

Chairman's Address to Contact Energy 2017 Annual Meeting of Shareholders

For immediate release

Wednesday 11 October 2017

It's great to see all of you here today and to have the opportunity to talk to you about Contact's performance for the year and our focus for the future.

Living our Tikanga is all about delivering value to our broad range of stakeholders. Our challenge is to deliver competitively priced products and services to customers that they value, ensuring we have the right amount of safe and reliable energy supply, while managing our business in an environmentally and financially sustainable way.

Engagement and diversity are key enablers to success

I have a strong belief that success in any organisation starts with striving for best-in-class engagement to build strong relationships with customers, employees and stakeholders. To deliver on this goal, diversity within an organisation is crucial. It's about ensuring your organisation is reflective of the society in which it operates – true diversity leads to better ideas, problem solving and ultimately performance. Diversity of ideas and thought, backgrounds, gender and ethnicity is hugely important to the Board and we encourage other NZ listed companies to take steps to embrace this more actively.

Contact's Board has equal gender representation, and this month Contact was named number one out of 6,000 internationally publicly listed companies in the Thomson Reuters Diversity and Inclusion index. This year we implemented our Diversity and Inclusion policy which sets out our intentions as a company and introduced even greater transparency in our public reporting of diversity measures. Details are in our recent annual report.

Our businesses have distinct areas of focus

We have two distinct businesses with different strategic drivers that are in different phases. Our Generation business continues to be about the efficient production of electricity and managing wholesale market risk. As market conditions do not require us to build any new plant in the short term, the team's focus is on continuous improvement, and looking at opportunities for innovation in order to get even better at what we do. This will help to further reduce the cost of energy and extend the life of our generation assets. Our Customer business is about solving problems for customers within a fast-paced environment. This requires us to leverage new technology and be more agile in delivering a best-in-class customer experience.

Your Board spent some time this year reviewing the strategic direction of Contact and ensuring that we were creating and growing value for shareholders. The Board engaged deeply with management and external experts and remain comfortable that our company is on the right path. This was a hugely important exercise for the Board and gave us confidence in revising the Distribution policy, which I will come to later.

Last year I talked to you about Contact proving it can be a great retailer and continue to leverage its generation business for the benefit of shareholders and shortly Dennis will talk about the great progress he and the team have made during the year in these areas.

Delivering financial returns for shareholders

In the 2017 financial year EBITDAF was \$494 million, down \$29 million as a result of unfavourable hydrology. Our statutory profit was \$150 million, up from a \$66 million statutory loss reported last year, which contained impairments. Our operating free cash flow was \$300m, down 15%.

We have delivered a dividend of 26 cents per share (totalling \$186 million), consistent with last year, while also reducing debt by \$106 million.

We have also changed our distribution policy to target an average ordinary dividend of between 80-90% of operating free cash flow once our key debt metric is achieved. In the 2018 financial year we are targeting an ordinary dividend of 32 cents per share, a 23% increase on FY17, while continuing to reduce our debt, so that our net debt to EBITDAF ratio falls to 2.8 times. This will trigger a Board re-assessment of the ordinary dividend for the following year.

I'd like to take this opportunity to thank you all for your ongoing support of Contact, the Board and Leadership team.

Later on you will hear from Victoria Crone and Rob McDonald, who retire from the Board by rotation, and are standing for re-election.

But now I will hand over to Dennis for an overview of the year.

ENDS