

**Our
2016
Half Year
Report**

Contact[®]

(\$116m)

Statutory loss predominately due to impairments at Otahuhu and Taheke

24%

Improvement in free cash flow

\$62m

Of shares bought back

Chief Executive's Review

Tena koe (Greetings),

The first half of the 2016 financial year (1H16) was a period of significant activity. Our ownership changed as a result of Origin selling its majority shareholding, we played an important role in the ongoing operation of the Tiwai Aluminium Smelter as we executed an 80 megawatt (MW) financial agreement with Meridian Energy and we completed the closure and sale of our Otahuhu thermal power station. We continue to work on reforming our customer business, have secured an additional \$295 million of debt in the US Private Placement (USPP) and domestic retail bond markets at very competitive interest rates and bought back \$62 million of shares.

Contact reported a statutory loss for the six months ended 31 December 2015 of \$116 million; \$167 million lower than the prior corresponding period. This was primarily due to \$257 million of impairments relating to the closure of the Otahuhu power station and an assessment that the Taheke geothermal resource is unlikely to be developed in the foreseeable future. Underlying profit and earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF) were reasonably stable while free cash flow improved 24% largely due to a lower tax expense and a reduction in transition costs relating to the implementation of our customer billing and service system.

We have announced that the interim distribution to shareholders will be 11 cents per share and will have 7 cents imputed reflecting the continued low imputation credit balance following the payment of a fully imputed special dividend in June 2015. It is also expected that we will complete the final \$38 million of the current share buyback programme announced in October during the second half of the financial year.

Contact's financial performance over the past two years has been impacted by the customer business coming under increasing pressure from the growth of smaller competitors and increased innovation and targeted offers from existing retailers. Much of this overlapped with the implementation and stabilisation of our customer billing and service system which has limited our ability to respond. While we have seen a continuation of this theme in our financial performance over this period, I remain confident that our focus on becoming a truly customer inspired business will deliver improvements in the next six months and the years ahead. To support this change I am very pleased with the appointment of Sir Ralph Norris, Victoria Crone and Rob McDonald to our Board who all bring significant skills and experience in transforming and operating customer-centred businesses.



Understanding, winning and keeping customers

The market has remained highly competitive during the first half of the financial year with discounting and upfront credits dominating the market and leading to an increase in the number of customers switching providers. In recent months we have seen a decline in our customer numbers as competitors' new offers and focus on market share has outpaced our customer acquisitions. We have introduced new offers to the market including the 'Fixed 16/17' and 'Home and Bach' products as well as our successful '20 years of Contact' engagement with existing customers.

Despite the loss in customer numbers our mass market sales volume has remained relatively stable during this period as cooler temperatures helped increase usage per customer. We also reduced our commercial and industrial (C&I) sales in the period as a number of existing, lower priced contracts expired. These contracts will be replaced over time with higher margin contracts or sold through the contracts for difference (CfD) and futures markets.

In the next year our customer business will focus on reducing costs; increasing the level of digital interaction with customers supported by the launch of a mobile app; and introducing a range of new products that will allow customers more choice.

Finding, developing and generating the energy the market requires

In the generation and trading business cost of energy improved by \$4 per megawatt hour (MWh) as lower purchase volumes and improved gas costs were supported by an increase in geothermal generation.

In the last six months we have continued to focus on positioning our generation portfolio for an increasingly renewable future where the requirements for thermal support are moving from baseload to fast-start peaking generation.

In August 2015 we announced an 80MW financial agreement with Meridian Energy to support the ongoing operation of the Tiwai Aluminium Smelter, an outcome which I believe is important for the whole energy sector. This agreement provided us with increased certainty and a range of risk management products that allowed us to close the Otahuhu thermal power station from September and commit to refurbishing our Taranaki combined-cycle power station. In February 2016 we announced the Otahuhu site had been sold to Auckland developer Stonehill Property Trust for \$30 million plus an equal share in the proceeds of the sale of plant and equipment onsite over a 12 month period.

Supporting our business

Ensuring we have a culture focused on safety, agility and efficiency will be a key component in our future financial

performance. We have invested heavily in ensuring that all of our people can return home safely to their families and it is pleasing to see the continued improvement in our Total Recordable Injury Frequency Rate. We are working to build our capability for a changing market with the realignment of our customer organisation in the past six months the most evident change. I am particularly pleased with the work we are doing to simplify our information technology and leverage the benefits of our customer service and billing system to reduce cost and improve customer capability. Over the next year I expect our customers will start to see these benefits in our service and products.

Contact remains committed to our investment grade credit rating and our BBB rating was recently reaffirmed by credit agency Standard and Poor's. The refinancing work we have done in recent years, including the very competitively priced retail bond and USPP executed in this period, has ensured we now have a more diverse and longer dated debt portfolio.

Looking forward

The past year has been a hugely formative year in the future of Contact. We are in a new, independent era without a majority shareholder for the first time in our 20 year history. We have new shareholders and investors in the company, a renewed Board of Directors and a stronger sense of ownership amongst our employees.

Our strategy remains centred around leveraging the integrated customer and generation business to deliver strong cash flows for distribution to shareholders. We will continue to deliver value to our customers by providing choice, control and certainty. We are developing customer centric offers in-house and with partners to improve customer life time value while we also target the lowest cost to serve in the industry. Our investments in the generation business have ensured a robust business and we have a low cost, long life and flexible generation portfolio with a focus on safety, reliability and resource utilisation.

As we updated the market in December we don't expect our EBITDAF and underlying profit for FY16 to be materially different to FY15 but continue to expect a marked increase in operating cash flow. I do however expect that we will see further improvement across our customer metrics as we launch new products, correct historical pricing anomalies and improve the efficiency of our operations.

Thank you for your continued support.

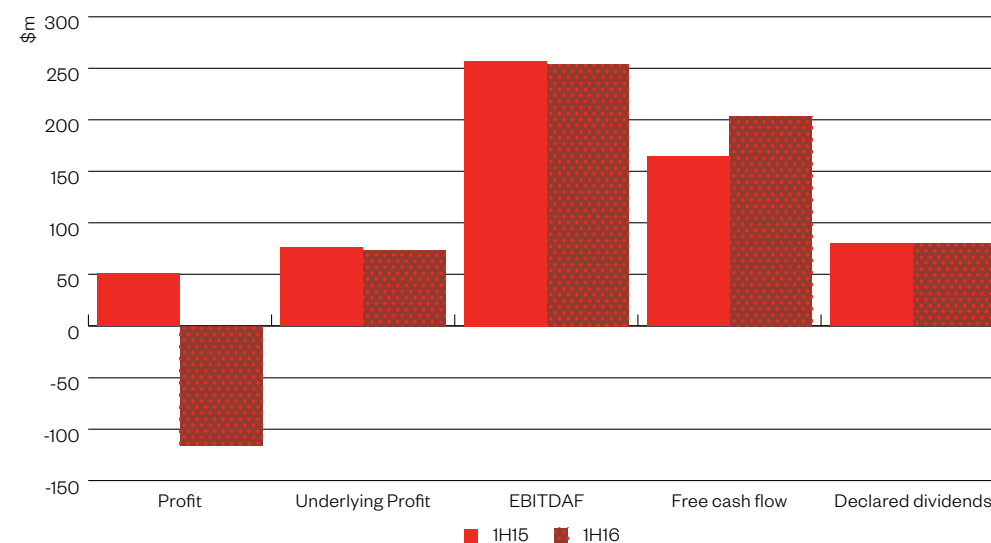
Dennis Barnes

Dennis Barnes
Chief Executive Officer

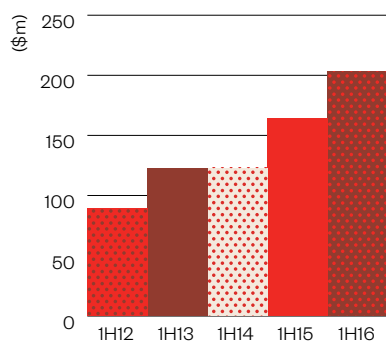
Our performance for the period

As Contact celebrated its 20th birthday in November the business continued to adapt to the evolving market in which it operates. Origin's sale of its majority shareholding in Contact in August and the closure of the Otahuhu power station in September have been significant milestones in the past six months and have been reflected in the reported results for the first half of the 2016 financial year.

Contact reported a loss for the period of \$116 million due primarily to impairments of \$257 million relating to the closure of the Otahuhu power station and an assessment that the Taheke geothermal resource is unlikely to be developed in the foreseeable future. On 15 February 2016 Contact announced an agreement to sell the Otahuhu power station site for \$30 million with further proceeds expected from the sale of plant and equipment onsite over the next 12 months. Underlying profit was down 3% due to lower EBITDAF as a result of continued competition reducing retail margins and lower C&I sales. Free cash flow continued to improve, up 24% supporting a stable dividend and a share buyback programme that purchased \$62 million of shares.

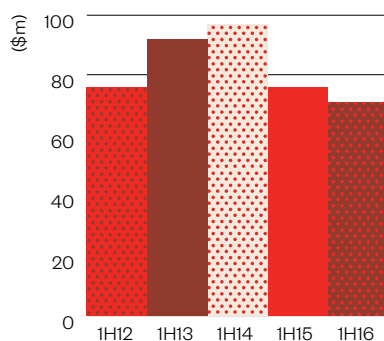


Free cash flow



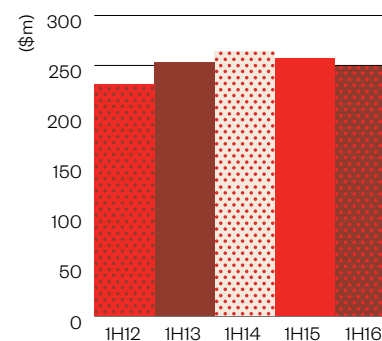
Free cash flow in 1H16 was \$203 million, \$39 million (24%) higher than the prior corresponding period primarily due to a tax refund relating to FY15 tax payments and the tax benefit from the closure of the Otahuhu power station. This was partially offset by higher stay in business capital expenditure relating to the planned refurbishment of the Taranaki combined-cycle power station in 2017. The positive cash flow from the increased use of stored gas rather than contract gas in 1H16 was offset by unfavourable retail debtor movements due to one-off collection of late bills in 1H15.

Underlying profit



Underlying profit was \$73 million, down \$3 million (4%) from 1H15 reflecting the reduction in EBITDAF. Reduced depreciation following the closure of Otahuhu was largely offset by higher interest costs following the special dividend in June 2015. The underlying adjustments in the current period were the change in fair value of financial instruments, the impairments relating to the closure of Otahuhu and reassessment of development timeframes of the Taheke geothermal resource and transition costs relating to the exit from Origin and costs incurred by the retail transformation project.

EBITDAF



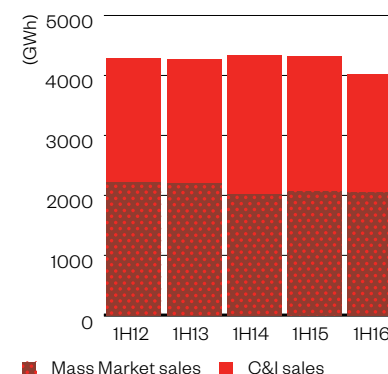
EBITDAF reduced by \$3 million (1%) to \$254 million. Contribution from the Integrated Energy segment decreased \$4 million (2%) as a result of continued retail discounting, reduced C&I sales volumes following the non-renewal of a number of lower price, high volume contracts and slower than expected reduction in operating expenses.

The generation business performed largely as expected with increased geothermal generation, despite an unplanned outage at Te Mihi, offsetting lower hydro generation volumes. Reduced sales volumes and more flexible gas contracts meant less thermal generation was required to manage wholesale market risk.

The LPG and other segment increased \$1 million to \$20 million primarily due to favourable LPG purchase costs.

Total other operating expenses increased \$3 million in the first half of this financial year due to higher employee costs, including the recognition of a full year of long-term incentive costs in this period, higher bad debts and ICT costs.

Sales volume and customer numbers



Total retail electricity sales were down 291 gigawatt hours (GWh) primarily due to not renewing a number of low price, high volume C&I contracts. It is expected that over time this volume will be replaced by a combination of new C&I customers and CfDs.

Mass market sales remained reasonably stable as cooler winter temperatures increased usage per customer to offset a 10,000 reduction in customer numbers. Competitors' new offers and focus on market share has outpaced our customer acquisitions and reinforces the need for improvement in our customer business. The number of customers switching electricity provider increased from 20.1% in the second half of the 2015 financial year to 21.3%.

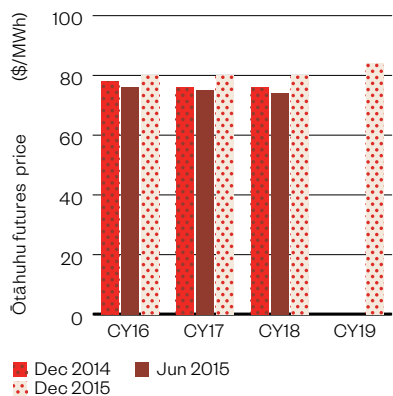
Netback

Netback decreased by 3% from 1H15 to \$82 per MWh with mass market netback decreasing by \$8 per MWh due to continued tariff discounting in response to competition. The number of customers on non-standard tariff discounts increased from 63% at 31 December 2014 to 76% at 31 December 2015. This was partially offset by one-off network costs in 1H15 not recurring to more than offset notified increases in 1H16.

C&I netback improved by \$1 per MWh while gas netback remained largely unchanged. Steam netback improved due to a renegotiated contract with a key customer.

The last five years in review		Unit	1H12	1H13	1H14	1H15	1H16
Revenue		\$m	1,283	1,213	1,148	1,240	1,125
Expenses		\$m	1,052	960	884	983	871
EBITDAF		\$m	231	253	264	257	254
Profit		\$m	68	88	112	51	(116)
Underlying profit		\$m	76	92	97	76	73
Underlying profit per share		cps	10.9	12.7	13.2	10.4	10.0
Free cash flow		\$m	89	128	123	164	203
Free cash flow per share		cps	12.2	17.6	16.8	22.2	27.3
Dividends declared		cps	11.0	11.0	11.0	11.0	11.0
Total assets		\$m	5,873	6,097	6,271	6,139	5,726
Total liabilities		\$m	2,564	2,600	2,732	2,617	2,848
Total equity		\$m	3,309	3,497	3,539	3,522	2,878
Gearing ratio		%	29	29	28	28	37

Wholesale price and volumes



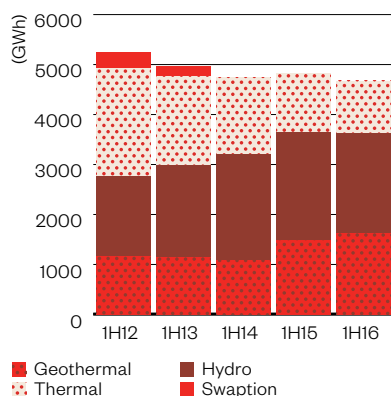
The volume of electricity purchased for Contact customers decreased by 330 GWh due to reduced C&I sales. The forward market and Contact's CfD portfolio play an important role in supporting the generation portfolio longer term and creating a benchmark for C&I pricing. Reduced fuel positions and plant closures have seen the forward price increase over the past six months by up to \$7 per MWh for the next three years. The contribution from wholesale financial markets was down \$9 million due to lower frequency keeping revenue as a result of more supply being offered to the market and lower CfD returns.

The average price received for generation was \$58 per MWh, down \$8 per MWh. The average price paid for purchases was \$62 per MWh, \$9 per MWh lower than 1H15.

Cost of energy

The cost of energy was \$33 per MWh, \$4 per MWh better than 1H15.

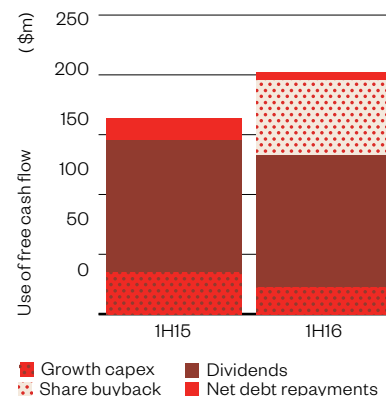
Fuel mix and generation costs



Renewable generation increased to 78% as improved geothermal availability offset lower hydro generation despite both Te Mihi units requiring an outage to realign the turbine shafts. Lower sales volumes and more flexible gas contracts reduced the amount of thermal generation required to manage wholesale market risk.

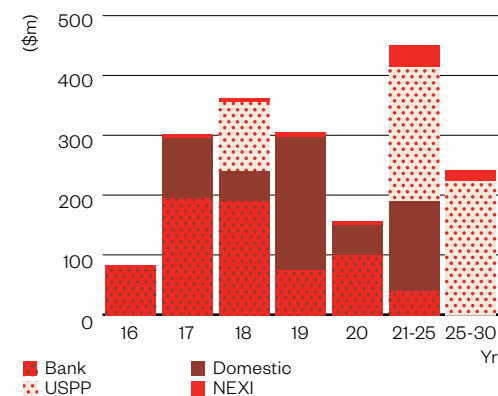
Thermal generation was down 130 GWh to 1,036 GWh with baseload thermal generation reducing 170 GWh, and a 40 GWh increase in generation from the peakers as their flexibility was utilised to manage portfolio positions. The closure of Otāhuhu on 21 September and lower gas usage reduced transmission costs by \$5 million which was offset by increased carbon costs as units purchased in the early stages of the Emissions Trading Scheme were used. Total gas used in generation was 10 petajoules (PJ) at an average cost of \$7 per gigajoule (GJ). This included 2.0 PJ of gas extracted from Ahuroa gas storage facility to support cash flow, reduce balance sheet exposure and continue to condition the gas market.

Distributions



Distributions have been resolved by the Board to remain stable at 11 cents per share with 7 cents per share being imputed. The partial imputation reflects Contact's continued low imputation credit balance following the payment of a fully imputed special dividend in June 2015. With the business continuing to generate strong free cash flows the Board is balancing the use of that cash between distributions to shareholders via dividends, the repayment of debt, and reinvestment in the existing business. As part of this process, the Board announced an on-market share buyback in October 2015 of up to 25 million ordinary shares for an aggregate purchase price of up to \$100 million during the remainder of FY16. At 31 December 2015 a total of 12.5 million shares had been acquired for a total value of \$62 million.

Funding



The face value of term debt at 31 December 2015 was \$1,680 million. Contact continues to benefit from a funding portfolio that is flexible, efficient and diverse with a manageable maturity profile. Average weighted cost of borrowings continued to improve, falling a further 0.5% as competitively priced USPP and retail bond facilities were executed.

The face value of term borrowings increased \$13 million from 30 June 2015 as surplus cash was applied to the share buyback programme. Contact remains committed to maintaining an efficient capital structure and an investment grade credit rating. The attributes of the funding portfolio, along with the investment grade credit rating, places Contact in a strong position to withstand variable market conditions.

Financial Statements

For the six months ended 31 December 2015

About these financial statements

Contact includes Contact Energy Limited, its controlled entities and joint arrangements. Contact is a profit-oriented entity registered in New Zealand under the Companies Act 1993. Contact is listed on the NZX and ASX and has two series of bonds listed on the NZX debt market. It is an FMC reporting entity for the purposes of the FMC Act 2013.

These are Contact's condensed interim financial statements for the six months ended 31 December 2015. The financial statements provide a summary of Contact's performance for the period and outline significant changes to information reported in the full financial statements for the year ended 30 June 2015 (2015 Annual Report). The financial statements should be read with the 2015 Annual Report. Certain comparative amounts have been reclassified to conform with the current period's classification.

The financial statements have been prepared in accordance with NZ GAAP and comply with NZ IAS 34 and IAS 34 Interim Financial Reporting and are presented in New Zealand dollars, rounded to the nearest million (\$m).

The financial statements apply the same accounting policies and significant estimates and critical judgements disclosed in the 2015 Annual Report.

A glossary of abbreviations used in these financial statements is provided on page 25.

These financial statements have been authorised on behalf of the Contact Energy Limited Board of Directors on 12 February 2016.



Sir Ralph Norris
Chairman



Sue Sheldon
Director

Statement of Comprehensive Income

For the six months ended 31 December 2015

\$m	Note	Unaudited six months ended 31 Dec 2015	Unaudited six months ended 31 Dec 2014	Audited year ended 30 June 2015
Revenue and other income	A1	1,125	1,240	2,443
Operating expenses	A1	(871)	(983)	(1,918)
Depreciation and amortisation	C1	(97)	(101)	(204)
Significant items	A1	(272)	(35)	(61)
Net interest expense		(52)	(49)	(98)
Profit/(loss) before tax		(167)	72	162
Tax		51	(21)	(29)
Profit/(loss)		(116)	51	133
Earnings per share (cents) - Basic		(15.9)	6.9	18.2
Earnings per share (cents) - Diluted		(15.6)	6.9	18.2
Items that may be reclassified to profit/(loss):				
Change in cash flow hedge reserve	C2	(9)	(3)	12
Deferred tax relating to cash flow hedges	C2	1	1	(2)
Other comprehensive income		(8)	(2)	10
Comprehensive income		(124)	49	143

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

Statement of Cash Flows

For the six months ended 31 December 2015

\$m	Note	Unaudited six months ended 31 Dec 2015	Unaudited six months ended 31 Dec 2014	Audited year ended 30 June 2015
Receipts from customers		1,154	1,260	2,495
Payments to suppliers and employees		(870)	(989)	(1,970)
Tax		8	(35)	(45)
Liquidated damages		-	-	9
Dividends received		-	-	1
Net cash flow from operating activities		292	236	490
Purchase of assets		(69)	(61)	(129)
Sale of assets		3	1	7
Interest received		-	-	1
Net cash flow from investing activities		(66)	(60)	(121)
Dividends paid	B1	(110)	(110)	(558)
Proceeds from borrowings		315	20	456
Repayment of borrowings		(303)	(43)	(193)
Interest paid		(46)	(47)	(90)
Share buyback programme		(62)	-	-
Proceeds from gas sale and repurchase arrangement		(4)	3	(2)
Net cash flow from financing activities		(210)	(177)	(387)
Net cash flow		16	(1)	(18)
Add: cash at the beginning of the year		(6)	12	12
Cash at the end of the year		10	11	(6)
Bank overdraft	B2	-	-	(10)
Cash and cash equivalents		10	11	4

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

Statement of Financial Position

At 31 December 2015

\$m	Note	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Cash and cash equivalents		10	11	4
Receivables and prepayments		180	272	217
Inventories		63	79	64
Intangible assets	C1	21	16	15
Derivative financial instruments	C2	7	4	15
Tax receivable		10	10	19
Assets held for sale		29	3	2
Total current assets		320	395	336
Inventories		76	90	99
Property, plant and equipment	C1	4,757	5,132	5,078
Intangible assets	C1	312	304	314
Goodwill		182	182	182
Derivative financial instruments	C2	68	25	69
Other non-current assets		11	11	11
Total non-current assets		5,406	5,744	5,753
Total assets		5,726	6,139	6,089
Payables and accruals		187	271	197
Borrowings	B2	289	241	531
Derivative financial instruments	C2	21	72	28
Provisions		5	8	8
Total current liabilities		502	592	781
Borrowings	B2	1,471	1,102	1,219
Derivative financial instruments	C2	61	59	53
Provisions		49	49	51
Deferred tax		739	783	792
Other non-current liabilities		26	32	22
Total non-current liabilities		2,346	2,025	2,137
Total liabilities		2,848	2,617	2,918
Net assets		2,878	3,522	3,171
Share capital	B1	1,552	1,605	1,605
Retained earnings		1,322	1,911	1,546
Cash flow hedge reserve		(3)	(7)	5
Share-based compensation reserve		7	13	15
Shareholders' equity		2,878	3,522	3,171

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

Statement of Changes in Equity

For the six months ended 31 December 2015

\$m	Note	Share capital	Retained earnings	Other reserves	Total shareholders' equity
Balance at 1 July 2014		1,605	1,968	9	3,582
Profit/(loss)	A1	-	51	-	51
Change in cash flow hedge reserve		-	-	(2)	(2)
Lapsed share scheme awards		-	2	(2)	-
Share-based compensation expense		-	-	1	1
Dividends paid	B1	-	(110)	-	(110)
Unaudited balance at 31 December 2014		1,605	1,911	6	3,522
Profit/(loss)	A1	-	82	-	82
Change in cash flow hedge reserve		-	-	12	12
Lapsed share scheme awards		-	1	(1)	-
Share-based compensation expense		-	-	3	3
Dividends paid	B1	-	(448)	-	(448)
Audited balance at 30 June 2015		1,605	1,546	20	3,171
Profit/(loss)	A1	-	(116)	-	(116)
Change in cash flow hedge reserve		-	-	(8)	(8)
Lapsed share scheme awards		-	2	(2)	-
Change in share capital	B1	(53)	-	(10)	(63)
Share-based compensation expense		-	-	4	4
Dividends paid	B1	-	(110)	-	(110)
Unaudited balance at 31 December 2015		1,552	1,322	4	2,878

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

A. Our Performance

This section details the measures that management use to monitor Contact's performance and provides a breakdown of the components of revenue and expense from the Statement of Comprehensive Income.

A1. Our earnings performance

Contact's operating segments, as reviewed by the CEO, are Integrated Energy and Other.

Integrated Energy includes Contact's core business as a generator and retailer of electricity to customers throughout New Zealand. The two key metrics for the Integrated Energy segment are cost of energy and retail netback:

- Cost of energy: the net result of trading electricity on the national market and the associated generation and transmission costs.
- Retail netback: the revenue and expenses of delivering energy and servicing customers.

The Other segment includes Contact's LPG business (Rockgas), which purchases wholesale LPG and sells it to customers throughout New Zealand. This segment also includes other revenue and expenses not attributable to Integrated Energy or LPG.

The earnings measures that the CEO uses to evaluate Contact's performance are EBITDAF and underlying profit. EBITDAF is reviewed at a segment level while underlying profit is reviewed at a total Contact level. These are both non-GAAP profit measures. The CEO believes these measures assist investors in understanding the performance of the core operations of the business.

The table on the next page provides a breakdown of Contact's revenues and expenses, shows EBITDAF by segment, and a reconciliation from the non-GAAP profit measures to reported NZ GAAP profit/(loss).

Segment results	Unaudited six months ended 31 Dec 2015					Unaudited six months ended 31 Dec 2014					Audited year ended 30 June 2015				
	Cost of energy	Retail netback	Integrated Energy	Other	Total	Cost of energy	Retail netback	Integrated Energy	Other	Total	Cost of energy	Retail netback	Integrated Energy	Other	Total
\$m															
Mass market electricity	-	481	481	-	481	-	503	503	-	503	-	951	951	-	951
C&I electricity	-	249	249	-	249	-	276	276	-	276	-	563	563	-	563
Wholesale electricity	276	-	276	-	276	335	-	335	-	335	693	-	693	-	693
LPG	-	-	-	63	63	-	-	-	63	63	-	-	-	118	118
Gas	1	35	36	-	36	12	34	46	-	46	20	61	81	-	81
Steam	-	16	16	-	16	-	12	12	-	12	-	21	21	-	21
Total revenue	277	781	1,058	63	1,121	347	825	1,172	63	1,235	713	1,596	2,309	118	2,427
Other income (including liquidated damages)	2	-	2	2	4	1	-	1	4	5	9	-	9	7	16
Total revenue and other income	279	781	1,060	65	1,125	348	825	1,173	67	1,240	722	1,596	2,318	125	2,443
Electricity purchases	(263)	-	(263)	-	(263)	(327)	-	(327)	-	(327)	(674)	-	(674)	-	(674)
Gas and LPG purchases	(78)	-	(78)	(38)	(116)	(107)	-	(107)	(40)	(147)	(182)	-	(182)	(68)	(250)
Electricity networks, transmission, levies and meter costs	(20)	(310)	(330)	-	(330)	(22)	(326)	(348)	-	(348)	(46)	(623)	(669)	-	(669)
Gas networks, transmission, levies and meter costs	(8)	(18)	(26)	-	(26)	(13)	(18)	(31)	-	(31)	(26)	(30)	(56)	-	(56)
Other operating expenses	(64)	(61)	(125)	(7)	(132)	(65)	(56)	(121)	(8)	(129)	(130)	(118)	(248)	(15)	(263)
Carbon emissions	(4)	-	(4)	-	(4)	(1)	-	(1)	-	(1)	(5)	-	(5)	(1)	(6)
Total operating expenses	(437)	(389)	(826)	(45)	(871)	(535)	(400)	(935)	(48)	(983)	(1,063)	(771)	(1,834)	(84)	(1,918)
EBITDAF	(158)	392	234	20	254	(187)	425	238	19	257	(341)	825	484	41	525
Depreciation and amortisation					(97)					(101)					(204)
Net interest expense					(52)					(49)					(98)
Tax on underlying profit					(32)					(31)					(62)
Underlying profit					73					76					161
Significant items															
Change in fair value of financial instruments					(9)					(18)					(37)
Ōtāhuhu thermal power station closure					(223)					-					-
Asset impairments					(35)					-					-
Transition costs					(5)					(17)					(24)
Tax on significant items					83					10					17
Reinstatement of tax depreciation on powerhouses					-					-					16
Profit/(loss)					(116)					51					133
Underlying profit per share (cents)					10.0					10.4					21.9

A2. Our significant items

Items are classified as significant items when they meet certain criteria approved by Contact's Board. Significant items is a non-GAAP term. The revenues and expenses classified as significant items are excluded from EBITDAF and underlying profit. Typical significant items include the change in fair value of financial instruments, impairment or reversal of impairment of assets, business integration, restructure, acquisition and disposal costs; and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit. Items included in significant items this reporting period were:

Change in fair value of financial instruments: Movements in the valuation of interest rate derivatives and electricity price derivatives that are not hedge accounted, and the effect of credit risk on hedged debt (refer to note C2 for a breakdown).

Otahuhu thermal power station closure: At the end of September 2015, the Otahuhu thermal power station was closed. At 31 December 2015, the carrying value of the land and buildings was impaired to its fair value and classified as an asset held for sale in the Statement of Financial Position. Subsequent to the end of the reporting period, the Otahuhu thermal power station site was sold.

Asset impairments: The expenditure on Contact's development of the Taheke geothermal resource was impaired to nil as current market conditions mean the resource is unlikely to be developed in the foreseeable future.

Transition costs: These include costs incurred as a result of:

- Origin's sale of their majority shareholding in Contact in August 2015 (\$2 million) comprising ASX listing, incremental share-based compensation expense and other transaction costs.
- The Retail Transformation project and associated activities in the Retail business (\$3 million) comprising mainly temporary staffing and infrastructure costs.

A3. Our related party transactions

In August 2015, Origin sold its majority shareholding in Contact. Transactions with Origin up to this point, and all other related party transactions, are disclosed in the table below.

Transactions with related parties: received/(paid)	Unaudited six months ended 31 Dec 2015	Unaudited six months ended 31 Dec 2014	Audited year ended 30 June 2015
\$m			
Purchase of LPG from Origin	(6)	(14)	(24)
SAP infrastructure and data services costs paid to Origin	(1)	(3)	(6)
Sale of electricity to Origin	-	3	6
Key management personnel - Directors' fees	(1)	(1)	(1)
Key management personnel - Leadership team ¹	(6)	(5)	(8)
Sale of LPG to Rockgas Timaru	1	1	1

¹ Comprised of salary, other short-term benefits, termination benefits and share-based compensation including a non-cash expense of \$2 million (31 December 2014 and 30 June 2015: \$1 million) in respect of options, PSRs and DSRs.

B. Our Funding

This section details Contact's capital structure, distributions paid to shareholders and the funding required in order to maintain liquidity and an investment grade credit rating.

B1. Our capital

Reconciliation and composition of share capital	Number	\$m
At 1 July 2014	733,308,762	1,605
Share capital issued	50,110	-
At 31 December 2014	733,358,872	1,605
Ordinary shares	733,083,088	1,606
Restricted shares - Contact Share	275,784	(1)
At 30 June 2015	733,358,872	1,605
Ordinary shares	733,084,168	1,606
Restricted shares - Contact Share	274,704	(1)
At 1 July 2015	733,358,872	1,605
Share capital issued	2,871,844	10
Share capital repurchased and cancelled	(12,525,281)	(63)
At 31 December 2015	723,705,435	1,552
Ordinary shares	723,295,675	1,554
Restricted shares - Contact Share	409,760	(2)

As a result of Origin selling its shareholding in Contact all share options, PSRs and DSRs held by participants under Contact's Equity Scheme became exercisable. The PSRs and DSRs had no exercise price and all of these awards were issued between August and October 2015. At 31 December 2015 no options had been exercised.

In October 2015 Contact:

- granted 167,069 awards under the Contact Share Scheme.
- granted a new tranche of share awards under the Equity Scheme, comprising 1,012,408 options, 314,660 PSRs and 341,861 DSRs. The share options have an exercise price of \$4.92 per share while the PSRs and DSRs have no exercise price.
- began a share buyback programme. Up to the reporting period end, 12,525,281 shares had been purchased off market, for between \$4.64 and \$5.15, and cancelled.

B1. Our capital (continued)

Dividends paid \$m	ops	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
2014 final dividend	15	-	110	110
2015 interim dividend	11	-	-	81
2015 special dividend	50	-	-	367
2015 final dividend	15	110	-	-
		110	110	558

On 12 February 2016 the Board declared an interim dividend of 11 cps to be paid on 23 March 2016.

B2. Our borrowings

During the period, Contact refinanced its short-term bridging facilities in place at 30 June 2015 with the settlement of \$145 million of USPP notes (US\$100 million) and issuance of a \$150 million six year retail bond.

Borrowings \$m	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Finance lease liabilities	24	26	25
Bank overdraft	-	-	10
Commercial paper	120	80	100
Bank facilities	342	185	639
Retail bonds	372	222	222
Wholesale bonds	200	200	200
Export credit agency facility	86	93	90
USPP notes	560	599	416
Face value of borrowings	1,704	1,405	1,702
Unamortised discount	(8)	(9)	(8)
Fair value adjustment on hedged debt	64	(53)	56
Carrying value of borrowings	1,760	1,343	1,750
Current	289	241	531
Non-current	1,471	1,102	1,219

Contact uses bank facilities to fund efficiently and manage liquidity. Contact's facilities have a range of maturities:

Maturity of bank facilities \$m	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Less than one year	275	80	430
Between one and two years	190	195	145
Between two and three years	75	150	150
More than three years	140	175	175
	680	600	900
Percentage drawn	50%	31%	71%

C. Our Assets

This section details the assets Contact uses to generate and sell electricity, natural gas and LPG.

C1. Our property, plant & equipment and intangible assets

PP&E and intangible assets include the generation plant used to generate electricity and the retail system used to service and bill customers. These assets are carried at cost less accumulated depreciation or amortisation and accumulated impairment losses.

PP&E \$m	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Opening balance	5,078	5,180	5,180
Additions	51	43	79
Transfers to assets held for sale	(30)	(2)	(3)
Disposals	-	(1)	-
Depreciation	(85)	(88)	(178)
Impairment	(257)	-	-
Closing balance	4,757	5,132	5,078

Intangibles \$m	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Opening balance	329	327	327
Additions	16	6	30
Disposals	-	-	(2)
Amortisation	(12)	(13)	(26)
Closing balance	333	320	329
Current	21	16	15
Non-current	312	304	314

At 31 December 2015, Contact had capital commitments of \$36 million (2014: \$38 million, 30 June 2015: \$32 million) committed under contractual arrangements. \$34 million is due within one year and \$2 million due between two and five years from the end of the reporting period.

C2. Fair value of our derivative financial instruments

The following table classifies these instruments by type and their current or non-current classification.

Fair value of derivative instruments	Unaudited 31 Dec 2015		Unaudited 31 Dec 2014		Audited 30 June 2015	
	Asset	Liability	Asset	Liability	Asset	Liability
Fair value hedges						
CCIRS	60	(13)	19	(73)	56	(12)
Interest rate derivatives	8	(1)	3	(1)	6	-
Cash flow hedges						
CCIRS - margin	1	-	-	(4)	6	(5)
Foreign exchange derivatives	-	(3)	-	(1)	3	-
Electricity and LPG price derivatives	2	(3)	-	(5)	4	(2)
Not designated in hedge relationship						
Interest rate derivatives	3	(59)	5	(47)	4	(58)
Electricity price derivatives	1	(3)	2	-	5	(4)
	75	(82)	29	(131)	84	(81)
Current	7	(21)	4	(72)	15	(28)
Non-current	68	(61)	25	(59)	69	(53)

The change in the fair value of derivatives and the fair value adjustment to borrowings is provided in the following table:

Change in fair value: favourable/(unfavourable)	Unaudited six months ended 31 Dec 2015		Unaudited six months ended 31 Dec 2014		Audited year ended 30 June 2015	
	Profit/ (loss)	CFHR	Profit/ (loss)	CFHR	Profit/ (loss)	CFHR
Fair value hedges						
CCIRS	3	-	66	-	164	-
Interest rate derivatives	1	-	6	-	10	-
Fair value adjustment to borrowings	(8)	-	(72)	-	(181)	-
Fair value hedges	(4)	-	-	-	(7)	-
CCIRS - margin	-	-	-	6	-	11
Foreign exchange derivatives	-	(6)	-	-	-	4
Electricity and LPG price derivatives	-	(3)	-	(9)	-	(3)
Tax on change in fair value	-	1	-	1	-	(2)
Cash flow hedges	-	(8)	-	(2)	-	10
Interest rate derivatives	(2)	-	(20)	-	(32)	-
Electricity price derivatives	(3)	-	2	-	2	-
Not designated in hedge relationships	(5)	-	(18)	-	(30)	-
Total fair value movement	(9)	(8)	(18)	(2)	(37)	10

C3. Fair value disclosures

The fair value hierarchy shows the amount of judgement applied in determining fair value. This ranges from level 1, which uses observable market data and does not require management judgement, to level 3, which uses significant unobservable inputs and requires management judgement.

Fair value hierarchy \$m	Unaudited 31 Dec 2015	Unaudited 31 Dec 2014	Audited 30 June 2015
Level 1	(1)	1	(1)
Level 2	(4)	(103)	4
Level 3	(2)	-	-
	(7)	(102)	3

Level 3 instruments

On 3 August 2015, Contact entered into an agreement with Meridian Energy Limited for the supply of 80MW of electricity, which forms a portion of the electricity required by New Zealand Aluminium Smelters to operate its Tiwai smelter. This agreement is for a period of up to 14 years and is recognised as an electricity price derivative at fair value.

When quoted prices are not available or relevant (i.e. long dated and large contracts), the key unobservable inputs and management judgement in the valuations is the cost of new supply. The fair value also takes into account other inputs including forward quoted commodity prices, such as carbon and LME aluminium prices, and CPI. An increase in electricity prices decreases the fair value of sell hedges and decreases the fair value of buy hedges, while a decrease in prices has the opposite effect.

An initial recognition difference arises when the fair value of an electricity price derivative differs from the transaction price. This difference is accounted for by recalibrating the fair value by a fixed percentage to result in a value at inception equal to the transaction price. The recalibration is applied to future valuations and reflects the estimated future gains or losses yet to be recognised in the Statement of Comprehensive Income over the remaining life of the agreement. The calibration adjustment at 31 December 2015 was \$27 million (liability).

Independent Auditor's Review Report



To the shareholders of Contact Energy Limited

We have completed a review of the consolidated interim financial statements of Contact Energy Limited, its controlled entities and joint arrangements (Contact) on pages 10 to 23 which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

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

Directors' responsibilities

The Directors of Contact are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting. As the auditor of Contact, NZ

SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm has also provided other assurance services to the group in relation to AGM scrutineering. Subject to certain restrictions partners and employees of our firm also deal with Contact on normal terms within its ordinary course of trading activities. These matters have not impaired our independence as Contact's auditor.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of Contact do not present fairly, in all material respects, the financial position of Contact as at 31 December 2015, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 Interim Financial Reporting.

12 February 2016
Wellington

Glossary

ASX	Australian Stock Exchange
C&I	Commercial and industrial
CCGT	Combined cycle gas turbine
CCIRS	Cross currency interest rate swaps
CEO	Chief Executive Officer
CfD	Contract for Difference
CFHR	Cash flow hedge reserve
CPI	Consumer price index
cps	cents per share
Cost of energy	The net result of trading electricity on the national market and the associated generation and transmission costs
DSR/PSR	Deferred share rights / performance share rights
EBITDAF	A non-GAAP measure equal to earnings before net interest expense, tax, depreciation and amortisation, changes in fair value of financial instruments and other significant items (refer note A1)
Free cash flow	A non-GAAP measure of the cash generating performance of the business. It represents cash available to fund distributions to shareholders and growth capital expenditure. It is equal to operating cash flows less net interest paid and stay-in-business capital expenditure plus proceeds from asset sales.
GWh	Gigawatt hour
LME	London Metal Exchange
LPG	Liquid petroleum gas
MWh	Megawatt hour
Netback	The revenue and expenses of delivering energy and servicing customers.
NZ GAAP	New Zealand generally accepted accounting practice
NZX	New Zealand Stock Exchange
Origin	Origin Energy Limited
PJ / GJ	Petajoule / Gigajoule (measure of gas)
PP&E	Property, plant and equipment
Significant items	Items excluded from EBITDAF and underlying profit. These items are determined in accordance with the principles of consistency, relevance and clarity (refer to note A2).
Underlying profit	A non-GAAP measure equal to reported profit/(loss) adjusted for significant items that do not reflect Contact's ongoing performance (refer note A1)
USPP	United States Private Placement

Investor Information

Registry

Link Market Services Limited is Contact's registrar for shares and bonds. To view your investment portfolio, supply your email address, change your details, or update your payment instructions relating to Contact, please contact Link Market Services Limited.

New Zealand

Email: contactenergy@linkmarketservices.co.nz
Online: investorcentre.linkmarketservices.co.nz
Mail: Link Market Services Limited
PO Box 91976, Auckland 1142
Office: Level 11, Deloitte House
80 Queen Street, Auckland 1010
Fax: +64 9 375 5990
Phone: +64 9 375 5998
Web: linkmarketservices.co.nz

Australia

Email: contactenergy@linkmarketservices.com.au
Online: investorcentre.linkmarketservices.com.au
Mail: Link Market Services Limited
Locked Bag A14, Sydney South, NSW 1235
Office: 680 George Street, Sydney, NSW 2000
Fax: +61 2 8280 7111
Phone: +61 2 9287 0303
Web: linkmarketservices.com.au

Electronic investor communication

We encourage investors to elect to receive investor communications electronically as it keeps costs down, delivery of our communication to you is faster and it is better for the environment. You can manage your holding online or contact our registry directly to update your information.

Direct crediting of dividends

To minimise the risk of fraud and misplacement of dividend cheques, shareholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account in New Zealand or Australia.

Investor relations enquiries

Fraser Gardiner
Head of Investor Relations and Strategy
Email: investor.centre@contactenergy.co.nz
Phone: +64 4 499 4001

NZX waiver

On 4 August 2015, NZX Regulation granted Contact a waiver from NZX Debt Market Listing Rule 5.2.3 (for a period of twelve months from 4 September 2015) in respect of Contact's September 2015 issue of \$150 million of unsecured, unsubordinated, fixed rate debt securities ("CEN030 Bonds"). NZDX Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25% of the number of securities in the class issued, with each member holding at least a minimum holding. The effect of the waiver from NZDX Listing Rule 5.2.3 is that the CEN030 Bonds may not be widely held and there may be reduced liquidity in the CEN030 Bonds.

Stock exchange listings

Contact's ordinary shares are listed and quoted on the New Zealand Stock Market (NZSX) and the Australian Securities Exchange (ASX) under company code 'CEN'. Contact has two issues of retail bonds listed and quoted on the New Zealand Debt Market (NZDX) under the company codes 'CEN020' (2014 series) and 'CEN030' (2015 series).

Corporate Directory

Board of Directors

Sir Ralph Norris (Chairman)
Victoria Crone
Whaimutu Dewes
Rob McDonald
Sue Sheldon

Leadership Team

Dennis Barnes
Chief Executive Officer
Graham Cockroft
Chief Financial Officer
Mark Corbitt
General Manager – Information and Communication Technology
Venasio-Lorenzo Crawley
Chief Customer Officer
James Kilty
Chief Generation and Development Officer
Tania Palmer
General Manager – Health, Safety and Environment
Annika Streefland
General Manager – People and Culture
Catherine Thompson
General Counsel

Registered office

Contact Energy Limited
Harbour City Tower
29 Brandon Street
Wellington 6011
New Zealand
Phone: +64 4 499 4001
Fax: +64 4 499 4003
contact.co.nz
facebook.com/contactenergy
twitter.com/contactenergy
linkedin.com/company/contact-energy-ltd

Postal address

PO Box 10742
The Terrace
Wellington 6143
New Zealand

Auditor

KPMG
PO Box 996
Wellington 6140
New Zealand

Company numbers

NZ Incorporation 660760
ABN 68 080 480 477

Contact®