



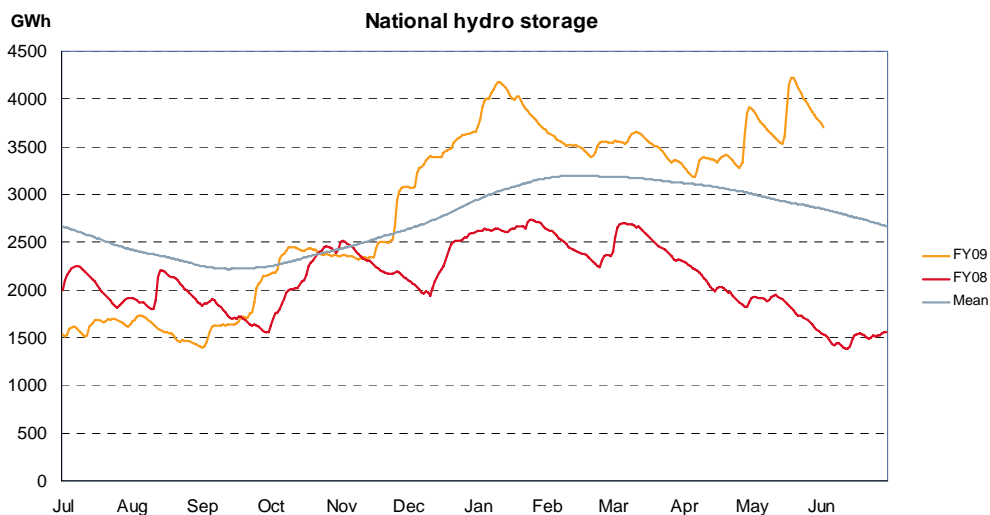
8 June 2009

## Earnings guidance for the current financial year and outlook

Contact Energy Managing Director David Baldwin today said short-term market conditions are expected to see Contact's 2009 full year underlying earnings after tax coming in at 30 – 33 per cent less than the year ending 30 June 2008. This is lower than the guidance given in January primarily as a result of wholesale prices being lower than expected.

“The forecast as at January 2009 represented a mid-point of a range of outcomes. However, the extremes we have seen in hydrology are reflected in low wholesale electricity prices, resulting in this financial year's EBITDAF being 20 – 22 per cent less than last year and, consequentially, underlying earnings after tax being 30 – 33 per cent less than last year,” he said.

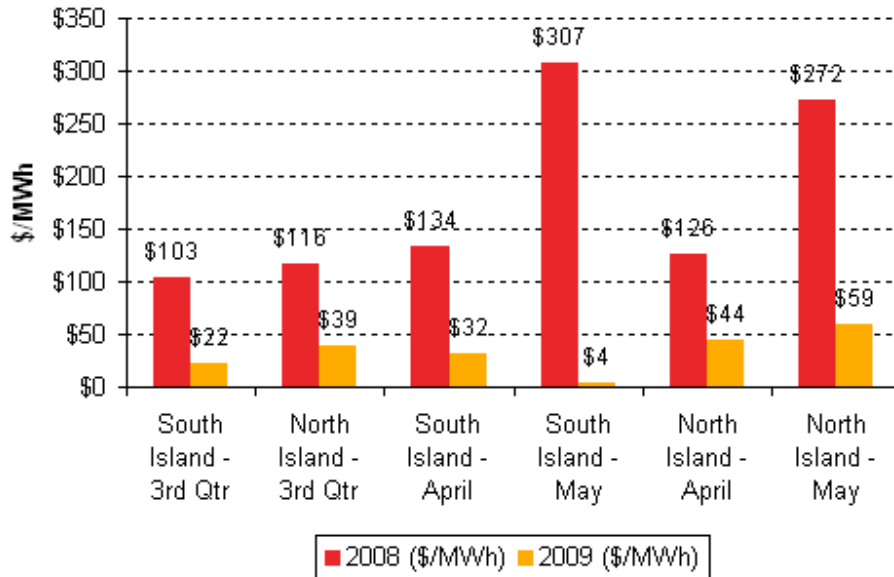
Mr Baldwin said extremely high hydro inflows in the South Island combined with lower electricity demand, largely due to an unscheduled outage at the Tiwai Point aluminium smelter, had seen hydro lakes frequently spilling water over the last three months, leading to low wholesale prices which have in turn limited the requirement for thermal generation.



Currently South Island hydro storage is at 136 per cent of mean and inflows over the last three months were at the top 16 per cent of historical records – during May inflows into the South Island were in the top three per cent of historic sequences. The recent high inflows

have resulted in the outlook for wholesale prices remaining low for the remainder of the financial year.

### Average Wholesale Electricity Prices



Mr Baldwin noted that New Zealand's hydro storage capacity is limited to around three months of electricity demand. Consequentially, a return to more normal rainfall patterns would see a reversion to more normal hydro storage levels and an expectation of higher wholesale electricity prices.

In addition, Contact does not expect the significant adverse impact which Contact incurred during July and August of the current financial year due to the combination of extreme weather and the unavailability of pole 1 of the High Voltage Direct Current (HVDC) transmission system to reoccur this winter.

With more than \$500 million of construction projects underway, significant progress is being made on building assets which will deliver earnings growth over time: The first phase of the Tauhara geothermal power project is on schedule for commissioning in mid-2010, construction of the 200 megawatt Stratford gas-fired peakers is well underway, and construction of New Zealand's first underground natural gas storage facility at Ahuroa is progressing as expected.

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