects that have been present since the fabrication of the heat recovery steam generator 10 years ago. While the extended outage was unexpected, safety and operational integrity are top priorities for Contact, on which we will never compromise. The team responsible for Otahuhu has done a great job in resolving the fabrication issues, and the plant returned to service in mid-March. The extension of the Otahuhu outage resulted in the deferral of a minor maintenance outage at our Taranaki Combined Cycle (TCC) plant which was planned for January 2010. The TCC outage commenced in late March 2010, after the Otahuhu plant was returned to service. The Otahuhu outage extension and the corresponding delay to the TCC outage impacted on February and March performance, but this is not expected to be material in the context of the full year result. The addition of the Stratford peakers will help mitigate the impact of events such as these in future.

We are comfortable with the market estimates for Contact's profit for the current financial year.

We have made significant progress over the six months in review and 2010 is, as expected, shaping up to be a big year for Contact with the commissioning of three projects that will add critical operational flexibility and earnings.

We will continue to develop some of New Zealand's most important energy projects, particularly in geothermal generation, so as to have them ready to execute when the time is right to do so.

We appreciate your continued active support for Contact.

If you would like to share your reflections on this report, or on Contact's business more generally, please don't hesitate to contact us at david.baldwin@contactenergy.co.nz.

Grant King
Chairman

David Baldwin
Managing Director

Management discussion of financial results

for the six month period ended 31 December 2009

Overview of financial performance

Key financial information

	6 months ended 31 December 2009 $ million	6 months ended 31 December 2008 $ million	Variance $ million	Variance %
Operating revenue	1,071.9	1,240.2	(168.3)	(14%)
Operating expenses [1]	(846.9)	(1,015.5)	168.6	17%
EBITDAF [2]	**225.0**	**224.7**	**0.3**	0%
Depreciation and amortisation	(85.0)	(78.0)	(7.0)	(9%)
Equity accounted earnings of associates	1.5	1.7	(0.2)	(12%)
Change in fair value of financial instruments	11.4	(78.3)	89.7	115%
Earnings Before Net Interest Expense and Income Tax (EBIT)	**152.9**	**70.1**	**82.8**	**118%**
Net interest expense	(29.0)	(35.5)	6.5	18%
Income tax expense	(35.8)	(9.5)	(26.3)	(277%)
Profit for the period	**88.1**	**25.1**	**63.0**	**251%**
Underlying earnings after tax [3]	**80.1**	**79.9**	**0.2**	0%
Shareholders' equity	**3,010.7**	**2,874.0**	**136.7**	**5%**

1 Includes electricity purchases.
2 Earnings before net interest expense, income tax, depreciation, amortisation, financial instruments and other significant items.
3 Underlying earnings after tax adjusts for significant one-off items and the non-cash change in fair value of financial instruments.

EBITDAF

Contact achieved earnings before net interest expense, income tax, depreciation, amortisation, financial instruments and other significant items (EBITDAF) of $225.0 million, compared with $224.7 million for the prior corresponding period.

Key operating statistics

	6 months ended 31 December 2009	6 months ended 31 December 2008	Variance	
				%
Total hedged generation (including swaption) (GWh)	5,193	5,309	(116)	(2%)
Average wholesale price ($/MWh)	42	72	(30)	(42%)
Retail sales (GWh)	3,876	4,047	(171)	(4%)
National hedge position (%)	87%	93%	(6%)	(6%)
Total unhedged generation (GWh)	737	439	298	68%
Financial drivers	**$ million**	**$ million**	**$ million**	**%**
Operating revenue	1,071.9	1,240.2	(168.3)	(14%)
Costs				
Generation operating costs	(218.6)	(199.8)	(18.8)	(9%)
Electricity purchases	(197.6)	(366.2)	168.6	46%
Electricity transmission and distribution	(260.6)	(248.7)	(11.9)	(5%)
Labour costs and other operating expenses	(128.9)	(122.3)	(6.6)	(5%)

The key drivers of the result were:

- Wholesale market conditions, which resulted in a drop in wholesale electricity prices of 42 per cent to $42 per megawatt hour (MWh):
  - while prices were significantly higher on average in the six months ended 31 December 2008, Contact's ability to leverage those higher prices was curtailed in that period due to the transmission constraints which affected the cost of electricity purchases required to supply retail customers;
  - as a consequence of the much lower average wholesale price, electricity purchase costs reduced by $168.6 million in the six months ended 31 December 2009; and
  - wholesale electricity revenue decreased by $139.6 million on similar generation volumes.
- Contact's generation level was similar; however Contact's hedge level dropped from 93 per cent to 87 per cent due to the reduction in customer numbers (499,000 as at 31 December 2008 to 478,000 as at 31 December 2009). As a consequence Contact had approximately 400 gigawatt hours (GWh) of additional generation exposed to spot prices at a time when prices were relatively low.
- Costs continued to increase, affecting both the generation and retail businesses with electricity transmission and distribution costs increasing by $12 million and average gas costs (including transmission) up from $7.93 per gigajoule (GJ) to $8.83 per GJ. The gas purchase cost includes approximately $15 million (approximately 2.5 petajoules (PJ)) associated with gas which Contact was required to pay for but did not take due to market conditions not justifying operation of the thermal plant.

The EBITDAF result reflects the value of the integrated model. Despite the fact that wholesale electricity prices were 42 per cent lower than the prior six month period at $42 per MWh, that wholesale price volatility did not impact the overall result, with an increased contribution from retail offsetting the impact on generation of the relatively low wholesale price.

In addition, the extreme weather and the transmission constraints which impacted the result in the six month period ended 31 December 2008 did not reoccur in the six months ended 31 December 2009. The lower South Island transmission constraints were addressed by a combination of the special protection scheme installed by Transpower and increased demand from the Tiwai Aluminium Smelter. The high voltage direct current pole (HVDC) across the Cook Strait was, for long periods, able to operate from south to north at higher levels than in the six months ended 31 December 2008. Finally, the pricing of South Island hydro generation resulted in less incidence of price separation in the six months ended 31 December 2009, and Contact was accordingly able to generate more from its hydro plants than in the prior period and minimise spill.

Despite this, the full benefits of the integrated model are not yet being realised due to a lack of portfolio flexibility. In the six months ended 31 December 2009 Contact injected 2.5 PJ into gas storage – this enabled Contact to inject gas which if it could not be stored would have added a further approximately $22 million to Contact's gas cost. However, Contact incurred about $15 million of gas costs associated with gas that could not be used, sold or injected into storage. In addition Contact made 1.2 PJ of short term gas sales at a discount to cost in order to monetise gas. The addition of the two 100 MW gas-fired peaking plants at Stratford around the middle of 2010 will provide an opportunity to improve the effectiveness of gas use.

Retail competition has been at historic high levels with average customer churn of close to 15 per cent over the six months ended 31 December 2009 compared with historic averages of less than 10 per cent. Contact has focused on retention of high value customers, and segmenting new customer acquisition activities to customers which meet target return requirements. However, necessary price increases have been constrained given the market conditions resulting in margin contraction. Contact's recent increases are targeted at addressing this.

The global financial crisis has impacted New Zealand's commercial and industrial businesses, with national power demand from this (time-of-use) segment falling by about five per cent over the last 12 months. Contact's time-of-use demand has remained flat which reflects that Contact's efforts in this segment has resulted in an increase in overall customers, particularly in the North Island. Demand from existing customers is beginning to recover as New Zealand emerges from the recession.

Depreciation

Depreciation expense increased by $7.0 million (nine per cent) to $85.0 million largely due to increases associated with the long-term maintenance contracts for the gas-fired plants at Otahuhu and TCC.

Change in fair value of financial instruments

The reported profit for the six month period ended 31 December 2008 was negatively affected by a non-cash post-tax movement of $54.8 million in financial derivatives. In the period ended 31 December 2009 a positive post-tax adjustment of $8 million has been made for the movement in financial derivatives.

Interest expense

Net interest expense for the period reduced by $6.5 million or 18 per cent to $29.0 million for the six months ended 31 December 2009. While the total net debt increased to $1.2 billion from $1.0 billion as at 31 December 2008, interest costs were lower primarily due to the fact that interest on strategic investment projects such as the Stratford peaker project, the first phase of the Tauhara geothermal project, and the Ahuroa gas storage project, is capitalised until construction is completed. In the six months ended 31 December 2009, $24.0 million of interest has been capitalised compared with $4.4 million in the six months ended 31 December 2008.

Income tax expense

Income tax expense for the period was $35.8 million, up $26.3 million from the six month period ended 31 December 2008. This is due to the reported profit for the current period of $88.1 million being significantly higher than the $25.1 million reported for the six month period ended 31 December 2008 as a result of the movement in financial derivatives.

Reported profit

Profit for the period ended 31 December 2009 was $88.1 million compared with $25.1 million in the prior period, primarily due to the change in the value of financial instruments.

	6 months ended 31 December 2009 $ million	6 months ended 31 December 2008 $ million	Variance $ million	Variance %
Reported profit	88.1	25.1	63.0	251%
Change in fair value of financial instruments (after tax)	**(8.0)**	**54.8**	**(62.8)**	**(115%)**
Underlying earnings after tax	80.1	79.9	0.2	0%

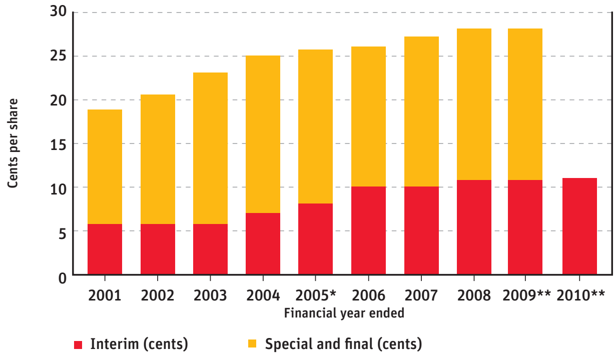
Underlying earnings after tax

Underlying earnings after tax for the six months ended 31 December 2009 were $80.1 million, compared with $79.9 million for the six months ended 31 December 2008. This flat performance is driven by the EBITDAF performance which was also flat between periods.

Distributions to shareholders

Contact's Board of Directors resolved to hold the 2010 interim distribution at the equivalent of 11 cents per share, the same as the interim distribution for the 2009 financial year. The distribution will be made via a tax-free bonus issue under Contact's Profit Distribution Plan (PDP). The level of future distributions will depend on the performance of the business, which could be impacted by events such as extreme hydrology, transmission constraints and government policy changes. The last date for receipt of buy back election notices for shareholders wishing to have their bonus shares bought back by the company under the PDP for the interim distribution is noon on 25 March 2010.

Profit distribution and dividends per share



* 2005 was a nine month period and has been annualised

** Profit distribution (bonus shares with cash buy back option)

Outlook for the remainder of the 2010 financial year

Financial performance for the second half of the current financial year will depend on various factors including hydrology, wholesale prices and the extent to which higher operating costs (gas, transmission and distribution, customer retention) can be reflected in retail prices.

Contact has recently increased retail prices to a significant portion of its retail customers to reflect some of these higher costs. The benefits of these increases should flow into the second half of the 2010 financial year. However, retail competition remains intense. In addition, Contact will be faced with a further increase in gas costs in the second half of the financial year as there is a major step up in gas price in one of its major contracts.

Therefore, there are a range of possible outcomes due to the volatility of the retail and wholesale markets. Based on current conditions, Contact is not uncomfortable with current market consensus estimates for the current financial year.

Financial performance and liquidity

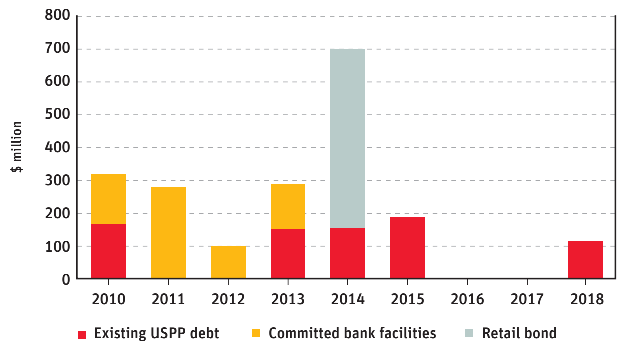
Based on the New Zealand dollar equivalent of borrowings, after foreign exchange hedging, and net of short term deposits, net debt as at 31 December 2009 was $1,229.7 million, compared with $1,031.0 million as at 31 December 2008. This is largely due to the ongoing capital expenditure associated with the three projects under construction.

All of Contact's committed projects are fully funded with approximately $200 million of headroom until 2014.

Existing term debt comprises $US420 million ($NZ747.5 million notional equivalent) of various maturities and $550 million of fixed rate bonds which mature in May 2014. Contact has additional liquidity available from $685 million of committed bank facilities which are currently undrawn. The maturity dates of these facilities range from May 2010 to December 2012. Contact anticipates renewing all, or a majority, of the undrawn committed facilities that mature in May 2010.

With a gearing level of 28.7 per cent as at 31 December 2009, Contact's financial strength continues to position the company well in terms of navigating the complexity of the current economic circumstances and executing growth options when appropriate.

Total committed funding maturity profile



Capital expenditure and investments

Contact's capital expenditure and investments for the six months ended 31 December 2009 was $237.8 million (including capitalised interest). Of this, $29.8 million was 'stay in business' and $208.0 million was growth capital expenditure (including investment in gas storage including cushion gas). This compares with $54.2 million and $208.5 million respectively for the six month period ended 31 December 2008.

The decrease in the stay in business capital expenditure is mainly due to the fact that the six months ended 31 December 2008 included costs associated with the scheduled overhaul at Otahuhu B.

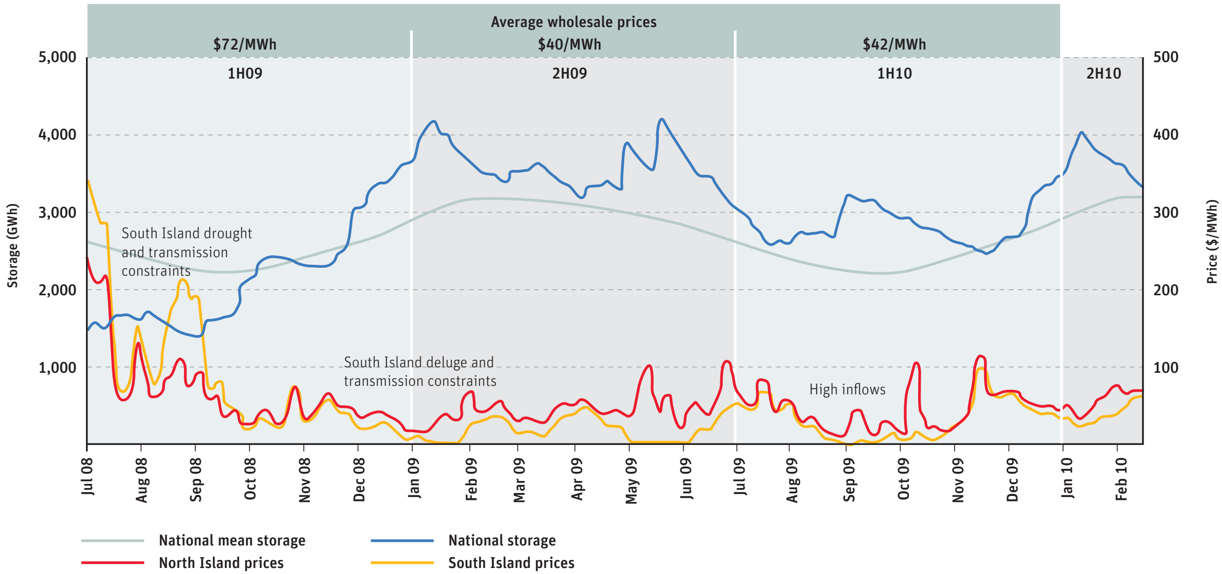
Overview of performance for the period

Electricity market conditions

The market conditions in the six months ended 31 December 2009 were different from those which affected the financial performance in the prior half year. The six months ended 31 December 2008 consisted of two quite different quarters:

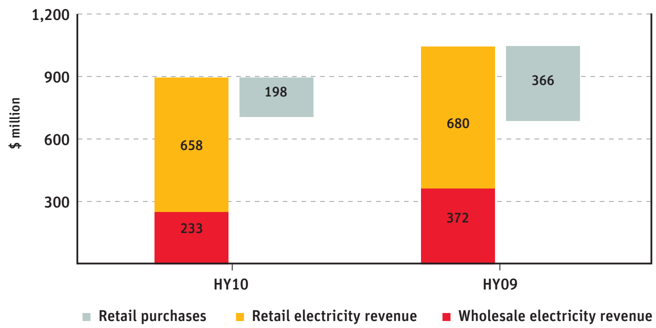
- the first quarter, when conditions were very dry in the South Island resulting in very high wholesale prices in the South Island while the North Island was wet and prices were considerably lower; and
- the second quarter when the hydrology quickly changed in the South Island, leading to very low wholesale prices and hydro spill.

In contrast, the six months ended 31 December 2009 have seen relatively similar hydrology conditions through most of the period, with storage generally above mean in both islands and prices accordingly relatively low at $42 per MWh – compared with an average of $72 per MWh earned in the six months ended 31 December 2008.



As the chart below illustrates, despite the significant changes in average wholesale prices between the periods, the net electricity revenue – wholesale revenue plus retail revenue less electricity purchases – was $7.9 million higher than in the six months ended 31 December 2008. However at the same time, margins have been compressed by continuing increases in the cost of gas (up 11 per cent per GJ) and electricity transmission and distribution costs (up five per cent period on period).

Total electricity revenue



Retail segment

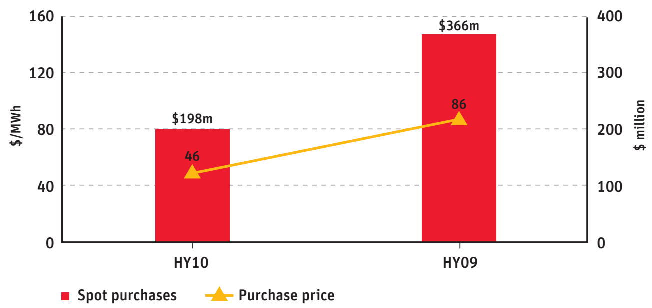
	6 months ended 31 December 2009 $ million	6 months ended 31 December 2008 $ million	Variance $ million	Variance %
Retail electricity revenue	658.4	679.5	(21.1)	(3%)
Gas revenue wholesale	43.3	39.7	3.6	9%
Gas revenue retail	44.0	46.6	(2.6)	(6%)
LPG revenue	71.3	85.2	(13.9)	(16%)
Other retail revenue	8.4	7.5	0.9	12%
Total retail revenue	**825.4**	**858.5**	**(33.1)**	**(4%)**
Retail electricity purchases	(181.1)	(369.7)	188.6	51%
Electricity transmission, distribution and levies	(239.7)	(226.2)	(13.5)	(6%)
Gas purchases and transmission	(83.4)	(82.3)	(1.1)	(1%)
LPG purchases	(47.9)	(65.1)	17.2	26%
Labour costs and other operating expenses	(76.2)	(72.4)	(3.8)	(5%)
Total operating expenses	**(628.3)**	**(815.7)**	**187.4**	**23%**
EBITDAF	**197.1**	**42.8**	**154.3**	**361%**
Depreciation and amortisation	(8.7)	(10.8)	2.1	19%
Segment result (EBIT)	**188.4**	**32.0**	**156.4**	**489%**
Average electricity purchase price ($ per MWh) [1]	(46.12)	(85.93)	39.81	46%
Retail electricity sales (GWh)	3,876	4,047	(171)	(4%)
Electricity customer numbers	478,000	499,000	(21,000)	(4%)
Gas sales wholesale customers (PJ)	6.4	6.3	0.1	2%
Gas sales retail customers (PJ)	1.8	2.3	(0.5)	(20%)
Gas sales LPG customers (tonnes)	38,132	41,656	(3,524)	(8%)
Gas customer numbers	65,000	70,000	(5,000)	(7%)
LPG customer numbers (including franchisees) [2]	55,900	53,800	2,100	4%

1 This price excludes contracts for differences.

2 LPG customer numbers have been restated down by approximately 600 customers for the comparative period. These 600 customers are closed or non-active accounts that had been historically recorded as customers.

Contact's retail segment EBITDAF of $197.1 million was $154.3 million higher than the $42.8 million for the six months ended 31 December 2008. This is predominantly due to the change in wholesale conditions which reduced the retail electricity purchase cost (including the costs associated with the long term hedge contract referred to as the swaption) from $366.2 million to $197.6 million, a 46 per cent decrease. This reduction in electricity purchase costs was the most significant contributor to the improved performance by the retail segment in the six months ended 31 December 2009.

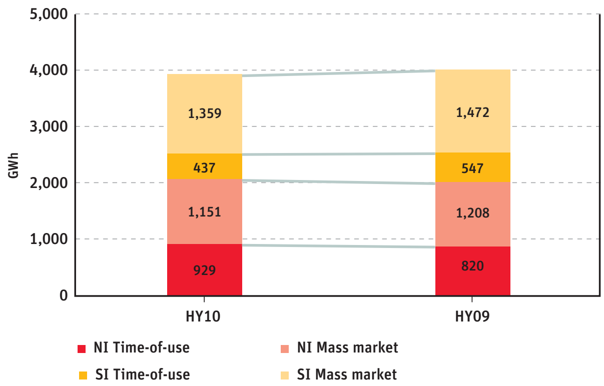
Retail electricity purchase cost



Total retail electricity revenue reduced three per cent to $658.4 million, with total sales of 3,876 GWh compared with 4,047 GWh in the six months ended 31 December 2008. While the sales volume to the time-of-use segment (large commercial and industrials) was flat, mass market retail volumes dropped by six per cent. Retail competition has been intense over the six months ended 31 December 2009 with churn across the industry averaging around 15 per cent.

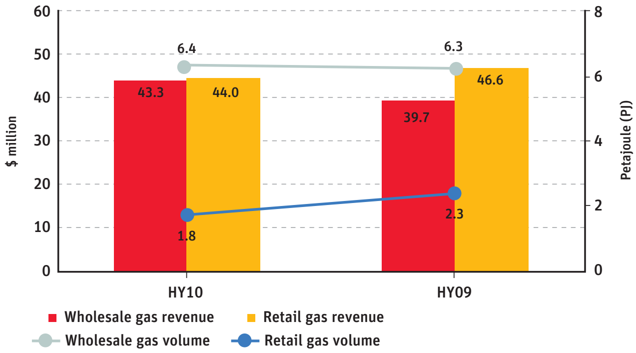
At 31 December 2009, Contact had 478,000 retail electricity customers compared with 480,000 as at 30 June 2009 and 499,000 as at 31 December 2008.

Load split by customer type and island (sales)



The chart above illustrates that most of the reduction in demand has been from the South Island and predominantly in mass market.

Wholesale and retail gas revenue



Contact's gas revenue from wholesale customers increased by $3.6 million to $43.3 million in the period ended 31 December 2009. The volume sold was 6.4 PJ compared with 6.3 PJ in the period ended 31 December 2008. Approximately 1.2 PJ of this was by way of short term sales at a discount to purchase price in order to monetise gas which Contact could not inject into gas storage or use in generation. This reflects the relative inflexibility of gas demand and limited avenues into which surplus gas can be sold.

Retail gas revenue was slightly lower at $44.0 million, compared with $46.6 million in the six months ended 31 December 2008. As at 31 December 2009, Contact had 65,000 gas customers, compared with 67,000 as at 30 June 2009 and 70,000 as at 31 December 2008.

The average cost of gas (excluding transmission) increased 12 per cent per GJ in the six months ended 31 December 2009 to $7.41 per GJ from $6.61 per GJ. This increase has been driven by a change in the underlying mix of gas used, as the use of cheaper Maui 367 legacy gas ceases and is replaced by more expensive gas, and the impact of escalation in gas prices in gas contracts within Contact's portfolio. The average gas transmission and distribution costs for retail increased by 11 per cent from $10.96 per GJ to $12.13 per GJ for the six months ended 31 December 2009.

Revenue from LPG sales reduced by 16 per cent to $71.3 million while LPG cost of goods sold declined by 26 per cent to $47.9 million. This was driven by a 17 per cent decrease in the cost of LPG from $1,575 per tonne to $1,303 per tonne. As a consequence gross margin from LPG rose $3.3 million in the six months ended 31 December 2009. LPG volume decreased by eight per cent to 38,132 tonnes, reflecting a drop in the overall market for LPG due to fuel switching by some customers. This increase in margin, despite the volume contraction, reflects a focus on sales to higher margin channels. Contact has maintained its market share at approximately 50 per cent.

Generation segment

	6 months ended 31 December 2009 $ million	6 months ended 31 December 2008 $ million	Variance $ million	Variance %
Wholesale electricity revenue	232.6	372.2	(139.6)	(38%)
Steam revenue	11.5	7.6	3.9	51%
Other wholesale revenue	2.4	1.9	0.5	26%
Total wholesale revenue	**246.5**	**381.7**	**(135.2)**	**(35%)**
Wholesale electricity purchase contracts for differences	(16.5)	3.5	(20.0)	(571%)
Electricity transmission, distribution and levies	(20.9)	(22.5)	1.6	7%
Gas purchases and transmission	(128.5)	(130.8)	2.3	2%
Labour costs and other operating expenses	(52.7)	(50.0)	(2.7)	(5%)
Total operating expenses	**(218.6)**	**(199.8)**	**(18.8)**	**(9%)**
EBITDAF	**27.9**	**181.9**	**(154.0)**	**(85%)**
Depreciation	(76.3)	(67.2)	(9.1)	(14%)
Segment result (EBIT)	**(48.4)**	**114.7**	**(163.1)**	**(142%)**
Average wholesale electricity price ($ per MWh) [1]	41.50	72.03	(30.53)	(42%)
Gas used in internal generation (PJ)	15.7	18.3	(2.6)	(14%)
Thermal generation (GWh)	1,956	2,214	(258)	(12%)
Geothermal generation (GWh)	1,158	1,147	11	1%
Hydro generation (GWh)	1,887	1,693	194	11%
Total generation (GWh)	**5,001**	**5,054**	**(53)**	**(1%)**

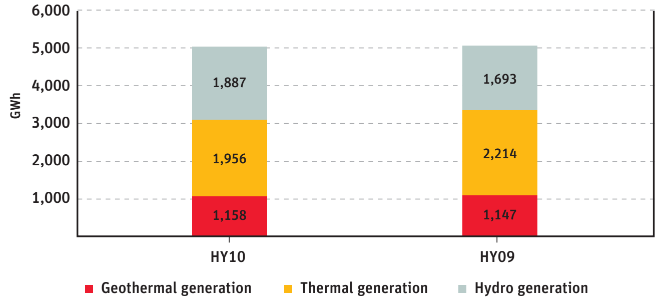
1 This is the price received by Contact for its generation. It excludes contracts for differences.

The EBITDAF contribution of the generation segment decreased by 85 per cent to $27.9 million, a $154 million decrease from the six months ended 31 December 2008.

The average wholesale electricity price for the six months ended 31 December 2009 was $42 per MWh, a 42 per cent decrease over the average wholesale electricity price for the six months ended 31 December 2008 of $72 per MWh.

During the six months ended 31 December 2009, Contact was, on average, hedged around 87 per cent, compared with 93 per cent for the six months ended 31 December 2008. With respect to the South Island, Contact was around 97 per cent hedged while in the North Island Contact was around 80 per cent hedged.

Generation by type



Contact's thermal generation for the six months ended 31 December 2009 was 1,956 GWh, 258 GWh lower than for the six months ended 31 December 2008. This was largely due to outages at both the Otahuhu B and TCC gas-fired power stations during the period as well as reduced operation in response to low wholesale electricity prices.

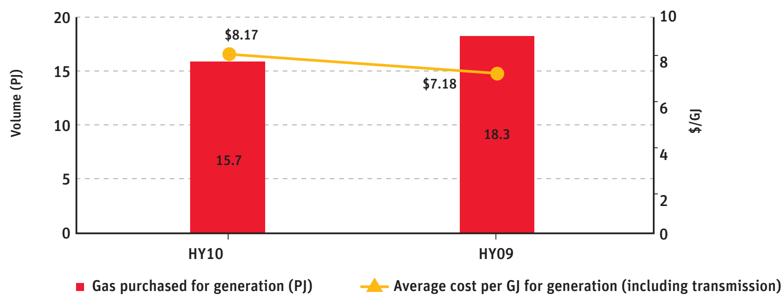
Contact's geothermal generation increased one per cent or 11 GWh in the period ended 31 December 2009 to 1,158 GWh.

Contact's hydro generation at 1,887 GWh was 194 GWh more than in the six months ended 31 December 2008. While hydro conditions in the second quarter of each of the half years were similar, the transmission constraints which limited production in the second quarter of the 2009 financial year were not evident in the recent six month period. This is due to a number of factors; the increase in demand of the Tiwai Aluminium Smelter, the installation of the special protection scheme in the lower South Island and increased capacity on the HVDC for south to north transmission.

Contact used 15.7 PJ of gas in generation in the six months ended 31 December 2009, a 2.6 PJ reduction from the six months ended 31 December 2008. The total gas cost including transmission was $2.3 million lower at $128.5 million, compared with $130.8 million in the six months ended 31 December 2008. The average cost of gas used in generation increased from $7.18 per GJ to $8.17 per GJ, a 14 per cent increase.

The cost of gas includes approximately 2.5 PJ of gas which Contact was required to pay for but did not take due to the fact that electricity prices were not high enough to justify running the thermal plant. While injections into gas storage were continuing through the six month period and 2.5 PJ of gas was injected in the six months ended 31 December 2009, injection capacity was insufficient to take the total volume which Contact would have preferred to inject. The cost of gas paid for but not taken added approximately 65 cents per GJ to Contact's cost of gas in the six months ended 31 December 2009.

Gas purchases for generation



Condensed Interim Group Financial Statements

for the six months ended 31 December 2009

Income Statement for the six months ended 31 December 2009

Group	Note	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Operating revenue				
Wholesale electricity revenue		232,584	372,177	594,267
Retail electricity revenue		658,408	679,548	1,286,265
Gas revenue		87,319	86,281	154,962
LPG revenue		71,258	85,182	153,779
Steam revenue		11,496	7,609	12,927
Other revenue		10,831	9,439	19,984
		1,071,896	**1,240,236**	**2,222,184**
Operating expenses				
Electricity purchases		(197,614)	(366,247)	(544,234)
Electricity transmission, distribution and levies		(260,595)	(248,693)	(479,122)
Gas purchases and transmission		(211,930)	(213,105)	(399,533)
LPG purchases		(47,934)	(65,149)	(112,078)
Labour costs		(45,119)	(41,615)	(80,396)
Other operating expenses		(83,679)	(80,684)	(161,562)
		(846,871)	**(1,015,493)**	**(1,776,925)**
Earnings before net interest expense, income tax, depreciation, amortisation, financial instruments and other significant items (EBITDAF)		**225,025**	**224,743**	**445,259**
Depreciation and amortisation		(85,026)	(78,060)	(161,954)
Impairment of Gasbridge assets	3	–	–	(2,830)
Equity accounted earnings of associates		1,469	1,699	3,624
Change in fair value of financial instruments	12	11,454	(78,316)	(57,511)
		(72,103)	**(154,677)**	**(218,671)**
Earnings before net interest expense and income tax (EBIT)		**152,922**	**70,066**	**226,588**
Net interest expense	5	(28,991)	(35,510)	(62,601)
Profit before income tax		**123,931**	**34,556**	**163,987**
Income tax expense	6	(35,798)	(9,498)	(46,451)
Profit for the period		**88,133**	**25,058**	**117,536**
Basic and diluted earnings per share (cents)	8	**14.90**	**4.35**	**20.31**

Supplementary disclosure

Underlying earnings after tax is presented to allow users to make an assessment and comparison of underlying earnings after adjusting for significant one-off items and the non-cash change in fair value of financial instruments.

Underlying earnings after tax	2	**80,115**	**79,879**	**160,624**
Underlying earnings per share (cents)	8	**13.54**	**13.85**	**27.75**

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

Statement of Comprehensive Income for the six months ended 31 December 2009

Group	Note	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Profit for the period		**88,133**	**25,058**	**117,536**
Other comprehensive income:				
Change in foreign currency translation reserve		(85)	(160)	(106)
Change in asset revaluation reserve		(537)	(1,800)	(3,295)
Change in cash flow hedge reserve		13,203	62,689	52,091
Change in share-based payment reserve		569	570	581
Total other comprehensive income before tax		**13,150**	**61,299**	**49,271**
Deferred tax relating to components of other comprehensive income		(4,420)	(18,396)	(15,464)
Other comprehensive income for the period, net of tax		**8,730**	**42,903**	**33,807**
Total comprehensive income for the period		**96,863**	**67,961**	**151,343**

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

Statement of Changes in Equity for the six months ended 31 December 2009

Group	Note	Share capital $000	Foreign currency translation reserve $000	Asset revaluation reserve $000	Cash flow hedge reserve $000	Share-based payment reserve $000	Retained earnings $000	Total shareholders' equity $000
Opening balance as at 1 July 2008		780,037	396	1,898,383	(74,279)	1,171	298,363	2,904,071
Total comprehensive income for the period		–	(112)	(1,260)	43,705	570	25,058	67,961
Transactions with owners recorded directly in equity:								
Dividends paid	7	–	–	–	–	–	(98,028)	(98,028)
Total transactions with owners recorded directly in equity		–	–	–	–	–	**(98,028)**	**(98,028)**
Audited closing balance as at 31 December 2008		**780,037**	**284**	**1,897,123**	**(30,574)**	**1,741**	**225,393**	**2,874,004**
Opening balance as at 1 January 2009		780,037	284	1,897,123	(30,574)	1,741	225,393	2,874,004
Total comprehensive income for the period		–	26	(1,047)	(8,086)	11	92,478	83,382
Transactions with owners recorded directly in equity:								
Change in share capital	9	48,576	–	–	–	–	–	48,576
Distributions declared	7	–	–	–	–	–	(63,694)	(63,694)
Total transactions with owners recorded directly in equity		**48,576**	–	–	–	–	**(63,694)**	**(15,118)**
Audited closing balance as at 30 June 2009		**828,613**	**310**	**1,896,076**	**(38,660)**	**1,752**	**254,177**	**2,942,268**
Opening balance as at 1 July 2009		828,613	310	1,896,076	(38,660)	1,752	254,177	2,942,268
Total comprehensive income for the period		–	(65)	(376)	8,602	569	88,133	96,863
Transactions with owners recorded directly in equity:								
Change in share capital	9	71,120	–	–	–	–	–	71,120
Restricted shares vested during the period	9,10	10	–	–	–	(10)	–	–
Distributions declared	7	–	–	–	–	–	(99,503)	(99,503)
Total transactions with owners recorded directly in equity		**71,130**	–	–	–	**(10)**	**(99,503)**	**(28,383)**
Unaudited closing balance as at 31 December 2009		**899,743**	**245**	**1,895,700**	**(30,058)**	**2,311**	**242,807**	**3,010,748**

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

Statement of Financial Position as at 31 December 2009

Group	Note	Unaudited 31 Dec 2009 $000	Audited 31 Dec 2008 $000	Audited 30 June 2009 $000
Shareholders' equity		**3,010,748**	**2,874,004**	**2,942,268**
Represented by:				
Current assets				
Cash and short term deposits	11	76,833	13,339	179,220
Receivables and prepayments		199,234	184,940	253,836
Tax receivable		–	17,485	–
Inventories		12,473	16,647	15,906
Derivative financial instruments	12	3,002	23,476	14,987
Total current assets		**291,542**	**255,887**	**463,949**
Non-current assets				
Property, plant and equipment		4,757,853	4,509,166	4,644,973
Intangible assets		265,749	213,547	252,159
Gas storage – cushion gas		72,514	23,491	46,252
Investment in associates	15	8,428	7,940	8,687
Available-for-sale financial assets		2,943	2,935	2,935
Derivative financial instruments	12	299	74,429	6,597
Other non-current assets		6,949	5,233	5,987
Total non-current assets		**5,114,735**	**4,836,741**	**4,967,590**
Total assets		**5,406,277**	**5,092,628**	**5,431,539**
Current liabilities				
Borrowings	11	7,632	296,302	4,311
Current portion of term borrowings	11	125,456	–	141,662
Derivative financial instruments	12	71,248	32,839	72,368
Payables and accruals		235,092	203,930	304,235
Tax payable		6,430	–	2,218
Provisions		6,103	15,723	8,195
Total current liabilities		**451,961**	**548,794**	**532,989**
Non-current liabilities				
Borrowings	11	1,032,232	806,465	1,091,106
Derivative financial instruments	12	120,019	96,838	85,905
Provisions		35,251	34,007	33,750
Deferred tax	13	755,302	730,450	744,092
Other non-current liabilities		764	2,070	1,429
Total non-current liabilities		**1,943,568**	**1,669,830**	**1,956,282**
Total liabilities		**2,395,529**	**2,218,624**	**2,489,271**
Net assets		**3,010,748**	**2,874,004**	**2,942,268**

The Directors of Contact Energy Limited authorised these condensed interim group financial statements for issue.

On behalf of the Board.

Grant King
Chairman, 22 February 2010

Phillip Pryke
Deputy Chairman, 22 February 2010

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

Statement of Cash Flows for the six months ended 31 December 2009

Group	Note	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		1,119,268	1,574,249	2,492,488
Dividends received		1,664	2,465	3,842
		1,120,932	1,576,714	2,496,330
Cash applied to:				
Payments to suppliers and employees		(888,794)	(1,340,109)	(2,035,904)
Supplementary dividend paid to shareholders	7	(836)	(10,197)	(10,776)
Tax paid		(25,160)	(25,000)	(25,000)
		(914,790)	(1,375,306)	(2,071,680)
Net cash inflow from operating activities		**206,142**	**201,408**	**424,650**
Cash flows from investing activities				
Cash provided from:				
Interest received		2,881	1,832	4,961
Loan from associate		–	–	80
		2,881	1,832	5,041
Cash applied to:				
Purchase of property, plant and equipment		(198,550)	(168,001)	(385,715)
Purchase of intangible assets		(15,239)	(18,715)	(25,750)
New Plymouth asbestos removal and related costs		(2,046)	(9,573)	(17,280)
Purchase of gas storage rights		–	(120)	(120)
Purchase of available-for-sale financial asset		(8)	–	–
Purchase of cushion gas		(17,592)	(23,622)	(41,151)
Repayment of loan to associate		(1,085)	(695)	(1,317)
		(234,520)	(220,726)	(471,333)
Net cash (outflow) to investing activities		**(231,639)**	**(218,894)**	**(466,292)**
Cash flows from financing activities				
Cash provided from:				
Proceeds from borrowings		–	–	550,000
Proceeds from other short term loans		8,184	173,524	173,524
		8,184	173,524	723,524
Cash applied to:				
Interest paid		(52,216)	(37,477)	(79,019)
Distributions and dividends paid to shareholders	7	(28,235)	(98,028)	(112,583)
Financing related costs		(102)	–	(11,151)
Profit distribution related costs		(265)	–	(431)
Repayment of other short term loans and finance lease liabilities		(4,568)	(10,052)	(301,943)
		(85,386)	(145,557)	(505,127)
Net cash (outflow)/inflow to/from financing activities		**(77,202)**	**27,967**	**218,397**
Net (decrease)/increase in cash and cash equivalents		(102,699)	10,481	176,755
Add: cash and cash equivalents at the start of the period		177,545	790	790
Cash and cash equivalents at the end of the period		**74,846**	**11,271**	**177,545**
Cash and cash equivalents is comprised of:				
Bank overdraft	11	(1,987)	(2,068)	(1,675)
Cash and short term deposits	11	76,833	13,339	179,220
		74,846	**11,271**	**177,545**

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

Statement of Cash Flows for the six months ended 31 December 2009 (continued)

Group Reconciliation of profit for the period to cash flows from operating activities	Note	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Profit for the period		**88,133**	**25,058**	**117,536**
Items classified as investing/financing				
Net interest expense	5	28,991	35,510	62,601
		28,991	35,510	62,601
Non-cash items				
Bad and doubtful accounts receivable		8,028	4,368	11,531
Movement in provisions		201	565	165
Share-based payments		791	709	868
Impairment of Gasbridge assets	3	–	–	2,830
Depreciation and amortisation		85,026	78,060	161,954
Equity accounted loss/(earnings) of associates net of dividends received		195	(191)	(739)
Change in fair value of financial instruments	12	(11,454)	78,316	57,511
Increase/(decrease) in deferred tax		6,790	(5,924)	8,849
Other		(623)	(39)	(2,872)
		88,954	155,864	240,097
Movement in working capital				
Decrease in receivables and prepayments		46,109	328,573	251,998
(Increase) in tax receivable		–	(17,775)	–
Decrease in inventories		3,202	4,291	5,205
(Decrease) in payables and accruals		(52,259)	(328,113)	(252,312)
Increase in tax payable		4,212	–	2,567
(Increase) in other non-current assets		(1,200)	(2,000)	(3,042)
		64	(15,024)	4,416
Net cash inflow from operating activities		**206,142**	**201,408**	**424,650**

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

Notes to the condensed interim group financial statements

for the six months ended 31 December 2009

1 Statement of accounting policies

Reporting entity

Contact Energy Limited (the Parent) is a profit-oriented company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZSX). It also has bonds listed on the New Zealand Debt Exchange (NZDX). The Parent is an issuer in terms of the Financial Reporting Act 1993. The condensed interim group financial statements (the Group financial statements) of Contact Energy Limited as at and for the six months ended 31 December 2009 comprise the Parent and its subsidiaries, interests in associates and jointly controlled entities (together referred to as Contact or the Group).

Contact is a diversified and integrated energy group, focusing on the wholesale generation of electricity and the retail sale of electricity, natural gas and liquefied petroleum gas (LPG), and related services in New Zealand.

Basis of preparation

The functional and reporting currency used in the preparation of the Group financial statements is New Zealand dollars, rounded to the nearest thousand ($000).

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

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 2009 (2009 Annual Report). The accounting policies set out in the 2009 Annual Report have been applied consistently to all periods presented in these financial statements. There have been no changes in accounting policies from those applied in the 2009 Annual Report, although certain new or amended International Accounting Standards have been adopted, namely *NZ IAS 1: Presentation of Financial Statements* and *NZ IFRS 8: Operating Segments*.

Certain presentational changes have been made to the Statement of Financial Position, Income Statement, Statement of Cash Flows, Statement of Changes in Equity and related notes to ensure consistency with current period treatment. These changes, which have been applied retrospectively, are listed below:

Changes made to 30 June 2009 and 31 December 2008:

- reclassification of restricted share capital from 'share capital' to 'share-based payment reserve'.
- presentation of 'proceeds from other short term loans' and 'repayment of other short term loans and finance lease liabilities' has been amended to separately disclose repayments and drawdowns.

Changes made to 31 December 2008 (already reclassified at 30 June 2009):

- reclassification of 'purchase of intangible assets' from 'purchase of property plant and equipment'.
- presentation of derivative financial instruments – the current and non-current split of derivative financial instruments has been amended to reflect the timing of the underlying cash flows rather than the contractual maturity dates of the instruments.
- reclassification of certain deferred financing costs from 'other non-current assets' to 'borrowings'.
- reclassification of certain fee income from 'other operating expenses' to 'other income'.

Adoption status of relevant new financial reporting standards and interpretations

Contact has elected not to early adopt the following standards, considered relevant to the financial statements, which have been issued but are not yet effective:

- *NZ IFRS 2 Amendment: Share-based Payments* – issued August 2009 and effective for reporting periods beginning on or after 1 January 2010.
- *NZ IFRS 9 Financial Instruments: Recognition and Measurement* – issued November 2009 and effective for reporting periods beginning on or after 1 January 2013.
- *NZ IAS 1 Amendment: Presentation of Financial Statements* – amendment issued May 2009 and effective for reporting periods beginning on or after 1 January 2010.

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

- *NZ IAS 7 Amendment: Statement of Cash Flows* – amendment issued May 2009 and effective for reporting periods beginning on or after 1 January 2010.
- *NZ IAS 17 Amendment: Leases* – amendment issued May 2009 and effective for reporting periods beginning on or after 1 January 2010.
- *NZ IAS 24 Amendment: Related Party Disclosures* – amendment issued November 2009 and effective for reporting periods beginning on or after 1 July 2011.
- *NZ IAS 36 Amendment: Impairment of Assets* – amendment issued May 2009 and effective for reporting periods beginning on or after 1 January 2010.

Contact does not currently intend to early adopt any of these standards before their effective dates. The adoption of these standards is not expected to have a material impact on the recognition and measurement of Contact's assets, liabilities, income and expenses.

Accounting estimates and judgements

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Contact's significant areas of estimation and critical judgements in these Group financial statements are summarised below:

- Valuation and hedge designation of certain financial instruments.
- Valuation of generation plant and equipment.
- Useful life of intangible assets – gas storage rights.
- Carrying value of intangible assets – goodwill.
- Carrying value of provisions – restoration and environmental rehabilitation.
- Recognition of retail revenue for unread gas and electricity meters at balance sheet date.
- Useful life of property, plant and equipment and finite life intangible assets.

This list is consistent with that set out in the 2009 Annual Report.

2 Underlying earnings after tax

Underlying earnings after tax for the period is presented to allow users to make an assessment and comparison of underlying earnings after adjusting for significant one-off items and the non-cash change in fair value of financial instruments.

Group	Note	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Profit for the period		**88,133**	**25,058**	**117,536**
Change in fair value of financial instruments	12	(11,454)	78,316	57,511
Impairment of Gasbridge assets	3	–	–	2,830
Adjustments before income tax		**(11,454)**	**78,316**	**60,341**
Income tax expense*		3,436	(23,495)	(17,253)
Adjustments after income tax		**(8,018)**	**54,821**	**43,088**
Underlying earnings after tax		**80,115**	**79,879**	**160,624**

* Tax has been applied at 30 per cent on relevant items.

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

3 Impairment of Gasbridge assets

During the 12 months ended 30 June 2009 Contact and Genesis Power Limited decided to put on hold the development of the land based liquefied natural gas (LNG) terminal. As a result of this decision, Contact wrote off its share of the assets of the Gasbridge Joint Venture relating to the previously planned onshore LNG storage and land based regasification facility. An impairment loss of $2.8 million was taken to the Income Statement relating to this write-off for the 12 months ended 30 June 2009.

4 Segment reporting

Contact has determined the operating segments based on the reports reviewed by the Managing Director to assess performance, allocate resources and make strategic decisions.

The Managing Director considers the business from a retail/generation perspective:

- The retail segment encompasses any activity that is associated with Contact's supply of energy and related services to end user customers.
- The generation segment encompasses any activity that is associated with Contact's generation of electricity or steam and Contact's sales to the wholesale electricity market. It includes all activities in relation to the gas storage facility at the Ahuroa reservoir.

The segment result includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The relative contributions of the retail and generation segments are significantly influenced by the energy purchase cost for the retail segment and the sales price for the generation segment. The wholesale electricity purchase cost for the retail segment is assumed to be the spot price prevailing in the New Zealand wholesale electricity market at the relevant time and at the relevant node, at which a purchase of electricity is made. For the six months ended 31 December 2009 this was $46.12 per megawatt hour (31 December 2008: $85.93 per megawatt hour; 30 June 2009: $65.79 per megawatt hour). Similarly, the revenue received by the generation segment is calculated as the volume generated at the injection point and the average price received at the relevant grid injection point. For the six months ended 31 December 2009 this was $41.50 per megawatt hour (31 December 2008: $72.03 per megawatt hour; 30 June 2009: $56.08 per megawatt hour). Variances in the segments between periods will therefore be affected by changes in wholesale electricity prices.

The cost of gas purchases across the portfolio is allocated between the segments in proportion to consumption. Gas transmission and distribution charges are allocated to the segments within which they are incurred.

Group unaudited 6 months ended 31 December 2009	**Retail $000**	**Generation $000**	**Total $000**
External revenue	825,444	246,452	**1,071,896**
EBITDAF	197,128	27,897	**225,025**
Depreciation and amortisation of segment assets	(8,758)	(76,268)	**(85,026)**
Segment result	188,370	(48,371)	**139,999**
Equity accounted earnings of associates			1,469
Change in fair value of financial instruments			11,454
Net interest expense			(28,991)
Income tax expense			(35,798)
Profit for the period			**88,133**

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

Group audited 6 months ended 31 December 2008	Retail $000	Generation $000	Total $000
External revenue	858,534	381,702	**1,240,236**
EBITDAF	42,792	181,951	**224,743**
Depreciation and amortisation of segment assets	(10,825)	(67,235)	**(78,060)**
Segment result	31,967	114,716	**146,683**
Equity accounted earnings of associates			1,699
Change in fair value of financial instruments			(78,316)
Net interest expense			(35,510)
Income tax expense			(9,498)
Profit for the period			**25,058**

Group audited 12 months ended 30 June 2009	Retail $000	Generation $000	Total $000
External revenue	1,610,926	611,258	**2,222,184**
EBITDAF	236,857	208,402	**445,259**
Depreciation and amortisation of segment assets	(19,768)	(142,186)	**(161,954)**
Segment result	217,089	66,216	**283,305**
Equity accounted earnings of associates			3,624
Change in fair value of financial instruments			(57,511)
Impairment of Gasbridge assets			(2,830)
Net interest expense			(62,601)
Income tax expense			(46,451)
Profit for the period			**117,536**

5 Net interest expense

Group	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Interest expense	55,463	41,945	89,860
Interest expense capitalised	(24,017)	(4,409)	(21,473)
Interest income	(2,455)	(2,026)	(5,786)
Net interest expense	**28,991**	**35,510**	**62,601**

The weighted average capitalisation rate on funds borrowed for the six months ended 31 December 2009 is 7.2 per cent per annum (31 December 2008: 8.0 per cent and 30 June 2009: 7.1 per cent).

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

6 Income tax expense

The income tax expense for the six months ended 31 December 2009 reflects an effective income tax rate of 28.9 per cent (31 December 2008: 27.5 per cent and 30 June 2009: 28.3 per cent).

The effective income tax rate for the six months ended 31 December 2009 for the Group differs from the statutory rate of 30.0 per cent due to current period non-temporary differences and prior period adjustments.

The effective income tax rate is expected to be approximately 29.4 per cent for the 12 months ending 30 June 2010.

7 Distributions and dividends

Group	Distribution/dividend payment date	Cents per share	Unaudited 6 months ended 31 Dec 2009 $000	Audited 6 months ended 31 Dec 2008 $000	Audited 12 months ended 30 June 2009 $000
Dividends					
2008 year final dividend	23 September 2008	17.0	–	98,028	98,028
Supplementary dividend			–	10,197	10,197
Foreign investor tax credit			–	(10,197)	(10,197)
Distributions					
2009 year interim distribution	31 March 2009	11.0	–	–	63,694
Supplementary dividend			–	–	579
Foreign investor tax credit			–	–	(579)
2009 year final distribution	22 September 2009	17.0	99,503	–	–
Supplementary dividend			836	–	–
Foreign investor tax credit			(836)	–	–
Total distributions and dividends			**99,503**	**98,028**	**161,722**

The distributions on 31 March 2009 and 22 September 2009 were made pursuant to the Parent's Profit Distribution Plan (PDP). Refer to note 9.

On 22 February 2010 the Board of Directors (the Board) declared a distribution in the form of a non-taxable bonus issue under the PDP equivalent to 11.0 cents per share, for shares on issue at 9 March 2010, the record date, with bonus shares allocated and/or cash distributed on 30 March 2010. Refer to note 17.

8 Earnings and net tangible assets per share

Group	Unaudited 31 Dec 2009	Audited 31 Dec 2008	Audited 30 June 2009
Underlying earnings per share (cents)	13.54	13.85	27.75
Basic earnings per share (cents)	14.90	4.35	20.31
Diluted earnings per share (cents)	14.90	4.35	20.31
Weighted average number of shares on issue over the period	591,648,016	576,633,982	578,821,979
Net tangible assets per share (dollars)	4.60	4.61	4.60
Number of shares on issue at the end of the period	596,853,798	576,633,982	585,314,624

The calculation of underlying earnings per share is based on underlying earnings after tax after adjusting for significant one-off items and the non-cash change in fair value of financial instruments attributable to holders of unrestricted ordinary shares. Refer to note 2.

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

The weighted average number of shares on issue at the balance sheet dates presented is reflective of the issue and repurchase of ordinary share capital on 31 March 2009 and 22 September 2009, pursuant to the Parent's PDP. Refer to note 9.

For the purpose of the calculation of the weighted average number of shares on issue, the restricted shares issued under the Group's Employee Long Term Incentive Scheme are excluded until shares become unrestricted. Refer to note 10.

The dilutive effect of share options and restricted shares has not been taken into account in the calculation of diluted earnings per share at 31 December 2009, 31 December 2008 and 30 June 2009 as the relevant performance conditions have not been fulfilled at the balance sheet dates presented.

The calculation of net tangible assets per share at 31 December 2009, 31 December 2008 and 30 June 2009 is based on the total net assets less intangible assets, divided by the number of shares on issue at each period end. Net tangible assets per share would increase if total net assets were adjusted for the deferred tax on the revaluation of generation plant and equipment and generation capital work in progress, which is unlikely to crystallise under existing income tax legislation, if the assets were to be sold at the balance sheet date. Refer to note 13.

9 Share capital

	Ordinary shares – unrestricted	
Group	**Number**	**$000**
Opening balance as at 1 July 2008	576,633,982	780,037
Issued during the period	–	–
Audited closing balance as at 31 December 2008	**576,633,982**	**780,037**
Opening balance as at 1 January 2009	576,633,982	780,037
Share capital issued	11,251,746	63,694
Share capital repurchased and held as treasury stock*	(2,571,104)	(14,555)
Transaction costs	–	(563)
Audited closing balance as at 30 June 2009	**585,314,624**	**828,613**
Opening balance as at 1 July 2009	585,314,624	828,613
Share capital issued	16,091,878	99,503
Share capital repurchased and cancelled during the period	(4,554,184)	(28,235)
Restricted shares vested during the period	1,480	10
Transaction costs	–	(148)
Unaudited closing balance as at 31 December 2009	**596,853,798**	**899,743**

* Treasury stock cancelled on 23 November 2009.

On 22 September 2009 the Parent issued 16,091,878 ordinary shares pursuant to the Parent's PDP. The PDP allowed shareholders to elect to have the Parent buy back the shares issued to them at the issue price. As a result of shareholder elections, the Parent completed an off-market buy back of 4,554,184 shares on 22 September 2009. These shares were immediately cancelled upon buy back.

10 Share-based payments

Pursuant to the Group's Employee Long Term Incentive Scheme, the Parent issued 1,650,171 share options and 232,849 restricted ordinary shares on 7 December 2009. The shares are held in trust until certain performance hurdles are achieved. Options and restricted shares issued pursuant to the Group's Employee Long Term Incentive Scheme are recognised through the share-based payments reserve until the restricted shares vest and the options are exercised.

On 7 December 2009, 1,480 restricted ordinary shares issued pursuant to the Group's Employee Long Term Incentive Scheme became unrestricted ordinary shares as the relevant performance hurdles were achieved. As such, legal title to these shares transferred to the participant. Refer to note 9.

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

11 Borrowings

This note provides information about the contractual terms of Contact's borrowings.

Carrying value of borrowings

Group Current borrowings	Borrowing currency denomination	Unaudited 31 Dec 2009 $000	Audited 31 Dec 2008 $000	Audited 30 June 2009 $000
Bank overdraft	NZD	1,987	2,068	1,675
Committed credit facilities	NZD	–	290,000	–
Other credit facilities	NZD	4,071	–	–
Loan from associate	AUD	489	2,085	1,580
Other short term loans	NZD	–	1,375	–
Finance lease liabilities	NZD	1,085	774	1,056
Total current borrowings		**7,632**	**296,302**	**4,311**
Current portion of term borrowings				
Fixed rate senior notes	USD	125,456	–	141,662
Total current portion of term borrowings		**125,456**	–	**141,662**
Non-current borrowings				
Fixed rate senior notes	USD	489,831	805,912	549,352
Fixed rate bonds	NZD	540,990	–	540,219
Total non-current portion of term borrowings		**1,030,821**	**805,912**	**1,089,571**
Finance lease liabilities	NZD	1,411	553	1,535
Total non-current borrowings		**1,032,232**	**806,465**	**1,091,106**

Foreign currency denominated term borrowings are hedged by cross currency interest rate swaps and are measured at fair value less deferred financing costs in the Statement of Financial Position. All other borrowings are held at amortised cost less deferred financing costs. The reconciliation of the New Zealand dollar equivalent of contracted borrowings to the Statement of Financial Position carrying value is detailed below:

Group unaudited 31 December 2009	Fixed rate senior notes $000	Fixed rate bonds $000	Total term borrowings $000
New Zealand dollar equivalent of contracted borrowings	747,527	550,000	1,297,527
Deferred financing costs	(1,469)	(9,010)	(10,479)
Net fair value adjustment	(130,771)	–	(130,771)
Carrying value of term borrowings	**615,287**	**540,990**	**1,156,277**
Current	125,456	–	125,456
Non-current	489,831	540,990	1,030,821
Carrying value of term borrowings	**615,287**	**540,990**	**1,156,277**

Fixed rate senior notes with a New Zealand dollar contracted amount of $160.2 million mature in March 2010.

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

Group audited 31 December 2008	Fixed rate senior notes $000	Fixed rate bonds $000	Total term borrowings $000
New Zealand dollar equivalent of contracted borrowings	747,527	–	747,527
Deferred financing costs	(1,902)	–	(1,902)
Net fair value adjustment	60,287	–	60,287
Carrying value of term borrowings	**805,912**	–	**805,912**
Current	–	–	–
Non-current	805,912	–	805,912
Carrying value of term borrowings	**805,912**	–	**805,912**

Group audited 30 June 2009	Fixed rate senior notes $000	Fixed rate bonds $000	Total term borrowings $000
New Zealand dollar equivalent of contracted borrowings	747,527	550,000	1,297,527
Deferred financing costs	(1,678)	(9,781)	(11,459)
Net fair value adjustment	(54,835)	–	(54,835)
Carrying value of term borrowings	**691,014**	**540,219**	**1,231,233**
Current	141,662	–	141,662
Non-current	549,352	540,219	1,089,571
Carrying value of term borrowings	**691,014**	**540,219**	**1,231,233**

Security

Except for finance leases, Contact's borrowings are unsecured. Contact borrows under a negative pledge arrangement, which does not permit Contact to grant any security interest over its assets, unless it is an exception permitted within the negative pledge arrangements. All borrowing covenant requirements were met at 31 December 2009.

Credit facilities

Contact has total committed but undrawn facilities at 31 December 2009 of $685.0 million (31 December 2008: $585.0 million; 30 June 2009: $685.0 million). As at 31 December 2009, $165.0 million of the facilities mature in May 2010, $270.0 million mature in May 2011, $100.0 million mature in February 2012, and $150.0 million mature in December 2012.

At 31 December 2009, $0.0 million (31 December 2008: $290.0 million; 30 June 2009: $0.0 million) was drawn against these facilities. These Committed Credit Facilities also support a $250.0 million commercial paper programme. This programme was unutilised at 31 December 2009 (31 December 2008 and 30 June 2009: unutilised).

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

Gearing ratios

The gearing ratios at 31 December 2009, 31 December 2008 and 30 June 2009 were as follows:

Group	Unaudited 31 Dec 2009 $000	Audited 31 Dec 2008 $000	Audited 30 June 2009 $000
Net debt			
Current borrowings	(7,632)	(296,302)	(4,311)
New Zealand dollar equivalent of term borrowings – after foreign exchange hedging and before deferred financing costs	(747,527)	(747,527)	(747,527)
Fixed rate bonds – before deferred financing costs	(550,000)	–	(550,000)
Other non-current borrowings	(1,411)	(553)	(1,535)
Cash and short term deposits	76,833	13,339	179,220
Total net debt	**(1,229,737)**	**(1,031,043)**	**(1,124,153)**
Equity			
Shareholders' equity	(3,010,748)	(2,874,004)	(2,942,268)
Remove net effect of fair value of financial instruments after tax	(40,036)	(64,441)	(57,298)
Adjusted equity	**(3,050,784)**	**(2,938,445)**	**(2,999,566)**
Total capital funding	(4,280,521)	(3,969,488)	(4,123,719)
Gearing ratio	**29%**	**26%**	**27%**

12 Derivative financial instruments

Fair value of derivative financial instruments

The fair value of the significant types of derivative financial instruments outstanding are summarised below:

Group	Unaudited fair value assets 31 Dec 2009 $000	Unaudited fair value liabilities 31 Dec 2009 $000	Audited fair value assets 31 Dec 2008 $000	Audited fair value liabilities 31 Dec 2008 $000	Audited fair value assets 30 June 2009 $000	Audited fair value liabilities 30 June 2009 $000
Cross currency interest rate swaps	720	(131,507)	65,350	(5,552)	4,103	(58,922)
Interest rate derivatives	–	(26,183)	–	(55,780)	1,809	(38,544)
Cross currency interest rate swaps – margin	–	(4,624)	3,095	(1,323)	117	(2,454)
Forward foreign exchange derivatives	–	(4,360)	27,703	(299)	3,713	(5,940)
Electricity price hedges	2,581	(24,593)	1,757	(66,723)	11,842	(52,413)
Total derivative financial instruments	**3,301**	**(191,267)**	**97,905**	**(129,677)**	**21,584**	**(158,273)**
Disclosed as:						
Current	3,002	(71,248)	23,476	(32,839)	14,987	(72,368)
Non-current	299	(120,019)	74,429	(96,838)	6,597	(85,905)
	3,301	**(191,267)**	**97,905**	**(129,677)**	**21,584**	**(158,273)**

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

Changes in fair value of financial instruments

The changes in the fair value of financial instruments recognised in the Income Statement and cash flow hedge reserve are summarised below:

Group Favourable/(Unfavourable)	Hedge accounting designation	Unaudited Income Statement 6 months ended 31 Dec 2009 $000	Unaudited cash flow hedge reserve 6 months ended 31 Dec 2009 $000	Audited Income Statement 6 months ended 31 Dec 2008 $000	Audited cash flow hedge reserve 6 months ended 31 Dec 2008 $000	Audited Income Statement 12 months ended 30 June 2009 $000	Audited cash flow hedge reserve 12 months ended 30 June 2009 $000
Cross currency interest rate swaps	Fair value hedge	(75,967)	–	251,052	–	136,436	–
Borrowings		75,936	–	(251,566)	–	(136,444)	–
		(31)	–	**(514)**	–	**(8)**	–
Interest rate derivatives	No hedge	10,172	380	(69,694)	457	(51,096)	904
Cross currency interest rate swaps – margin	Cash flow hedge	1,881	(4,168)	977	7,386	2,444	1,810
Forward foreign exchange derivatives	Cash flow hedge	–	(2,133)	–	23,573	–	(6,058)
Forward foreign exchange derivatives	No hedge	–	–	56	–	56	–
Electricity price hedges	Cash flow hedge	(1,726)	19,124	27	31,273	1,814	55,435
Electricity price hedges	No hedge	1,158	–	(9,168)	–	(10,721)	–
Deferred tax on changes in fair value of financial instruments taken to equity		–	(4,601)	–	(18,984)	–	(16,472)
Total change in fair value of financial instruments		**11,454**	**8,602**	**(78,316)**	**43,705**	**(57,511)**	**35,619**

13 Deferred tax

Contact holds its property, plant and equipment on capital account for income tax purposes. Where the generation plant and equipment and generation capital work in progress is revalued, and there is no similar adjustment to the tax base, a taxable temporary difference is created that is recognised in deferred tax. The deferred tax liability on these revaluations would not crystallise under existing income tax legislation if the assets were to be sold at the balance sheet date. At 31 December 2009, the amount of deferred tax relating to the revaluation of generation plant and equipment and generation capital work in progress was $522.3 million (31 December 2008: $549.0 million; 30 June 2009: $535.7 million).

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

14 Commitments

Group	Unaudited 31 Dec 2009 $000	Audited 31 Dec 2008 $000	Audited 30 June 2009 $000
Capital and investment commitments	227,416	250,131	249,821
Operating lease commitments	26,700	31,925	29,715
Other operating commitments	9,512	15,468	12,364

Other operating commitments comprise a portion of long term maintenance agreements entered into for generation assets, with the remainder of commitments under these agreements included in capital and investment commitments. The majority of the operating lease commitments are for building accommodation.

Gas commitments

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 2009 Annual Report.

There have been no material changes to these commitments as at 31 December 2009.

15 Investment in associates and jointly controlled entity

Contact holds a 25 per cent interest in Oakey Power Holdings Pty Limited and a 50 per cent interest in Rockgas Timaru Limited. Contact holds a 50 per cent interest in the Gasbridge Joint Venture. No associate or joint venture is material to Contact.

16 Material related party transactions

Material transactions with ultimate parent entity

David Baldwin, Managing Director of Contact, is seconded to Contact from his employer Origin Energy Limited (Origin). Fees incurred or accrued during the six months ended 31 December 2009 in relation to Mr Baldwin's role as Managing Director totalled $0.7 million (31 December 2008: $0.5 million; 30 June 2009: $1.0 million), which includes the cost of his salary and other employment benefits including the 2008/2009 short term incentive payment. At 31 December 2009 $0.1 million (31 December 2008: $0.1 million; 30 June 2009: $0.2 million) of this amount remained outstanding.

In addition, he received share-based payments under the Group's Employee Long Term Incentive Scheme amounting to $0.2 million (31 December 2008: $0.2 million; 30 June 2009: $0.5 million), being the fair value of the share-based payments allocated during this reporting period.

Material transactions with Directors

Fees paid or accrued to Directors for director fees for the six months ended 31 December 2009 totalled $0.4 million (31 December 2008: $0.4 million; 30 June 2009: $0.9 million). At 31 December 2009 $0.2 million (31 December 2008: $0.2 million; 30 June 2009: $0.2 million) remained outstanding.

Material transactions with the other related parties

Rockgas Limited had transactions with Origin Energy LPG Limited and Origin Energy Contracting Limited, all entities within the Origin Energy Group, in respect of the purchase and shipping of LPG. During the six months ended 31 December 2009, transactions totalled $18.9 million (31 December 2008: $24.0 million; 30 June 2009: $45.0 million). At 31 December 2009, $3.5 million remained outstanding (31 December 2008: $0.0 million; 30 June 2009: $4.6 million).

Notes to the condensed interim group financial statements
for the six months ended 31 December 2009

Contact has transacted with Origin Energy Resources NZ Limited which has provided project management services and operating and maintenance services worth $3.6 million (31 December 2008: $0.0 million; 30 June 2009: $3.6 million) in respect to the development of the Ahuroa gas storage facility. In the six months ended 31 December 2009 Contact entered into a further agreement with Origin Energy Resources NZ Limited to undertake the drilling of three new wells. At 31 December 2009, $8.9 million had been incurred under this agreement.

At 31 December 2009 $1.0 million (31 December 2008: $0.0 million; 30 June 2009: $0.6 million) remained outstanding in relation to project management services and operating and maintenance services, and $5.4 million in relation to the drilling of the wells.

During the six months ended 31 December 2009, Contact and Origin Energy Resources NZ Limited have entered into an electricity supply contract, to supply Origin's facilities in the Taranaki region. There were no transactions under this agreement during the period.

17 Subsequent events

On 22 February 2010, the Board declared a distribution pursuant to the PDP in the form of a non-taxable bonus issue for the period ended 31 December 2009 equivalent to 11.0 cents per share, for shares on issue at 9 March 2010, the record date, with bonus shares allocated and/or cash distributed, if elected, on 30 March 2010.

Auditors' review report

To the shareholders of Contact Energy Limited

We have reviewed the attached interim financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Contact Energy Limited and its subsidiaries ('the Group') and its financial position as at 31 December 2009.

Directors' responsibilities

The Directors of Contact Energy Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2009 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 interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Group 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 may also 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. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2009, 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 22 February 2010 and our opinion is expressed as at that date.

KPMG

Wellington

Corporate directory

Board of Directors

Grant King, Chairman
Phillip Pryke, Deputy Chairman
David Baldwin, Managing Director
Bruce Beeren
John Milne
Karen Moses
Sue Sheldon
Whaimutu Dewes

Leadership team

Details can be found at contactenergy.co.nz/leadershipteam

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Company number: 660760

Shareholder enquiries

To change your address, add or change your bank account and to view your registered details including transactions, please visit: www.computershare.co.nz/investorcentre

General enquiries can be directed to:
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Computershare Investor Services Limited
Private Bag 92119, Auckland 1142
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Please assist our registrar by quoting your CSN or shareholder number.

General enquiries on the company's operating and financial performance should be made to the company at:
General Manager, Development and Acquisitions
Contact Energy Limited
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