To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	16 February 2015
From	Marta Kielich	Pages	65
Subject	Contact Energy Limited – Half Year Results		

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

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

Regards

MKielich

Marta Kielich
Company Secretary

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MEDIA RELEASE

Monday 16 February 2015

Contact positioned well in a highly competitive market

	6 months ended 31 December 2014	
EBITDAF[1]	$257m	down 3% from $264m
Profit	$51m	down 54% from $112m
Earnings per share (cents)	6.9 cps	down 55% from 15.3 cps
Underlying earnings after tax[2]	$76m	down 22% from $97m
Underlying earnings per share (cents)	10.4 cps	down 21% from 13.2 cps
Interim dividend (cents)	11.0 cps	no change from 11.0 cps
Underlying Operating cashflow after tax (OCAT)	$227m	up 31% from $173m
Free cash flow	$180m	up 51% from $119m
Capital expenditure	$48m	down 69% from $153m

Overview of results

"The first half of the 2015 financial year (1H15) was a transitional period for Contact as the Te Mihi geothermal power station and the new retail system were integrated into the business. Following the go-live of our new retail customer billing and service system we have made considerable progress in stabilising the system and the processes that support it. A system change of this size always creates challenges and I am pleased with the way we have been able to manage this process and hold sales volumes stable during a period of continued intense competition and price discounting. We have integrated the Te Mihi geothermal power station into our generation portfolio increasing renewable generation from 68 per cent to 76 per cent of our total output. Work completed during an extended outage at Te Mihi has improved the performance of the plant to a level above the business case which, combined with improved availability across the remainder of the portfolio, is expected to further reduce our cost of energy" said Dennis Barnes, Contact Chief Executive.

Contact reported statutory profit for the 6 months ended 31 December 2014 of $51 million; $61 million (54 per cent) lower than the prior corresponding period primarily due to an unfavourable movement in the fair value of financial instruments and transition costs from the Retail Transformation project and associated activities. This was further impacted by EBITDAF[1] reducing by $7 million (3 per cent) to $257 million predominantly due to a $20 million reduction in retail margins as a result of the continued intensity of retail competition.

[1] Refer to page 1 and 2 of the Management discussion of financial results for the 6 months ended 31 December 2014 for a definition and reconciliation between statutory profit and the non-GAAP profit measure earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF).
[2] Refer to page 3 and 4 of the Management discussion of financial results for the 6 months ended 31 December 2014 for a definition and reconciliation between statutory profit and the non-GAAP profit measure underlying earnings after tax (profit excluding significant items that do not reflect Contact's ongoing performance).

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Underlying earnings after tax was $76 million, $21 million (22 per cent) lower than the first half of the 2014 financial year (1H14) reflecting lower retail margins and the impact of plant outages reducing EBITDAF by more than the increased depreciation and interest costs following the completion of the significant capital programme. Operating cash flow after tax was $227 million, up $54 million (31 per cent).

The Contact Energy Board of Directors resolved that the interim distribution to shareholders would remain stable at 11 cents per share. The distribution represents a payout ratio of 106 per cent Contact's underlying earnings after tax.

"We remain focused on the health, safety and well-being of our people. Our people worked over 2 million hours which has resulted in 5 people being hurt. While this is still 5 more than we want, our year to date Total Recordable Injury Frequency Rate improved from 3.9 in 1H14 to 2.4 in the current period. We have also launched an integrated programme of work to further improve process safety performance and capability, simplify safety systems and advance our safety culture.

The retail electricity market remains highly competitive with discounting dominating the market. Maintaining sales volumes has been important to us as we grew our share of the small business market and cooler temperatures drove a 1 per cent increase in residential usage per customer. This was partially offset by residential customer losses as we implemented our new retail system. As our systems and processes have stabilised we have been able to resume customer acquisitions which saw us reverse customer losses and add 450 customers in January. On 1 April 2015, Contact will be passing through to customers changes in the costs charged by network companies, increases and decreases, but will not be raising the energy and service components of a customers bill that Contact controls," Mr Barnes said.

In the generation and trading business cost of energy improved by $2 per megawatt hour as Contact's percentage of generation from renewable fuel increased from 68 per cent to 76 per cent following the commissioning of the Te Mihi geothermal power station. This was partially offset by lower plant availability and reliability, with extended outages at Te Mihi and Poihipi reducing geothermal generation, and increased unit gas and carbon costs.

Looking forward

Contact's capital investments have positioned it well for the New Zealand market with limited need for further investment in the operating business.

"Following a transitional period in 1H15, the second half of the 2015 financial year (2H15) is expected to see improvement. Te Mihi power station is now performing better than business case expectations which, combined with changes to the existing Wairakei resource consent, are expected to increase overall geothermal generation to over 1,600 gigawatt hours in 2H15. The increase in renewable generation, subject to hydrology, will allow further reductions in gas-fired generation and the cost of energy. New natural gas and LPG contracts will reduce costs and, along with Ahuroa gas storage, provide flexibility to cover any shortfall in renewable supply.

In the retail business, our new customer service and billing system provides a platform for efficiency and innovation in a highly competitive market. One-off impacts due to changes in network billing timing are not expected to repeat going forward although retail margins are likely to remain under pressure.

In FY16 I expect a reduction in the cost to serve our customers that will provide a positive contribution to profits above the increase in interest and depreciation costs from the new system. The supply side of the business will continue to focus on efficiency and availability. The new Te Rapa contract, utilisation of our diverse and flexible fuel and asset portfolio coupled with wholesale prices that reflect the reduction in oversupply are all expected to add to profitability.

Moving forward Contact will be a strongly cash generative business, providing new opportunities to create value for shareholders. The New Zealand electricity market is mature with no material growth in electricity demand expected and risks around the future of the Tiwai aluminium smelter and continued erosion of retail margins. Industry consolidation would be typical and beneficial to a fragmented market such as New Zealand; however, these opportunities appear limited.

We believe that in the current environment, material growth opportunities in New Zealand that leverage Contact's long history in geothermal and hydro development and operation are unlikely. Therefore, we are investigating options to leverage our skills and experience to grow in international markets.

Our priorities remain the safe operation of our business, providing customers with the quality of service and products they expect and creating long-term value for our shareholders" said Mr Barnes.

ENDS

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Investor enquiries: Fraser Gardiner 021 228 3688

Appendix 1 (Listing Rule 10.4)
Half Year Announcement
Contact Energy Limited

Contact Energy Limited	
Results for announcement to the market	
Basis of Report	Unaudited
Reporting Period	6 months to 31 December 2014
Previous Reporting Period	6 months to 31 December 2013

	Amount ($m)	Percentage change
Operating Revenue and Other Income	1,240	8.0%
Earnings Before Net Interest Expense, Tax, Depreciation, Amortisation, Change in Fair Value of Financial Instruments and Other Significant Items (EBITDAF)	257	(2.7%)
Profit for the Year After Tax	51	(54.5%)
Underlying Earnings After Tax[1]	76	(21.6%)
Basic and Diluted Earnings Per Share (Cents)	6.9	(54.9%)
Underlying Earnings Per Share (Cents)[1]	10.4	(21.2%)
Net Tangible Assets Per Share (Dollars)	4.12	(1.7%)

Distribution	Equivalent amount per security	Imputed amount per security
Cash dividend	$0.11	$0.04

Record Date	4 March 2015
Dividend Payment Date	26 March 2015

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

Attachments:

- Unaudited Financial Statements for the 6 months ended 31 December 2014
- KPMG Auditors' Review Report
- NZX Appendix 7
- Media Release
- Investor Presentation
- Management Discussion and Analysis

Income Statement

For the 6 months ended 31 December 2014

	Note	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Revenue and other income	3	1,240	1,148	2,446
Operating expenses	3	(983)	(884)	(1,859)
Other significant items	3	(17)	5	1
Depreciation and amortisation	5	(101)	(93)	(190)
Change in fair value of financial instruments	7	(18)	16	7
Net interest expense	3	(49)	(37)	(77)
Profit before tax		**72**	**155**	**328**
Tax expense		(21)	(43)	(94)
Profit		**51**	**112**	**234**
Basic and diluted earnings per share (cents)		**6.9**	**15.3**	**32.0**

Statement of Comprehensive Income

For the 6 months ended 31 December 2014

	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Profit	**51**	**112**	**234**
Other comprehensive income - items that may be subsequently reclassified to the Income Statement:			
Change in cash flow hedge reserve before tax	(3)	(12)	(12)
Deferred tax relating to cash flow hedges	1	3	3
Other comprehensive income after tax	**(2)**	**(9)**	**(9)**
Total comprehensive income	**49**	**103**	**225**

Statement of Changes in Equity

For the 6 months ended 31 December 2014

	Note	Share capital $m	Retained earnings $m	Cash flow hedge reserve $m	Share-based compensation reserve $m	Total shareholders' equity $m
Balance at 1 July 2013		1,605	1,917	4	11	3,537
Profit		-	112	-	-	112
Other comprehensive income		-	-	(9)	-	(9)
Lapsed share options and performance share rights		-	1	-	(1)	-
Transactions with owners recorded directly in equity:						
Change in share-based compensation reserve		-	-	-	2	2
Distributions paid	4	-	(103)	-	-	(103)
Transactions with owners recorded directly in equity		**-**	**(103)**	**-**	**2**	**(101)**
Unaudited closing balance at 31 December 2013		**1,605**	**1,927**	**(5)**	**12**	**3,539**
Balance at 1 January 2014		1,605	1,927	(5)	12	3,539
Profit		-	122	-	-	122
Transactions with owners recorded directly in equity:						
Change in share-based compensation reserve		-	-	-	2	2
Distributions paid	4	-	(81)	-	-	(81)
Transactions with owners recorded directly in equity		**-**	**(81)**	**-**	**2**	**(79)**
Audited closing balance at 30 June 2014		**1,605**	**1,968**	**(5)**	**14**	**3,582**
Balance at 1 July 2014		1,605	1,968	(5)	14	3,582
Profit		-	51	-	-	51
Other comprehensive income		-	-	(2)	-	(2)
Lapsed share options and performance share rights		-	2	-	(2)	-
Transactions with owners recorded directly in equity:						
Change in share-based compensation reserve		-	-	-	1	1
Distributions paid	4	-	(110)	-	-	(110)
Transactions with owners recorded directly in equity		**-**	**(110)**	**-**	**1**	**(109)**
Unaudited closing balance at 31 December 2014		**1,605**	**1,911**	**(7)**	**13**	**3,522**

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

Statement of Financial Position

At 31 December 2014

	Note	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 June 2014 $m
Cash and cash equivalents		11	196	12
Receivables and prepayments		272	211	292
Inventories		79	63	54
Intangible assets	5	16	19	17
Derivative financial instruments	7	4	6	8
Assets held for sale		3	4	2
Tax receivable		10	-	-
Total current assets		**395**	**499**	**385**
Inventories		90	115	114
Property, plant and equipment	5	5,132	5,196	5,180
Intangible assets	5	304	268	310
Goodwill		182	182	182
Derivative financial instruments	7	25	-	1
Other non-current assets		11	11	11
Total non-current assets		**5,744**	**5,772**	**5,798**
Total assets		**6,139**	**6,271**	**6,183**
Payables and accruals		271	303	277
Borrowings	6	241	652	237
Derivative financial instruments	7	72	70	83
Provisions		8	3	8
Tax payable		-	3	19
Total current liabilities		**592**	**1,031**	**624**
Borrowings	6	1,102	767	1,057
Derivative financial instruments	7	59	108	79
Provisions		49	52	47
Deferred tax		783	750	768
Other non-current liabilities		32	24	26
Total non-current liabilities		**2,025**	**1,701**	**1,977**
Total liabilities		**2,617**	**2,732**	**2,601**
Net assets		**3,522**	**3,539**	**3,582**
Share capital		1,605	1,605	1,605
Retained earnings		1,911	1,927	1,968
Cash flow hedge reserve		(7)	(5)	(5)
Share-based compensation reserve		13	12	14
Shareholders' equity		**3,522**	**3,539**	**3,582**

Authorised on behalf of the Contact Energy Limited Board of Directors on 13 February 2015:

Grant King
Chairman

Sue Sheldon
Director

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

Statement of Cash Flows

For the 6 months ended 31 December 2014

	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Receipts from customers	1,260	1,226	2,385
Payments to suppliers and employees	(989)	(998)	(1,930)
Liquidated damages received	-	-	43
Tax paid	(35)	(38)	(53)
Dividends received	-	-	1
Net cash flow from operating activities	**236**	**190**	**446**
Purchase of property, plant and equipment	(42)	(55)	(151)
Purchase of intangible assets	(19)	(28)	(60)
Proceeds from sale of property, plant and equipment	1	68	73
Interest received	-	2	6
Net cash flow from investing activities	**(60)**	**(13)**	**(132)**
Proceeds from borrowings	20	302	670
Proceeds from gas sale and repurchase arrangement	3	15	14
Repayment of borrowings	(43)	(221)	(766)
Interest paid	(47)	(57)	(113)
Financing costs	-	(1)	(3)
Distributions paid to shareholders	(110)	(103)	(184)
Net cash flow from financing activities	**(177)**	**(65)**	**(382)**
Net cash flow	**(1)**	**112**	**(68)**
Add: cash at the start of the period	12	80	80
Cash at the end of the period	**11**	**192**	**12**
Cash comprises:			
Bank overdraft	-	(4)	-
Cash and cash equivalents	11	196	12
	11	**192**	**12**

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

Notes to the Financial Statements

For the 6 months ended 31 December 2014

1 About these financial statements

Contact includes Contact Energy Limited and its controlled entities (together referred to as Contact or the Group). Contact is a profit-oriented entity that is registered in New Zealand under the Companies Act 1993. Contact is listed on the New Zealand stock exchange and has a series of bonds listed on the debt exchange. Being an issuer of shares and debt under the Financial Markets Conduct (FMC) Act 2013, Contact is an FMC entity for reporting purposes.

These are Contact's condensed interim financial statements for the 6 months ended 31 December 2014. 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 2014 (2014 Annual Report). The financial statements should be read with the 2014 Annual Report. Certain comparative amounts have been reclassified to conform to the 2014 Annual Report presentation.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with NZ IAS 34 *Interim Financial Reporting* and with 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 estimation and critical judgments as those disclosed in the 2014 Annual Report. The classification of inventory gas held in the Ahuroa gas storage facility between current and non-current remains based on expected future usage and past actual usage; however, Contact now expects to utilise 50% of storage gas within the next 12 months (20% in the 2014 Annual Report).

Notes to the Financial Statements

For the 6 months ended 31 December 2014

2 Performance by segment

Contact's segments are:

- Integrated Energy: a generator and retailer of electricity and natural gas to customers throughout New Zealand, and
- Other: other products and services offered by Contact, which includes the sale of LPG.

The performance measures are:

- Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF), and
- Underlying earnings after tax, which is profit excluding significant items that do not reflect Contact's ongoing performance.

Unaudited 6 months ended 31 December	2014 Integrated Energy $m	 Other $m	 Inter-segment $m	 Total $m	2013 Integrated Energy $m	 Other $m	 Inter-segment $m	 Total $m
Revenue and other income	1,173	87	(20)	1,240	1,082	86	(20)	1,148
Cost of sales	(816)	(58)	20	(854)	(719)	(56)	20	(755)
Operating expenses	(121)	(8)	-	(129)	(119)	(10)	-	(129)
EBITDAF	**236**	**21**	**-**	**257**	**244**	**20**	**-**	**264**
Depreciation and amortisation				(101)				(93)
Net interest expense				(49)				(37)
Tax on underlying earnings				(31)				(37)
Underlying earnings after tax				**76**				**97**
Underlying earnings per share (cents)				**10.4**				**13.2**

Audited Year ended 30 June 2014	Integrated Energy $m	Other $m	Inter-segment $m	Total $m
Revenue and other income	2,321	164	(39)	2,446
Cost of sales	(1,535)	(110)	39	(1,606)
Operating expenses	(235)	(18)	-	(253)
EBITDAF	**551**	**36**	**-**	**587**
Depreciation and amortisation				(190)
Net interest expense				(77)
Tax on underlying earnings				(93)
Underlying earnings after tax				**227**
Underlying earnings per share (cents)				**31.0**

The table below reconciles underlying earnings after tax to profit (prepared in accordance with NZ GAAP).

	Note	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Underlying earnings after tax		**76**	**97**	**227**
Change in fair value of financial instruments	7	(18)	16	7
Other significant items	3	(17)	5	1
Tax on items excluded from underlying earnings		10	(6)	(1)
Profit		**51**	**112**	**234**

Notes to the Financial Statements

For the 6 months ended 31 December 2014

3 Components of profit

	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Retail electricity	779	775	1,534
Wholesale electricity	335	248	641
LPG	63	61	116
Gas	46	48	83
Steam	12	11	20
Total revenue	**1,235**	**1,143**	**2,394**
Liquidated damages	1	-	43
Other income	4	5	9
Total revenue and other income	**1,240**	**1,148**	**2,446**
Electricity purchases	(327)	(239)	(624)
Electricity transmission, distribution and levies	(332)	(311)	(596)
Gas purchases, transmission and levies	(136)	(151)	(278)
LPG purchases	(40)	(39)	(77)
Meter costs	(18)	(16)	(32)
Emission costs	(1)	1	1
Labour costs	(53)	(49)	(100)
Other	(76)	(80)	(153)
Total operating expenses	**(983)**	**(884)**	**(1,859)**
Transition costs	(17)	(2)	(11)
Gain on restructure of gas storage operations	-	7	7
Clutha land sales	-	3	7
Asset impairments	-	(3)	(2)
Total other significant items	**(17)**	**5**	**1**
Interest expense	(46)	(59)	(116)
Unwind of discount on provisions	(3)	(3)	(4)
Interest expense capitalised	-	22	37
Interest income	-	3	6
Net interest expense	**(49)**	**(37)**	**(77)**

Other significant items

Items are classified as other significant items when they meet the criteria approved by Contact's Board of Directors as disclosed in the 2014 Annual Report.

Notes to the Financial Statements

For the 6 months ended 31 December 2014

4 Share capital and distributions

	Unaudited 31 Dec 2014 Number	$m	Unaudited 31 Dec 2013 Number	$m	Audited 30 June 2014 Number	$m
Ordinary shares	733,083,088	1,606	733,150,554	1,605	733,151,706	1,605
Restricted ordinary shares	275,784	(1)	158,208	-	157,056	-
Total shares	**733,358,872**	**1,605**	**733,308,762**	**1,605**	**733,308,762**	**1,605**

During the period 50,110 performance share rights and options were exercised resulting in the issue of new shares.

Distributions paid

	Cents per share	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 June 2014 $m
2013 year final distribution	14.0	-	103	103
2014 year interim distribution	11.0	-	-	81
2014 year final distribution	15.0	110	-	-
Total distributions		**110**	**103**	**184**

On 13 February 2015 the Board declared an interim distribution of 11.0 cents per share, to be paid on 26 March 2015.

5 Property, plant and equipment and intangible assets

Property, plant and equipment

	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 June 2014 $m
Opening balance	5,180	5,168	5,168
Additions	43	121	193
Transfers to assets held for sale	(2)	(3)	(4)
Disposals	(1)	-	-
Depreciation	(88)	(87)	(175)
Impairment	-	(3)	(2)
Closing balance	**5,132**	**5,196**	**5,180**

Intangible assets

	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 June 2014 $m
Opening balance	327	260	260
Additions	6	33	83
Disposals	-	-	(1)
Amortisation	(13)	(6)	(15)
Closing balance	**320**	**287**	**327**
Current	16	19	17
Non-current	304	268	310

Capital commitments

At 31 December 2014 Contact had $38 million (31 December 2013: $27 million, 30 June 2014: $6 million) committed under contractual arrangements, $21 million due within 1 year, $12 million due between 2 and 5 years and the remainder due more than 5 years from reporting date.

Notes to the Financial Statements

For the 6 months ended 31 December 2014

6 Borrowings

	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 June 2014 $m
Finance lease liabilities	26	1	27
Bank overdraft	-	4	-
Commercial paper	80	-	60
Bank facilities	185	-	223
Retail bonds	222	534	222
Wholesale bonds	200	200	200
Export credit agency facility	93	88	97
USPP notes	599	753	599
Total borrowings at face value	**1,405**	**1,580**	**1,428**
Unamortised discount	(9)	(8)	(9)
Fair value adjustment on hedged debt	(53)	(153)	(125)
Carrying value of borrowings	**1,343**	**1,419**	**1,294**
Current	241	652	237
Non-current	1,102	767	1,057

During the period Contact changed the maturity profile of committed bank facilities and negotiated a $100 million forward start facility in December 2014 to assist with refinancing maturing debt in the next 12 months. The maturity profile of bank facilities is provided below:

	Unaudited 31 Dec 2014		Unaudited 31 Dec 2013		Audited 30 Jun 2014	
	Facility $m	Drawn $m	Facility $m	Drawn $m	Facility $m	Drawn $m
Less than 1 year	80	50	-	-	-	-
Between 1 and 2 years	195	60	90	-	350	123
Between 2 and 3 years	150	75	170	-	75	25
More than 3 years	175	-	190	-	175	75
Total bank facilities	**600**	**185**	**450**	**-**	**600**	**223**
Forward start facilities (available in next 6 months)	100		150		-	

Contact's bank facilities support a $250 million commercial paper programme which had $80 million issued at 31 December 2014 (31 December 2013: unutilised, 30 June 2014: $60 million issued).

Notes to the Financial Statements

For the 6 months ended 31 December 2014

7 Financial instruments

The change in fair value of derivatives and the fair value adjustments to borrowings is provided below:

Favourable/(unfavourable)	Unaudited 6 months ended 31 Dec 2014 Income statement $m	Unaudited 6 months ended 31 Dec 2014 Cash flow hedge reserve $m	Unaudited 6 months ended 31 Dec 2013 Income statement $m	Unaudited 6 months ended 31 Dec 2013 Cash flow hedge reserve $m	Audited Year ended 30 June 2014 Income statement $m	Audited Year ended 30 June 2014 Cash flow hedge reserve $m
Fair value hedges						
Cross-currency interest rate swaps	66	-	(36)	-	(9)	-
Interest rate derivatives	6	-	(3)	-	(2)	-
Borrowings designated in a fair value hedge relationship	(72)	-	39	-	11	-
Cash flow hedges						
Cross-currency interest rate swaps - margin	-	6	-	(4)	-	(8)
Foreign exchange derivatives	-	-	-	(1)	-	-
Electricity and LPG price derivatives	-	(9)	-	(7)	-	(4)
Tax on change in fair value	-	1	-	3	-	3
Derivatives not designated in hedge relationships						
Interest rate derivatives	(20)	-	15	-	7	-
Electricity price derivatives	2	-	1	-	-	-
Total fair value movement	**(18)**	**(2)**	**16**	**(9)**	**7**	**(9)**

The following table shows the fair value of derivatives by type:

	Unaudited 31 Dec 2014 $m	Unaudited 31 Dec 2013 $m	Audited 30 Jun 2014 $m
Fair value hedges			
Cross-currency interest rate swaps	(54)	(147)	(120)
Interest rate derivatives	2	(6)	(4)
Cash flow hedges			
Cross-currency interest rate swaps - margin	(4)	(6)	(10)
Foreign exchange derivatives	(1)	(2)	(1)
Electricity and LPG price derivatives	(5)	2	4
Derivatives not designated in hedge relationships			
Interest rate derivatives	(42)	(14)	(22)
Electricity price derivatives	2	1	-
Total derivatives	**(102)**	**(172)**	**(153)**

Notes to the Financial Statements

For the 6 months ended 31 December 2014

8 Related party transactions

Transactions with related parties - received/(paid)	Unaudited 6 months ended 31 Dec 2014 $m	Unaudited 6 months ended 31 Dec 2013 $m	Audited Year ended 30 June 2014 $m
Origin and its subsidiaries			
Purchase of LPG	(14)	(21)	(33)
SAP infrastructure and data services costs	(3)	(3)	(6)
Ahuroa gas storage facility development and operation expenses	-	(3)	(2)
Sale of electricity	3	5	13
Sale of gas processing rights and associated assets	-	3	3
Key management personnel			
Directors' fees	(1)	(1)	(1)
CEO seconded from Origin (1)	(1)	(1)	(2)
Leadership team (excluding CEO) (1)	(4)	(4)	(7)
Associate of Contact			
Sale of LPG	1	1	1
Balances payable at end of the period			
Origin and its subsidiaries	(3)	(5)	(3)
Key management personnel	-	(1)	(1)

(1) Comprised of salary, other short-term benefits and share-based compensation. A non-cash expense of $1 million (31 December 2013: $1 million, 30 June 2014: $2 million) in respect of options, performance share rights and deferred share rights granted to the Leadership team and the CEO has been included in the amounts disclosed.

Members of the Leadership team purchase electricity and gas from Contact for domestic purposes on normal commercial terms and conditions with staff discount.

Contact paid a cash dividend of $58 million to its Origin shareholders on 15 September 2014 ($43 million on 27 March 2014 and $55 million on 16 September 2013).

Contact and Origin have a Master Services Agreement for the provision of professional, consulting and administrative services. During the 6 months ended 31 December 2014 two employees were seconded from Origin to Contact. These secondments are undertaken on a cost recovery basis.

9 Contingent liabilities

Contact has contingent liabilities in respect of claims and warranties arising in the ordinary course of business. Contact’s net exposure to the warranties provided under the gas meter assets sale is $2 million and expires on 30 June 2015. It is not anticipated that any material liabilities will arise from these claims and warranties.

Settlement negotiations in respect of the delayed commissioning of the Te Mihi Geothermal Power Station concluded in December 2014. As a result, liquidated damages of $1.2 million were recognised as other income at 31 December 2014. Further liquidated damages of $7.7 million in favour of Contact are the subject of an agreed determination process that is expected to occur after balance date.

Auditors' review report

To the shareholders of Contact Energy Limited

We have completed a review of the interim financial statements of Contact Energy Limited on pages 1 to 11 which comprise the statement of financial position as at 31 December 2014, income statement and 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.

Directors' responsibilities

The Directors of Contact Energy Limited are responsible for the preparation of interim financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation 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 the NZ IAS 34 *Interim Financial Reporting*. 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.

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.

Subject to certain restrictions, partners and employees of our firm 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 assurance practitioners of the company. The firm has no other relationship with, or interest in, the company.

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of Contact Energy Limited do not present fairly, in all material respects, the financial position of Contact Energy Limited as at 31 December 2014, and its financial performance and cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

KPMG

13 February 2015
Wellington

Management discussion of financial results for the 6 months ended 31 December 2014

Financial results for the 6 month ended 31 December 2014

Key financial information	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	Variance %
Revenue and other income	1,240	1,148	92	8%
Operating expenses [(1)]	(983)	(884)	(99)	(11%)
EBITDAF [(2)]	**257**	**264**	**(7)**	**(3%)**
Depreciation and amortisation	(101)	(93)	(8)	(9%)
Change in fair value of financial instruments	(18)	16	(34)	(213%)
Other significant items	(17)	5	(22)	(440%)
Net interest expense	(49)	(37)	(12)	(32%)
Tax expense	(21)	(43)	22	51%
Profit	**51**	**112**	**(61)**	**(54%)**
Earnings per share (cents)	6.9	15.3	(8.4)	(55%)
Underlying earnings after tax [(3)]	**76**	**97**	**(21)**	**(22%)**
Underlying earnings per share (cents)	10.4	13.2	(2.8)	(21%)
Shareholders' equity	**3,522**	**3,539**	**(17)**	**(0%)**

(1) Includes electricity purchases

(2) EBITDAF is a non-GAAP profit measure calculated as reported profit for the period before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items. The CEO monitors EBITDAF as a key indicator of Contact's performance at segment and Group levels and believes it assists investors in understanding the performance of the core operations of the business

(3) Underlying earnings after tax is profit excluding significant items that do not reflect Contact's ongoing performance.

Profit for the period

The first half of the 2015 financial year (1H15) was a transitional period for Contact as the new retail system and the Te Mihi geothermal power station were embedded into the business following their commissioning in April and May 2014 respectively. Profit for the period was down 54 per cent, or $61 million, to $51 million primarily due to an unfavourable movement in the value of financial instruments and transition costs related to the Retail Transformation project and associated activities. This was further impacted by EBITDAF reducing by $7 million (3 per cent) to $257 million predominantly due to a $20 million reduction in retail margins as a result of the continued intensity of retail competition. As expected, realising the full benefits of these investments will take time; however, the progress made during 1H15 has Contact well positioned to improve performance and remain competitive in the New Zealand market.

Distributions to shareholders

The Contact Energy Board of Directors resolved that the interim distribution to shareholders would remain stable at 11 cents per share. The distribution represents a payout ratio of 106 per cent of underlying earnings after tax.

Cash flow

Free cash flow in 1H15 of $180 million was $61 million (51 per cent) higher than the first half of the 2014 financial year (1H14) of $119 million. Working capital was $73 million favourable primarily due to natural gas inventory movements and favourable retail collections. This was partially offset by a $7 million reduction in EBITDAF and higher stay in business capital expenditure.

Free cash flow including the purchase or sale of fixed assets in 1H15 was $146 million, $29 million higher than 1H14 which included proceeds from the sale of gas meters, land and gains on the restructure of the gas storage operations.

EBITDAF

	6 months ended 31 December 2014	6 months ended 31 December 2013	Variance	
Revenue and other income ($m)	1,240	1,148	92	8%
EBITDAF ($m)	257	264	(7)	(3%)
Total generation volume (GWh)	4,812	4,738	73	2%
Retail electricity sales (GWh)	4,317	4,332	(15)	(0%)
Gas sales (retail and wholesale) (PJ)	2.6	2.7	(0.1)	(4%)
LPG sales (KT)	37,440	35,152	2,288	7%
Electricity customers ('000)	432,000	438,500	(6,500)	(1%)
Gas customers ('000)	61,500	63,000	(1,500)	(2%)
LPG customers (including franchisees) ('000)	68,000	66,000	2,000	3%
Total customers ('000)	561,500	567,500	(6,000)	(1%)
Netback ($/MWh)	83.90	87.83	(3.93)	(4%)

EBITDAF reduced by $7 million (3 per cent) to $257 million predominantly due to a $20 million reduction in retail margins as a result of the continued intensity of retail competition.

Retail volumes remained stable at 4,317 gigawatt hours (GWh) with an increased share of the growing small business market offsetting residential customer losses and reduced commercial and industrial sales. Average residential usage per customer was up 1 per cent in the period with average temperatures 0.95 degrees Celsius cooler offsetting efficiency gains. Netback decreased by $4 per megawatt hour (MWh) with lower forward prices reflected in commercial and industrial tariffs, continued discounting of mass market tariffs and one-off changes in network billing timing.

Cost of energy reduced by $2 per MWh with renewable generation increasing from 68 per cent to 76 per cent following the commissioning of the Te Mihi geothermal power station. Cost of energy was negatively impacted in the period by lower plant availability and reliability across the portfolio, with extended outages at Te Mihi and Poihipi reducing geothermal generation. Gas and carbon unit costs also increased in 1H15.

EBITDAF from the Other segment increased $1 million to $21 million with increased sales and lower costs in LPG offsetting the continued transition to electricity smart meters.

Depreciation and amortisation

Depreciation and amortisation costs of $101 million were $8 million higher than 1H14 reflecting the commissioning of Te Mihi and go-live of the new retail system in the second half of the 2014 financial year.

Change in fair value of financial instruments

The reported profit for 1H15 included an unfavourable non-cash pre-tax movement of $18 million in the fair value of financial instruments reflecting the reduction in swap rates over the period.

Net interest expense

Net interest expense increased $12 million (32 per cent) to $49 million in 1H15 due to no interest being capitalised ($22 million in 1H14) following the commissioning of major projects. This is offset partially by lower interest costs on debt ($7 million) due to lower average interest rates and lower deferred financing costs ($5 million) as a result of debt restructuring. Interest income also fell in the period due to pre-funding of 2014 maturities being held as cash during 1H14.

Tax expense

Tax expense for 1H15 is $21 million compared to $43 million for 1H14 due to lower profit. Tax expense represents an effective tax rate of 29.2 per cent compared to 28 per cent in 1H14. The variance from the statutory rate of 28 per cent is a result of non-deductible expenditure relating to the sale of land.

Underlying earnings after tax

The CEO monitors underlying earnings after tax and believes it assists investors in understanding the ongoing performance of the business. Underlying earnings after tax is profit excluding significant items that do not reflect the ongoing performance of Contact[1].

Underlying earnings after tax was $76 million, down $21 million (22 per cent) from 1H14 reflecting lower retail margins and the impact of plant outages reducing EBITDAF by more than the increased depreciation and interest costs following the completion of the significant capital programme.

The underlying adjustments in the current period are the change in fair value of financial instruments: transition costs related to the Retail Transformation project and associated activities, along with the tax on these items.

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[1] Significant items are determined in accordance with the principles of consistency, relevance and clarity. Items considered for classification as significant items include impairment or reversal of impairment of assets, fair value movements in financial instruments, 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.

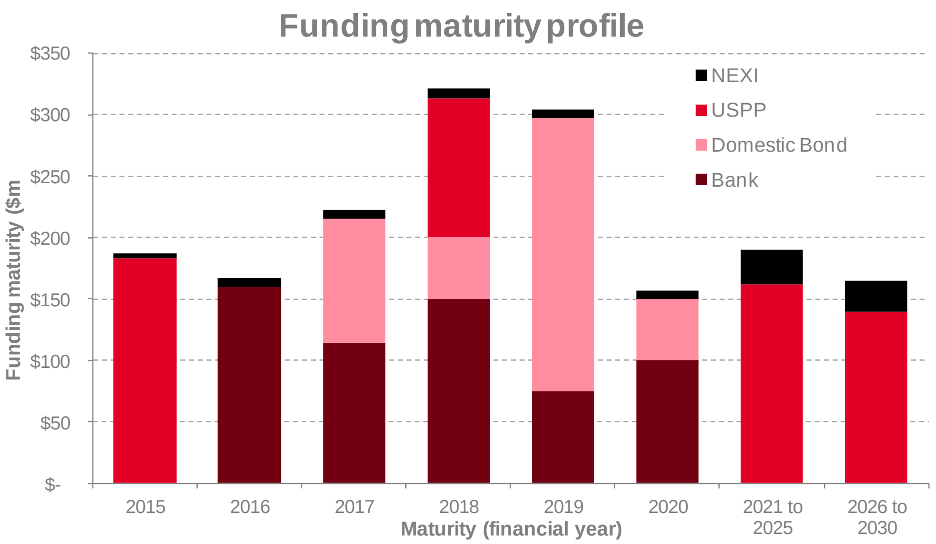
	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
Profit	**51**	**112**	**(61)**	**(54%)**
Change in fair value of financial instruments	18	(16)	34	213%
Transition costs	17	2	15	750%
Gain on restructure of gas storage operations	-	(7)	7	(100%)
Clutha land sales	-	(3)	3	100%
Asset impairments	-	3	(3)	(100%)
Tax on items excluded from underlying earnings	(10)	6	(16)	(267%)
Underlying earnings after tax	**76**	**97**	**(21)**	**(22%)**

Gearing ratio and liquidity

Net debt exclusive of fair value adjustments at 31 December 2014 was $1,394 million, compared with $1,416 million at 30 June 2014. The balance sheet gearing ratio at 31 December 2014 was 28 per cent, consistent with 30 June 2014.

Total term debt was $1,114 million. The 2014 refinancing programme increased the diversity and tenor of funding with Contact accessing term debt from United States Private Placements (USPP), fixed-rate domestic retail and wholesale bonds, and an export credit agency facility.

Contact's term debt maturity in the next 12 months is classified as a current liability and includes $183 million of USPP notes and a $7m scheduled repayment of the export credit agency facility (NEXI). In anticipation of the USPP maturity in March 2015, Contact has established a $100 million bridging facility which provides flexibility when considering refinancing options for this funding.



Short-term funding was $265 million at 31 December 2014. Contact had drawn down $185 million from its available committed bank facilities of $600 million and had $80 million of commercial paper on issue.

Looking forward

Contact's capital investments have positioned it well for the New Zealand market with limited need for further investment in the operating business.

Following a transitional period in 1H15, the second half of the 2015 financial year (2H15) is expected to see improvement. Te Mihi power station is now performing better than business case expectations which, combined with changes to the existing Wairakei resource consent, is expected to increase overall geothermal generation to over 1,600 GWh in 2H15. The increase in renewable generation, subject to hydrology, will allow further reductions in gas-fired generation and the cost of energy. New natural gas and LPG contracts will reduce costs and, along with Ahuroa gas storage, provide flexibility to cover any shortfall in renewable supply.

In the retail business, the new customer and billing system provides a platform for efficiency and innovation in a highly competitive market. One-off network costs are not expected to repeat going forward although retail margins are likely to remain under pressure.

In FY16 Contact expects a reduction in the cost to serve our customers that will provide a positive contribution to profits above the increase in interest and depreciation costs from the new system. The supply side of the business will continue to focus on efficiency and availability. The new Te Rapa contract, utilisation of the diverse and flexible fuel and asset portfolio coupled with wholesale prices that reflect the reduction in oversupply are all expected to add to profitability.

Moving forward Contact will be a strongly cash generative business, providing new opportunities to create value for shareholders. The New Zealand electricity market is mature with no material growth in electricity demand expected with risks around the future of the Tiwai aluminium smelter and continued erosion of retail margins. Industry consolidation would be typical and beneficial to a fragmented market such as New Zealand; however, these opportunities appear limited.

Contact believes that in the current environment, material growth opportunities in New Zealand that leverage Contact's long history in geothermal and hydro development and operation are unlikely. Therefore, Contact is investigating options to leverage its skills and experience to grow in international markets.

Contact's priorities remain the safe operation of the business, providing customers with the quality of service and products they expect and creating long-term value for shareholders.

Overview of performance for the period

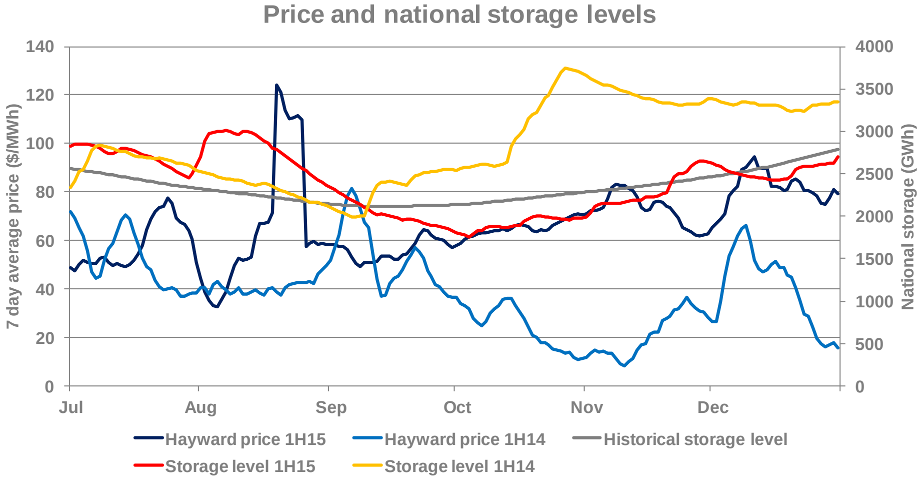
National demand

	6 months ended 31 December 2014 GWh	6 months ended 31 December 2013 GWh	Variance GWh	%
North Island	12,096	11,823	273	2.3%
South Island ex Tiwai	4,772	4,485	287	6.4%
Tiwai	2,502	2,508	(6)	(0.2%)
Total national demand	**19,370**	**18,816**	**554**	**2.9%**

National demand in 1H15 was 19,370 GWh, 554 GWh (2.9 per cent) above 1H14. Average temperatures were 0.95 degrees Celsius cooler than the 1H14, more than offsetting efficiency savings, while South Island demand increased 6 per cent driven by increased irrigation demand. The number of installation control points continued to grow steadily, increasing by 12,000 since 30 June 2014.

Electricity market conditions

The average wholesale spot price for 1H15 was $66 per MWh compared with $47 per MWh for 1H14 when HVDC commissioning activities reduced South Island prices. National storage started the year strongly but fell below mean in August and September due to below average inflows, resulting in a steady increase in wholesale prices as limited thermal capacity was offered.



Forward curve

Prices in the futures market remained suppressed during most of 1H15 before increasing sharply at the end of the period. Forward prices have increased across the curve in response to lower hydro storage levels in the short-term and increased risk of summer price volatility due to the reduction in thermal fuel commitments. Calendar year 2016 prices are currently at their highest level since they were listed at the end of 2012.

	Otahuhu	Change since Jun-14		Benmore	Change since Jun-14	
	Jun-14	Dec-14	Jan-15	Jun-14	Dec-14	Jan-15
CAL 2015	$76	⇧ $2	⇧ $14	$74	⇧ $2	⇧ $15
CAL 2016	$75	⇧ $3	⇧ $5	$74	⇧ $1	⇧ $3
CAL 2017	$74	⇧ $2	⇧ $5	$73	⇧ $0	⇧ $3

Integrated Energy segment

EBITDAF contribution from the Integrated Energy segment decreased $8 million (3 per cent). Improvements in cost of energy from increased renewable generation following the commissioning of Te Mihi were more than offset by the reduction in netback due to continued discounting and competition in mass market.

Integrated Energy segment	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
Mass market electricity	503	496	7	1%
Commercial and industrial electricity	276	279	(3)	(1%)
Retail gas	34	35	(1)	(3%)
Steam	12	11	1	9%
Total Revenue	**825**	**821**	**4**	**0%**
Cost of energy	(187)	(199)	12	6%
Electricity networks, levies & meter costs	(327)	(303)	(24)	(8%)
Gas networks, levies & meter costs	(18)	(21)	3	14%
Total cost of goods sold	**(532)**	**(523)**	**(9)**	**(2%)**
Electricity and gas cost to serve	(57)	(54)	(3)	(6%)
EBITDAF	**236**	**244**	**(8)**	**(3%)**
Mass market electricity sales (GWh)	2,067	2,029	38	2%
Commercial & industrial electricty sales (GWh)	2,250	2,303	(53)	(2%)
Retail gas sales (GWh)	367	357	10	3%
Steam sales (GWh)	376	356	20	6%
Total retail sales (GWh)	**5,060**	**5,045**	**15**	**0%**
Average electricity sales price ($/MWh)	180.56	178.92	1.64	1%
Electricity direct pass through costs ($/MWh)	(75.58)	(70.01)	(5.57)	(8%)
Electricty and gas cost to serve ($/MWh)	(12.07)	(11.46)	(0.61)	(5%)
Netback ($/MWh) [1]	83.90	87.83	(3.93)	(4%)
Actual electricity line losses (%)	6%	3%	3%	100%
Retail gas sales (PJ)	1.3	1.3	0.0	3%
Electricity customer numbers (closing)	432,000	438,500	(6,500)	(1%)
Retail gas customer numbers (closing)	61,500	63,000	(1,500)	(2%)

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

Customers

Volume and customer numbers

Total retail electricity sales were in line with 1H14 at 4,317 GWh despite a 6,500 decrease in customer numbers.

Competition for retail customers among New Zealand's 17 retailers remains intense although the number of customers switching electricity provider in 1H15 decreased from an annualised rate of 20 percent in 1H14 to 18 per cent. The continued growth of smaller competitors, increased innovation and targeted offers from existing retailers and several new retailers entering the market all contributed to switching activity. Total installation control points grew by 0.7 per cent in 1H15 to reach over 2 million at 31 December 2014.

Contact's total number of electricity customers was 432,000 at 31 December 2014, down 6,500 from 31 December 2013 due to competition and reduced activity during new system stabilisation. Contact's gas customer numbers decreased by 1,500.

Commercial and industrial sales volumes decreased 2 per cent to 2,250 GWh, driven by strong competitive activity at the end of the 2014 financial year and a small decrease in the usage of existing customers during the first quarter of the 2015 financial year before returning to similar year demand in the second quarter. Re-sign rates have remained strong reflecting Contact's competitiveness in this market.

Mass market electricity sales for 1H15 were 2,067 GWh, 2 per cent higher than 1H14 due to an increased share of the growing small business market and cooler temperatures driving a 1 per cent increase in residential usage per customer. This was partially offset by residential customer losses as the new retail system was implemented and home energy efficiency savings.

Retail gas volumes were in line with 1H14 at 1.3 petajoules (PJ).

Netback

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

Netback decreased by 4 per cent from 1H14 to $84 per MWh reflecting the current competitiveness of the retail markets.

Mass market margins remain under pressure with limited returns available for the costs and risks of supplying residential and business customers. Customers on campaign pricing are receiving a full aggregation and risk management service at a cost comparable to a commercial and industrial customer. Mass market netbacks were down $7 per MWh from 1H14 due to one-off changes in network billing ($3 per MWh) and increased discounting ($4 per MWh). Take-up of the higher prompt payment discount for residential customers who receive their bills online and pay on time continues to grow with 197,000 customers now utilising the service. Supported by a range of television, digital and print advertising, 9,600 customers took up Contact's Smoothpay product during the past six months to help them manage their energy costs by smoothing the bill across the year.

The average commercial and industrial tariff increased by $2 per MWh (1 per cent) to $123 per MWh as network costs increases were passed through to customers, more than offsetting the impact of lower wholesale forward contract prices.

Retail gas sales were in line with 1H14 at 367 GWh.

Cost to serve increased by $3 million to $57 million primarily driven by costs related to the new retail system implemented in 2H14.

Retail system

The stabilisation of the new retail system continued throughout the period since its commissioning in April 2014. Productivity and billing performance improvements have continued with average handle times reduced by 33 per cent and speed to answer down 80 per cent from a peak in July. The collection of deferred bills has been slower than planned although the number of late bills is reducing and an additional $1 million has been included in the bad debt provision. The current levels of operational performance are allowing the benefits realisation process to commence. Process efficiency, new products for mass market segments, revised pricing models and improved digital capability can now be advanced to leverage the system without major capital expenditure. In the past six months new products have been launched supported by Contact resuming television advertising for the first time in 10 years. From October, Contact restarted door to door sales after a period out of the market during stabilisation with a change in approach to operating on an appointment only basis in response to customer feedback.

Cost of energy

Cost of energy reflects the total operational costs of supplying the energy sold. It is calculated as the sum of the total cost of generation and the trading margin between wholesale electricity sales and purchases. It does not include any capital return.

Cost of energy improved by $12 million (6 per cent) as increased hydro and geothermal generation combined with lower gas take-or-pay volumes allowed Contact to reduce more expensive thermal generation.

Cost of Energy	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
Wholesale electricity revenue	335	248	87	35%
Wholesale gas revenue	12	13	(1)	(8%)
Te Mihi compensation	1	-	1	100%
Total wholesale revenue	**348**	**261**	**87**	**33%**
Electricity purchases	(324)	(233)	(91)	(39%)
Other purchase costs	(3)	(6)	3	50%
Electricity transmission & levies	(23)	(23)	-	0%
Gas purchases	(107)	(122)	15	12%
Gas transmission & levies	(13)	(13)	-	0%
Emission costs	(1)	1	(2)	(200%)
Total direct costs	**(471)**	**(396)**	**(75)**	**(19%)**
Generation operating costs	(64)	(64)	-	0%
Cost of energy	**(187)**	**(199)**	**12**	**6%**
Thermal generation (GWh)	1,165	1,522	(357)	(23%)
Geothermal generation (GWh)	1,479	1,087	392	36%
Hydro generation (GWh)	2,168	2,129	39	2%
Spot market generation (GWh)	**4,812**	**4,738**	**74**	**2%**
Spot electricity purchases (GWh)	4,519	4,433	86	2%
CfD sales/(purchases) (GWh)	25	(55)	80	145%
GWAP ($/MWh)	66.32	47.12	19.20	41%
LWAP ($/MWh)	(71.71)	(52.47)	(19.24)	(37%)
LWAP/GWAP (%)	108%	111%	(3%)	(3%)
Gas used in internal generation (PJ)	10.9	13.4	(2.5)	(19%)
Wholesale gas sales (PJ)	1.3	1.4	(0.1)	(7%)
Gas storage net movement (PJ)	(0.1)	1.7	(1.8)	(106%)
Unit generation cost ($MWh)	(38.67)	(44.19)	5.52	12%
Cost of energy ($MWh)	(37.13)	(39.41)	2.28	6%

Generation

Contact's total generation in 1H15 was 4,812 GWh, 74 GWh higher than 1H14.

Hydro generation was up 39 GWh (2 per cent) as higher rainfall at the beginning of the 1H15 resulted in increased tributary flows and storage levels. During the period maintenance was required on the turbine seal wear rings at Clyde which resulted in one turbine being removed from service. However, given water flows and maximum injection charge restrictions this did not materially impact generation.

Contact's geothermal generation was up 392 GWh to 1,479 GWh. Remediation work to achieve target megawatt performance at Te Mihi was completed during a 58 day planned outage starting in September. The work undertaken resulted in net capacity of 162.9 megawatts (MW) at performance guarantee conditions, 3.9 MW above the business case of 159 MW. A determination process will be completed prior to the end of FY15 to potentially recover $7.7 million of extended outage costs. A variation to the consented mass take for the Wairakei geothermal system was granted to allow Contact to more efficiently manage the use of geothermal fluid. The consent change was effective from 20 November and allows Contact to extract an average of 245,000 tonnes per day over a three month period with a permitted maximum daily mass take of 280,000 tonnes per day. The previous consent had a fixed maximum daily take of 245,000 tonnes per day. The increase in mass take was utilised during December seeing the Wairakei geothermal field produce an average 332 MW net.

Generation from the combined-cycle gas-fired power stations (CCGTs) decreased 430 GWh to 995 GWh, a capacity factor of 27 per cent. The decreased generation was due to higher renewable generation and a reduction in gas take-or-pay constraints. With no CCGTs in the market 34 per cent of the time in 1H15, generation from peakers increased 73 GWh to 170 GWh as they were used to manage higher prices and reserve costs while Contact was a net purchaser from the market.

Overall capacity utilisation was down on 1H14 with increased renewable generation reducing the need for Contact's thermal capacity. Plant availability and reliability has been lower due to the planned Te Mihi outage extending to 58 days to allow the contractor to complete modifications to deliver the guaranteed output, and a 4 yearly statutory inspection shutdown at the Wairakei station. Poihipi experienced an unplanned outage that had to be extended to resolve a hydrogen sealing oil defect. CCGT availability was also lower than the prior period due to routine maintenance including the Otahuhu steam cycle upgrade.

	Gross output	Plant availability[1]		Capacity factor	Electricity output	Pool revenue	
		1H15	1H14				
	(MW)	(%)	(%)	(%)	(GWh)	($/MWh)	($m)
Hydro	752	89%	96%	65%	2,168	64	140
Geothermal	431	75%	93%	78%	1,479	66	97
CCGTs (incl Te Rapa)	821	75%	86%	27%	995	67	66
Peakers (incl Whirinaki)	355	90%	92%	11%	170	93	16
Total	**2,359**	**82%**	**92%**	**46%**	**4,812**	**66**	**319**

[1] Measures reliability of our generation plants

Wholesale price and volume

In 1H15, the volumes used by Contact customers, including contracts for difference (CfDs), increased by 166 GWh to 4,543 GWh. Purchases for commercial and industrial and mass market customers were up 86 GWh. Contact's CfD portfolio provided a similar contribution to the cost of energy in 1H15 as Contact returned to being a net seller. Purchases from the Australian Securities Exchange were reasonably consistent across the period to support the generation portfolio and to hedge future commercial and industrial positions.

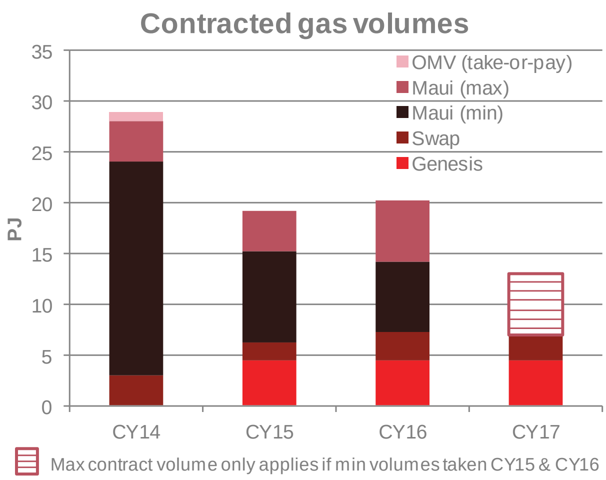
The average price received for generation was $66 per MWh, up $19 per MWh. The average price paid for purchases was $72 per MWh, $19 per MWh higher than 1H14. LWAP/GWAP spread reduced by $1 million.

Unit generation costs

Average unit generation costs for the generation portfolio decreased 12 per cent to $39 per MWh as increased hydro and geothermal generation displaced more expensive thermal generation.

Gas costs

Gas usage in the thermal power stations reduced to 10.9 PJ, a reduction of 2.5 PJ from 1H14 and 4.8 PJ less than was used in 1H13. Wholesale and retail gas was largely stable with lower spot sales reducing wholesale gas by 0.1 PJ. A new gas supply agreement with Maui Development Limited entitles Contact to purchase between 22 and 26 PJ of gas over a two-to-three year period. This contract provides flexibility to move volumes between years which, combined with gas storage, provides significant flexibility. Natural gas held in the Ahuroa gas storage facility at 31 December 2014 was 11.2 PJ. Contact's current gas contracted position is summarised below with a focus on ensuring gas flexibility and alignment between contracted volumes and remaining CCGT operating hours.



The average cost of gas increased by $0.4 per GJ in 1H15 predominantly due to a reduction in spot gas purchases and gross gas extractions of 1.1 PJ compared to 0.1 PJ in 1H14.

Emission costs

The Integrated Energy segment incurs emission costs based on the amount of gas purchased for generation and for sale to wholesale and retail customers, as well as the amount of steam extracted for use in geothermal power stations. Emission costs in 1H15 were $1m compared to a credit of $1 million in 1H14. This was due to the purchase of lower cost units in 1H14 to meet Contact's 2013 calendar year obligations. This was partially offset by a 28 per cent reduction in emissions in 1H15.

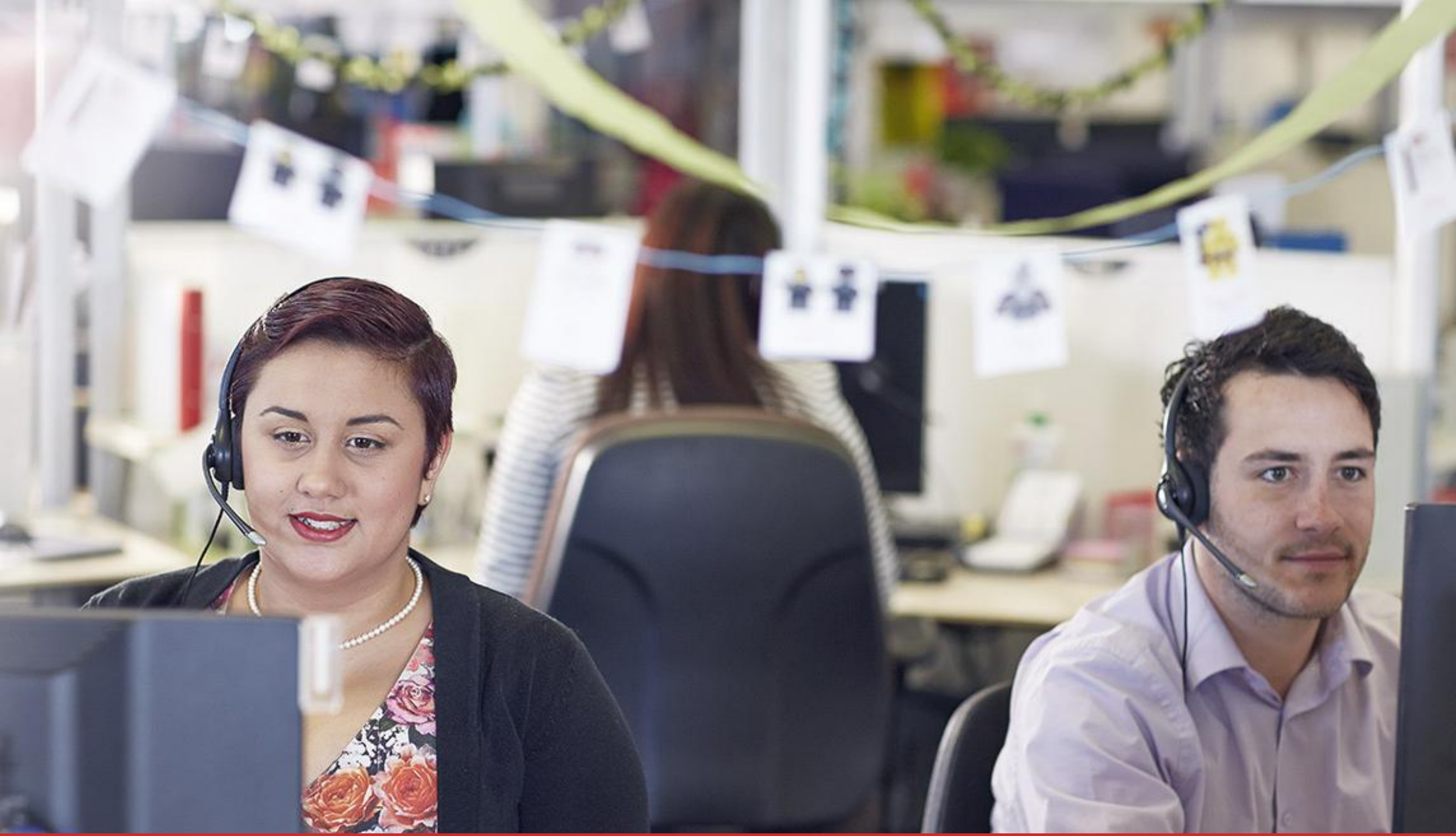
Other segment

The Other segment includes the LPG and meter businesses. Other segment EBITDAF was up $1 million at $21 million.

Other Segment	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
LPG revenue	63	61	2	3%
Meter leases revenue	2	3	(1)	(33%)
Meter leases revenue - internal	20	20	-	0%
Other revenue	2	2	-	0%
Total other segment revenue	**87**	**86**	**1**	**1%**
LPG purchases	(40)	(39)	(1)	(3%)
Meter lease costs	(18)	(16)	(2)	(13%)
Carbon emissions	-	(1)	1	100%
Total direct costs	**(58)**	**(56)**	**(2)**	**(4%)**
Other operating expenses	(8)	(10)	2	20%
EBITDAF	**21**	**20**	**1**	**5%**
LPG sales (tonnes)	37,440	35,152	2,288	7%
Customer number	68,000	66,000	2,000	3%

LPG contribution increased by $3 million to $15 million. LPG sales increased 7 per cent compared to 1H14 driven by cooler temperatures increasing demand over the period. Profit margin was up $47 per tonne (13 per cent) with continued margin pressure offset by efficiency savings.

Contribution from the metering business was down $2 million due to the continued roll-out of electricity smart meters reducing metering revenue. The deployment of smart meters continues with 225,000 customers now having smart meters installed. Electricity metering costs in 1H15 increased by $1 per MWh, reflecting the higher operating cost of smart meters. Increased metering costs have been partially offset by a $2 million reduction in electricity meter related depreciation costs.



2015 Interim Results Presentation

16 February 2015

6 months ended 31 December 2014
Dennis Barnes, Chief Executive Officer
Graham Cockroft, Chief Financial Officer

Contact™

Disclaimer

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

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

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

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

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

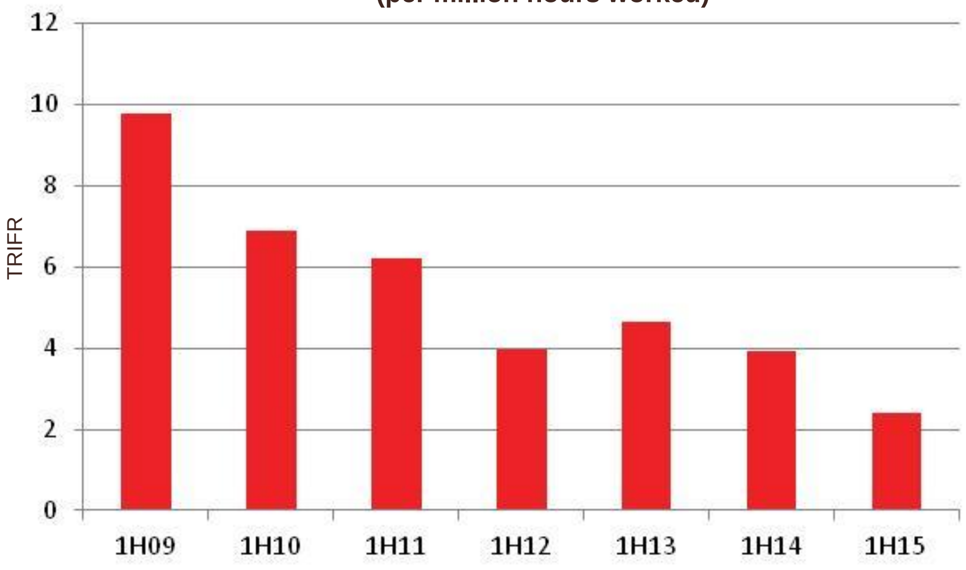
This presentation does not constitute investment advice.

Performance highlights

Advancing our safety culture

- Our number one priority is safety and we are advancing our safety culture to achieve zero harm
- On track to meet our target of reducing TRIFR by 20% each year
- Over 4,700 safety conversations recorded in 1H15 puts us on track to reach our observation target which if achieved all eligible employees receive an award of Contact shares
- Vocal and supportive during the process to revise the Health and Safety Act and regulations
- We have commenced an integrated programme of work to improve our process safety performance and capability, simplify our safety systems and advance our safety culture

Total recordable injury frequency rate (per million hours worked)



Statutory profit down 54% to $51m
Underlying earnings per share down 21%

	6 months ended 31 December 2014	
EBITDAF[1]	$257m	down 3% from $264m
Profit	$51m	down 54% from $112m
Earnings per share (cents)	6.9 cps	down 55% from 15.3 cps
Underlying earnings after tax[1]	$76m	down 22% from $97m
Underlying earnings per share (cents)	10.4 cps	down 21% from 13.2 cps
Interim dividend (cents)	11.0 cps	no change from 11.0 cps
Underlying Operating cashflow after tax (OCAT)[1]	$227m	up 31% from $173m
Free cash flow[2]	$180m	up 51% from $119m
Capital expenditure	$48m	down 69% from $153m

[1] Refer to slides 31-35 for a definition and reconciliation of EBITDAF, UEAT and OCAT

[2] Refer to slide 15 for a definition of free cash flow

Free cash flow up 51%

Business performance

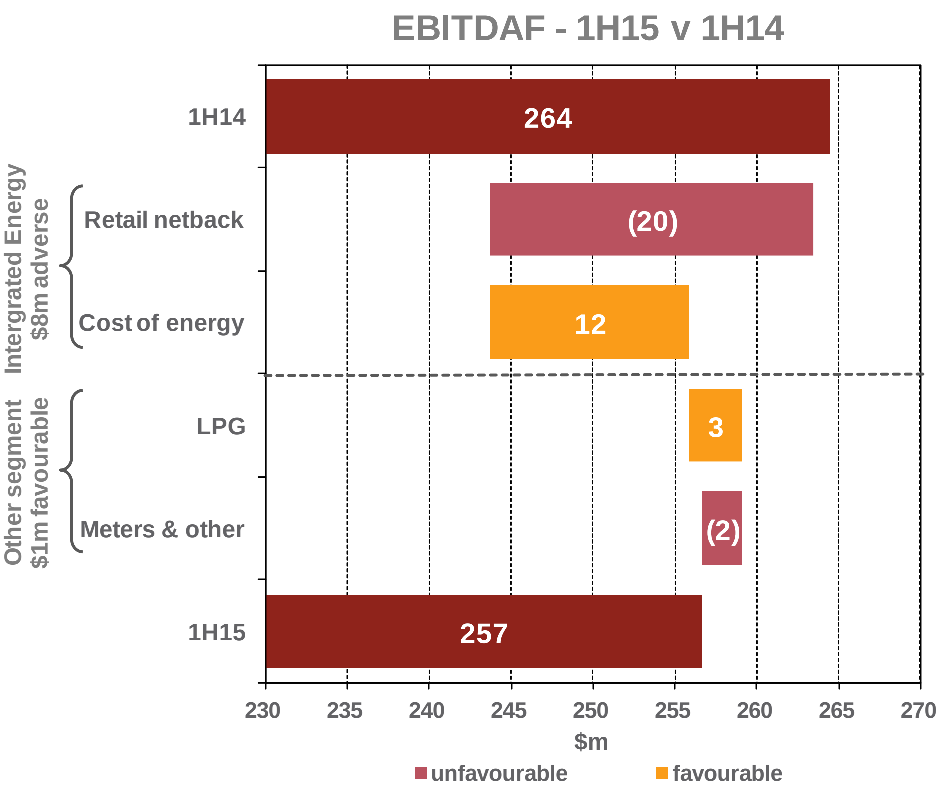
- Retail volumes remained stable; increased share of growing small business market offset residential customer losses
  - National demand increased 2.9% with increased irrigation load and cooler temperatures offsetting efficiency gains
- Continued intensity of retail competition reduced margins
- Cost of energy improved with renewable contribution increasing from 68% to 76% following Te Mihi commissioning
- Cash flow improved primarily due to natural gas inventory movements and favourable retail collections offsetting increased stay in business capex
- Current growth capex projects now complete

Cost of energy improvements more than offset by lower retail margins

Integrated Energy segment EBITDAF: down $8m (3%) to $236m

- **Netback:** unfavourable $20m (4%)
  - Intense competition during new system implementation
  - Volumes maintained although netback per MWh down 5%

- **Cost of energy:** favourable $12m (6%)
  - Transition period for the portfolio; contribution from Te Mihi impacted by plant outages



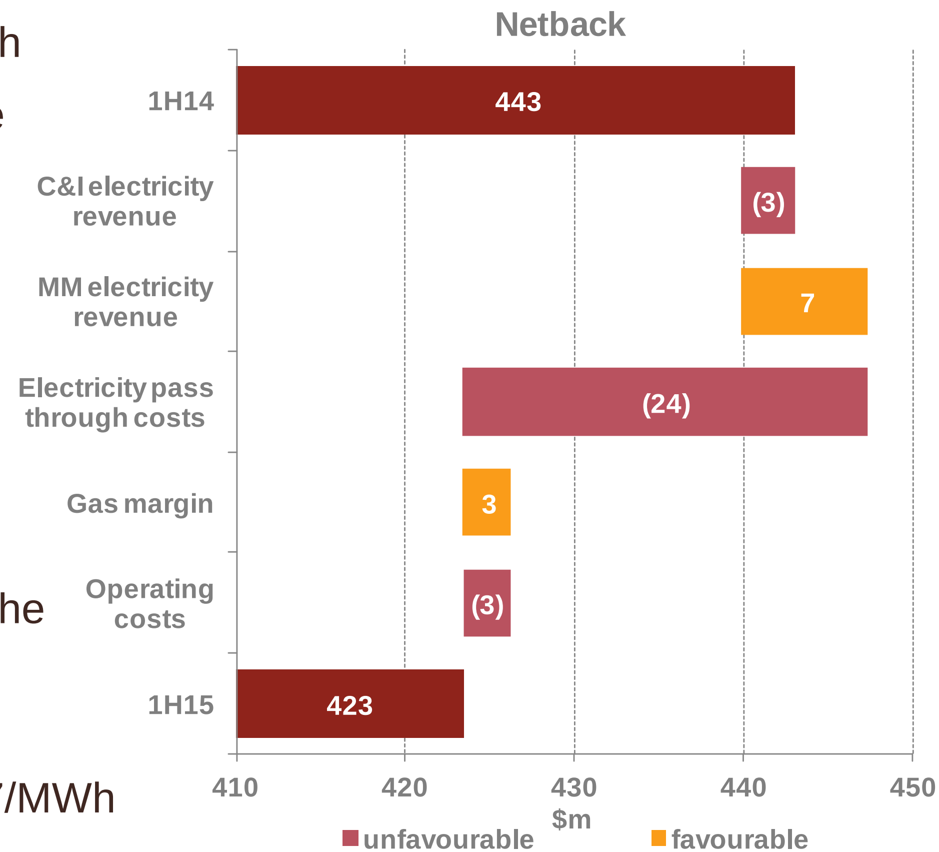
Other segment EBITDAF increased $1m to $21m

- **LPG:** favourable $3m due to a combination of higher sales volumes and lower costs
- **Meters & Other:** unfavourable $2m reflecting the transition to smart meters

Netback – $20m lower (4%) to $423m

Mass market discounting prevents full recovery of rising distribution costs

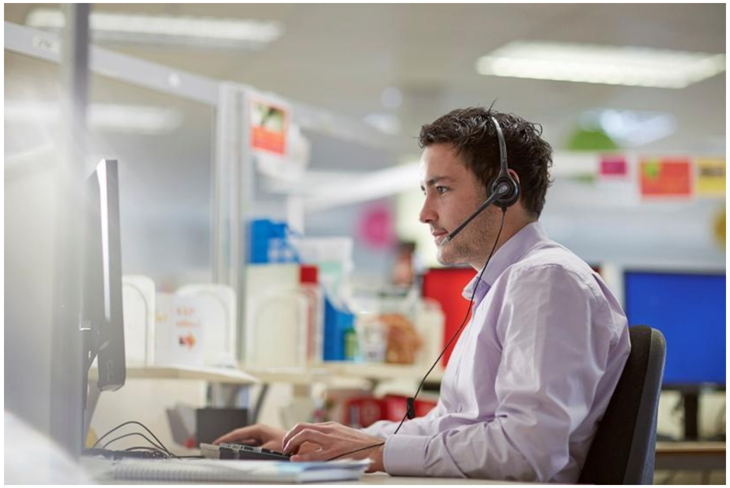
- Sales volume in line with 1H14 at 4,317 GWh
  - Mass market sales up 38 GWh (2%) due to increased small business customer numbers offsetting residential customer losses
  - Customer numbers down 6,500 due to competition and reduced activity during new system stabilisation
    - 450 customers gained in January
  - C&I sales down 54 GWh (2%) driven by strong competitive activity at the end of the 2014 financial year



- Netback unfavourable $4/MWh at $84/MWh
  - Mass market electricity netback down $7/MWh
    - $3/MWh due to one-off changes in network billing timing
    - $4/MWh largely due to increased discounting
      - Customers on campaign pricing are receiving a full aggregation and risk management service at a netback comparable to C&I customers
  - C&I electricity netback down $3/MWh reflecting forward curve movements

Retail Transformation
Stabilisation continues; benefits realisation commences

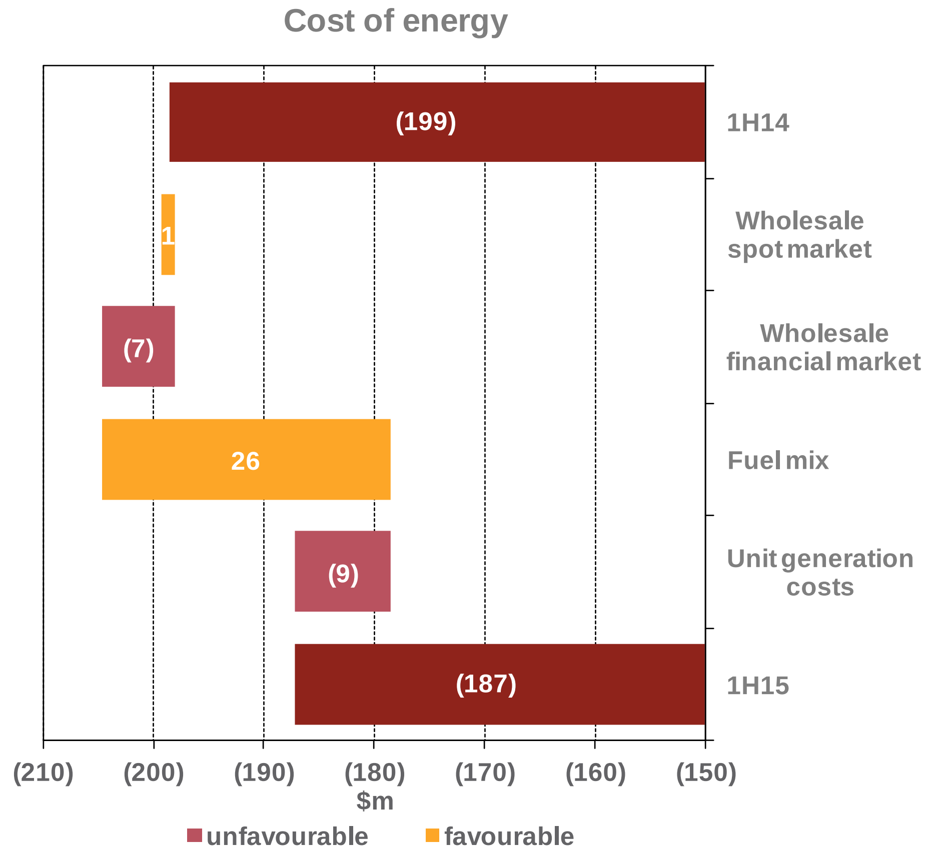
- Since system go-live
  - Average time to answer calls down 80%
  - Average call handing times reduced 33%
  - Contact proportion of EGCC complaints reduced from 70% to 30% in the December quarter and are continuing to fall[1]
  - Collection of deferred billings has been slower than planned although late bills are reducing. An additional $1m has been included in the bad debt provision
- New product launches supported by TV commercials. Door-to-door restarted in October on an appointment only basis. 450 customers gained in January
- Process efficiency, new products for mass market segments, revised pricing models and improved digital capability can now be advanced to leverage the system without major capital expenditure



[1] Contact share of quarterly complaints received by the Electricity and Gas Complaints Commissioner

Cost of energy – favourable $12m (6%) to $187m
Renewable generation increased from 68% to 76%

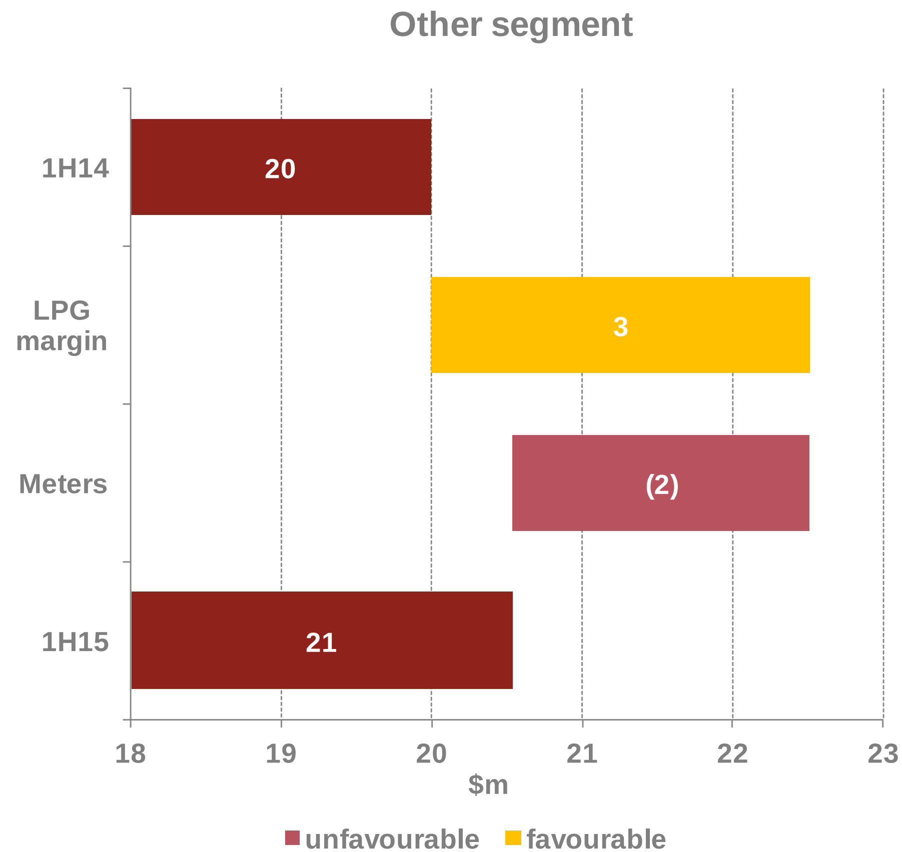
- Wholesale spot market up $1m
  - Generation volume up 74 GWh with Te Mihi increasing geothermal generation by 392 GWh, purchases up 86 GWh
  - LWAP/GWAP separation down 3% with average GWAP up $36/MWh
- Wholesale financial market unfavourable $7m due to 1H14 including HVDC commissioning rebates and contract payments
- Fuel mix favourable $26m with renewable generation increasing from 68% to 76%
  - Gas used in generation down 2.5 PJ (19%); reduced contracted gas supported by storage extractions
  - Lower plant availability
- Unit generation cost unfavourable $9m with higher gas unit costs reflecting reduced spot purchases, increased storage extractions and increased cost of carbon units



Other segment – favourable $1m (5%) to $21m

- LPG margin up $3m
  - LPG sales up 2,288 tonnes (7%) with reticulated supply responding to cooler weather
  - Profit margin up $42/tonne (12%) with continued margin pressure offset by efficiency savings
  - 2H15 product costs expected to follow oil prices lower

- Meter business unfavourable $2m reflecting the transition to smart meters
  - Smart meter deployment continues with approximately 225,000 customers with a smart meter
  - Meter depreciation reduced by $2m



Financial Review – Graham Cockroft

Statutory profit down 54% to $51m
Underlying earnings per share down 21%

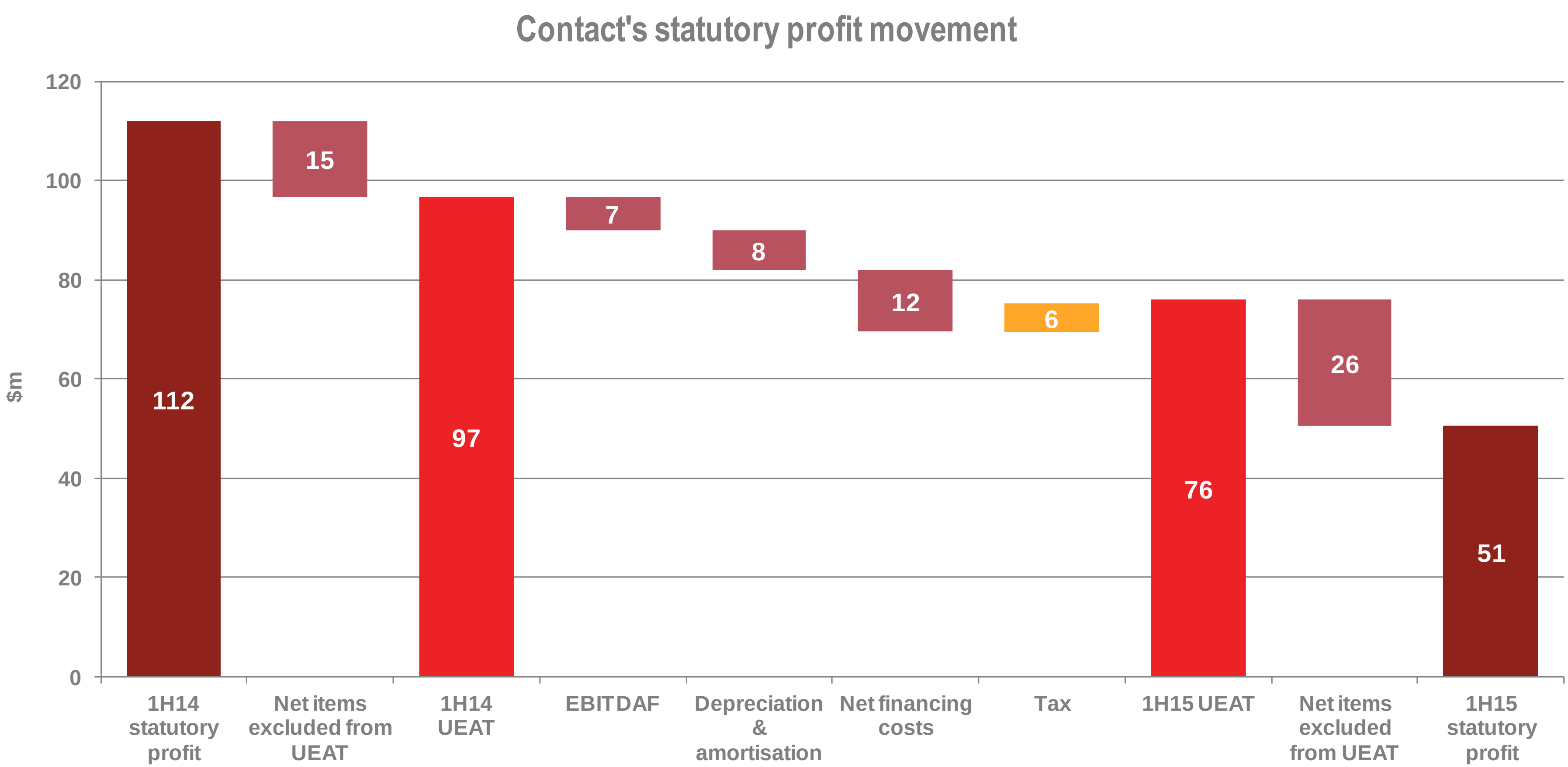
	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
Profit	51	112	(61)	(54%)
Earnings per share (cents)	6.9	15.3	(8.4)	(55%)
Revenue and other income	1,240	1,148	92	8%
EBITDAF[1]	257	264	(7)	(3%)
Underlying EBIT	156	171	(15)	(9%)
Underlying earnings after tax[1]	76	97	(21)	(22%)
Underlying earnings per share (cents)	10.4	13.2	(2.8)	(21%)
Underlying OCAT[1]	227	173	55	31%
Free cash flow per share (cents)[2]	24.5	16.2	8.3	51%
Capital expenditure	48	153	105	69%

[1] Refer to slides 31-35 for a definition and reconciliation of EBITDAF, UEAT and OCAT

[2] Refer to slide 15 for a reconciliation of free cash flow

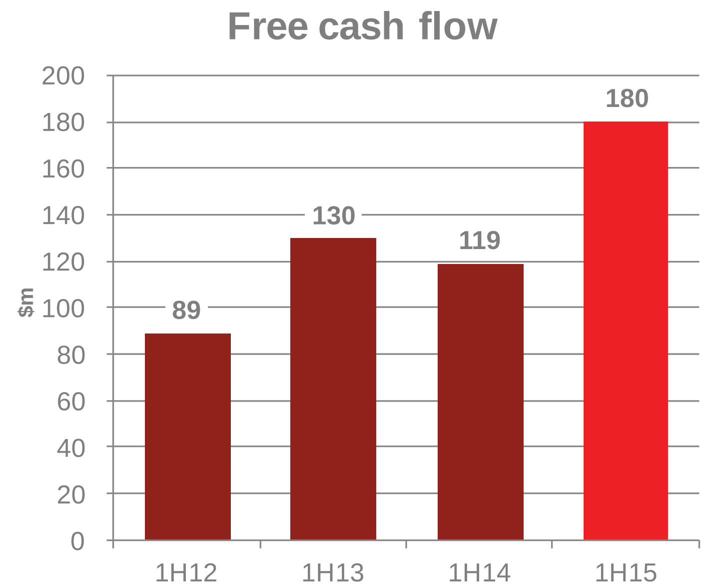
Free cash flow up 51%

Statutory profit down 54% from $112m to $51m
Underlying earnings after tax down 22% from $97m to $76m



Improved working capital is partially offset by higher stay in business capex and lower EBITDAF

	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
EBITDAF	**257**	**264**	**(7)**	**(3%)**
Change in working capital	23	(50)	73	146%
Tax paid	(35)	(38)	4	8%
Non-cash items	8	11	(3)	(27%)
Underlying operating cash flows	**253**	**186**	**67**	**36%**
Stay in business capital expenditure	(26)	(13)	(12)	(100%)
Underlying OCAT[1]	**227**	**173**	**54**	**31%**
Net interest paid	(47)	(54)	8	13%
Free cash flow[2]	**180**	**119**	**61**	**51%**
Average Funds Employed excl. CAPWIP	4,696	3,908	788	20%
Underlying OCAT Ratio	4.6%	4.0%	0.5%	13%



[1] Operating cash flow after tax. Refer to slide 35 for a definition and reconciliation of OCAT

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

- Favourable working capital movement primarily due to natural gas inventory movements and favourable retail collections
- Recovery of deferred billings due to Retail Transformation continues, although recovery is slower than foreshadowed

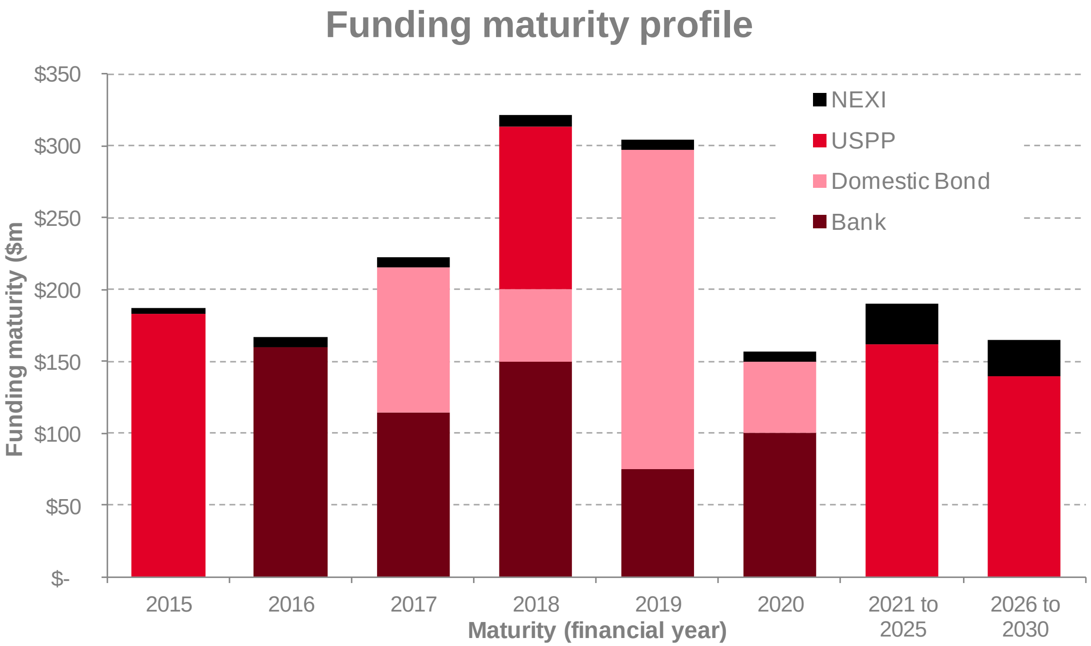
Financing costs increased by $12m due to the reduction in capitalised interest following the completion of the Te Mihi and Retail Transformation projects

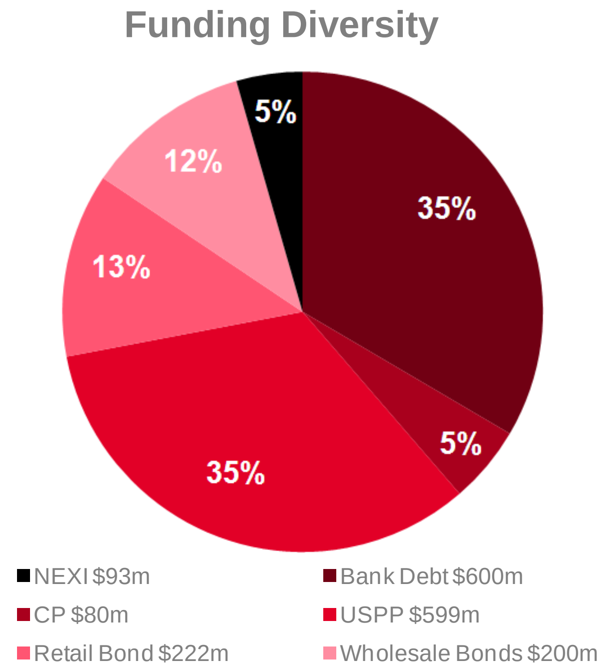
	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
Interest income	-	3	(3)	(100%)
Interest expense	(49)	(62)	13	21%
Financing costs	**(49)**	**(59)**	**10**	**(17%)**
Financing costs capitalised	0	22	(22)	(100%)
Net financing costs	**(49)**	**(37)**	**(12)**	**32%**
Weighted average interest rate on borrowing[1]	6.1%	6.4%	0.3%	5%

[1] excluding fees and costs

- Lower weighted average interest rate reflects the improvements resulting from the 2014 refinancing programme
- Interest income of $3m in 1H14 was due to partial pre-funding of 2014 debt maturities
- No interest was capitalised in 1H15 following the completion of Te Mihi and Retail Transformation projects

Contact has a manageable funding maturity profile and retains a diverse portfolio of funding sources

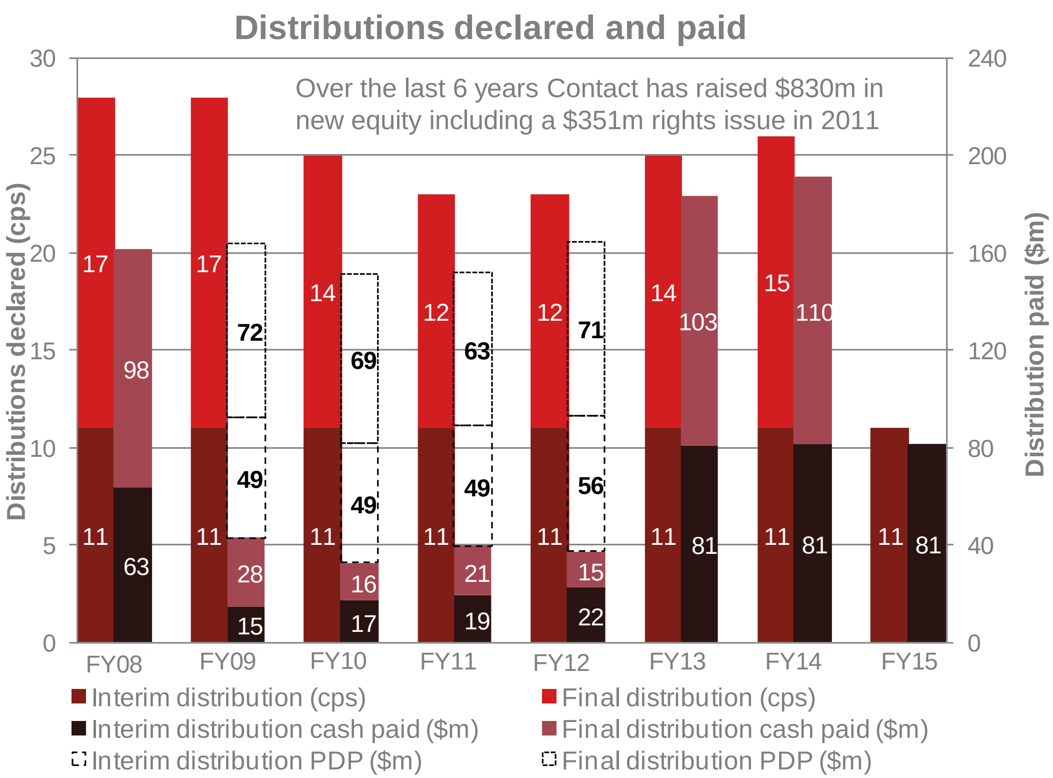


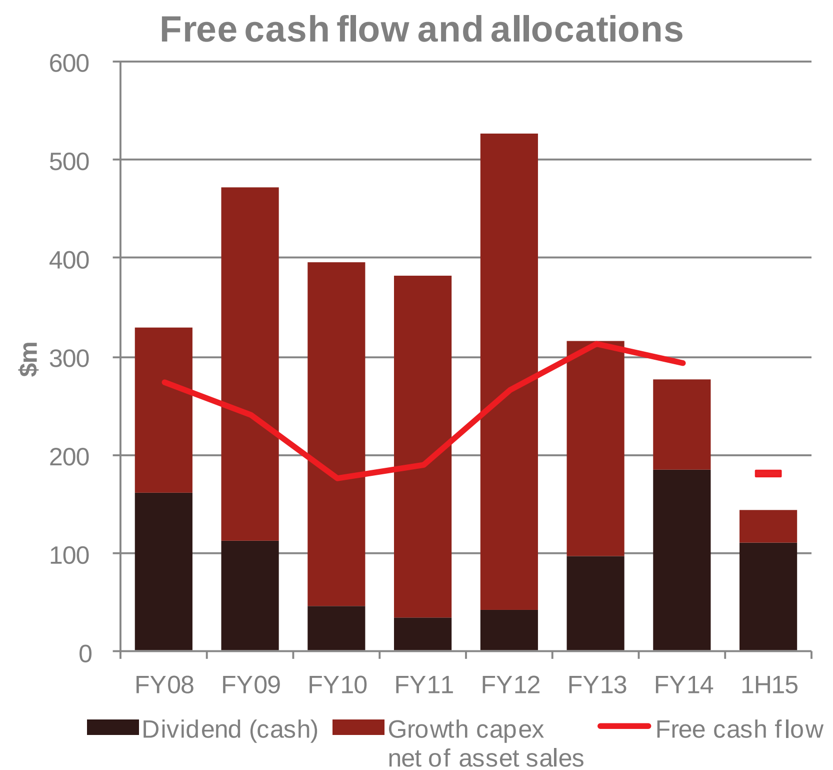


- Balance sheet gearing level remains strong at 31 December 2014:
  - Net debt $1.39bn, in line with June 2014. Gearing ratio 28%
  - $600m total committed facilities ($185m drawn and $80m commercial paper on issue)
  - Weighted average tenor of funding facilities 4.2 years (excluding bridge facility)
- Contact has a $100m bridge facility in place to provide timing flexibility for the $183m USPP maturity in March 2015

Fully imputed interim distribution
Stable at 11 cps

- Free cash flow including the purchase or sale of fixed assets in 1H15 was $146m compared with $117m in 1H14 due to reduced growth capital expenditure, partially offset by the sale of gas meters in 1H14
- Record date 4 March 2015; payment date 26 March 2015





Prospects

Contact's capital investments have positioned it well for the New Zealand market …

Upstream Fuel

Generation

Wholesale/Retail

Largely renewable fuel

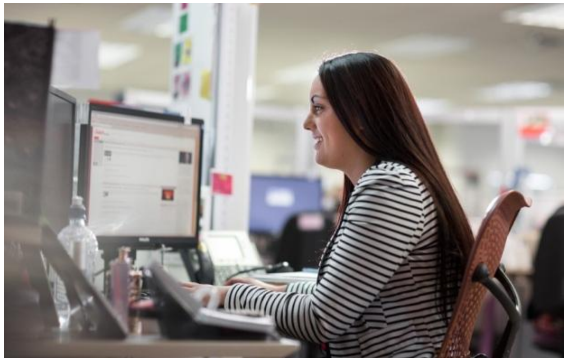
- Renewable generation increased from 68% to 76% in 1H15
- Resource consents in place until 2026 and beyond
- Growth capital programme completed

Flexible generation portfolio

- Peakers and gas storage provide risk management flexibility
- CCGTs operation will be dependant on market conditions
- Gas purchased for the next 2 years; aligned to available operating hours

Significant retail customer base in NZ

- Retail volumes stable in highly competitive market
- Retail Transformation provides platform for efficiency and innovation



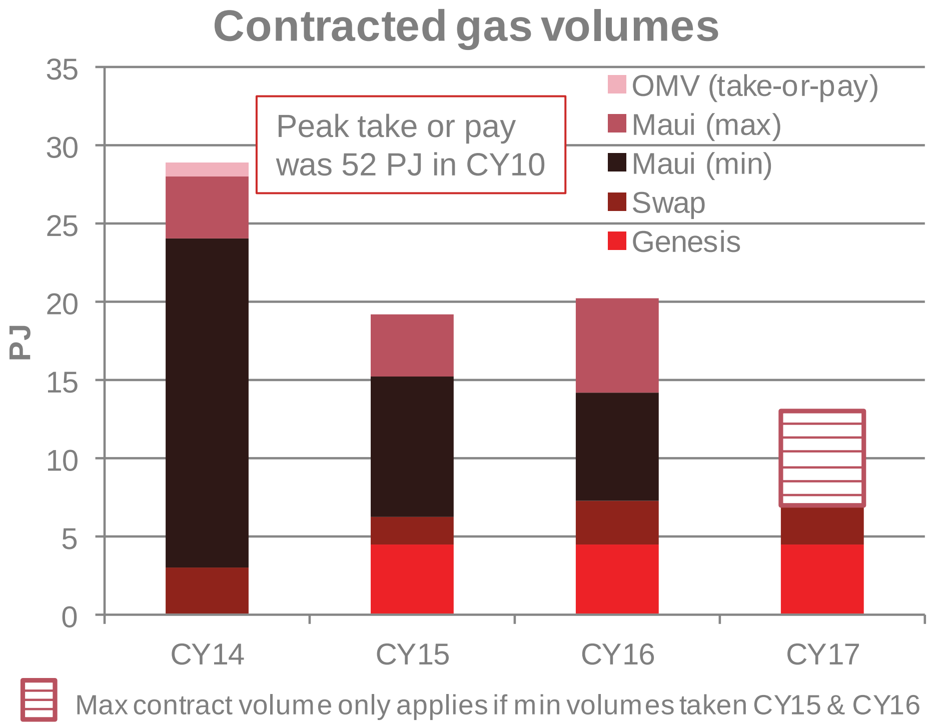
… with limited need for further investment in the operating business

Geothermal performance

- Te Mihi operating above business case
  - Extended outage in 1H15 increased net capacity to 163MW and can operate as high as 176MW
  - All construction claims now settled with EPC contractor
  - A determination process will be complete prior to the end of FY15 to potentially recover $7.7m of extended outage costs
- Wairakei consent conditions revised providing operational flexibility to take 15% more fluid on a day as long as a 3-month average take is maintained
- Ohaaki reconsented for a further 35 years with production stable at 40 MW; development projects underway to optimise output over the next 2-3 years
- Production in calendar year 2015 to be in the order of 3,300GWh (2014 was 2,332 GWh)

Thermal assets provide hydrology risk management and optionality

- Extension to gas supply agreement completed with Maui Developments Limited
  - 22 and 26 petajoules over 2015-2017
  - Able to move volumes between years combined with 11.2PJ of gas stored provides significant flexibility
- New long-term peaker maintenance agreement covering support and component replacements including a spare engine on-site



- Focus for the CCGTs is on managing remaining operating hours until Tiwai future becomes clearer
  - 19,400 equivalent operating hours remaining between Otahuhu and TCC before major maintenance required. Only one CCGT expected to be used in winter 2015 if required
  - Contact actively looking at options for Lower South Island transmission upgrades to reduce exposure to Tiwai closure

Retail Transformation provides a platform for efficiency and innovation in a highly competitive market

- Customer proposition based on SAP data capability which enables us to operationalise segmentation

Stabilise

Data
Insight driven using SMART, customer & demographic data

Digital channels
Leading online energy provider

Flexible products
Customer centric products offering choice and options

Service model
Highest levels of customer satisfaction

- Stabilise customer numbers
- Leaner operating model with prioritised cost-out initiatives
- Industry processes that support simplicity and transparency

Optimise

Lower cost to acquire

- Target customers by region and value
- Optimise touch points to improve customer experience

Lower cost to retain

- Tailored products and services for priority segments

Sustain

Lowest cost to serve

- Expand beyond energy
- Seek scale efficiencies

Outlook

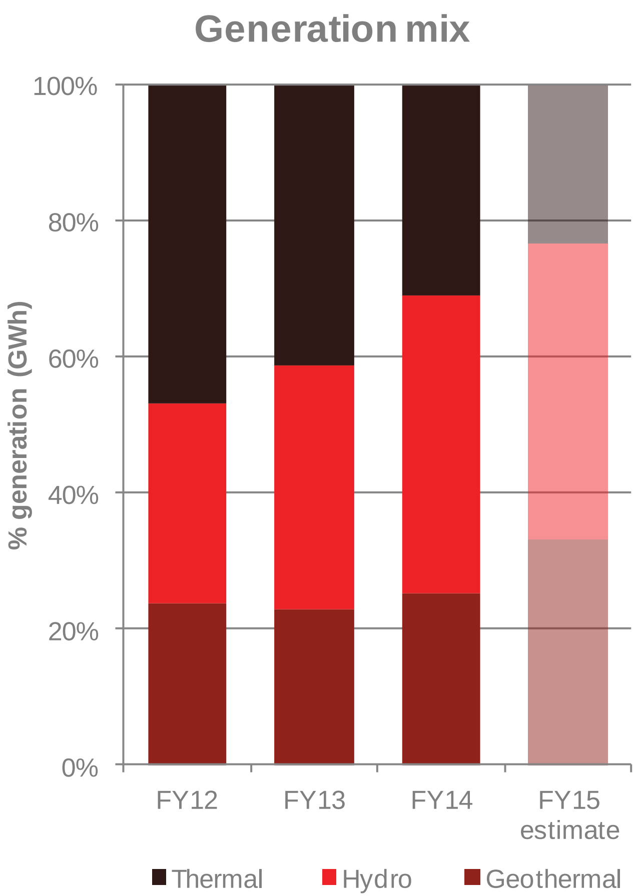
- 2H15 expected to improve
  - Geothermal generation expected to increase to over 1,600 GWh with the possibility of a liquidated damages receipt for the extended Te Mihi outage in 1H15
  - Higher plant availability
  - Lower contract gas costs balanced with storage extractions
  - LPG costs reflective of lower oil prices
  - No repeat of 1H15 one-off network costs
  - Continued intense retail competition

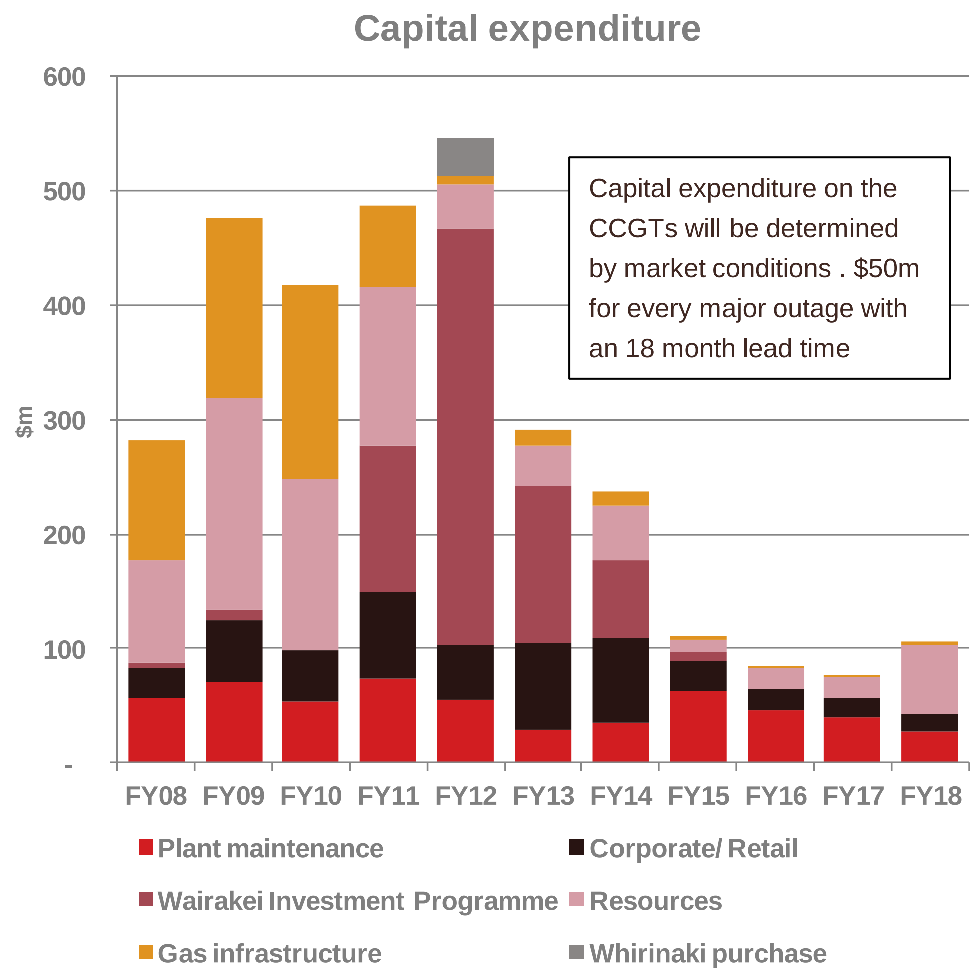
- Medium-term outlook
  - Retail transformation efficiency gains
  - New gas contracts and Te Rapa electricity agreement commence
  - Increased geothermal production offsets return to mean hydrology
  - The wholesale price reflects the reduction in reserve margins as less thermal fuel is committed

The New Zealand electricity market is mature, limiting options for growth

- No material long-term growth expected
  - Tiwai future is uncertain
  - Continued improvement in energy efficiency is likely
  - Technology advances may drive opportunity
    - Distributed generation uptake, particularly solar PV, will continue; however, centralised renewable generation is more economic for customers in the near term
    - Electric vehicles are compelling for New Zealand. Contact will replace its existing fleet with plug in hybrid electric vehicles
    - Contact will offer products and services to engage more deeply with customers through these technology advance
- The New Zealand market is fragmented; however, consolidation opportunities are considered limited
- Tauhara remains New Zealand's next most competitive generation development but short to medium term development seems unlikely given the demand outlook

The investment in renewable generation has lowered Contact's cost of energy and requires limited ongoing capital expenditure





Contact's strongly cash generative business provides new opportunities to create shareholder value by:

- **Reducing debt**
  - Current gearing ratio is 28% and supportive of BBB credit rating
  - De-leveraging is likely to be inefficient

- **Increasing distributions**
  - To support the recent $2 billion capital programme we have raised $830m of equity
  - Imputation credits and available subscribed capital provide tax effective options for dividends or capital returns
  - Distribution of forecast free cash flow increase through dividends may not be efficient, requiring alternative distribution methods

- **Investing in growth opportunities**
  - Identify and execute on opportunities that provide a return above the cost of capital
  - Absent alternatives in New Zealand, this is likely to be in international markets

… with work continuing to determine the optimal allocation between these three options

A strong capability in geothermal and hydro development and operation provides opportunities for growth

- Geothermal is Contact’s area of strongest capability
  - A dedicated, internationally recognised subsurface team in Wairakei
  - Operational experience in one of the world’s longest producing geothermal regions
  - Recent success in construction management, consenting and stakeholder engagement
  - Particular strength in engaging with indigenous communities
- We are investigating options to leverage Contact’s skills and experience in international markets
  - Any initial investments expected to be funded by free cash flows
- A business delivering a strong yield and supporting renewable growth overseas is an attractive investment

Renewable operations

431MW Geothermal

752MW Hydro

Recent developments

Te Huka (2010)
28MW

Bioreactor (2012)

Te Mihi (2014)
166MW

Summary

- Transitional six-month period
  - Retail competition and generation oversupply reflected in lower retail margins
  - Capital projects integrated
    - Retail system stabilisation allows return to full acquisition activity and commencement of benefits realisation
    - Renewable generation increased with further gains expected
  - Positioning of thermal fleet and reduced fuel purchases starting to be reflected in forward prices
- In 2H15 and FY16 our performance will improve
  - Continued intense retail competition
- Contact is focused on the management and application of cash flow
- Considering the appropriate balance of distributing cash flow versus investing in growth
  - Any material growth investments likely to be in international markets

Supporting material

Non-GAAP profit measure - EBITDAF

- EBITDAF is Contact's earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items
- The CEO monitors EBITDAF as a key indicator of Contact's performance at segment and group levels, and believes it assists investors to understand the performance of the core operations of the business
- Reconciliation of EBITDAF to statutory profit:

	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	%
EBITDAF	**257**	**264**	**(7)**	**(3%)**
Depreciation and amortisation	(101)	(93)	(8)	(9%)
Change in fair value of financial instruments	(18)	16	(34)	(213%)
Other significant items	(17)	5	(22)	(440%)
Net interest expense	(49)	(37)	(12)	(32%)
Tax expense	(21)	(43)	22	51%
Profit	**51**	**112**	**(61)**	**(54%)**

- Depreciation and amortisation, change in fair value of financial instruments, net interest and tax expense are explained in the following slide

Explanation of reconciliation between EBITDAF and profit for the period

- The adjustments from EBITDAF to reported profit are as follows:
  - Depreciation and amortisation: Costs increased by $8m (9%) reflecting commissioning of Te Mihi and go-live of the Retail Transformation in 2H14. This is partially offset by lower operating hours of the thermal power stations due to higher renewable generation
  - Change in fair value of financial instruments: the balance of -$18m reflecting the reduction in swap rates over the period
  - Other significant items: these are detailed on the next two slides
  - Net interest expense increased $12 million (32%) to $49m in 1H15 due to no interest being capitalised ($22m in 1H14) following the commissioning of major projects. This is offset partially by lower interest costs on debt ($8m) due to lower average interest rates and lower deferred financing costs ($5m) from debt restructuring. Interest income also fell in the period due to pre-funding of 2014 maturities being held as cash during 1H14
  - Tax expense for FY14 was $21m, which represents an effective tax rate of 29.2% (1H14: 28.0%)

Non-GAAP profit measure – underlying earnings

- The CEO monitors underlying earnings and believes it assists investors to understand the ongoing performance of the business
- Underlying earnings after tax is calculated by adjusting reported profit for the year for significant items that do not reflect Contact's ongoing performance
- Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Items considered for classification as other significant items include 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
- Reconciliation of statutory profit for the year to underlying earnings after tax:

	6 months ended 31 December 2014 $m	6 months ended 31 December 2013 $m	Variance $m	Variance %
Profit	**51**	**112**	**(61)**	**(54%)**
Change in fair value of financial instruments	18	(16)	34	213%
Transition costs	17	2	15	750%
Gain on restructure of gas storage operations	-	(7)	7	(100%)
Clutha land sales	-	(3)	3	100%
Asset impairments	-	3	(3)	(100%)
Tax on items excluded from underlying earnings	(10)	6	(16)	(267%)
Underlying earnings after tax	**76**	**97**	**(21)**	**(22%)**

Explanation of reconciliation from reported profit to underlying earnings

- The adjustments from reported profit to underlying earnings are as follows:
  - » The change in fair value of financial instruments that do not qualify for hedge accounting
  - » Transition costs are those costs incurred on the Retail Transformation project and associated activities in the Retail business and are comprised primarily of temporary staffing and associated infrastructure costs
  - » Gain on sale of priority processing rights through the Waihapa production station as a result of the restructure of gas storage operations
  - » Phased programme of land sales in relation to a Clutha River hydro generation development. This development will not proceed in the foreseeable future

Operating cashflow after tax (OCAT) and OCAT ratio

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

OCAT ratio

- Measures Contact's cash returns generated from productive funds employed within operations

OCAT ratio = (OCAT – interest tax shield) / average funds employed (excl CAPWIP)

- Interest tax shield adjustment accounts for the reduction in tax due to interest paid

Average funds employed

- Measures funds employed by Contact in the operating assets of the business, excluding capital work in progress that is not yet operational
- Calculated on a 12-month weighted average basis to match the operating asset base to operational cash flows

Net assets
Less:
Cash
Derivative financial instruments - assets
Capital work in progress
Add:
Debt (NZD equivalent of notional borrowings - after foreign exchange hedging and before deferred financing fees
Derivative financial instruments - liabilities
Fund employed (12 month weighted average)