CONTACT

TARGET COMPANY STATEMENT

CONTACT ENERGY LIMITED

PREPARED IN ACCORDANCE WITH RULE 46 OF THE TAKEOVERS CODE IN RELATION TO THE TAKEOVER OFFER BY

MISSION ENERGY FIVE STAR HOLDINGS

2 NOVEMBER 2001

2 November, 2001

CONTACT

Dear Shareholder

TAKEOVER OFFER BY MISSION ENERGY FIVE STAR HOLDINGS

Mission Energy Five Star Holdings ("Mission"), a wholly owned subsidiary of Edison Mission Energy ("Edison") has made a full offer to purchase all of the fully paid ordinary shares in Contact Energy Limited ("Contact") not already held or controlled by Edison (the "Offer"). The terms of the Offer are contained in the document of which this letter and the accompanying Target Company Statement form part. The Offer price is $4.25 per share which will be adjusted by the amount of any dividend to be paid by Contact. Contact has announced today that it will pay a further fully imputed interim dividend of 11 cents per share and accordingly the offer price will reduce by 11 cents. The offer will be open from 6 November 2001 until 6 December 2001.

As provided under the terms of the Takeovers Code, the independent directors of Contact (Messrs Phillip Pryke, John Milne and Timothy Saunders) have prepared a Target Company Statement which is attached to this letter.

In addition, an Independent Advisers Report has been commissioned as required under the Takeovers Code to advise on the merits of the Offer. The report has been prepared by Grant Samuel & Associates Limited ("Grant Samuel"). Grant Samuel is independent of Contact, Mission and Edison, and has no involvement with, or interest in, the outcome of the Offer. As well as using publicly available information, Grant Samuel has had access to and relied on confidential information from Contact and discussions with senior management. Nonetheless, Grant Samuel is independent of Contact, and except where explicitly stated in the report, the views expressed are those of Grant Samuel. A copy of the report is enclosed with this Target Company Statement.

The Target Company Statement contains important information for shareholders and you should read it together with the Grant Samuel Report prior to making any decision as to whether or not to accept the Offer. The Target Company Statement includes the following comments and recommendation in relation to the Offer:

Recommendation of Independent Directors

Grant Samuel has prepared a report on the merits of the Offer as required by rule 21 of the Takeovers Code ("the Grant Samuel Report"). Grant Samuel has concluded that the Offer is fair and reasonable. The basis for this conclusion is that the Offer is within its valuation range. In addition Grant Samuel note:

- The Offer represents relatively high multiples of current year revenue and earnings.
- The Offer represents a premium to the Contact share price on the day prior to the announcement of the Offer which is broadly consistent with the premia for control observed in other takeovers.

In reaching a conclusion on the Offer the Independent Directors have had regard to the following factors:

- The bid is within the value ranges assessed by Grant Samuel, and Cameron & Company Limited, the advisors to the Independent Directors.
    - The Grant Samuel report assesses a value range for Contact Shares between $4.11 and $4.51 with a mid-point of $4.31. The Offer is therefore close to the mid-point of Grant Samuel's assessed value range.
    - The Independent Directors have received advice from Cameron & Company Limited who assess a value range of $4.22 to $4.66 with a mid-point of $4.44. The Offer is therefore within, but at the lower end, of the value range assessed by Cameron & Company Limited.
    - The Independent Directors note that the difference between the mid-point values assessed by Grant Samuel and Cameron & Company Limited is relatively minor, being approximately 3%. The

Independent Directors understand that the difference arises from the net effect of a number of different assumptions made by Grant Samuel and Cameron & Company Limited in the course of their valuation work.

- Many of the elements of both the Grant Samuel work and the Cameron & Company work draw on the current Contact draft business plan. While the plan is in draft the Independent Directors believe it represents a realistic view of the future business activities of Contact based on current information.

- The Independent Directors note that there are a number of external variables (many of which are outside the control of Contact) which could impact materially (positively or negatively) on the value of Contact shares.

- Many of these variables are discussed in the Grant Samuel Report. The Independent Directors consider that a number of these variables have the potential to cause the value of Contact shares to fall below the lower end of the Grant Samuel and Cameron & Company value ranges. In particular the Independent Directors note that:

  - There are risks around the future wholesale electricity price path, which is in turn influenced by the future gas price for electricity generation.
  - There are risks around future policy with respect to the structure of the gas and electricity markets and their future regulatory frameworks.

- With respect to the Offer, the Independent Directors have no information which leads them to believe that Mission will increase the price of its Offer if the current Offer fails to reach the 90% acceptance condition.

- With respect to competing offers from parties other than Mission the Independent Directors:
  - Note that they have no information which leads them to believe that a bid is likely to emerge in competition to the Offer.
  - Note that for a competing offeror to acquire control Mission would be required to sell.
  - Assess that there is a low probability of a successful competing offer above the price contained in the Offer. A higher competing offer might be expected to arise in the event that there was a bidder which could capture the synergy benefits of combining the Contact business with a similar business. The similar businesses to Contact in New Zealand are mostly State-Owned Enterprises and the Independent Directors have no information which leads them to believe that one of the State-Owned Enterprises might make an offer for Contact shares.

- The Independent Directors believe that the share price is highly likely to fall from current levels in the event that the Offer fails and no competing offer emerges. The Independent Directors acknowledge that there is some possibility that retaining shares might produce a higher value outcome for Shareholders than the Offer over the longer term.

Having weighed all these issues the Independent Directors recommend that, on balance, Shareholders should accept the Offer.

The Independent Directors also recommend that Shareholders take their own advice from an independent financial or legal adviser in respect of the Offer, and consider that advice in light of their own circumstances.

Yours faithfully

Phillip Pryke
(on behalf of the Independent Directors)

CONTACT ENERGY LIMITED | PO Box 10742 Wellington New Zealand | Level 1 Harbour City Tower 29 Brandon Street Wellington | Phone 64-4 499 4001 Fax 64-4 499 4003

TARGET COMPANY STATEMENT BY CONTACT ENERGY LIMITED PREPARED PURSUANT TO RULE 46 OF THE TAKEOVERS CODE IN RELATION TO A TAKEOVER OFFER FROM MISSION ENERGY FIVE STAR HOLDINGS

1. DATE

The date of this target company statement ("this Statement") is 2 November 2001.

2. OFFER

The offer ("the Offer") is a full offer by Mission Energy Five Star Holdings ("Mission"), a wholly-owned subsidiary of Edison Mission Energy, a Delaware corporation, ("Edison"), to purchase all of the fully paid ordinary shares ("Contact Shares") in Contact Energy Limited not already held or controlled by Edison (excluding any such shares held as treasury stock) as at the date of the Offer. The terms of the Offer are set out in the offer document , which is being sent to shareholders of Contact Energy Limited ("Shareholders") by Mission together with this Statement.

3. TARGET COMPANY

The name of the target company is Contact Energy Limited ("Contact").

4. DIRECTORS OF CONTACT

The names of the directors of Contact are:

- P Pryke
- S Barrett
- R Edgell
- J Milne
- T Saunders
- R Vickers

5. OWNERSHIP OF EQUITY SECURITIES OF CONTACT

Schedule 1 to this Statement sets out the number, designation and percentage of the equity securities of Contact held or controlled by each director or senior officer of Contact (a "Director" or "Senior Officer" respectively) and their associates and any other person who, to the knowledge of Contact, holds or controls more than 5% of any class of equity securities of Contact (referred to in Schedule 1 as a "substantial security holder").

There are no equity securities of Contact that have, during the 2-year period ending on the date of this Statement, been issued to Directors and Senior Officers or their associates or in which Directors and Senior Officers or their associates have, during the 2-year period ending on the date of this Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement.

6. TRADING IN EQUITY SECURITIES OF CONTACT

No Director, nor any associate of a Director, has acquired or disposed of equity securities of Contact during the 6-month period before 1 November 2001 (being the latest practicable date before the date of this Statement).

Schedule 2 to this Statement sets out the number and designation of equity securities of Contact acquired or disposed of by each Senior Officer and their associates during the 6-month period before 1 November 2001 (being the latest practicable date before the date of this Statement), including the consideration for, and the date of, each such transaction.

7. ACCEPTANCE OF OFFER

Messrs Pryke, Milne, Saunders, Cross, Graham, Stevenson and Exelby, all being Senior Officers or Directors, and their associates intend to accept the Offer in respect of all Contact Shares held or controlled by them as set out in Schedule 1. Ms F Hill, an associate of a Senior Officer, intends to accept the Offer in respect of all Contact Shares she holds or controls as set out in Schedule 1.

8. OWNERSHIP OF EQUITY SECURITIES OF MISSION

Neither Contact, nor any Director or Senior Officer, nor any associate of a Director of Senior Officer, holds or controls any equity securities of Mission.

9. TRADING IN EQUITY SECURITIES OF MISSION

Neither Contact, nor any Director or Senior Officer, nor any associate of a Director of Senior Officer, has acquired or disposed of any equity securities of Mission during the 6 month period before 1 November 2001 (being the latest practicable date before the date of this Statement).

10. ARRANGEMENTS BETWEEN MISSION AND CONTACT

There are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Mission (or any associates of Mission, including Edison) and Contact (or any related company of Contact), in connection with, in anticipation of, or in response to, the Offer.

11. RELATIONSHIP BETWEEN MISSION AND DIRECTORS AND SENIOR OFFICERS

Except as disclosed below in the case of S Barrett, there are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Mission (or any associates of Mission, including Edison) and any Directors or Senior Officers (or any of the directors or senior officers of any related company of Contact), in connection with, in anticipation of, or in response to, the Offer.

The Independent Directors are aware of public statements made on behalf of Edison that, if the Offer succeeds, New Zealanders would remain on the board of Contact. The Independent Directors have no further knowledge of Edison's intentions in that regard.

S Barrett, a Director and Senior Officer (Chief Executive) of Contact, is Corporate Vice President of Edison and holds the position of director, or its equivalent, in a number of other entities which are related companies or associates of Mission and of Edison. Mr Barrett is on secondment to Contact from Edison. The secondment agreement between Contact and Edison provides for Mr Barrett to act exclusively in the best interests of Contact and be subject to the direction and control of the board of Contact. The Independent Directors have been advised that, in the event that the Offer succeeds, S Barrett will be transferring to Melbourne to work there for Edison although retaining responsibility within Edison for oversight of Contact.

R Edgell, a Director, is an Executive Vice President of Edison.

R Vickers, a Director, is a director of Mission and a senior officer of Edison.

Each of Messrs Edgell and Vickers also hold the position of director, or its equivalent, in a number of entities which are related companies or associates of Mission and Edison.

12. AGREEMENT BETWEEN CONTACT, AND DIRECTORS AND SENIOR OFFICERS

No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between Contact or any related company of Contact, and any Directors or Senior Officers (or their associates) or any of the directors or senior officers (or their associates) of any related companies of Contact, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

Contact Constitution

Contact's constitution provides that Directors may receive a lump sum payment or pension in connection with cessation of office. The total amount of the payment (or the base for the pension) must not exceed the total remuneration of the Director, in his or her capacity as a director, in any three years chosen by the board. Should any of the Directors cease to hold office as a result of the Offer succeeding, the board may, at its discretion, make such lump sum payments to such Directors.

Employment Contracts

Certain Senior Officers are employed by Contact under employment contracts that provide for notice, of varying length, of termination and for additional compensation where those contracts are terminated as a result of redundancy. The maximum of these entitlements is respectively for 3 months notice of termination and for 6 months base salary and bonus redundancy compensation. Neither the relevant provisions of Contact's constitution, nor these employment contracts, were entered into in connection with, in anticipation of, or in response to, the Offer.

13. INTERESTS OF DIRECTORS AND SENIOR OFFICERS IN MATERIAL CONTRACTS OF MISSION

Other than as disclosed in paragraph 11 in relation to the secondment of S Barrett to Contact, no Director or Senior Officer, nor any associate of a Director or Senior Officer, has any interest in any material contract to which Mission (or any related company of Mission, including Edison) is a party.

The Independent Directors consider that Edison, being a person who, to the knowledge of the Directors and Senior Officers, holds or controls more than 5% of any class of equity securities of Contact, will, as the parent company of Mission, be interested accordingly in material contracts to which Mission, or its related companies, are parties.

14. ADDITIONAL INFORMATION

In the opinion of the Independent Directors, no additional information is required to be added to the offer document to make the information in the offer document correct or not misleading.

15. RECOMMENDATION

Independent Directors Responsible

The board of directors of Contact has appointed a sub-committee of independent directors to attend to all matters associated with the Offer. This sub-committee comprises Messrs Pryke, Milne and Saunders ("the Independent Directors").

Messrs Barrett, Edgell and Vickers (being senior officers of Edison and, in the case of R Vickers, also a director of Mission) have conflicts of interest in respect of the Offer and therefore are not members of the sub-committee and for that reason abstain from making any recommendation to Shareholders as to whether to accept or reject the Offer.

Recommendation of Independent Directors

The Independent Directors engaged Grant Samuel & Associates Limited ("Grant Samuel"), as independent adviser, and Grant Samuel has prepared a report on the merits of the Offer as required by rule 21 of the Takeovers Code ("the Grant Samuel Report"). The Grant Samuel Report is attached to this Statement. Grant Samuel has concluded that the Offer is fair and reasonable. The basis for this conclusion is that the Offer is within its valuation range. In addition Grant Samuel notes:

- The Offer represents relatively high multiples of current year revenue and earnings.
- The Offer represents a premium to the Contact Share price on the day prior to the announcement of the Offer which is broadly consistent with the premia for control observed in other takeovers.

In reaching a conclusion on the Offer the Independent Directors have had regard to the following factors:

- The bid is within the value ranges assessed by Grant Samuel, and Cameron & Company Limited, the advisers to the Independent Directors.
    - The Grant Samuel Report assesses a value range for Contact Shares between $4.11 and $4.51 with a mid-point of $4.31. The Offer is therefore close to the mid-point of Grant Samuel's assessed value range.
    - The Independent Directors have received advice from Cameron & Company Limited who assess a value range of $4.22 to $4.66 with a mid-point of $4.44. The Offer is therefore within, but at the lower end, of the value range assessed by Cameron & Company Limited.
    - The Independent Directors note that the difference between the mid-point values assessed by Grant Samuel and Cameron & Company Limited is relatively minor, being approximately 3%. The Independent Directors understand that the difference arises from the net effect of a number of different assumptions made by Grant Samuel and Cameron & Company Limited in the course of their valuation work.
- Many of the elements of both the Grant Samuel work and the Cameron & Company Limited work draw on the current Contact draft business plan. While the plan is in draft the Independent Directors believe it represents a realistic view of the future business activities of Contact based on current information.
- The Independent Directors note that there are a number of external variables (many of which are outside the control of Contact) which could impact materially (positively or negatively) on the value of Contact Shares.
- Many of these variables are discussed in the Grant Samuel Report. The Independent Directors consider that a number of these variables have the potential to cause the value of Contact Shares to fall below the lower end of the Grant Samuel and Cameron & Company Limited value ranges. In particular the Independent Directors note that:
    - There are risks around the future wholesale electricity price path, which is in turn influenced by the future gas price for electricity generation.
    - There are risks around future policy with respect to the structure of the gas and electricity markets and their future regulatory frameworks.
- With respect to the Offer, the Independent Directors have no information which leads them to believe that Mission will increase the price of its Offer if the current Offer fails to reach the 90% acceptance condition.
- With respect to competing offers from parties other than Mission the Independent Directors:
    - Note that they have no information which leads them to believe that a bid is likely to emerge in competition to the Offer.

- Note that for a competing offeror to acquire control Mission would be required to sell.
- Assess that there is a low probability of a successful competing offer above the price contained in the Offer. A higher competing offer might be expected to arise in the event that there was a bidder which could capture the synergy benefits of combining the Contact business with a similar business. The similar businesses to Contact in New Zealand are mostly State-Owned Enterprises and the Independent Directors have no information which leads them to believe that one of the State-Owned Enterprises might make an offer for Contact Shares.

- The Independent Directors believe that the Contact Share price is highly likely to fall from current levels in the event that the Offer fails and no competing offer emerges. The Independent Directors acknowledge that there is some possibility that retaining shares might produce a higher value outcome for Shareholders than the Offer over the longer term.

Having weighed all these issues the Independent Directors recommend that, on balance, Shareholders should accept the Offer.

The Independent Directors also recommend that Shareholders take their own advice from an independent financial or legal adviser in respect of the Offer, and consider that advice in light of their own circumstances.

16. ACTIONS OF CONTACT

There are no material agreements or arrangements (whether legally enforceable or not) of Contact (or any related company of Contact) entered into as a consequence of, in response to, or in connection with, the Offer.

There are no negotiations underway as a consequence of, in response to, or in connection with, the Offer that relate to or could result in:

- an extraordinary transaction, such as a merger, amalgamation or reorganisation, involving Contact or any of its related companies; or
- the acquisition or disposition of material assets by Contact or any of its related companies; or
- an acquisition of equity securities by, or of, Contact or any related company of Contact; or
- any material change in the issued equity securities of Contact.

The current policy of the board of Contact relating to distributions by Contact remains as previously stated, namely to distribute over the medium term an average of approximately 80% of net surplus, subject to a range of considerations, including the solvency test and future capital expenditure plans. The board has as at the date of this Statement, decided to pay a further fully imputed interim dividend in respect of the year ended 30 September 2001 of 11 cents per share on 23 November 2001 with a record date of 16 November 2001 to distribute all available imputation credits to Shareholders. The terms of the Offer, as advised to Contact, provide for an adjustment to the purchase price in the event of the payment of a dividend (equal to the amount of the dividend). An adjustment of 11 cents will, accordingly, be made.

17. EQUITY SECURITIES OF CONTACT

Contact has 603,950,000 ordinary shares on issue, being the only class of equity securities (as defined in the Takeovers Code) Contact has on issue. 27, 316, 018 of those shares are currently held by Contact as treasury stock.

The rights of holders of those shares (excluding treasury stock in respect of which all voting and other rights are suspended) in respect of capital, distributions and voting are as follows:

- the right to an equal share with other shareholders in dividends authorised by the board of directors of Contact;
- the right to an equal share with other shareholders in the distribution of surplus assets on liquidation of Contact; and
- subject to the prohibitions contained in the Listing Rules and Contact's constitution, the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution to:
  - appoint or remove a director or auditor;
  - alter Contact's constitution;
  - approve a major transaction;
  - approve an amalgamation of Contact; and
  - put Contact into liquidation.

18. FINANCIAL INFORMATION

Shareholders are entitled to obtain from Contact a copy of Contact's annual report for the period ending 30 September 2000 by making a written request to Contact at PO Box 10742, Wellington.

A copy of Contact's most recent half-yearly report and half-yearly financial statements that Contact was required by the Listing Rules to send to its equity security holders, since the date of the 2000 annual report, is reproduced in Schedule 3 to this Statement.

A copy of Contact's unaudited financial results for the year ended 30 September 2001 together with Management Discussion and Analysis on those results, which were released to the NZSE and the ASX on 26 October 2001 is reproduced in Schedule 4 to this Statement. Those financial statements have now been audited and will be released by Contact as part of its annual report for the year ended 30 September 2001. There has been no change in the financial statements from those released on 26 October 2001.

Other than as referred to in the Management Discussion and Analysis of Contact's unaudited September 2001 results as set out in Schedule 4 to this Statement, there have been no material changes in the financial or trading position or prospects of Contact since the 2000 Annual Report.

Other than as set out in this Statement, including the Grant Samuel Report, there is no other information about the assets, liabilities, profitability and financial affairs of Contact that could reasonably be expected to be material in the making of a decision by Shareholders to accept or reject the Offer.

19. INDEPENDENT ADVICE ON MERITS OF OFFER

Grant Samuel,as independent adviser, has prepared a report on the merits of the Offer as required by rule 21 of the Takeovers Code. A copy of that report is attached to this Statement.

20. ASSET VALUATION

The Grant Samuel Report refers to an asset valuation prepared by Deloitte Touche Tohmatsu dated 30 September 1999.

This valuation was carried out on an economic value basis using the free cash flows produced by selling the generation output of the generating plant. The valuation assumed a weighted average cost of capital of 9% and an entry level price of approximately $44/MWh Nominal. Such a valuation is carried out every three years. In the normal course of business, such a valuation would be carried out in the coming year.

A copy of this valuation will be sent to any Shareholder on request. In addition, copies of this valuation are available for inspection at Contact, Level 1, Harbour City Tower, 29 Brandon Street, Wellington.

21. PROSPECTIVE FINANCIAL INFORMATION

On pages 28 and 29, the Grant Samuel Report sets out forecast information about Contact. The principal assumptions on which this forecast information is based and discussion of them are set out in sections 4.3 and 4.6 of the Grant Samuel Report.

Other than the forecast financial information referred to above, this Statement does not refer to prospective financial information.

22. SALES OF UNQUOTED EQUITY SECURITIES UNDER OFFER

Contact Shares are quoted on the NZSE and the ASX.

23. MARKET PRICES FOR QUOTED EQUITY SECURITIES UNDER OFFER

The closing price on the NZSE and the ASX of listed equity securities of Contact on:

- in respect of the NZSE:
  - 1 November 2001, being the latest practicable working day before the date on which this Statement is sent to Shareholders, was $4.12;
  - 11 October 2001, being the last day on which the NZSE was open for business before the date on which Contact received Mission's takeover notice, was $3.45; and
- in respect of the ASX:
  - 1 November 2001, being the latest practicable working day before the date on which this Statement is sent to Shareholders, was A$3.36; and
  - 11 October 2001, being the last day on which the ASX was open for business before the date on which Contact received Mission's takeover notice, was A$2.81.

The highest and lowest closing market price of listed equity securities of Contact on the NZSE and the ASX (and the relevant dates) during the 6 months before 12 October 2001 (being the date Contact received notice of the Offer) were as follows:

- NZSE:
  - highest closing market price was $3.48 (on 29 August 2001); and
  - lowest closing market price was $2.78 (on 1 June 2001); and
- ASX:
  - highest closing market price was A$2.81 (on 27 September and 11 October 2001); and
  - lowest closing market price was A$2.28 (on 19 June 2001).

During the 6 month period referred to above Contact did not issue any equity securities or make any changes to any equity securities on issue or make any distribution which could have affected the market prices of Contact Shares referred to above.

In May and June of 2001 Edison, acting through a related body corporate, increased its shareholding from 42.7% of all Contact Shares (excluding treasury stock) to 51.2% of all Contact Shares (excluding treasury stock) in on market transactions at prices between $2.90 and $3.25 per Contact Share.

24. OTHER INFORMATION

The Independent Directors believe that Shareholders, when making decisions as to whether to accept or reject the Offer, and at what point any acceptance should be given, should be aware that the terms of the Offer state that, once given, acceptances may not be withdrawn by acceptors unless Mission fails to pay acceptors in accordance with the Takeovers Code. This means that while the Offer remains open, Shareholders who have accepted the Offer cannot accept any other offer that is made and are not entitled to withdraw their acceptances of the Offer, whether or not the Offer is varied by Mission in accordance with the Takeovers Code.

Shareholders should note, however, that if Mission increases the price of the Offer, Mission must provide the increased price to all Shareholders whose Contact shares are acquired under the Offer, whether or not the Shareholder accepted the Offer before or after the price was increased.

The Independent Directors also note that the Offer is conditional on Mission acquiring sufficient acceptances so that, with Edison and its related companies, it will hold or control more than 90% of Contact Shares (excluding treasury stock). Mission may not waive this condition.

25. APPROVAL OF THIS TARGET COMPANY STATEMENT

This Statement has been approved by the Independent Directors who have been delegated with authority by the board of Contact to deal with all matters relating to the Offer.

Interpretation

Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Statement have the same meaning when used in this Statement, and in this Statement:

$ means New Zealand dollars;

A$ means Australian dollars;

ASX means the Australian Stock Exchange;

NZSE means the New Zealand Stock Exchange;

Takeovers Act means the Takeovers Act 1993; and

Takeovers Code means the Takeovers Code approved by the Takeovers Code Approval Order 2000.

Schedule 1: Ownership of equity securities in Contact
(paragraph 5 of this statement)

Name	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities (including those held by Contact as treasury stock)
Directors[1]			
Mr P Pryke	20,604	Ordinary shares	0.0034%
Mr J Milne[2]	29,837	Ordinary shares	0.0049%
Mr T Saunders	1,613	Ordinary shares	0.0002%
Senior Officers[3]			
Mr S Cross	806[4]	Ordinary shares	0.00013%
Mr M Exelby	9,490	Ordinary shares	0.0015%
Mr I Graham	650	Ordinary shares	0.0001%
Mr D Hill	322[5]	Ordinary shares	0.00005%
Mr T Stevenson	15,813[6]	Ordinary shares	0.0026%
Substantial security holders			
Edison Mission Energy[7]	295,369,328	Ordinary shares	48.9063%[8]

1 Mr R Vickers, Mr R Edgell and Mr S Barrett (all being Directors) and their associates do not hold any equity securities in Contact.

2 15,000 of these shares are held by Mr J Milne; 5,000 are held by Mr J Milne and Mr D Stevenson as trustees; 5,000 are held by Mrs M Milne (an associate of Mr J Milne) and Mr D Stevenson as trustees; 3,225 are held by Mrs M Milne and Mr J Milne holds a power of attorney over 1612 of these shares, 806 of which are held by Mr A Milne and 806 of w hich are held by Mr N Milne (both associates of Mr J Milne).

3 Mr J Bole, Mr F Geoghegan, Mr D Thomas and Mr D Hunt (all being Senior Officers) and their associates do not hold any equity securities in Contact.

4 All of these shares are held by Fanselow & Cross Limited, a company controlled by Mr S Cross.

5 All of these shares are held by Ms F Hill, an associate of Mr D Hill.

6 14,201 of these shares are held jointly by Mr T and Mrs C Stevenson; 806 are held by Mrs C Stevenson and 806 are held by Miss A Stevenson (both associates of Mr T Stevenson).

7 Edison Mission Energy holds and controls these shares through its related body corporates Mission Energy Pacific Holdings and Mission Energy Universal Holdings, which hold 48.3101% and 0.5961% respectively of equity securities in Contact.

8 This is a percentage of the total number of equity securities in Contact including treasury stock held by and controlled by Edison Mission Energy. Edison Mission Energy holds and controls 51.2230% of equity securities in Contact excluding treasury stock.

Schedule 2: Trading in equity securities in Contact
(paragraph 6 of this statement)

Name	Number of equity securities	Designation of equity security	Acquisition or disposal	Consideration per share	Date
Senior Officers[9]					
Mr M Exelby	5,000	Ordinary shares	Acquisition	$2.93	4/5/01
	5,000	Ordinary shares	Acquisition	$2.84	31/5/01
	4,490	Ordinary shares	Acquisition	$2.85	22/6/01
	5,000	Ordinary shares	Disposition	$3.10	22/5/01
Mr I Graham	1000	Ordinary shares	Disposition	$3.10	28/5/01
	1200	Ordinary shares	Disposition	$3.10	28/5/01

9 Mr J Bole, Mr S Cross, Mr F Geoghegan, Mr D Hunt, Mr T Stevenson, Mr D Hill and Mr D Thomas (all being Senior Officers) and their associates have not traded in equity securities in Contact during the six months before 1 November 2001.

Schedule 3: Half- Yearly Report and Financial Statements for the six months ended 31 March 2001
(paragraph 18 of this Statement)

The following pages contain a copy of Contact's Half-Yearly Report and Financial Statements for the six months ended 31 March 2001.

CONTACT ENERGY LIMITED

HALF YEAR REPORT FOR PERIOD TO 31 MARCH 2001

contact


Retail Gas
Gas supplied by Contact for generation
Otahuhu A,
Otahuhu B,
Te Rapa,
New Plymouth,
Ohaaki,
Wairakei,
Poihipi,
Clyde,
Roxburgh, hydro 320MW
Oakey,

Key Results for last six months

Net surplus of $35.7million

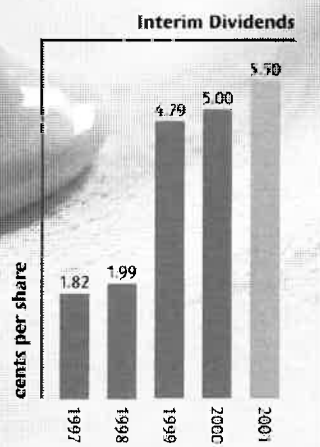
Fully imputed dividend per share of 5.5 cents, a 10 per cent increase

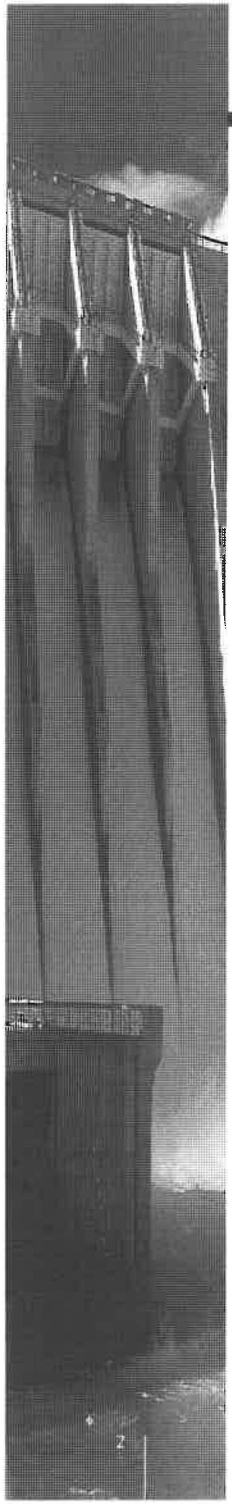
Sale of the remaining unit at Whirinaki

Launch of DualEnergy programme

Successful return to service of Otahuhu B power station

Restructuring of electricity tariffs





Message to Shareholders

Overview of Results

Contact's financial performance for the period ended 31 March 2001 illustrates the impact of varying influences on the business.

The net surplus for the period is $35.7million. This compares with $38.2million for the six month period ended 31 March 2000. After adjusting for material non-recurring items, the adjusted net surplus is $26.0million compared with $34.2million for the previous period. EBITDA is $121.3million which is slightly ahead of this period last year.

Despite the contraction in the core result, many of the contributing factors are non-recurring or transitory and the company continues to benefit from strong underlying cashflows. Accordingly we are able to pay a fully imputed dividend of 5.5 cents per share. This represents a 10 percent increase on the amount paid per share in respect of the period ended 31 March 2000.

The core net surplus for the period is influenced by a range of positive and negative factors. Wholesale electricity prices have on average been about 40% higher than the corresponding period last year. This has significantly lifted the wholesale electricity revenue earned by the generation business.

However, a substantial portion of Contact's generation output is hedged by sales to retail electricity customers and other contractual cover. Together these account for about 60% in volume of our total generation in this period. This combined with the shape of the load curve and location of the load, has resulted in the hedge on a revenue basis covering closer to 65% of our generation revenue in this period.

At the same time we have experienced a reduction in the overall retail margin, particularly in our incumbent areas. These have come under pressure due to increased competition in the retail business, particularly in some segments which have been aggressively targeted. This had been foreseen and the tariff restructuring which is currently being implemented is designed to rationalise tariffs across the customer base thus ensuring competitive tariffs and an appropriate return to shareholders in future.

Another key factor in this period is that gas margins in this half year have contracted. Volumes consumed in this half year are similar to the corresponding period last year; however Methanex has purchased a volume of gas which in the previous period was sold to other higher margin users. Due to the substantially lower cost of prepaid gas which will be consumed in the latter part of the year, margins on gas sales are expected to increase in the balance of the financial year.

Interest expense has also substantially increased during the period, due to an increase in the amount of debt required to fund acquisitions in the prior financial year and the share buyback programme. Furthermore, underlying interest rates have also increased.

In addition, we have experienced an increase in depreciation and amortisation due to the recent addition of new assets and customers.

Operational Performance

The company continued to make good progress on a number of important operational issues.

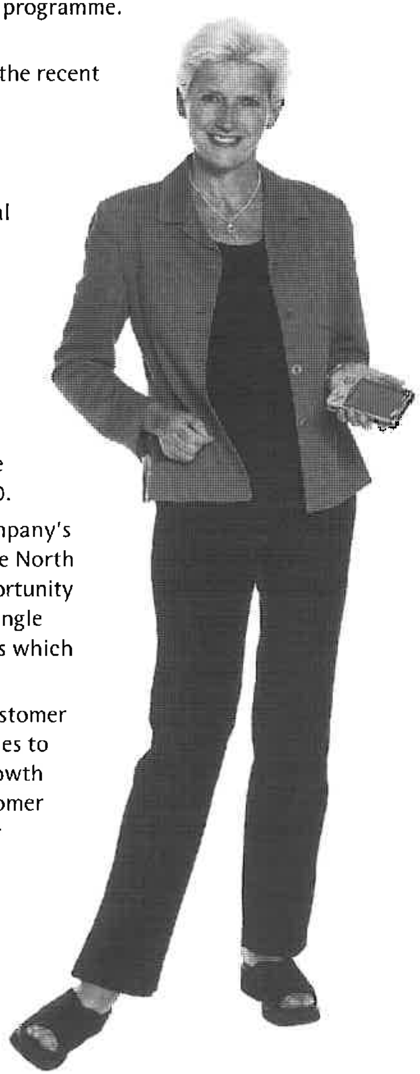
We were very pleased to see the successful return to service of Otahuhu B. The generator transformer sustained damage in late 2000 and had to be returned to Brazil for repair. Since its return the plant has performed reliably.

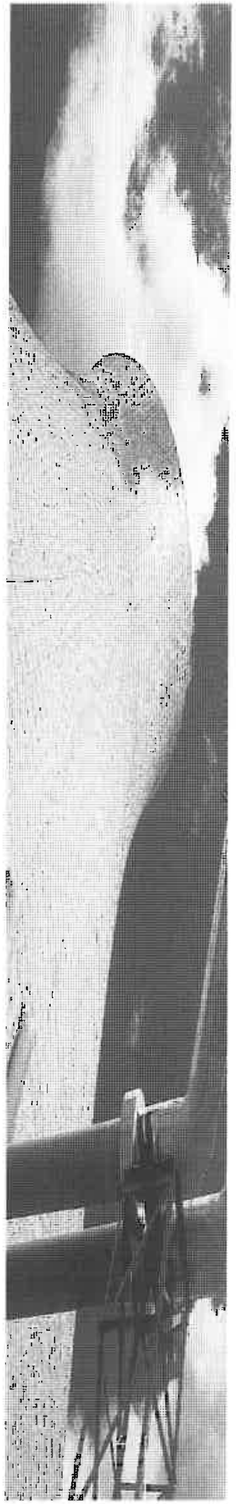
During the period Contact was the first retailer to respond to Government policy and offer tariffs with low fixed charges. These were introduced as part of the wider exercise of tariff restructuring. New tariffs are being introduced on a phased basis in all of Contact's service areas. In addition the restructuring will significantly reduce the number of tariffs we are required to administer from a starting point of over 3000.

Implementing these tariff changes has enabled us to commence the launch of the company's DualEnergy programme. This follows the successful pilot programme undertaken in the North Shore towards the end of last year. Under the programme customers are offered the opportunity to purchase both gas and electricity from Contact and obtain the convenience of a single bill. The cost savings are shared with customers through a rebate on the bill. The areas which have been initially targeted include Manawatu, Wellington and Auckland.

Total customer numbers as at 31 March 2001 were 482,000. This compares with total customer numbers as at 30 September 2000 of 492,000. Growth in electricity customers continues to come primarily from Empower although the rate of new additions is slowing - this growth is currently matching losses of existing customers from our incumbent areas. Gas customer numbers have slightly reduced, following losses due to increased levels of competitor activity, although new connections continue to be added.

On 30 March 2001 we sold the final unit at Whirinaki. Following the conduct of a competitive process the unit was sold to Contact's cornerstone shareholder, Edison Mission Energy. The proceeds of the sale are reflected in the results for the period.





Financial Commentary

	Period ended 31 March 2000	*Period ended 31 March 2001*
Net surplus	$38.2m	$35.7m
Net surplus (adjusted)[1]	$34.2m	$26.0m
Revenue	$418.6m	$443.9m
Operating expenses	$299.4m	$322.6m
EBITDA	$119.2m	$121.3m
Shareholder equity	$1,651m	$1,598m
Gearing	32%	33%

[1] Net surplus in each period has been adjusted for material non-recurring items. In 2000 these were liquidated damages in relation to Otahuhu B to the extent the effect is non-recurring, provisions for gas receipts and the sale of the interest in Southern Hydro. In 2001 the result has been adjusted for proceeds from the sale of the Whirinaki unit.

The influences on each part of the business are summarised below.

Wholesale and Retail Electricity

	Period ended 31 March 2000	*Period ended 31 March 2001*
Wholesale electricity revenue*	$118.8m	$165.7m
Retail electricity revenue (gross)**	$193.9m	$221.7m
Retail electricity sales (net)	$136.8m	$119.0m
Transmission and distribution costs	$113.0m	$123.4m
Gas used in internal generation	15.5PJs	14.8PJs
Generation	4003Gwhrs	3990Gwhrs

* includes Contracts for Differences, ancillary services and constrained on payments
** before cost of electricity purchases

The increase in wholesale revenue between the periods is due to the increase in wholesale prices. The average price earned by Contact's generation in the half year to 31 March 2001 was $41.53/MWh compared with $29.63/MWh in the corresponding previous period. Generation volumes were relatively flat between the periods.

Total retail revenue grew by about 14% compared with the previous period. This was due to an increase in customers and load, primarily as a result of the acquisition of Empower. The total volume of electricity purchased for supply to the retail business in this period was 2327 GWhrs compared with 2032GWhrs in the previous period. Transmission and distribution costs attributable to the retail business have risen primarily due to the addition of Empower customers.

Despite the increase in revenue, there has been a contraction in overall retail margins due to the increased level of competition, particularly in some customer segments. One of the objectives of the tariff restructuring is to ensure that all tariffs offered by the company are competitive, thus reducing the susceptibility of the customer base to attack by competitors.

There has been a significant increase in the cost of purchase of energy for the retail business. There are a number of contributing reasons for this:

- High wholesale prices have increased the average purchase cost to $44.14/MWh in this period, significantly above the price paid in the previous period;
- Customer load has grown compared with the corresponding period last year (particularly in the top of the North Island where purchase costs on average are higher). This has increased the volume hedge from retail (and other sources) for the period to close to 60%;
- Contact is still experiencing unacceptably high differences between the volume of its purchases of energy and sales of energy. In the six month period to 31 March 2001, there was about a 10% difference between our purchases of energy and sales of energy. On average, provision for physical losses on the network should be about 6%. Accordingly we have an ongoing programme to reduce the level of these unattributed losses. During the period some recoveries were made which related to the previous financial year.

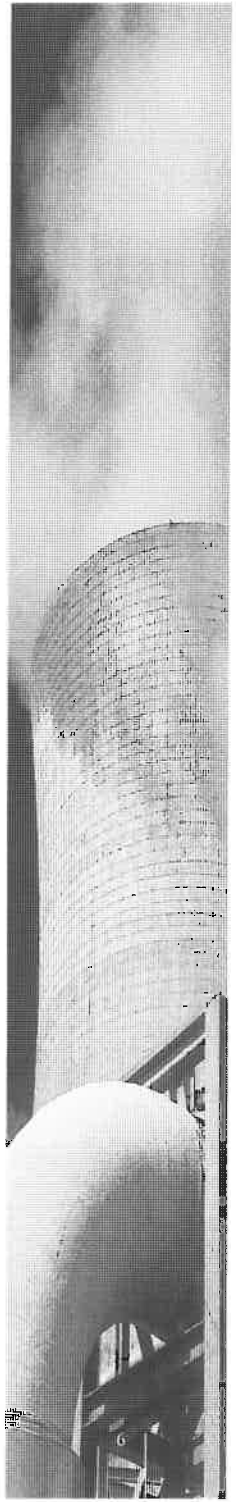
The overall level of hedging has increased in volume terms from around 50% in the six months to 31 March 2000 to approximately 60% in this period. Furthermore, the demand weighted average price paid for retail purchases of $44.14/MWh exceeds the generation weighted average price received by Contact's generation of $41.53/MWh - a difference of about 6%. The difference in the prices is due to a number of factors including the location of the load and the shape of the demand profile when compared with the location and load shape of Contact's generation portfolio. The unavailability of Otahuhu B during the first part of this period has exacerbated this effect and we expect this difference in price to reduce now that Otahuhu B has returned to service. Accordingly in revenue terms the hedge provided by retail electricity and other hedging during the first half of this year as against revenue derived from generation was closer to 65%.

The company has also been more active in the contracting market in the past few months. As a consequence, for the remainder of the financial year the level of the hedge position of the company on a revenue basis, including the retail load, is expected to be around 70%.

Wholesale and Retail Gas

	Period ended 31 March 2000	*Period ended 31 March 2001*
Wholesale gas revenue	**$74.2m**	**$66.3m**
Retail gas revenue	**$55.7m**	**$61.5m**
Costs of sale* (purchase and transmission)	**$133.9m**	**$144m**
Volume sold - wholesale	**20.7PJs**	**21.2PJs**
- retail	**7.4PJs**	**6.9PJs**
- total	**28.1PJs**	**28.1PJs**

This represents the total cost of gas including gas used for internal generation.
Note: For the purposes of this comparison, sales of gas to Orion in the period to 31 March 2000 have been treated as retail gas sales.



The reduction in wholesale gas revenue between the periods is primarily due to the fact that Methanex has commenced its purchase of gas under the contract entered into in mid 1999. Effectively the volume which Methanex has taken in this half year is equivalent to the difference between the volume of gas taken by other customers in this period and the amount taken by them in the six months to 31 March 2000. As indicated at the time of announcement of the sale of gas to Methanex, the gas was priced on the assumption that Methanex was buying Maui Block B gas (which is less expensive than base gas under the Maui Contract).

Accordingly in this half year while the company is still buying base gas, the price of gas sold to Methanex is below the average cost to Contact of that gas. However we anticipate that during the remainder of the financial year we will use substantial quantities of prepaid gas. Once the company starts using its prepaid gas the average cost of gas will reduce and consequently margins on all sales will be greater than for the first half of the financial year. Sales to Methanex will therefore make a significant contribution to cashflow across the whole of the year.

The major causes of the increase in costs of purchase of gas during the period are an increase in network charges by UnitedNetworks, and an increase in the wholesale price of gas. These increases were initially absorbed by Contact but are now reflected in retail gas tariff adjustments which were announced in February 2001 and took effect from March 2001.

Depreciation and Amortisation

Depreciation and amortisation increased from $36.5million to $39.0million. The primary difference in depreciation between the two periods is the addition of the Poihipi, Otahuhu B and Te Rapa power stations. The increase in amortisation is due to the addition of the Empower customers.

Interest Expense

Net interest expense has increased by $8.1million or 31% between the two periods. This is due to:

- An increase in average debt between the two periods of about $100million or about 13%. The debt has been incurred to fund the share buyback and other acquisitions such as Poihipi and Empower;
- An increase in the cost of funds. Contact's average cost of funds for the six month period to 31 March 2001 is 8.31% compared with 7.52% for the six months to 31 March 2000. While Contact manages its interest rate exposure through hedging it retains some residual exposure to interest rate changes. Therefore we were affected by the underlying 90 day bank bill rates increasing from an average of 5.67% for the period ending March 2000 to an average of 6.57% for the period ending March 2001. In addition during the period the company refinanced some of its debt at higher margins than applied previously.

Generation Operations

In addition to the successful return to service of Otahuhu B the company has worked to strengthen its relationship at the Te Rapa cogeneration plant with New Zealand Dairy Group. The plant has operated throughout the dairy season and provided electricity and steam to New Zealand Dairy Group.

Applications for renewal of resource consents have been filed in relation to the Wairakei and Clutha facilities prior to the due date of 31 March 2001. Both consenting authorities are evaluating the applications and it is expected that they will be publicly notified in the near future.

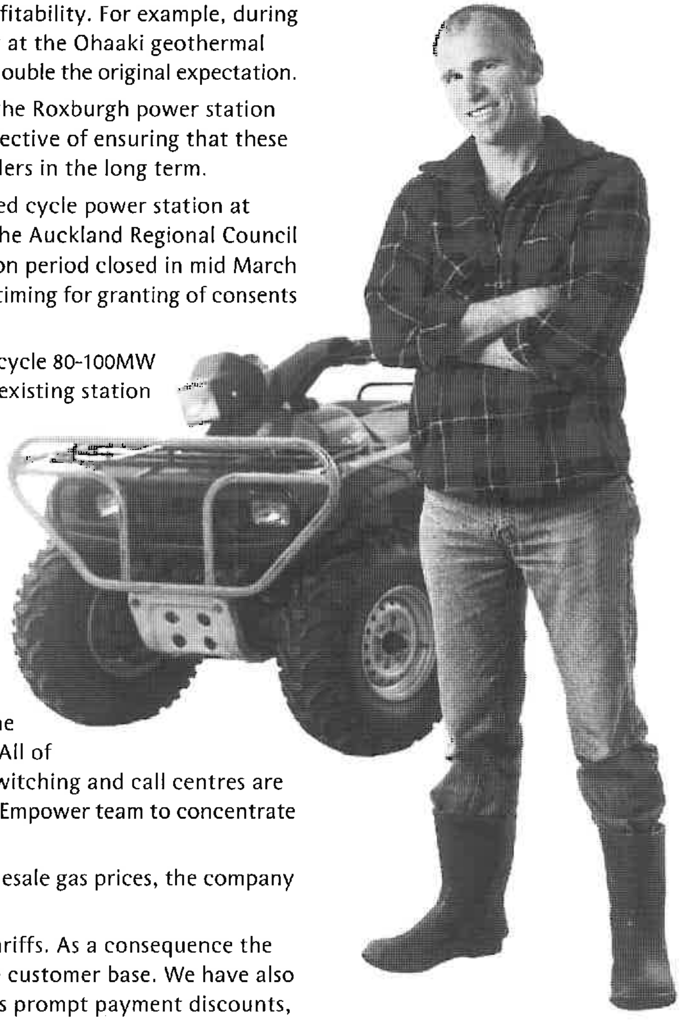
A major focus for this financial year has been review of the generation assets and identification of low cost capital enhancements which will improve efficiency and profitability. For example, during this period the company invested $400,000 in a bore cleaning project at the Ohaaki geothermal power station. This had the effect of increasing the capacity by 14MW, double the original expectation.

The company has also embarked on a refurbishment programme for the Roxburgh power station located in the South Island. This is consistent with the company's objective of ensuring that these assets are well maintained and continue to deliver value to shareholders in the long term.

The process is underway for obtaining consents for a further combined cycle power station at Otahuhu of up to 400MW. The consent application was lodged with the Auckland Regional Council and Manukau City Council in late October 2000. The public notification period closed in mid March 2001. The resource consent hearing is scheduled for late May 2001. The timing for granting of consents will be dependent upon appeals, if any.

Steps are also being taken to obtain consents to build a new combined cycle 80-100MW power station at the Whirinaki site, now that the final unit from the existing station has been sold.

The final decision to invest in either of these plants will be made once market conditions reach a level which provides assurance that the investment will deliver an appropriate return.



Retail

The retail electricity business faced another period of challenge. Our primary objective has been to manage these challenges while maintaining and improving service levels.

Towards the end of the last calendar year, the company undertook the process of integration of Empower customers with those of Contact. All of the back office functions including billing and payments, customer switching and call centres are now managed as part of Contact's customer base. This has enabled the Empower team to concentrate on acquiring new customers.

Following the increases faced by Contact in network charges and wholesale gas prices, the company announced gas price increases to our retail gas customers.

We have also commenced a process of restructuring our electricity tariffs. As a consequence the company will have consistent and rational tariff structures across the customer base. We have also taken the opportunity to standardise the approach to matters such as prompt payment discounts,

which will help us to manage our business and more effectively develop new marketing programmes such as the recently launched DualEnergy offer.

The tariff restructuring exercise has been approached in stages. In order to comply with the government's expectations of a low fixed charge option, Contact has sought to gain the cooperation of the relevant lines companies. As lines companies provide us with new rates, they are being reflected in the new tariffs offered in the relevant areas. It is hoped that the exercise will be completed during the course of this financial year.

Total electricity customers are now 375,000 compared with 381,000 as at 30 September 2000. While we are experiencing a higher rate of churn than previously in our incumbent areas, the rate remains below the national average. During the period growth in new customers from Empower and other sources has largely compensated for the losses. While Empower is facing a more difficult competitive environment, it continues to make a significant contribution to the business.

It is anticipated that the tariff restructuring will assist in reducing the level of churn going forward. Two of the principal objectives of the tariff restructuring are to remove cross-subsidies between customers, and ensure the retail business delivers an appropriate return to shareholders.

The other main source of new customers is the DualEnergy programme. Under this programme we are approaching existing gas customers of Contact with an offer to supply both electricity and gas. The programme was launched in late March in Manawatu, Wellington and Auckland following the successful pilot programme in the North Shore late last year.

Gas

The major effect on the gas portfolio in this financial year will come from Methanex taking gas under its contract earlier than originally anticipated. While the sales are relatively low margin, the sale of the gas will enable Contact to consume a major portion of its prepaid gas in this financial year. This will make a significant contribution to cashflow in the second half of the financial year and help ensure that the company utilises this asset prior to cessation of supply from the Maui field.

As at 31 March 2001 Contact had 107,000 retail gas customers compared with 111,000 as at 30 September 2000. The loss of customers is primarily due to the customers switching following increased retail competition.

We expect to see significant increases in volumes of gas taken in the winter period, particularly in sales to retail business and use in generation.

Contact has expressed interest in the gas assets to be sold by Shell as a condition of its acquisition of Fletcher Energy. Contact is prepared to consider upstream equity provided the risk is appropriately managed. In considering these assets we would look to enhance the supply portfolio to increase the diversity of supply in the period leading up to the expiry of the Maui Gas Contract.

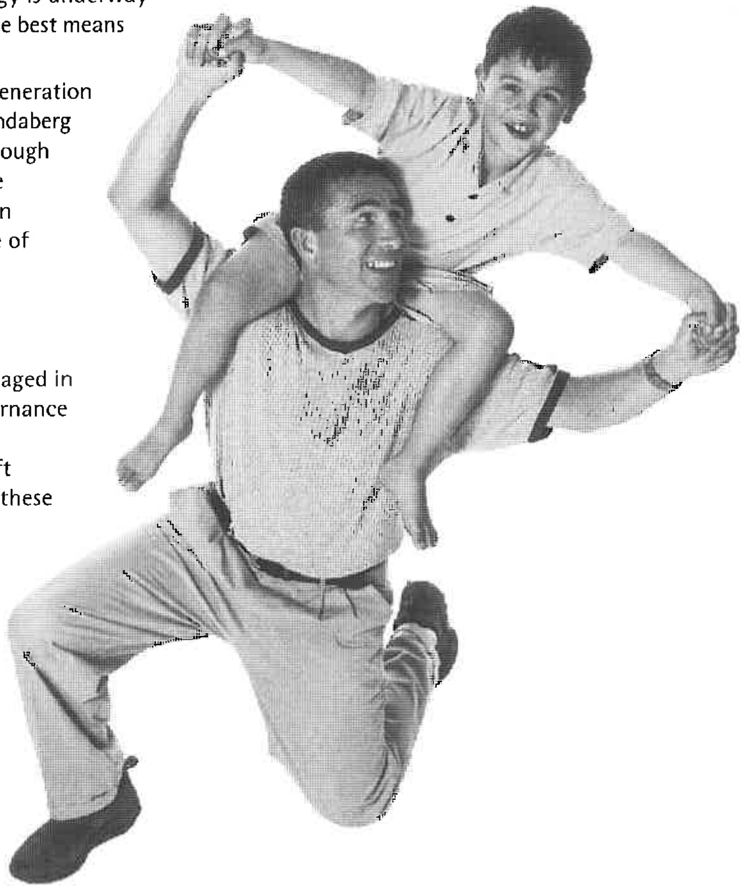
E-Business

During the period the company has redeveloped its website and this will be available to users shortly. The new website will offer a variety of information and online services for both customers and shareholders. Features include online billing - a paperless alternative to the traditional bill, access to transaction history plus energy saving tips, email customer service and general information about energy generation. For shareholders, annual and half yearly reports are available online together with real-time information on Contact's share price and a range of other investor related statistics and data.

Australia

During the period activity in Australia has been focussed on identifying new projects and investments which satisfy the company's criteria. A review of the strategy is underway to assess the areas in which the company should focus and the best means for approaching implementation of the strategy.

Contact continues to pursue development of a 80-100MW cogeneration plant to supply energy to an integrated industrial project at Bundaberg in South Queensland. The project is currently proceeding through the environmental review process and this is expected to be largely completed by June. The project participants will soon make decisions on the basis for movement to the next stage of development.

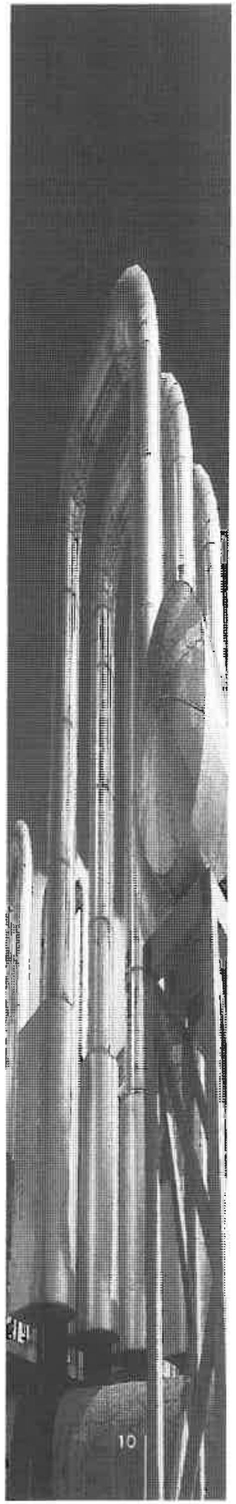


Regulatory Issues

As a key player in the sector, Contact has been actively engaged in the process of redefining the industry's regulatory and governance regimes. While Contact supports the Government's reform objectives, we had concerns about some aspects of the draft Electricity Industry Bill. The company made submissions on these issues and is hopeful that the concerns will be addressed.

Contact has also been deeply involved in the process of reshaping the industry's self-governance arrangements to bring them into line with the regime contemplated by the Electricity Industry Bill. Contact believes the industry is on track to deliver the new arrangements later this year, in accordance with the Government's stated objectives and timetable.

The Government has also announced a review of the gas industry. Contact intends to actively participate in the review to ensure that future policy reflects the long term needs of consumers and investors.



Board Matters

During the half year there were changes to the Board of Directors. At the annual meeting held on 30 January 2001 John Bryson and Paul Anthony resigned from the Board of Directors. We appreciate the efforts which each of them expended in furthering the interests and overall performance of the company. We would like to take this opportunity to acknowledge their commitment and thank both of them for their efforts and contribution.

Share Buyback

We completed our share buyback programme on 29 March 2001. We believe that the programme has been successful in adding shareholder value. The company purchased 27,316,018 shares which represents 4.52% of the shares on issue. The total consideration was $73,548,766 which represents an average price of $2.6925 per share. The shares are currently held as Treasury Stock. At this stage the company has no plans to initiate a further share buyback programme.

Concluding Comments

Contact has substantially expanded its business in the last two years, particularly through the entry into the retail business and restructuring of the gas portfolio. These initiatives have yielded substantial growth in the company's value, but have provided significant integration challenges. Contact's principal focus over the last six months has been on completing the integration process, consolidating the overall business and building on the objective of being a leading energy company.

There has been a comprehensive effort to standardise systems across the company, address key risks, identify incremental value enhancing activities, improve customer service and strengthen the company's competitive position. These initiatives will enhance the quality of the company's future cashflows. Equally important, they strengthen the platform for new initiatives, and provide a secure foundation for future growth.

The company remains focussed on identifying appropriate growth opportunities including developing new generation when required, creating additional value from the customer base and seeking acquisition opportunities which arise from further consolidation of the New Zealand energy sector.

CONTACT ENERGY LIMITED & SUBSIDIARIES STATEMENT OF FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED 31 MARCH 2001

Group Unaudited 6 months ended 31 March 2000 $000	Group Audited 12 months ended 30 September 2000 $000		Note	Group Unaudited 6 months ended 31 March 2001 $000
418,607	867,982	Operating Revenue		443,858
(344,497)	(695,703)	Operating Expenses		(364,663)
(26,117)	(56,921)	Net Finance Expense	4	(34,214)
47,993	115,358	***Operating Surplus Before Taxation***	3	44,981
(10,669)	(19,254)	Taxation on Operating Surplus		(9,443)
37,324	96,104	***Operating Surplus After Taxation***		35,538
879	879	Share of Retained Surplus (Deficit) of Partnership after Taxation		-
-	-	Share of Associated Earnings after Taxation		113
38,203	96,983	***Net Surplus for the Period***		35,651
6.33	16.16	Earnings per Share (cents)		6.14

CONTACT ENERGY LIMITED & SUBSIDIARIES STATEMENT OF MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 31 MARCH 2001

1,617,284	1,617,284	Equity at Start of the Period		1,585,492
38,203	96,983	Net Surplus for the Period		35,651
26,281	23,979	Movement in Asset Revaluation Reserve		-
(109)	(120)	Movement in Foreign Currency Translation Reserve		-
64,375	120,842	***Total Recognised Revenue and Expense for the Period***		35,651
(30,198)	(102,498)	Ordinary Dividends Paid or Provided		384
-	(50,136)	Treasury Stock	5	(23,413)
1,651,461	1,585,492	***Equity at End of the Period***		1,598,114

These financial statements should be read in conjunction with the attached notes.

CONTACT ENERGY LIMITED & SUBSIDIARIES STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2001

Group Unaudited 31 March 2000 $000	Group Audited 30 September 2000 $000		Note	Group Unaudited 31 March 2001 $000
1,651,461	1,585,492	***SHAREHOLDERS' EQUITY***		1,598,114
		Represented by:		
		Current Assets		
1,689	147,825	Short Term Deposits		180
137,138	175,732	Receivables and Prepayments		174,452
6,544	14,223	Prepaid Gas		39,866
10,768	7,691	Taxation Receivable		7,630
15,069	18,624	Inventories		18,541
171,208	364,095	***Total Current Assets***		240,669
		Non Current Assets		
2,176,002	2,143,527	Fixed Assets		2,126,309
161,063	184,518	Goodwill and Customer Contracts		175,571
53,872	30,000	Prepaid Gas		4,357
2,769	3,774	Investment in Associates		3,886
5,192	5,192	Advances to Associates		4,378
2,398,898	2,367,011	***Total Non Current Assets***		2,314,501
2,570,106	2,731,106	***TOTAL ASSETS***		2,555,170
		Current Liabilities		
2,488	-	Bank Overdraft		51
110,592	111,335	Payables and Accruals		107,867
-	72,300	Dividends Payable		-
113,080	183,635	***Total Current Liabilities***		107,918
		Non Current Liabilities		
27,846	19,018	Estimated Liabilities		17,096
777,719	942,961	Borrowings		832,042
805,565	961,979	***Total Non Current Liabilities***		849,138
918,645	1,145,614	***TOTAL LIABILITIES***		957,056
1,651,461	1,585,492	***NET ASSETS***		1,598,114

These financial statements should be read in conjunction with the attached notes.

Group Unaudited 6 months ended 31 March 2000 $000	*Group Audited 12 months ended 30 September 2000 $000*		*Note*	*Group Unaudited 6 months ended 31 March 2001 $000*
		CASH FLOWS FROM OPERATING ACTIVITIES		
		Cash was Provided from:		
389,165	789,293	Receipts from Customers		444,798
1,967	2,846	Interest Received		1,696
391,132	792,139			446,494
		Cash was Applied to:		
(298,499)	(608,200)	Payments to Suppliers and Employees		(328,881)
(18,953)	(24,461)	Taxation Paid		(9,382)
(26,937)	(58,620)	Interest Paid		(38,075)
(344,389)	(691,281)			(376,338)
46,743	100,858	***Net Cash Inflow from Operating Activities***		70,156
		CASH FLOWS FROM INVESTING ACTIVITIES		
		Cash was Provided from:		
-	3,037	Proceeds from Sale of Fixed Assets		-
52,996	56,725	Proceeds from Sale of Investment		-
-	-	Proceeds from Associates		814
29,230	29,230	Refund of Stamp Duty		-
82,226	88,992			814
		Cash was Applied to:		
(77,200)	(80,745)	Purchase of Fixed Assets		(13,296)
(7,117)	(34,120)	Purchase of Investment		-
(84,317)	(114,865)			(13,296)
(2,091)	(25,873)	***Net Cash (Outflow) from Investing Activities***		(12,482)

These financial statements should be read in conjunction with the attached notes.

Group Unaudited 6 months ended 31 March 2000 $000	*Group Audited 12 months ended 30 September 2000 $000*		*Note*	*Group Unaudited 6 months ended 31 March 2001 $000*
		CASH FLOWS FROM FINANCING ACTIVITIES		
		Cash was Provided from:		
613,706	1,234,986	Gross Proceeds from the Issue of Debt		192,429
613,706	1,234,986			192,429
		Cash was Applied to:		
(96,633)	(96,633)	Ordinary Dividend Paid to Shareholders		(71,916)
(565,986)	(1,018,839)	Gross Repayment of Debt		(303,348)
-	(50,136)	Purchase of Treasury Stock		(22,535)
(662,619	(1,165,608			(397,799)
(48,913)	69,378	***Net Cash Inflow (Outflow) from Financing Activities***		(205,370)
(4,261)	144,363	Net Increase/(Decrease) in Cash Held		(147,696)
3,462	3,462	Add: Cash Balance at the Start of the Period		147,825
(799)	147,825	***Cash Balance at the End of the Period***		129
		Cash Balance is Comprised of:		
1,689	147,825	Short Term Deposits		180
(2,488)	-	Less Bank Overdraft		(51)
(799)	147,825			129

These financial statements should be read in conjunction with the attached notes.

Group Unaudited 6 months ended 31 March 2000 $000	Group Audited 12 months ended 30 September 2000 $000		Note	Group Unaudited 6 months ended 31 March 2001 $000
		RECONCILIATION WITH OPERATING SURPLUS		
38,203	96,983	Net Surplus for the Period		35,651
		Adjust for:		
		Add(Less) Non cash items:		
-	251	Bad Debt Write off		1,354
11,678	(3,910)	Provision for Doubtful Debts		(1,302)
(879)	(879)	Share of Retained Deficit / (Surplus) of Partnership after Taxation		-
-	-	Share of Retained Deficit / (Surplus) of Associates		(113)
-	(4,000)	Provision for Obsolescence		-
-	(24,129)	(Gain) on disposal of Fixed Assets	3	(10,232)
32,158	65,666	Depreciation		34,540
4,310	9,015	Amortisation of Goodwill and Customer Contracts		4,503
1,180	(2,119)	Amortisation and Cancellation of Electricity Hedge Contracts		(828)
(2,629)	(4,183)	Estimated Liabilities		(1,922)
406	832	Bond Amortisation		445
-	(14,000)	Liquidated Damages		(6,961)
		Impact of changes in working capital items:		
(11,523)	(14,529)	(Increase)/Decrease in Receivables and Prepayments		19,251
-	16,193	Decrease in Prepaid Gas		-
(8,249)	(5,207)	(Increase)/Decrease in Taxation Receivable		61
39	484	Decrease in Inventories		83
(17,951)	(15,610)	(Decrease) in Payables and Accruals		(4,374)
46,743	100,858	***Net Cash Inflow from Operating Activities***		70,156

These financial statements should be read in conjunction with the attached notes.

1. *ACCOUNTING PERIOD*

These unaudited financial statements cover the six month period ended 31 March 2001. They have been prepared in accordance with FRS-24 Interim Financial Statements and should be read in conjunction with Contact Energy Limited's ("Contact") Annual Report for the year ended 30 September 2000.

2. *ACCOUNTING POLICIES*

There have been no changes in accounting policies from those applied in Contact's Annual Report for the year ended 30 September 2000.

3. *OPERATING SURPLUS BEFORE TAXATION*

Operating Surplus before Taxation for the period contains the following item:
- Operating Revenue includes $10.2 million relating to the gain on sale of a unit at Whirinaki.

4. *NET FINANCE EXPENSE*

	Group Unaudited 31 March 2000 $000	*Audited Group 30 Sept 2000 $000*	*Unaudited Group 31 March 2001 $000*
Loan Interest	28,084	59,767	35,911
Less: Interest Income	(1,967)	(2,846)	(1,697)
Net Finance Expense	26,117	56,921	34,214

5. *TREASURY STOCK*

During the period the Company purchased 8,313,952 shares at a total cost of $23,412,351. As at 31 March 2001 the Company holds 27,316,018 shares at a total cost of $73,548,766 as Treasury Stock. This equates to 4.52% of the total number of shares on issue.

6. *CAPITAL AND INVESTMENT COMMITMENTS*

	Group Unaudited 31 March 2000 $000	*Audited Group 30 Sept 2000 $000*	*Unaudited Group 31 March 2001 $000*
Commitments in respect of contracts for capital and investment expenditure	5,909	169	131

7. *CONTINGENT LIABILITIES*

There are no known material contingent liabilities.

8. *SUBSEQUENT EVENTS*

On 27 April 2001 Contact received a Notice of Restricted Transfer from EME Pacific Holdings, a subsidiary of Contact's major shareholder Edison Mission Energy, of EME Pacific's intention to acquire up to 49,013,888 ordinary shares from 21 May 2001, subsequently amended to 22 May 2001.

On 2 May 2001 Contact declared a fully imputed dividend of approximately $31.7million (5.5 cents per share). Record date for this dividend is 18 May 2001.

Directory

Board of Directors

Phil Pryke (Chairman)
Robert Edgell
(Deputy Chairman)
John Milne
Tim Saunders
Ray Vickers

Head Office

Level 1 Harbour City Tower
29 Brandon Street
Wellington
New Zealand

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New Zealand
Telephone 64 4 499 4001
Facsimile 64 4 499 4003

E-mail

investor.centre@contact-energy.co.nz

Web Site

www.mycontact.co.nz

Share Registrar

Computershare Registry
Services Limited
Private Bag 92119
Auckland 1020
Telephone 64 9 522 0022
Facsimile 64 9 522 0058
Email:
enquiry@computershare.co.nz

Shareholder Inquiries

Inquiries on your shareholding (transactions, changes of address or dividend payments) should be made to the Registrar at the above address.

General inquiries on the company's operating and financial performance should be made to the company at:

Investor Relations Manager
Contact Energy Limited
PO Box 10742
Wellington
New Zealand

Financial Calendar

Preliminary Results
Announcement
29 November 2001

Record Date for final dividend
14 December 2001

Payment Date for dividend
21 December 2001

Annual Meeting
29 January 2002

Note: These dates may be
subject to change


CONTACT

Schedule 4: Unaudited Financial Results for the year ended 30 September 2001; Management Discussion and Analysis (paragraph 18 of this Statement)

The following pages contain a copy of Contact's unaudited financial results for the year ended 30 September 2001, together with Management Discussion and Analysis on those results.

Contact Energy Limited & Subsidiaries
Statement of Financial Position
As at 30 September 2001

	Group		Parent	
	Unaudited 2001 $000	Audited 2000 $000	Unaudited 2001 $000	Audited 2000 $000
SHAREHOLDERS' EQUITY	1,661,452	1,585,492	1,675,926	1,581,148
Represented by:				
Current Assets				
Short Term Deposits	137,543	147,825	135,093	146,090
Receivables and Prepayments	148,841	175,732	158,670	163,535
Prepaid Gas	-	14,223	-	14,223
Taxation Receivable	7,215	7,691	3,219	10,123
Inventories	12,876	18,624	12,876	18,581
Investment in Subsidiaries	-	-	-	-
Advances to Subsidiaries	-	-	-	-
Investment in Partnership	-	-	-	-
Total Current Assets	306,475	364,09	309,858	352,55
Non Current Assets				
Fixed Assets	2,105,858	2,143,527	2,105,138	2,142,620
Goodwill and Customer Contracts	173,711	184,518	149,314	161,980
Prepaid Gas	-	30,000	-	30,000
Investment in Subsidiaries	-	-	25,724	21,421
Investment in Associates	3,509	3,774	3,509	3,774
Advances to Associates	1,551	5,192	1,551	5,192
Total Non Current Assets	2,284,629	2,367,011	2,285,237	2,364,98
TOTAL ASSETS	2,591,104	2,731,106	2,595,095	2,717,53
Current Liabilities				
Payables and Accruals	125,065	111,335	114,582	102,113
Dividends Payable	-	72,300	-	72,300
Total Current Liabilities	125,065	183,635	114,582	174,413
Non Current Liabilities				
Estimated Liabilities	15,079	19,018	15,079	19,018
Borrowings	789,508	942,961	789,508	942,961
Total Non Current Liabilities	804,58	961,97	804,587	961,97
TOTAL LIABILITIES	929,65	1,145,614	919,168	1,136,39
NET ASSETS	1,661,452	1,585,492	1,675,926	1,581,148

....
Phil Pryke
Chairman
25 October 2001

....
Steve Barrett
Chief Executive
25 October 2001

Contact Energy Limited & Subsidiaries
Statement of Cash Flows
For the year ended 30 September 2001

	Group		Parent	
	Unaudited	Audited	Unaudited	Audited
	2001	2000	2001	2000
	$000	$000	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was Provided from:				
Receipts from Customers	1,525,693	789,293	1,410,118	778,249
Interest Received	3,996	2,846	3,987	2,756
Acquisition of Retail Electricity Contracts	-	-	-	-
Acquisition of Retail Working Capital	-	-	-	-
	1,529,689	792,139	1,414,105	781,005
Cash was Applied to:				
Payments to Suppliers and Employees	(1,140,534)	(608,200)	(1,026,489)	(597,694)
Taxation Paid	(62,604)	(24,461)	(61,807)	(24,458)
Interest Paid	(70,607)	(58,620)	(70,607)	(58,620)
	(1,273,745)	(691,281)	(1,158,903)	(680,772)
Net Cash Inflow from Operating Activitie	255,944	100,858	255,202	100,233
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was Provided from:				
Proceeds from Sale of Fixed Assets	42,774	3,037	42,774	3,037
Proceeds from Refund of Stamp duty	-	29,230	-	29,230
Proceeds from Sale of Investments	3,984	56,725	3,984	56,725
	46,758	88,992	46,758	88,992
Cash was Applied to:				
Purchase of Fixed Assets	(28,212)	(80,745)	(28,185)	(80,240)
Purchase of Investments	(4,275)	(34,120)	(4,275)	(34,120)
	(32,487)	(114,865)	(32,460)	(114,360)
Net Cash (Outflow to) Investing Activities	14,271	(25,873)	14,298	(25,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was Provided from:				
Gross Proceeds from the Issue of Debt	223,429	1,234,986	223,429	1,234,986
	223,429	1,234,986	223,429	1,234,986
Cash was Applied to:				
Ordinary Dividend paid to Shareholders	(103,631)	(96,633)	(103,631)	(96,633)
Gross Repayment of Debt	(376,882)	(1,018,839)	(376,882)	(1,018,839)
Purchase of Treasury Stock	(23,413)	(50,136)	(23,413)	(50,136)
	(503,926)	(1,165,608)	(503,926)	(1,165,608)
Net Cash Inflow from (Outflow to) Financing Activities	(280,497)	69,378	(280,497)	69,378
Net Decrease in Cash Held	(10,282)	144,363	(10,997)	144,243
Add: Cash Balance at the Start of the Year	147,825	3,462	146,090	1,847
Cash from Amalgamation	-	-	-	-
Cash Balance at the End of the Year	137,543	147,825	135,093	146,090
Cash Balance is comprised of:				
Short Term Deposits	137,543	147,825	135,093	146,090
	137,543	147,825	135,093	146,090

Contact Energy Limited & Subsidiaries
Statement of Financial Performance
For the year ended 30 September 2001

	Group		Parent	
	Unaudited 2001 $000	Audited 2000 $000	Unaudited 2001 $000	Audited 2000 $000
Operating Revenue	1,097,390	867,982	1,084,806	839,206
Operating Expenses	(838,707)	(695,703)	(801,666)	-678,326
Net Finance Expense	(64,635)	(56,921)	-64,644	-57,011
Operating Surplus Before Taxation	194,048	115,358	218,497	103,869
Taxation on Operating Surplus	(63,080)	(19,254)	-68,710	-15,697
Operating Surplus After Taxation	130,968	96,104	149,786	88,172
Share of Retained Surplus (Deficit) of Partnership after Taxation	-	879	-	-
Share of Retained Surpluses of Associates	(264)	-	(264)	-
Net Surplus for the Year	130,704	96,983	149,522	88,172
Earnings Per Share (Cents)	22.60	16.16	25.85	14.69

Statement of Movements in Equity
For the year ended 30 September 2001

Equity at Start of the Year	1,585,492	1,617,284	1,581,148	1,621,636
Net Surplus for the Year	130,704	96,983	149,522	88,172
Movement in Asset Revaluation Reserve	-	23,979	-	23,979
Movement in Foreign Currency Translation Reserve	-	-120	-	-5
Total Recognised Revenue and Expense for the Year	130,704	120,842	149,522	112,146
Ordinary Dividends Paid or Provided	-31,331	(102,498)	-31,331	-102,498
Amalgamation Loss	-	-	-	-
Treasury Stock	-23,413	(50,136)	-23,413	(50,136)
Equity at End of the Yea	1,661,452	1,585,492	1,675,926	1,581,148

Contact Energy Limited

2001 Unaudited Financial Results
Management Discussion and Analysis

MANAGEMENT DISCUSSION OF THE UNAUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2001

This discussion provides an overview of the unaudited results for Contact Energy for the period ended 30 September 2001. The release of results has been accelerated due to the announcement by Edison Mission Energy of its intention to make a takeover offer for the remaining shares in Contact that it does not already own.

Management has taken all reasonable steps and care in the time available to ensure that the unaudited results and this discussion disclose all material information affecting the results. Further, based on comprehensive discussions with the auditors prior to the release of the unaudited results, the company believes that the final audited statements will not differ materially from these unaudited statements. Final audited statements are expected to be completed in early November 2001. Although not expected, in the event that there are any material differences Contact wiii immediately advise the New Zealand and australian stock exchanges.

Unless otherwise noted the company has not made any change to its accounting policies in preparing the unaudited results to 30 September 2001.

Overview of results

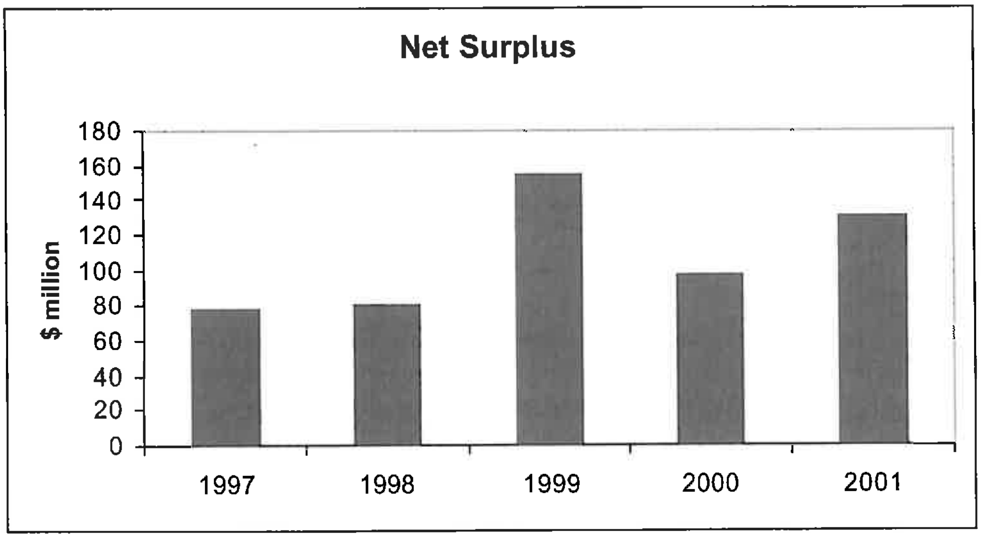
Net Surplus

Contact's net surplus for the period ended September 30, 2001 was $130.7million. This compares with a net surplus of $97.0 million for the year ended 30 September 2000. Excluding earnings from associate companies (the Oakey and e//volution investments) the net operating surplus after taxation in this financial year was $131.0million.

The core net surplus in this period is $126.0million compared with $61.1million in the previous period. The material non-recurring items in this period are:

- The sale of assets including the final Whirinaki unit and transformer equipment which increased post tax income by $12.7million; and
- The payment to the Natural Gas Corporation ("NGC") in respect of the amendment of a gas supply agreement between Contact and NGC which decreased post tax income by $8.0million.

The net surplus for the period ended 30 September 2001 has been significantly affected by the company's exposure to wholesale electr icity prices which were higher than anticipated due to the cold, dry winter. This is discussed in the section entitled "*Wholesale Trading*" below. In addition there are significant increases in wholesale and retail gas revenues due to an increase in the volume of external gas sales and recovery of increased costs.



Dividend

The company's dividend policy remains as previously stated and as reflected in the payment of a fully imputed interim dividend in May 2001 of 5.5cents per share, a 10 percent increase over the amount paid to 31 March 2000. As indicated above the company has received a notice of takeover offer which has accelerated the release of these results. The terms of the offer as set out in the notice to the company provide for an adjustment to the purchase price in the event of a dividend to shareholders. At this stage no decision has been made by the directors to declare and pay a final dividend for the financial year ended 30 September 2001.

Operating Revenue

Total operating revenue for the period ended 30 September 2001 was $1,097million, compared with $868million for the same period last year. This is broken down as follows:

	Period ending 30 September 2001 ($000)	***Period ending 30 September 2000 ($000)***
Wholesale electricity revenue (1)	$716,283	$269,905
Retail electricity revenue (gross) (2)	$490,999	$430,299
Retail electricity purchase costs	$447,157	$161,004
Retail electricity revenue (net) (3)	$43,842	$269,295
Wholesale gas revenue	$156,310	$121,819
Retail gas revenue	$138,860	$118,744
Other	$42,095	$88,219
(i) Total	$1,097,390	$867,982

(1) Includes Contracts for Differences, ancillary services and constrained on-payments
(2) Before costs of electricity purchases
(3) After costs of electricity purchases, excluding network charges

The "Other" category for the period ending 30 September 2001 includes the following major revenue items:

	($000)
Steam sales	$6,912
Liquidated damages	$14,396
Other retail revenue	$3,749
Sale of Assets	$13,282

Total operating revenue is higher than in the period to 30 September 2000 which is attributable to:

- higher revenues from wholesale electricity sales due to the high pool prices which prevailed particularly during winter; this is in part offset by an increase in electricity purchase costs for the retail business which have accordingly reduced net revenue from retail electricity;
- higher wholesale gas sales primarily due to the higher volumes of gas sold to external users, particularly third party generation and sales to Methanex;
- higher retail gas revenue due to increased sales, an increase in tariffs which took effect in March 2001 and a full year of revenue associated with the acquisition of the Orion customers.

Operating Expenses

Total operating expenses for the period ended 30 September 2001, increased by 21% to $838.7million compared with $695.7million for the previous financial year. This increase is primarily due to the following reasons:

- higher gas purchase and transmission costs due to the increase in volumes taken in this financial year, increases in the underlying cost of gas purchases and increases in the cost of gas distribution. In the year ended 30 September 2001 the company used 101.6PJs of gas compared with 84.1PJs in the previous period;
- the payment of $12million to Natural Gas Corporation ("NGC") in respect of the amendment of the gas supply agreement with NGC is included within Gas Purchase and Transmission Costs – for further detail see *"Gas"* below;
- an increase in electricity transmission costs due to the inclusion of a full year of Empower customers;
- an increase in other operating expenses. The major factors behind this increase include an uplift in provisions (described further below) and an increase in retail operating costs largely associated with the servicing of the additional customers acquired as part of the Empower acquisition.

Operating expenses were broken down as follows

	Period ending 30 September 2001 ($000)	*Period ending 30 September 2000 ($000)*
Electricity transmission and distribution	$259,557	$241,523
Gas purchase and transmission (1)	$345,226	$280,266
Other operating expenses (2)	$151,127	$99,235
Depreciation and amortisation	$82,797	$74,680
Total	$838,707	$695,703
(1) Includes cost of amortisation of prepaid gas – 31.1PJs in 2001 and 11.5PJs in 2000.		
(2) Includes provisions		

Gross Operating Margin Contribution [10]

Total gross margin for the period ended 30 September 2001 is $450.5million, 75% higher than for the previous period. Consistent with the presentation in last year's annual report, in allocating the total gross margin over the various business areas there is no internal transfer for the cost of gas purchases between wholesale gas and retail gas, and between wholesale gas and wholesale electricity. In addition, for these purposes, the retail electricity business is treated as purchasing electricity at wholesale spot prices. For the purposes of internal management accounting the company does however operate a transfer pricing regime.

[10] Calculated as the revenues from each business area less the third party operating costs

The significant reason behind his year's increase in gross margin is the performance of the wholesale electricity gross margin. This has grown from $248.0million in the period ended 30 September 2000 to $698.0million in this period. The retail electricity gross margin has correspondingly reduced from $49.7million to negative $197.6million, primarily due to the substantial increase in wholesale electricity prices.

The wholesale gas gross margin is negative $116.0million, compared with negative $107.6million in the previous period. The primary reason for the decrease is the 23% increase in use of gas for internal use (from 43.4PJs to 53.5PJs). As stated above, for these purposes the gross margin associated with this use of gas is allocated either to wholesale electricity or retail gas.

The retail gas margin has decreased slightly to $65.9million compared with $67.9million in the previous period reflecting competitive pressures in the gas market.

Net Finance Expense

Net finance expense increased by 13.6% to $64.6 million for the financial year ended 30 September 2001. This increase was primarily due to having higher debt levels earlier in the financial year when interest rates were also higher than in the previous period. Contact's average cost of funds for net debt in the financial year to 30 September 2001 was 7.62% compared with 7.19% in the previous period. While Contact manages its interest rate exposure through hedging it retains some exposure to interest rate changes. In addition, in the first half of this financial year, he company refinanced some of its debt at higher margins than had applied previously.

Depreciation and Amortisation

Depreciation and amortisation has increased from $74.7million to $82.8 million.

Amortisation has increased from $9.0million to $9.5million due to the addition of new customers.

Depreciation has increased from $65.7million to $73.3million. The depreciation charge includes an increase because the company has recognised that certain items of plant at Otahuhu B will depreciate more quickly than the general 25 years applying to the entire plant. These items will be replaced at the time of the periodic planned maintenance outages which are scheduled to occur under a long-term maintenance agreement with the contractor, Siemens. The first is due to occur at the completion of 25,000 equivalent operating hours which the company expects to reach in November 2003. In this current period the total increase in the depreciation charge is $9.8million relating to this contract; in subsequent years itwill be approximately $5million.

In addition the annual depreciation charge has reduced by $4million due to the extension of the estimated lives of some of the assets at the Wairakei and Poihipi power stations.

Provisions

Additional provisions of $14.4million have been made in the period. These include increased provisioning for a number of items including doubtful debts, Alexandra flooding, a dispute over the escalation of the Crown Margin under the Maui gas contract and the write off of spare parts.

Taxation Expense

The total taxation provided in respect of the period ended 30 September 2001 increased to $63.1million when compared to the taxation of $19.3million provided for in respect of the prior period. The effective tax rate for the current period is approximately 32%. The overall tax provision is higher due to the substantial earnings before tax.

The effective tax rate for the 2000 financial year was 16.7%. This low rate was due primarily to the capital gain associated with the sale of the plant and equipment at the Stratford and Whirinaki power stations and the write off of some revenue in the 2000 financial year.

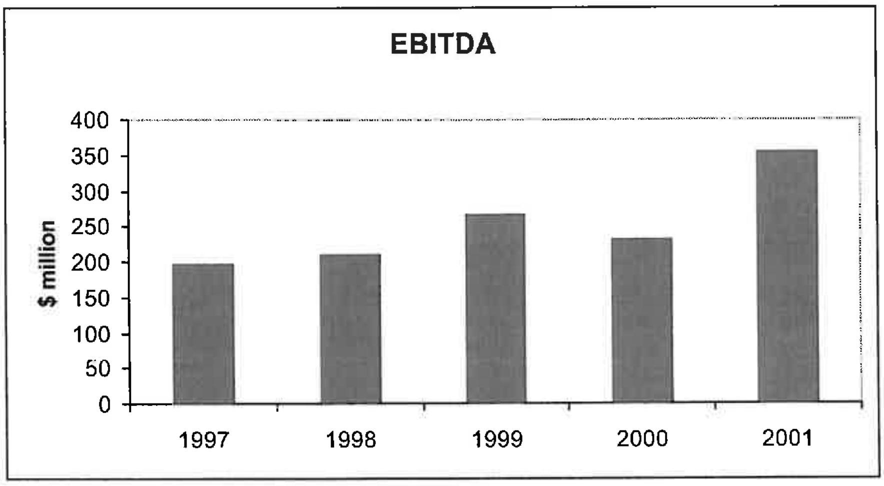
Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA")[11]

EBITDA for the period ended 30 September 2001 was $355.8million, compared with $232.5million in the previous financial year. This increase is primarily due to:

- Higher wholesale prices – see *"Wholesale Trading;"*
- Higher revenues from gas sales – see "*Gas*".

In addition, as explained in last year's annual report, EBITDA for the period ended 30 September 2000 was adversely affected by low wholesale prices, and the write off of gas revenue due to the loss of the arbitration proceeding in relation to the gas supply arrangements for the TCC power station.

It should be noted that gas used from the prepaid gas bank which amounts to approximately $44million is treated as an operating cost and therefore is included in Operating Expenses.



Debt

Net debt[12] as at 30 September 2001 was $651.9million, compared with $795.1million as at 30 September 2000. The net debt level has fallen due to the significant cashflow during the period arising from the sale of prepaid gas, the receipt of proceeds from assets sales as well as the wholesale market conditions.

The net debt/net debt plus equity gearing percentage at the end of the period was 28% which compares to 33.4% in the previous period.

Capital and Investment Expenditure

Capital expenditure for the period ended 30 September 2001 was $25.9 million compared with $118.4million in the previous period.

In addition during the financial year the company completed its share buyback programme. At the completion of the buyback programme which took place over the 2000 and 2001 financial years, the company purchased a total of 27,316,018 shares

[11] A measure of the operating cash generation achieved from the business operations
[12] After deduction of net cash at the end of the financial year

representing 4.52% of the company's shares. The total consideration was $73,548,766 at an average price of $2.6925. The shares are held as Treasury Stock.

Other Events affecting this Discussion

The unaudited accounts for the period include a contingent liability associated with a potential cross border lease for Otahuhu B. The contingent liability covers third party costs which may be incurred by the company in the event that Contact decides not to proceed with the lease. The company is reviewing the opportunity and there is a possibility the initiative may be terminated due to legal and tax issues which reduce the value to the company of proceeding. If the lease does not proceed the net surplus for the 2002 financial year would reduce by up to $4million; the precise amount of the impact will be subject to negotiation with the counterparties.

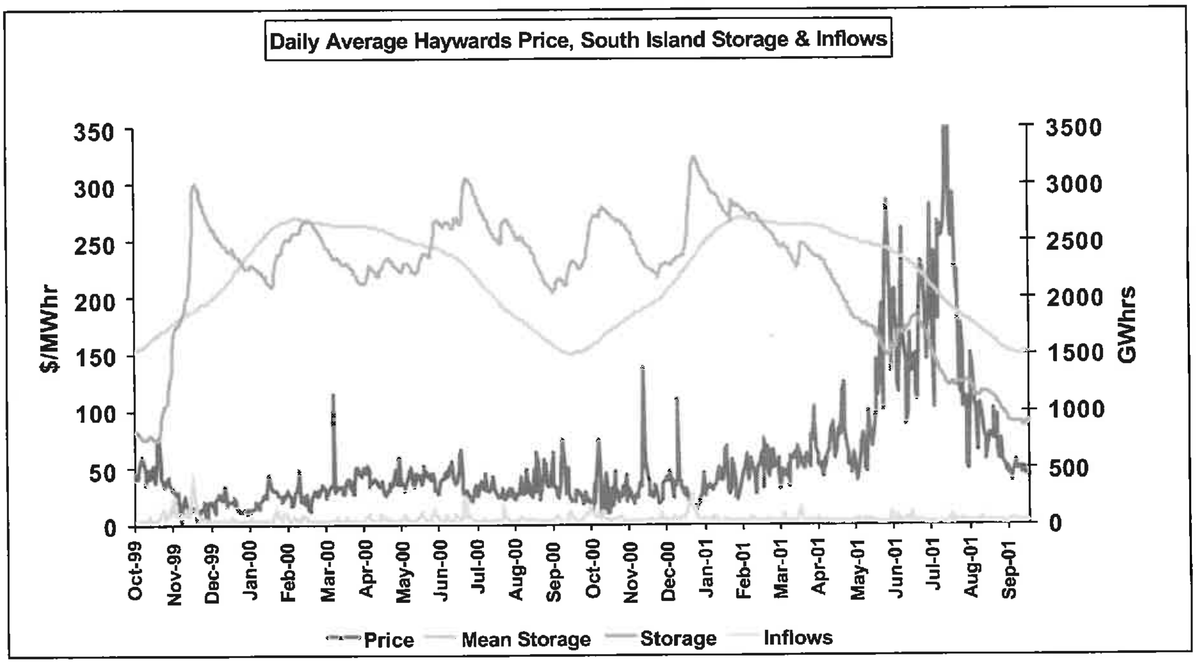
In October 2001 Contact announced that it had invested jointly in an asset in Victoria with Edison Mission Energy ("EME"). Since this occurred after the balance date it has not affected the financial statements for the period ended 30 September 2001. See *"Australia"* below.

Overview of Operations

Wholesale Trading

This financial year, in particular the winter months, has exhibited the opposite characteristics to those which prevailed last year. While the 2000 winter was warm and wet, the 2001 winter has been dry and cold.

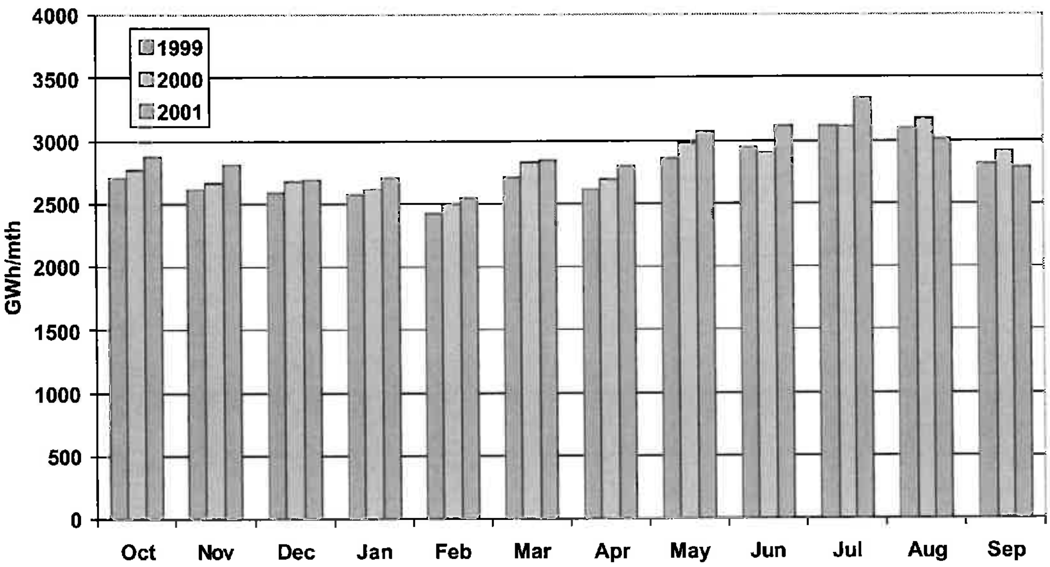
The two year graph "*Daily Average Haywards Price, South Island Storage and South Island Inflow*" below illustrates the impact of the dry and cold winter. Over the winter months during this financial year, storage was significantly below average – at the same time last year storage was significantly above the average. Due to the historically bw inflows into the South Island lakes wholesale prices rose from March and April, first to reflect the cost of reserve thermal generation and later, the cost of demand side responses necessary to replace the shortfall in hydro capacity.



At the same time as supply was constrained by the lack of inflows and therefore low storage, there was an increase in national demand compared with the previous financial year. The annual increase in demand was approximately 2% while during the winter months of May to July demand increased by approximately 5%, some of which can be attributed to the fact that the winter was much colder than the previous winter. The national savings campaigns had a significant effect on demand with August and September leading to a 5% reduction compared with the same period in the previous year.

Contact has benefited from the relatively high prices which resulted in this financial year for the same reason that the company's financial performance was adversely affected by last year's extremely low prices. As stated in the company's prospectus at the time of the privatisation, the company's financial performance will be superior in dry and cold conditions due to the combination of the diversity of the generation portfolio and the company's approach to risk management. The company's asset base and balance between generation and retail has always been set on the understanding that being a net generator has less downside risk than being a net retailer.

Monthly Demand Comparison



Prices were considerably higher in this financial year than those which prevailed last year due to the conditions described above. The average price earned by Contact's generation for the year ended 30 September 2001 was $82.7 per MWh, compared with $31.33 per MWh in the financial year to 30 September 2000. Taking into account the retail volume and other hedge contracts Contact's generation was hedged approximately 56% on an annual basis with the unhedged portion benefitting from the relatively high market prices. The percentage hedged was lower than anticipated at the time of the half year result because of higher than expected operation of New Plymouth power station due to the dry weather conditions.

Given the increase in demand and the shortfall in hydro generation throughout New Zealand Contact was able to increase its generation output in this financial year despite the constraining effects of limits on Contact's hydro generation and limits on transmission capacity in Taranaki. Total generation was 8,660GWh compared with 8,450 GWh in the year ended 30 September 2000. As stated above, this increase primarily came from greater than expected operation of reserve capacity at New Plymouth power station as well as optimal utilisation of storage in Lake Hawea.

Retail

The weather has also had an impact on the contribution of retail electricity to the result in the period ending 30 September 2001. Demand for electricity, particularly in the residential segment of the market was significantly higher than last year until the impact of the Community Savings Campaign. Total electricity sold to Contact's retail customers in the period ended 30 September 2000 was 3,976 GWh; in this financial year total volume sold to customers was 4,448GWh, a 12% increase. This increase is due to a number of factors including an increase in demand due to the colder weather this winter, a net increase in customers through the inclusion of Empower customers for a full year, a large proportion of which are higher use commercial customers.

The volume purchased by Contact in this financial year to supply its customers was 4,808GWh which amounts to approximately 7.5% loss between energy purchases and sales. In the second half of the financial year the loss has been about 6% which represents a significant improvement from the level of losses which the company experienced in the previous financial year and in the period to 31 March 2001. Losses of about 6% are consistent with industry expectation of average physical losses on distribution networks.

In respect of the 2001 financial year the retail base provided a hedge for Contact's generation of approximately 56% by volume. In financial terms once the daily demand profile and location of the retail base are taken into account this amounts to 62%.

Contact's electricity customer base has increased by approximately 13,000 in the six months since 30 March 2001 to almost 387,000. Together with the gas customer base the company now has almost 495,000 customers. Growth in the customer base has come from various sources. Empower continues to add customers although the rate of growth has been affected by the restructuring of tariffs by various suppliers making it difficult to acquire customers which meet Contact's value expectations. Churn levels were relatively high in the first half of the financial year; however following the restructuring of tariffs and the events of this winter, the level of churn has reduced. The company believes that the key to retention of customers is to provide good service and rational and sustainable tariffs over the medium to long term.

During the financial year, the company launched its DualEnergy programme. The programme has been rolled out in various phases using different methods of acquisition. The programme was very successful in adding new customers at a low cost of acquisition. DualEnergy enables customers to receive a single invoice for both electricity and gas and to share in the cost savings associated with a single invoice.

In August 2001 the company became the exclusive energy retailer within the FlyBuys programme, a rewards programme which includes a number of different suppliers of goods and services. Customers who link their accounts to their FlyBuys membership will be rewarded under the programme. This has the dual benefit of increasing the loyalty of existing customers and attracting new customers to Contact who are FlyBuys points collectors. Contact is pleased with both the level of uptake of existing customers and the number of new customers switching due to the FlyBuys programme.

Contact has now substantially completed its programme of tariff restructuring to all existing customers. This was a major programme this year and has significantly reduced (from around 3,000) the number of tariffs which the company has on offer. This provides the company with a more stable base on which to launch new initiatives. As part of the restructuring process the company has, wherever possible, introduced the low fixed tariff option requested by the Government.

During the financial year Contact participated with other retailers in efforts to conserve energy due to the potential for energy shortages which might result from low hydro lake levels. Contact developed a Community Savings Campaign which offered community donations for all Contact's incumbent retail areas which were dependent on meeting target savings. Full payments were made in all areas and totalled $3million.

E-Business

Contact's new website (www.mycontact.co.nz), was launched on 5 June 2001. It contains a variety of information and online services for both customers and shareholders. Features include online billing (a paperless alternative to the traditional bill), energy saving tips (including ESTAH, an interactive energy saving guide), email customer service and general information about the company and the industry. For shareholders, annual and half yearly reports are available online together with real-time information on Contact's share price, copies of media releases, investor presentations and a range of other investor related statistics.

Recent online activities include the promotion of FlyBuys, the Community Savings Campaign "thermometer" which was updated daily to show each region's savings - viewed by more than 3,300 people - and the Schools ElecTricks competition. To date, over 46,000 unique visitors have used the site.

Gas

In the period ended 30 September 2001, Contact purchased 101.6PJs of gas for internal use and external sales. This compares with 84.1 PJs in the period ended 30 September 2000. In this financial year Contact used all of its remaining 31.1 PJs of prepaid gas. [13]

During the financial year Methanex began taking gas under the contract entered into during 1999. This is earlier than anticipated in the contract and has contributed to the utilisation of prepaid gas. It is anticipated that Methanex will take no further gas until 2003 under the contract, consistent with the terms of the original contractual schedule.

[13] Prepaid gas is gas which was paid for in previous years under take or pay obligations but not actually taken.

The utilisation of prepaid gas has significantly enhanced cashflows in this financial year. Under Contact's Maui Gas Contract, in each year Contact can begin consuming any prepaid gas after it has taken the annual contract quantity. Once this point is reached the cash costs of using gas reduce dramatically. Instead, as Contact uses any prepaid gas the cost is amortised as a reduction in the prepaid gas asset. Accordingly while the Net Surplus in this financial year includes the effect of the amortisation charge, the company's operating cashflows reflect the full effect from utilising the prepaid gas.

The breakdown of the use of gas between internal and external use is set out below:

	Period ended 30 September 2001 (PJs)	*Period ended 30 September 2000 (PJs)*
External sales	48.1	40.7
Internal use - Generation	37.7	31.4
- Retail (1)	15.8	12.0
Total internal and external	101.6	84.1
(1) includes residential, commercial and industrial sales		

Customer numbers have remained stable at approximately 107,000 gas retail customers.

During the financial year Contact and Natural Gas Corporation ("NGC") agreed to amend the terms of a gas supply agreement between the parties. This agreement was inherited by Contact when it purchased customers from Orion Gas Trading during the previous financial year. Under the agreement Contact could purchase 10PJs of gas each year and was required to pay an annual commitment fee and a pre-defined price for gas actually taken. Contact and NGC agreed to shorten the term of the agreement bringing forward its end date to 30 September 2002. In consideration for the variation to this agreement Contact paid $12million in the financial year ended 30 September 2001.

This agreement has further rationalised Contact's gas portfolio and released the company from a long-term obligation under a gas agreement which did not expand Contact's sources of gas given that the underlying supply for the NGC agreement was Maui gas.

Contact is continuing to examine opportunities for gas supply upon the expiry of the Maui Gas Contract. While recently a number of gas finds are reported to have been made, only the Pohukura field is believed to have the length and scale needed to even partially replace gas supply from Maui. A key strategic objective in the short term is to position the company for rebuilding our gas portfolio. During the period the sale of the Fletcher Energy assets was concluded. This has resulted in an increase in market concentration making the objective of securing diverse long-term supply of gas more challenging. Contact's focus will be on identifying opportunities to manage the commercial consequences of that degree of market concentration.

During the financial year the Minister of Energy launched a review of the gas industry. The objectives of the review were broad and at the time of writing the Government's initial response has yet to be released. Contact played an active part in making submissions to the review and will continue to actively participate in the process.

In conjunction with United Networks, Contact has embarked on a programme of residential and commercial gas meter and regulator replacement, predominantly in the Wellington region. When completed these works will increase the capacity of the gas delivery system while ensuring compliance and increased reliability and safety.

Generation Operations and Business Development

Contact's generation assets performed well in a challenging year. All of Contact's thermal plants operated reliably in assisting the national system to maintain supply despite the hydro restrictions.

Otahuhu B has performed without incident since its return to service following repair of the transformer in late January 2001. New Plymouth power station has also operated more than was forecast at the commencement of this year and despite its age provided a significant contribution. The level of wholesale prices in March and April and hydro levels signaled to Contact that New Plymouth was likely to be required to operate at higher levels. Accordingly the company took steps to ensure that all of the units were available including deferring maintenance and deferring the decommissioning of a further unit. The company has decided to continue to invest in maintaining the availability of current output at New Plymouth given the option value it can provide at times of energy constraint.

The company also invested in de-mothballing Otahuhu A to provide additional security in the event of any interruption of supply from Otahuhu B.

During the period the company embarked on a maintenance and refurbishment programme at the Roxburgh power station. This is consistent with an ongoing programme of reviewing all of Contact's generation assets and enhancing their long-term value. The programme will continue next year with all the Roxburgh units refurbished due to be completed by 2009.

Applications to renew Contact's operating consents under the Resource Management Act for its Wairakei geothermal power station, and for hydro operations on the Clutha River / Mata-au were filed with respective Regional Councils on 31 March 2001. Both applications are now subject to statutory processes that will involve receiving submissions from interested and affected parties. Hearings are most likely to occur in early 2002.

In the meantime, and until such time as the applications are determined, Contact can continue to operate its power stations at Wairakei and in the Clutha catchment, on the same regulatory and statutory basis as it has in the past.

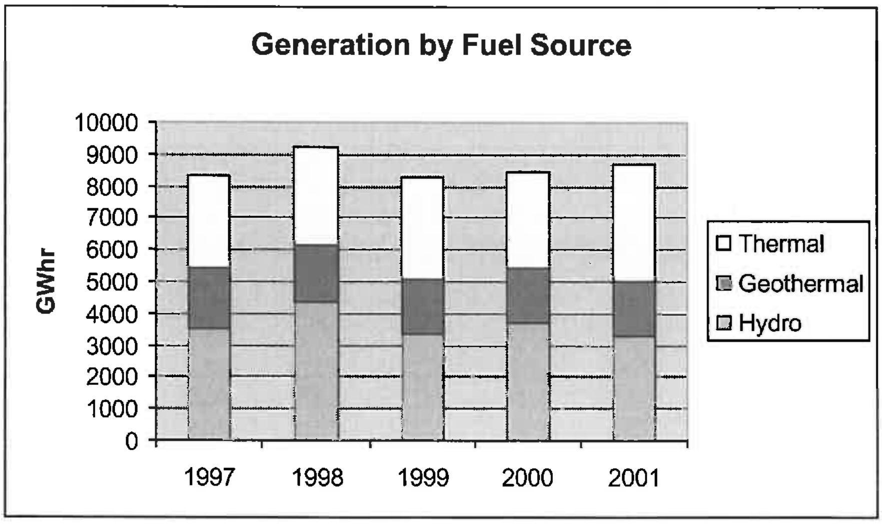
Contact is not seeking any material change in current practice under the resource consent applications, and environmental issues have been closely studied in the lead-up to application. The company's view is that most of the environmental effects of its operations are therefore known and measurable going forward.

During the next financial year the company will also make investments at Wairakei and Ohaaki. A programme of drilling has been approved for both geothermal fields. These programmes are anticipated to maintain output at Wairakei and to icnrease Ohaaki's outputis expected to increase by about 160GWh over the next two years.

Following the sale of surplus units in the previous financial year, in March 2001 Contact sold its remaining unit at Whirinaki together with associated transmission equipment. The proceeds of the sale of this equipment is reflected in the results this year as well as the bonus which the company earned under its agreement with Pratt and Whitney in relation to the on-sale of the two units at Whirinaki. Under that agreement if Pratt and Whitn ey onsold the units for more than the base price agreed with Contact, the company shared in that upside. All of the Stratford and Whirinaki units were purchased by Edison Mission Energy from Pratt & Whitney for use in a project in Victoria in which Contact subsequently invested - see *Australia* below.

This winter has highlighted the need for planning to ensure that new capacity is available to meet expected future demand. Contact is continually reviewing generation options with a view to making timely investments which meet the company's internal return requirements.

Work has continued on the development of a new combined cycle generation plant at Otahuhu to be known as Otahuhu C. The plant has received resource consents although one appeal to the terms of the consent has been submitted. The company expects that resolution of this is unlikely to affect the timing of the development. The current schedule contemplates that, provided acceptable gas supply arrangements can be secured, investment in the plant would commence during the 2002 financial year. However the development is still conditional on a number of factors including the company being confident that market conditions will justify the investment. While electricity prices have been higher this financial year than the past few years, over the short to medium term energy prices in the retail and wholesale market will need to rise towards long run marginal cost to underpin this investment.



Australia

Contact has reviewed its Australian strategy during the year. The company has concluded that Australia remains a focus for potential growth given the relative constraint on growth in New Zealand. However the strategy will be focused in markets in which Contact can best utilise its core skills and experience and which do not depend on size alone to gain a meaningful position. In addition the company has concluded that any investment in the National Electricity Market could probably only be achieved in conjunction with another market participant.

Consistent with this strategy Contact announced in early October that it had made an investment with Edison Mission Energy in Valley Power, a 300MW peaking plant in Victoria. As noted previously, the project utilises the Stratford and Whirinaki units sold to Pratt & Whitney and Edison Mission Energy. Contact will invest A$66million in the project during the construction period giving it an approximately 40% interest. Contact will have the right to increase its ownership to 50% once the plant reaches full commercial operation expected to be by early 2002. At this point the project will also be refinanced at which time Contact's residual equity investment is expected to be approximately $A30million.

During the year Contact continued to develop plans for an integrated industrial plant at Bundaberg in southeast Queensland. Milestones included the successful completion of the Environmental Impact Study and the commencement of negotiations with potential partners for the pulp mill.

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respects, true and correct and not misleading whether by omission of any information or otherwise, and includes all the information required to be disclosed by Contact under the Takeovers Code.

P Pryke

Director, and Chairman of the Committee of Independent Directors, of Contact Energy Limited

J Milne

Director of Contact Energy Limited

T Saunders

Director of Contact Energy Limited

D Hunt

General Manager, Corporate Affairs of Contact Energy Limited and, in accordance with the Takeovers Code, the authorised agent of the Chief Executive of Contact Energy Limited

J Bole

Chief Financial Officer of Contact Energy Limited