

10 February 2020

**Contact Energy Limited – 2020 Interim Results**

Please find attached the following documents relating to Contact Energy Limited's (Contact) half year results for the six months ended 31 December 2019.

- (a) Media Release
- (b) 2020 Interim Financial Statements
- (c) Financial Results Announcement (NZX form)
- (d) Distribution Notice (NZX form)

The 2020 Interim Results Presentation is being loaded separately on ASX online.

Dividend information filed on Appendix 3A.1 will follow.

**ENDS**

# MEDIA RELEASE

10 February 2020: Contact Energy FY20 Interim Result

**Giving customers choice, certainty and control in a volatile period.  
Decarbonisation opportunities accelerate.**

## Key metrics

	Six months ended 31 December 2019	Comparison against continuing operations <sup>3</sup> 31 December 2018		Six months ended 31 December 2018	
EBITDAF <sup>1</sup>	\$221m	↓	21% from \$278m	↓	24% from \$291m
Profit	\$59m	↓	40% from \$99m	↓	79% from \$276m
Interim dividend per share	16.0 cps			-	16.0 cps
Operating free cash flow <sup>2</sup>	\$120m	↓	38% from \$196m	↓	41% from \$203m
Operating free cash flow per share <sup>2</sup>	16.8 cps	↓	38% from 27.3 cps	↓	41% from 28.3 cps

## Highlights

- Average electricity tariffs for customers lower than last year despite increases in wholesale electricity costs.
- Constructive participation in the Electricity Price Review to ensure the electricity market delivers reliable, low-carbon electricity for New Zealanders.
- Investment in geothermal appraisal wells and strong competitive interest from construction partners, in advance of a final investment decision for Tauhara.
- Decarbonisation-driven demand momentum with a long-term, 13MW, renewable agreement signed, and demand management platform customer base growing quickly.
- Navigated risks relating to constrained natural gas supply via reduction in fixed priced electricity sales and prudent management of gas and hydro storage.
- Co-funded accelerated work programme by Transpower to help move renewable electricity generation north in the event of a disorderly Tiwai Point smelter exit.
- Strong, stable interim dividend of 16 cents per share will be paid on 7 April 2020.

<sup>1</sup> Refer to slides 48-49 of the 2020 interim results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measures earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF) and underlying profit (profit excluding significant items that do not reflect Contact's ongoing performance).

<sup>2</sup> Refer to slides 28, 40 of the 2020 interim results presentation for a definition and reconciliation between cash flow from operating activities and the non-GAAP measure operating free cash flow. Operating free cash flow represents cash available to repay debt, to fund distributions to shareholders and growth capital expenditure.

<sup>3</sup> Sale of Rockgas LPG which completed on 30 November 2018

**Contact Energy ('Contact') released its interim financial results for the six months to 31 December 2019 this morning.**

Contact CEO Dennis Barnes said repeating the record financial performance from the first six months of FY19 was always going to be a challenge, even without the natural gas scarcity that has characterised the last six months.

"The impact of the recent under-investment in New Zealand's ageing gas fields has been acutely felt over the past six months with the supply of natural gas proving unreliable, leading to thermal input costs increasing sharply.

"In this environment we took decisive action to limit our fixed priced sales commitments, conserve fuel for winter 2020 and explore innovative gas purchase arrangements. Although the gas supply constraints have increased our generation costs, this has been mitigated by our high-quality, long-life, renewable generation assets, and lean, low-cost retail operations."

### **Financial performance**

Contact reported a statutory profit for the six months ended 31 December 2019 of \$59 million, \$217 million lower than the prior corresponding period which included Rockgas profit of \$10m and the \$172m gain on the sale of both Rockgas and Ahuroa gas storage.

EBITDAF from continuing operations reduced by \$57 million, or 21%, to \$221 million. This was due to rising thermal generation costs, lower sales to commercial and industrial customers and strong financial performance under unique wholesale market conditions in the prior period.

The increasing cost of gas and carbon is accelerating the case for the substitution of Contact's baseload TCC thermal plant with new renewables. In this context, the useful life of the plant has been reduced, increasing depreciation by \$9m on the prior comparative period.

Operational improvements and portfolio changes resulted in a further reduction in other operating costs of \$8 million, down 7% on a year ago.

Operating free cash flow for 1H20 was \$120 million, down 39% on the first six months of FY19. This was due to a combination of lower operating earnings (EBITDAF), partially offset by lower stay in business capital expenditure and interest costs. Cash tax paid of \$56 million was \$15 million higher, reflecting tax payable on the strong profit realised in FY19.

Mr Barnes said the dividend policy, complemented by the robust balance sheet, has insulated shareholders from the financial effects of volatile operating conditions. "The policy targets an expected operating free cash flow which is normalised for the effects of fuel and capital investment variability."

The Board has approved an interim ordinary dividend of 16 cents per share which will be imputed up to 10 cents per share for qualifying shareholders and paid on 7 April 2020. The target for the full year ordinary dividend remains at 39 cents per share.

### **Customer business: Broadband customers ramping up**

Mr Barnes said Contact's Customer business remained focussed on reducing the 'cost to serve' while improving the customer experience.

"Customer demand for our broadband and energy bundles has surpassed even our most optimistic forecasts with more than 17,000 new broadband connections over the past 12 months. This gives us confidence around our transformation into a customer-centric digital energy company and shows our refreshed brand resonates with customers."

Despite strong operational performance on many metrics and underlying efficiency improvements of 6%, EBITDAF in the Customer business was down \$18 million (38%) year-on-year to \$30 million, as rising input costs for electricity, gas, carbon and distribution networks were not recovered.

Mr Barnes said wholesale energy and network costs for the products that Contact sold to retail customers have seen sustained increases over the past three years. "We deliberately shield customers from these sharp increases as we believe a long-term customer relationship is more valuable than short-term improvements to profitability."

### **Wholesale business: diverse assets, managing risk and advancing renewable options**

Mr Barnes said Contact's Wholesale business was continuing to work with business customers, partners and suppliers to decarbonise New Zealand's energy sector. "The difficult wholesale market conditions driven by a shortage of gas have shown the value of diverse generation assets, strong risk management and renewable development options."

EBITDAF in the Wholesale business reduced by \$39 million to \$204 million year-on-year, as production from hydro generation was down by 8 per cent (159GWh). Thermal generation costs also increased by 10%, driven by gas, carbon and gas storage facility costs.

He said New Zealand was undergoing "a transformation" from reliance on fossil fuels to renewable electricity. "The transformational shift has impacted Contact's near-term profitability as thermal costs rise, but over the longer term we are well-positioned to connect our customers with renewable energy."

"We expect to drive reductions in costs and deliver strong returns to shareholders at the same time as we develop our large-scale consented geothermal development at Tauhara. This will help reduce the nation's carbon emissions, backed by our world-class geothermal capability and strong balance sheet."

### **Outlook**

Mr Barnes said the Rio Tinto-initiated strategic review of the Tiwai aluminium smelter remained firmly on the radar. "A disorderly exit of the smelter would be a poor outcome for New Zealand and we are actively engaged in negotiations for revised terms for electricity supply to Tiwai."

"We are also executing on a range of mitigation options, including co-funding an accelerated work programme by Transpower. This will help move renewable electricity generation in the lower South Island north through the national transmission network, if the smelter review leads to curtailment or closure."

"We are working with commercial and industrial customers to deliver reductions to their carbon footprints by connecting them with low-carbon, reliable electricity. We believe the long-term 13MW renewable agreement signed recently is the first of many."

"Thermal generation remains an important part of our current portfolio. The gas supply agreements we announced today see us well-positioned to deliver improving financial performance."

He said the company remained focussed on delivering on its transformation programme to reduce controllable costs, and capture value from scale efficiencies through geothermal development and leveraging its customer systems and lean operating model.

### **ENDS**

Investor enquiries: Matthew Forbes +64 21 072 8578



Media enquiries: Paul Ford, [paul.ford@contactenergy.co.nz](mailto:paul.ford@contactenergy.co.nz), Ph +64 21 809 589





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2020

# Interim Financial Statements

## About These Financial Statements

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

These interim Financial Statements are for Contact, a group made up of Contact Energy Limited, the entities over which it has control or joint control and its associate.

Contact Energy Limited is registered in New Zealand under the Companies Act 1993. It is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. Contact is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Contact's interim Financial Statements for the six months ended 31 December 2019 provide a summary of Contact's performance for the period and outline significant changes to information reported in the Financial Statements for the year ended 30 June 2019 (2019 Annual Report). The Financial Statements should be read with the [2019 Annual Report](#).

The Financial Statements have been prepared:

- in millions of New Zealand dollars (NZD) unless otherwise stated
- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with NZ IAS 34 *Interim Financial Reporting*
- using the same accounting policies and significant estimates and critical judgments disclosed in the 2019 Annual Report, except as disclosed in note C2
- with certain comparative amounts reclassified to conform to the current period's presentation.

## Statement of Comprehensive Income

### FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

\$m	Note	Unaudited 6 months ended 31 Dec 2019	Unaudited 6 months ended 31 Dec 2018	Audited Year ended 30 June 2019
Revenue and other income	A2	1,110	1,304	2,460
Operating expenses	A2	(889)	(1,026)	(1,955)
Significant items	A2	2	5	9
Depreciation and amortisation	C2	(110)	(102)	(205)
Net interest expense	B4	(28)	(39)	(70)
<b>Profit before tax</b>		<b>85</b>	<b>142</b>	<b>239</b>
Tax expense		(26)	(43)	(69)
<b>Profit from continuing operations</b>		<b>59</b>	<b>99</b>	<b>170</b>
<b>Discontinued operation</b>				
Profit from discontinued operation after tax	A2	-	10	10
Gain on sale of discontinued operation	A2	-	167	165
<b>Profit</b>		<b>59</b>	<b>276</b>	<b>345</b>
<b>Items that may be reclassified to profit/(loss):</b>				
Change in hedge reserves (net of tax) - continuing operations		3	(22)	(43)
Change in hedge reserves (net of tax) - discontinued operation		-	(3)	(3)
<b>Comprehensive income</b>		<b>62</b>	<b>251</b>	<b>299</b>
<b>Profit per share (cents) - basic and diluted</b>		<b>8.3</b>	<b>38.6</b>	<b>48.2</b>
Profit per share (cents) from continuing operations		8.3	13.8	23.7
Profit per share (cents) from discontinued operation		-	24.8	24.5

The Financial Statements were authorised on behalf of the Contact Energy Limited Board of Directors on 7 February 2020:

**Robert McDonald**  
Chair

**Dame Therese Walsh**  
Chair, Audit & Risk Committee

# Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

\$m	Note	Unaudited 6 months ended 31 Dec 2019	Unaudited 6 months ended 31 Dec 2018	Audited Year ended 30 June 2019
Receipts from customers		1,141	1,396	2,490
Payments to suppliers and employees		(913)	(1,087)	(1,977)
Interest paid		(25)	(36)	(69)
Interest received		-	-	4
Tax paid		(56)	(41)	(47)
<b>Operating cash flows</b>		<b>147</b>	<b>232</b>	<b>401</b>
Purchase of assets		(46)	(29)	(63)
Capitalised interest		(3)	-	-
Investment in joint venture/associate		(1)	-	(8)
Proceeds from sale of assets/ operations (net of tax)		-	438	390
<b>Investing cash flows</b>		<b>(50)</b>	<b>409</b>	<b>319</b>
Dividends paid	B2	(165)	(136)	(251)
Proceeds from borrowings		55	-	100
Repayment of borrowings		(9)	(298)	(525)
<b>Financing cash flows</b>		<b>(119)</b>	<b>(434)</b>	<b>(676)</b>
<b>Net cash flow</b>		<b>(22)</b>	<b>207</b>	<b>44</b>
Add: cash at the beginning of the period		47	3	3
<b>Cash at the end of the period</b>		<b>25</b>	<b>210</b>	<b>47</b>

# Statement of Financial Position

AT 31 DECEMBER 2019

\$m	Note	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018	Audited 30 June 2019
Cash and cash equivalents		25	210	47
Trade and other receivables		154	153	196
Inventories	C1	52	31	28
Intangible assets	C2	26	37	14
Derivative financial instruments	D1	23	15	13
<b>Total current assets</b>		<b>280</b>	<b>446</b>	<b>298</b>
Inventories		-	17	14
Property, plant and equipment	C2	4,075	4,190	4,126
Intangible assets	C2	234	249	246
Goodwill		179	179	179
Investment in joint venture/associate		11	-	11
Derivative financial instruments	D1	71	59	80
<b>Total non-current assets</b>		<b>4,570</b>	<b>4,694</b>	<b>4,656</b>
<b>Total assets</b>		<b>4,850</b>	<b>5,140</b>	<b>4,954</b>
Trade and other payables		172	181	185
Tax payable		7	71	34
Borrowings	B3	262	315	127
Derivative financial instruments	D1	46	37	40
Provisions		7	7	8
<b>Total current liabilities</b>		<b>494</b>	<b>611</b>	<b>394</b>
Borrowings	B3	879	885	969
Derivative financial instruments	D1	64	53	73
Provisions		51	51	51
Deferred tax		673	690	676
Other non-current liabilities		9	7	9
<b>Total non-current liabilities</b>		<b>1,676</b>	<b>1,686</b>	<b>1,778</b>
<b>Total liabilities</b>		<b>2,170</b>	<b>2,297</b>	<b>2,172</b>
<b>Net assets</b>		<b>2,680</b>	<b>2,843</b>	<b>2,782</b>
Share capital	B1	1,527	1,522	1,523
Retained earnings		1,182	1,334	1,288
Hedge reserves		(36)	(18)	(39)
Share-based compensation reserve		7	5	10
<b>Shareholders' equity</b>		<b>2,680</b>	<b>2,843</b>	<b>2,782</b>



# Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

\$m	Note	Share capital	Retained earnings	Other reserves	Shareholders' equity
<b>Balance at 1 July 2018</b>		<b>1,520</b>	<b>1,194</b>	<b>13</b>	<b>2,727</b>
Profit	A2	-	276	-	276
Change in hedge reserves (net of tax)		-	-	(25)	(25)
Change in share-based compensation reserve		-	-	(1)	(1)
Change in share capital	B1	2	-	-	2
Dividends paid	B2	-	(136)	-	(136)
<b>Unaudited balance at 31 December 2018</b>		<b>1,522</b>	<b>1,334</b>	<b>(13)</b>	<b>2,843</b>
Profit	A2	-	69	-	69
Change in hedge reserves (net of tax)		-	-	(21)	(21)
Change in share-based compensation reserve		-	-	5	5
Change in share capital	B1	1	-	-	1
Dividends paid	B2	-	(115)	-	(115)
<b>Audited balance at 30 June 2019</b>		<b>1,523</b>	<b>1,288</b>	<b>(29)</b>	<b>2,782</b>
Profit	A2	-	59	-	59
Change in hedge reserves (net of tax)		-	-	3	3
Change in share-based compensation reserve		-	-	(3)	(3)
Change in share capital	B1	4	-	-	4
Dividends paid	B2	-	(165)	-	(165)
<b>Unaudited balance at 31 December 2019</b>		<b>1,527</b>	<b>1,182</b>	<b>(29)</b>	<b>2,680</b>

## A. Our Performance

Notes to the Financial Statements for the six months ended 31 December 2019

### A1. SEGMENTS

Contact reports activities under the Wholesale segment and the Customer segment. There have been no significant changes to Contact's operating segments in the current period.

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial & Industrial (C&I) customers and to the Customer segment, less the cost to generate and/or purchase the electricity and costs to service and distribute electricity to C&I customers.

The Customer segment includes revenue from delivering electricity, natural gas and other products and services to customers less the cost of purchasing those products and services, and the cost to service customers.

Unallocated includes corporate functions not directly allocated to the operating segments.

The Customer segment purchases electricity from the Wholesale segment at a fixed price in a manner similar to transactions with third parties.

### A2. EARNINGS

The tables on the next pages provide a breakdown of Contact's revenue and expenses, earnings before interest, tax, depreciation and amortisation, changes in fair value of financial instruments and significant items (EBITDAF) by segment, and a reconciliation from EBITDAF and underlying profit to profit reported under NZ GAAP.

EBITDAF and underlying profit are used to monitor performance and are non-GAAP profit measures. Significant items are excluded from EBITDAF and underlying profit when they meet criteria approved by the Board of Directors. The significant item in this reporting period is 'Change in fair value of financial instruments', which is made up of movements in the valuation of electricity price derivatives that are not accounted for as hedges, hedge accounting ineffectiveness and the effect of credit risk on the valuation of hedged debt and derivatives. Refer note D1 for a breakdown

The Electricity Authority (EA) are reviewing a claim of an Undesirable Trading Situation (UTS) in November and December 2019. If the EA finds a UTS existed then under the Electricity Participation Code the EA have a number of remedies available to it including directing that any trades be closed out or settled at a specific price. Contact has made no provision for this outcome as Contact maintains that the spot prices reflect supply-demand conditions during the period.

	Unaudited 6 months ended 31 Dec 2019					Unaudited 6 months ended 31 Dec 2018							Audited year ended 30 June 2019																					
											Total continuing operations		Discontinued operation		Total							Total continuing operations		Discontinued operation		Total								
\$m	Wholesale	Customer	Unallocated	Eliminations	Total	Wholesale	Customer	Unallocated	Eliminations			Total	Wholesale	Customer	Unallocated	Eliminations			Total	Wholesale	Customer	Unallocated	Eliminations			Total	Wholesale	Customer	Unallocated	Eliminations			Total	
Mass market electricity	-	450	-	-	450	-	455	-	-	455	-	455	-	863	-	(1)	862	-	862	-	863	-	(1)	862	-	862	-	862	-	-	-	862	-	862
C&I electricity - Fixed Price	152	-	-	-	152	199	-	-	-	199	-	199	388	-	-	-	388	-	388	-	388	-	-	-	388	-	388	-	-	-	-	388	-	388
C&I electricity - Spot	12	-	-	-	12	16	-	-	-	16	-	16	31	-	-	-	31	-	31	-	31	-	-	-	31	-	31	-	-	-	-	31	-	31
Wholesale electricity, net of hedging	425	-	-	-	425	560	-	-	-	560	-	560	1,044	-	-	-	1,044	-	1,044	-	1,044	-	-	-	1,044	-	1,044	-	-	-	-	1,044	-	1,044
Electricity-related services revenue	3	-	-	-	3	8	-	-	-	8	-	8	10	-	-	-	10	-	10	-	10	-	-	-	10	-	10	-	-	-	-	10	-	10
Inter-segment electricity sales	169	-	-	(169)	-	159	-	-	(159)	-	-	-	314	-	-	(314)	-	-	-	314	-	-	-	(314)	-	-	-	-	-	-	-	-	-	-
Gas	1	41	-	-	42	2	39	-	-	41	-	41	3	73	-	-	76	-	76	-	76	-	-	-	76	-	76	-	-	-	-	76	-	76
Steam	17	-	-	-	17	16	-	-	-	16	-	16	27	-	-	-	27	-	27	-	27	-	-	-	27	-	27	-	-	-	-	27	-	27
Broadband	-	7	-	-	7	-	2	-	-	2	-	2	-	7	-	-	7	-	7	-	7	-	-	-	7	-	7	-	-	-	-	7	-	7
LPG	-	-	-	-	-	-	-	-	-	-	58	58	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	58	-	58	
Total revenue	779	498	-	(169)	1,108	960	496	-	(159)	1,297	58	1,355	1,817	943	-	(315)	2,445	58	2,503	-	2,503	-	-	-	2,445	58	2,503	-	-	-	-	2,503	-	2,503
Other income	(1)	3	-	-	2	6	1	-	-	7	1	8	10	5	-	-	15	1	16	-	16	-	-	-	15	1	16	-	-	-	-	16	-	16
Total revenue and other income	778	501	-	(169)	1,110	966	497	-	(159)	1,304	59	1,363	1,827	948	-	(315)	2,460	59	2,519	-	2,519	-	-	-	2,460	59	2,519	-	-	-	-	2,519	-	2,519
Electricity purchases, net of hedging	(355)	-	-	-	(355)	(485)	-	-	-	(485)	-	(485)	(901)	-	-	-	(901)	-	(901)	-	(901)	-	-	-	(901)	-	(901)	-	-	-	-	(901)	-	(901)
Electricity purchases - Spot	(10)	-	-	-	(10)	(14)	-	-	-	(14)	-	(14)	(27)	-	-	-	(27)	-	(27)	-	(27)	-	-	-	(27)	-	(27)	-	-	-	-	(27)	-	(27)
Electricity related services cost	(3)	-	-	-	(3)	(7)	-	-	-	(7)	-	(7)	(10)	-	-	-	(10)	-	(10)	-	(10)	-	-	-	(10)	-	(10)	-	-	-	-	(10)	-	(10)
Inter-segment electricity purchases	-	(169)	-	169	-	-	(159)	-	159	-	-	-	-	(314)	-	314	-	-	-	-	(314)	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas and diesel purchases	(54)	(13)	-	-	(67)	(51)	(10)	-	-	(61)	-	(61)	(98)	(18)	-	-	(116)	-	(116)	-	(116)	-	-	-	(116)	-	(116)	-	-	-	-	(116)	-	(116)
Gas storage costs	(11)	-	-	-	(11)	(6)	-	-	-	(6)	-	(6)	(17)	-	-	-	(17)	-	(17)	-	(17)	-	-	-	(17)	-	(17)	-	-	-	-	(17)	-	(17)
Carbon emissions	(11)	(2)	-	-	(13)	(10)	(1)	-	-	(11)	(2)	(13)	(21)	(3)	-	-	(24)	(2)	(26)	-	(26)	-	-	-	(24)	(2)	(26)	-	-	-	-	(26)	-	(26)
Generation transmission & reserves costs	(21)	-	-	-	(21)	(21)	-	-	-	(21)	-	(21)	(40)	-	-	-	(40)	-	(40)	-	(40)	-	-	-	(40)	-	(40)	-	-	-	-	(40)	-	(40)
Electricity networks, levies & meter costs - Fixed Price	(54)	(219)	-	-	(273)	(72)	(217)	-	-	(289)	-	(289)	(139)	(421)	-	-	(560)	-	(560)	-	(560)	-	-	-	(560)	-	(560)	-	-	-	-	(560)	-	(560)
Electricity networks, levies & meter costs - Spot	(2)	-	-	-	(2)	(2)	-	-	-	(2)	-	(2)	(3)	-	-	-	(3)	-	(3)	-	(3)	-	-	-	(3)	-	(3)	-	-	-	-	(3)	-	(3)
Gas networks, transmission & meter costs	(5)	(20)	-	-	(25)	(5)	(20)	-	-	(25)	-	(25)	(8)	(38)	-	-	(46)	-	(46)	-	(46)	-	-	-	(46)	-	(46)	-	-	-	-	(46)	-	(46)
Broadband costs	-	(7)	-	-	(7)	-	(2)	-	-	(2)	-	(2)	-	(6)	-	-	(6)	-	(6)	-	(6)	-	-	-	(6)	-	(6)	-	-	-	-	(6)	-	(6)
Other operating expenses	(48)	(41)	(13)	-	(102)	(50)	(40)	(13)	-	(103)	(7)	(110)	(99)	(81)	(26)	1	(205)	(7)	(212)	-	(212)	-	-	-	(205)	(7)	(212)	-	-	-	-	(212)	-	(212)
LPG purchases	-	-	-	-	-	-	-	-	-	-	(37)	(37)	-	-	-	-	-	(37)	(37)	-	(37)	-	-	-	-	(37)	(37)	-	-	-	-	(37)	-	(37)
Total operating expenses	(574)	(471)	(13)	169	(889)	(723)	(449)	(13)	159	(1,026)	(46)	(1,072)	(1,363)	(881)	(26)	315	(1,955)	(46)	(2,001)	-	(2,001)	-	-	-	(1,955)	(46)	(2,001)	-	-	-	-	(2,001)	-	(2,001)
EBITDAF	204	30	(13)	-	221	243	48	(13)	-	278	13	291	464	67	(26)	-	505	13	518	-	518	-	-	-	505	13	518	-	-	-	-	518	-	518
Depreciation and amortisation					(110)					(102)	-	(102)					(205)	-	(205)	-	(205)	-	-	-	(205)	-	(205)	-	-	-	-	(205)	-	(205)
Net interest expense					(28)					(39)	-	(39)					(70)	-	(70)	-	(70)	-	-	-	(70)	-	(70)	-	-	-	-	(70)	-	(70)
Tax on underlying profit					(25)					(40)	(3)	(43)					(64)	(3)	(67)	-	(67)	-	-	-	(64)	(3)	(67)	-	-	-	-	(67)	-	(67)
Underlying profit					58					97	10	107					166	10	176	-	176	-	-	-	166	10	176	-	-	-	-	176	-	176
Significant items																																		
Change in fair value of financial instruments					2					(2)	-	(2)					2	-	2	-	2	-	-	-	2	-	2	-	-	-	-	2	-	2
Gain on sale of Rockgas and AGS Facility					-					5	167	172					5	165	170	-	170	-	-	-	5	165	170	-	-	-	-	170	-	170
Remediation for Holidays Act non-compliance					-					2	-	2					2	-	2	-	2	-	-	-	2	-	2	-	-	-	-	2	-	2
Tax on significant items					(1)					(3)	-	(3)					(5)	-	(5)	-	(5)	-	-	-	(5)	-	(5)	-	-	-	-	(5)	-	(5)
Profit					59					99	177	276					170	175	345	-	345	-	-	-	170	175	345	-	-	-	-	345	-	345
Underlying profit per share (cents)					8.0					13.6	1.4	15.0					23.2	1.4	24.6	-	24.6	-	-	-	23.2	1.4	24.6	-	-	-	-	24.6	-	24.6

### A3. FREE CASH FLOW

\$m	Unaudited 6 months ended 31 Dec 2019	Unaudited 6 months ended 31 Dec 2018	Audited Year ended 30 June 2019
<b>EBITDAF</b>	<b>221</b>	<b>291</b>	<b>518</b>
Tax paid	(56)	(41)	(47)
Change in working capital net of investing and financing activities	5	18	(7)
Non-cash share-based compensation	2	1	4
Significant items, net of non-cash amounts	-	(1)	(2)
Net interest paid, excluding capitalised interest	(25)	(36)	(65)
<b>Operating cash flows</b>	<b>147</b>	<b>232</b>	<b>401</b>
Stay in business capital expenditure	(27)	(29)	(60)
<b>Operating free cash flow</b>	<b>120</b>	<b>203</b>	<b>341</b>
Proceeds from sale of assets/operations (net of tax)	-	438	390
<b>Free cash flow</b>	<b>120</b>	<b>641</b>	<b>731</b>
<b>Operating free cash flow per share (cents)</b>	<b>16.8</b>	<b>28.3</b>	<b>47.5</b>

During the current interim reporting period, interest paid and interest received were reclassified to operating cash flows, to better reflect the purpose and use of the underlying instruments.

### A4. RELATED PARTY TRANSACTIONS

Contact's related parties include the Directors, the Leadership Team, Simply Energy Limited and Drylandcarbon One Limited Partnership. Contact sold its 50% interest in Rockgas Timaru Limited as part of the sale of Rockgas on 30 November 2018. Transactions with Rockgas Timaru Limited up to that point, and other related party transactions are disclosed below:

- Sales of LPG to Rockgas Timaru Limited of \$nil (31 December 2018: \$1 million, 30 June 2019: \$1 million).
- Directors' fees of \$1 million (31 December 2018: \$1 million, 30 June 2019: \$1 million).
- Leadership Team's salary and other short-term benefits of \$4 million (31 December 2018: \$4 million, 30 June 2019: \$7 million), which includes \$1 million of share-based compensation expense (31 December 2018: \$1 million, 30 June 2019: \$2 million).

Members of the Leadership Team and Directors purchase goods and services from Contact for domestic purposes on normal commercial terms and conditions. For members of the Leadership Team this includes staff discount available to all eligible employees.

## B. Our Funding

Notes to the Financial Statements for the six months ended 31 December 2019

### B1. SHARE CAPITAL

	Number	\$m
Balance at 1 July 2018	716,286,570	1,520
Share capital issued	418,002	2
<b>Balance at 31 December 2018</b>	<b>716,704,572</b>	<b>1,522</b>
Share capital issued	70,210	1
<b>Balance at 30 June 2019</b>	<b>716,774,782</b>	<b>1,523</b>
Share capital issued	1,302,816	4
<b>Balance at 31 December 2019</b>	<b>718,077,598</b>	<b>1,527</b>
Comprised of:		
Ordinary shares	717,795,924	1,528
Contact Share	281,674	(1)

During the period Contact granted a new tranche of share awards under the Equity Scheme, comprising 154,164 performance share rights (PSRs) and 244,404 deferred share rights (DSRs). PSRs and DSRs have no exercise price.

### B2. DIVIDENDS PAID

\$m	Cents per share	Unaudited 6 months ended 31 Dec 2019	Unaudited 6 months ended 31 Dec 2018	Audited Year ended 30 June 2019
2018 final dividend	19	-	136	136
2019 interim dividend	16	-	-	115
2019 final dividend	23	165	-	-
		<b>165</b>	<b>136</b>	<b>251</b>

On 7 February 2020 the Board declared an interim dividend of 16 cents per share to be paid on 7 April 2020.

### B3. BORROWINGS

\$m	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018	Audited 30 June 2019
Bank overdraft	2	1	6
*Commercial paper	100	80	60
*Bank facilities	31	-	16
Lease obligations	24	26	25
*Wholesale bonds	50	50	50
*Retail bonds	350	472	350
*Export credit agency facility	57	65	61
*USPP notes	447	447	447
<b>Face value of borrowings</b>	<b>1,061</b>	<b>1,141</b>	<b>1,015</b>
Deferred financing costs	(5)	(5)	(5)
Fair value adjustment on hedged borrowings	85	64	86
<b>Carrying value of borrowings</b>	<b>1,141</b>	<b>1,200</b>	<b>1,096</b>
Current	262	315	127
Non-current	879	885	969

Borrowings denoted with an asterisk (\*) are Green Debt Instruments under Contact's Green Borrowing Programme, which has been certified by the Climate Bonds Initiative. At 31 December 2019 Contact remains compliant with the requirements of the programme. Further information is available on the [sustainability section](#) on our website.

### B4. NET INTEREST EXPENSE

\$m	Unaudited 6 months ended 31 Dec 2019	Unaudited 6 months ended 31 Dec 2018	Audited Year ended 30 June 2019
Interest expense on borrowings	(28)	(36)	(69)
Unwind of discount on provisions	(3)	(3)	(5)
Capitalised interest	3	-	-
Interest income	-	-	4
<b>Net interest expense</b>	<b>(28)</b>	<b>(39)</b>	<b>(70)</b>

Included within interest expense on borrowings is \$1 million (31 December 2018: \$1 million, 30 June 2019: \$2 million) of interest expense relating to finance leases.

## C. Our Assets

Notes to the Financial Statements for the six months ended 31 December 2019

### C1. INVENTORY

Under the new contractual arrangements with FlexGas, gas held as inventory in storage at the Ahuroa Gas Storage (AGS) facility is subject to an annual capacity assessment by a third party expert. Aspects of the determination of AGS volumes for 2019 are under discussion and yet to be formally agreed.

### C2. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018	Audited 30 June 2019
<b>\$m</b>			
Opening balance	4,126	4,253	4,253
Additions	41	22	43
Depreciation	(92)	(84)	(169)
Disposals	-	(1)	(1)
<b>Closing balance</b>	<b>4,075</b>	<b>4,190</b>	<b>4,126</b>

The useful economic life of Taranaki Combined Cycle plant assets (excluding those depreciated on operating hours) has been reassessed for accounting purposes as a result of changes in the external environment, and the likely outcome that the plant will be closed once operating hours are fully utilised. As a change in accounting estimate, this has been applied from 1 July 2019, and has resulted in a \$9 million increase to depreciation in the six months ended 31 December 2019.

Included within property, plant and equipment is \$27 million (31 December 2018: \$29 million, 30 June 2019: \$29 million) of lease assets with a depreciation charge of \$2 million for the six months ended 31 December 2019 (31 December 2018: \$2 million, 30 June 2019: \$5 million).

Included within additions for the six months ended 31 December 2019 is capitalised interest of \$3 million in relation to capital works underway at the Tauhara geothermal field.

Intangibles	Unaudited 31 Dec 2019	Unaudited 31 Dec 2018	Audited 30 June 2019
<b>\$m</b>			
Opening balance	260	272	272
Additions	18	35	52
Amortisation	(18)	(18)	(36)
Disposals	-	(3)	(28)
<b>Closing balance</b>	<b>260</b>	<b>286</b>	<b>260</b>
Current	26	37	14
Non-current	234	249	246

At 31 December 2019, Contact was committed to \$13 million of capital expenditure (31 December 2018: \$8 million, 30 June 2019: \$22 million) and \$31 million of carbon forward contracts (31 December 2019: \$7 million, 30 June 2019: \$38 million), of which \$36 million is due within one year of the reporting period end and \$8 million is due between one to two years of the reporting period end.

## D. Financial Risks

Notes to the Financial Statements for the six months ended 31 December 2019

### D1. SUMMARY OF DERIVATIVE FINANCIAL INSTRUMENTS

A summary of the balance and movement of derivatives and the impact on Contact's financial position is provided below grouped by type of hedge relationship.

	Unaudited at 31 Dec 2019						Unaudited at 31 Dec 2018						Audited at 30 June 2019					
	Fair value		Cash flow and fair		Cash flow hedge		Fair value		Cash flow and fair		Cash flow hedge		Fair value		Cash flow and fair		Cash flow hedge	
	hedge		value hedge		No hedge		hedge		value hedge		No hedge		hedge		value hedge		No hedge	
	IRS	CCIRS	Electricity price	Electricity price	Electricity price	Electricity price	IRS	CCIRS	Electricity price	Electricity price	Electricity price	Electricity price	IRS	CCIRS	Electricity price	Electricity price	Electricity price	Electricity price
\$m			derivatives	derivatives	derivatives	derivatives			derivatives	derivatives	derivatives	derivatives			derivatives	derivatives	derivatives	derivatives
Carrying value of derivatives - asset	7	78	-	2	7	94	5	57	-	6	6	74	8	78	-	1	6	93
Carrying value of derivatives - liability	-	(4)	(70)	(31)	(5)	(110)	-	(2)	(60)	(23)	(5)	(90)	-	(4)	(77)	(29)	(3)	(113)
Carrying value of hedged borrowings	244	523	-	-	-	767	255	503	-	-	-	758	245	524	-	-	-	769
Fair value adjustments to borrowings	(7)	(78)	-	-	-	(85)	(7)	(57)	-	-	-	(64)	(8)	(78)	-	-	-	(86)
Change in fair value in significant items	-	-	2	-	-	2	(2)	-	-	-	-	(2)	-	-	-	-	2	2
Hedge effectiveness recognised in OCI	-	1	2	(12)	-	(9)	-	-	(7)	(25)	-	(32)	-	(2)	(24)	(31)	-	(57)
Amounts reclassified to profit/(loss)	-	-	3	10	-	13	-	-	1	(3)	-	(2)	-	-	1	(6)	-	(5)

The cross currency interest rate swaps (CCIRS) liability arises from the cash flow hedge component.

# Independent Auditor's Review Report

## To the shareholders of Contact Energy Limited Report on the interim financial statements

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 2 to 15 do not:

- present fairly in all material respects the company's financial position as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date; and
- comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim financial statements which comprise:

- the statement of financial position as at 31 December 2019;
- the statements of comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

### Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Contact Energy Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the company in relation to AGM Scrutineering and trustee reporting. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as reviewer of the company. The firm has no other relationship with, or interest in, the company.

### Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the 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 the shareholders as a body for our review work, this report, or any of the opinions we have formed.

### Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of interim financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the review of the interim financial statements

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. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

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 these interim financial statements.

This description forms part of our Independent Review Report.



KPMG  
Wellington  
7 February 2020

# Corporate Directory

## BOARD OF DIRECTORS

Robert McDonald (Chair)  
Victoria Crone  
Whaimutu Dewes  
Jon Macdonald  
David Smol  
Elena Trout  
Dame Therese Walsh

## LEADERSHIP TEAM

Dennis Barnes  
Chief Executive Officer

Jan Bibby  
Chief People Officer

Venasio-Lorenzo Crawley  
Chief Customer Officer

Dorian Devers  
Chief Financial Officer

James Kilty  
Chief Generation and Development Officer

Catherine Thompson  
General Manager, External Relations and 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

Find us on [Facebook](#), [Twitter](#), [LinkedIn](#) and [Youtube](#) by searching for Contact Energy

## COMPANY NUMBERS

NZ Incorporation 660760  
ABN 68 080 480 477

## AUDITOR

KPMG  
PO BOX 996  
Wellington 6140

## REGISTRY

Change of address, payment instructions and investment portfolios can be viewed and updated online:

[investorcentre.linkmarketservices.co.nz](http://investorcentre.linkmarketservices.co.nz)  
[investorcentre.linkmarketservices.com.au](http://investorcentre.linkmarketservices.com.au)

## New Zealand Registry

Link Market Services Limited, PO Box 91976, Auckland 1142  
Level 11, Deloitte Centre, 80 Queen Street, Auckland 1010

[contactenergy@linkmarketservices.co.nz](mailto:contactenergy@linkmarketservices.co.nz)  
Phone: +64 9 375 5998  
Fax: +64 9 375 5990

## Australian Registry

Link Market Services Limited, Locked Bag A14, Sydney  
South, NSW 1235  
680 George Street, Sydney, NSW 2000

[contactenergy@linkmarketservices.com.au](mailto:contactenergy@linkmarketservices.com.au)  
Phone: +61 2 8280 7111  
Fax: +61 2 9287 0303

## INVESTOR ENQUIRIES

Matthew Forbes  
GM Corporate Finance  
[investor.centre@contactenergy.co.nz](mailto:investor.centre@contactenergy.co.nz)  
Phone: +64 21 072 8578

## SUSTAINABILITY ENQUIRIES

Nakia Randle  
Sustainability Advisor  
[nakia.randle@contactenergy.co.nz](mailto:nakia.randle@contactenergy.co.nz)





NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

## Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Contact Energy Limited	
Reporting Period	6 months to 31 December 2019	
Previous Reporting Period	6 months to 31 December 2018	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$1,110,000	(14.9)%
Total Revenue	\$1,110,000	(18.6)%
Net profit/(loss) from continuing operations	\$59,000	(39.9)%
Total net profit/(loss)	\$59,000	(78.4)%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$0.16	
Imputed amount per Quoted Equity Security	\$0.03888889	
Record Date	19 March 2020	
Dividend Payment Date	7 April 2020	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$3.12	\$3.32
A brief explanation of any of the figures above necessary to enable the figures to be understood		
Authority for this announcement		
Name of person authorised to make this announcement	Kirsten Clayton, Company Secretary	
Contact person for this announcement	Matthew Forbes, GM Corporate Finance	
Contact phone number	+64 21 072 8578	
Contact email address	investor.centre@contactenergy.co.nz	
Date of release through MAP	10/02/2020	

Unaudited financial statements accompany this announcement.

Section 1: Issuer information				
Name of issuer	Contact Energy Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	CEN			
ISIN (If unknown, check on NZX website)	NZCENE0001S6			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies			
Record date	19/03/2020			
Ex-Date (one business day before the Record Date)	18/03/2020			
Payment date (and allotment date for DRP)	07/04/2020			
Total monies associated with the distribution	\$ 114,892,416 (718,077,598 shares @ \$0.16 / share)			
Source of distribution (for example, retained earnings)	Operating Free Cash Flow			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution	\$0.19888889			
Gross taxable amount	\$0.19888889			
Total cash distribution	\$0.16			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	\$0.01764706			
Section 3: Imputation credits and Resident Withholding Tax				
Is the distribution imputed	<del>Fully imputed</del>			
	Partial imputation			
	<del>No imputation</del>			
If fully or partially imputed, please state imputation rate as % applied	20%			
Imputation tax credits per financial product	\$0.03888889			
Resident Withholding Tax per financial product	\$0.02674444			

Section 4: Distribution re-investment plan (if applicable) – N/A		
DRP % discount (if any)		
Start date and end date for determining market price for DRP		
Date strike price to be announced (if not available at this time)		
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)		
DRP strike price per financial product		
Last date to submit a participation notice for this distribution in accordance with DRP participation terms		
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Kirsten Clayton, Company Secretary	
Contact person for this announcement	Matthew Forbes, GM Corporate Finance	
Contact phone number	+64 21 072 8578	
Contact email address	investor.centre@contactenergy.co.nz	
Date of release through MAP	10/02/2020	