

Income Statement

For the six months ended 31 December 2012

		Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
	Note			
Revenue	3	1,200	1,273	2,683
Other income		13	10	18
Operating expenses	3	(960)	(1,052)	(2,192)
Earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items (EBITDAF)		253	231	509
Depreciation and amortisation		(95)	(95)	(193)
Change in fair value of financial instruments	7	(1)	(10)	(11)
Other significant items	3	(4)	(1)	21
Equity accounted earnings of associate		-	2	2
Net interest expense		(33)	(37)	(72)
Profit before tax		120	90	256
Tax expense		(32)	(22)	(66)
Profit for the period		88	68	190
Basic and diluted earnings per share (cents)		12.2	9.7	26.9

Non-statutory measure: underlying earnings

Underlying earnings after tax is presented to enable stakeholders to make an assessment and comparison of ongoing performance. It is calculated by adjusting profit for the period for significant items that do not reflect the ongoing performance of the Group.

		Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
	Note			
Profit for the period		88	68	190
Underlying adjustments				
Change in fair value of financial instruments	7	1	10	11
Other significant items	3	4	1	(21)
Adjustments before tax		5	11	(10)
Tax credit on underlying adjustments		(1)	(3)	(4)
Underlying earnings after tax		92	76	176
Underlying earnings per share (cents)		12.7	10.9	25.0

Statement of Comprehensive Income

For the six months ended 31 December 2012

	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
Profit for the period	88	68	190
Other comprehensive income			
Change in cash flow hedge reserve	6	28	36
Total other comprehensive income before tax	6	28	36
Deferred tax relating to components of other comprehensive income	(2)	(4)	(7)
Other comprehensive income for the period after tax	4	24	29
Total comprehensive income for the period	92	92	219

Statement of Changes in Equity

For the six months ended 31 December 2012

	Note	Share capital \$m	Retained earnings \$m	Cash flow hedge reserve \$m	Share-based compensation reserve \$m	Total shareholders' equity \$m
Opening balance at 1 July 2011		1,413	1,855	(37)	5	3,236
Profit for the period after tax		-	68	-	-	68
Other comprehensive income after tax		-	-	24	-	24
Restricted shares and options lapsed during the period		-	1	-	(1)	-
Transactions with owners recorded directly in equity:						
Change in share capital		63	-	-	-	63
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(84)	-	-	(84)
Total transactions with owners recorded directly in equity		63	(84)	-	2	(19)
Unaudited closing balance at 31 December 2011		1,476	1,840	(13)	6	3,309
Opening balance at 1 January 2012		1,476	1,840	(13)	6	3,309
Profit for the period after tax		-	122	-	-	122
Other comprehensive income after tax		-	-	5	-	5
Transactions with owners recorded directly in equity:						
Change in share capital		58	-	-	-	58
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(78)	-	-	(78)
Total transactions with owners recorded directly in equity		58	(78)	-	2	(18)
Audited closing balance at 30 June 2012		1,534	1,884	(8)	8	3,418
Opening balance at 1 July 2012		1,534	1,884	(8)	8	3,418
Profit for the period after tax		-	88	-	-	88
Other comprehensive income after tax		-	-	4	-	4
Share options lapsed during the period		-	1	-	(1)	-
Transactions with owners recorded directly in equity:						
Change in share capital		71	-	-	-	71
Change in share-based compensation reserve		-	-	-	2	2
Distributions declared	4	-	(86)	-	-	(86)
Total transactions with owners recorded directly in equity		71	(86)	-	2	(13)
Unaudited closing balance at 31 December 2012		1,605	1,887	(4)	9	3,497

Statement of Financial Position

At 31 December 2012

	Note	Unaudited 31 Dec 2012 \$m	Unaudited 31 Dec 2011 \$m	Audited 30 June 2012 \$m
Shareholders' equity		3,497	3,309	3,418
Represented by:				
Current assets				
Cash and cash equivalents		8	49	6
Receivables and prepayments		240	256	351
Inventories		36	38	38
Carbon emission units		28	18	17
Derivative financial instruments		2	3	3
Assets held for sale		63	13	7
Tax receivable		1	1	-
Total current assets		378	378	422
Non-current assets				
Inventories		87	92	93
Property, plant and equipment	5	5,170	4,986	5,163
Intangible assets		215	170	188
Goodwill		182	182	182
Gas storage - cushion gas		52	52	52
Available-for-sale financial assets		3	3	3
Derivative financial instruments		2	2	1
Other non-current assets		8	8	8
Total non-current assets		5,719	5,495	5,690
Total assets		6,097	5,873	6,112
Current liabilities				
Payables and accruals		289	319	409
Borrowings	6	126	1	102
Derivative financial instruments		59	27	56
Provisions		3	5	5
Liabilities held for sale		6	-	-
Tax payable		-	-	28
Total current liabilities		483	352	600
Non-current liabilities				
Borrowings	6	1,184	1,315	1,202
Derivative financial instruments		145	149	128
Provisions		58	58	64
Deferred tax		725	690	700
Other non-current liabilities		5	-	-
Total non-current liabilities		2,117	2,212	2,094
Total liabilities		2,600	2,564	2,694
Net assets		3,497	3,309	3,418

Authorised on behalf of the Board on 18 February 2013:



Grant King, Chairman



Sue Sheldon, Director

Statement of Cash Flows

For the six months ended 31 December 2012

	Note	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
Cash flows from operating activities				
Cash provided from:				
Receipts from customers		1,317	1,279	2,614
Dividends received		-	1	1
		1,317	1,280	2,615
Cash applied to:				
Payments to suppliers and employees		(1,074)	(1,088)	(2,154)
Tax paid		(39)	(16)	(21)
		(1,113)	(1,104)	(2,175)
Net cash inflow from operating activities	10	204	176	440
Cash flows from investing activities				
Cash provided from:				
Interest received		2	1	3
Proceeds from sale of property, plant and equipment		5	-	4
Exit of investment in Oakey Power Holdings Pty Limited		-	-	38
		7	1	45
Cash applied to:				
Purchase of property, plant and equipment		(163)	(232)	(482)
Purchase of intangible assets		(21)	(27)	(47)
Purchase of Whirinaki generation plant and on-site diesel fuel		-	(36)	(36)
		(184)	(295)	(565)
Net cash (outflow) to investing activities		(177)	(294)	(520)
Cash flows from financing activities				
Cash provided from:				
Proceeds from other loans		69	117	124
Proceeds from gas sale and repurchase arrangement		12	-	-
Proceeds from capital bonds offer		-	200	200
		81	317	324
Cash applied to:				
Interest paid		(51)	(45)	(97)
Distributions paid to shareholders		(15)	(21)	(43)
Repayment of other loans and finance lease liabilities		(40)	(118)	(122)
Financing costs		-	(10)	(10)
Entitlement offer-related costs		-	(1)	(1)
Advance in relation to gas sale and repurchase arrangement		-	-	(10)
		(106)	(195)	(283)
Net cash (outflow)/inflow from financing activities		(25)	122	41
Net increase/(decrease) in cash and cash equivalents		2	4	(39)
Add: cash and cash equivalents at the start of the period		6	45	45
Cash and cash equivalents at the end of the period		8	49	6

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

1 Basis of accounting

Reporting entity

Contact Energy Limited is registered in New Zealand under the Companies Act 1993 and is an issuer for the purposes of the Financial Reporting Act 1993. Contact Energy Limited is listed on the NZX with its ordinary shares quoted on the NZSX and two series of bonds quoted on the NZDX.

The condensed interim group financial statements of Contact Energy Limited (the Group financial statements) at, and for the six months ended, 31 December 2012 comprise the Parent and its subsidiaries and interest in associate (together referred to as Contact or the Group).

Basis of preparation

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

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

These Group financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the financial statements and related notes included in Contact's Annual Report for the year ended 30 June 2012 (2012 Annual Report).

Changes in accounting policies

There have been no changes in accounting policies since 30 June 2012. The accounting policies set out in the 2012 Annual Report have been applied consistently to all periods presented in these Group financial statements. Certain comparative amounts have been reclassified to conform to the current period's presentation.

Critical accounting estimates and judgements

Application of the Group's accounting policies requires the use of estimates. The estimates are based on historical experience and other factors that are believed to be reasonable. Actual results may differ from these estimates. The areas of significant estimation and critical judgments are the same as those disclosed in the 2012 Annual Report, other than the estimation of the split of inventory gas between current and non-current on the basis of usage.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

2 Segments

Contact's operating segments are identified based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources. During the reporting period, the composition of the internally reported segments changed with retail and wholesale gas activities moved to the Electricity segment and renamed as 'Integrated Energy'. This change reflects management's view that retail and wholesale gas are an integral part of the electricity business. Comparative segment information has been restated.

Contact has two operating segments, 'Integrated Energy' and 'Other':

- The 'Integrated Energy' business is a generator of electricity and retailer of electricity and gas to residential, commercial and industrial customers throughout New Zealand.
- The 'Other' business is a combination of other products and services offered by Contact. These include the sale of LPG to residential and commercial customers, and the provision of electricity and gas meter services to other retailers and internally to the 'Integrated Energy' business.

Unaudited 6 months ended 31 December 2012	Integrated			Total \$m
	Energy \$m	Other \$m	Inter-segment \$m	
Revenue and other income	1,136	94	(17)	1,213
Direct costs	(786)	(61)	17	(830)
Other operating expenses	(119)	(11)	-	(130)
Segment EBITDAF	231	22	-	253

Unaudited 6 months ended 31 December 2011	Integrated			Total \$m
	Energy \$m	Other \$m	Inter-segment \$m	
Revenue and other income	1,212	88	(17)	1,283
Direct costs	(886)	(55)	17	(924)
Other operating expenses	(117)	(11)	-	(128)
Segment EBITDAF	209	22	-	231

Audited 12 months ended 30 June 2012	Integrated			Total \$m
	Energy \$m	Other \$m	Inter-segment \$m	
Revenue and other income	2,565	169	(33)	2,701
Direct costs	(1,857)	(106)	33	(1,930)
Other operating expenses	(239)	(23)	-	(262)
Segment EBITDAF	469	40	-	509

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

3 Components of profit

	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
Revenue			
Retail electricity	773	757	1,490
Wholesale electricity	297	393	963
LPG	65	62	118
Gas	54	50	92
Steam	11	11	20
	1,200	1,273	2,683
Other income	13	10	18
Total revenue and other income	1,213	1,283	2,701
Operating expenses			
Electricity purchases	(289)	(388)	(874)
Electricity transmission, distribution and levies	(301)	(276)	(544)
Gas purchases, transmission and levies	(176)	(192)	(391)
LPG purchases	(48)	(44)	(83)
Meter costs	(13)	(11)	(23)
Emission costs	(3)	(13)	(15)
Labour costs	(55)	(49)	(104)
Other	(75)	(79)	(158)
	(960)	(1,052)	(2,192)
Other significant items			
Transition costs ⁽¹⁾	(3)	(1)	(5)
Clutha asset impairment and land sales ⁽²⁾	2	-	(2)
Asset impairments ⁽³⁾	(3)	-	-
Exit of investment in Oakey Power Holdings Pty Limited	-	-	28
	(4)	(1)	21

(1) Transition costs arising on the implementation of Enterprise Transformation and associated activities in the Retail business.

(2) Contact has decided not to proceed in the foreseeable future with any of the options being investigated for hydro generation development on the Clutha River. The project development costs have been impaired and some of the associated land has been sold.

(3) Asset impairments arising on land classified as held for sale, other than land in relation to the Clutha River hydro development.

Transactions are classified as other significant items when they meet certain criteria approved by Contact's Board. Other significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as other significant items include impairment or reversal of impairment of assets, business integration and acquisition costs and transactions or events outside of Contact's ongoing operations that have a significant impact on reported profit.

4 Distributions and share capital

	Cents per share	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
2011 year final distribution	12.0	-	84	84
2012 year interim distribution	11.0	-	-	78
2012 year final distribution	12.0	86	-	-
Total distributions		86	84	162

On 21 September 2012, Contact issued 17,728,186 ordinary shares pursuant to the Profit Distribution Plan. As a result of shareholder elections, Contact completed an off-market buy-back of 3,096,672 shares. These shares were immediately cancelled upon buy-back.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

5 Property, plant and equipment

	Unaudited 31 Dec 2012 \$m	Unaudited 31 Dec 2011 \$m	Audited 30 June 2012 \$m
Opening balance	5,163	4,813	4,813
Additions	153	260	539
Transfer to assets held for sale	(56)	-	(7)
Disposals	-	-	(1)
Depreciation charge	(87)	(87)	(177)
Impairment	(3)	-	(4)
	5,170	4,986	5,163

The gas metering assets, the decommissioned New Plymouth power station site and certain land assets have been classified as assets held for sale. These assets are expected to be sold within one year from the end of the reporting period.

6 Borrowings

	Unaudited 31 Dec 2012 \$m	Unaudited 31 Dec 2011 \$m	Audited 30 June 2012 \$m
Long-term borrowings maturing within one year	92	-	98
Committed credit facilities	33	-	3
Finance lease liabilities	1	1	1
Total current borrowings	126	1	102
Retail bonds	546	545	545
Wholesale bonds	100	100	100
Capital bonds	196	195	196
US Private Placement (USPP)	587	586	587
Fair value adjustment on USPP	(154)	(113)	(130)
Total long-term borrowings	1,275	1,313	1,298
Finance lease liabilities	1	2	2
Less: long-term borrowings maturing within one year	(92)	-	(98)
Total non-current borrowings	1,184	1,315	1,202

Contact has total committed credit facilities at 31 December 2012 of \$380 million, of which \$33 million has been drawn (31 December 2011: \$450 million, nil drawn; 30 June 2012: \$450 million, \$3 million drawn). At 31 December 2012, \$90 million matures in November 2015, \$150 million matures between March 2016 and May 2016, \$40 million matures in November 2016 and \$100 million matures in November 2017.

In addition, Contact has an export credit agency facility of \$105 million. At 31 December 2012, the available facility was \$92 million, of which nil has been drawn (30 June 2012: \$92 million, nil drawn). The facility matures in November 2027.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

7 Derivative financial instruments

The change in the fair value of financial instruments during the period is summarised below:

	Unaudited 6 months ended 31 Dec 2012		Unaudited 6 months ended 31 Dec 2011		Audited 12 months ended 30 June 2012	
	Income Statement \$m	Cash flow hedge reserve \$m	Income Statement \$m	Cash flow hedge reserve \$m	Income Statement \$m	Cash flow hedge reserve \$m
Favourable/(unfavourable)						
Fair value hedges:						
Cross-currency interest rate swaps	(24)	-	36	-	20	-
Borrowings	24	-	(36)	-	(20)	-
	-	-	-	-	-	-
Cash flow hedges:						
Cross-currency interest rate swaps - margin	-	1	-	1	-	2
Foreign exchange derivatives	-	-	-	13	-	11
Electricity price hedges	(1)	5	(1)	14	(1)	23
Tax on change in fair value of cash flow hedges	-	(2)	-	(4)	-	(7)
Derivatives not designated in hedge relationships:						
Interest rate derivatives	-	-	(9)	-	(10)	-
	(1)	4	(10)	24	(11)	29

8 Commitments

	Unaudited 31 Dec 2012 \$m	Unaudited 31 Dec 2011 \$m	Audited 30 June 2012 \$m
Capital and investment commitments	104	312	125
Operating lease commitments	38	31	26
Operating lease income	(5)	(3)	(4)

In addition, Contact holds contracts with a variety of counterparties relating to the right to uplift and transport gas. The nature of these commitments was disclosed in the 2012 Annual Report. No contracts with new counterparties relating to the right to uplift and transport gas were entered into during the period.

Notes to the condensed interim group financial statements

For the six months ended 31 December 2012

9 Related party transactions

No transactions with new related parties were entered into during the period.

	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
Transactions with related parties - received/(paid)			
Subsidiaries of Origin Energy Limited (Origin)			
Ahuroa gas storage facility development and operation expenses	(4)	(5)	(10)
SAP infrastructure and data services costs	(3)	(1)	(4)
Purchase of LPG	(28)	(19)	(43)
Sale of electricity	3	-	1
Key management personnel			
Directors' fees	(1)	(1)	(1)
Chief Executive Officer seconded from Origin	(1)	(1)	(1)
Leadership team (excluding Chief Executive Officer)	(5)	(3)	(5)
Associate of the Group			
Sale of LPG	1	-	1

New Zealand based directors and members of the Leadership team purchase gas and electricity from the Group for domestic purposes on normal retail terms and conditions.

Contact and Origin have a Master Services Agreement for the provision of professional, consulting and administrative services. During the six months ended 31 December 2012, six members of staff, including the Chief Executive Officer, were seconded from Origin to Contact, and one staff member was seconded from Contact to Origin.

10 Reconciliation of profit for the period to cash flows from operating activities

	Unaudited 6 months ended 31 Dec 2012 \$m	Unaudited 6 months ended 31 Dec 2011 \$m	Audited 12 months ended 30 June 2012 \$m
Profit for the period	88	68	190
Adjustments to reconcile profit to net cash inflow from operating activities:			
Depreciation and amortisation	95	95	193
Change in fair value of financial instruments	1	10	11
Exit of investment in Oakey Power Holdings Pty Limited	-	-	(26)
Asset impairments	3	-	4
Gain on sale of property, plant and equipment	(2)	-	(2)
Non-cash share of equity accounted earnings of associates	-	(2)	(2)
Net interest expense	33	37	72
Bad debt expense	6	7	13
Movement in provisions	(1)	-	2
Movement in deferred tax	22	6	13
Share-based compensation	1	2	3
Changes in assets and liabilities, net of non-cash, investing and financing activities:			
Receivables and prepayments	98	(14)	(104)
Inventories	8	(16)	(17)
Payables and accruals	(108)	(8)	69
Tax receivable/payable	(29)	-	29
Other assets	(11)	(9)	(8)
Net cash inflow from operating activities	204	176	440

11 Subsequent events

On 18 February 2013, the Board declared an interim distribution of 11.0 cents per share, to be paid on 26 March 2013.



Auditors' review report

To the shareholders of Contact Energy Limited

We have completed a review of the condensed interim group financial statements on pages 1 to 10 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of Contact Energy Limited and its subsidiaries ("the Group") and its financial position at 31 December 2012.

Directors' responsibilities

The Directors of Contact Energy Limited are responsible for the preparation of condensed interim group financial statements which give a true and fair view of the financial position of the Group at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the condensed interim group financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group.

Other than in our capacity as auditors we have no relationship with or interests in the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim group financial statements on pages 1 to 10 do not give a true and fair view of the financial position of the Group at 31 December 2012, the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 18 February 2013 and our opinion is expressed at that date.

A handwritten signature of the KPMG firm, written in black ink.

Wellington