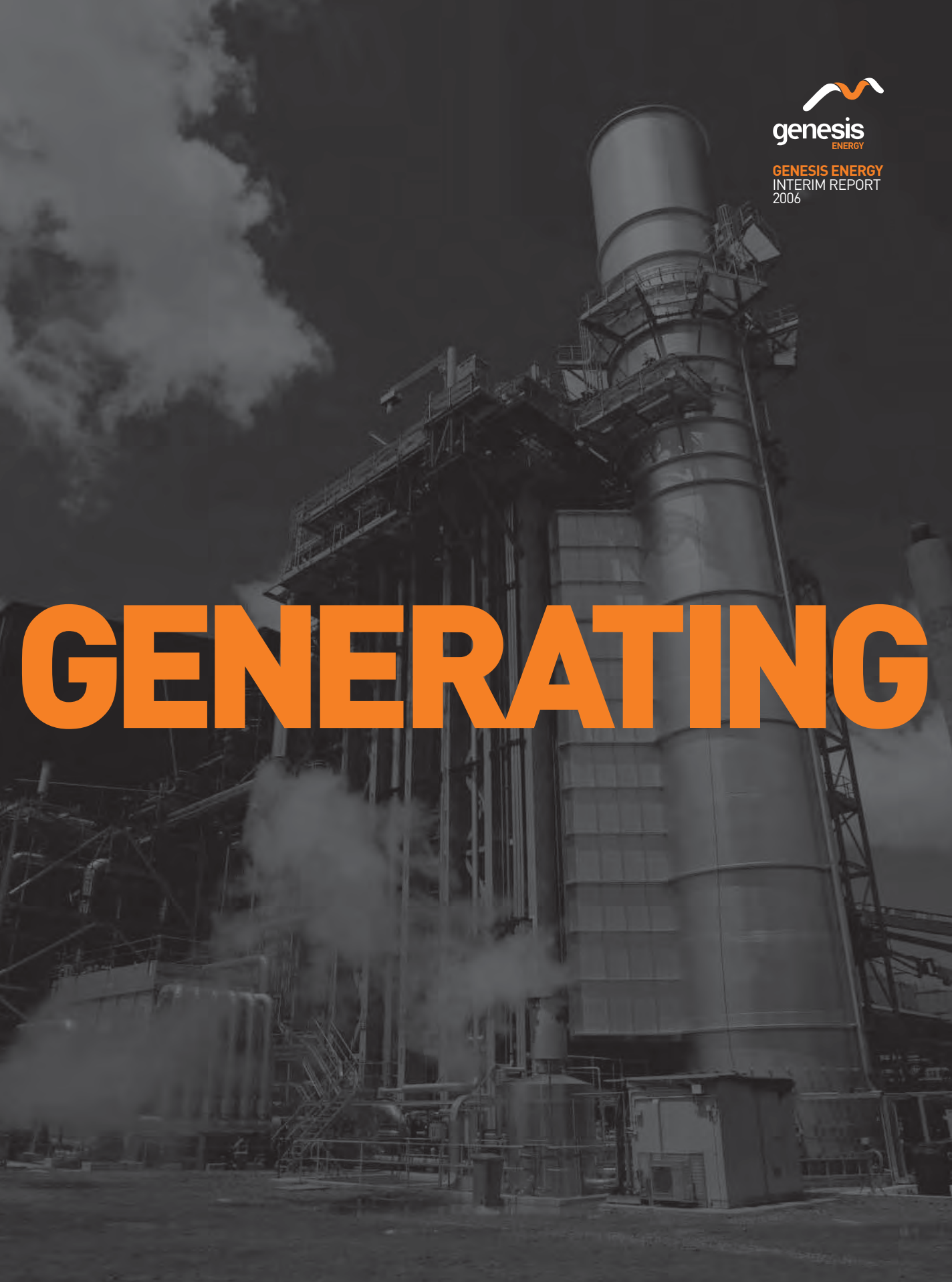




GENESIS ENERGY
INTERIM REPORT
2006

GENERATING



CONFIDENCE

IN A CHALLENGING SIX-MONTH PERIOD, Genesis Energy has worked hard to maintain its long-term strategy whilst answering short-term demand. With demand up and the pressure on, we have continued to generate energy solutions that generate confidence for all New Zealanders, every day, every year.



CHAIRMAN
AND CHIEF
EXECUTIVE'S
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“Our diversity of supply, once again, provided security for our customers.”

► The cold winter of 2006 had a significant impact on the financial performance of Genesis Energy in the six months to 31 December. Net profit after tax increased to \$60 million from \$47.5 million in the same period in 2005.

The profit increase was largely driven by the high volumes of electricity dispatched to the wholesale market. The company's largest power station – the coal/gas-fired 1,040MW station at Huntly – ended the calendar year with a record output of 6,092GWH. Our renewable (hydro and wind) generators added 2,054GWH.

Revenue for the six months was down from \$969 million to \$945 million due to an abundance of water in the second quarter depressing wholesale electricity prices.

Our diversity of supply once again provided security for our 711,000 electricity and gas customers.

NET PROFIT FOR SIX MONTHS TO DEC 2006

\$60m

OPERATING REVENUE

\$945m

GENESIS ENERGY CUSTOMERS

711,000

We had the ability to generate high volumes using coal at Huntly while demand for electricity was at peak levels. A total of 1,153,797 tonnes of coal were consumed at Huntly in the six-month period before demand settled down, allowing us to rebuild our stockpiles, which finished the period at 617,000 tonnes.

The issue of global warming achieved greater awareness in the second half of 2006 with the publication of several reports, a movie featuring Al Gore and the release of the New Zealand Energy Strategy in December 2006. New Zealand emits 80 million tonnes of CO₂ from all sources, including 10 million tonne from thermal power generation.

Genesis Energy has been considering its responsibilities regarding climate change for some time. Our key strategy to reduce our dependence on coal has been to construct the 385MW combined cycle gas turbine at Huntly and plan for another similar plant north of Auckland in the Rodney district with commissioning in 2009. Other strategies are around developing a number of strategic wind farm sites which complement our hydro capability; extracting more efficiency from the existing Huntly plant; reducing carbon emissions from our non-generation activity; and working with our customers to reduce theirs.

Once fully commissioned by winter 2007, the Huntly

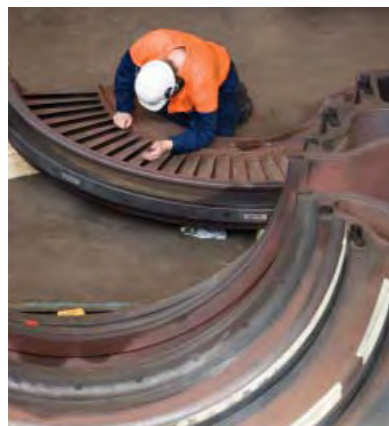
e3p turbine hall



GENERATING RESULTS.

CHAIRMAN AND CEO'S
REPORT 2006

Unit One's refurbishment



e3p



“We thank all stakeholders for their commitment to Genesis Energy in meeting the energy needs of New Zealand”

e3p plant will reduce carbon dioxide emissions by one million tonnes per annum that would otherwise have been emitted by the less efficient coal-burning Huntly plant. A similar reduction in the level of CO₂ emissions will be achieved when the Rodney gas turbine is commissioned.

At the end of the year, Unit One at Huntly Power Station was taken out of service for its scheduled survey and refurbishment, which included the changeover from analogue to full digital control. The control and instrumentation upgrade will enable finer control of the plant and will result in greater efficiency from the fuel consumed.

The Schoolgen programme, launched in November 2006, is another result of our climate change strategy. It is an initiative designed to bring the concepts

of renewable energy to life for primary and secondary-school students in New Zealand.

The pilot school for the Schoolgen project, Westlake Girls' High School in Takapuna, had 12 photovoltaic (PV) panels with a combined output of 2kW installed on the roof of the science block. The panels generate electricity from the energy of the sun and a display screen in the school's science block shows students how much electricity has been generated over a daily, monthly and yearly basis. Students will also be able to learn about the importance of demand management of energy. Five more schools were chosen at the end of the year for PV installations.

While the company is committed to more wind generation, the rising cost of wind turbines, sourced from Europe,

caused us to defer the construction of our planned wind farm at Awhitu, south of Auckland.

A number of commercial factors are working against Awhitu Wind Farm's financial viability. Therefore we have decided to defer construction of the wind farm to allow time to review the project's economics. Awhitu is a consented site and the project will proceed when market conditions improve.

The Rodney Power Station project, announced in late 2005, gathered pace during the second half of 2006. Rodney District Council agreed to investigate the concept of Genesis Energy reusing water from the Helensville Wastewater Treatment Plant for cooling purposes at the company's proposed gas-fired power station. The decision supports Genesis Energy's aim of minimising the

CAPITAL EXPENDITURE

\$78m

FUEL BILL

\$146m

STAFF NUMBERS

466

Murray Jackson with Schoolgen display board



environmental footprint of the power station. Alternative gas-fired generation technologies are being evaluated that will give high efficiency, with the first stage being a nominal 240MW capacity with commissioning in 2009.

Genesis Energy welcomed the September High Court decision that the Environment Court erred in its decision to reduce the term of resource consents for the part of the Tongariro Power Scheme contained within the Manawatu-Wanganui region from 35 to 10 years. The Environment Court will now have to reassess its decision to reduce the term of consent. However, an appeal to the High Court decision has been lodged by Whanganui iwi. Irrespective of the outcome of the High Court hearing and any subsequent action, Genesis Energy is committed to achieving closer working relationships with Whanganui iwi, Ngati Rangi and the Tamahaki Incorporated Society and will continue to try and work proactively with all tangata whenua to address issues related to the impact of the operation of the scheme.

Progress continued in the area of upstream fuel development. During the period, the partners in the Kupe Gas Project awarded the US\$200 million contract for the overall development of the project to global construction specialists, Technip. Testing of the Cardiff onshore Taranaki gas field is continuing with good gas flows from the McKee level.

The proposal to import liquefied natural gas (LNG) also moved forward, with the announcement in October that Port

Taranaki in New Plymouth would be the preferred site for a LNG importation terminal. These projects, plus other new fuel developments, resulted in the establishment of a new Fuels Development team in Genesis Energy's Greenlane office.

The company's diversity message was taken to our customers and the general public through the launch of the Hello Tomorrow advertising campaign. This new brand campaign focused on diversity of our generation assets and the need to keep planning for the future growth of the country's economy.

The company's wide range of community support initiatives was expanded with financial and marketing support of a new Curtain Bank project in Huntly; a financial contribution to the new Turangi Community Health Centre; and support to the Wanganui Splash Centre swimming pool complex.

On behalf of shareholders, directors and management, we thank all our staff and service providers for their commitment to Genesis Energy and the challenges the company faces in meeting the energy needs of New Zealand.

BRIAN CORBAN
CHAIRMAN

MURRAY JACKSON
CHIEF EXECUTIVE

➤ FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	Six months ended 31 December 2006 Unaudited \$'000	Six months ended 31 December 2005 Unaudited \$'000	Year ended 30 June 2006 Audited \$'000
Notes			
Operating Revenue	945,036	969,110	1,984,920
Operating Expenses	(846,316)	(887,510)	(1,842,973)
Net Finance Expense	823	(1,033)	(44)
Surplus Before Taxation	99,543	80,567	141,903
Income Tax	(39,432)	(33,046)	(58,173)
NET SURPLUS FOR THE PERIOD	60,111	47,521	83,730
Operating Surplus comprises:			
Operating Surplus from Continuing Activities	60,111	47,521	83,730
	60,111	47,521	83,730

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY	Six months ended 31 December 2006 Unaudited \$'000	Six months ended 31 December 2005 Unaudited \$'000	Year ended 30 June 2006 Audited \$'000
Notes			
Equity at Beginning of the Period	1,453,228	1,369,556	1,369,556
Net Surplus	60,111	47,521	83,730
Movement in Property Revaluation Reserve	-	-	(58)
Total Recognised Revenues and Expenses	60,111	47,521	83,672
EQUITY AT END OF THE PERIOD	1,513,339	1,417,077	1,453,228

➤ FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31 December 2006 Unaudited \$'000	31 December 2005 Unaudited \$'000	30 June 2006 Audited \$'000
ASSETS			
Current Assets			
Cash and Short-Term Deposits	38,870	9,697	9,609
Accounts Receivable and Prepayments	161,353	207,258	214,835
Taxation Receivable	-	5,322	13,163
Inventory	57,093	36,586	51,435
Finance Lease Receivable	8,917	7,682	7,971
TOTAL CURRENT ASSETS	266,233	266,545	297,013
Non-Current Assets			
Property, Plant and Equipment	1,566,268	1,476,013	1,526,736
Investments	125	188	125
Intangibles	163,970	155,123	161,017
Finance Lease Receivable	51,763	60,686	56,624
Derivative Financial Instruments	7,144	-	-
TOTAL ASSETS	2,055,503	1,958,555	2,041,515
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities	173,602	241,137	231,265
Taxation Payable	6,639	-	-
General Purpose Loans	-	30,500	39,000
Provisions	3,762	10,267	5,283
Derivative Financial Instruments	-	1,606	(55)
TOTAL CURRENT LIABILITIES	184,003	283,510	275,493
Non-Current Liabilities			
General Purpose Loans (Secured)	305,900	220,900	268,500
Provisions	15,654	16,478	16,352
Deferred Taxation	36,607	20,590	27,942
TOTAL LIABILITIES	542,164	541,478	588,287
Equity	1,513,339	1,417,077	1,453,228
TOTAL LIABILITIES AND EQUITY	2,055,503	1,958,555	2,041,515

➤ FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CONSOLIDATED STATEMENT OF CASH FLOWS	Six months ended 31 December 2006 Unaudited \$'000	Six months ended 31 December 2005 Unaudited \$'000	Year ended 30 June 2006 Audited \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers	996,379	961,018	1,958,321
Interest Received	1,689	181	1,745
Taxation Credits	1,472	-	7,067
	999,540	961,199	1,967,133
Cash was applied to:			
Payments to Suppliers	856,701	822,652	1,693,713
Payments to Employees	23,852	20,870	41,312
Interest Paid and Other Charges	866	1,214	1,789
Taxation Paid	12,437	18,243	50,926
	893,856	862,979	1,787,740
NET CASH FROM/(TO) OPERATING ACTIVITIES	105,684	98,220	179,393
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Property, Plant and Equipment	-	54	87
Principal Repayments of Finance Lease	1,833	1,562	3,255
Advances and Loans	-	-	112
Sale of Investments	-	21,000	21,000
Proceeds from Other Assets	-	109	-
	1,833	22,725	24,454
Cash was applied to:			
Gas Exploration and Development	8,461	4,683	19,032
Purchase of Investments and Intangibles	420	-	-
Purchase of Property, Plant and Equipment	60,631	113,492	238,233
Purchase of Derivative Financial Instruments	7,144	-	-
	76,656	118,175	257,265
NET CASH FROM/(TO) INVESTING ACTIVITIES	(74,823)	(95,450)	(232,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from Borrowings	-	17,000	73,100
	-	17,000	73,100
Cash was applied to:			
Repayment of Principal on Borrowings	1,600	18,238	18,238
	1,600	18,238	18,238
NET CASH FROM/(TO) FINANCING ACTIVITIES	(1,600)	(1,238)	54,862

➤ FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

CONSOLIDATED STATEMENT OF CASH FLOWS – CONTINUED	Six months ended 31 December 2006 Unaudited \$'000	Six months ended 31 December 2005 Unaudited \$'000	Year ended 30 June 2006 Audited \$'000
Net increase/(decrease) in Cash Held	29,261	1,532	1,444
Cash Balance at Beginning of the Period	9,609	8,165	8,165
CASH BALANCE AT END OF THE PERIOD	38,870	9,697	9,609
COMPOSITION OF CASH			
Cash and Bank Balances	11,870	9,697	9,609
Short-Term Deposits	27,000	-	-
	38,870	9,697	9,609
RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES			
Net Surplus for the Period	60,111	47,521	83,730
Add/(less): Non-Cash Items			
Depreciation	26,014	24,813	51,229
Amortisation	11,096	10,489	20,978
Movement in Deferred Taxation Provision	8,665	3,155	10,507
Movement in Rehabilitation Provision	-	(4,095)	(9,239)
Movement in Mitigation Provision	-	6,657	-
Net (Loss)/Gain on Sale of Assets	2,391	(29)	125
Other Non-Cash Items	(3,421)	(295)	(747)
	104,856	88,216	156,583
Add/(less): Movements in Working Capital Items			
Movement in Accounts Receivable and Prepayments	53,481	8,185	609
Movement in Inventories	(5,658)	27,199	12,350
Movement in Accounts Payable and Accrued Liabilities	(59,555)	46,113	34,579
Movement in Taxation Payable/Receivable	19,802	11,648	3,807
	8,070	93,145	51,345
Add/(less): Items Classified as Investing Activities			
Proceeds from Disposal of Subsidiaries (2004)	-	(21,000)	(21,000)
Capital Expenditure Reclassified as Investing Activities	(7,242)	(62,141)	(7,535)
	(7,242)	(83,141)	(28,535)
NET CASH FROM OPERATING ACTIVITIES	105,684	98,220	179,393

STATEMENT OF ACCOUNTING POLICIES**BASIS OF PREPARATION**

These unaudited interim financial statements cover the six-month period ended 31 December 2006. They have been prepared in accordance with Financial Reporting Standard 24 (FRS 24: Interim Financial Statements) and should be read in conjunction with Genesis Power Limited's ("Genesis Energy") Annual Report for the year ended 30 June 2006.

ACCOUNTING POLICIES

There have been no changes in accounting policies from those applied in Genesis Energy's Annual Report for the year ended 30 June 2006. Comparatives have been restated to reflect the current period's classification where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	Six months ended 31 December 2006 Unaudited \$'000	Six months ended 31 December 2005 Unaudited \$'000	Year ended 30 June 2006 Audited \$'000
1. NET FINANCE EXPENSE			
Interest Expense and Other Charges	866	1,214	1,789
Interest Income	(1,689)	(181)	(1,745)
NET FINANCE EXPENSE	(823)	1,033	44
2. COMMITMENTS			
CAPITAL COMMITMENTS			
Capital Expenditure Commitments	77,406	120,716	204,427
FUEL AND TRANSPORT COMMITMENTS			
FUEL COMMITMENTS			
The company has contracted to purchase coal and gas supplies for future thermal generation and retail gas sales requirements. The contracts are for varying periods, annual quantities and prices. The coal contracts include a supply of approximately 249.6 PJ of coal with one major contract extending out to 30 June 2014. In addition, at 31 December 2006 the coal stockpile was approximately 13.6 PJ. The firm gas contracts amount to approximately 439.8 PJ with two contracts extending out 14 years.			
COAL TRANSPORTATION COMMITMENT			
The company has contracted an independent third party to provide coal transportation facilities from the Port of Tauranga to the Rotowaro rail receipt facility for a fixed annual charge of \$1.0 million per annum, plus a per tonne freight cost for coal transported. The contract extends out 14 years with a right of renewal for a further two five-year terms.			
COAL RECEIPT FACILITY COMMITMENT			
The company has committed to a fixed annual rental and service fee of \$1.7 million charged over the life of the contract for coal receipt facilities. The contract extends out seven years to 30 June 2014.			
OPERATING LEASE COMMITMENTS			
Within One Year	7,627	5,876	7,810
Between One and Two Years	6,824	5,665	6,873
Between Two and Five Years	19,209	14,506	19,314
Later than Five Years	35,955	44,744	39,114
OPERATING LEASE COMMITMENTS	69,615	70,791	73,111

3. CONTINGENT ASSETS AND LIABILITIES

The following matters have not been reflected in the financial statements because of the uncertainty associated with their outcomes:

LAND CLAIMS

Genesis Energy acquired interests in land and leases from ECNZ on 1 April 1999. These interests in land and leases may be subject to claims to the Waitangi tribunal and may be resumed by the Crown. Genesis Energy would expect to negotiate with the new Maori owners for occupancy and usage rights of any sites resumed by the Crown. Certain claims have been brought to or are pending against ECNZ and/or the Crown under the Treaty of Waitangi Act 1975. Some of these claims may affect land and leases purchased by the company or its subsidiaries from ECNZ. In the event that land is resumed by the Crown, there is provision for compensation to Genesis Energy.

LAWSUITS AND OTHER CLAIMS

Carter Holt Harvey

Carter Holt Harvey commenced proceedings on May 2001 in the High Court against Genesis Energy as first defendant and Rolls-Royce as second defendant in connection with a co-generation agreement between ECNZ and Carter Holt Harvey signed in 1995. Carter Holt Harvey alleges failure to deliver in accordance with the agreement, and also alleges defects in the Kinleith CoGeneration plant and seeks damages.

EFFECT ON OPERATIONS

The Directors of Genesis Power Limited cannot reasonably estimate the adverse effect (if any) on Genesis Energy if any of the foregoing claims are ultimately resolved against Genesis Energy's interest, or any contingent or currently unknown cost or liabilities crystallise. There can be no assurances that such litigation or costs will not have a material adverse effect on Genesis Energy's business, financial condition or results of operations.

4. RESOURCE CONSENTS

Genesis Energy requires land, air and water consents, obtained under the Resource Management Act 1991, to enable it to operate its thermal, hydro and wind-powered power stations. The duration of the consents varies up to a maximum of 35 years. The current resource consents within which the power stations operate are due for renewal at varying times. The renewal dates are fixed by the expiry date of the consent. Most consents are subject to periodic reviews.

5. EVENTS OCCURRING AFTER BALANCE DATE

There have been no events subsequent to the balance date which require disclosure in or adjustment to the financial statements.

6. OVERVIEW OF IMPACT OF TRANSITION TO NZ IFRS

The differences between existing New Zealand Generally Accepted Accounting Practice (NZ GAAP) and New Zealand International Financial Reporting Standards (NZ IFRS) identified as potentially having a significant effect on Genesis Energy's consolidated income statement and balance sheet were previously reported in the Genesis Energy Annual Report for the year ended 30 June 2006.

The impact of transition to NZ IFRS from existing NZ GAAP is set out in the table following. The table details the impact on consolidated equity (including its components), total liabilities and total assets as at 1 July 2006, being the date of transition.

	Share Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000	Total Liabilities \$'000	Total Assets \$'000
Total Reported under NZ FRS (NZ GAAP) at 30 June 2006						
NZ IFRS Adjustments	540,565	355,503	557,160	1,453,228	588,287	2,041,515
Adjustments Resulting in an Increase in Equity						
Recognition of Derivative Financial Instruments		(1)	7,385	7,384	13,026	20,410
Adjustments Resulting in a Decrease in Equity						
Recognition of Finance Leases		(2,157)		(2,157)	26,536	24,379
De-recognition of Provisions		(55)		(55)	55	
Increase in Deferred Tax Liability		(91,378)	(108,097)	(199,475)	199,475	
Other Adjustments						
Reclassification of Reserves		216,529	(216,529)			
Reclassification of Other Assets and Liabilities					(481)	(481)
Total NZ IFRS Adjustments		122,938	(317,241)	(194,303)	238,611	44,308
TOTAL RESTATED UNDER NZ IFRS AT 1 JULY 2006	540,565	478,441	239,919	1,258,925	826,898	2,085,823

The actual impact of adopting NZ IFRS may vary from the information presented and that variation may be material.

At the date of issue the impact on these Financial Statements (for the period ended 31 December 2006) under NZ IFRS had not been quantified, and a reliable estimate is not yet available.

 DIRECTORY

BOARD OF DIRECTORS

CHAIRMAN

BRIAN CORBAN, QSO

DIRECTORS

GERALDINE BAUMANN
KENNETH MICHAEL WILLIAMS
IAN KUSABS
JOHN STACE

DENIS McNAMARA
ANNABEL COTTON
DR NICOLA CRAUFORD

EXECUTIVE MANAGEMENT TEAM

CHIEF EXECUTIVE

MURRAY JACKSON

GENERAL COUNSEL AND COMPANY SECRETARY

MAUREEN SHADDICK

GENERAL MANAGER FINANCE

MARK ANDERSON

GENERAL MANAGER RETAIL

DEAN CARROLL

GENERAL MANAGER PRODUCTION

BOB WEIR

GENERAL MANAGER CORPORATE AFFAIRS

MALCOLM ALEXANDER

GENERAL MANAGER FUEL DEVELOPMENT

ALLAN MELHUIH

GENERAL MANAGER CORPORATE SERVICES

PEGGY MOLYNEUX

GENERAL MANAGER GENERATION DEVELOPMENT

RICHARD PEARCE

GENERAL MANAGER ENERGY ONLINE

NIC McCONDACH

CORPORATE OFFICE

THE GENESIS ENERGY BUILDING 602 Great South Road,
PO Box 17188, Greenlane, Auckland.
Telephone 64 9 580 2094. Facsimile 64 9 580 4894.

CUSTOMER CONTACT CENTRE

0800 300 400

GENESIS ENERGY WELLINGTON

THE GENESIS ENERGY BUILDING Level 1, 93 The Terrace,
Cnr Woodward St & The Terrace, PO Box 10568, The Terrace,
Wellington. Telephone 64 4 495 6350. Facsimile 64 4 495 6363.

GENESIS ENERGY NEW PLYMOUTH

THE GENESIS ENERGY BUILDING Ground Floor,
Cnr Gill & Liardet Streets, PO Box 8143, New Plymouth.
Telephone 64 6 759 1841. Facsimile 64 6 759 1843.

GENESIS ENERGY HAMILTON

THE GENESIS ENERGY BUILDING Ground Floor, 660 Victoria Street,
PO Box 1406, Hamilton. Telephone 64 7 857 1699.

AUDITOR

BRUCE TAYLOR of Deloitte has been appointed to perform
the audit on behalf of the Auditor-General.

BANKER

WESTPAC

SOLICITORS

RUSSELL McVEAGH

WEBSITE

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FOR FURTHER INFORMATION

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DESIGN

DesignWorks|Enterprise|16



