



# Dear Shareholder

26 March 2015

## TĒNĀ KOE (GREETINGS)

The first half of the 2015 financial year was a transitional period for Contact as the new retail customer billing and service system and the Te Mihi geothermal power station were integrated into the business following their commissioning earlier in 2014.

Contact's statutory profit for the six months ended 31 December 2014 was \$51 million; \$61 million (54 per cent) lower than the prior corresponding period. This was primarily due to an unfavourable movement in the fair value of financial instruments and transitional costs from 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. Through our capital investments and with the progress made during the first half of the 2015 financial year Contact is well positioned to improve performance and remain competitive in the New Zealand market.

We have announced that the interim distribution to shareholders will remain stable at 11 cents per share. The distribution represents a payout ratio of 106 per cent of underlying earnings after tax.

## OVERVIEW OF RESULTS

	6 months ended 31 December 2014	
EBITDAF <sup>1</sup>	\$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 (UEAT) <sup>1</sup>	\$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

## EMBEDDING OUR RETAIL CUSTOMER BILLING AND SERVICE SYSTEM

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 while holding sales volumes stable during a period of continued intense competition and price discounting.

## INTEGRATING TE MIHI GEOTHERMAL POWER STATION INTO THE BUSINESS

We have now successfully integrated the Te Mihi geothermal power station into our generation portfolio which saw our renewable generation increase from 68 per cent to 76 per cent. Work completed during an extended outage at Te Mihi has lifted the performance of the plant above original specifications and this, combined with improved availability across the remainder of our power stations, is expected to further reduce our cost of energy.

1. EBITDAF and UEAT are non-generally accepted accounting practice (non-GAAP) profit measures. EBITDAF is calculated as statutory profit for the period before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments and other significant items. UEAT is statutory profit excluding items that do not reflect Contact's ongoing performance. The CEO monitors EBITDAF and UEAT as key indicators of Contact's performance and believes they assist investors in understanding the performance of the core operations of the business. Reconciliations of EBITDAF and UEAT to statutory profit are provided in Note 2 of Contact's financial statements for the 6 months ended 31 December 2014 (available at [www.contactenergy.co.nz/halfyearlyreports](http://www.contactenergy.co.nz/halfyearlyreports)).

## COMPETING STRONGLY IN AN INTENSE RETAIL MARKET

The retail electricity market remains highly competitive. Maintaining sales volumes has been important to us as we grew our share of the small business market, and cooler temperatures drove a one per cent increase in residential usage per customer. This was partially offset by residential customer losses as we reduced sales activity during the implementation of our new retail customer billing and service system. We resumed marketing activity late last year with early signs of success and 931 customers gained by the end of February 2015.

## MAINTAINING A STRONG HEALTH AND SAFETY CULTURE

We remain focused on the health, safety and well-being of our people. Our people worked over two million hours during the period with five people hurt. While this is still five more than we want, our year to date Total Recordable Injury Frequency Rate has improved to 2.4, down from 3.9 in the prior 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.

## LOOKING FORWARD

Our capital investments have positioned us well for the New Zealand market with limited need for further investment in the operating business.

Following a transitional period in the six months to 31 December 2014, we expect to see improvement in the second half of the 2015 financial year. Improved Te Mihi power station performance, combined with changes to the existing Wairākei resource consent are expected to increase our geothermal generation to over 1,600 gigawatt hours for the six months to 30 June 2015. The increase in renewable generation, subject to hydrology, will allow further reductions in our use of 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 hydro generated electricity.

In the retail business, our new customer billing and service 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 the 2016 financial year 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, and 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. Given this context we have begun to investigate opportunities to invest overseas.

When we made the announcement in mid-February that we were looking at opportunities to invest overseas we saw a negative response from investors through a drop in our share price. As a management team and Board our focus is on creating and delivering long-term value for our shareholders and we see international markets as providing the best opportunity to leverage Contact's long history in geothermal and hydro development and operations. At this point we are investigating options to best utilise our skills and experience in international markets with our initial work indicating there could be value adding opportunities for us to pursue. This investigation is at an early stage and I will continue to speak with a wide range of investors about the opportunities we see and the appropriate balance between distributions to shareholders and investing for growth.

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. Overall, I believe we are now well positioned to perform in the New Zealand market. Thank you for your ongoing support of our company.



*Dennis Barnes*

**Dennis Barnes**  
Chief Executive Officer

# Half Year Report

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2015

*Contact*®



# Half Year Highlights

**\$51m**

We made \$51m in profit after tax in the first half of the 2015 financial year, down 54 per cent on the prior period.

**11cps**

Our interim distribution to shareholders remained stable at 11 cents per share. That's 106 per cent of our underlying earnings after tax.

**51%**

We saw a 51 per cent improvement in free cash flow.

**76%**

76 per cent of our generation came from renewable fuel sources following the commissioning of the Te Mihi geothermal power station.

**4,317GWh**

We maintained sales volumes to customers in one of the most competitive retail electricity markets in the world, with 4,317 gigawatt hours sold in the six months ended 31 December 2014.

**38%**

Our commitment to improving safety resulted in a 38 per cent improvement in Total Recordable Injury Frequency Rate (TRIFR).

# Chief Executive's Review

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*Dennis Barnes*

**Dennis Barnes**  
Chief Executive Officer

# Financial Statements

For the 6 months ended 31 December 2014

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These financial statements have been authorised on behalf of the Contact Energy Limited Board of Directors on 13 February 2015.



**Grant King**  
Chairman



**Sue Sheldon**  
Director



# 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)
<b>Profit before tax</b>		<b>72</b>	<b>155</b>	<b>328</b>
Tax expense		(21)	(43)	(94)
<b>Profit</b>		<b>51</b>	<b>112</b>	<b>234</b>
<b>Basic and diluted earnings per share (cents)</b>		<b>6.9</b>	<b>15.3</b>	<b>32.0</b>

# 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
<b>Profit</b>	<b>51</b>	<b>112</b>	<b>234</b>
<b>Other comprehensive income – items that may be subsequently reclassified to the Income Statement:</b>			
Change in cash flow hedge reserve before tax	(3)	(12)	(12)
Deferred tax relating to cash flow hedges	1	3	3
<b>Other comprehensive income after tax</b>	<b>(2)</b>	<b>(9)</b>	<b>(9)</b>
<b>Total comprehensive income</b>	<b>49</b>	<b>103</b>	<b>225</b>

# 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)	-
<b>Transactions with owners recorded directly in equity:</b>						
Change in share-based compensation reserve		-	-	-	2	2
Distributions paid	4	-	(103)	-	-	(103)
<b>Transactions with owners recorded directly in equity</b>		<b>-</b>	<b>(103)</b>	<b>-</b>	<b>2</b>	<b>(101)</b>
<b>Unaudited closing balance at 31 December 2013</b>		<b>1,605</b>	<b>1,927</b>	<b>(5)</b>	<b>12</b>	<b>3,539</b>
Balance at 1 January 2014		1,605	1,927	(5)	12	3,539
Profit		-	122	-	-	122
<b>Transactions with owners recorded directly in equity:</b>						
Change in share-based compensation reserve		-	-	-	2	2
Distributions paid	4	-	(81)	-	-	(81)
<b>Transactions with owners recorded directly in equity</b>		<b>-</b>	<b>(81)</b>	<b>-</b>	<b>2</b>	<b>(79)</b>
<b>Audited closing balance at 30 June 2014</b>		<b>1,605</b>	<b>1,968</b>	<b>(5)</b>	<b>14</b>	<b>3,582</b>
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)	-
<b>Transactions with owners recorded directly in equity:</b>						
Change in share-based compensation reserve		-	-	-	1	1
Distributions paid	4	-	(110)	-	-	(110)
<b>Transactions with owners recorded directly in equity</b>		<b>-</b>	<b>(110)</b>	<b>-</b>	<b>1</b>	<b>(109)</b>
<b>Unaudited closing balance at 31 December 2014</b>		<b>1,605</b>	<b>1,911</b>	<b>(7)</b>	<b>13</b>	<b>3,522</b>

# 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	19	17
Derivative financial instruments	7	4	8
Assets held for sale	3	4	2
Tax receivable	10	-	-
<b>Total current assets</b>	<b>395</b>	<b>499</b>	<b>385</b>
Inventories	90	115	114
Property, plant and equipment	5	5,132	5,180
Intangible assets	5	304	310
Goodwill	182	182	182
Derivative financial instruments	7	25	1
Other non-current assets	11	11	11
<b>Total non-current assets</b>	<b>5,744</b>	<b>5,772</b>	<b>5,798</b>
<b>Total assets</b>	<b>6,139</b>	<b>6,271</b>	<b>6,183</b>
Payables and accruals	271	303	277
Borrowings	6	241	237
Derivative financial instruments	7	72	83
Provisions	8	3	8
Tax payable	-	3	19
<b>Total current liabilities</b>	<b>592</b>	<b>1,031</b>	<b>624</b>
Borrowings	6	1,102	1,057
Derivative financial instruments	7	59	79
Provisions	49	52	47
Deferred tax	783	750	768
Other non-current liabilities	32	24	26
<b>Total non-current liabilities</b>	<b>2,025</b>	<b>1,701</b>	<b>1,977</b>
<b>Total liabilities</b>	<b>2,617</b>	<b>2,732</b>	<b>2,601</b>
<b>Net assets</b>	<b>3,522</b>	<b>3,539</b>	<b>3,582</b>
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
<b>Shareholders' equity</b>	<b>3,522</b>	<b>3,539</b>	<b>3,582</b>

# 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
<b>Net cash flow from operating activities</b>	<b>236</b>	<b>190</b>	<b>446</b>
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
<b>Net cash flow from investing activities</b>	<b>(60)</b>	<b>(13)</b>	<b>(132)</b>
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)
<b>Net cash flow from financing activities</b>	<b>(177)</b>	<b>(65)</b>	<b>(382)</b>
<b>Net cash flow</b>	<b>(1)</b>	<b>112</b>	<b>(68)</b>
Add: cash at the start of the period	12	80	80
<b>Cash at the end of the period</b>	<b>11</b>	<b>192</b>	<b>12</b>
<b>Cash comprises</b>			
Bank overdraft	-	(4)	-
Cash and cash equivalents	11	196	12
	<b>11</b>	<b>192</b>	<b>12</b>



# 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).

## 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
Revenue and other income	1,173	87	(20)	1,240
Cost of sales	(816)	(58)	20	(854)
Operating expenses	(121)	(8)	-	(129)
<b>EBITDAF</b>	<b>236</b>	<b>21</b>	<b>-</b>	<b>257</b>
Depreciation and amortisation				(101)
Net interest expense				(49)
Tax on underlying earnings				(31)
<b>Underlying earnings after tax</b>				<b>76</b>
<b>Underlying earnings per share (cents)</b>				<b>10.4</b>

Unaudited 6 months ended 31 December 2013	Integrated Energy \$m	Other \$m	Inter-segment \$m	Total \$m
Revenue and other income	1,082	86	(20)	1,148
Cost of sales	(719)	(56)	20	(755)
Operating expenses	(119)	(10)	-	(129)
<b>EBITDAF</b>	<b>244</b>	<b>20</b>	<b>-</b>	<b>264</b>
Depreciation and amortisation				(93)
Net interest expense				(37)
Tax on underlying earnings				(37)
<b>Underlying earnings after tax</b>				<b>97</b>
<b>Underlying earnings per share (cents)</b>				<b>13.2</b>

## 2. PERFORMANCE BY SEGMENT (CONTINUED)

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)
<b>EBITDAF</b>	<b>551</b>	<b>36</b>	<b>-</b>	<b>587</b>
Depreciation and amortisation				(190)
Net interest expense				(77)
Tax on underlying earnings				(93)
<b>Underlying earnings after tax</b>				<b>227</b>
<b>Underlying earnings per share (cents)</b>				<b>31.0</b>

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
	<b>76</b>	<b>97</b>	<b>227</b>
Change in fair value of financial instruments	7	(18)	7
Other significant items	3	(17)	1
Tax on items excluded from underlying earnings	10	(6)	(1)
<b>Profit</b>	<b>51</b>	<b>112</b>	<b>234</b>

## 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
<b>Total revenue</b>	<b>1,235</b>	<b>1,143</b>	<b>2,394</b>
Liquidated damages	1	-	43
Other income	4	5	9
<b>Total revenue and other income</b>	<b>1,240</b>	<b>1,148</b>	<b>2,446</b>
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)
<b>Total operating expenses</b>	<b>(983)</b>	<b>(884)</b>	<b>(1,859)</b>
Transition costs	(17)	(2)	(11)
Gain on restructure of gas storage operations	-	7	7
Clutha land sales	-	3	7
Asset impairments	-	(3)	(2)
<b>Total other significant items</b>	<b>(17)</b>	<b>5</b>	<b>1</b>
Interest expense	(46)	(59)	(116)
Unwind of discount on provisions	(3)	(3)	(4)
Interest expense capitalised	-	22	37
Interest income	-	3	6
<b>Net interest expense</b>	<b>(49)</b>	<b>(37)</b>	<b>(77)</b>

## 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.

## 4. SHARE CAPITAL AND DISTRIBUTIONS

	Unaudited 31 Dec 2014		Unaudited 31 Dec 2013		Audited 30 June 2014	
	Number	\$m	Number	\$m	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	-
<b>Total shares</b>	<b>733,358,872</b>	<b>1,605</b>	<b>733,308,762</b>	<b>1,605</b>	<b>733,308,762</b>	<b>1,605</b>

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	-	-
<b>Total distributions</b>		<b>110</b>	<b>103</b>	<b>184</b>

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)
<b>Closing balance</b>	<b>5,132</b>	<b>5,196</b>	<b>5,180</b>

## 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)
<b>Closing balance</b>	<b>320</b>	<b>287</b>	<b>327</b>
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.

## 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
<b>Total borrowings at face value</b>	<b>1,405</b>	<b>1,580</b>	<b>1,428</b>
Unamortised discount	(9)	(8)	(9)
Fair value adjustment on hedged debt	(53)	(153)	(125)
<b>Carrying value of borrowings</b>	<b>1,343</b>	<b>1,419</b>	<b>1,294</b>
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 June 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
<b>Total bank facilities</b>	<b>600</b>	<b>185</b>	<b>450</b>	<b>-</b>	<b>600</b>	<b>223</b>
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).

## 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		Unaudited 6 months ended 31 Dec 2013		Audited Year ended 30 June 2014	
	Income Statement \$m	Cash flow hedge reserve \$m	Income Statement \$m	Cash flow hedge reserve \$m	Income Statement \$m	Cash flow hedge reserve \$m
<b>Fair value hedges</b>						
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	-
<b>Cash flow hedges</b>						
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
<b>Derivatives not designated in hedge relationships</b>						
Interest rate derivatives	(20)	-	15	-	7	-
Electricity price derivatives	2	-	1	-	-	-
<b>Total fair value movement</b>	<b>(18)</b>	<b>(2)</b>	<b>16</b>	<b>(9)</b>	<b>7</b>	<b>(9)</b>

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

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

## 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
<b>Origin and its subsidiaries</b>			
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
<b>Key management personnel</b>			
Directors' fees	(1)	(1)	(1)
CEO seconded from Origin <sup>(1)</sup>	(1)	(1)	(2)
Leadership team (excluding CEO) <sup>(1)</sup>	(4)	(4)	(7)
<b>Associate of Contact</b>			
Sale of LPG	1	1	1
<b>Balances payable at end of the period</b>			
Origin and its subsidiaries	(3)	(5)	(3)
Key management personnel	-	(1)	(1)

<sup>(1)</sup> 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.

Auditor's  
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 5 to 17 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*.

13 February 2015  
Wellington

# Investor Information

## Share Registrar

Link Market Services Limited  
Level 7, Zurich House  
21 Queen Street  
Auckland 1010  
New Zealand

Website: [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)

## Investor relations enquiries

Fraser Gardiner  
Head of Investor Relations and Strategy

Email: [investor.centre@contactenergy.co.nz](mailto:investor.centre@contactenergy.co.nz)  
Phone: +64 4 499 4001

## Stock exchange listings

NZSX trading code: CEN  
NZDX trading code: CEN020

## Company number

660760

## Shareholder/bondholder enquiries

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

Email: [contactenergy@linkmarketservices.co.nz](mailto:contactenergy@linkmarketservices.co.nz)

Mail: Link Market Services  
PO Box 91976  
Auckland 1142  
New Zealand

Fax: +64 9 375 5990, or

Phone: +64 9 375 5998

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

## Direct crediting of dividends/interest payments

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

## Electronic shareholder communication

We encourage investors to elect to receive investor communications electronically as it keeps costs down, delivery of our communication to you is faster and it is better for the environment. Please visit the Link Market Services website [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz) or contact them directly to update your information.

## Board of Directors

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

## Leadership Team

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

## Registered office

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*Contact*®