Contact Energy Half Year Report 2013

For the six months ended 31 December 2012

contact™

About Contact

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

Employs around
1,100 staff from Auckland to Invercargill

Generates around
1/4
of New Zealand's electricity

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

5 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

Contact Energy Group had net assets of
$3.5 billion
at 31 December 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

Highlights

For the six months ended 31 December 2012

- Cash dividend resumed with a distribution of 11 cents per share as we near the end of our current capital investment programme.
- Solid first half performance with improvement across all key financial metrics, resulting in profit after tax for the six months ended 31 December 2012 of $88 million.
- Stable customer numbers and sales volume as we continue to be competitive in the retail market and focus on winning and keeping customers.
- Reducing cost of generation from diverse fuel and asset portfolio.
- Adjusting cost base and structure of the business to match the flat outlook for energy demand in all areas including procurement, IT and people.
- Balance sheet gearing remains strong as we look at a range of funding choices for 2014 refinancing.
- Safety statistics flat prompting increased effort to achieve our Zero Harm aspiration.

Chairman's and Chief Executive Officer's review

Dear shareholder

We are pleased to present our financial results for the six months ended 31 December 2012.

As our results show, we have delivered a solid performance in the first half of the 2013 financial year. With our diverse fuel and asset portfolio and competitive customer offers in place, Contact now has the ability to perform and respond to a range of market conditions.

Contact has announced a distribution of 11 cents per share. The distribution will be made as a fully imputed cash dividend and represents a payout ratio of 87 per cent of Contact's underlying earnings after tax.

Overview of results

Profit after tax for the six months ended 31 December 2012 was $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).

	6 months ended 31 Dec 2012	
EBITDAF	$253m	up 10% from $231m
Profit after tax for the period	$88m	up 29% from $68m
Earnings per share (cents)	12.2	up 26% from 9.7
Net items excluded from underlying earnings after tax	($4m)	down from ($8m)
Underlying earnings after tax	$92m	up 21% from $76m
Underlying earnings per share (cents)	12.7	up 17% from 10.9
Interim dividend (cents)	11	stable
Operating cashflow after tax	$177m	up 33% from $133m
Capital expenditure	$188m	down 32% from $276m
Total recordable injury frequency ratio	5.9	stable from 30 June 2012

1. EBITDAF is a non-generally accepted accounting practice (non-GAAP) profit measure. Management and directors monitor EBITDAF 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. A reconciliation of EBITDAF to profit after tax is provided in the Income Statement on page 12 of Contact's reviewed financial statements.
2. Underlying earnings after tax 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. A statement regarding the usefulness of underlying earnings after tax and reconciliation to profit after tax is provided below the Income Statement on page 12 and an explanation of the reconciling items is provided in Note 3 of Contact's reviewed financial statements.

Diverse portfolio proves its worth again

The first half of the 2013 financial year saw higher rainfall in the South Island, which increased hydro generation and displaced more expensive thermal generation. The benefits of Contact's diverse fuel and asset portfolio were again proven as we reduced our thermal generation and purchased a greater proportion of generation from the wholesale market while prices were lower.

Meanwhile, the investments in fast start peaking power stations and gas storage enabled us to manage trading risk and play a key role in ensuring a reliable national electricity supply.

Te Mihi power station progressing to final stages of completion

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 have commenced.

We opened the Wairākei bioreactor, a unique facility that uses bacteria native to the Waikato River to remove hydrogen sulphide from cooling fluid from the iconic Wairākei power station, significantly lowering our impact on the Waikato River.

We also opened the Ohaaki wetland, a two-year project managed by Fish & Game NZ that 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.

Safety

This reporting period we were unable to show an improvement to the company's safety statistics, with Contact's total recordable injury frequency rate in line with 30 June 2012.

The health and safety of all people who work for the company remain our number one priority, and we are working to ensure every employee and contractor is focused first and foremost on safety. We continue to improve our leadership, culture and systems to bring us closer to our goal of Zero Harm.

Customer numbers stable, retail margins remain tight

In the retail business Contact achieved an acceptable result, despite the market continuing to experience high levels of customer switching. Our 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, which looks to enhance our retail IT systems, is moving into the final stages of testing and preparing the business for the introduction of the new system.

Controlling our costs is a priority

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 so we can remain competitive.

With no expectation of committing to further generation developments in the near term, our focus will be on leveraging existing investments to reduce costs and minimising the costs required to retain the full range of development options we have in place.

We have announced to staff that we will be restructuring the business. We recognise that workforce changes are unsettling, particularly for 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.

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. Contact's balance sheet gearing remains strong with a gearing ratio of 29 per cent.

Looking forward

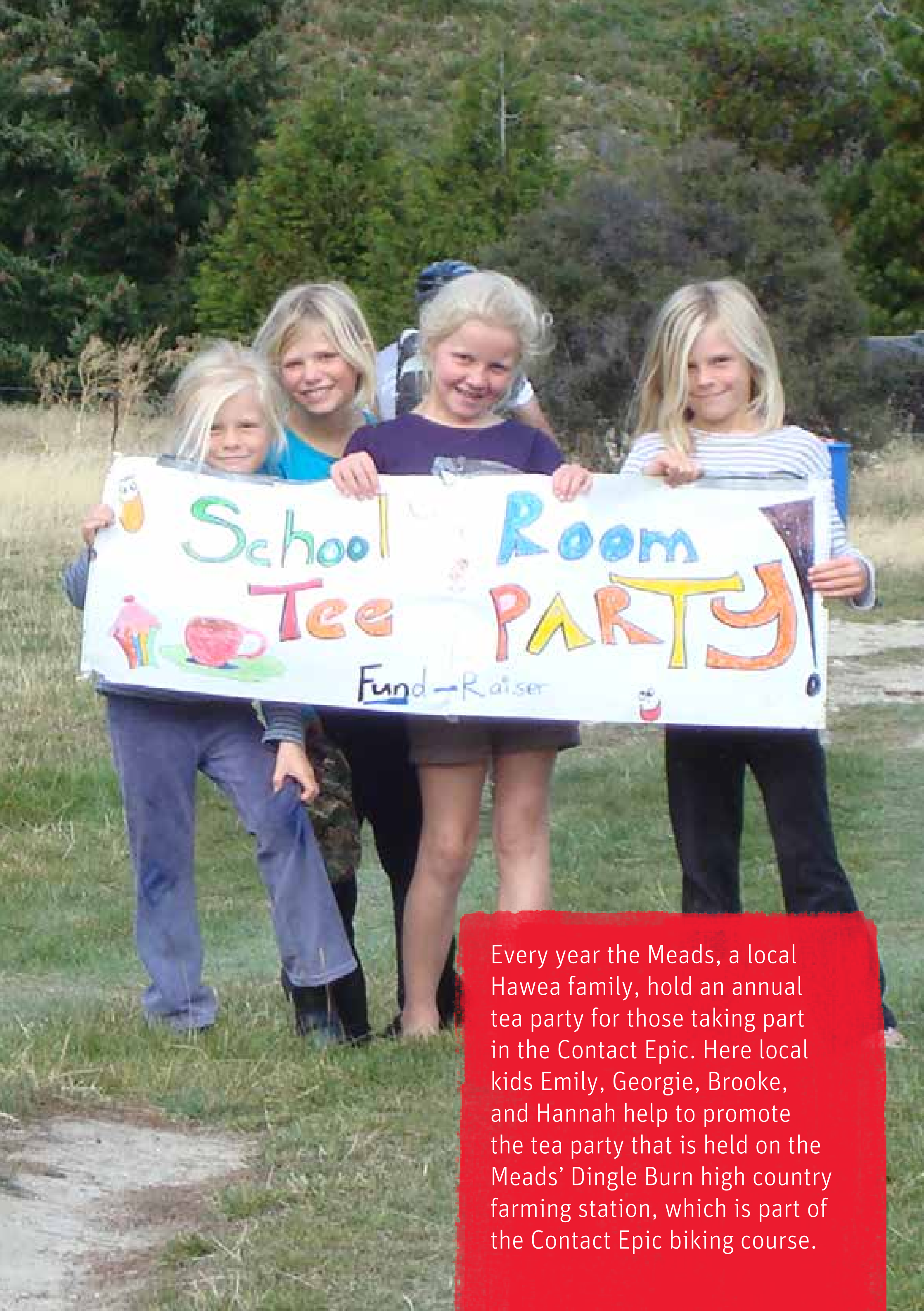
Our company is in a strong position, thanks to a sound strategy and the support you have given us over the past five years as we have invested in our plant and capability. For the remainder of 2013 and beyond, Contact will focus on remaining competitive for our customers and improving our cost base.

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.

Thank you for your ongoing support.

Grant King
Chairman

Dennis Barnes
Chief Executive Officer



Every year the Meads, a local Hawea family, hold an annual tea party for those taking part in the Contact Epic. Here local kids Emily, Georgie, Brooke, and Hannah help to promote the tea party that is held on the Meads' Dingle Burn high country farming station, which is part of the Contact Epic biking course.

Epic tea party helps out local community

Epic participants enjoy a scone and a cuppa at the Meads' tea party

Yearly, 10-year-old Ben and his sister Georgie look forward to the Contact Epic, an annual mountain biking challenge in Hawea. Not because they take part but because every April, Ben and Georgie get up early to help their mother bake scones for the tea party that they hold on their farm for Epic participants.

Since its inauguration in 2008, the Meads have been hosting a tea party for the hundreds that take part in the Epic as they ride past the Meads' Dingle Burn high country farming station, which is part of the biking course.

The idea was originally sparked by a friend's suggestion that the Meads hold a fundraising event to help purchase a school computer for the kids. "We're in a pretty remote location here so Ben and Georgie need to use a computer to complete their correspondence school assignments, and email and Skype their teachers," says Ben's mum, Brigitte.

"At first we did the tea party because we thought it would be a bit of a laugh, but we enjoyed ourselves so much the first time that we do it every year," says Brigitte. "And it's not about the money; it's about seeing the happy reactions on people's faces after their long ride to finally be able to stop, rest, and have a cuppa."

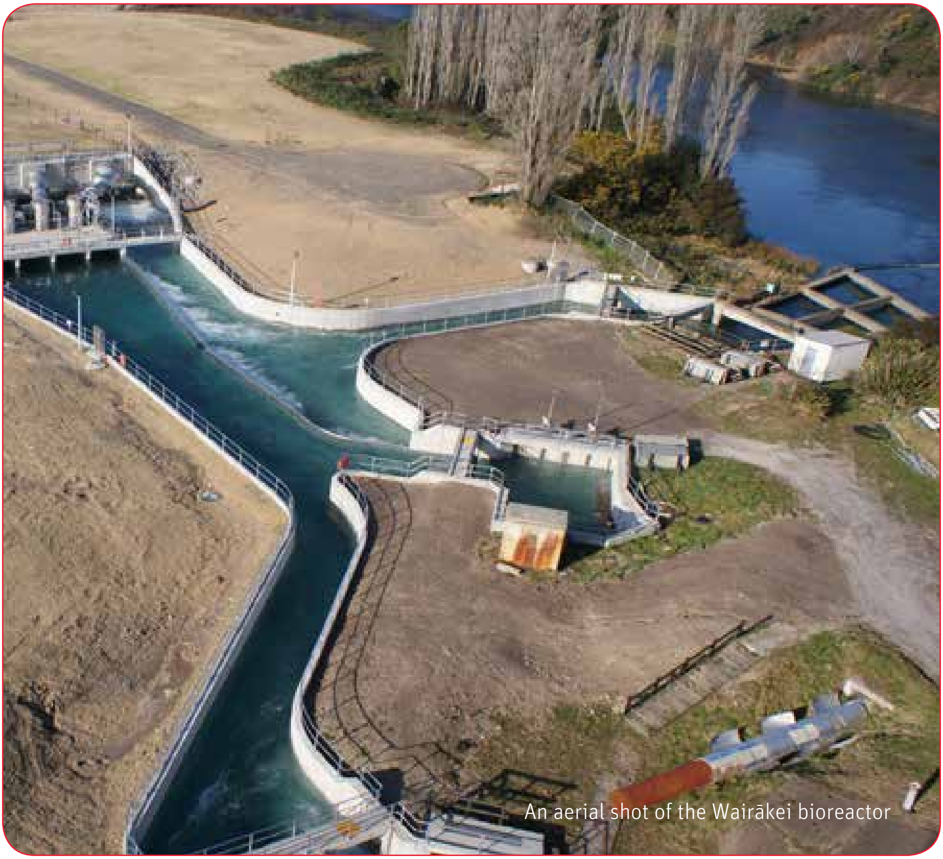
On the day, Brigitte and her family and friends get up at 5am to start baking the scones and organise the large amounts of hot water needed for the many cups of tea. Participants are served scones and hot tea and can provide a donation. Funds raised from the tea parties are put towards school resources for Ben and Georgie and a variety of local initiatives such as a new public toilet at Silver Island Bay on Lake Hawea or a donation to the local Hawea and Tarras schools.

"It's a full-on day and at times we run out of scones and someone has to whizz up to the house to bake more! We also make a point of staying there until the very last person; one year we stayed open until 11pm!"

Contact Community Relations Manager Craig Griffiths says that the Meads' tea party is "a unique example of how the Hawea community has embraced the event and one of the many examples of how the Contact Epic benefits the local economy".

This year will be the sixth year straight that Contact has been a Principal Partner of the Contact Epic, making it one of the longest running sponsorships Contact has been involved in. The Epic course runs along the shores of Lake Hawea, which Contact uses as its main storage lake on the Clutha, and every year around 50 local volunteers get involved with the event.

Contact opens Wairākei bioreactor



An aerial shot of the Wairākei bioreactor

After more than a decade of research, planning, and construction, Contact's long awaited Wairākei bioreactor was completed and opened in September last year. The bioreactor is an innovative biological treatment facility that will improve the water quality in the Waikato River and help to reduce the environmental impact from Contact's Wairākei power station, while ensuring Contact meets recent changes in consent requirements.

With 378 kilometres of underground pipes, the bioreactor is home to millions of sulphur-oxidising bacteria that work to reduce the levels of hydrogen sulphide (H_2S) found in the cooling water from the Wairākei power station. H_2S is a natural element found in geothermal steam that mixes with the power station's cooling water. Used cooling water from the station is pumped through the bioreactor's pipes where the bacteria remove H_2S from the water before it passes into the river.

Enhancing biodiversity in Ohaaki

Contact CEO Dennis Barnes and Minister of Conservation Hon Kate Wilkinson plant the ceremonial tree at the opening

New Zealand is home to unique species as well as unique habitats, of which our wetlands are one. Wetlands play an important part in conservation as they provide suitable habitat for waterfowl and other bird life. As part of Contact's commitment to mitigate and reduce the environmental impacts of our operations, we teamed up with Fish & Game NZ to help establish the Ohaaki wetland near Wairākei, which was officially opened last November.

The Ohaaki wetland is a unique area designed by Fish & Game NZ to enhance the biodiversity in the Ohaaki region. It is developed on subsiding land on the Ohaaki geothermal field that currently powers our Ohaaki power station, which is prone to flooding. The subsidence is the result of over extraction of geothermal fluid from the Ohaaki reservoir caused in the first five to 10 years after the commissioning of the Ohaaki power station in 1989, prior to Contact owning it.

The development of the wetland has been a two-year project that has transformed previously unused land impacted by subsidence into a useful natural resource that will help to restore an ecosystem that provides irreplaceable benefits for the area, said Contact Chief Executive Dennis Barnes at the wetland's opening last year.

The upper Waikato is estimated to have lost 200 hectares of riverside wetland over the past decade so the Ohaaki wetland project focused on recreating the type of wetland once found in the region.

Fish & Game NZ Officer John Meikle, who project managed the construction of the wetland, says that the creation of new wetlands is not common in New Zealand and creating one at Ohaaki was "a major environmental initiative, but one that has been so successful that it has inspired similar projects in the region and a further 20 small-scale local wetland projects are now underway."

Contact gifted the land for the wetland development and contributed to the funding for the wetland through the Wairākei Environmental Mitigation Charitable Trust, a fund created by Contact to help mitigate the environmental impacts of our Wairākei operations.

Condensed Interim Group Financial Statements

for the six months ended 31 December 2012

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These financial statements have been authorised on behalf of the Board on 18 February 2013.

Grant King
Chairman

Sue Sheldon
Director

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**

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

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**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Note	Share capital $m
Opening balance at 1 July 2011		1,413
Profit for the period after tax		–
Other comprehensive income after tax		–
Restricted shares and options lapsed during the period		–
Transactions with owners recorded directly in equity:		
Change in share capital		63
Change in share-based compensation reserve		–
Distributions declared	4	–
Total transactions with owners recorded directly in equity		**63**
Unaudited closing balance at 31 December 2011		**1,476**
Opening balance at 1 January 2012		1,476
Profit for the period after tax		–
Other comprehensive income after tax		–
Transactions with owners recorded directly in equity:		
Change in share capital		58
Change in share-based compensation reserve		–
Distributions declared	4	–
Total transactions with owners recorded directly in equity		**58**
Audited closing balance at 30 June 2012		**1,534**
Opening balance at 1 July 2012		1,534
Profit for the period after tax		–
Other comprehensive income after tax		–
Share options lapsed during the period		–
Transactions with owners recorded directly in equity:		
Change in share capital		71
Change in share-based compensation reserve		–
Distributions declared	4	–
Total transactions with owners recorded directly in equity		**71**
Unaudited closing balance at 31 December 2012		**1,605**

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

Retained earnings $m	Cash flow hedge reserve $m	Share-based compensation reserve $m	Total shareholders' equity $m
1,855	(37)	5	3,236
68	–	–	68
–	24	–	24
1	–	(1)	–
–	–	–	63
–	–	2	2
(84)	–	–	(84)
(84)	**–**	**2**	**(19)**
1,840	**(13)**	**6**	**3,309**
1,840	(13)	6	3,309
122	–	–	122
–	5	–	5
–	–	–	58
–	–	2	2
(78)	–	–	(78)
(78)	**–**	**2**	**(18)**
1,884	**(8)**	**8**	**3,418**
1,884	(8)	8	3,418
88	–	–	88
–	4	–	4
1	–	(1)	–
–	–	–	71
–	–	2	2
(86)	–	–	(86)
(86)	**–**	**2**	**(13)**
1,887	**(4)**	**9**	**3,497**

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

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**

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 judgements 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.

NOTES TO THE CONDENSED INTERIM GROUP FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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.

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.

NOTES TO THE CONDENSED INTERIM GROUP FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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.

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.

NOTES TO THE CONDENSED INTERIM GROUP FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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.

KPMG

Auditors' review report

To the shareholders of Contact Energy Limited

We have completed a review of the condensed interim group financial statements on pages 12 to 25 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 financial statements on pages 12 to 25 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

Corporate directory

Board of directors

Grant King (Chairman)
Phillip Pryke (Deputy Chairman)
David Baldwin
Bruce Beeren
Whaimutu Dewes
Karen Moses
Sue Sheldon

Leadership team

Dennis Barnes
Chief Executive Officer

Ruth Bound
General Manager – Retail

Graham Cockroft
Chief Financial Officer

Mark Corbitt
General Manager – Information and Communication Technology

Peter Kane
General Manager – Operations

James Kilty
General Manager – Trading, Development and Geothermal Resources

Paul Ridley-Smith
General Counsel

Nicholas Robinson
General Manager – Strategic Communications and Partnerships

Annika Streefland
General Manager – People and Culture

Registered office

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Auditor

KPMG
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New Zealand

Share registry

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland 1010, New Zealand
Website: www.linkmarketservices.co.nz

Shareholder/bondholder enquiries

To view your investment portfolio, supply your email address, change your details, or update your payment instructions relating to Contact, please contact our registry, Link Market Services Limited, by either:

Email: contactenergy@linkmarketservices.co.nz
Mail: Link Market Services, PO Box 91976, Auckland 1142, New Zealand
Fax: +64 9 375 5990, or
Phone: +64 9 375 5998

Please provide your CSN/holder number on any correspondence with our registry.

Investor relations enquiries

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Head of Investor Relations and Reporting

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Stock exchange listings

NZSX trading code: CEN
NZDX trading codes: CEN010 and CENFA

Company number

660760

contact™