2005/06 Annual Financial Result

For the twelve months ended 30 June 2006

25 August 2006

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 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.

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

Technical Note - NZIFRS

This result presents Contact's first annual financial result since the adoption of New Zealand equivalents of International Financial Reporting Standards (NZIFRS).

Contact implemented NZIFRS with effect from 1 July 2005. Contact's date of transition to NZIFRS was 1 October 2004 and therefore only a nine month comparative period (1 October 2004 to 30 June 2005) is retrospectively restated in the statutory financial statements in accordance with NZIFRS.

While NZIFRS comparators for the entire 12 month period ended 30 June 2005 are not available, information has been provided for the 12 month period ended to 30 June 2005 under previous NZGAAP. Key differences between previous NZGAAP and NZIFRS are highlighted where appropriate.

In the main, changes resulting from these new financial reporting standards relate to the rules by which certain assets and liabilities are recognised:

- non amortisation of goodwill, replacing this with an impairment test
- the change in calculation of deferred taxation
- the recognition at fair value of financial derivatives.

These are changes in accounting definitions and will not change Contact's business strategy nor the way in which the business is managed on a day-to-day to basis. Importantly, the cash flows generated by the Company are unchanged, as is the economic value in the business.

Contact achieved a solid result, highlighting the benefit of the integrated energy business model in managing energy market risks and the strength of its diversified generation portfolio.

Highlights for the Year

- Earnings Before Net Interest, Tax, Depreciation, Amoritisation and Financial Instruments (EBITDAF) of $557.0m - up 14% on the same 12 month period last year. Earnings show the benefits of an integrated energy business model and a diverse asset base:
  - Higher wholesale revenue due to increased thermal generation volumes and higher wholesale electricity prices and the benefit of utilising Maui 367 gas
  - Offset by higher electricity purchase costs for retail
  - Tariff increases reflecting the long term trend in fuel costs
  - Generation portfolio benefits managing risks of outages and hydro inflows
- Profit of $280.9m which included:
  - Gain on disposal of subsidiaries (Valley Power - $33.4m)
  - NZIFRS impacts including increase in fair value of derivatives ($8.7m pre-tax)
- Result heavily influenced by hydrological conditions and wholesale gas sales.
- Key strategic challenges
  - Fuel costs and terms
  - Generation development
  - Retail margins

Financial Overview

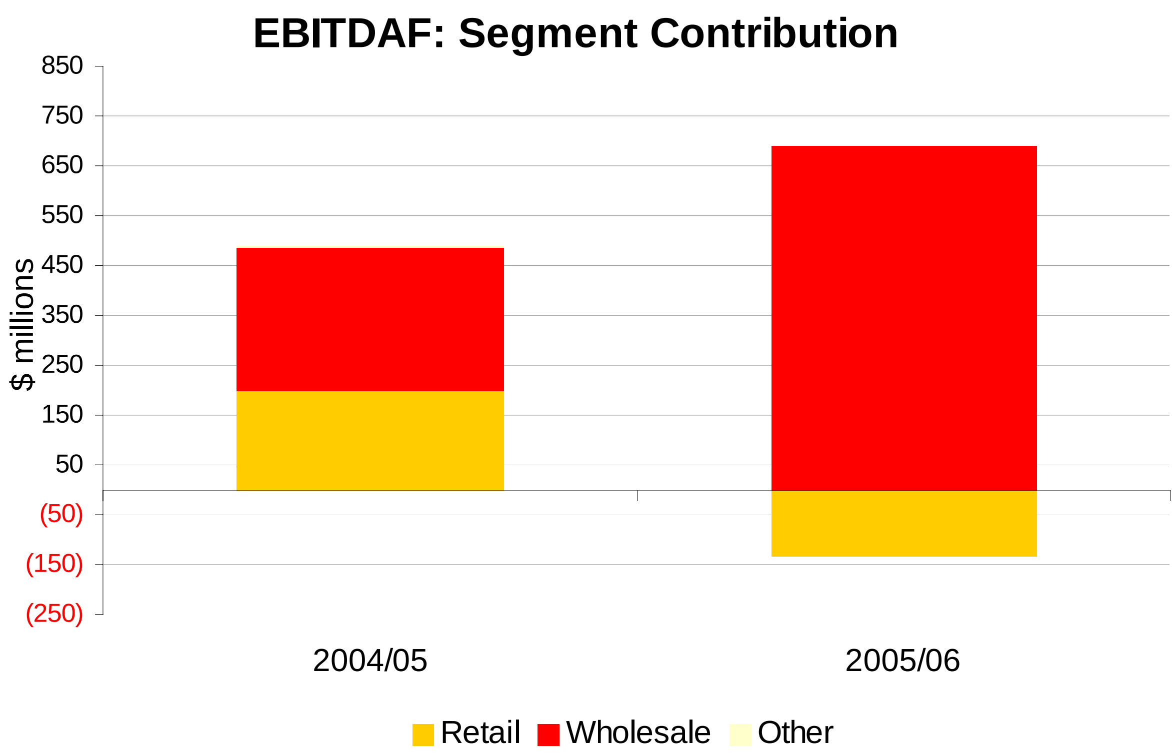
EBITDAF increased by 14% with profit being positively impacted by a one-off gain on the sale of Valley Power, IFRS treatment of derivatives, and a lower effective tax rate.

Financial Result Summary

	12 Months ended 30 Jun 06 $m *NZIFRS*	12 Months ended 30 Jun 05 $m *Previous NZGAAP*	Variance 2006 vs. 2005 $m	%
Revenue	2,330.1	1,751.8	578.3	33%
Operating Costs	(1,773.2)	(1,262.5)	(510.7)	40%
EBITDAF	**557.0**	**489.3**	**67.7**	**14%**
Depreciation	(133.2)	(124.3)	(8.9)	7%
Amortisation [1]	-	(12.2)	12.2	-100%
Net Finance Expense	(67.6)	(80.7)	13.1	-16%
Provisions	-	5.1	(5.1)	-100%
Equity Accounted Earnings of Associate	4.4	1.6	2.8	177%
Change in Fair Value of Financial Instruments	8.7	-	8.7	
Gain on Disposal of Subsidaries	33.4	-	33.4	
Profit Before Income Tax	**402.7**	**278.9**	**123.8**	**44%**
Income Tax Expense	(121.8)	(97.2)	(24.6)	25%
Profit for the Period	**280.9**	**181.6**	**99.2**	**55%**
Effective Tax Rate	30.3%	34.9%		

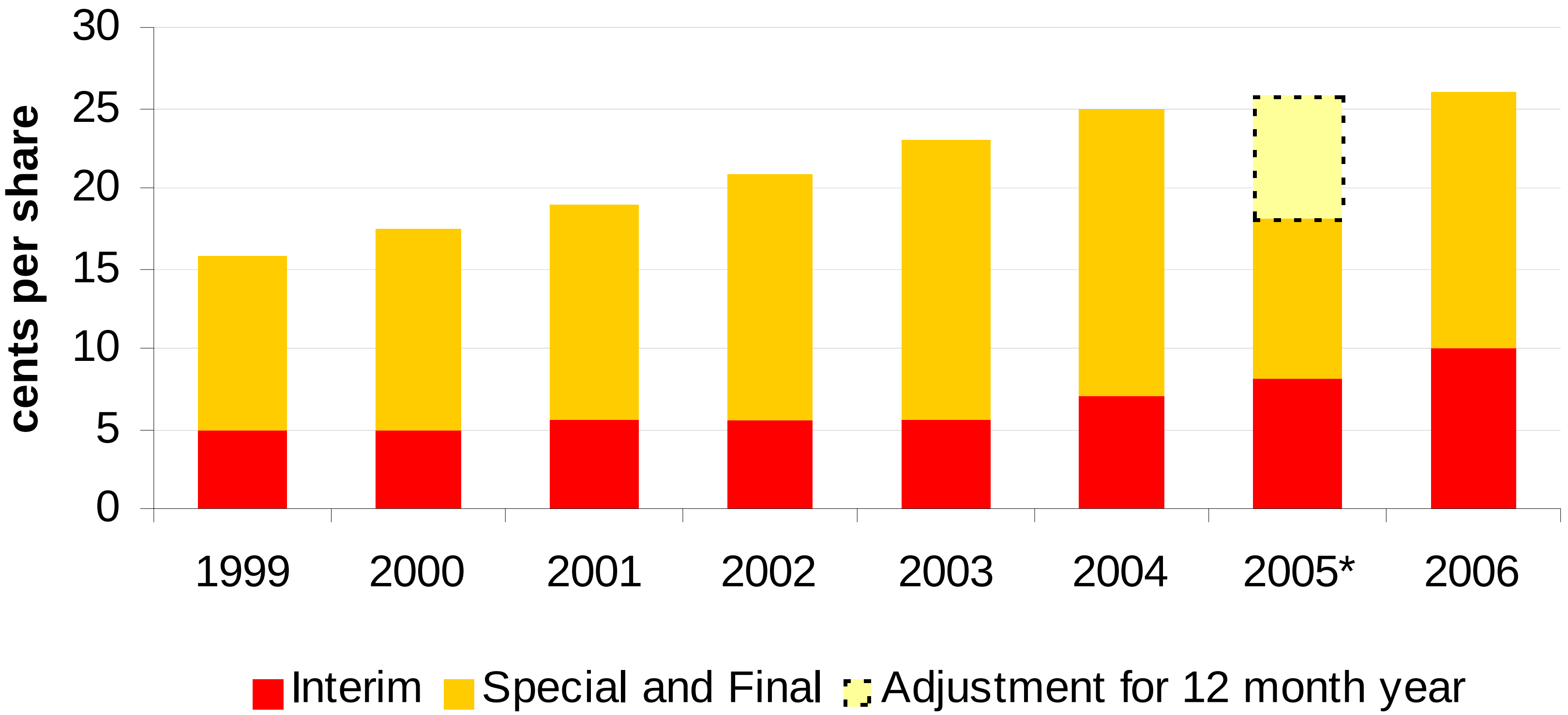
EBITDAF

- EBITDAF of $557.0 million, compared with $489.3 million for the 12 month period ended 30 June 2005.
- This represents an increase of 14 per cent.
  - Higher wholesale electricity revenue driven by increased thermal generation levels, the benefit of utilising Maui 367 gas, and higher than average wholesale prices.
  - A continued contribution from retail electricity and gas tariff increases, which primarily reflect the move to higher cost fuel.



The Board has resolved to pay a fully imputed final dividend of 16 cents per share for the six months ended 30 June 2006 on 21 September 2006, taking the fully imputed full dividend for the year to 26 cents per share.

Dividends



*** 9 month financial year**

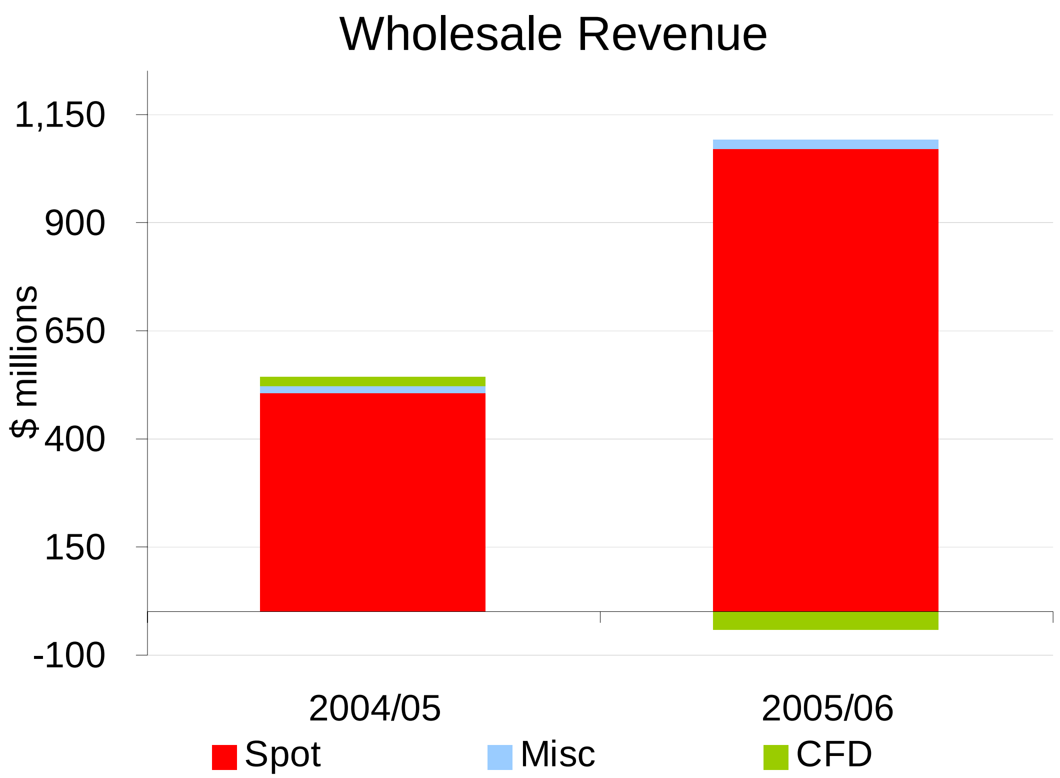
Wholesale Segment

CONTACT

Wholesale electricity revenues were higher than the previous comparable period - reflecting higher wholesale electricity prices and higher levels of generation.

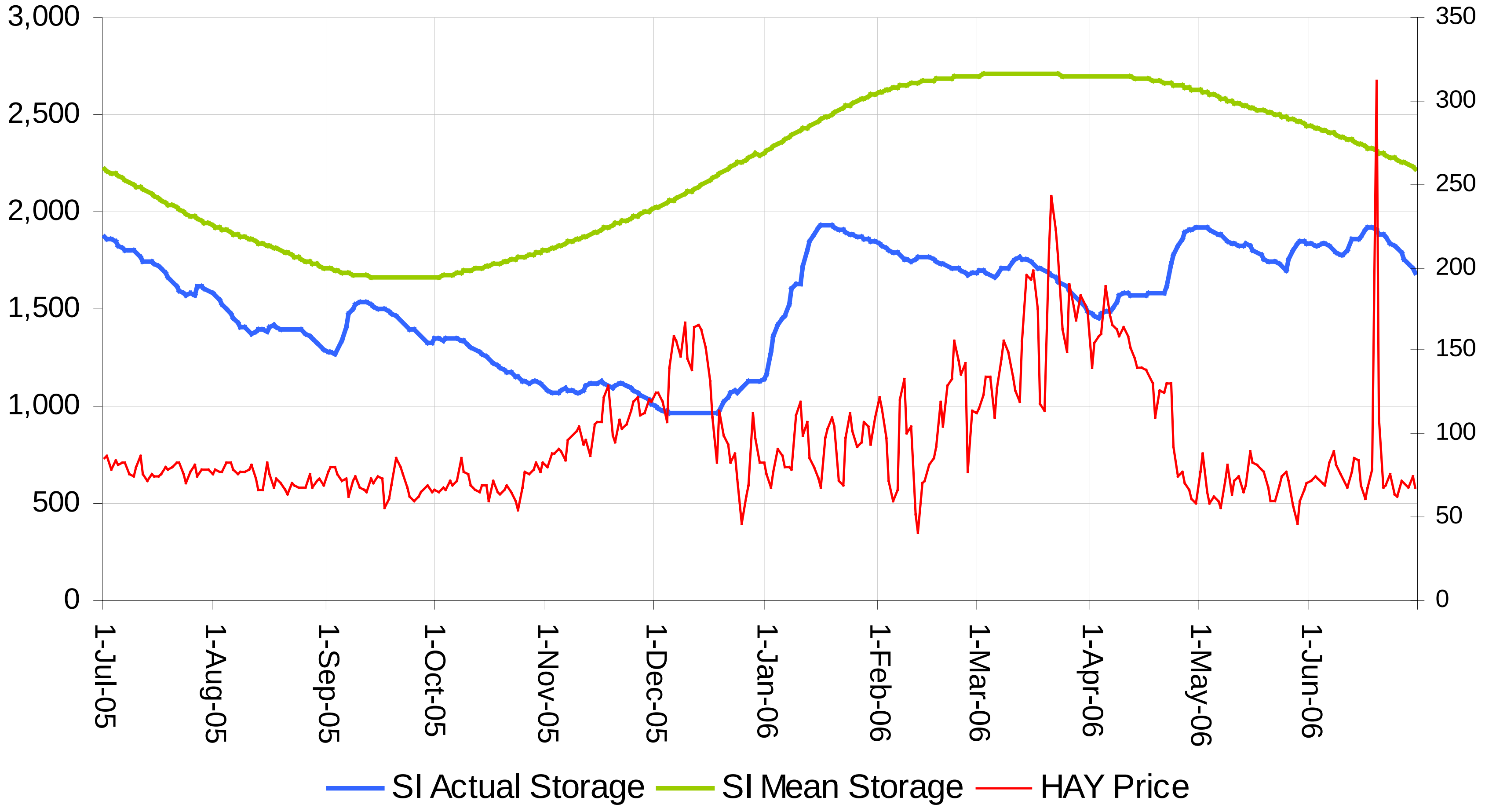
Wholesale Electricity Revenue

- Wholesale electricity revenue rose to $1,046.2 million for the 12 months to 30 June 2006.
- Higher revenues were driven by increases in price and volume.
- Revenue from the Contracts for Difference channel represented a loss due to high wholesale prices.



Wholesale price received in the 12 months to 30 June 2006 averaged $92.84/MWh, compared with $48.58/MWh in the 12 months to 30 June 2005, primarily as a result of lower hydro inflows and storage levels.

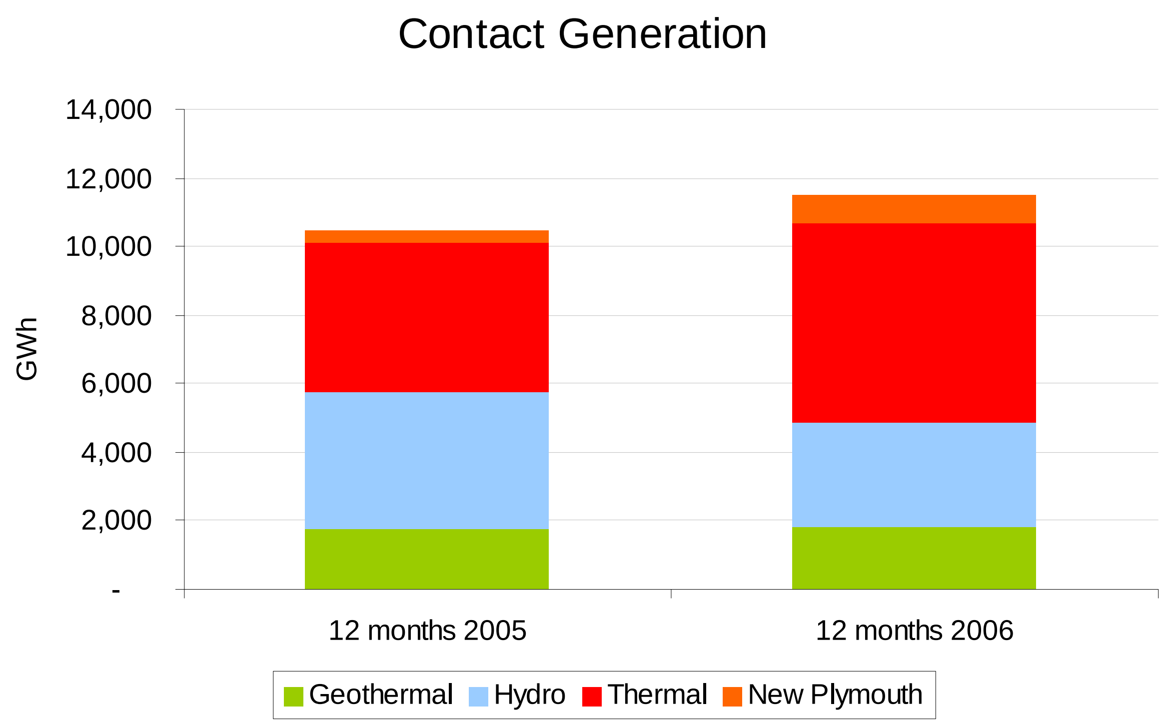
Price and South Island Storage



Contact's generation responded to higher wholesale prices with significant increases in thermal generation more than offsetting the reduction in hydro generation.

Generation Volumes

- Total generation was 11,534 GWh for 12 months ended 30 June 2006.
- An increase in thermal generation by 1,947GWh more than offset the reduction in hydro generation.
- Increased production from Wairakei Binary and the company's steam-winning programme more than offset natural declining steam pressure at Wairakei and Ohaaki.
- Hedge level (retail and hedge contracts as a proportion of generation) was 83% in the period ended 30 June 2006. This compares to 90% in the period ended 30 June 2005.



Wholesale operating expenses were primarily driven by gas use for generation, which in the 12 months ended 30 June 2006 increased by 37% compared with the same period in 2005.

Wholesale Operating Expenses

- Total operating expenses in the wholesale segment increased from $268.6 million for the period ended 30 June 2005 to $367.4 million for the period ended 30 June 2006.

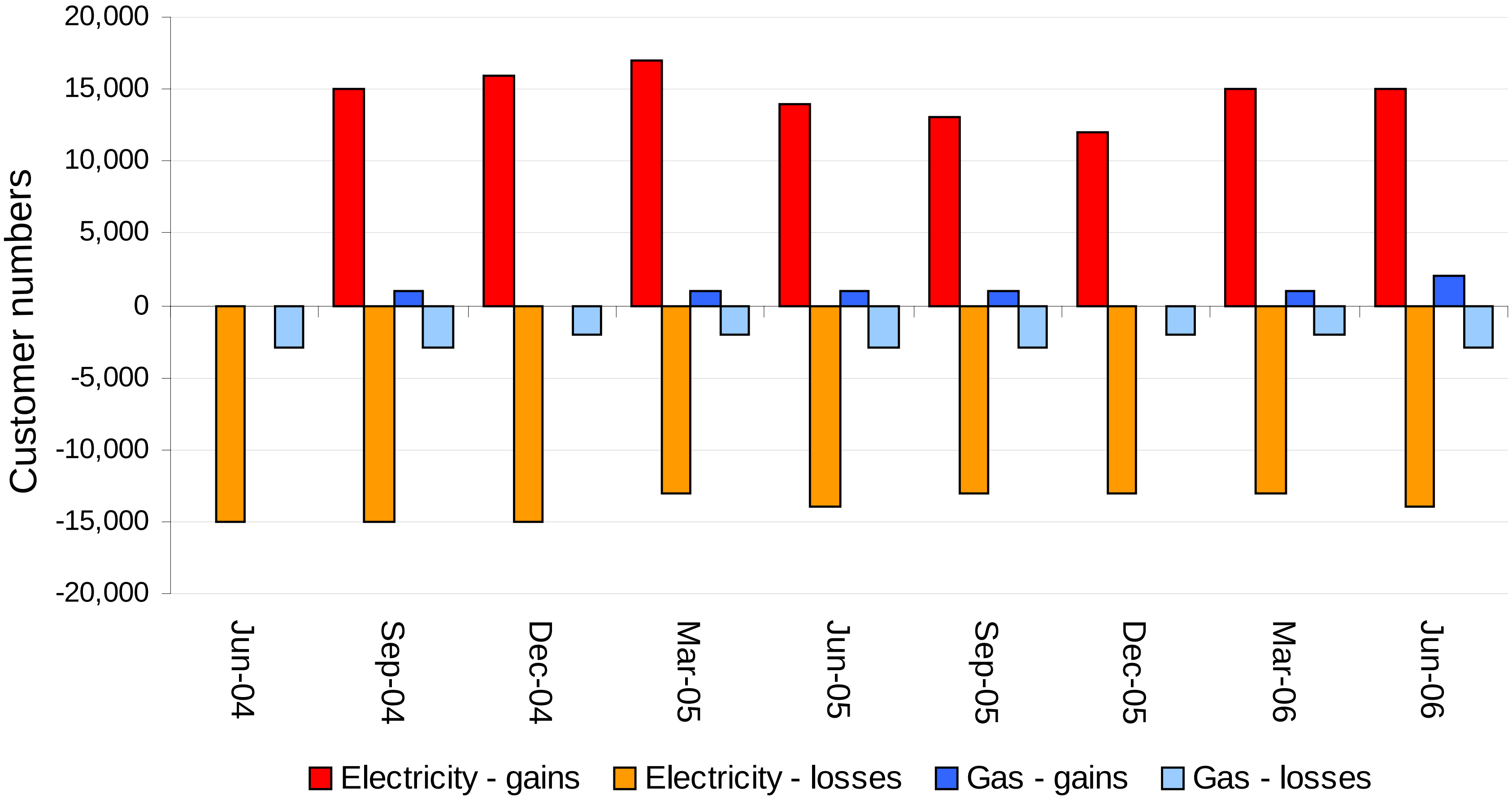
- Gas use in generation was 39% higher this period at 54.0 PJ
- Total gas purchases and transmission costs for the wholesale segment were 60% higher for the period ending 30 June 2006 at $223.4 million.
- Average gas purchase and transmission cost for the period ended 30 June 2006 was $4.13 GJ or 15% higher than previous corresponding period impacted by Contact exercising its rights of first refusal under agreement with the Maui Mining Companies to acquire gas.
- Next year, it is expected that average gas purchase and transmission costs per unit of gas for this segment could be up to 25% higher due to increased cost of gas and open access transmission costs (subject to generation and hydrological conditions).

Internal Gas Use for Generation

Retail Segment

Contact has consolidated its retail position, though gas customer numbers have continued to decline, reflecting the increased value of gas and high levels of competition.

Change in Customer Numbers

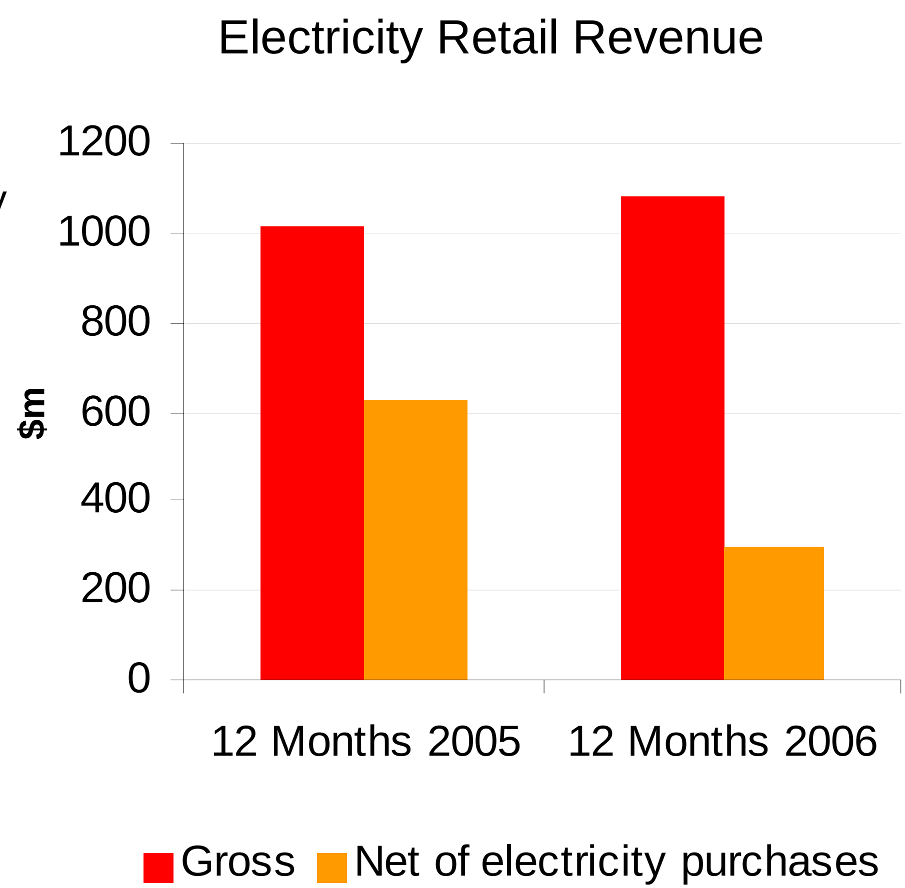


CONTACT

Gross retail electricity revenue was 7% higher in 2006 at $1,080.4m, compared to last year when it was $1,014.1m.

Electricity Retail Revenue

- Gross retail electricity revenue was $1080.4 million for the 12 months ended 30 June 2006 reflecting the increases in retail tariffs over the last year.
- On average, retail electricity tariffs increased by around 4%. Pressure on tariffs is expected to continue, as input costs from most areas continue to rise.
- Retail electricity volumes were relatively stable over the two periods. Average retail electricity volume per customer was 14,293 KWh for the period ended 30 June 2006, compared to 14,060 KWh for the period ended 30 June 2005.
- The average price of electricity purchased from the wholesale market was $100.81 per MWh for the 12 month period ended 30 June 2006 compared with $50.53 per MWh for the same period during the previous year.



Sales to wholesale gas customers made a solid contribution to the result, while gas sales to retail customers fell reflecting a loss of market share in this segment.

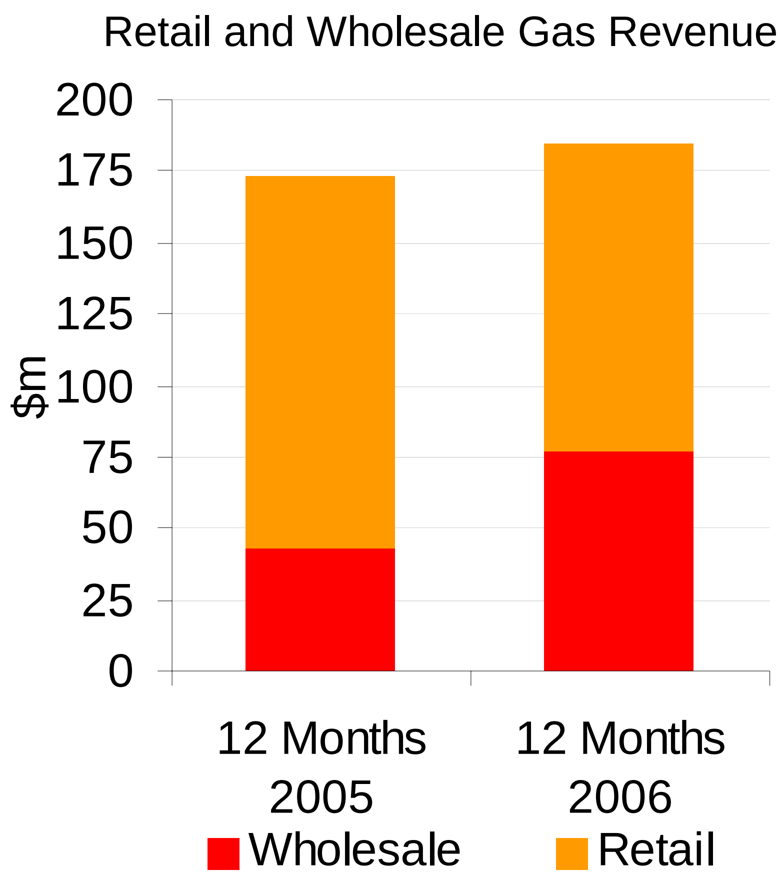
Retail and Wholesale Gas Revenue

- Revenue from wholesale gas customers increased to $76.5 million for the 12 months to 30 June 2006, driven by a 5.3 PJ increase in volume and adjustments to tariffs to reflect the increased opportunity cost of gas.

- Wholesale gas volumes were impacted by a 12 month contract with a significant wholesale gas customer. This contract (~7 PJ) has not been renewed in 2006/07.

- Revenue from retail customers reduced to $107.8 million for the 12 months ended 30 June 2006 from $130.2 million for the 12 months ended 30 June 2005.

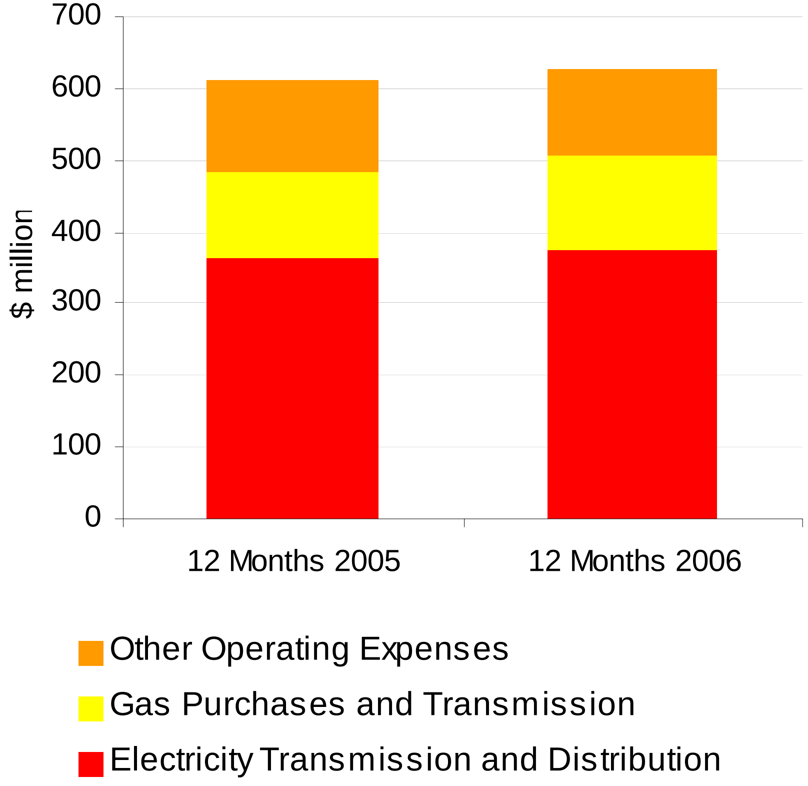
- Gas customer numbers fell a further 1,000 on the levels last quarter. For the end of the period this is 6,000 fewer customer numbers at the same time last year. This continues to reflect high levels of competition and the increased opportunity cost of gas.



Retail segment operating expenses increased for the 12 months ended 30 June 2006, reflecting higher gas purchase and transmission costs and electricity transmission and distribution costs.

Retail Operating Expenses

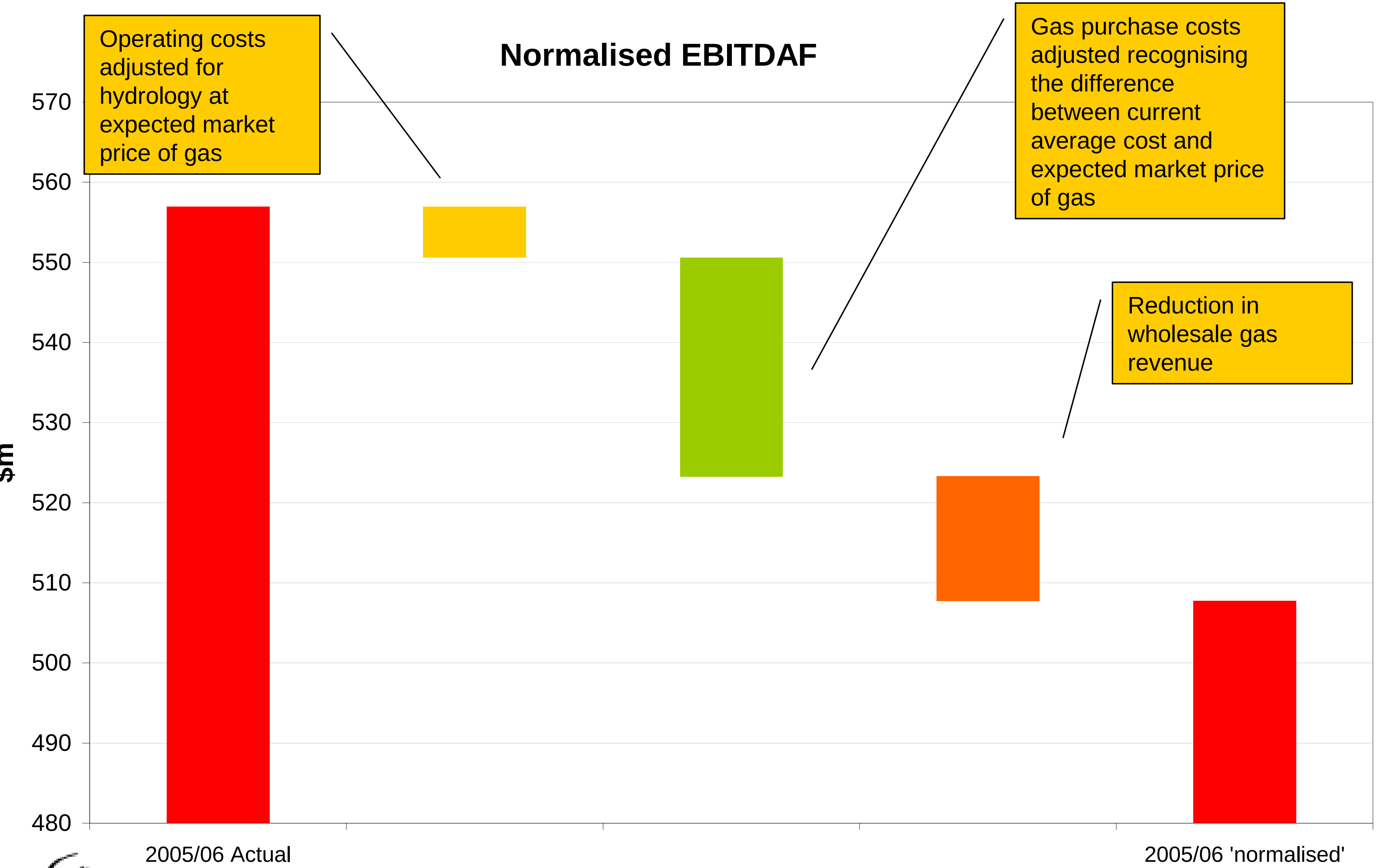
- Gas purchase and transmission costs were $131.0 million for the 12 months to 30 June 2006, 9% higher than the same period in 2005.
- On average, the gas purchase and transmission costs in the segment decreased per unit of gas from $6.67 GJ for 12 months ended 30 June 2005 to $6.31 GJ for 12 months ended 30 June 2006. Adjusted to exclude a large wholesale gas sale during the period, average gas purchase and transmission costs increased through the period.
- Next year, it is expected that the average increase in gas costs per unit of gas in this segment could increase by more than half. These costs are heavily impacted by transmission and distribution costs.
- Electricity transmission and distribution costs to the retail segment also increased to $375.6 million compared to $365.1 million for the comparable 12 month period last year.
- Other operating expenses for the 12 months ended 30 June 2006 were $120.2 million compared to $124.1 million for the previous corresponding period.



Financial Summary

Historically, Contact has benefited from dry hydrological conditions due to its diversified generation portfolio. This can also be seen by looking at Contact's monthly EBITDAF in a dry year when it is correlated to the wholesale electricity price.

It is important to note that the solid financial result for FY05/06 was supported by favourable wholesale conditions. As the flexibility of Maui 367 gas diminishes, the company's ability to benefit from such conditions reduces.



Contact's future operating environment

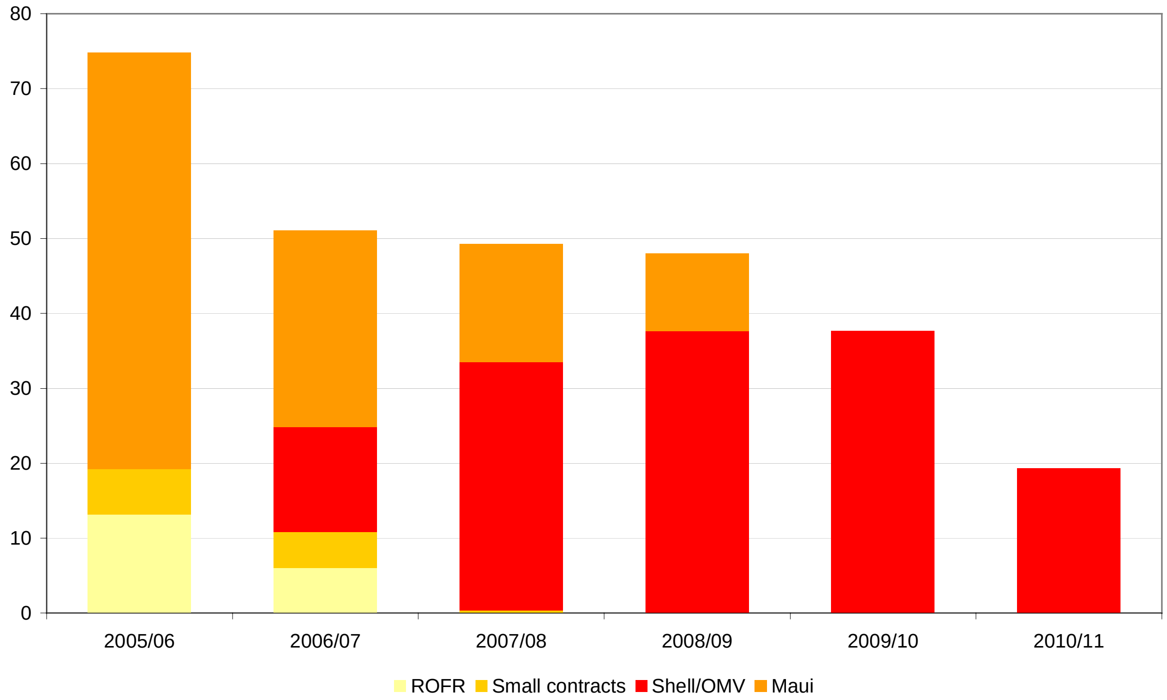
Key challenges and uncertainties

- Fuel position
  - the company needs to secure its long-term fuel position beyond 2010 to support its existing thermal generation stations, retail business and the development of the key growth option at Otahuhu C;
  - with the decline of the Maui contracts by June 2009, Contact faces a significant increase in its gas costs and a considerable loss of flexibility in its gas contracts; and
  - securing resource consents for our geothermal assets is critical to Contact's geothermal programme.
- Generation development
  - deliver growth in the face of key market uncertainties.
- Retail margins
  - maintain retail margins in a consolidated and competitive market.

Fuel position

Contact's recent gas acquisitions have been short-term ROFR gas. Looking ahead, FY06/07 represents the first financial year in which Contact will take significant volumes from its higher priced and less flexible contracts.

Contact Gas Supply as at 30 June 2006

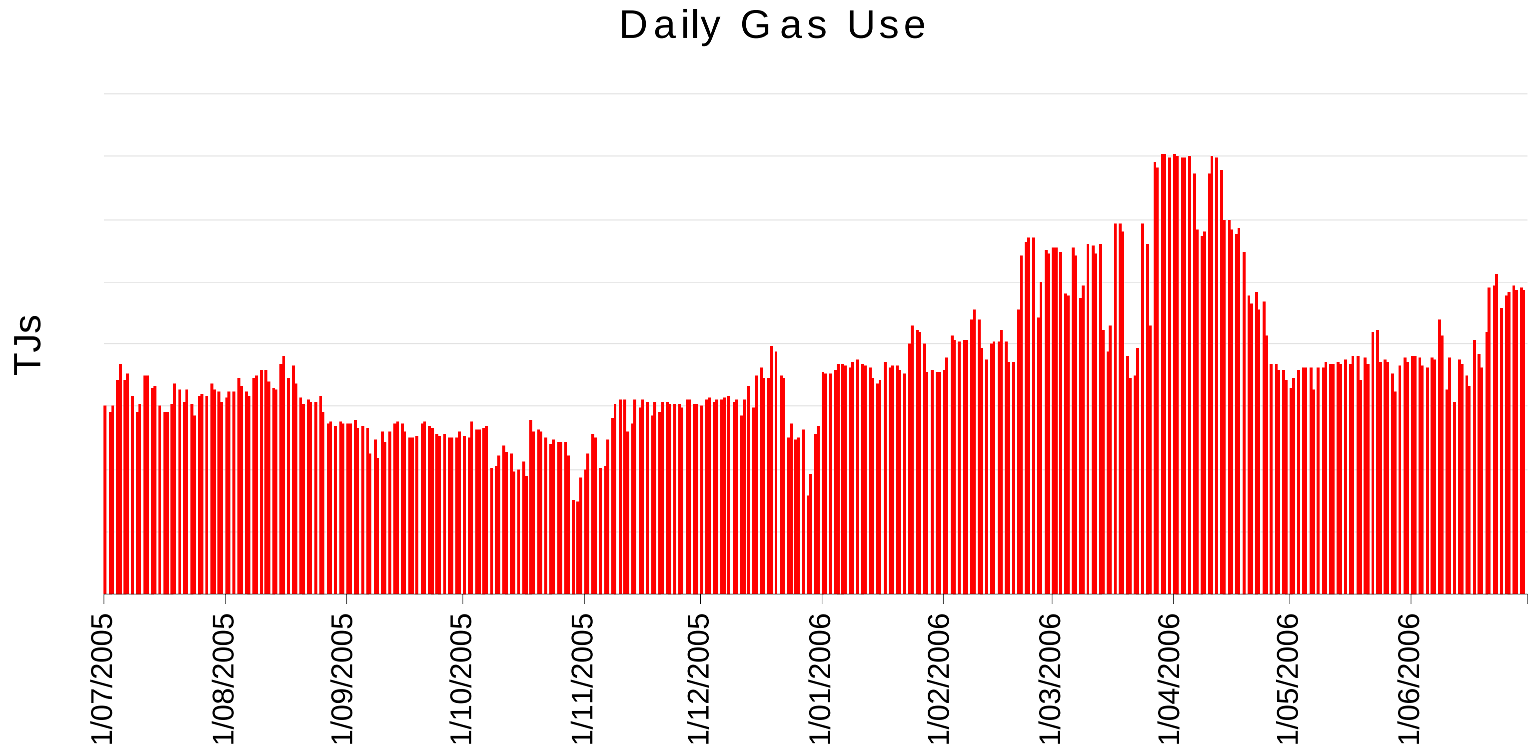


Note: This profile is based on current assumptions around external gas sales and internal generation requirements and is subject to change

- ROFR gas purchases at current market prices has enabled the forward gas position to remain largely unchanged despite increased generation demand this year
- Contact's legacy 367 Maui Gas Entitlements expire in June 2009. The company had 52 PJ of Maui 367 entitlements remaining at 30 June 2006.
- Additional contracts with Shell and OMV are at significantly higher prices and have significant fixed daily component. Open access charges for transmission also apply for gas other than Maui 367. Contact expects to start purchasing from these contracts in the second quarter of the 2006/07 financial year.

Contact's gas requirements depend both on seasonal demand for electricity and gas, and on the impact of hydrology on thermal generation.

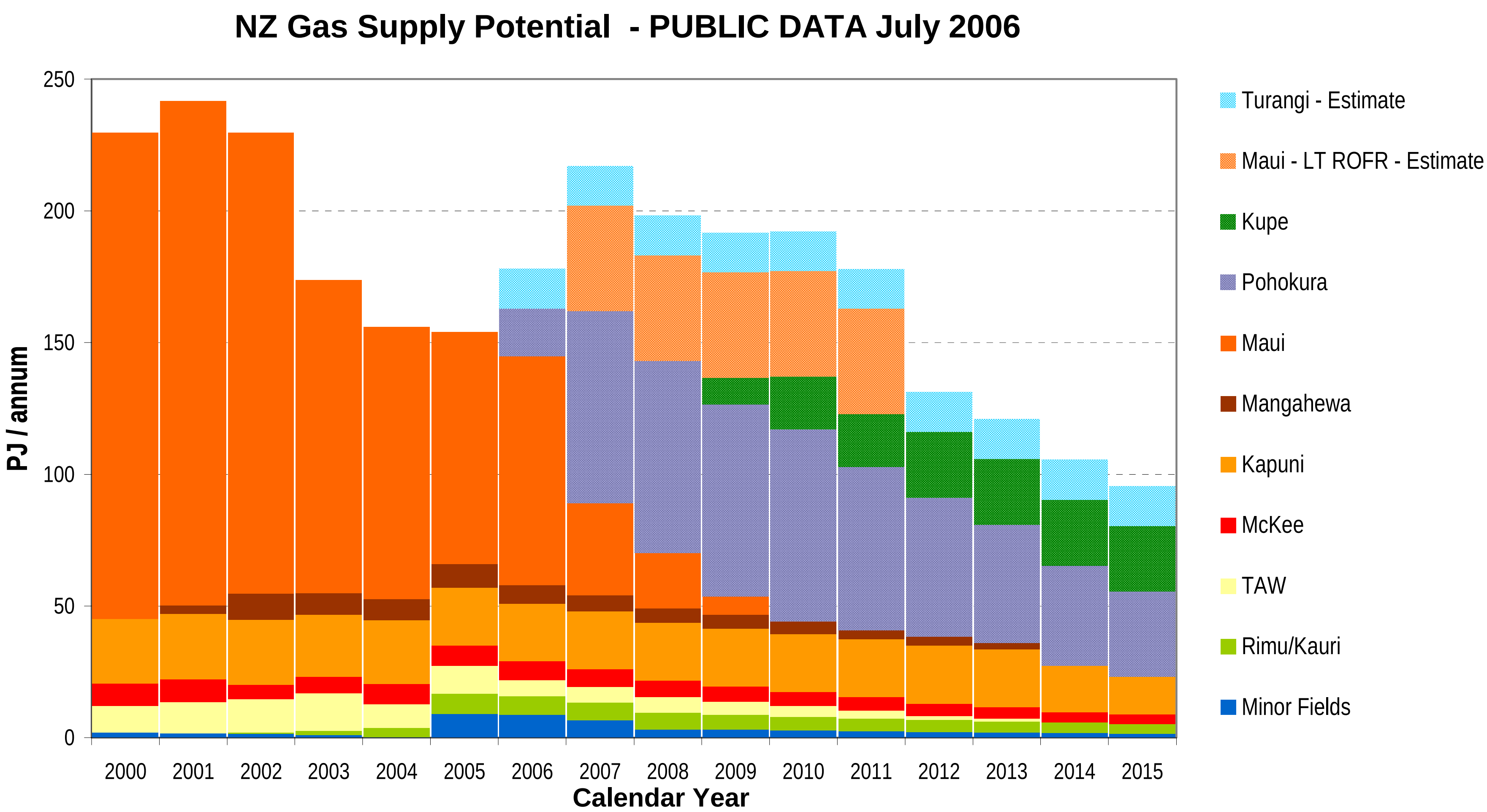
Gas Flexibility Requirements



- As the fixed component of Contact's gas book is increasing prior to the end of Maui 367 gas, remaining Maui 367 entitlements will be able to provide some flexibility to mitigate the cost impact until this gas is fully utilised.
- Looking forward, Contact could adjust its operating and trading strategies to mitigate the cost of lost flexibility. For example, by operating its CCGT's at a higher capacity factor. However, this is only likely to partially mitigate the impact of lost flexibility, and possibly at some cost in lost revenue, in the absence of securing replacement gas flexibility.

Physical supply of gas is unlikely to be a significant strategic issue in the short term. In the longer term, Contact has growing confidence about its ability to secure physical supply. Focus remains on obtaining competitive price and acceptable commercial terms.

Gas - Supply and Demand Outlook



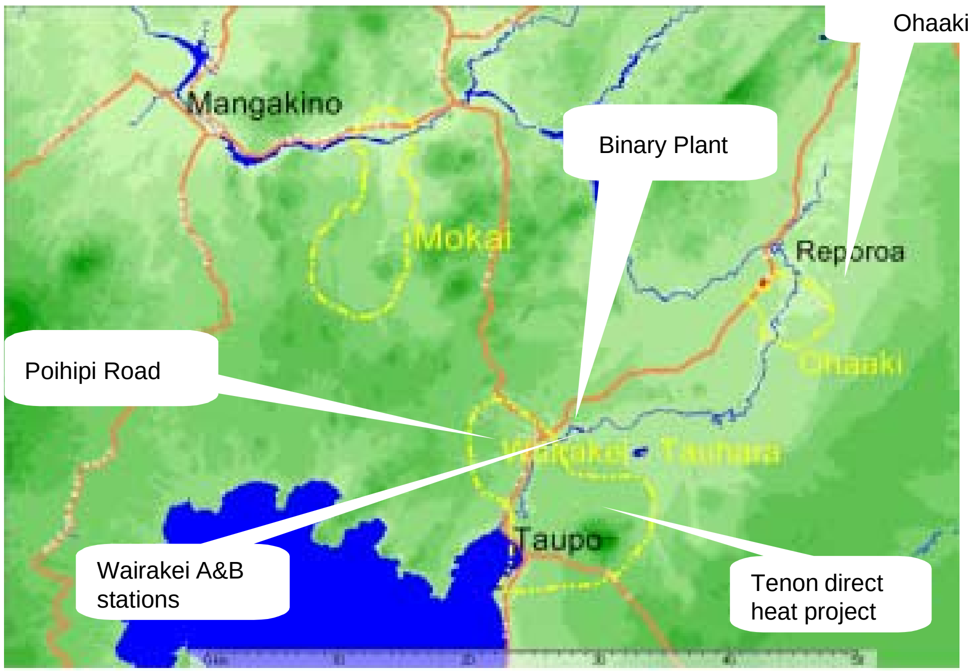
Contact's fuel strategy is informed by growing confidence in the company's ability to secure domestic gas in the short to medium term.

Fuel Strategy

- In March, Maui Developments Limited advised that the further gas available for sale was assessed to be in excess of 200 PJ.
- Contact is currently evaluating the opportunity by the Maui Mining Companies (on behalf of MDL) to sell significant volumes of additional gas from the field. The objective is to secure competitively priced gas on favourable terms, given that the market appears to be potentially oversupplied in the short-term.
- As a prudent commercial risk management strategy, Contact and Genesis continue to examine the potential to import LNG.
- Contact's clear preference is to use domestically-sourced natural gas. With growing confidence in physical supply in the short to medium term, Contact considers that any decision on whether to proceed to construction of an import terminal will be delayed as long as possible in order to allow future domestic gas discoveries to come to market.
- To secure the option, site selection is well advanced and an announcement will be made shortly.

Geothermal offers a renewable baseload generation option. Contact's resource consents for its Wairakei field are under appeal. Depending on the outcome, there is a risk that the full potential of the company's geothermal assets may not be realised.

Wairakei Reconsenting



- Contact has an extensive geothermal development programme aimed at taking the abundant steam resource, and applying it to existing under-utilised capacity, with the potential to develop additional capacity.

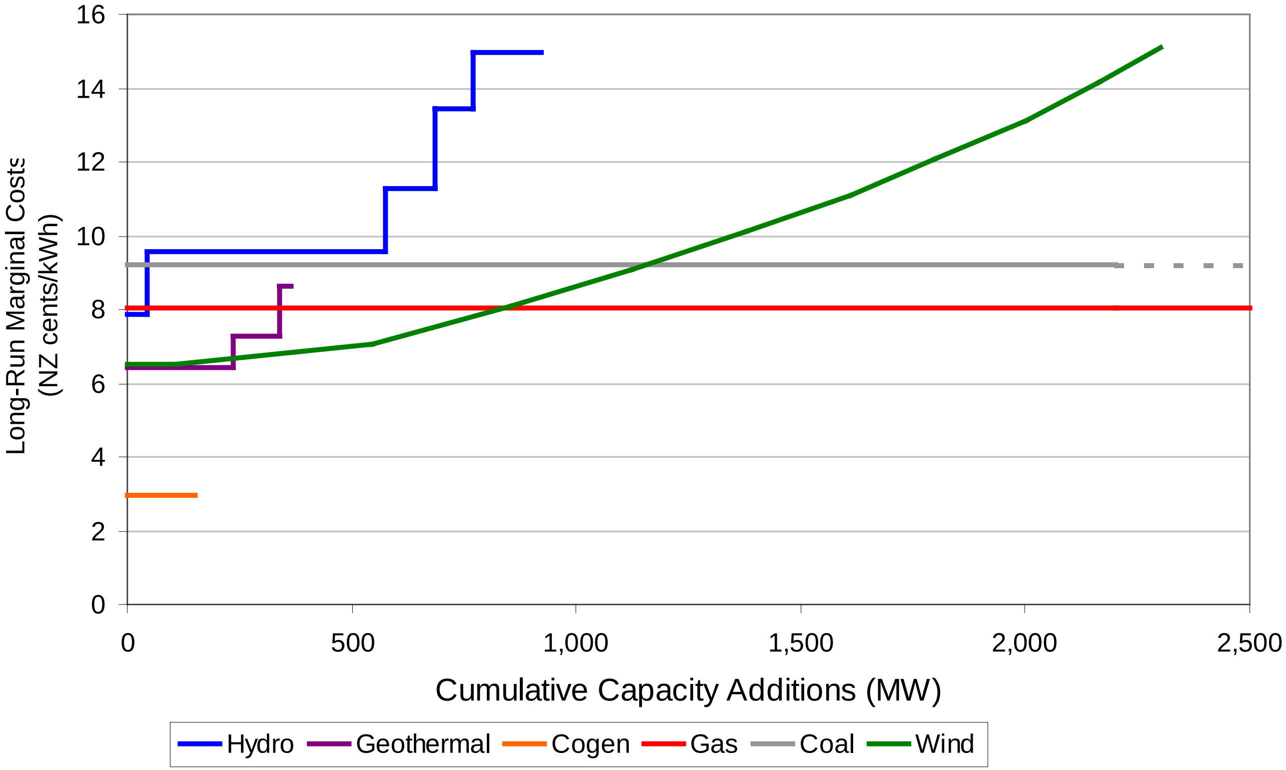
  Environment Court Appeal begins on 4th September, with a decision likely in the first quarter of 2007

- While resource consents have been awaited, Poihipi production has been constrained by about 200 GWh per annum (town about the size of Taupo) since 2001.
- Taupo District Council is seeking avoidance of subsidence at all costs - this has the potential to further significantly reduce production from Wairakei and to compromise production of critical renewable energy
- Contact favours a balanced approach - preserving the resource for the benefit of future generations, while avoiding, remedying or mitigating any adverse effects (which Contact's expert advisors believe are unlikely to occur) from production.

Generation Development

Wholesale electricity prices have risen in response to the increased cost of fuel making new generation options more competitive.

New entrant pricing



Assumptions:

US/NZ Exchange Rate 0.6

Coal Fuel Cost
$4.00 per GJ

Gas Fuel Cost
$7.75 per GJ

SOURCE:
MED Energy Outlook

- As the demand/supply balance has tightened, energy prices have increased.
- Ultimately, prices will be capped at the price required by the economic marginal new entrant.
- Key uncertainties impacting on economics of new entrants include: impact of carbon pricing, cost of gas, foreign exchange, order book for equipment, steel prices, cost of capital, and impact on location factors on price received.

Contact is currently the most diversified generator of electricity in New Zealand, by location and by fuel type. Contact is well positioned to execute significant growth in its thermal portfolio, advance incremental growth in geothermal and hydro, and is moving forward on wind.

- Thermal
  - Otahuhu C and Stratford sites
  - Otahuhu A
- Geothermal
  - Steam-winning to existing capacity
  - New capacity
  - Direct heat (for example Tenon)
- Hydro
  - Hawea Gates

– Wind
  - MOU with Investec who is is currently working to secure and develop windfarms in New Zealand, and has rights to a number of promising sites across the North and South Islands.

Otahuhu C is a key development option. Close to Auckland, its development is a compelling commercial opportunity and of national security of supply significance. As long as fuel is secured.

Otahuhu C

- Contact is seeking to contract for gas for supply into the middle of the next decade and beyond

- Contact has already secured all necessary resource consents to proceed with up to 400MW development and construction and it is the next logical gas fired generation option in the market.

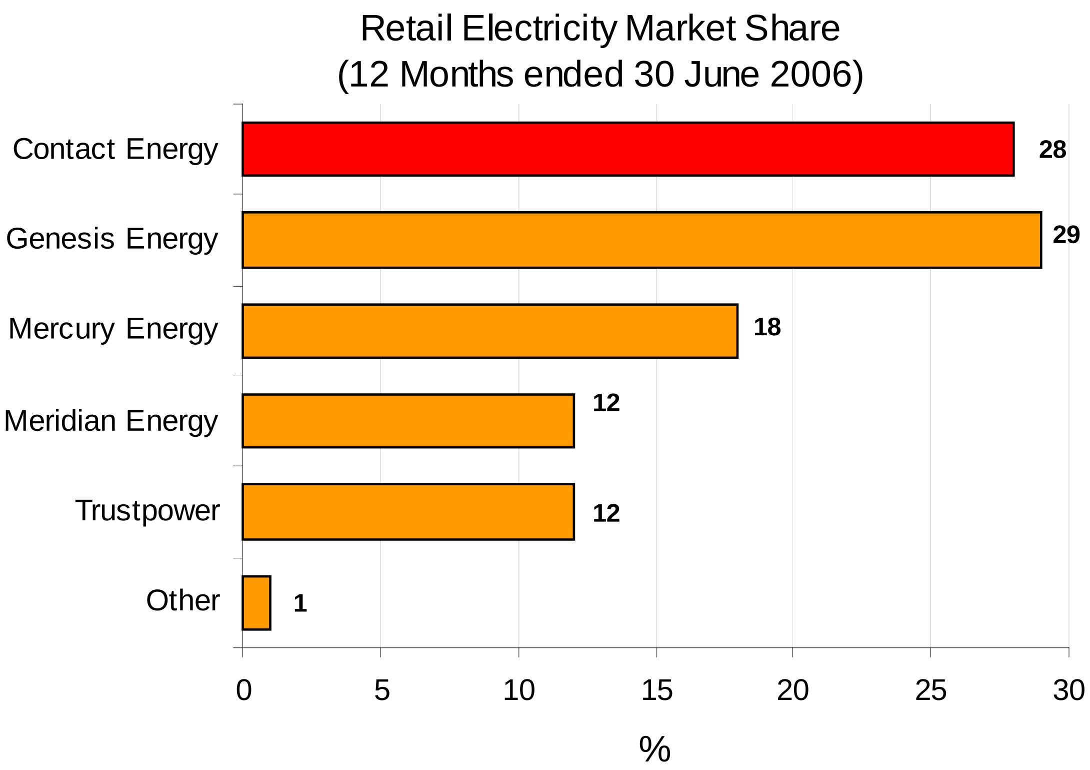
CONTACT

Transmission

- A strong grid and a long-term planning horizon, would provide confidence and certainty to market participants and other investors:
  - transmission grid is part of the market infrastructure; strong infrastructure can enable economic growth and investment;
  - fewer constraints on grid facilitates competition among generators and presents less operational and portfolio risk than regionalised markets.
- Generation and demand-side management have a role to play, but
  - they are complements to transmission, not substitutes, as neither is as reliable as transmission

Retail margins

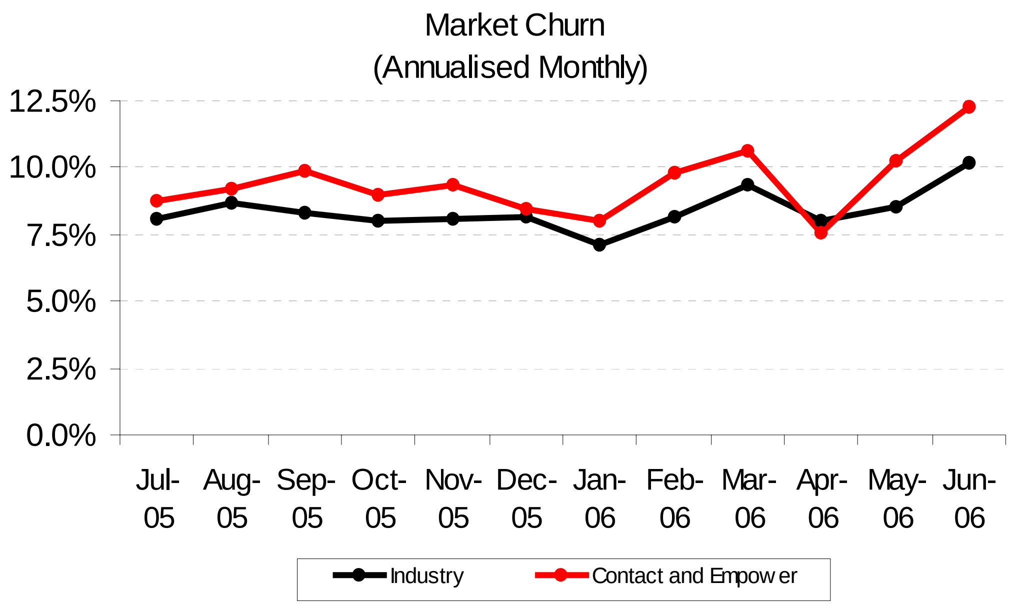
Retail operating environment



- Contact currently has a 28% share of the retail electricity market and 35% of the retail gas market of New Zealand.
- Contact is focussed on reducing operating costs to hold and maintain retail margins.
- Opportunities to achieve additional meaningful scale efficiencies in the New Zealand market are relatively constrained but cross selling opportunities with other fuels are being explored.

Retail electricity prices have increased, and continue to increase as input costs rise. This is having an impact on churn and placing pressure on costs to serve.

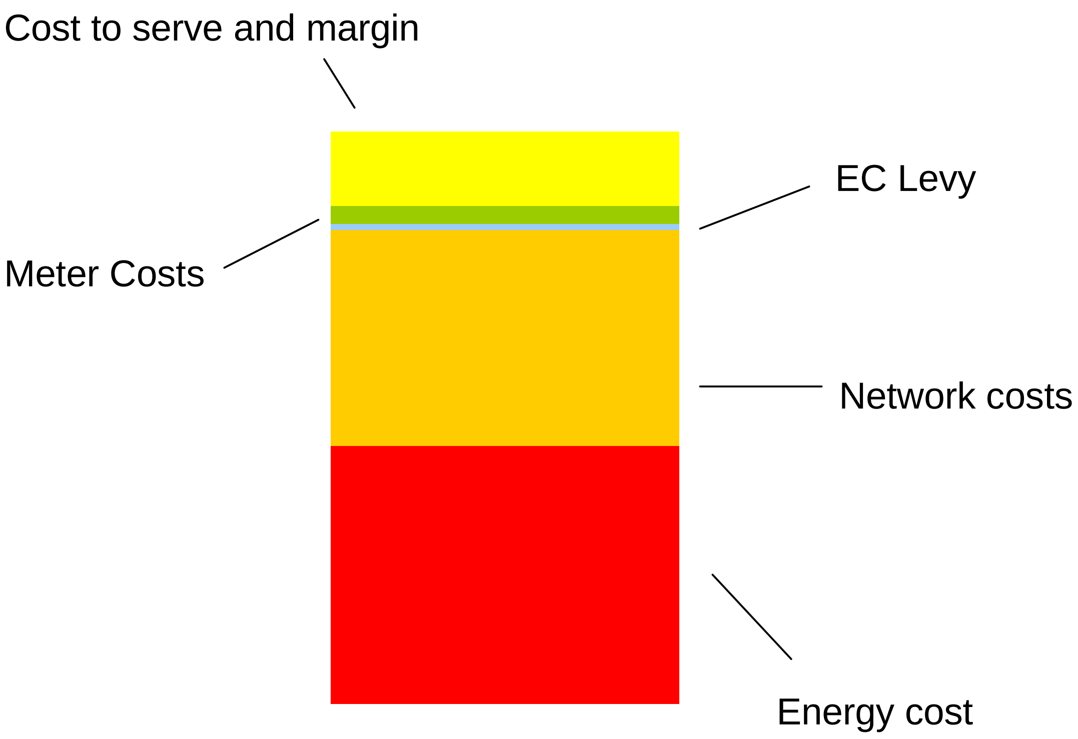
Market conditions



- Average retail electricity tariffs increased by around 4% for the period ended 30 June 2006.
- Competitive pressure is observed as competitors seek customer growth to match their growing generation output.
- Competitive pressure, and churn associated with increasing tariffs, places pressure on the cost to serve.

Contact's tariff setting strategy takes into account a number of variables. As wholesale electricity prices and network charges increase, tariff setting in the competitive retail environment becomes more complex, particularly across the different network charging structures.

Retail pricing strategy



- Looking forward to the 12 month period ended 30 June 2007, the company will continue to consider the impact of competitive pressure on customer churn as this places significant pressure on retail margins.
- Pressure on margins is expected to continue, as input costs from most areas continue to rise.

Source: CEN data based on average retail customer

Regulation

Government is a key stakeholder for Contact. Investors should be aware of uncertainty arising from key public policy processes that the company is engaged in.

Current Regulatory Issues

- *Commerce Commission*
  - The Commerce Commission has commenced an investigation under part II of the Commerce Act 1986 (New Zealand) into the New Zealand wholesale and retail electricity markets, in particular:
    - Section 27 – whether market participants have entered into arrangements that substantially lessen competition in a market; and/or
    - Section 36 - whether market participants have taken advantage of a substantial degree of market power.
- *National energy strategy*
  - The Government has announced that it is in the process of developing a National Energy Strategy. Government expects to develop a draft strategy in 2-3 months' time.
- *Climate change policy*
  - 17 different work programmes are to be progressed, including:
    - alternatives to the carbon tax, such as a narrowly-based tax on large emitters
    - energy initiatives, such as optimising efficient use of energy, incentives for renewables, disincentives for thermal electricity generation, energy research, solar water heating.

Conclusion

Conclusion

- Contact's solid financial result was heavily influenced by dry hydrological conditions, wholesale gas sales at good margins and tariffs adjusting to the underlying cost of fuel.
- Looking forward, it looks difficult to replicate these kind of beneficial operating conditions in the post Maui environment when gas is significantly more expensive and less flexible.
- Key strategic challenges and management focus continues on:
  - Securing fuel
  - Creating and executing generation options - diversity will deliver the best outcome in terms of price and security
  - Maintaing retail margins

Questions