

Summary

for the half year ended 31 December 2008

- Extreme weather in combination with transmission constraints contributed to lower underlying earnings after tax of \$79.9 million, down from \$116.1 million for the six months to 31 December 2007.
- Progressed construction on Contact's **200 megawatt gas-fired peaking power station** at Stratford on schedule and on budget.
- Progressed construction on Contact's **Tauhara phase one 23 megawatt geothermal binary power station** near Taupo on schedule and on budget.
- Secured final resource consents for Contact's proposed 220 megawatt **Te Mihi geothermal power station** near Taupo.
- Commenced injection of gas into Contact's **Ahuroa underground natural gas storage facility** near Stratford.
- Filed resource consent applications for Contact's proposed 177 megawatt **Waitahora wind farm** in southern Hawke's Bay – consent hearings started for this project in mid-February 2009.
- Secured a 'call-in' for Contact's 540 megawatt **Hauāuru mā raki Waikato wind farm project**, with a Board of Inquiry hearing scheduled to start in April 2009.
- Completed the roll out of 21,000 new **smart meters** for customers in the Christchurch region. Contact will complete the initial deployment of smart meters in Christchurch in June 2009.
- Operated a 100 megawatt New Plymouth gas-fired generator unit, previously decommissioned due to an asbestos discovery, to help the country through a dry winter with tight electricity supplies.
- Upon announcing the half year result in February 2009, Contact also announced a **Profit Distribution Plan**, under which shareholders will receive distributions in the form of non-taxable bonus shares, with the opportunity to have those shares, or a portion of them, bought back by Contact for cash.
- Contact also announced it is seeking to raise \$300 million through a **retail Bond issue**, with the ability to accept unlimited oversubscriptions. The unsecured, unsubordinated fixed rate Bonds are issued by Contact Energy Limited under an Investment Statement dated 23 February 2009 and offer investors an interest rate of 8.00 per cent per annum, payable quarterly, and have a five year term (maturing in May 2014). On 6 March 2009, the offer was capped at \$550 million.

Chairman and Managing Director's statement

Despite a particularly challenging half year, Contact remains well positioned to continue to lead investment in New Zealand's most important energy projects, and deliver growth for the company's shareholders.

Introduction

New Zealand's electricity system depends on a robust and reliable transmission backbone to transmit electricity from power stations across the country to customers.

For a country with a heavy reliance on hydro generation and the potential requirement for increasing quantities of wind generation, and with major load centres geographically isolated from key generation sources, a modern transmission grid that accommodates changing electricity generation and demand patterns is critical to the efficient operation of the electricity market.

Over the past year, it has become manifestly clear that many parts of New Zealand's transmission system have been unable to cope with requirements.

Investments made over the preceding decades, particularly the 1970s and 1980s, were oriented towards strengthening New Zealand's transmission backbone to support the movement of energy between the South and North Islands and within the islands. However, since 2000, demand has grown by between 2 and 2.5 per cent per annum without any significant increase in transmission investment. Even prior to the unexpected decommissioning of the High Voltage Direct Current (HVDC) Pole 1 in November 2007, the transmission system was showing signs of strain.

New Zealand has had three reasonably dry winters since 2000. In each of those years, the HVDC has played a critical role in enabling North Island thermal generation to support the South Island during the periods of low hydro generation. Contact's financial performance during such periods was generally positive, particularly in light of its ability to access flexible, relatively cheap natural gas from the Maui field. Equally, during periods of high hydro inflows, the flexibility of legacy Maui gas supply arrangements enabled Contact to balance generation from its gas-fired stations in order to maximise use of the cheaper hydro generation.

This combination of the ability to move energy across the HVDC and to increase or reduce gas take freely was a large contributor to Contact's ability to perform well irrespective of weather conditions.

However, a number of factors have started to impinge on the flexibility and capacity of New Zealand's electricity sector:

- Demand has continued to rise across both islands. However, the South Island has seen very little increase in new generation. As a result, in dry conditions, there is an increasing dependence by the South Island on the HVDC to ensure security of supply. Transmission constraints are also more prevalent.
- Legacy Maui gas supply arrangements have largely expired. Current gas supply contracts have relatively flat and fixed daily take requirements, which constrain the ability of gas-fired power stations to adjust their output in response to hydro inflows.
- Pole 1 of the HVDC was unexpectedly decommissioned in November 2007. For the majority of the time, the remaining pole (Pole 2), together with available generation capacity in each island, is sufficient to ensure North and South Island electricity demand is met at a similar cost. However, during periods of extreme weather, such as the drought last winter and the high inflows over the summer, the absence of a second Cook Strait cable can result in the islands operating as separate markets, often with a significant loss of system efficiency. During periods of extreme drought in the South Island, the system needs two poles to move energy from the North Island to the South Island. Equally, when inflows into the southern lakes are very high, hydro becomes the cheapest source of electricity for the country and requires two poles to maximise flow to the North Island to minimise both the spilling of water and the use of thermal fuels.

In the recent period, Contact has implemented a series of strategies to mitigate the impact of transmission system constraints and gas supply inflexibility. These include:

- In September 2008, Contact increased tariffs to reflect the risk of inter-island price separation recurring during periods of low hydro inflow arising as a consequence of the decommissioning of Pole 1. Unsurprisingly, other South Island retailers have adjusted tariffs to similar levels.
- In December 2008, Contact started injecting gas into the largely depleted Ahuroa gas reservoir, which Contact acquired in June 2008 to convert into an underground gas storage facility. Although the gas storage project is not expected to be fully operational until 2010, the storage facility is already providing Contact with a valuable source of fuel flexibility by providing an ability to inject and store 'must-take' gas during the low demand and high hydro inflow summer months.
- Investment in a 200 MW gas peaking plant near Taranaki. As the market experiences increasing volatility due to transmission constraints and weather-related intermittency, fast-start plant of this nature will enable Contact to respond to those events. This, combined with access to gas in storage, will provide opportunities for Contact to leverage volatile market conditions.
- Contact is supporting Transpower in its efforts to execute transmission upgrades across the country, including participating in a Transpower procurement advisory group in relation to the project to replace Pole 1 of the HVDC. Pole 3 is currently expected to be operational in 2012.
- Contact is also supporting Transpower in implementing other transmission upgrades that, when complete, are expected to largely alleviate other system constraints. These include a project that, upon completion in the spring of 2009, is expected to increase the amount of hydro power that can be transferred out of the Southland/Otago area by up to an additional 150 MW.

Strategic growth initiatives continue to be executed

Despite a slowing of near-term demand growth due to prevailing economic conditions, the country will continue to require new generation in the medium to long term. The lack of certainty of domestic gas resources and prices beyond the second half of next decade means that renewable options will continue to be at the forefront of new generation development. Accordingly, Contact is continuing to develop its portfolio of renewable generation options – in geothermal, wind and hydro. On the expectation that the market will continue to experience price volatility through intermittency of generation, the construction of Contact's fast-start gas-fired peaking plant and its gas storage project, both located near Stratford, Taranaki, also remain central to the company's renewables strategy, in addition to deriving value from electricity market volatility.

The Ahuroa gas storage facility is enabling Contact to purchase natural gas and then store it underground for use when market conditions most support it. As well as allowing Contact to maximise the value of its natural gas, the facility will provide flexibility of supply for the 200 MW Stratford peaking power station when it comes on line in 2010.

Contact's geothermal development programme is particularly important. Geothermal is generally accepted as the most economic next tranche of baseload energy for the country, while increasing the amount of energy generated from renewable, low carbon sources.

While Contact is making good progress on consenting two North Island wind farm sites, the current economics of wind will require energy prices to rise before execution of wind projects would be justified. There is a significant role for wind in New Zealand's energy future, and Contact is preparing its projects for execution when market conditions support them.

Financial position

With a gearing of 26 per cent as at 31 December 2008, Contact is in a sound financial position to fund its committed development projects. In order to strengthen capacity, Contact has been developing various alternatives aimed at increasing its available funding, including arranging new bank debt facilities, extending existing facilities and raising capital in the domestic bond market.

Accordingly, Contact Energy Limited issued an Investment Statement and Prospectus dated 23 February 2009 relating to a New Zealand retail Bond offer. The offer of unsecured, unsubordinated fixed rate Bonds opened on 2 March 2009, offering investors an interest rate of 8.00 per cent per

annum, payable quarterly, and have a five year term (maturing in May 2014). On 6 March 2009, the offer was capped at \$550 million. Contact intends to use the capital raised to support its capital expenditure programme, including investment in geothermal development near Taupo, new gas-fired peaking capacity at Stratford, as well as the country's first underground natural gas storage facility near Stratford and for general operational purposes. The funds may also be used to repay existing debt.

Contact has also recently secured additional committed credit facilities of \$100 million, increasing its total committed facilities to \$685 million. Of those facilities, \$195 million has been extended for a further year, to May 2011.

Profit Distribution Plan

In addition to increasing available liquidity, Contact has also been considering other means of strengthening the company's financial capacity. Accordingly, Contact introduced a Profit Distribution Plan, effective from (and including) the half year ended 31 December 2008.

Under the Plan, all shareholders will receive distributions in the form of non-taxable bonus shares, with the opportunity to have those shares, or a portion of them, bought back by Contact for cash. As a consequence, shareholders will have a choice of retaining bonus shares and/or receiving cash.

The Plan is expected to retain cash within Contact to support the execution of the company's strategic initiatives, while also allowing shareholders who wish to receive cash the ability to do so.

Contact expects to operate the Plan twice a year, in line with past practice of declaring dividends twice-yearly, and does not expect to make any other distributions to shareholders.

For the purpose of the 31 December 2008 distribution, shareholders' entitlements have been set on the basis of the equivalent of 11 cents per share.

Changes to the Contact Board

In February 2009, Contact announced the appointments of Sue Sheldon and David Baldwin to its Board of Directors and the retirement of Tim Saunders from the Board, with effect from 30 June 2009.

Sue Sheldon has been appointed to the Board after a rigorous succession planning process during 2008. Sue is based in Christchurch and has had previous experience as a director of various companies, including a major energy company. She is a chartered accountant and a highly regarded professional director and will bring valued skills, experience and perspectives to the Board.

David Baldwin was appointed Chief Executive Officer of Contact Energy in May 2006 and is seconded from the company's majority shareholder, Origin Energy. Upon appointment, Mr Baldwin will become Managing Director of Contact.

These changes to the composition of the Contact Board are part of an ongoing process of succession planning to ensure that an appropriate mix of skills and experience are available to the Board. These appointments will result in an increase in the size of the Board, which is considered appropriate given the more challenging economic and operating environment that companies now face.

Conclusion

The six months to 31 December 2008 have been particularly challenging times for Contact. The company has been impacted by both severe drought in the first quarter and a deluge of water in the second quarter. A combination of these rare weather patterns with significant transmission constraints have negatively impacted the business. While the period has been difficult, Contact has made pleasing progress on the company's growth investment programme and has taken steps to ensure the company remains well positioned to continue to develop some of the country's most important energy projects and deliver value to Contact's shareholders.



Grant King
Chairman



David Baldwin
Managing Director

Management discussion of financial results

for the six months ended 31 December 2008

Overview of financial performance for the period

The recent winter and summer extreme weather events, in combination with transmission constraints, have resulted in extremely challenging trading conditions for Contact.

These external events significantly contributed to a disappointing half year result for the period ended 31 December 2008, wherein Contact achieved Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items (EBITDAF) of \$224.7 million, down 20 per cent from \$281.9 million for the six months to 31 December 2007.

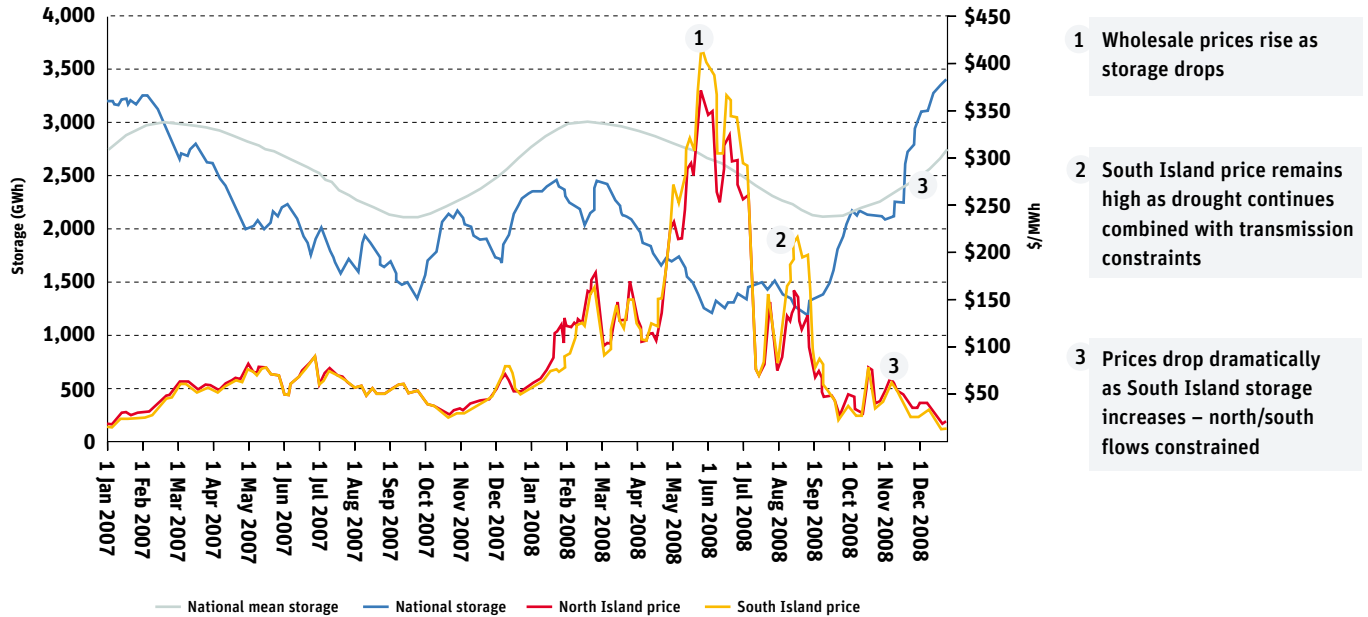
Underlying Earnings After Tax for the six months to 31 December 2008 were \$79.9 million, down 31 per cent from \$116.1 million for the six months to 31 December 2007.

At the heart of the half year financial performance was the fact that the mix of generation that has historically largely insulated Contact's earnings from weather-driven volatility was stymied due to the limitations arising from transmission constraints, primarily (although not solely) due to the loss of Pole 1 of the HVDC. The removal of around 180 megawatts of Southland electricity demand following the unexpected closure of an aluminium production line at the Tiwai Point aluminium smelter in November 2008 further limited generation from Contact's Clutha power stations. As a consequence of transmission constraints in the lower South Island and an excess of energy, Contact and other South Island hydro generators have been forced to spill significant volumes of water. While there is no certainty as to the timing of the return of this demand, Transpower is currently working on a resolution that is expected to alleviate this lower South Island constraint.

As the graph on page 6 illustrates, these conditions led to significant differences in wholesale prices between the North and South Islands in August and September 2008 at a time when Contact was short of generation in the South Island, which resulted in Contact supplying electricity to its South Island customers at a significant loss.

While prices dropped towards the end of the half year, the transmission constraints limited the ability of that energy to move to the North Island, resulting in South Island prices being lower than those in the North Island and spilling of water from Contact's and other hydro generation assets in the South Island.

Prices vs storage



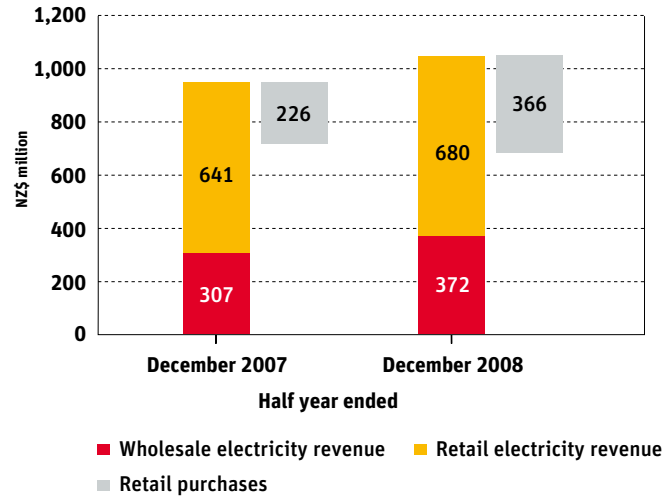
1 Wholesale prices rise as storage drops

2 South Island price remains high as drought continues combined with transmission constraints

3 Prices drop dramatically as South Island storage increases – north/south flows constrained

Due to the high wholesale electricity prices that prevailed in the first half of the six month period, total electricity revenue was \$103 million or 11 per cent higher than in the six month period ended 31 December 2007. This was driven by a 21 per cent increase in wholesale electricity revenue (as a result of a 48 per cent increase in average wholesale electricity prices offset by a 14 per cent drop in generation volume) and a six per cent increase in retail electricity revenue. However, after netting off retail electricity purchases, total retail and wholesale (net) electricity revenue was \$37.0 million lower than for the period ended 31 December 2007 due to a \$140 million or 62 per cent increase in electricity purchase costs. In addition, other operating expenses increased by \$38.5 million, mainly due to increases in gas and LPG purchase costs.

Total electricity revenue



During the six months to 31 December 2008, there were two significant increases in the quarterly Producers Price Index (PPI), which is applied to adjust gas prices in most gas contracts. These recent increases, as well as the completion of Contact's low cost Maui 367 gas entitlements, are expected to result in the company paying about 25 per cent more per GJ for gas over the 2009 financial year, more than double the expected increase in unit gas costs.

Key financial information

			Variance	
	6 Months Ended 31 December 2008 \$ million	6 Months Ended 31 December 2007 \$ million	\$ million	%
Operating Revenue	1,239.3	1,117.4	121.9	11%
Operating Expenses ¹	(1,014.6)	(835.5)	(179.1)	(21%)
EBITDAF ²	224.7	281.9	(57.2)	(20%)
Depreciation and Amortisation	(78.0)	(74.2)	(3.8)	(5%)
Change in Fair Value of Financial Instruments	(78.3)	0.6	(78.9)	(13,152%)
Removal of New Plymouth Asbestos and Related Costs	-	(30.5)	30.5	
Gain on Sale of Mokai Geothermal Land and Rights	-	21.3	(21.3)	
Equity Accounted Earnings of Associates	1.7	1.2	0.5	42%
Earnings Before Net Interest Expense and Income Tax (EBIT)	70.1	200.3	(130.2)	(65%)
Net Interest Expense	(35.5)	(35.5)	-	0%
Income Tax Expense	(9.5)	(47.4)	37.9	80%
Profit for the Period	25.1	117.4	(92.3)	(79%)
Underlying Earnings After Tax ³	79.9	116.1	(36.2)	(31%)
Underlying Earnings Per Share (Cents) ³	13.85	20.14	(6.3)	(31%)
Shareholders' Equity	2,874.0	2,927.7	(53.7)	(2%)

1 Includes electricity purchases.

2 Earnings Before Net Interest Expense, Income Tax, Depreciation, Amortisation, Financial Instruments and Other Significant Items.

3 Underlying Earnings After Tax removes one-off items, the non-cash Change in Fair Value of Financial Instruments net of tax, Removal of New Plymouth Asbestos and Related Costs net of tax, Gain on Sale of Mokai Geothermal Land and Rights.

Profit for the period ended 31 December 2008 was \$25.1 million. This was negatively affected by a post-tax movement of \$54.8 million in financial derivatives. With the introduction of IFRS, the accounting standards require that certain changes in the fair value of financial instruments be reflected in the Income Statement. This can introduce significant volatility to the earnings reported for the year. This impact is primarily driven by financial instruments Contact utilises in order to hedge various price and interest rate risks to which it is exposed. The intention of hedging is to reduce these risks and deliver a higher level of certainty to the cashflows of the business. While Contact utilises valid economic risk management instruments to hedge these risks, these instruments must also meet the stringent criteria prescribed under IFRS in order to qualify for hedge accounting. For those instruments that do not qualify for hedge accounting, the change in fair value is recognised in the Income Statement.

The most notable instruments in Contact's portfolio that do not qualify for hedge accounting are interest rate swaps. With the significant drop in the forward yield curve over the six months ended 31 December 2008, the fair value of the interest rate book has correspondingly decreased.

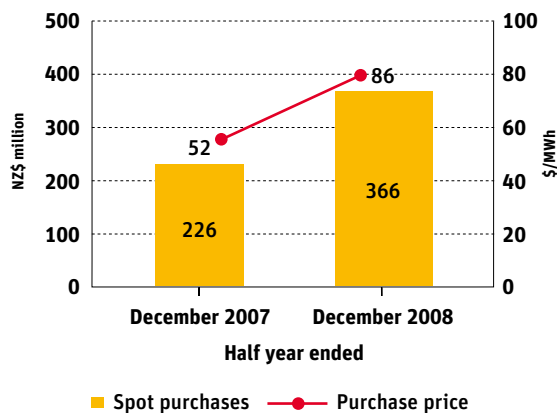
Retail segment

	6 Months Ended 31 December 2008 \$ million	6 Months Ended 31 December 2007 \$ million	Variance	
			\$ million	%
Retail Electricity Revenue	679.5	641.0	38.5	6%
Gas Revenue Wholesale	39.7	36.7	3.0	8%
Gas Revenue Retail	46.6	47.1	(0.5)	(1%)
LPG Revenue	85.2	70.6	14.6	21%
Other Retail Revenue	6.6	5.4	1.2	22%
Total Retail Revenue	857.6	800.8	56.8	7%
Retail Electricity Purchases	(366.2)	(225.8)	(140.4)	(62%)
Electricity Transmission, Distribution and Levies	(226.1)	(223.4)	(2.7)	(1%)
Gas Purchases and Transmission	(82.4)	(71.3)	(11.1)	(16%)
LPG Purchases	(65.1)	(53.6)	(11.5)	(21%)
Labour Costs and Other Operating Expenses	(71.4)	(70.0)	(1.4)	(2%)
Total Operating Expenses	(811.2)	(644.1)	(167.1)	(26%)
EBITDAF	46.4	156.7	(110.3)	(70%)
Depreciation and Amortisation	(10.8)	(11.2)	0.4	4%
Segment Result	35.6	145.5	(109.9)	(76%)
Average Electricity Purchase Price (\$ per MWh) ¹	85.93	52.09	33.8	65%
Retail Electricity Sales (GWh)	4,047	4,064	(17)	(0%)
Electricity Customer Numbers	499,000	514,000	(15,000)	(3%)
Gas Sales Wholesale Customers (PJ)	6.3	6.6	(0.3)	(5%)
Gas Sales Retail Customers (PJ)	2.3	2.3	-	0%
Gas Sales LPG Customers (Tonnes)	41,800	46,000	(4,200)	(9%)
Gas Customer Numbers	70,000	74,000	(4,000)	(5%)
LPG Customer Numbers (including franchisees)	54,400	50,900	3,500	7%

¹ This price excludes contracts for differences.

Contact's retail segment was significantly affected by the 62 per cent increase in retail purchase costs in the six month period ended 31 December 2008. This cost directly resulted in the retail EBITDAF of \$46.4 million, 70 per cent lower than the \$156.7 million earned in the six month period ended 31 December 2007.

Retail electricity purchase cost



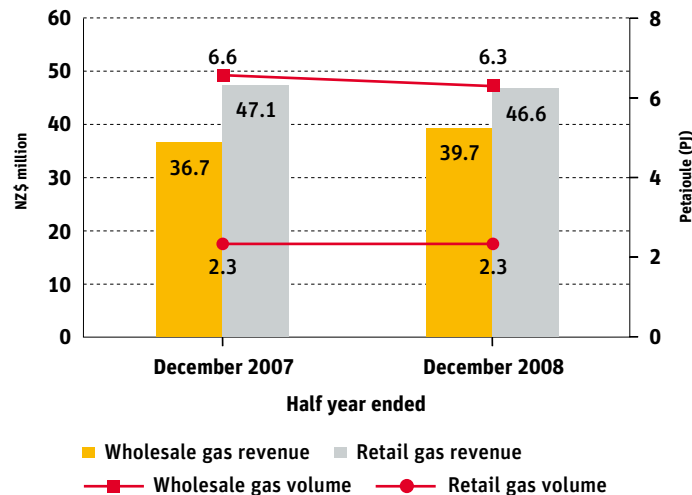
Set out in the table below are the North and South Island average retail electricity purchase prices by quarter. These prices illustrate the stark changes in hydrology conditions that occurred from the first to second quarters as well as the significant differentials between the North and South Islands.

	6 Months Ended 31 December 2008	6 Months Ended 31 December 2007
North Island Retail Electricity Purchases (GWh)	2,267	2,304
South Island Retail Electricity Purchases (GWh)	1,998	1,980
Retail GWh Purchased	4,265	4,284
Q1 North Island Electricity Purchases Average Price (\$/MWh)	102	57
Q2 North Island Electricity Purchases Average Price (\$/MWh)	47	46
HY1 North Island Electricity Purchases Average Price (\$/MWh)	76	52
Q1 South Island Electricity Purchases Average Price (\$/MWh)	148	60
Q2 South Island Electricity Purchases Average Price (\$/MWh)	37	43
HY1 South Island Electricity Purchases Average Price (\$/MWh)	97	52
Q1 National Electricity Purchases Average Price (\$/MWh)	124	59
Q2 National Electricity Purchases Average Price (\$/MWh)	43	45
HY1 National Electricity Purchases Average Price (\$/MWh)	86	52

Total retail electricity revenue rose six per cent to \$679.5 million, with total sales of 4,047 GWh compared with 4,064 GWh in the six month period ended 31 December 2007.

Retail electricity customers reduced to 499,000 compared with 514,000 as at 31 December 2007 and 520,000 as at 30 June 2008.

Wholesale and retail gas revenue



Contact's gas revenue from wholesale customers grew by \$3 million to \$39.7 million in the period ended 31 December 2008. This was largely due to increases in price, since the volume was relatively flat between the periods at 6.3 PJ compared with 6.6 PJ in the six months ended 31 December 2007.

Retail gas revenue was slightly lower at \$46.6 million compared with \$47.1 million in the six months ended 31 December 2007. The sales volume remained flat at 2.3 PJ in the six months ended 31 December 2008. Gas customer numbers have decreased to 70,000 compared with 74,000 as at 31 December 2007 and 75,000 as at 30 June 2008.

The average cost of gas (excluding transmission) increased 24 per cent from \$5.34 per GJ in the six month period ended 31 December 2007 to \$6.61 per GJ in the period ended 31 December 2008. This increase has been driven by a change in the underlying mix of gas used, as the use of cheaper Maui 367 legacy gas decreases and is replaced by more expensive gas, and the impact of escalation in gas prices in gas contracts within Contact's portfolio. During the period, the Producers Price Index (PPI), which is the index used to escalate the prices under most gas contracts, increased significantly more than Contact expected. The average gas transmission cost for retail also increased by eight per cent from \$10.18 per GJ to \$10.96 per GJ for the six month period ended 31 December 2008.

Revenue from LPG sales grew by 20.7 per cent to \$85.2 million. This was in part offset by an increase in LPG cost of goods of \$11.5 million. The main driver of this cost increase is the underlying purchase cost of LPG, which increased by 35 per cent from \$1,164 per tonne to \$1,569 per tonne in the six month period ended 31 December 2008. This was largely due to the imported cost of LPG, which tends to move with oil prices.

Total LPG customers (including customers of franchisees) increased by 3,500 to 54,400 compared with 50,900 as at 31 December 2007 and 52,500 as at 30 June 2008. Total volume sold was 41,800 tonnes, a reduction of 4,200 tonnes from the six months ended 31 December 2007.

Generation segment

	6 Months Ended 31 December 2008 \$ million	6 Months Ended 31 December 2007 \$ million	Variance	
			\$ million	%
Wholesale Electricity Revenue	372.2	307.3	64.9	21%
Steam Revenue	7.6	7.1	0.5	7%
Other Wholesale Revenue	1.9	2.2	(0.3)	(14%)
Total Wholesale Revenue	381.7	316.6	65.1	21%
Electricity Transmission, Distribution and Levies	(22.6)	(21.8)	(0.8)	(4%)
Gas Purchases and Transmission	(130.7)	(127.2)	(3.5)	(3%)
Labour Costs and Other Operating Expenses	(50.1)	(42.4)	(7.7)	(18%)
Total Operating Expenses	(203.4)	(191.4)	(12.0)	(6%)
EBITDAF	178.3	125.2	53.1	42%
Depreciation	(67.2)	(63.1)	(4.1)	(6%)
Segment Result	111.1	62.1	49.0	79%
Average Wholesale Electricity Price (\$ per MWh) ¹	72.03	48.53	23.5	48%
Gas Used in Internal Generation (PJ)	18.3	22.1	(3.8)	(17%)
Thermal Generation (GWh)	2,214	2,821	(607)	(22%)
Geothermal Generation (GWh)	1,147	1,085	62	6%
Hydro Generation (GWh)	1,693	1,968	(275)	(14%)
Total Generation (GWh)	5,054	5,874	(820)	(14%)

¹ This is the price received by Contact for its generation. It excludes contracts for differences.

As discussed earlier, the six months ended 31 December 2008 saw both hydrology extremes, which, together with the loss of Pole 1 of the HVDC and a loss of approximately 180 MW of demand at the Tiwai Point aluminium smelter in Southland, resulted in unprecedented volatility in the wholesale electricity market. This led to the EBITDAF contribution of the generation segment increasing by 42 per cent to \$178.3 million, a \$53.1 million increase over the period ended 31 December 2007.

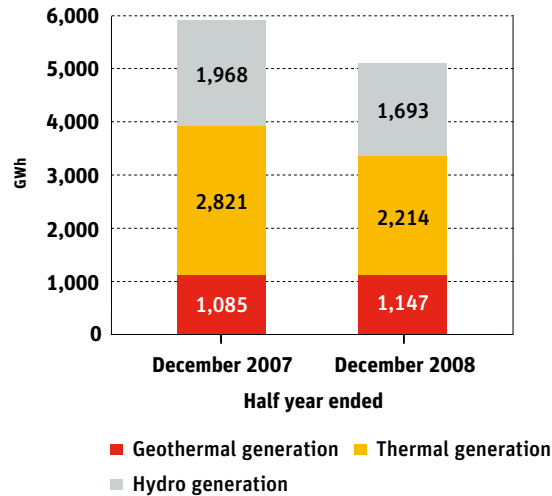
The average wholesale electricity price for the six months ended 31 December 2008 was \$72.03 per MWh, a 48 per cent increase over the average wholesale price for the six months ended 31 December 2007 of \$48.53 per MWh. Within the period, the prices were extremely volatile as illustrated in the table below:

	6 Months Ended 31 December 2008	6 Months Ended 31 December 2007
Q1 Average North Island Wholesale Electricity Price (\$/MWh)	96	54
Q2 Average North Island Wholesale Electricity Price (\$/MWh)	43	44
HY1 Average North Island Wholesale Electricity Price (\$/MWh)	75	49
Q1 Average South Island Wholesale Electricity Price (\$/MWh)	117	56
Q2 Average South Island Wholesale Electricity Price (\$/MWh)	34	40
HY1 Average South Island Wholesale Electricity Price (\$/MWh)	67	47
Q1 Average National Wholesale Electricity Price (\$/MWh)	101	55
Q2 Average National Wholesale Electricity Price (\$/MWh)	39	42
HY1 Average National Wholesale Electricity Price (\$/MWh)	72	49

During the six month period ended 31 December 2008, Contact was, on average, hedged about 93 per cent compared with 88 per cent for the period ended 31 December 2007. In respect of the South Island, in the six months ended 31 December 2008, Contact had about 23 per cent more customer demand than it generated; conversely, in the North Island, Contact was about 78 per cent hedged. In comparison, in the period ended 31 December 2007, Contact was about 105 per cent hedged in the South Island and about 78 per cent in the North Island. During December 2008, Contact was about 80 per cent hedged in the South Island reflecting the change in hydro conditions that occurred in the second quarter of the six month period ending 31 December 2008.

Contact's thermal generation for the six month period ended 31 December 2008 was 2,214 GWh, 607 GWh lower than the six months ended 31 December 2007. This was largely due to a scheduled six week outage at Contact's Otahuhu B gas-fired power station.

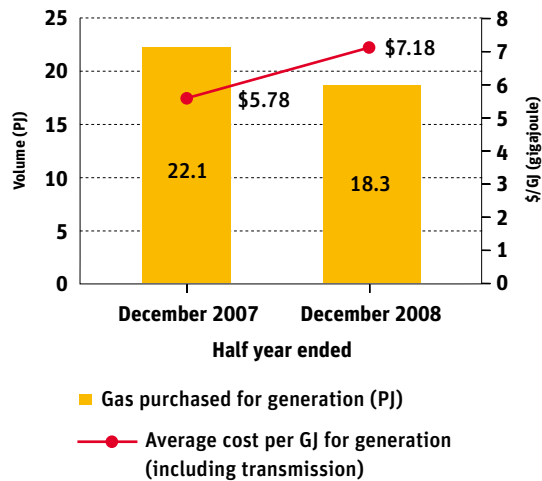
Generation by type



Contact's geothermal generation increased six per cent or 62 GWh in the period ended 31 December 2008 to 1,147 GWh as a result of Contact's geothermal drilling and development programme.

Contact's hydro generation at 1,693 GWh was 275 GWh less than in the six months ended 31 December 2007 due to the dry conditions in the early part of the period and the transmission constraints during November and December that limited Contact's ability to generate.

Gas purchases for generation



Contact used 18.3 PJ of gas in generation in the six months ended 31 December 2008, a 3.8 PJ reduction from the six months ended 31 December 2007. Despite this, the total gas cost including transmission increased by \$3.5 million, resulting in an increase in the average cost of gas from \$5.78 per GJ to \$7.18 per GJ, a near 25 per cent increase.

Income Tax Expense

Income tax for the period at \$9.5 million is \$37.9 million lower than for the six month period ended 31 December 2007. This is due to the profit for the period being significantly lower at \$25.1 million (compared with \$117.4 million) and the lower statutory tax rate of 30 per cent.

Net debt and interest expense

Based on the NZD equivalent of borrowings, net of foreign exchange hedging and short term deposits, net debt as at 31 December 2008 was \$1,031.1 million compared with \$820.5 million as at 31 December 2007. This increase is largely due to the significant increase in growth capital expenditure as well as a reduction in cash flow from ongoing operations. As at 31 December 2008, Contact's evergreen committed credit facilities totalled \$585 million with available capacity of \$295 million.

Net interest expense for the period remained flat at \$35.5 million. While the total debt increased, the average cost of debt was lower due to lower interest rates. In addition, interest on growth projects such as the gas-fired peaking plant is capitalised until construction is completed. In the six month period ended 31 December 2008, \$4.4 million of interest has been capitalised.

Capital expenditure

Contact's capital expenditure for the six months ended 31 December 2008 was \$209.4 million. Of this, \$54.2 million was 'stay in business' and \$155.2 million was growth capital expenditure. This compares with \$32.8 million and \$59.4 million respectively for the six months ended 31 December 2007. The increase in growth capital expenditure is primarily due to the previously announced investment in generation projects – the 23 MW Tauhara geothermal binary plant and the 200 MW gas peaking plant at Stratford.

The increase in the stay in business capital expenditure is primarily due to a major inspection and plant overhaul undertaken during November and December 2008.

Outlook

In January 2009, Contact provided guidance that Underlying Earnings After Tax for the 2009 financial year would be between 20 and 23 per cent lower than the 2008 financial year. Based on current market conditions, Contact remains comfortable with that guidance and current market consensus.

National overview

Contact is one of New Zealand's largest publicly listed companies, with the ability to supply electricity and gas products across the country. We have reticulated natural gas customers across much of the North Island, reticulated LPG customers in Christchurch, Queenstown and Wanaka, and can supply bottled and automotive LPG nationwide.

