

ENERGY  
FOR  
EVERY  
DAY.



GENESIS ENERGY  
INTERIM REPORT 2013/2014



we're in it for you

ENERGY  
FOR YOU

FOR  
EVERYONE...



Genesis Energy is a nationwide brand that provides electricity and gas to more customers than any other electricity and gas retailer.



Energy Online focuses on supplying customers in selected regions who are looking for service at competitive prices.

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**THERMAL**

1 STATION / 5 UNITS

Flexible coal and gas-fired generation from Huntly's two Rankine units can respond to market opportunities. A third unit is in storage on a 90-day return to service basis. The gas-fired Unit 5 operates around the clock to meet customer demand. Unit 6 is also used to meet peak demand.

**HYDRO**

8 STATIONS / 3 SCHEMES:  
Waikaremoana, Tongariro and Tekapo

A balanced portfolio of stations in the central North Island and the South Island.

**WIND**

1 WIND FARM

Driven by a world-class wind resource, the Hau Nui Wind Farm is embedded into the South Wairarapa district network.

**OIL AND GAS**

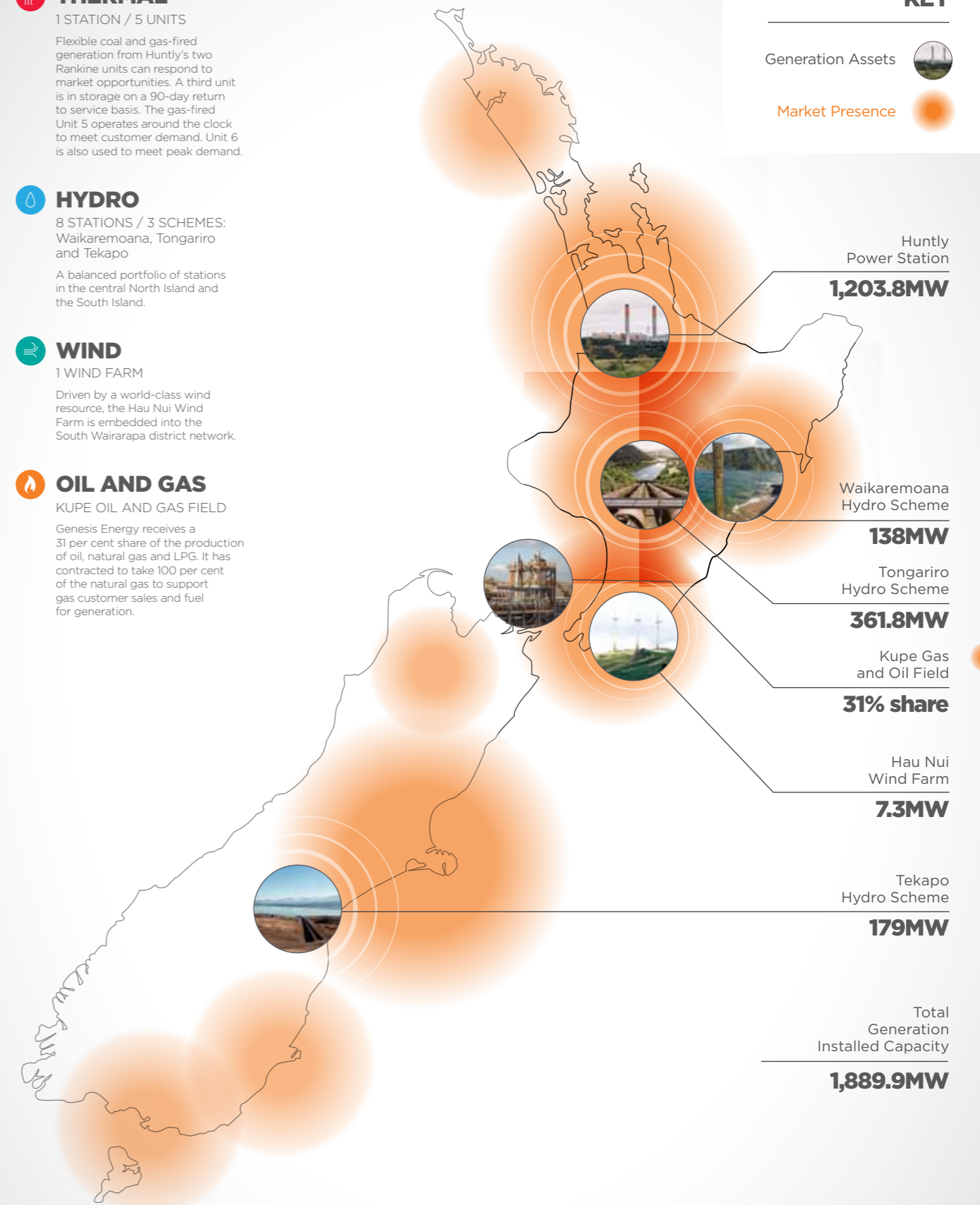
KUPE OIL AND GAS FIELD

Genesis Energy receives a 31 per cent share of the production of oil, natural gas and LPG. It has contracted to take 100 per cent of the natural gas to support gas customer sales and fuel for generation.

**KEY**

Generation Assets 

Market Presence 



# ENERGY TO PERFORM

## FINANCIAL HIGHLIGHTS



PERFORMANCE HIGHLIGHTS

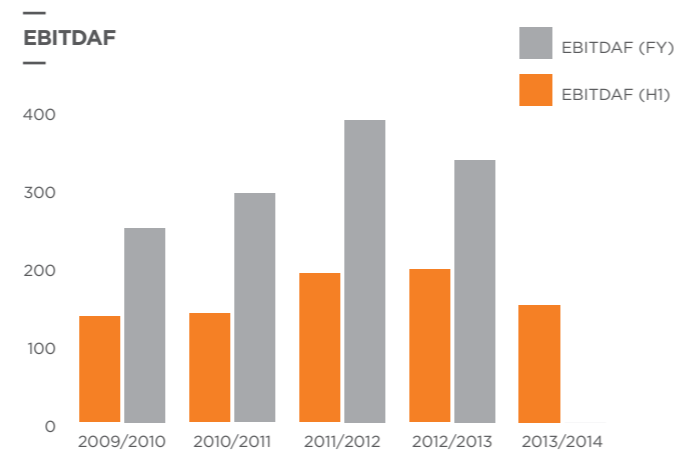
↓

**650,210**  
TOTAL CUSTOMER ACCOUNTS EXCLUDING LPG  
*An increase of 1.2% on previous year*

Revenue

**TOTAL REVENUE \$973M**

|                              |                           |
|------------------------------|---------------------------|
| Electricity<br><b>\$809M</b> | Petroleum<br><b>\$43M</b> |
| Gas<br><b>\$118M</b>         | Other<br><b>\$3M</b>      |



↑ **2,875 GWH**  
TOTAL ELECTRICITY SALES  
*An increase of 2.8% from previous financial period*



NET OPERATING CASH FLOW  
**\$164.6M**

GEARING RATIO  
**34.5%**

STANDARD & POOR'S CREDIT RATING  
**BBB+**



← **61%**  
REDUCTION IN COAL USED IN GENERATION  
*Coal displaced by gas to balance Kupe production*

*Despite considerable competitive pressure in the retail electricity and gas markets, a focus on customer service and products enabled Genesis Energy to grow total sales volumes of electricity, natural gas and LPG.*

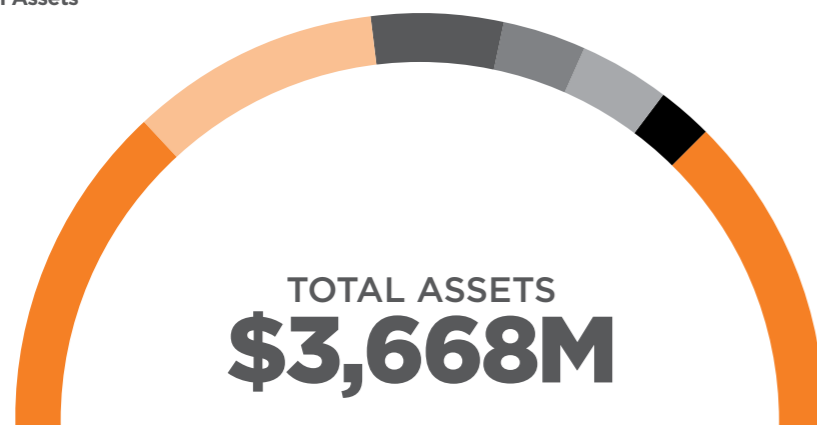
→ **125**  
STAFF RELOCATED  
*Non-operational staff will be moved to Hamilton from Huntly Power Station to streamline operations at the station*





# ENERGY FOR RESULTS

## Total Assets



Property, Plant  
and Equipment  
**\$2,778M**

Oil and Gas Assets  
**\$362M**

Receivables and  
Prepayments  
**\$193M**

Intangibles  
**\$123M**

Current and  
Non-current  
Inventories  
**\$132M**

Other Assets  
**\$80M**

## Generation production<sup>1</sup>

| Generation GWh                                                 | H1 2013/2014 | H1 2012/2013 | Per cent change |
|----------------------------------------------------------------|--------------|--------------|-----------------|
| Gas GWh                                                        | 1,462        | 1,212        | 20.6            |
| Coal GWh                                                       | 414          | 1,061        | -61.0           |
| Total Thermal GWh                                              | 1,875        | 2,273        | -17.5           |
| Hydro GWh                                                      | 1,456        | 1,501        | -3.0            |
| Wind GWh                                                       | 12           | 11           | 6.4             |
| Total Renewable GWh                                            | 1,468        | 1,513        | -3.0            |
| Total Generation GWh                                           | 3,344        | 3,786        | -11.7           |
| North Island GWh                                               | 2,742        | 3,224        | -15.0           |
| South Island GWh                                               | 601          | 561          | 7.1             |
| Average price received for generation (\$/MWh)                 | \$54.55      | \$64.77      | -15.8           |
| Carbon emissions from generating (Kilotonnes CO <sub>2</sub> ) | 1,036        | 1,537        | -32.6           |
| Generation carbon intensity (Tonnes CO <sub>2</sub> /GWh)      | 310          | 406          | -23.7           |

*Total generation was down, due to high inflows into southern hydro catchments, combined with lower demand which resulted in lower wholesale prices.*

## NET PROFIT

# \$19.7m

*Net profit after tax was down due mainly to lower EBITDAF, a \$12.7m negative change in derivatives value, onerous contract provisions of \$19.1m and a \$14.2m increase in depreciation, depletion and amortisation.*

## Customer metrics<sup>1</sup>

|                                                    | H1 2013/2014 | H1 2012/2013 | Per cent change |
|----------------------------------------------------|--------------|--------------|-----------------|
| Total customer accounts (excluding LPG)            | 650,210      | 642,605      | 1.2             |
| Gas customers                                      | 115,613      | 111,018      | 4.1             |
| Electricity customers                              | 534,597      | 531,587      | 0.6             |
| LPG customers                                      | 10,739       | 8,359        | 28.5            |
| North Island electricity customers                 | 451,768      | 458,418      | -1.5            |
| South Island electricity customers                 | 82,829       | 73,169       | 13.2            |
| Mass-market electricity sales (GWh)                | 2,529        | 2,588        | -2.3            |
| TOU electricity sales (GWh)                        | 346          | 209          | 65.3            |
| Total electricity sales (GWh)                      | 2,875        | 2,797        | 2.8             |
| Retail gas sales (PJ)                              | 3.1          | 2.9          | 8.3             |
| LPG sales (tonnes)                                 | 1,608        | 1,289        | 24.8            |
| Average retail electricity purchase price (\$/MWh) | \$53.98      | \$66.53      | -18.9           |

## ADVANCED METERS INSTALLED

# 354,814



## Oil, Coal and Gas<sup>1</sup>

|                                            | H1 2013/2014 | H1 2012/2013 | Per cent change |
|--------------------------------------------|--------------|--------------|-----------------|
| Coal used in generation (PJ)               | 4.5          | 11.6         | -61.0           |
| Coal stockpile (Kilotonnes)                | 993.8        | 1,002.7      | -0.9            |
| Gas purchases (PJ)                         | 20.5         | 18.5         | 10.8            |
| Wholesale gas sales (PJ)                   | 5.7          | 5.9          | -2.4            |
| Gas used in generation (PJ)                | 11.8         | 9.8          | 21.3            |
| <b>Kupe - Genesis Energy sales shares:</b> |              |              |                 |
| Oil production (kbbbl)                     | 273.2        | 233.5        | 17.0            |
| Oil sales (kbbbl)                          | 255.1        | 217.5        | 17.3            |
| Gas sales (PJ)                             | 3.5          | 2.7          | 31.1            |
| LPG sales (Kilotonnes)                     | 15.1         | 10.8         | 40.0            |

<sup>1</sup> H1 2013/2014 and H1 2012/2013 are rounded to nearest whole number. Per cent changes are based on actual numbers.

## INCREASE IN RETAIL GAS SALES

# 8.3%



## INTERIM DIVIDEND

# \$64M

*The Board has declared an interim dividend of \$64m, up from \$57m in the same period of 2012/2013.*

# ENERGY FOR CHANGE

## CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

*Rt Hon Dame Jenny Shipley, DNZM  
Chairman*



*Albert Brantley  
Chief Executive*



# \$74.9m

## RETAIL GAS REVENUE

*Up 9% due to higher numbers of gas customers, higher total retail gas volumes (8%) and increased tariffs.*



### Financial performance

Genesis Energy's total revenue of \$973 million for the half year was six per cent lower than \$1,031 million revenue in the same period in the previous year. This mainly reflected both lower wholesale and retail electricity revenue due to the aforementioned market conditions. This was offset to some degree by higher retail electricity, gas and LPG sales volumes.

Retail gas revenue of \$74.9 million was up on the previous period (\$68.7 million) due to higher numbers of gas customers (up four per cent), higher total retail gas volumes (eight per cent) and increased tariffs. Kupe revenues of \$42.6 million were higher than last period (\$34.2 million), reflecting the period-on-period increases in production volumes.

Net Profit After Tax (NPAT) of \$19.7 million was significantly below NPAT of the previous comparable period (\$70.8 million) due predominantly to the lower trading outcome at the EBITDAF (earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses) level, higher depreciation, depletion and amortisation, higher fair value losses and the one-off charges taken in the period as a result of the exit from coal contracts.

The Company's strong cash flow enabled it to declare an interim dividend of \$64 million, up from \$57 million in the first half of 2012/2013.

# SERVICE BOOSTS SALES

**A focus on competitive prices, practical solutions and customer service, together with its dual fuel offering, enabled Genesis Energy to withstand considerable competitive pressure in the retail electricity and gas markets in the six months to 31 December 2013.**

Retail sales volumes of electricity, natural gas and LPG were all up during the six months due to successful sales and marketing activities. The Company held its market shares and grew its customer accounts by one per cent in the face of strong competition, particularly from smaller retailers.

However, a range of market and economic conditions affected the key drivers of financial performance. A strong increase in South Island hydro inflows in the second quarter resulted in greater storage, which peaked at 182 per cent of national average in late October, and led to reduced wholesale electricity pricing. The average wholesale price received for the Company's generation output was \$54.55 per megawatt hour, down 15.8 per cent from \$64.77 in the same period of 2012/2013.

Generation output was also down in the six months, a result of high inflows in southern hydro catchments combined with lower customer demand which has resulted in lower wholesale prices. A continuous focus on customer service and attractive product offerings enabled Genesis Energy to withstand considerable competitive pressure in the retail electricity and gas markets in the six months to 31 December 2013.

The Company's 31 per cent share in the Kupe Oil and Gas Field continued to produce financial benefits. Production at the Kupe Oil and Gas Field was up significantly period-on-period due to a planned outage of the onshore gas production facility in Q2 2013. The Company's share of gas sales of 3.5PJ was up 31.1 per cent, oil production of 273kbbbl (up 17 per cent) and LPG sales of 15.1kT, 40 per cent higher than last period.



*Huntly Power Station's potential for further development makes it a valuable long-term asset.*



**MORE YEARS NEGOTIATED ON COAL SUPPLY AGREEMENT WITH SOLID ENERGY**

### Future-proofing Huntly

Significant future-focused decisions regarding the operation of the coal/gas units at Huntly Power Station and fuel supply agreements were made during the half year. These decisions, detailed below, had short-term cost implications and longer-term financial benefits to the Company.

In September 2013, Genesis Energy announced that it was placing into storage a second 250MW generating unit at Huntly Power Station. The stored unit could see a return to service, if required, within 90 days. However, the Company expects this unit would only be returned under exceptional circumstances.

The first coal-fired unit placed into long-term storage in December 2012 is now to be fully decommissioned.

The Company is focused on delivering cost effective energy solutions to its customers and, to achieve that, it made commercial sense to store this Rankine unit and buy from the wholesale electricity market.

With two dual fuel coal/gas units, the newer, high performance combined cycle gas turbine (Unit 5), and a flexible 50.8MW gas-fired peaker, along with the potential for further development, the Huntly Power Station remains a valuable long-term asset for Genesis Energy.

This move resulted in operational changes at the plant as a number of roles were amended to become more flexible and broader in scope. Reorganisation of site staffing is under way.

Following the change in operations at the station, the coal supply agreement with Solid Energy was extended, with amended terms, to June 2017. Genesis Energy also negotiated an end to a coal supply agreement to import coal from Indonesia. These moves to alter the future supply of coal to the station resulted in one-off costs of \$19.1 million.



### Operational performance

The Company's operational performance was influenced by an increasingly competitive retail electricity market and lower wholesale electricity prices. The half year also experienced period-on-period increases in electricity generation from the Company's gas-fired Huntly Unit 5 and increases in Kupe's production volumes. Electricity sales volumes were up 2.8 per cent to 2,875GWh in the half year due to new commercial and industrial customers increasing "time of use (TOU)" sales by 65.3 per cent to 346GWh, offsetting a 2.3 per cent decline in mass-market sales volumes compared with the same period last year. Total retail gas sales were up also (8.3 per cent to 3.1PJ), reflecting the sharp increase in gas customers in the last six months as a result of a successful dual fuel promotion to new and existing customers.

Competition for retail customers increased during the second quarter with switching rates across the market growing appreciatively. As at 31 December 2013 the Company had 534,597 electricity customers (26.8 per cent market share), up 0.6 per cent on H1 2013. Gas customers of 115,613 (43.7 per cent market share) and 10,739 LPG customers are up 4.1 per cent and 28.5 per cent on H1 2013, respectively.

High hydro inflows and low wholesale prices influenced Genesis Energy's total generation of 3,344GWh which was down 11.7 per cent compared to 3,786GWh in the first half of 2013. Thermal generation of 1,875GWh was down 17.5 per cent on last period as a 61 per cent decline in coal-fired generation reflected a preference for utilising the Company's gas position. Along with a weaker comparable period in 2013

(due to a planned outage on Unit 5 for its first six-year maintenance), this led to gas-fired generation of 1,462GWh, up 20.6 per cent.



**Production at Kupe Oil and Gas Field increased due to a planned outage in the previous year.**



**8%**  
INCREASE IN  
RETAIL GAS SALES

**25%**  
INCREASE IN  
RETAIL LPG SALES

**17%**  
INCREASE IN OIL  
PRODUCTION

### Community investment

Genesis Energy's community investment continues to focus on three core areas: education, community enrichment and the environment. Over the last six months a number of our community partners have achieved some outstanding results.

Genesis Energy's premier community investment programme, Schoolgen, received a major boost during the half year from an agreement with Wellington City Council to co-fund solar panel installation in a further 16 Wellington-based schools. The co-funding agreement, plus new installations in Auckland, will lift the solar school programme to a total of 66 schools by June 2014. Solar photovoltaic panels will be installed in 15 primary or intermediate schools in the current financial year, with four more schools in each of the following two years.

The system allows the schools to generate a portion of their electricity from the sun, and the Schoolgen programme helps students to learn about solar energy, climate change and electricity generation.

The Schoolgen programme includes curriculum-linked teaching resources that can be used by primary or intermediate schools to explore electricity generation, energy efficiency, renewable energy and climate change. Schoolgen's two permanent environmental educators work with teachers and students at the existing 51 Schoolgen schools plus associated 'buddy schools'.

The Company's involvement with the Sir Edmund Hillary Outdoor Pursuits Centres of New Zealand Hillary Step programme saw 60 students from low-decile schools in the Tongariro Power Scheme area attend the Tongariro Centre. In addition, a further 86 students from seven different

schools took up their Genesis Energy School Scholarships having won our 'Student vs Wild' competition.

Genesis Energy's partnership at Huntly with the Foundation for Youth Development resulted in a total of 363 children in three primary schools attending weekly 'Kiwi Can' lessons, aimed at giving the children a broad range of life and social skills.

The Curtain Banks in Auckland, Wellington and Christchurch have also been working hard to help people living in poorly insulated homes. In Auckland, approximately 101 families have been assisted since July 2013 and in the same period Curtain Banks supported 251 families in Wellington and 147 in Christchurch.

Our partnership with the Department of Conservation to safeguard the future of the whio (Blue Duck) continues to reap rewards. Funding

provided in the last six months has strengthened predator control defences in 13 whio protection sites and advanced the work being done around the establishment of a new captive rearing facility at the National Trout Centre in Turangi.



**499**  
FAMILIES ASSISTED

**to insulate their homes with curtains since July 2013.**



**New Zealand's largest wind farm development approved should market conditions change favourably.**

### Development prospect secured

A feature of the electricity market is the current over-supply of generation capacity. Since the commissioning of Huntly Unit 5 in July 2007 and the acquisition of Tekapo Power Scheme in 2011, Genesis Energy has been cautious in its approach to generation development. While the Company has a view that there is presently no need to construct new generation while it can purchase from others for its customer portfolio, development prospects have been maintained, should market conditions change favourably.

An example is the Castle Hill Wind Farm, where Genesis Energy holds resource consents to establish a wind farm in the northern Wairarapa. The potential site covers more than 20,000 hectares and the consents allow up to 286 wind turbines with a potential generation capacity of up to 860MW. Should this proceed, its scale is yet to be determined. The terms of the consents give Genesis Energy until 2023 to begin construction. Arrangements for transmission have not been established.

### Health and safety

The Company is committed to ensuring zero injuries to all its employees, contractors and others who may be affected by its operations. During the half-year period, 152 employees attended Zero Incident Process training modules.

There were two lost-time injuries and two medically treated injuries during the half year.



**152**  
EMPLOYEES

**Attended Zero Incident Process training modules.**

**15**   
**SCHOOLS TO HAVE SOLAR PANELS INSTALLED THIS FINANCIAL YEAR**

**A total of 66 schools will have solar panels by June 2014.**

### Corporate Governance

We are fortunate to have a depth of commercial and governance experience around the board table. In recent months, we farewelled Alison Andrew, who resigned from the Board to take on her new role as Chief Executive of Transpower Limited. The Board thanks Alison for her hard work and valuable contribution to the Board and Genesis Energy.

In other moves, in September 2013 the legal name of the Company changed from Genesis Power Ltd to Genesis Energy Limited.

**Rt Hon Dame Jenny Shipley, DNZM**  
Chairman

In October, the Auckland head office moved to a new building in Central Park. The new building is shared with another corporate tenant and provides a more flexible configuration with fewer square metres under lease.

While wholesale and retail market conditions have been challenging in the past six months, the Company has continued to optimise its key strengths of customer market share, diverse generation assets and diversity of earnings.

**Albert Brantley**  
Chief Executive

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF GENESIS ENERGY LIMITED (PREVIOUSLY KNOWN AS GENESIS POWER LIMITED). REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2013

The Auditor-General is the auditor of Genesis Energy Limited (previously known as Genesis Power Limited) and group (the group). The Auditor-General has appointed me, Andrew Dick, using the staff and resources of Deloitte, to carry out the audit of the condensed consolidated interim financial statements of the group on her behalf.

We have audited the condensed consolidated interim financial statements of the group on pages 12 to 27, that comprise the consolidated interim balance sheet as at 31 December 2013, the consolidated interim comprehensive income statement, interim cash flow statement for the six-month period ended on that date and the notes to the condensed consolidated interim financial statements that include accounting policies and other explanatory information.

### Opinion

#### Condensed consolidated interim financial statements

In our opinion the condensed consolidated interim financial statements of the group on pages 12 to 27:

- comply with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*; and
- give a true and fair view of the group's:
  - financial position as at 31 December 2013; and
  - financial performance and cash flows for the six-month period ended on that date.

Our audit was completed on 11 February 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the condensed consolidated interim financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence shareholders overall understanding of the condensed consolidated interim financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated interim financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the condensed consolidated interim financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the group's condensed consolidated interim financial statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;

- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the condensed consolidated interim financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the condensed consolidated interim financial statements. Also we did not evaluate the security and controls over the electronic publication of the condensed consolidated interim financial statements.

We report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing the condensed consolidated interim financial statements that:

- comply with NZ IAS 34: *Interim Financial Reporting* and IAS 34: *Interim Financial Reporting*; and
- give a true and fair view of the group's financial position, financial performance and cash flows.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the condensed consolidated interim financial statements, whether in printed or electronic form.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the condensed consolidated interim financial statements and reporting that opinion to you based on our audit.

### Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out other assignments in respect of the examination of certain financial information included in the Prospectus, which are compatible with those independence requirements. Principals and employees of our firm also deal with Genesis Energy Limited (previously known as Genesis Power Limited) on arm's length terms within the ordinary course of trading activities of the group. Other than the audit, these assignments and the arm's length transactions, we have no relationship with or interests in Genesis Energy Limited (previously known as Genesis Power Limited) or any of its subsidiaries.



Andrew Dick  
Deloitte

On behalf of the Auditor-General  
Auckland, New Zealand

**Deloitte.**

COMPRISING GENESIS ENERGY LIMITED AND ITS SUBSIDIARIES  
(PREVIOUSLY KNOWN AS GENESIS POWER LIMITED)

# CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 31 December 2013

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## INTERIM COMPREHENSIVE INCOME STATEMENT

### Genesis Energy Group

For the six-month period ended 31 December 2013

|                                                                                                                                                          | Note | 6 months ended<br>31 December 2013<br>Audited<br>\$'000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------------------------------------------------|-----------------------------------------------------------|
| <b>Operating revenue</b>                                                                                                                                 |      |                                                         |                                                           |
| Electricity revenue                                                                                                                                      |      | 809,198                                                 | 877,007                                                   |
| Gas revenue                                                                                                                                              |      | 117,670                                                 | 108,385                                                   |
| Petroleum revenue                                                                                                                                        |      | 42,636                                                  | 34,209                                                    |
| Other revenue                                                                                                                                            |      | 3,567                                                   | 11,659                                                    |
|                                                                                                                                                          |      | <b>973,071</b>                                          | 1,031,260                                                 |
| <b>Operating expenses</b>                                                                                                                                |      |                                                         |                                                           |
| Electricity purchases, transmission and distribution                                                                                                     |      | (422,835)                                               | (449,545)                                                 |
| Gas purchases and transmission                                                                                                                           |      | (113,899)                                               | (109,657)                                                 |
| Petroleum production, marketing and distribution                                                                                                         |      | (14,467)                                                | (14,538)                                                  |
| Fuels consumed                                                                                                                                           |      | (95,368)                                                | (112,563)                                                 |
| Employee benefits                                                                                                                                        |      | (45,565)                                                | (41,462)                                                  |
| Other operating expenses                                                                                                                                 | 3    | (130,401)                                               | (107,603)                                                 |
|                                                                                                                                                          |      | <b>(822,535)</b>                                        | (835,368)                                                 |
| <b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b> |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>150,536</b>                                          | 195,892                                                   |
| Depreciation, depletion and amortisation                                                                                                                 |      | (81,203)                                                | (66,957)                                                  |
| Impairment of non-current assets                                                                                                                         | 4    | (3,620)                                                 | (662)                                                     |
| Change in fair value of financial instruments                                                                                                            | 5    | (2,637)                                                 | 10,137                                                    |
| Other gains (losses)                                                                                                                                     |      | (253)                                                   | (1,696)                                                   |
|                                                                                                                                                          |      | <b>(87,713)</b>                                         | (59,178)                                                  |
| <b>Profit before net finance expense and income tax</b>                                                                                                  |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>62,823</b>                                           | 136,714                                                   |
| Finance revenue                                                                                                                                          |      | 440                                                     | 305                                                       |
| Finance expense                                                                                                                                          | 6    | (34,573)                                                | (38,330)                                                  |
| <b>Profit before income tax</b>                                                                                                                          |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>28,690</b>                                           | 98,689                                                    |
| Income tax expense                                                                                                                                       |      | (8,962)                                                 | (27,914)                                                  |
| <b>Net profit for the period</b>                                                                                                                         |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>19,728</b>                                           | 70,775                                                    |
| <b>Other comprehensive income</b>                                                                                                                        |      |                                                         |                                                           |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                                                                                    |      |                                                         |                                                           |
| Change in cash flow hedge reserve                                                                                                                        |      | (3,926)                                                 | 8,473                                                     |
| Income tax credit relating to items that may be reclassified                                                                                             |      | 1,099                                                   | (2,372)                                                   |
| <b>Total items that may be reclassified subsequently to profit or loss</b>                                                                               |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>(2,827)</b>                                          | 6,101                                                     |
| <b>Total other comprehensive income for the period</b>                                                                                                   |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>(2,827)</b>                                          | 6,101                                                     |
| <b>Total comprehensive income for the period</b>                                                                                                         |      |                                                         |                                                           |
|                                                                                                                                                          |      | <b>16,901</b>                                           | 76,876                                                    |
| <b>Earnings per Share from operations attributable to equity holders of the Company during the period</b>                                                |      |                                                         |                                                           |
| Basic and diluted earnings per share (cents)                                                                                                             | 7    | <b>3.65</b>                                             | 13.09                                                     |

The above statements should be read in conjunction with the accompanying notes.

## INTERIM STATEMENT OF CHANGES IN EQUITY

### Genesis Energy Group

For the six-month period ended 31 December 2013

|                                                                             | Note | Share capital<br>Audited<br>\$'000 | Asset<br>revaluation<br>reserve<br>Audited<br>\$'000 | Cash flow<br>hedge<br>reserve<br>Audited<br>\$'000 | Retained<br>earnings<br>Audited<br>\$'000 | Total<br>Audited<br>\$'000 |
|-----------------------------------------------------------------------------|------|------------------------------------|------------------------------------------------------|----------------------------------------------------|-------------------------------------------|----------------------------|
| <b>Balance as at 1 July 2013</b>                                            |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | <b>540,565</b>                     | <b>806,381</b>                                       | <b>(8,713)</b>                                     | <b>611,477</b>                            | <b>1,949,710</b>           |
| Net profit for the period                                                   |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | -                                                  | 19,728                                    | 19,728                     |
| <b>Other comprehensive income</b>                                           |      |                                    |                                                      |                                                    |                                           |                            |
| Change in cash flow hedge reserve                                           |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | (3,926)                                            | -                                         | (3,926)                    |
| Income tax credit (expense) relating to other comprehensive income          |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | 1,099                                              | -                                         | 1,099                      |
| <b>Total comprehensive income for the period</b>                            |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | (2,827)                                            | 19,728                                    | 16,901                     |
| Revaluation reserve reclassified to retained earnings on disposal of assets |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | (612)                                                | -                                                  | 612                                       | -                          |
| Dividends paid                                                              |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             | 8    | -                                  | -                                                    | -                                                  | (57,000)                                  | (57,000)                   |
| <b>Balance as at 31 December 2013</b>                                       |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | <b>540,565</b>                     | <b>805,769</b>                                       | <b>(11,540)</b>                                    | <b>574,817</b>                            | <b>1,909,611</b>           |
| <b>Balance as at 1 July 2012</b>                                            |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | 540,565                            | 694,232                                              | (2,808)                                            | 568,422                                   | 1,800,411                  |
| Net profit for the period                                                   |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | -                                                  | 70,775                                    | 70,775                     |
| <b>Other comprehensive income</b>                                           |      |                                    |                                                      |                                                    |                                           |                            |
| Change in cash flow hedge reserve                                           |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | 8,473                                              | -                                         | 8,473                      |
| Income tax credit (expense) relating to other comprehensive income          |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | (2,372)                                            | -                                         | (2,372)                    |
| <b>Total comprehensive income for the period</b>                            |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | -                                  | -                                                    | 6,101                                              | 70,775                                    | 76,876                     |
| <b>Balance as at 31 December 2012</b>                                       |      |                                    |                                                      |                                                    |                                           |                            |
|                                                                             |      | 540,565                            | 694,232                                              | 3,293                                              | 639,197                                   | 1,877,287                  |

The above statements should be read in conjunction with the accompanying notes.



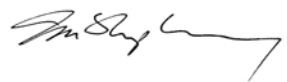
## INTERIM BALANCE SHEET

Genesis Energy Group

As at 31 December 2013

|                                      | Note | 31 December 2013<br>Audited<br>\$000 | 30 June 2013<br>Audited<br>\$000 |
|--------------------------------------|------|--------------------------------------|----------------------------------|
| <b>Current assets</b>                |      |                                      |                                  |
| Cash and cash equivalents            |      | 48,380                               | 22,663                           |
| Receivables and prepayments          |      | 191,905                              | 267,984                          |
| Inventories                          |      | 85,206                               | 77,226                           |
| Emission units on hand               |      | 4,353                                | 1,649                            |
| Tax receivable                       |      | 3,281                                | 4,688                            |
| Derivatives                          | 15   | 12,355                               | 19,246                           |
| <b>Total current assets</b>          |      | <b>345,480</b>                       | <b>393,456</b>                   |
| <b>Non-current assets</b>            |      |                                      |                                  |
| Property, plant and equipment        | 9    | 2,777,893                            | 2,800,145                        |
| Oil and gas assets                   | 10   | 362,089                              | 391,855                          |
| Intangible assets                    |      | 123,184                              | 122,564                          |
| Inventories                          |      | 46,456                               | 36,930                           |
| Receivables and prepayments          |      | 995                                  | 715                              |
| Derivatives                          | 15   | 11,421                               | 5,574                            |
| <b>Total non-current assets</b>      |      | <b>3,322,038</b>                     | <b>3,357,783</b>                 |
| <b>Total assets</b>                  |      | <b>3,667,518</b>                     | <b>3,751,239</b>                 |
| <b>Current liabilities</b>           |      |                                      |                                  |
| Payables and accruals                |      | 184,253                              | 224,815                          |
| Borrowings                           | 13   | 135,657                              | 412,925                          |
| Provisions                           | 14   | 15,089                               | 12,381                           |
| Derivatives                          | 15   | 27,632                               | 17,507                           |
| <b>Total current liabilities</b>     |      | <b>362,631</b>                       | <b>667,628</b>                   |
| <b>Non-current liabilities</b>       |      |                                      |                                  |
| Payables and accruals                |      | 613                                  | 631                              |
| Borrowings                           | 13   | 871,002                              | 611,957                          |
| Provisions                           | 14   | 130,305                              | 117,729                          |
| Deferred tax liability               |      | 378,820                              | 381,565                          |
| Derivatives                          | 15   | 14,536                               | 22,019                           |
| <b>Total non-current liabilities</b> |      | <b>1,395,276</b>                     | <b>1,133,901</b>                 |
| <b>Total liabilities</b>             |      | <b>1,757,907</b>                     | <b>1,801,529</b>                 |
| <b>Shareholder's equity</b>          |      |                                      |                                  |
| Share capital                        |      | 540,565                              | 540,565                          |
| Reserves                             |      | 1,369,046                            | 1,409,145                        |
| <b>Total equity</b>                  |      | <b>1,909,611</b>                     | <b>1,949,710</b>                 |
| <b>Total equity and liabilities</b>  |      | <b>3,667,518</b>                     | <b>3,751,239</b>                 |

The Directors of Genesis Energy Limited authorise these condensed interim financial statements for issue on behalf of the Board.



Rt Hon Dame Jenny Shipley, DNZM  
Chair of the Board  
Date: 11 February 2014



Joanna Perry, MNZM  
Chair of the Audit Committee  
Date: 11 February 2014

The above statements should be read in conjunction with the accompanying notes.

## INTERIM CASH FLOW STATEMENT

Genesis Energy Group

For the six-month period ended 31 December 2013

|                                                           | Note | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$000 |
|-----------------------------------------------------------|------|--------------------------------------------------------|----------------------------------------------------------|
| <b>Cash flows from operating activities</b>               |      |                                                        |                                                          |
| Cash was provided from:                                   |      |                                                        |                                                          |
| Receipts from customers                                   |      | 1,053,135                                              | 1,146,683                                                |
| Interest received                                         |      | 440                                                    | 305                                                      |
|                                                           |      | <b>1,053,575</b>                                       | <b>1,146,988</b>                                         |
| Cash was applied to:                                      |      |                                                        |                                                          |
| Payments to suppliers                                     |      | 834,028                                                | 864,805                                                  |
| Payments to employees                                     |      | 45,707                                                 | 42,532                                                   |
| Tax paid                                                  |      | 9,201                                                  | 21,703                                                   |
|                                                           |      | <b>888,936</b>                                         | <b>929,040</b>                                           |
| <b>Net cash inflows from operating activities</b>         |      | <b>164,639</b>                                         | <b>217,948</b>                                           |
| <b>Cash flows from investing activities</b>               |      |                                                        |                                                          |
| Cash was provided from:                                   |      |                                                        |                                                          |
| Proceeds from disposal of property, plant and equipment   |      | 230                                                    | -                                                        |
| Receipts of principal from finance lease receivable       |      | -                                                      | 4,773                                                    |
|                                                           |      | <b>230</b>                                             | <b>4,773</b>                                             |
| Cash was applied to:                                      |      |                                                        |                                                          |
| Purchase of property, plant and equipment                 |      | 24,984                                                 | 86,720                                                   |
| Purchase of oil and gas assets                            |      | 295                                                    | 150                                                      |
| Purchase of intangibles (excluding emission units)        |      | 7,451                                                  | 11,061                                                   |
|                                                           |      | <b>32,730</b>                                          | <b>97,931</b>                                            |
| <b>Net cash (outflows) from investing activities</b>      |      | <b>(32,500)</b>                                        | <b>(93,158)</b>                                          |
| <b>Cash flows from financing activities</b>               |      |                                                        |                                                          |
| Cash was provided from:                                   |      |                                                        |                                                          |
| Proceeds from borrowings                                  |      | 61,001                                                 | 50,000                                                   |
|                                                           |      | <b>61,001</b>                                          | <b>50,000</b>                                            |
| Cash was applied to:                                      |      |                                                        |                                                          |
| Repayment of borrowings                                   |      | 75,000                                                 | 122,000                                                  |
| Interest paid and other finance charges                   |      | 33,444                                                 | 36,793                                                   |
| Repayment of principal on finance lease liabilities       |      | 1,979                                                  | 1,840                                                    |
| Ordinary dividend paid                                    | 8    | 57,000                                                 | -                                                        |
|                                                           |      | <b>167,423</b>                                         | <b>160,633</b>                                           |
| <b>Net cash (outflows) from financing activities</b>      |      | <b>(106,422)</b>                                       | <b>(110,633)</b>                                         |
| <b>Net increase in cash and cash equivalents</b>          |      | <b>25,717</b>                                          | <b>14,157</b>                                            |
| Cash and cash equivalents at the beginning of the period  |      | 22,663                                                 | 30,185                                                   |
| <b>Cash and cash equivalents at the end of the period</b> |      | <b>48,380</b>                                          | <b>44,342</b>                                            |

The above statements should be read in conjunction with the accompanying notes.

## INTERIM CASH FLOW STATEMENT CONTINUED

### Genesis Energy Group

For the six-month period ended 31 December 2013

|                                                                                                  | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$000 |
|--------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| <b>Reconciliation of net profit for the period to net cash inflows from operating activities</b> |                                                        |                                                          |
| <b>Net profit for the period</b>                                                                 | <b>19,728</b>                                          | 70,775                                                   |
| <b>Items classified as investing/financing activities</b>                                        |                                                        |                                                          |
| Net (gain) loss on disposal of property, plant and equipment                                     | (91)                                                   | 189                                                      |
| Interest and other finance charges paid                                                          | 31,688                                                 | 35,699                                                   |
| Other items classified as investing/financing activities                                         | (4,090)                                                | (4,336)                                                  |
|                                                                                                  | <b>27,507</b>                                          | 31,552                                                   |
| <b>Non-cash items</b>                                                                            |                                                        |                                                          |
| Depreciation, depletion and amortisation expense                                                 | 81,203                                                 | 66,957                                                   |
| Impairment of non-current assets                                                                 | 3,620                                                  | 662                                                      |
| Change in fair value of financial instruments                                                    | 2,637                                                  | (10,137)                                                 |
| Deferred tax expense                                                                             | (1,646)                                                | 8,561                                                    |
| Change in capital expenditure accruals                                                           | (746)                                                  | 20,827                                                   |
| Change in rehabilitation and contractual arrangement provisions                                  | 636                                                    | 2,687                                                    |
|                                                                                                  | <b>85,704</b>                                          | 89,557                                                   |
| <b>Movements in working capital</b>                                                              |                                                        |                                                          |
| Change in receivables and prepayments (excluding finance lease receivable)                       | 75,799                                                 | 121,786                                                  |
| Change in inventories                                                                            | (17,506)                                               | (916)                                                    |
| Change in emission units on hand                                                                 | (2,704)                                                | (1,423)                                                  |
| Change in payables and accruals                                                                  | (40,580)                                               | (91,318)                                                 |
| Change in tax receivable/payable                                                                 | 1,407                                                  | (2,350)                                                  |
| Change in provisions                                                                             | 15,284                                                 | 285                                                      |
|                                                                                                  | <b>31,700</b>                                          | 26,064                                                   |
| <b>Net cash inflows from operating activities</b>                                                | <b>164,639</b>                                         | 217,948                                                  |

The above statements should be read in conjunction with the accompanying notes.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### Genesis Energy Group

For the six-month period ended 31 December 2013

#### 1. General information

Genesis Energy Limited ('the Parent', previously known as Genesis Power Limited) is a company registered under the Companies Act 1993. The Parent became a state-owned enterprise on 16 December 1998 pursuant to the State-Owned Enterprises Act 1986 and is wholly owned by Her Majesty the Queen in Right of New Zealand ('the Crown'). The liabilities of the Parent are not guaranteed in any way by the Crown. The Parent is an issuer for the purposes of the Financial Reporting Act 1993.

The condensed interim financial statements comprise Genesis Energy Limited ('the Parent'), its subsidiaries and its interests in associates and jointly controlled operations (together, 'the Group'). The condensed interim financial statements cover the six-month period ended 31 December 2013. The information for the six-month period ended 31 December 2012 is unaudited.

The Group is designated as a profit-oriented entity for financial reporting purposes.

The Group's core business is located in New Zealand and involves the generation of electricity, retailing and trading of energy, and the development and procurement of fuel sources. To support these functions, the Group's scope of business includes retailing and trading of related complementary products designed to support its key energy business.

During the period, the Group established a new subsidiary to manage the Group's insurance risk. This entity is consolidated as part of the Group.

#### Basis of preparation

The condensed interim financial statements have been prepared in accordance with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* ('NZ IAS 34'). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Consequently these condensed interim financial statements should be read in conjunction with the annual financial statements and related notes included in Genesis Energy's Annual Report for the year ended 30 June 2013.

The condensed interim financial statements are presented in New Zealand dollars rounded to the nearest thousand.

#### New accounting policies

##### Share-based payments

Employees (including Senior Management) of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair value at grant date using an appropriate valuation model.

The cost of equity-settled transactions is recognised, together with a corresponding increase to the share-based payments reserve within equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

#### Application of new and revised international financial reporting standards (IFRS)

During the period the Group has adopted NZ IFRS 10 *Consolidated Financial Statements*, NZ IFRS 11 *Joint Arrangements*, NZ IFRS 12 *Disclosure of Interests in Other Entities* and NZ IFRS 13 *Fair Value Measurement* which are applicable for annual reporting periods beginning on or after 1 January 2013.

NZ IFRS 10 introduces a single basis for consolidation for all entities regardless of the nature of the investee. Initial application of NZ IFRS 10 did not affect any of the amounts recognised in the financial statements.

NZ IFRS 11 classifies joint arrangements as either joint operations or joint ventures. NZ IFRS 11 requires joint operators to recognise assets, liabilities, revenue and expenses in relation to their proportionate interest in the joint operation whereas joint ventures are required to be accounted for using the equity method. The Group has classified its interests in jointly controlled

assets and entities as joint operations under NZ IFRS 11. Initial application of NZ IFRS 11 did not affect any of the amounts recognised in the financial statements, but changed the classification and disclosure of interests in 'jointly controlled assets and entities' to 'joint operations'.

NZ IFRS 12 introduces new disclosure requirements which will impact the annual financial statements. This enables readers to understand significant judgements/assumptions made to determine the nature of its interest in another entity/joint arrangement.

NZ IFRS 13 establishes a single framework for measuring fair value which it applies to both financial and non-financial items measured at fair value. It also introduces a number of new disclosure requirements on the fair value of assets and liabilities. The Group has two categories of assets and liabilities carried at fair value, being generation assets and derivatives. Initial application of NZ IFRS 13 has impacted the amounts recognised in the financial statements for derivatives but has no impact on the amounts recognised in the financial statements for generation assets. The change has been made prospectively in accordance with NZ IFRS 13 transitional provisions.

The impact of adopting of NZ IFRS 13 has no material impact on the carrying value of derivatives as at 31 December 2013. This change directly impacted on profit or loss and is mainly due to incorporating non-performance risk.

There was no impact on the fair value of generation assets as at 31 December 2013.

There have been no other changes in accounting policies since 30 June 2013. Other than the changes noted above, the accounting policies set out in Genesis Energy's Annual Report for the year ended 30 June 2013 have been applied consistently to all periods presented in these condensed interim financial statements.

#### Critical accounting estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

### 1. General information continued

The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's significant areas of estimation and critical judgements

in the condensed interim financial statements are the same as those disclosed in Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2013.

#### Seasonality of operations

Fluctuations in seasonal weather patterns can have a significant impact on supply and demand and therefore the generation of electricity, which, in turn, can have a positive or negative impact on the reported result.

### 2. Segment reporting

For management purposes the Group is currently organised into four segments as follows:

| Segment             | Activity                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer Experience | Supply of energy (electricity, gas and LPG) to end-user customers as well as related services.                                                                                                                                                                                                                                                                                                    |
| Energy Management   | Generation and trading of electricity and related products. The segment includes electricity sales to the wholesale electricity market, derivatives entered into to fix the price of electricity, and wholesale gas and coal sales.                                                                                                                                                               |
| Oil and Gas         | Exploration, development, production and sale of gas, LPG and light oil.                                                                                                                                                                                                                                                                                                                          |
| Corporate           | Head-office functions including new-generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal, corporate governance and the finance lease receivable relating to the Kinleith cogeneration plant. Corporate revenue is made up of finance lease income, property rental and miscellaneous income. |

The segments are based on the different products and services offered by the Group. No operating segments are aggregated.

#### Six months ended 31 December 2013

|                                                                                                                                                          | Customer Experience Audited \$000 | Energy Management Audited \$000 | Oil and Gas Audited \$000 | Corporate Audited \$000 | Inter-Segment Items Audited \$000 | Total Audited \$000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|---------------------------|-------------------------|-----------------------------------|---------------------|
| <b>Audited</b>                                                                                                                                           |                                   |                                 |                           |                         |                                   |                     |
| <b>Operating revenue</b>                                                                                                                                 |                                   |                                 |                           |                         |                                   |                     |
| Electricity revenue                                                                                                                                      | 593,714                           | 461,892                         | -                         | -                       | (246,408)                         | 809,198             |
| Gas revenue                                                                                                                                              | 74,882                            | 68,879                          | 29,316                    | -                       | (55,407)                          | 117,670             |
| Petroleum revenue                                                                                                                                        | -                                 | -                               | 42,636                    | -                       | -                                 | 42,636              |
| Other revenue                                                                                                                                            | 2,257                             | 803                             | 49                        | 458                     | -                                 | 3,567               |
| <b>Total revenue</b>                                                                                                                                     | <b>670,853</b>                    | <b>531,574</b>                  | <b>72,001</b>             | <b>458</b>              | <b>(301,815)</b>                  | <b>973,071</b>      |
| <b>Operating expenses</b>                                                                                                                                |                                   |                                 |                           |                         |                                   |                     |
| Electricity purchase, transmission and distribution                                                                                                      | (491,351)                         | (177,891)                       | -                         | -                       | 246,407                           | (422,835)           |
| Gas purchase and transmission                                                                                                                            | (65,449)                          | (76,645)                        | -                         | -                       | 28,195                            | (113,899)           |
| Petroleum production, marketing and distribution                                                                                                         | -                                 | -                               | (14,467)                  | -                       | -                                 | (14,467)            |
| Fuel consumed                                                                                                                                            | -                                 | (122,581)                       | -                         | -                       | 27,213                            | (95,368)            |
| Employee benefits                                                                                                                                        | (13,603)                          | (17,906)                        | -                         | (14,056)                | -                                 | (45,565)            |
| Other operating expenses                                                                                                                                 | (64,909)                          | (54,460)                        | (2,405)                   | (8,627)                 | -                                 | (130,401)           |
| <b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b> | <b>35,541</b>                     | <b>82,091</b>                   | <b>55,129</b>             | <b>(22,225)</b>         | <b>-</b>                          | <b>150,536</b>      |
| Depreciation, depletion and amortisation                                                                                                                 | (1,640)                           | (43,522)                        | (30,061)                  | (5,980)                 | -                                 | (81,203)            |
| Impairment of non-current assets                                                                                                                         | (14)                              | (3,465)                         | -                         | (141)                   | -                                 | (3,620)             |
| Change in fair value of financial instruments                                                                                                            | -                                 | (1,163)                         | (1,149)                   | (325)                   | -                                 | (2,637)             |
| Other gains (losses)                                                                                                                                     | -                                 | 6                               | (280)                     | 21                      | -                                 | (253)               |
| <b>Profit (loss) before net finance expense and income tax</b>                                                                                           | <b>33,887</b>                     | <b>33,947</b>                   | <b>23,639</b>             | <b>(28,650)</b>         | <b>-</b>                          | <b>62,823</b>       |
| Finance revenue                                                                                                                                          | 137                               | -                               | 37                        | 266                     | -                                 | 440                 |
| Finance expense                                                                                                                                          | (141)                             | (1,596)                         | (1,380)                   | (31,456)                | -                                 | (34,573)            |
| <b>Profit (loss) before income tax</b>                                                                                                                   | <b>33,883</b>                     | <b>32,351</b>                   | <b>22,296</b>             | <b>(59,840)</b>         | <b>-</b>                          | <b>28,690</b>       |
| <b>Other segment information</b>                                                                                                                         |                                   |                                 |                           |                         |                                   |                     |
| Capital expenditure                                                                                                                                      | 1,524                             | 21,209                          | 295                       | 10,671                  | -                                 | 33,699              |

### 2. Segment reporting continued

Six months ended 31 December 2012

|                                                                                                                                                          | Customer Experience Unaudited \$000 | Energy Management Unaudited \$000 | Oil and Gas Unaudited \$000 | Corporate Unaudited \$000 | Inter-segment Items Unaudited \$000 | Total Unaudited \$000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------|-----------------------------|---------------------------|-------------------------------------|-----------------------|
| <b>Unaudited</b>                                                                                                                                         |                                     |                                   |                             |                           |                                     |                       |
| <b>Operating revenue</b>                                                                                                                                 |                                     |                                   |                             |                           |                                     |                       |
| Electricity revenue                                                                                                                                      | 575,372                             | 558,075                           | -                           | -                         | (256,440)                           | 877,007               |
| Gas revenue                                                                                                                                              | 68,669                              | 66,398                            | 22,767                      | -                         | (49,449)                            | 108,385               |
| Petroleum revenue                                                                                                                                        | -                                   | -                                 | 34,209                      | -                         | -                                   | 34,209                |
| Other revenue                                                                                                                                            | 1,491                               | 8,052                             | 51                          | 2,065                     | -                                   | 11,659                |
| <b>Total revenue</b>                                                                                                                                     | <b>645,532</b>                      | <b>632,525</b>                    | <b>57,027</b>               | <b>2,065</b>              | <b>(305,889)</b>                    | <b>1,031,260</b>      |
| <b>Operating expenses</b>                                                                                                                                |                                     |                                   |                             |                           |                                     |                       |
| Electricity purchase, transmission and distribution                                                                                                      | (495,171)                           | (210,814)                         | -                           | -                         | 256,440                             | (449,545)             |
| Gas purchase and transmission                                                                                                                            | (63,761)                            | (74,255)                          | -                           | -                         | 28,359                              | (109,657)             |
| Petroleum production, marketing and distribution                                                                                                         | -                                   | -                                 | (14,538)                    | -                         | -                                   | (14,538)              |
| Fuel consumed                                                                                                                                            | -                                   | (133,653)                         | -                           | -                         | 21,090                              | (112,563)             |
| Employee benefits                                                                                                                                        | (12,564)                            | (16,728)                          | -                           | (12,170)                  | -                                   | (41,462)              |
| Other operating expenses                                                                                                                                 | (55,435)                            | (42,465)                          | (2,609)                     | (7,094)                   | -                                   | (107,603)             |
| <b>Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses</b> | <b>18,601</b>                       | <b>154,610</b>                    | <b>39,880</b>               | <b>(17,199)</b>           | <b>-</b>                            | <b>195,892</b>        |
| Depreciation, depletion and amortisation                                                                                                                 | (2,226)                             | (38,049)                          | (19,926)                    | (6,756)                   | -                                   | (66,957)              |
| Impairment of non-current assets                                                                                                                         | -                                   | (662)                             | -                           | -                         | -                                   | (662)                 |
| Change in fair value of financial instruments                                                                                                            | -                                   | 13,520                            | (3,346)                     | (37)                      | -                                   | 10,137                |
| Other gains (losses)                                                                                                                                     | -                                   | (1,497)                           | (225)                       | 26                        | -                                   | (1,696)               |
| <b>Profit (loss) before net finance expense and income tax</b>                                                                                           | <b>16,375</b>                       | <b>127,922</b>                    | <b>16,383</b>               | <b>(23,966)</b>           | <b>-</b>                            | <b>136,714</b>        |
| Finance revenue                                                                                                                                          | 53                                  | -                                 | 49                          | 203                       | -                                   | 305                   |
| Finance expense                                                                                                                                          | (156)                               | (1,627)                           | (1,302)                     | (35,245)                  | -                                   | (38,330)              |
| <b>Profit (loss) before income tax</b>                                                                                                                   | <b>16,272</b>                       | <b>126,295</b>                    | <b>15,130</b>               | <b>(59,008)</b>           | <b>-</b>                            | <b>98,689</b>         |
| <b>Other segment information</b>                                                                                                                         |                                     |                                   |                             |                           |                                     |                       |
| Capital expenditure                                                                                                                                      | 1,317                               | 67,238                            | 150                         | 5,418                     | -                                   | 74,123                |

### 3. Other operating expenses

|                                                          | 6 months ended 31 December 2013 Audited \$000 | 6 months ended 31 December 2012 Unaudited \$000 |
|----------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| <b>Other operating expenses include:</b>                 |                                               |                                                 |
| Auditor's remuneration:                                  |                                               |                                                 |
| - Audit fees for interim financial statements (Deloitte) | 290                                           | -                                               |
| - Audit-related services (Deloitte) <sup>1</sup>         | 130                                           | -                                               |
| Rental expenses on operating leases                      | 3,834                                         | 4,046                                           |
| Contract termination fee and related onerous contracts   | 19,123                                        | -                                               |
| Offer costs                                              | 2,448                                         | 91                                              |

<sup>1</sup> Audit-related services refers to the examination of certain financial information included in the Prospectus. This fee is excluded from the offer costs amount.

### 4. Impairment of non-current assets

Impairment for the six months ended 31 December 2013 and 31 December 2012 consists of impairment of property, plant and equipment. The impairment relates to expenditure of a capital nature on Huntly Units 1 to 4 and 6 and rehabilitation of the Huntly ash ponds associated with the units. This is included in the Energy Management segment. The expenditure is immediately impaired when incurred as the fair value of these units is nil.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

### 5. Change in fair value of financial instruments

|                                                        | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$000 |
|--------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Change in fair value of derivatives                    | (3,353)                                                | 10,050                                                   |
| Fair value interest rate risk adjustment on borrowings | 716                                                    | 87                                                       |
|                                                        | (2,637)                                                | 10,137                                                   |

### 6. Finance expense

|                                                  | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$000 |
|--------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Interest on borrowings (excluding Capital Bonds) | 25,007                                                 | 23,187                                                   |
| Interest on Capital Bonds                        | 6,473                                                  | 12,391                                                   |
| Interest on finance lease liabilities            | 161                                                    | 299                                                      |
| Interest on other loans and payables             | 188                                                    | 144                                                      |
| <b>Total interest expense</b>                    | <b>31,829</b>                                          | <b>36,021</b>                                            |
| Other finance charges                            | 93                                                     | 386                                                      |
| Time value of money adjustments on provisions    | 2,885                                                  | 2,631                                                    |
|                                                  | 34,807                                                 | 39,038                                                   |
| Capitalised finance expenses                     | (234)                                                  | (708)                                                    |
|                                                  | 34,573                                                 | 38,330                                                   |

The decrease in finance expense for the six months ended 31 December 2013 relates to the modification of Capital Bonds in July 2013. For further information refer to note 13.

### 7. Earnings per share

|                                                                             | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | 6 months ended<br>31 December 2012<br>Unaudited<br>\$000 |
|-----------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Net profit for the period attributable to Shareholder of the Parent (\$000) | 19,728                                                 | 70,775                                                   |
| Number of ordinary shares in issue (units)                                  | 540,565,002                                            | 540,565,002                                              |
| <b>Basic and diluted earnings per share (cents)</b>                         | <b>3.65</b>                                            | <b>13.09</b>                                             |

### 8. Dividends

A final dividend of \$57.0 million (10.5 cents per share) that was fully imputed was paid on 11 October 2013 (31 December 2012: nil).

An interim dividend of \$64.0 million (11.83 cents per share) that was fully imputed was declared subsequent to the reporting date.

### 9. Property, plant and equipment

|                                                             | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | Year ended<br>30 June 2013<br>Audited<br>\$000 |
|-------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|
| <b>Opening balance</b>                                      | <b>2,800,145</b>                                       | <b>2,580,654</b>                               |
| Additions                                                   | 25,096                                                 | 144,689                                        |
| Revaluation gains (losses)                                  | -                                                      | 155,573                                        |
| Capitalised finance expenses                                | 234                                                    | 2,319                                          |
| Change in rehabilitation and contractual arrangement assets | 1,228                                                  | 4,060                                          |
| Disposals                                                   | (219)                                                  | -                                              |
| Impairment                                                  | (3,620)                                                | (6,579)                                        |
| Depreciation expense                                        | (44,971)                                               | (80,571)                                       |
| <b>Closing balance</b>                                      | <b>2,777,893</b>                                       | <b>2,800,145</b>                               |

### 10. Oil and gas assets

|                                    | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | Year ended<br>30 June 2013<br>Audited<br>\$000 |
|------------------------------------|--------------------------------------------------------|------------------------------------------------|
| <b>Opening balance</b>             | <b>391,855</b>                                         | <b>429,150</b>                                 |
| Additions                          | 295                                                    | 459                                            |
| Change in rehabilitation assets    | -                                                      | 2,632                                          |
| Depreciation and depletion expense | (30,061)                                               | (40,386)                                       |
| <b>Closing balance</b>             | <b>362,089</b>                                         | <b>391,855</b>                                 |

### 11. Jointly controlled operations

The Group has a 31 per cent interest in the Kupe production facility and Petroleum Mining Permit 38146 held by the Kupe Joint Venture.

The Group has a 50 per cent interest in the Gasbridge Joint Venture. The Gasbridge Joint Venture was established to investigate the feasibility of developing facilities to import Liquefied Natural Gas at the Port of Taranaki. The Joint Venture has delayed this investigation until further notice.

| Name of entity          | Principal activity                            | Interest held<br>31 December 2013<br>% | Interest held<br>30 June 2013<br>% |
|-------------------------|-----------------------------------------------|----------------------------------------|------------------------------------|
| Kupe Joint Venture      | Petroleum production and sale                 | 31                                     | 31                                 |
| Gasbridge Joint Venture | Liquefied natural gas importation development | 50                                     | 50                                 |

Joint ventures are classified as joint operations under NZ IFRS 11.

The Group's interest in capital expenditure commitments relating to joint operations is included in note 17.

### 12. Material related party transactions

There were no individually significant transactions with the Crown and Crown controlled and related entities during the period (30 June 2013: nil).

Other transactions with Crown controlled and related entities which are collectively but not individually significant relate to the purchase of coal and electricity derivatives. Approximately 80 per cent (31 December 2012: 89 per cent) of the coal acquired by the Group during the year was supplied by Crown controlled and related entities under coal supply agreements which expire in June 2017. Approximately 4.0 per cent (31 December 2012: 35.4 per cent) of the value of electricity derivatives held by the Group at year-end are held with Crown controlled and related entities. The contracts expire at various times with the latest one being December 2025.

For a list and description of transactions with related parties refer to Genesis Energy's annual financial statements included in Genesis Energy's Annual Report for the year ended 30 June 2013.

### 13. Borrowings

|                           | 31 December 2013<br>Audited<br>\$000 | 30 June 2013<br>Audited<br>\$000 |
|---------------------------|--------------------------------------|----------------------------------|
| Revolving credit          | 250,512                              | 189,526                          |
| Wholesale term notes      | 320,753                              | 321,366                          |
| Retail term notes         | 229,140                              | 228,700                          |
| Capital bonds             | 202,634                              | 279,691                          |
| Finance lease liabilities | 3,620                                | 5,599                            |
| <b>Total</b>              | <b>1,006,659</b>                     | <b>1,024,882</b>                 |
| Current                   | 135,657                              | 412,925                          |
| Non-current               | 871,002                              | 611,957                          |
| <b>Total</b>              | <b>1,006,659</b>                     | <b>1,024,882</b>                 |

The Parent completed a modification process for the Capital Bonds on 15 July 2013. Effective from 15 July 2013 the principal amount of Capital Bonds reduced from \$275 million to \$200 million and the interest rate reduced from 8.50 per cent to 6.19 per cent. As at 30 June 2013 the total \$275 million of Capital Bonds was classified as current, resulting in negative working capital for the Group. Subsequent to 15 July 2013, the modified Capital Bonds of \$200 million has been classified as term, expiring on 15 July 2041.

As at 31 December 2013, \$120 million of retail term notes are due to mature March 2014. These notes have been classified as current and as a result, the Group notionally has negative working capital at 31 December 2013 of \$17.2 million. However the Group has \$375 million of undrawn, committed revolving credit facilities at 31 December 2013 which are non-current and will be used to repay the retail term notes. The Group is expected to return to a positive working capital in March 2014 on maturity of the retail term notes.

#### Revolving credit

As at 31 December 2013 the Group had drawn down \$250.0 million (30 June 2013: \$189.0 million) and had available undrawn funding of \$375.0 million (30 June 2013: \$286.0 million).

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

### 14. Provisions

|                                       | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | Year ended<br>30 June 2013<br>Audited<br>\$000 |
|---------------------------------------|--------------------------------------------------------|------------------------------------------------|
| <b>Opening balance</b>                | <b>130,110</b>                                         | 123,172                                        |
| Provisions made during the period     | 20,205                                                 | 15,901                                         |
| Provisions reversed during the period | (2,606)                                                | (3,791)                                        |
| Provisions used during the period     | (5,200)                                                | (10,178)                                       |
| Time value of money adjustment        | 2,885                                                  | 5,006                                          |
| <b>Closing balance</b>                | <b>145,394</b>                                         | 130,110                                        |
| Current                               | 15,089                                                 | 12,381                                         |
| Non-current                           | 130,305                                                | 117,729                                        |
| <b>Total</b>                          | <b>145,394</b>                                         | 130,110                                        |

The additional provisions made for the six months ended 31 December 2013 of \$20.2 million relates to the Group's onerous contract provision, rehabilitation and restoration provisions, lease incentive arrangement and customer loyalty programme 'Brownie Points'. The majority of the movement relates to an onerous contract provision associated with changes to contractual arrangements.

### 15. Derivatives

|                                                                      | 31 December 2013<br>Audited<br>\$000 | 30 June 2013<br>Audited<br>\$000 |
|----------------------------------------------------------------------|--------------------------------------|----------------------------------|
| <b>Net carrying value of derivatives</b>                             |                                      |                                  |
| <b>Cash flow hedges</b>                                              |                                      |                                  |
| Foreign exchange swaps                                               | (1,232)                              | (3,002)                          |
| Interest rate swaps and options                                      | (1,420)                              | (4,075)                          |
| Electricity swaps                                                    | (12,981)                             | (6,319)                          |
| Oil swaps                                                            | (2,158)                              | 1,327                            |
| <b>Fair value hedges</b>                                             |                                      |                                  |
| Interest rate swaps and options                                      | 1,626                                | 2,351                            |
| <b>Derivatives not designated as hedges</b>                          |                                      |                                  |
| Foreign exchange options                                             | 478                                  | -                                |
| Electricity swaps and options                                        | (2,705)                              | (4,709)                          |
| Oil swaps and options                                                | -                                    | (279)                            |
| <b>Total</b>                                                         | <b>(18,392)</b>                      | (14,706)                         |
| <b>Carrying value of derivatives by balance sheet classification</b> |                                      |                                  |
| Current assets                                                       | 12,355                               | 19,246                           |
| Non-current assets                                                   | 11,421                               | 5,574                            |
| Current liabilities                                                  | (27,632)                             | (17,507)                         |
| Non-current liabilities                                              | (14,536)                             | (22,019)                         |
| <b>Total</b>                                                         | <b>(18,392)</b>                      | (14,706)                         |

The methods of valuing electricity swaps and options, and interest rate swaps and options, is outlined in note 16.

### 15. Derivatives continued

|                                                                                     | 6 months ended<br>31 December 2013<br>Audited<br>\$000 | Year ended<br>30 June 2013<br>Audited<br>\$000 |
|-------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|
| <b>Change in carrying value of derivatives</b>                                      |                                                        |                                                |
| <b>Opening balance</b>                                                              | <b>(14,706)</b>                                        | (37,427)                                       |
| Total change recognised in electricity and petroleum revenue                        | 16,226                                                 | 34,126                                         |
| Net change in derivatives not designated as hedges                                  | (1,198)                                                | 33,741                                         |
| Net change in fair value hedges                                                     | (724)                                                  | (989)                                          |
| Ineffective gain (loss) on cash flow hedges                                         | (1,431)                                                | 51                                             |
| <b>Total change recognised in the change in fair value of financial instruments</b> | <b>(3,353)</b>                                         | 32,803                                         |
| Gain (loss) recognised in other comprehensive income                                | 3,482                                                  | 24,120                                         |
| Settlements (gain) loss                                                             | (2,228)                                                | (24,763)                                       |
| Sales (option fees received)                                                        | (18,460)                                               | (44,092)                                       |
| Purchases (option fees paid)                                                        | 647                                                    | 527                                            |
| <b>Closing balance</b>                                                              | <b>(18,392)</b>                                        | (14,706)                                       |

### 16. Fair value

#### Fair value hierarchy

The Group's assets and liabilities measured at fair value are categorised into one of three levels as follows:

**Level one** – the fair value is determined using unadjusted quoted prices from an active market for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

**Level two** – the fair value is derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments in this level include interest rate swaps and options, foreign exchange swaps and options, and oil swaps and options and electricity derivatives which are valued using observable electricity price paths.

**Level three** – the fair value is derived from inputs that are not based on observable market data. Assets and liabilities included in this level include generation assets and electricity derivatives, as both valuations include internally generated electricity price paths.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level one, two and three during the period (30 June 2013: nil).

|                                                            | 6 months ended 31 December 2013       |                                 |
|------------------------------------------------------------|---------------------------------------|---------------------------------|
|                                                            | Generation assets<br>Audited<br>\$000 | Derivatives<br>Audited<br>\$000 |
| <b>Items carried at fair value</b>                         |                                       |                                 |
| <b>Recurring fair value measurements</b>                   |                                       |                                 |
| <b>Level 2</b>                                             |                                       |                                 |
| Derivatives                                                |                                       |                                 |
| - Interest rate swaps and options                          | -                                     | 206                             |
| - Foreign exchange swaps and options                       | -                                     | (754)                           |
| - Oil swaps and options                                    | -                                     | (2,158)                         |
| - Electricity swaps (not designated as hedges)             | -                                     | (383)                           |
|                                                            |                                       | <b>(3,089)</b>                  |
| <b>Level 3</b>                                             |                                       |                                 |
| Property, plant and equipment                              |                                       |                                 |
| - Generation assets                                        | 2,688,125                             | -                               |
| Derivatives                                                |                                       |                                 |
| - Electricity swaps (cash flow hedges)                     | -                                     | (12,981)                        |
| - Electricity swaps and options (not designated as hedges) | -                                     | (2,322)                         |
|                                                            | <b>2,688,125</b>                      | <b>(15,303)</b>                 |
|                                                            | <b>2,688,125</b>                      | <b>(18,392)</b>                 |

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

### 16. Fair value continued

|                                                          | 6 months ended 31 December 2013 |                           |
|----------------------------------------------------------|---------------------------------|---------------------------|
|                                                          | Generation Assets Audited \$000 | Derivatives Audited \$000 |
| <b>Reconciliation of Level 3 fair value measurements</b> |                                 |                           |
| <b>Opening balance</b>                                   | <b>2,708,590</b>                | <b>(9,133)</b>            |
| Total gain (loss)                                        |                                 |                           |
| Electricity revenue                                      | -                               | <b>17,600</b>             |
| Change in fair value of financial instruments            | -                               | <b>(2,499)</b>            |
| Revaluation of generation assets                         | -                               | -                         |
| Total gain (loss) in profit or loss                      | -                               | <b>15,101</b>             |
| Total gain (loss) recognised in cash flow hedge reserve  | -                               | <b>2,275</b>              |
| Settlements (gain) loss                                  | -                               | <b>(5,086)</b>            |
| Disposals/sales                                          | <b>(191)</b>                    | <b>(18,460)</b>           |
| Additions/purchases                                      | <b>24,814</b>                   | -                         |
| Depreciation expense                                     | <b>(41,623)</b>                 | -                         |
| Impairment                                               | <b>(3,465)</b>                  | -                         |
| <b>Closing balance</b>                                   | <b>2,688,125</b>                | <b>(15,303)</b>           |

Change in fair value of financial instruments for the period included an unrealised loss of \$2.12 million relating to Level 3 derivatives that are measured at fair value at the end of each reporting period.

#### Valuation of Level 2

##### Valuation of interest rate swaps and options

The valuation of interest rate swaps is based on a forward interest rate price curve discounted at the forward interest rate price curve at balance date. The forward interest rate price curve used in the valuation ranged from 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 5.4 per cent) and the forward interest rate price curve at balance date used in the valuation ranged from 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 4.8 per cent).

##### Valuation of foreign exchange swaps and options

The valuation of foreign exchange swaps is based on forward foreign exchange rate curves at balance date, discounted at the forward interest rate price curve at balance date. The underlying spot foreign exchange rates used in the valuation were USD 0.82, AUD 0.92, JPY 86.77, EUR 0.60, GBP 0.50, CHF 0.74 (30 June 2013: USD 0.77, AUD 0.85, JPY 76.7, EUR 0.59, GBP 0.51, CHF 0.73) and the forward interest rate curve used in the valuation was based on the prevailing market interest rate curve (see valuation of interest rate swaps and options above). Options are valued based on the valuation obtained from counterparty banks.

##### Valuation of oil swaps and options

The valuation of oil swaps is based on the forward oil price and foreign exchange rate curves at balance date discounted at the forward interest rate price curve at balance date. The average forward oil price used in the valuation was USD 104.20 (30 June 2013: USD 98.76), the underlying spot rate used for the foreign exchange rate curve was USD 0.82 (30 June 2013: USD 0.77) and the forward interest rate price curve used to discount the valuation was based on the prevailing market interest rate curve (see valuation of interest rate swaps and options above). Oil options are based on the valuations obtained from counterparty banks converted to New Zealand dollars using the spot rate at the valuation date. The spot rate used in the valuations was USD 0.82 (30 June 2013: USD 0.77). Options are valued based on the valuation obtained from counterparty banks.

##### Valuation of electricity swaps

The valuation of electricity swaps in level two is based on the ASX forward price curve that relates to the derivative. As at 31 December 2013 the ASX forward price curve ranges from \$47.75 per MWh to \$92.00 per MWh for Benmore, and from \$54.50 per MWh to \$92.50 per MWh for Otahuhu.

### 16. Fair value continued

#### Valuation of Level 3

##### Valuation processes of the Group

The Group's finance department includes a team that performs the valuations of Level 3 fair values for generation assets and derivatives. This team reports directly to the Chief Financial Officer. Discussions of valuation processes and results are held between the Chief Financial Officer and the Valuation Team at least six monthly for generation assets, and monthly for derivatives. As part of these discussions, the team presents analysis to explain the reasons for changes in fair value measurements. The Chief Financial Officer reports key changes to inputs to the Board in the monthly Finance report and any changes to the valuation methodology are reported to the Audit Committee through update papers when any changes are anticipated or have been made due to changes in the business.

##### Valuation method of the Group

The valuation of level three instruments is based on a forecast internally generated electricity price path. The selection of variables used within the price path requires significant judgement, and therefore there is a range of reasonable assumptions that could be used in estimating the fair value of these derivatives. The key unobservable inputs driving potential changes to the forecast internally generated price path are changes in demand, hydrology and new generation build. Any one of these factors could result in a change to the price path and therefore the fair value of electricity swaps and options for level 3. The electricity price path assumes national demand growth based on the latest available industry information and Genesis Energy's view of growth within various sectors of the economy. Forecast hydrology is based on 79 years of historical hydrological inflow data. New generation build assumptions are based on announcements to the New Zealand market.

The electricity price path requires several inputs derived from third parties. These inputs include discount rates, demand, new build, planned outages, latest hydrology and several others which are checked and signed off by senior management who are responsible for the price path that is output for use across the business. These inputs are obtained from reputable institutions and are checked by the business for reasonableness as well as ensuring they align with the requirements of NZ IFRS.

The key unobservable inputs, range of assumptions and third party inputs combine to determine the wholesale electricity price path. The wholesale electricity price paths used to value level 3 on a time weighted basis range from \$76 per MWh to \$112 per MWh over the period from January 2014 to 31 December 2025.

##### Valuation of electricity swaps and options

If the price path increased by 10 per cent while holding the discount rate constant, this would result in the carrying value of the electricity derivatives increasing to \$23.6 million liability (30 June 2013: \$16.6 million liability). If the price path decreased by 10 per cent while holding the discount rate constant, the carrying value would decrease to \$8.4 million liability (30 June 2013: \$4.1 million liability).

The valuation of electricity options is based on a discounted cash flow model over the life of the agreement. The key assumptions in the model are: the callable volumes, strike price and option fees outlined in the agreement, the forecasted internally generated electricity price path, day one gains and losses, emission credits and the discount rate. The options are deemed to be called when the internally generated price path is higher than the strike prices after taking into account obligations relating to the specific terms of each contract. The discount rate used in the model was 2.5 per cent to 6.1 per cent (30 June 2013: 2.5 per cent to 4.8 per cent) and the carbon credit price used ranged between \$3 and \$25 (30 June 2013: \$7.92 and \$15.43).

##### Valuation of generation assets as at 30 June 2013

Generation assets carried at fair value, were revalued at 30 June 2013 to \$2,708.6 million. They form a major part of the total generation site assets.

At valuation date (30 June 2013), total generation site assets were valued at \$2,752.0 million and comprised the generation assets carried at fair value, and certain other property plant and equipment and capital works in progress of \$15.1 million and \$28.1 million respectively, both of which are carried at cost.

Fair value of Generation assets is determined using a discounted cash flow model under the income valuation approach. The valuation was based on the present value of the estimated future cash flows of the assets. The valuation was prepared by the Group and was independently reviewed by PricewaterhouseCoopers ('PwC') who has the appropriate qualifications and experience in valuing generation assets.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

### 16. Fair value continued

#### Valuation of generation assets as at 30 June 2013 continued

The net change in fair value was a \$155.6 million increase in the book value of generation assets. The key assumptions and judgements in the valuation model were:

| Assumptions                                             | Method of determination                                                                                                                            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Wholesale electricity price path                        | In-house market modelling of the wholesale electricity market cross-checked against publicly available price paths.                                |
| Projected generation output                             | In-house market modelling of the wholesale electricity market.                                                                                     |
| Fuel and emissions costs                                | Prices from existing fuel and emission contracts and in-house market modelling where contracted volumes do not fully cover projected requirements. |
| Projected operational and capital expenditure           | In-house business plans and projections based on contracted positions and asset management plans.                                                  |
| Capacity and life assumptions for each generation asset | In-house assessments and asset management plans.                                                                                                   |
| Discount rate                                           | Pre-tax equivalent discount rate scenarios ranging between 11.3 per cent and 12.8 per cent.                                                        |

The selection of variables used to value generation assets requires significant judgement; therefore there is a range of reasonably possible assumptions that could be used in estimating the fair value of these assets. Refer above for discussion of the forecast internally generated electricity price path. If the price path and/or generation output volumes increased by 10 per cent this would result in the carrying value of the generation assets increasing to \$3,236 million. If the price path decreased by 10 per cent the carrying value would decrease to \$2,269 million. If the discount rate decreased by one per cent this would result in the carrying value of the generation assets increasing to \$3,175 million. If the discount rate increased by one per cent then the carrying value would decrease to \$2,425 million.

The valuation was calculated by generating site except for the Huntly site where it was calculated by type of unit (Units 1-4, Unit 5 and Unit 6). For those sites where the valuation was less than the carrying value prior to revaluation, the change was recognised in the revaluation reserve up to the value that was previously recorded in the revaluation reserve prior to the revaluation. Any remaining difference between the change in fair value and the revaluation reserve for these sites was recognised in profit or loss. For those sites where the valuation was higher than the carrying value the change in fair value was recognised in the asset revaluation reserve.

There has been no revaluation as at 31 December 2013.

| Items disclosed at fair value            | 6 months ended 31 December 2013 |                          |
|------------------------------------------|---------------------------------|--------------------------|
|                                          | Carrying value Audited \$000    | Fair value Audited \$000 |
| <b>Recurring fair value measurements</b> |                                 |                          |
| <b>Level 1</b>                           |                                 |                          |
| Retail term notes                        | 229,140                         | 236,758                  |
| Capital bonds                            | 202,634                         | 199,000                  |
|                                          | 431,774                         | 435,758                  |
| <b>Level 2</b>                           |                                 |                          |
| Wholesale term notes                     | 320,753                         | 322,801                  |
| Revolving credit facility                | 250,512                         | 250,512                  |
|                                          | 571,265                         | 573,313                  |

The carrying value of financial assets and liabilities in the balance sheet approximates their fair values with the exception of retail term notes, capital bonds and wholesale term notes as shown above.

#### Valuation of wholesale term notes

The valuation of wholesale term notes is based on estimated discounted cash flow analyses using applicable market yield curves adjusted for the Group's credit rating. Market yield curves at balance date used in the valuation ranged from 3 per cent to 7 per cent.

#### Valuation of revolving credit facility

The valuation of the revolving credit facility is based on estimated discounted cash flow analyses using applicable market yield curves adjusted for the Group's credit rating. The revolving credit facility reprices to a market floating rate at least quarterly.

### 16. Fair value continued

#### Deferred 'day 1' gains (losses)

Where the Group estimates fair values of derivatives using forecast internally generated price paths, as is the case with electricity derivatives, the instrument is fair valued at inception and the difference arising between the estimated fair value and its cost (nil) is a deferred day 1 gain/loss. For electricity options the valuation adjustment is effectively amortised based on expected call volumes over the term of the contract. The carrying value of derivatives is disclosed net of the day 1 adjustments.

The following table details the movements and amounts of deferred 'day 1' gains/losses included in the fair value of electricity derivatives held at balance date:

|                                                            | 6 months ended 31 December 2013 Audited \$000 |
|------------------------------------------------------------|-----------------------------------------------|
| Opening balance                                            | 25,957                                        |
| Deferred day one gains (losses) on new derivatives         | 100                                           |
| Deferred day one gains (losses) realised during the period | (8,457)                                       |
| Closing balance                                            | 17,600                                        |

### 17. Commitments

|                                    | 31 December 2013 Audited \$000 | 30 June 2013 Audited \$000 |
|------------------------------------|--------------------------------|----------------------------|
| Total capital commitments          | 34,003                         | 40,855                     |
| Total operating lessee commitments | 50,107                         | 61,782                     |
|                                    | 84,110                         | 102,637                    |

### 18. Contingent assets and liabilities

The Group's contingent assets and liabilities were disclosed in Genesis Energy's Annual Report for the year ended 30 June 2013. There has been no change in the nature or status of these contingent assets and liabilities and there are no other known material contingent assets or liabilities (30 June 2013: nil).

### 19. Events occurring after balance date

An interim dividend of \$64.0 million (11.83 cents per share), which was fully imputed, was declared subsequent to the reporting date.

There have been no other significant events subsequent to the reporting date.



# DIRECTORY

## SHAREHOLDERS

### The Minister for State Owned Enterprises

Hon Tony Ryall

### The Minister of Finance

Hon Bill English

## BOARD OF DIRECTORS

### Chairman

Rt Hon Dame Jenny Shipley, DNZM

### Directors

Joanna Perry, MNZM (Deputy Chair)

Andrew Clements

John Dell

John Leuchars

Graeme Milne, ONZM

Rukumoana Schaaflhausen

## EXECUTIVE MANAGEMENT TEAM

### Chief Executive

Albert Brantley

### Chief Financial Officer

Andrew Donaldson

### Chief Operating Officer

Mike Fuge

### General Counsel and Company Secretary

Maureen Shaddick

### GM Strategy and Business Technology

Sheridan Broadbent

### GM Corporate Affairs

Dean Schmidt

### GM People and Safety

Andrew Steele

## ADDRESSES OF OFFICES

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Auckland 1051, New Zealand

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W: [genesisenergy.co.nz](http://genesisenergy.co.nz)

### Hamilton

660 Victoria Street, Hamilton

500 Victoria Street, Hamilton

Waitomo House, Level 1, 6 Garden Place, Hamilton

### Huntly Power Station

Cnr Te Ohaki and Hetherington Roads, Huntly

### Tokaanu Power Station

State Highway 47, Tokaanu

### Wellington

Level 2, 11 Chews Lane, Wellington

### Christchurch

Level 1, 116 Wrights Road, Addington, Christchurch

## AUDITOR

Andrew Dick of Deloitte has been appointed to perform the audit on behalf of the Auditor-General.

## BANK

Westpac New Zealand

## SOLICITORS

Russell McVeagh

### For further information

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[www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)



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